EVENT:	DOREL INDUSTRIES Q3 CONFERENCE CALL
TIME:	13H00 E.T.
REFERENCE:	DOREL INDUSTRIES-CC-110311
LENGTH:	43 MINUTES
DATE:	NOVEMBER 3, 2011

OPERATOR: Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to the Dorel Industries third quarter results conference call.

At this time all participants are in a listen-only mode. Following the presentation we will conduct a question-and-answer session with instructions provided. If anyone has any difficulties hearing the conference, please press *0 for operator assistance at any time.

Before turning the meeting over to management, please be advised that this conference call will contain statements that are forward-looking and subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated.

I would like to remind everyone that this conference call is being recorded on Thursday, November 3rd, 2011.

I will now turn the conference over to Martin Schwartz, President and Chief Executive Officer. Please go ahead, sir.

MARTIN SCHWARTZ (President and Chief Executive Officer, Dorel Industries Inc.): Thank you. Well good afternoon and welcome to Dorel's third quarter conference call for the period ended September 30th, 2011. With me are Jeffrey Schwartz and Frank Rana.

We'll take your questions following our comments. And a reminder that all numbers mentioned are in U.S. dollars.

We issued two press releases earlier today. And I will first address our transaction in South America, which will significantly increase our juvenile presence in that region, something that we are quite excited about.

As we have always stated, our objective is to penetrate new territories through geographic expansion, a strategy that has served Dorel well in the past. Another important factor has been to identify a local partner, such as we have done in Australia and Brazil. We have satisfied both these goals with today's announced transaction. An agreement has been signed to acquire a 70-per-cent interest in Silfa, a group which owns and operates the popular Infanti brand in Chile, Bolivia, Peru and Argentina. We should close within the next two months, and the deal will be immediately accretive to earnings. Silfa's 2010 sales were approximately $58 million U.S. Infanti, which has a very broad line is the most popular juvenile product brand in South America, and has the leading market position. Their products cater to all price points with a focus on opening to mid-price. Silfa also represents a number of other brands at the wholesale level, including Dorel's Maxi-Cosi and Safety 1st.

Through this transaction Dorel is also getting into the juvenile retail business with Silfa's chain of 52 baby and fancy specialty shops, 40 in Chile and 12 in Peru. The baby and fancy retail stores currently sell a number of Dorel brands, as well as several other well-known competitive labels. And it is our intention to continue to develop the business on this existing platform.

We already have a good relationship with Silfa, having worked with them for several years. Dorel will be providing our resources to grow faster in South America, a market with great potential, than Silfa could have done alone. Our involvement in retail may be new, but we are partnering with an excellent group, which has maintained sustained growth for 10 years. The baby and fancy stores will provide us with an important strength to better serve our markets through immediate consumer feedback.

With our previous initiatives in Australia and Brazil, we have developed a proven business model. The deal further solidifies our position as a true global leader in the juvenile industry. We look forward to great things from this new partnership.

Turning to the third quarter results, the performance from our juvenile segment, particularly in the U.S., was disappointing. Results were at an acceptable level due to rapidly increasing input costs and consumers who are still very conservative in their spending. This meant we could not pass the majority of higher costs on to our customers.

Recreation/leisure maintains its momentum as the Cannondale brand become increasingly synonymous with product innovation. We also saw improvements from prior year in sales to mass merchants. All furnishing sales were down single digits as POS levels were affected by the weak economy. Nonetheless, home furnishing continues to be a good generator of cash. In fact for Dorel as a whole, year-to-date cash flow generation is up over $30 million from last year due to improved working capital management, principally in inventory reductions.

Now some highlights from our segments. Third quarter revenue and operating profits were down in the majority of the juvenile segment divisions, with the most significant decline at DJG in the U.S. Higher input costs, mainly resin, significantly reduced earnings as the ability to pass on these higher costs to customers has been limited. Resin costs have started to come down, which will provide some relief as the company moves into the fourth quarter and next year.

In Europe sales were down less than 3 per cent when converted to U.S. dollars and were most pronounced in Southern Europe. Car seat sales were down slightly. However, feedback from European retailers is that Dorel Europe is still outpacing the market.

