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PRESENTATION

Operator

Good afternoon ladies and gentlemen. Thank you for standing by. Welcome to Dorel Industries Third Quarter 2018 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, instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press * followed by 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 Friday, November 2nd, 2018. I will now turn the conference over to Martin Schwartz, President and CEO. Please go ahead sir.

Martin Schwartz, President & CEO

Thank you. Good afternoon everyone, on behalf of Jeffrey Schwartz and Frank Rana, thank you for joining us today for Dorel third quarter earnings calls. We will take your questions following our comments, please note all numbers are in US dollars. It was an improved quarter for Dorel sports, and while operating profit was down slightly at Dorel home, revenues were the highest ever recorded. Dorel Juvenile had a disappointing quarter and steps are on their way to correct this situation. Several new product lunches at Doral Sports benefited all three divisions. CFG, Pacific Cycle and Caloi. Operating expenses were down considerably in the quarter due to planned overhead expense reductions through the year, as well as our exit from the (inaudible) business. Jeffrey will have more on this shortly. The cycling sports group had an excellent sales meeting this summer and dealer reaction was mostly enthusiastic. Several new Cannondale GT models in various categories were launched during the quarter, and all have been very well received. Pacific Cycle had a very solid quarter, among the drivers were customers building inventory in advance of the approaching holiday season. Improved parts and accessories shipment, continued growth in Mongoose scooter line and strong sales of battery powered ride ons. Several new models hit stores including a new Innovative Interactive Rideamal. The Rideamal is a sophisticated battery powered ride on toy pony that combines fun with interactive play thanks to fully motorized eyes, ears, heads and wheels. It has received significant media coverage and will be promoted in stores over the coming weeks and should do well at holiday time. Caloi strong organic revenue gross after removing the FX impact was driven by price increases implemented to offset rising inflationary costs of our new production innovation. Dorel whole posted record quarter revenue for a single quarter. Operating profit was down slightly due to higher cost of some goods and increased warehousing and freight expenses. E-commerce once again led the way with online sales accounting for 58% of gross sales up from 51% a year ago. Internet sales increased in all divisions. On October 1st Dorel home acquired the assets and operations of UK-based Alphason, a designer and distributor of award-winning home office and audiovisual furniture. The Alphason brand is well known in the UK and is sold at several large independent retailers across the country. While a relatively small acquisition, it is highly strategic. We will use this new base to expand and to provide strong support to serve and grow our European business. Including our large North American e-Commerce partners who have been growing in Europe and have been asking Dorel home for support. Dorel Home had a strong showing at last month High Point furniture show. All of the segment's major customers were in attendance. As part of their growth strategy, there

is now increasing emphasis on brands. CosmoLiving being the latest example which was officially launched at this show as well as Novogratz and Little Seeds among others. CosmoLiving is a special furniture collection available primarily online. Developed jointly by Dorel Home and Cosmopolitan magazine. While only a limited number of items are currently available, initial sales of CosmoLiving are encouraging. We are anticipating good things from this line. There will be many additions to the collection in subsequent quarter. Dorel juvenile performance was disappointing particularly in the view of potentially have our new product pipeline, which is the best it has been in recent memory. We are in fact making traction with many of our new products, but our gross margins have been affected by some higher input cost, as well as competition in several European categories. In Europe we now have a more complete product line but we are not as strong as we should be in the multi-age car seat category, where the industry is seeing the most growth. This is a priority going forward. In Europe we began shipping new items with several more in the product pipeline for 2019. Our Maxi Cosi brand remains our strongest and his transition to a stroller brand is going well. The Quinny brand is being revitalized and the launch of Quinny hub is the first step in that process. In addition to the hub, Q3 saw the rollout of Maxi Cosi Lila. Two new key strollers manufactured at our China factory and production continues to increase. Although sell thru day is still to come, successful design and manufacture of those high-end strollers is a milestone as we have proven that we are able to properly assess consumer needs, designing and Manufacturing stocks strollers to a high-quality standard. The Titan Pro car seat it is also being produced in China for the European market, and will soon be sold into multiple markets. The Titan is a higher-end car seat that addresses the growing consumer needs for multiple age car seats, a reality in all of our market. In September Dorel Juvenile attended the annual Juvenile products fair in Cologne, Germany. With an impressive booth displaying several new products and collections and it was a good show for Dorel. Our booth was very busy. Customer reaction to our introduction was excellent. The Lila and HUBB strollers were nominated for awards and the Maxi Cosi Jade won the innovation Award of 2018 as the world first approved car carry cot for newborns. The Jade is now available in the European market and the award could provide powerful marketing of Dorel products. Jeffrey will now provide the financial perspective.

