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POWERSPORTS SHOW NO SIGNS OF LETTING UP ON THE GAS

(OR THE EV ACCELERATOR)

by Jeff Derman

Managing Director, Consumer Retail

Patrick Furlong

Director, Consumer Retail

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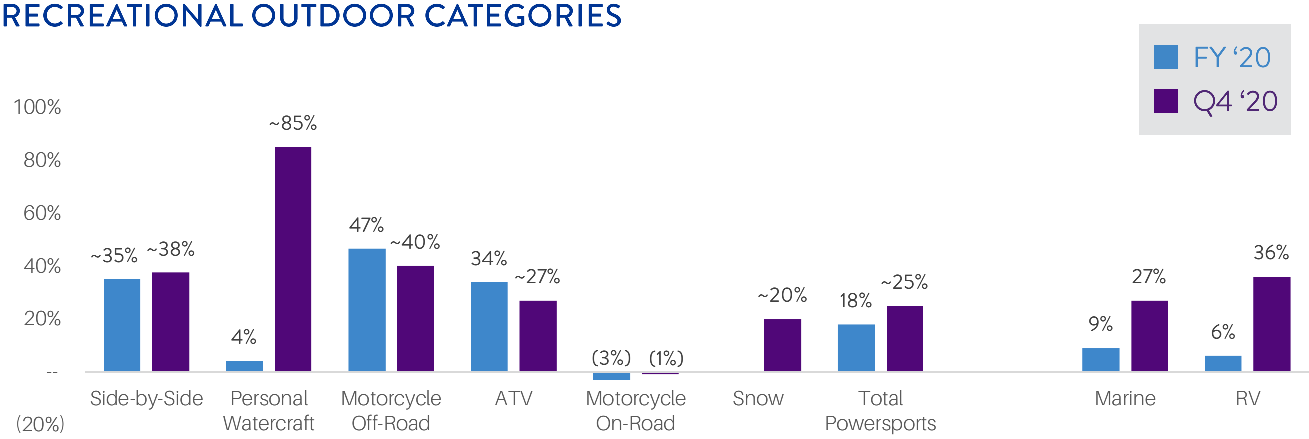
Following the unprecedented consumer demand growth witnessed in 2020, we end the first quarter with optimism that 2021 will prove to be yet another breakout year for the powersports and outdoor recreation category. And while confidence and enthusiasm around the sector continue at peak levels, a few questions remain top of mind for investors and operators:

- How much of 2020's performance was due to "pull forward" purchases from 2021 and beyond?
- How much of 2021 YTD performance was driven by stimulus programs?
- What will be the long-term purchase cadence of new consumer entrants into the category?
- What will be the "new normal" of overall purchase and participation behavior in the coming years?

Apart from the on-road Motorcycle category, which continues to be negatively impacted by underperformance at Harley-Davidson[1], we saw nearly universal growth across the Powersports, Marine and Recreational Vehicle categories in 2020. Performance strength continued into the fourth quarter, even as peak outdoor season for most activities had passed, and has shown no signs of waning through the completion of the pre-peak first quarter of 2021.

Within Powersports, Side-by-Sides remain a cornerstone of strength, with comparable sales growth estimated in the mid-to-high 30% range in both FY'20 and Q4'20. Likewise, other off-road categories, including off-road Motorcycles, ATVs and Snowmobiles, all demonstrated impressive growth over the same periods. The overall Powersports category grew 18% in FY'20, with Q4 growth estimated at +20-30%, and dealers experiencing early momentum in January and February with average dealer new unit revenue up 46% and 24%, respectively[2].

MOMENTUM REMAINS STRONG ACROSS POWERSPORTS & RECREATIONAL OUTDOOR CATEGORIES



Source: MIC, RVIA, Statistical Surveys, BRP and Polaris Public Filings.

Outside of traditional Powersports, the Marine category saw impressive growth of +27% in a typically slow Q4, with growth across nearly all boat types. Personal Watercraft sales experienced particularly notable growth, with sales nearly doubling in Q4 as pent-up demand was met with improved supply late in the quarter and performance continuing through Q1'21. Despite production disruptions and stock-outs early in the pandemic, 2020 sales ended approximately 9% higher than 2019 sales (a 13-year high), and 2021 performance is already off to a strong start. In January and February, registrations increased 23% and 26%, respectively, year-over-year.