We are pleased with the recent progress made in what we call our international brands, Quinny and Maxi-Cosi. These are two excellent names we've brought to the U.S. and Europe a few years ago, but had accomplished little with; something that is now changing thanks to our greater commitment from Dorel. We've hired a seasoned industry specialist to oversee the development of these brands, and the results have been most satisfying. With its dedicated leadership, sales of these brands are up over 40 per cent from last year's level. For the first time, both brands were featured with a dedicated booth at September's major U.S. Juvenile Product Show. Keeping things in perspective with DJG's overall numbers, the international brands contribute only a small percentage. But this is growing nicely and the brand positioning is very important for our U.S. juvenile operations.

Recreation/leisure's positive performance was again due to the strong sales in the IBD channel. Normally a slower quarter, Cannondale sales remained robust. Product innovation continues to drive interest in all of the segments' brands. This was evident at September's two major bike shows in Europe and the U.S. where various new models were introduced and were very well received. Cannondale received wide acclaim at EUROBIKE with a gold medal in the Road category for the 2012 SuperSix EVO Ultimate and the Bike of the Year Award from a prestigious German bike magazine for the Downhill Jekyll. EUROBIKE judges cited EVO's ingenious frame technology. Pacific Cycle sales to mass merchants also improved over last year.

The Schwinn marketing campaign further increased awareness of the iconic brand, and this was reflected in greater POS levels. Additional marketing dollars are being applied to promote Mongoose, which was part of the Dew Tour, a major action sports event, including BMX bicycle racing held over the past two months. Mongoose was the official bike partner of the tour, which is an ideal platform as it allows direct interaction with our core consumers and opens up a whole new generation to our Mongoose products. In addition, the partnership with the tour underlined our heritage as the original BMX brand. The event attracted extensive national television coverage. We've also lined up a spring campaign at a major retailer for our Iron Horse bikes.

Fourth quarter bike shipments for the upcoming holiday season are well on track and have been given a boost by one mass merchant's decision to reinstate its layaway plan, something they have not done for several years. We have made some needed changes at our apparel division, our third recreation/leisure business. We have put a new management team in place, which is rebuilding the business. We know that the product is good and the SUGOI brand is strong. We have shown the spring 2012 line and preliminary orders are higher than a year ago at this time.

To make operations more efficient and to increase the division's profitability, we have outsourced the custom apparel business. There is some one-time costs associated with these changes, which Jeffrey will provide to you.

While a small part of the overall company, we are focused on executing properly and making SUGOI an earnings generator. The difficult U.S. economy continued to affect home furnishings POS levels at retail, yet the segment's various divisions maintain their market share. A principal factor of the sales decline has been Cosco Home and Office decision to exit unprofitable product SKUs. RTA furniture sales were down from prior year, but increases in other furniture lines, mainly upholstered furniture and futons, have offset some of the decreases.

I will now ask Jeffrey to detail the financials.

JEFFREY SCHWARTZ (Executive Vice President, Chief Financial Officer and Secretary, Dorel Industries Inc.): Thank you, Martin.

I’m going to jump right into the segment details, starting with juvenile, and I’ll be focusing on the third quarter figures. Our third quarter revenue was 227 million in 2011 for juvenile as compared to 248.4 million in the prior year. Organically, the revenue decline was 13 per cent. Our operating profit for ’11 was 4.9 million, a decrease of 78 per cent from 22.4 million in 2010. As Martin highlighted, the earnings decline was most significant was in the U.S.

I do want to remind people that from a revenue standpoint in 2011 we have chosen not to sell cribs in the U.S. market. And this has had an impact on our decreasing sales. In fact for the year-to-date number, the crib business or the stepping away from the crib business resulted in 18 per cent of the decline for the whole segment worldwide.

Gross margins in the quarter were 22.1 per cent, a decrease of 430 basis points from 26.4 per cent in 2010. As we’ve pointed out before, the biggest factor in the lower margins was DJG USA where the majority of higher input costs, principally resin, was not passed on to the customers.

Europe also had some negative impacts from higher input costs, although there it was much less significant. Another unexpected development in the quarter was the sudden increase in the value of the U.S. dollar at quarter-end, and as a result several of the segments' divisions recorded unrealized foreign exchange losses, which totalled about $2 million in the quarter. Since then, the U.S. dollar has declined somewhat, and as we all see, it's bouncing around quite a bit in the last few days. So we do expect to get some of that loss back, but the exact amount will depend on where the dollar finishes at the end of the year.