Jeffrey Schwartz, Executive Vice-President & CFO

Thank you Martin, for the third quarter, consolidated revenues for the quarter were increased by 27.8 million, 4.3%, organic revenue was approximately 6.1% after a moving variation of foreign exchange rates. When removing the impact revenue related to the performance

of the apparel line, organic, that we divested of, organic revenue actually rose by 6.8% so this is one of the better top line performances which we had in a while, we saw growth in Dorel home, in revenue and in Dorel sports, an offset by Dorel Juvenile was mentioned. Organic revenue growth was driven by Dorel eCommerce channel which now represents 58% of total segment. Dorel Sports, mainly driven by the retailers driven inventory, at Pacific Cycles, and new product innovations at our SGSG group. The organic growth was offset by lower sales in juvenile. In markets like Europe and Chile which I will get into. However that was offset by growth in the Juvenile and in the US and Brazil. Our gross profit and adjusted gross profit for the quarter decreased by 280 basis points, that's an issue that I will discuss in a little bit more detail. Finance expenses for the quarter increased by half a million dollars to 8.3 million, third-quarter net income was 9.6 million or 29 cents per diluted share with ... versus 13.3 million or 41 cents last year. Excluding restructuring and other costs, adjusted net income for the quarter declined to 11 million compared to 14.5 million a year ago. Our effective tax rate for the quarter was 28.2% versus 21.3 last year. Excluding income taxes on restructuring and other costs, our third quarter, adjusted tax rate was 24.5 versus 21.4, we expect a full year of tax rate to be between 20 and 25%. However variations in earnings across the quarter means the rate could be moving around significantly between quarters. If we move over to Dorel home the third quarter Revenue has increased by 20 million or 10%. So again one of our stronger top lines of growth we got in a while, third-quarter Revenue set a record for the segment as mentioned earlier, e-Commerce represented 58% compared to 51%. And it was driven by increased sales 2 online retailers and the direct to consumer internet business that we have. Gross profits, however, did decrease by 190 basis points. This is mainly due to higher input costs that we are getting, some divisions slightly affected by overseas finished good cost increases that have not yet been fully offset by price increases. So we have instituted price increases, they are going into effect in Q4, so we should start to see some of that recovery based on that. We move over to the Juvenile business, which I am going to spend a bit of time on, as it is, it was quite a disappointing quarter for us, there is no question we dropped the ball on this quarter, we hope to post a strong comeback in Q4. Let's go through it, our revenue decreased by 6% ...6 million or 2.5% to 221.7 million, the decrease was caused mainly by less favourable foreign exchange as the organic revenue only decreased by 0.4%. So we start with sales, we look at some of the key areas we did have a sales increase in the US of 5%, which we are very happy about, given the post Toys R Us bankruptcy, we are pretty pleased with that. Point of sale growth again the POS was very strong, however, we did have a major customer who reduced their orders to lower their inventory to make room for