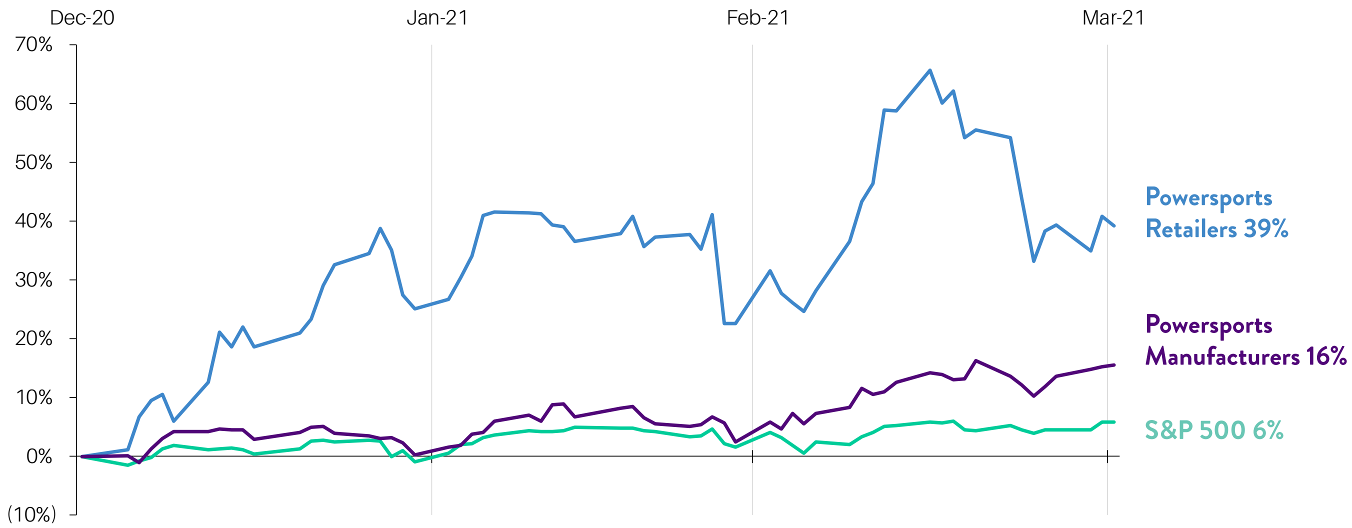
Within the Recreational Vehicle market, we saw unit shipments surge 36% in Q4'20, with no signs of abating in 2021 with increases of 40% and 30%

[1] Harley represents 42% of the U.S. 601+cc heavy bike market, and experienced double-digit percentage declines in unit sales in 2020.
[2] As tracked by Lightspeed.

in January and February, respectively. In fact, the RV Industry Association (RVIA) recently revised 2021 unit growth guidance up from +17% to +24%, with the projected year-end total (533K units shipped) expected to be the highest level on record. The RVIA found in a recent study that ownership has increased over 62% in the last twenty years with a record 11.2 million RV owning households, with significant growth among 18-to-34-year-olds, and an incredible 9.6 million households intending to buy an RV within the next 5 years.

Given this strong performance and optimism around continued consumer demand, it should come as no surprise that we've seen a significant increase in equity value among publicly traded retailers, manufacturers and parts & accessories companies. The real test for these businesses will arrive in late summer and early fall when they report comparable sales vs. the unprecedented growth of 2020. However, given many of the COVID-related delivery delays and factory closures which created inventory shortages during peak demand periods last year, as well as the continuing need to replenish depleted inventory, we expect comparable performance to remain robust through at least year-end even if underlying demand moderates in the second half. Moreover, we expect this "normalized" demand to reset at levels materially higher than pre-pandemic. More and more market observers are sharing this sentiment, as evidence continues to mount that many of the millions of new category consumers will prove to be permanent lifestyle participants.