Our SG&A costs for the quarter increased $1.9 million. However, this was caused by exchange rate variations year over year as opposed to actual spending increases. Note that product liability costs in the quarter were 1.6 million in 2011 compared to 800,000 last year. And year to date these costs were 7.3 million this year versus 7 million last year.

Moving over to the rec and leisure, third quarter revenues increased by 37 million, or 21.6 per cent to 209.8 million compared to last year's 172.5 million. Organically the sales increase in the quarter was 18 per cent. The sales increase continues to be driven by strong sales through the IBD channel of road bikes in North America and mountain and road bikes in Europe. The sales success of our high-end bicycles continues and our Cannondale brand is becoming aspirational among serious riders.

Operating profits for the quarter improved by 900,000, or 9.8 per cent to 10 million compared to 9.1 million last year. However, a couple of large items reduced the earnings improvement. In bicycles, similar to juvenile, the strong U.S. dollar at the end of the quarter reduced our gross margins by approximately 100 basis points, or 2 million in the quarter. A larger drag on earnings was a decline in profitability of approximately 2.5 million at our apparel group. The decrease was due mainly to the write-down of excess inventories from prior year models and a one-time cost of 800,000 related to a strategic decision to outsource the custom manufacturing part of our business to a third party as opposed to manufacturing in house. It is anticipated in the fourth quarter additional one-time costs of 1.5 million will be incurred as part of this initiative.

Excluding the decline in earnings at the division, the operating profit in this segment would have increased by over 35 per cent as opposed to the 9.8 per cent that we recorded.

Home furnishings for the quarter, home furnishings revenues decreased to 138.9 million from 148.5 million, a decrease of 9.6 million, or 6.5 per cent. Operating profit in the quarter decreased by 400,000 to 6.7 million, down slightly from the 7.1 million in the prior year. In the quarter one of the principal drivers of the sales decline was the decision to exit unprofitable SKUs sold by Cosco Home and Office division as it became strategically advantageous to no longer sell those items.

Gross margin in the quarter was 11.3 per cent, a decline of 40 basis points from the 11.7 recorded in the prior year. And similar to the juvenile segment, cost increases on steel, textiles, as well as other inputs, are affecting margins.

Though earnings are down, as Martin mentioned, this segment is a solid cash flow generator for us and has had a very good return on our invested capital over the last few years.

So overall revenues for the whole company in the third quarter increased by 6.3 million, or 1.1 per cent to 575.8 million. However, the organic revenue decline in the quarter was actually 2 per cent. After-tax earnings were 23.1 million compared to 30.6 million recorded in the prior year. Diluted earnings per share were $0.71 this year compared to 92 per cent last year.

After-tax earnings were helped by an income tax benefit of 6.2 million in the Netherlands where the juvenile segment's new product research and development program qualified for the Dutch government's Innovation Box program. This program is intended to simulate local R&D development, and due to its successful qualification, the company's

Netherland-based division will benefit from a lower tax rate in the current and several prior taxation years. The lower rate in the Netherlands is anticipated to remain in effect going forward.

As a result, our year-to-date tax rate is 6.4 per cent compared to 16.2 recorded last year. Note that if the 6.2 million recovery recorded is excluded, this year's tax rate would have been 13.9 per cent, more in line with previous year.

However, due principally to the impact of the Innovation Box tax recovery, the rate for this year is now expected to be in the 8- to 12-per-cent range, down previously from our 15- to 20-per-cent range that we had guided everybody to so far this year.

As we stated in the past, we estimate the appropriate level for this business to be between 450 million and 470 million. As a result of the management focus on right-sizing the inventory levels, the balance as at September 30th, 2011 was actually a bit lower at 446.4 million. This was part of our improved working capital management plan and it allowed us to generate cash flow from operating activities of 105.8 million compared to 72.5 million last year. The increase of 33.3 million was despite our lower year-over-year tax earnings of 24.5 million.

In terms of capex, cash used for investing was 37.8 million this year, consistent with 37.2 last year. And our net debt position decreased from the yearend levels by 39 million. This decline in net debt would have been greater, but we were active in buying back shares as part of our NCIB program. And under this program, we purchased for cancellation 575,400 shares at an average price of $23.52.