Christmas inventory and that definitely caused, one of the elements that caused a miss on the earnings there. Sales improvements continue at our customers, in general as they benefit from the absence of the Toys R Us store. We expect these trends to continue to bounce through the year, however, we do expect to ship in those orders that were delayed in Q4 in the US. Brazil, you know, Brazil is an interesting one affected by currency. As an example, we recorded an increase in revenue for the quarter of 30, over 30% in local currency, but it only equated to a 5% increase in the quarter so, I think at the end of the quarter the exchange rate was something like 4 reals to 1, it's improved now to about 3.7. We have seen some strength compared to the end of the quarter. Europe we will spend some time talking about Europe because Europe was really the area that are right about that we were surprised by the most. Sales in US Dollar were down 2% for the quarter, and there are some issues with certain categories in which we are a little bit late to the party, we do have some products coming in we have been introducing all year new products and they are going well, but there is a number of categories that we have not introduced the new products yet, some of that is affecting some of the sales and margins. Speaking of margin, this is really well, we had a problem in the quarter so our third-quarter profit has declined, sorry our gross profit declined by 430 basis points, to 25.2 from 29.2, last year, so that is definitely the issue, I would like to go through some of the highlights of what has caused that. We mentioned the volume in the US despite being up 5% over last year, we still have a significant amount of orders that got pushed out of the quarter that certainly affected our overheads, also the profitability, higher input cost, prices have been rising all year, we have secured price increases that would take effect at some point in Q4, but in Q3 we still have the cost in our numbers as I have spoken over the years, there is always that sort of lag period and that is really going ahead at the end, sometime in the fourth quarter. Foreign exchange as I mentioned is hurting us across the board, I mean there are smaller countries but Brazil and Australia have had very, very good years, as far as market shares, as far as moving company forward, and yet it doesn't show up in the bottom line because of currency so something that we are dealing with, we adjust for it but certainly we are not alone, we know a lot of international consumer products companies are facing that. One of the big issues that I want to explain is that internally we missed our numbers in Europe, part of that is, we realized that we didn't foresee this in the quarter but what had happened was that because of the problem we had with our shipping and our warehouse management system, what happened in early Q2, we were not able to ship significant number of products in April and May, we have then fixed the warehouse management system by the end of May, and had a very robust June and then even July was what did very well, and then as of August and

then September went through, we found the replenishment orders were significantly lower than our expectation, we realized at that point what's happening is that when you're calling your customer and asking for replenishment orders the general answer was we just got the last orders, we just shipped, we just came in, in June and July we don't need replenishing yet. And what we are seeing is that we originally believe that is a big impact because we have seen those orders start come in again October. So we do think that we lost not only did we lose the initial orders back in the first quarter, the second quarter, where we actually lost these orders but it had an impact on the following quarter which we didn't foresee. We think that that issue is now behind us. Another issue that Martin talked about, certain categories, car seats, that we are still running with some older products, while some of our competitors have some newer product. We will start to replace those older products with newer stuff. Starting as early as Q4. With a new introduction on a convertible car seat, in Europe in Q4, and then thru out Q1 to Q4 of next year we have significant products in that category. We are feeling good because we have introduced a lot of strollers to the market in 2018, they have done well and we're saying a significant increase in sales, in 2018 for Maxi Cosi strollers, and all of that is because of the new products. Our speed-to-market has improved significantly, one of the problems we had earlier was it was taking years to get a new product to market we are now able to take products to market between 9 and 18 months. Which is one of the reasons we feel confident that we will have the product to fill in the gaps in our line. So those are the primary reasons we do see like I said we do see already Q4 lining up with our expectations. And believe that we should be back to our internal forecast which we didn't hit in Q3. A few other areas to discuss, Chile is making progress but is still struggling, their business is better than it has been earlier this year but it is still a very difficult Marketplace there, and finally, on the good news side China has been improving and was profitable for the second quarter in a row, we are building up some nice volume to the factory, I believe we are going to finish the year certainly Q4 looks like it is going to be positive. So that is the story in Juvenile, as we move over to the bikes a good quarter in bikes. We are definitely coming back from some low points, 3rd quarter Revenue increased by 13.6 million, or 6.6% approximately once you remove the foreign exchange we actually increased to about 9.6 percent. And then organic revenue would have been 11.8% when you remove the foreign exchange and the divestiture of the apparel business. So all the divisions have contributed to organic revenue growth increase which is great, the independent bike dealers, we have a solid quarter in that group, what is happening is we introduced a lot of new products in Q3, and we were able to ship some of them, a lot more is going to be shipped in Q4. Some of the products have sold out, which is great, we