POWERSPORTS RETAILERS AND MANUFACTURERS SHARE PRICES POWER AHEAD IN Q1 2021

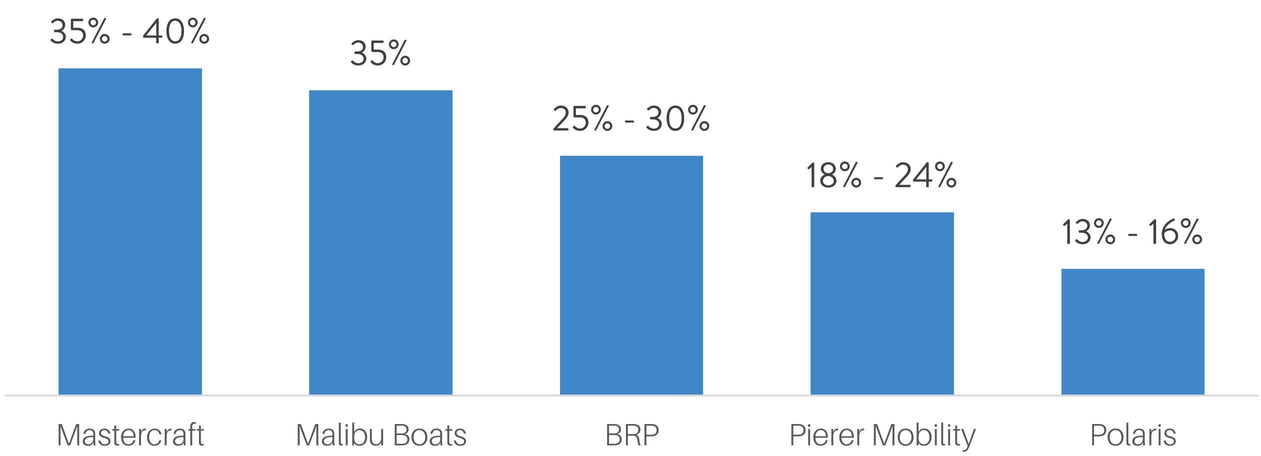


Source: Capital IQ as of March 31, 2021. Note: Represents change in total sector market capitalizations.
Powersports Retailers includes Apollo Tourism & Leisure, Camping World Holdings, Lazydays Holdings, MarineMax and OneWater Marine. Powersports Manufacturers includes BRP, Harley-Davidson, Honda Motor Co., Kawasaki Heavy Industries, PIERER Mobility, Polaris, Suzuki Motor Corporation and Yamaha Motor Co.

INVENTORY NORMALIZING BUT PRESSURE STILL LOOMS

After ending the year with dealer and distributor inventory largely depleted (down 60-90% in some categories), we are optimistic that supply will normalize in the second half of 2021 with new production coming online. Major manufacturers are making significant investments in production capacity in response to the positive industry trends noted above. Their optimism is bolstered by the fact that first time customers represent 30-40% of sales, with many purchasers coming from diverse demographic groups with historically low participation in the sector. Given powersport and outdoor recreation consumers often trade in, and often up, every 3 to 5 years, its expected that the large number of new entrants will have lasting (positive) effects on demand in the sector. Those manufacturers' optimistic perspectives on 2021 are borne out in public sales growth guidance.

2021 REVENUE GUIDANCE



One cloud that hangs over the Powersports sector (and global trade generally) is continued delays at major international maritime ports. While shipping by ocean typically took 20 to 30 days pre-pandemic, it currently averages 60 to 75 days (or more). Those delays are impacting new vehicles as well as parts, accessories and gear. The congestion at ports has some companies replacing maritime shipping with airfreight to get products to end customers faster at significant cost and reduced margins for manufacturers and distributors. Moreover, our Sporting Goods & Outdoor Recreation (SGOR) Team, who recently published an article on the similar growth trends in the SGOR category, notes that other large home-recreation items typically shipped via ocean transport are increasingly moving by air as demand shows no signs of slowing. We expect shipping delays to continue to pressure both margin and supply through the remainder of the first half of the year.

2021: THE YEAR OF POWERSPORTS EV?

As we noted in our recent article on the automotive industry, "Shifting Gears in the Automotive Aftermarket: Putting 2020 in the Rearview Mirror and Revving up for 2021," 2020 was a major inflection point in the public market's view of the transition to electric vehicles (EVs). We are witnessing similar trends in Powersports, Marine and RV with multiple vehicle upstarts — some even in the pre-revenue stage — aggressively raising capital and seeking public market exits via SPACs and direct listings. Further validation of this movement is coming from major traditional Powersports manufacturers (Polaris, BRP, KTM parent Pierer Mobility, Honda and Yamaha) which are all launching or expected to launch electrified vehicles. To overcome "range anxiety" and further support customer adoption of EVs, a group of major Powersports manufacturers (Honda, Yamaha, KTM and Piaggio) recently announced a cooperation agreement to develop swappable batteries for electric motorcycles that may allow for battery swap facilities at third party locations and ease customer concerns about range and recharging infrastructure. Moreover, we are increasingly seeing major OEM manufacturers - eager to gain early advantage in this sector - choosing to collaborate with startups to accelerate their roll-out of electric vehicles. Notable examples include Polaris's partnership with Zero Motorcycles, Camping World's joint-venture with Lordstown Motors and Winnebago's investment in Motiv.