So with that I will pass it back to Martin.

MARTIN SCHWARTZ: Okay. Thank you, Jeffrey.

As we move through the fourth quarter we anticipate that the juvenile segment will reverse its downward earning trend and the segment is expected to post similar revenues to last year's fourth quarter. So hopefully due to lower costs, earnings will move towards fourth quarter 2010 levels, but gross margins will be lower than last year. Senior management is focused on addressing this segment's issues, and we are expecting improvements through 2012.

I'm delighted with the juvenile acquisition we announced today. The transaction is intended to extend our reach in a market we believe has great growth potential and provides Dorel with an important brand in Chile, Bolivia, Peru and Argentina, further solidifying our position as a global leader in the juvenile product industry. It will be immediately accretive to earnings and responds to our corporate objective of growing juvenile through geographic expansions.

Recreation/leisure continues to perform well, and we see no change in this positive trend through yearend. Driven by exciting new innovative product, consumers have embraced our various brands. Cannondale has had an excellent year and we see this growth continuing. Pre-holiday sales to mass merchants have been good, helped by a major retailer’s decision to reinstate its layaway plan.

In home furnishings, we expect the fourth quarter to be improved over last year. Overall, we believe that the worst is over for Dorel and going forward we expect to return to a better level of performance.

We now invite your questions. And I’d kindly ask you to limit your first round to two questions only. Operator, please open up your lines for questions.

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question-and-answer session. If you have a question, please press the * followed by the 1 on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. Please ensure you lift the handset if using a speakerphone before pressing any keys. Once again, ladies and gentlemen, if you do have a question at this time, you may press the * followed by the 1.

Your first question today comes from Jessy Hayem with TD Securities. Please go ahead.

JESSY HAYEM: Thank you. Good afternoon. Starting with the juvenile business in the U.S., I'd like to dig a little deeper here on the weakness in the top line. And I understand the mass market consumer is more vulnerable, birth rates are lower, and more hand-me-downs are used, but you have mentioned in the past that there are some internal development issues, product development issues. Are these starting to weigh more on the business? And if so, what are the steps that management's taking to address these issues, if any?

MARTIN SCHWARTZ: Yes, okay. Well, I think a key element, I mean certainly if we had, you know, no matter how good a product you have, you can always do better. So certainly if we had better product the decline would be less. But, you know, I think a lot of this has to do with product listings. I know that in the fourth quarter, we're starting to ship some of the new listings that we have for next year. And that's why we're confident that we're getting, you know, our sales numbers are going to start to look much better versus comps.

So, you know, maybe some of the sales decline this year was related to that factor, but, you know, some of the new product that we're putting in is getting us back. So, yes, we can do a better job there, but you know, the market is certainly the biggest impact that we've got on sales.

JESSY HAYEM: Okay. Well I guess the reason why, you know, the closest comparable is you know we have is Newell's Baby and Parenting division, and they were down far less than Dorel in the quarter. I'm just trying to, you know, understand or reconcile the difference in the performance. Do you feel you're losing market share at this point in the U.S.?

MARTIN SCHWARTZ: Not… I mean again, I don't know their numbers, I don't know, you know, what's going on where. But, you know, again, we know looking forward we're not, you know, we're looking at the fourth quarter, I'm not talking about next year. But by the fourth quarter already we believe we're going to start to comp better than, materially better than we have. So difficult to say. You know, it's just the quarter that our numbers were down; maybe timing. Maybe we shipped something in October, they shipped something in September, I don't know.

JESSY HAYEM: Okay, fair enough. And now maybe a quick one on recreation and I'll circle back. Obviously very, very solid results, you know, 18 per cent in the quarter. You know, again trying to gauge of how much that is recurring. I mean, you did mention this is a difficult quarter for Cannondale, and yet you're having this performance. I guess what are you seeing? A) is there something particular that drove this? And B, you know, can we expect a similar performance going forward, and what would be a sustainable growth rate that we can kind of model?

MARTIN SCHWARTZ: Well, it's difficult to forecast an actual, especially an earnings growth rate other than to say, you know, this momentum is going to continue. You know, when you're off of a smaller base, it's easy to do very large increases, but as the base gets bigger, that percentage is not going to be, you know, maintained.