are in the process now to move orders that were in Q1, into Q4. And I guess Q2 into Q1 and are very happy and probably say this is one of the most successful product introduction we have had in a while at CSG. Over Pacific cycle we had a very good third quarter double digit revenue increases, definitely the retailers are building inventory in advance of the holiday season, they're doing a lot of that in Q3, Pacific cycles also improved its sort of non-bike-product shipments, whether it be parts and accessories, Mongoose scooters or the sales of the battery powered ride outs, all of those are contributing to increasing business. And then finally Coloi had some strong revenue growth although again when you factor in the currency it doesn't look as strong, business there is improving, we are hoping we have seen an improvement in the Real of the third quarter. And we are hoping that continues as well, now that they got their elections behind them. Third-quarter gross profit declined a little bit, 21 ...21.1 from 22.3, and then when we exclude I guess it is similar when we exclude the restructuring cost, some of that is, mixed, some of that is a slight increase, certainly some of the costs in Brazil and a few other areas. Overall, we are very pleased with the quarter, and we expect a strong momentum to continue into Q4, we got a lot of holiday products still shipping at the Pacific level and we ... like I said on the CSG side we have a lot of new models that we were not able to ship in Q3 and we will be shipping in Q4. Some of them are sold out and we continue to try and pull orders forward so we're looking a lot more optimistic on our bike business than we were earlier in the year. A couple of issues our net working capital decreased 11 days to 92 days, at the end of September, compared to 103 days earlier, managing our inventories better, and we are... Just watching our cash position a lot better, for the third quarter the cash provided by the operating activities was 31.2 million which is very similar to this quarter last year. The only other issue before I pass back to Martin is tariffs, many but not all of our products are affected by the recent 10% tariff soon to be 25% on Chinese-produced goods. We have a strategy of passing on the cost of those tariffs to the retailers, and that is going well, those conversations. We will continue to talk about it should the tariffs go to 25% we will continue to all of the same strategy. The big question is, what is going to be the impact of that, and that is difficult, like I said we would have passed the cost on, around what the Retailers do is undetermined, and what effect on demand is going to be undetermined. I think I will pass it back now to Martin.

Martin Schwartz, President & CEO

Thank you Jeffrey. For our Outlook, Dorel Home is expected to deliver higher sales in the fourth quarter compared to last year. With operating profit consistent with the prior year. We expect Dorel Juvenile to recover

this quarter from his poor third quarter and anticipate the segments organic revenue growth in the mid-single-digit range with improved gross margins. Therefore we foresee fourth quarter adjusted operating profit will be closer to prior-year levels. Sales string should continue in the US and the increasing contribution of new product introduction will benefit Europe. In Chile and Peru Q4 is always the strongest of the year and price increases in several markets will begin to take effect. For Dorel Sports their improved third-quarter results will continue into Q4. As successfully introduced new products start shipping in significant quantities. Much improved fourth quarter adjusted operation profits and higher revenues will result in excellent year-over-year gains for the segment. Has Dorel has substantial multinational operations foreign exchange rates are a risk, however, should the value of the US dollar against the Chinese currency continue to rise, this will provide opportunity for cost saving for all 3 segments, possibly mitigating some of the possible negative impacts that other currencies deflating. And at the higher US tariffs. With that I will now ask the operator to open the lines for questions and again I ask you to limit your questions to 2 on the first round, operator?

QUESTION AND ANSWER SESSION

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 touch-tone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order they are received. One moment please for your first question. Your first question comes from the line of Derek Lessard from TD Securities. Please go ahead.

Derek Lessard, TD

Good afternoon everybody, I know you are starting to see a rebound in Dorel Sports here, I was just wondering during what your thoughts are on I guess when it is an appropriate level of EBITDA margin for the business, if we look at it, it is still well below your best years?