But the general trend and the general direction of the company growing both its top line and its bottom line we're very, very comfortable with. Having a difficult time, I'm not ready to forecast any numbers on that.

JESSY HAYEM: Okay, great. Thank you. I'll circle back.

OPERATOR: Your next question comes from Anthony Zicha with Scotia Capital. Please go ahead.

ANTHONY ZICHA: Hi, good afternoon. Martin, with reference to the retailers, particularly in the juvenile division, are you seeing them increase their market share of private-label products?

MARTIN SCHWARTZ: We don’t see very much private label at all in the juvenile. In home furnishings, you see a lot of it. For example, you see private label in home furnishings, but we’re, you know, a good part of supplying some of the private labels. But it’s really not much of an effect if anything in juvenile.

ANTHONY ZICHA: Okay. So there’s nothing (inaudible). Also you mentioned that you expect Q4 to be similar to last year. Have you put in some price increases going into Q4? I realize that you’re shipping new product listings as well. But at the same time, are you putting some (inaudible...)?

JEFFREY SCHWARTZ: That’s not a material aspect. Part of it is also just, you know, the new listings versus last year, not having those new listings. I mean, we certainly lost a few SKU placements last year and that showed up in our numbers this year. And I think Q4 is probably that first quarter where you start to see that.

ANTHONY ZICHA: Okay. And then last but not least, with reference to your tax rate going forward, what should we be looking at? You gave us an idea, but is it fair to say it could be somewhere closer to the 12-per-cent level for next year, or give us a range?

JEFFREY SCHWARTZ: Well, I gave you this year. Next year's still a little early. We haven't, you know, finished calculating it. I guess the tax savings in the Netherlands is permanent, or for the foreseeable future.

ANTHONY ZICHA: Right.

JEFFREY SCHWARTZ: So that's going to be in there. And again, mix changes it. So you know where we've always been 15 to 20, maybe we'll be down a point or two. But there's still going to be that range.

ANTHONY ZICHA: Okay. So, lower base then.

JEFFREY SCHWARTZ: Yes, I mean there's still, you know, and then we got to factor in the acquisition, which again, it's all early days. We haven't even closed the acquisition. But that's probably going to have an impact on the tax rate. But I guess, you know, the lower end of 15 to 20 is probably safe.

ANTHONY ZICHA: Okay. Thanks, Jeffrey. And by the way there's a bad echo, so you're kind of breaking up on our end.

JEFFREY SCHWARTZ: Yes. I know.

MARTIN SCHWARTZ: We don't know what it is. I'm sorry. It's both ways.

JEFFREY SCHWARTZ: Yes, you're breaking up as well, so we're trying to figure it out.

ANTHONY ZICHA: Okay. Thank you.

OPERATOR: Your next question comes from Mark Petrie with CIBC World Markets. Please go ahead.

MARK PETRIE: Hi, good afternoon. Sorry, just to come back to the outlook on the juvenile business, is it your expectation then that the industry is still in decline, or the category is still in decline in general, and it's your new listings that are going to enable you to hold sales flat?

JEFFREY SCHWARTZ: I'm trying to figure out how to answer that. Is it still declining? I don't know. Is the industry getting better? Again, I don't know. I don't know that it's declining anymore. I think that's maybe the point. It's not getting worse, but we're not foreseeing it getting better per se.

MARK PETRIE: And would you say that holds for Europe as well, or are we just strictly talking mass in the U.S.?

JEFFREY SCHWARTZ: Europe, well Europe is… yes, Europe's a tough one. You know, the economy there is much more volatile. We're just finding, you know, the northern part of Europe is doing fine and the southern part is really, really struggling. So that hasn't changed.

MARK PETRIE: Okay. Thanks. And just in terms of the bike business, how much of the sales growth there is driven by you guys adding new dealers versus, you know, better sell-through at existing dealers or, you know, pricing? And sorry, just talk about pricing versus volume.

JEFFREY SCHWARTZ: Yes, it's mostly volume, Absolutely mostly volume. But I don't have a breakdown between new doors and…

MARTIN SCHWARTZ: But we have been adding new dealers.

JEFFREY SCHWARTZ: Yes. We've been adding new dealers, and a lot of it I think is just selling more bikes through our current dealers, although, like Martin said, we do have some new dealers.

MARK PETRIE: I guess I'm just trying to get a handle on, or maybe you can just comment on, you know, the runway that you think you still have to add new dealers, you know, what your penetration is within the IBDs.

JEFFREY SCHWARTZ: I mean there's… you know, it depends… Again, we look at this globally, so yes, there's a lot of global new dealers per se. But I think really our focus is selling more bikes through our current dealers. That's really management's focus. I don't think, um, there's certainly room to add new dealers, but, you know, there's markets where we're under-represented. But if we're represented, you know, well in a market, we're not looking necessarily to add new dealers in that market.

MARK PETRIE: Okay. And I know you've had some issues in terms of supply, particularly with Cannondale. Are you happy with your ability to supply orders into 2012?

JEFFREY SCHWARTZ: It is much better this year than it was last year. It's not perfect…

MARTIN SCHWARTZ: And it's still going to be better in 2012.

MARK PETRIE: Okay. Thanks.

OPERATOR: Your next question comes from Tal Woolley with RBC Capital Markets. Please go ahead.

TAL WOOLLEY: Hi, good afternoon. I'm just wondering if you can talk for juvenile. You mentioned that you're seeing some easing on the cost sides, so your average costs of inventory is starting to stabilize and fall somewhat. You know, just looking at the commodity markets, it's not quite the same as it was in '08-'09 where we got a real sustained drop. And so I'm wondering if you could talk about like that outlook, like, you know, because you were able to put out some spectacular margin growth through early '09 on, you know, organic revenue declines. I'm just wondering, you know, if you would expect to see it to the same degree?

MARTIN SCHWARTZ: Yes. No. You know, the difference was in '08 because the economy was booming, pricing, we were able to increase pricing significantly because demand was there even as prices went up. So you ended up with much higher prices than today. And then the decline hit. So now the problem is is we're at a lower level. So, you know, you might get a delta that, you know, depending on what happens, the delta might be similar, but we're starting at a much lower pricing pace.

TAL WOOLLEY: Okay.

MARTIN SCHWARTZ: So we're not going to make the same profit levels, no.

TAL WOOLLEY: Okay. And do you have some sense of when price, you know, when you're talking to retailers when pricing might be back on the table, or is it merely going to be a question of when you bring out the product?

MARTIN SCHWARTZ: Yes, you're asking when's the economy going to be turned?

TAL WOOLLEY: (Laughs) Yes.

MARTIN SCHWARTZ: So unfortunately, Tal, no, I don't know that answer.

TAL WOOLLEY: Okay.

MARTIN SCHWARTZ: I don't think anyone…

TAL WOOLLEY: Yes. And then just lastly on the juvenile, I'm wondering if you can talk a bit too about, you know, you do mention, you know, you sort of got some specific goals, you know, to work through with the management team in the juvenile. I'm wondering if you can talk a little bit more fully about those, like what specifically are some of the things you're looking at?

MARTIN SCHWARTZ: Well I mean we're looking to, you know, we need to cut some costs, we need to be more effective in what we do as from a product development standpoint. We need to, you know, just get a better return on our investment on projects. And, you know, and that type of thing. I mean, it's the basic stuff. But if there's a new environment out there, we need to react to it.

TAL WOOLLEY: Okay. And for the recent acquisition, I'm just wondering if you can talk about the new markets. Do you have, like what sort of legislation's in place? Is it not in place and so you're expecting to benefit from that type of conversion as you've seen in the past, or if you can just give us a little bit of clarity there.

MARTIN SCHWARTZ: Yes. Right now, it's not a legislation play.

TAL WOOLLEY: Yes.

MARTIN SCHWARTZ: We're just excited about the markets because they're growing, middle-class is growing in these places. The company that we're now partnered, going to be partnered up with is the leading distributor of products in these markets. As well, they're also the leading independent retailer of products in these markets, so that's exciting too. So, and again, the market's growing. Their business has been growing, their markets are growing faster than the average for Dorel's juvenile business, and their margins and profitability is above the average for Dorel. So, you know, that combination's exciting.

TAL WOOLLEY: Okay. And then on the remainder, you're buying, you're taking a 70-per-cent interest. Like do you have structured into the deal an option to take in the rest or, you know, is that price…?

MARTIN SCHWARTZ: Yes. I mean, there's a calculation we have, but it's a number of years down the road. But yes, we'd be able to at some point.