Martin Schwartz, President & CEO

I think it is a little early to throw that out, we have a very good start, we are going to have a good head in Q4, it is still a lot of turmoil out there, I think the new products and the new rebranding of Cannondale it's going to really help. There is a little less certainty particularly on the Pacific side, given tariffs and are they going to go through, are they going to be repriced and all of that,

okay, so I am not going to put out a number yet, I think that we are in our recovery, and we're moving forward but we're not done, so I don't have a number to forecast.

Derek Lessard, TD

Okay, did you expect any type of lift coming from the pro team, sort of their joint venture that they have going with Rapha and I'd assume that there is going to be a lot of advertising around them, the team and probably Cannondale?

Martin Schwartz, President & CEO

Yes you are absolutely right I cannot tell you what we're doing but we have some very interesting things planned with that, and working very closely with the team and Rapha, I think there's going to be a little bit more life, I'm not talking about performance, that is up to the athletes but from a marketing standpoint I think you're going to see a step up next year. Based on that relationship.

Derek Lessard, TD

And maybe just one, just one final one for me and I am just going to hit on the terrace maybe you could just remind us what areas of the business are I guess most significantly impacted and wondering why Juvenile is less exposed than the other two?

Martin Schwartz, President & CEO

Pretty much all our home furnishing that is produced in China, not everything is produced there, we do get products made in other countries. The majority of the imported products is China but not 100%, I don't have the numbers for you. On the bike side, Chinese made frames, which is virtually all of Pacific business, and the lower sort of half of Cannondale business the frames are made there. The more expensive items are not affected. And on the juvenile side, the juvenile industry was able to get an exemption from most of its products, a last-minute exemption that came out I think September 24th. So the bulk of the products, some products, maybe what I can think of between the cracks there is a handful of items that do have tariffs. Play yards would be an example but high chairs don't, so I dunno if there was a lot of thought process there but generally the baby products were exempted from the duties, tariffs, I am sorry.

Derek Lessard, TD

Alright, that is helpful, thanks gentlemen.

Operator

You're next question comes from the line of Sabahat Khan, from RBC Capital please go ahead.

Sabahat Khan, RBC

Thanks just under discussion you're having with your Retail Partners on passing through the pricing, are you noticing that a lot of your competitors are also passing through pricing or some of them are kind of keeping some of the impact in house?

Martin Schwartz, President & CEO

The majority of them are passing it on, the majority of people I believe are passing on the dollar amount of the tariff, not the percent, do you know what I mean? So if we're paying \$3 more in tariffs we are increasing the prices by \$3, that seems to be the standard most retailers are taking, they will accept the tariff but they don't want to accept a margin on the tariff. And we are looking at structural ways to you know, minimize if possible the tariffs. There is not a lot you can do pretty much what we are doing, the majority of our competitors have passed it on and certainly if somebody hasn't, it is clear that they will have to if it goes up to 25%.

Sabahat Khan, RBC

Okay and then as you mentioned a bit of a timing ship from Q3 to Q4 with retailers, I guess at this point in the year do you have visibility into those reorders that you'll make up the difference in Q4 or will it depend on replenishment?

Martin Schwartz, President & CEO

On the juvenile in the US yes we have the visibility and yes we have the orders. The POS was great, the POS was the crazy part is, we are up over last year, I guess the products are selling in the stores at a faster rate, the orders dried up. So there is sort of this lag period. And I think it was just on their shipments inventory between departments, getting ready for the Christmas season.

And as that stuff start to go into the stores they're going to fill up again on baby products. So we have to execute and get the products at the door. It is more of a challenge than waiting for orders.

Sabahat Khan, RBC

Okay and is there, did you say it was only an issue on the juvenile side and not on the bike side is that the reason why that might be the case?

Martin Schwartz, President & CEO

Correct, on the bike side that is the Christmas items, so they ordered those. They didn't stop them.

Sabahat Khan, RBC

OK great, thank you.