TAL WOOLLEY: Okay, that's great. Thank you very much, guys.

OPERATOR: Ladies and gentlemen, if there's any additional questions at this time, please press the * followed by the 1. As a reminder, if using a speakerphone, please lift the handset before pressing the keys.

Your next question is a follow up from Jessy Hayem with TD Securities. Please go ahead.

JESSY HAYEM: Thank you. Jeffrey, just back on the tax rate, in the quarter if we exclude the 6.2 million one-off tax benefit, you still have a tax recovery in the quarter. Is this only related to the weaker earnings in the higher tax jurisdictions?

JEFFREY SCHWARTZ: Yes, there's… Yes, I was talking to our tax person here. Yes, there's about $2 million of other adjustments.

JESSY HAYEM: As in one-off adjustments or…?

JEFFREY SCHWARTZ: Yes, one-off adjustments, yes.

JESSY HAYEM: Okay. Okay, maybe I'll circle back with you off the call on that one. And then back to the juvenile, Europe had been doing better than the U.S., but it seems like obviously the third quarter deteriorated with the negative 10-per-cent drop on a local basis. What do you think is a major driver of this? Is it just the uncertainty in the economy and retailers not wanting to take in product, or is there anything else driving the drop?

MARTIN SCHWARTZ: I think that's probably the biggest thing. I think it was the… exactly that, that the retailers are getting a little more skittish and carrying lower inventories.

JESSY HAYEM: Okay, great. And then one question on Silfa as well. Who makes their products and is there any opportunity for you guys to bring some of that in house?

MARTIN SCHWARTZ: They're… I mean, they're a distributor of lots of brands, including, you know, Safety 1st and a few of our brands there, as well as some of our competitive brands. They do that in the market. They also…

JESSY HAYEM: I meant the Infanti. The Infanti is their own…

MARTIN SCHWARTZ: Oh, the Infanti stuff is primarily made in China.

JESSY HAYEM: And is there an opportunity for you guys to I guess, you know, source better through your…?

MARTIN SCHWARTZ: Yes. I would think there is absolutely, yes. Sourcing better, buying better, you know, helping them. I mean, there's a lot that we can bring. The whole, the world of Dorel is now at their fingertips to use in their markets. So we think there's some opportunities for sure.

JESSY HAYEM: Okay. And then on the fact that you're taking on sort of some new retail stores, and, you know, sort of your comfort level of running this business, and whether this is something that we could see you selectively do in certain markets, meaning get into retail.

MARTIN SCHWARTZ: Yes, we have no plans to open retail stores in let's say our current markets right now. But we're not going to shy away from an acquisition in a territory that has retail, provided, you know, our partner has the experience and understands how to do the retail. And that was the case here. So it's very interesting. You know, we're going to learn about retail. But at this stage, we have no plans to open any retail in our current markets.

JESSY HAYEM: Okay. Recreational. I guess what's the goodwill associated with SUGOI? Is there any risk there of a write-down?

MARTIN SCHWARTZ: Well, I would imagine if we can't turn it around at some point, there would be.

JESSY HAYEM: And what's the goodwill associated with SUGOI? Do you have that?

MARTIN SCHWARTZ: Not off of my hand. It's not going to be huge. I mean, it's a small transaction. But I'll have to get back to you on that. I don't have that.

JESSY HAYEM: Exactly, with you off the line. One final housekeeping. Why were corporate expenses so low in the quarter?

JEFFREY SCHWARTZ: Yes, there's an FX adjustment, you know, and I guess a lowering of the bonus accrual, unfortunately. But yes, there was a big FX adjustment.

JESSY HAYEM: FX adjustment just related to sort of the FX fluctuation or is there any other…?

JEFFREY SCHWARTZ: Well, I mean keep in mind that we operate most of the head office out of Canada. And so there was a change in, you know, and then we report in U.S. dollars.

JESSY HAYEM: Okay.

JEFFREY SCHWARTZ: So the currency's going to (inaudible).

JESSY HAYEM: Yes. Thanks.

OPERATOR: Your next question comes from Leon Aghazarian with National Bank Financial. Please go ahead.

LEON AGHAZARIAN: Hi. Good afternoon, gentlemen. My question is regarding the use of cash for the short to medium term. We see that there's an increase in the buyback. There's an acquisition that was also announced today. I was just wondering what the strategy is going forward regarding that, and then also with the dividend and the debt repayments.

JEFFREY SCHWARTZ: Well, it's a valid strategy and it's one we've had for a while. We're going to try and do a little bit of all of that. You know, we did buy more shares back at the low price. We do have acquisitions that we continue to work on, so we need to make sure we have capital for that. There's no change in the dividend at this stage. And all the balance of the cash that's left over goes to pay debt down. So it's really the balanced approach. We're not focusing or refocusing in any different direction than we have in the past.

LEON AGHAZARIAN: Okay, great, and then just a final question on the Silfa. You were mentioning that there's some of the Dorel products are being sold there. How much of the total sales is Dorel products there?

MARTIN SCHWARTZ: Yes, it's pretty na… I don't have that number, but it's small. It's small. We're not their major brand that they sold.

LEON AGHAZARIAN: Okay. And then are the margins similar to juvenile Dorel's margins there or…?

MARTIN SCHWARTZ: No, the margin in those countries tend to be higher, and in this case they are.

LEON AGHAZARIAN: Okay, great. Thanks.

OPERATOR: Your next question comes from Megan Annette with TD Securities. Please go ahead.

MEGAN ANNETTE: Thank you. Could you just tell us if there were any product liability costs in the quarter?

JEFFREY SCHWARTZ: Yes, I actually covered that. It's 1.6 million this quarter in juvenile.

MEGAN ANNETTE: Great. Thanks.

OPERATOR: Your next question comes from Mark Petrie with CIBC World Markets. Please go ahead.

MARK PETRIE: Hi. Just again on the Silfa, I just wanted to… if you could just comment sort of broadly how the revenues break down, retail versus wholesale? And then from a growth perspective, I mean is this a matter of sort of riding the growth in the middle class there, or is this a vehicle to expand into other countries in Central and South America?

MARTIN SCHWARTZ: Okay, good questions. Retail accounts for about 60 per cent of the revenue. Now the Infanti brand is available in, how do I put this? Silfa owns the Infanti brand in the four countries that we talked about. They don't own it… Other people own it in other territories. So we will not be looking to sell our products from Chile into any of the other territories. So it's really growth within those territories.

MARK PETRIE: Okay. Thank you.

OPERATOR: Your next question comes from Tal Woolley with RBC Capital Markets. Please go ahead.

TAL WOOLLEY: Hi. Just one more follow-up on the Silfa acquisition too. If your overall portion of their sales is, you know, relatively small, like I mean I would assume that part of your strategy is to greatly boost that or, you know, how long do you want to continue sort of servicing competitor brands too? You know, that's (inaudible)?

MARTIN SCHWARTZ: No. Our intention… I mean, you know, we're a retailer now. Our intention is to continue to sell other brands. You want to make a… have a nice offering in the stores. Our strategy is not really to change that. Yes, I think we'd like to sell some more of our products, but, you know, these are not going to be Dorel only products in these retail stores. We have no intention of doing that.

TAL WOOLLEY: And how much of their sales right now are the Infanti brand alone?

MARTIN SCHWARTZ: In the stores?

TAL WOOLLEY: Yes, in the stores and across, you know, across (inaudible).

MARTIN SCHWARTZ: Oh, jeez. You know, I don't know that if we… You know, I don't know that offhand. It would be, you know, I could guess and say 40 to 50, but I could be wrong.

TAL WOOLLEY: All right. So your competitors are in, you know, in that sales mix, in roughly the same proportion in that you are. The majority of the stuff that's coming from the house brand.

MARTIN SCHWARTZ: Right. Now they also do… they also do some toys as well.

TAL WOOLLEY: Okay.

MARTIN SCHWARTZ: They represent some toys in those markets, which of course we're not in that business. So that of course is for sure there's not going to be any change.

TAL WOOLLEY: Okay. That's great. Thanks very much, guys.

OPERATOR: We have no further questions at this time. Please continue.

MARTIN SCHWARTZ: Okay. Well, I just want to thank everybody for their interest in Dorel and being on the call with us this afternoon. And on behalf of all of us here, we wish you all a very good afternoon. Thank you.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for your participation, and you may now disconnect your lines.

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