Operator

Your next question comes from the line of Steve Macleod from BMO. Please go ahead.

Nick, BMO

Hi this is actually Nick for Steve, how you guys doing? I just had 2 questions primarily related to the independent retailer bike channel, so you guys mentioned that you saw some strength coming through that. That segment. Can you elaborate a bit on the source of that strength and how you think this will play out in Q4 and beyond?

Martin Schwartz, President & CEO

I think that most of the strength is really product related, you know I am sure that we have some new distribution points but we are seeing that the new product that we introduce such as the Habit, which is a ... mountain bike it's not the right term but it's a bike that we had in the line before, but this particular one was designed better, and is doing extremely well, in many areas we have sold out so that commitment from the retailers exceeding the amount of product that is coming in. So we need to get more. So we have a number of those stories we have the Topstone which is a gravel bike I think at this point it has tripled our expectation, so there is a number of success stories we have a lot of bikes coming into both the US and to

Europe, there is a lot of demand for so that is really at the end of the day what the strength is.

Nick, BMO

Okay, I appreciate that clarity. And to kind of touch on some of the products for juvenile you mentioned that there is a lot of strong showing on products and several products receiving awards, do you have any additional details on the new products that you are expecting to launch or what that pipeline of products looks like.

Martin Schwartz, President & CEO

Yes I mean, that is a good question because like we mentioned part of our weakness, in Europe right now is related to some of the categories that we haven't put new products to the market on, those include convertible car seats, include infant car seats so we are still selling a lot of that product. But because it is a little bit older than some of our competitor products, it is not selling as well as it used to. So we do have an answer for that as I mentioned as early as Q4 we have a product coming out from this quarter, to start a new one to start combating that. And then right thru the year next year we've got some more than one product in the category, some products are price related, some are going to be featured related so we have a lot of innovation in some areas and in some areas we are going to have some very competitive prices to so I feel really good about the pipeline, I feel really good about our team, that was able to take the stroller business that had really shrunken and get new products to market and we are seeing the results of that, so it is unfortunate all these things happen in the third quarter plus the issue from the computer thing, sort of everything hit at the same time, It was a very disappointing quarter but we're doing a lot of things and I don't think we need to wait very long to see some improved results over the third quarter.

Nick, BMO

Okay I appreciate that clarity thank you.

Operator

Your next question comes from the line of Leon Aghazarian, from National Bank Financial. Please go ahead.

Leon Aghazarian, National Bank

Hi good afternoon, my question is really on the home side, we did see top-line growth which is actually very solid, but also saw that some of the operating margins were down, talk to us a bit about do you sell basically more lower margins, can you talk to us a little bit more about what went on there, did you sell basically more lower-margin products, or was it more an input cost related issue?

Martin Schwartz, President & CEO

I think it is a little bit of an input cost related, if you remember, certainly earlier in the year as well we have had the currency, Chinese currency was actually getting stronger, and therefore we had price increases from a Chinese sources, as well as you know, steel was up, freight was up, there is some inflationary issues out there, labour certainly in some areas, of even the US now is creeping up. We have put thru price increases and will I think it would be easier to do price increases in the future, this year we had a online price increase, this year we did an online price increase, it was easier to do for a brick-and-mortar price increase because of the timing, so yes we do have some brick-and-mortar price increases coming due to from our customers in Q4, so we are going to see a little bit of relief, but, I would think that our gross margin would probably end up somewhere between where it is today and where it was, we were running out at a really good pace, however, having said that, at the same time the more online business we do, we tend to find that the margins go up there, most of the brick and mortar business that we do is opening price point when the margins are tied, and as you move more to online, and we have success with some of these brands that Martin talked about, we tend to see more higher price points so it is difficult, there's sort of that pressure between higher input cost then the mix should start to become more favourable overtime.

Leon Aghazarian, National Bank

Okay, that is helpful, and on the ... you mentioned some of the input prices, we did see kind of into the documentation, they talk about resin as well, can you talk to us about how much of a factor that was on the overall business?

Martin Schwartz, President & CEO

I don't know if I have an exact number but it's material, like I said we did get a price increase for a lot of the high volume items that we use, but I would say, if we didn't get

a price increase, you know the hit could be 4 million dollars a year. That is not going to be a hit next year. Unless resin continues to increase significantly over where it is.

Leon Aghazarian, National Bank

Okay if I could ask two high-level questions, one would be on some of these input prices you are seeing that coming thru you'd have to increase pricing, also seeing tariffs come in and you have to increase pricing, what is kind of the bounce that you think, how much you can push through to the end cost at the end of the day, that's the challenge I think a lot of retailers and consumer product companies, should say, pardon me, are facing, when you have tariffs and input prices at some point what is kind of the threshold where you can say well, I can't increase prices anymore.

Martin Schwartz, President & CEO

I think what our strategy is, I think we can do it maybe a little bit better than some of our competitors, because we do carry all the price points, we are going to see people as the prices get a bit out of reach, stepping down in products, and they're going to be buying let's say, you know, more OPP or SMPP something like that, and because of our brands and because of the way we built our company we have products at all levels. So I think that is our strategy, we do fully intend to pass, you know, all the cost on, there could be other effect on demand, but we will have something at price point lower than that.

Leon Aghazarian, National Bank

OK, fair enough, one last one, for me, when we are looking at the overall business, there are obviously three different components, and even within those there is different regions, on different areas, has there ever been thought to divest certain areas, whether it is in a non-chore area for you in terms of certain geographies or certain segments, has there been any kind of high-level strategic view there?

Martin Schwartz, President & CEO

Well we did divest the apparel business, so yes, I mean we do look into things like that. Sometimes you know in juvenile we have a lot of geographic if you look at a product category in there, there not that many they're just very geographically based and unfortunately it's a very volatile world with a lot of changes both politics and

currencies and all of that, and that is causing a lot more variance than we expected, it makes sense to be all over the world, and be able to as we design, these great products. Be able to sell them in all the different distribution points. But we do, the answer is we do look in that. And you know, we did take a step and I think it was the right step to diversify on the apparel business.

Leon Aghazarian, National Bank

OK, thanks a lot.

Operator

Is there any additional questions at this time? Please press star, followed by the number one on your telephone keypad. Your next question comes from the line of Eric Lessard from TD Securities, please go ahead.

Derek Lessard, TD

Yes I just wanted to touch on the licensing agreement with Cosmo, I'm just wondering if it already started to contribute and do you expect this to ramp up over the coming quarters.

Martin Schwartz, President & CEO

Yes, it actually has, we are pleased with it, we are getting a lot of good cooperation, from the magazine, in form of ads, they had a contest, a lot of entries into the contest, It is phase one, I think we have 30 or 40 items, we have another 30 or 40 coming in Q4, another 30 or 40 coming in Q1 so it's just the beginning. What we do find interesting is Cosmopolitan magazine as a brand works well beyond just the US, as we have now gone into the UK, we hope to launch it there, it has quite a following as well in Asia, in China, so we are looking at different markets to launch this product, you know for years Derek, we talked, I believed that branding in Furniture was not important, the brands that seem to be doing it, are these lifestyle brands, so the old traditional furniture brands, I don't think carry a lot of weight, with certainly younger millennials or whoever it is, you know, buying you know, furniture like we are selling apartments, condos, but lifestyle brands do resonate, that is why we've got three now, you're going to continue down that path. And I am very, I mean the numbers are still small in Q3, but, less than 1 million in sales, but they are ramping up sort of every week. So we are very pleased.

Derek Lessard, TD

OK, thanks for that.

Operator

There are no further questions at this time, I turn back the call back over to mister Schwartz.

Martin Schwartz, President & CEO

Thank you. This concludes today's call, I want to thank everybody for joining on the call. And just tell everybody enjoy your weekend, thank you very much.

Operator

Ladies and gentlemen, this concludes the conference call for today. Thank you for participating, please disconnect your lines.