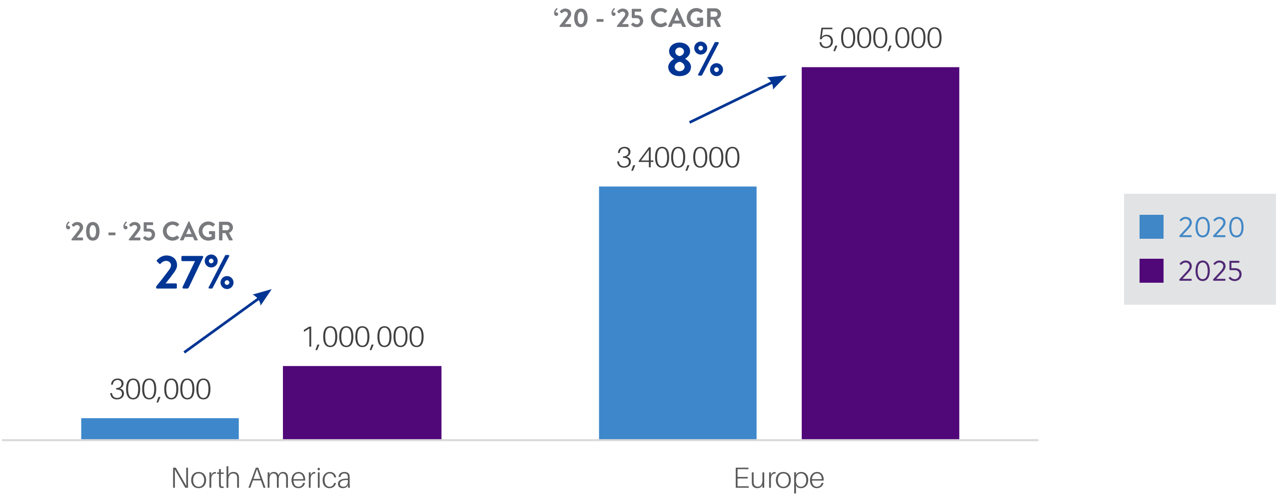
Just as importantly, the Powersports customer seems ready to come along for the ride. A recent study conducted by BikeSure in the U.K. found that more than 50% of motorcycle riders favor switching to electric models over time, with the "charge" being led by the younger generation of riders.

SELECTED PARTICIPANTS IN POWERSPORTS EV SPACE

	POWERSPORTS	MARINE	RV
Startups	Brutus Damon Motors Famel Kandi Landmaster Taiga Tork Volcon Zero	Duffy Pure Watercraft Taiga Torqeedo Vision Marine Zin	Iridium Lordstown Motors
Established OEMs	BRP Honda Harley-Davidson Piaggio Pierer Mobility Polaris Triumph Yamaha	Brunswick Yamaha	Nissan Winnebago

We are also observing parallel trends in the eBike market. Analysts estimate that this category will grow at a 25 to 30% annualized rate through 2025, with U.S. sales of new eBikes more than tripling. And while retail unit sales of bicycles from January to October last year were up 46% year-over-year, electric bikes were up 140%[3]. Given that eBikes are lighter, more agile and less expensive than traditional off-road motorcycles but often just as exhilarating, we see this as an interesting category opportunity for manufacturers and retailers, particularly given the comparatively more attractive margin profile.

PROJECTED EBIKE UNIT GROWTH



Both traditional motorcycle manufacturers like Pierer Mobility, Harley-Davidson, Polaris, Ducati and Yamaha, and traditional bicycle manufacturers like Specialized and Trek are aggressively pursuing this category, and we are starting to see the investor community take a real interest. Recent high-profile transactions include Bertram's acquisition of Lectric and Rad Power Bikes' recently announced $150 million investment round led by Counterpoint Global, Fidelity, the Rise Fund and T. Rowe Price.

LUCRATIVE TIME FOR M&A

As referenced in our October 2020 Insight, "Powering Through COVID: Why the Acceleration of Powersports Is No Passing Trend," we are seeing more Powersports and Recreational companies viewing 2021 and 2022 as an opportune time to transact. The recently announced reverse merger of dealership chain RideNow and digital platform RumbleOn will provide the first real test for the public market's appetite for traditional (e.g., non-Marine or RV) Powersports retailers. Similarly, the recent acquisition of West Marine by well-known consumer private equity investor L Catterton

[3] NPD

shows just how broad based interest in the category has come. As the aforementioned positive trends continue to become the norm, we expect the multiple range paid for dealerships, distributors, specialty retailers and parts manufacturers to stabilize above pre-COVID levels. With the confluence of positive factors, we expect to see more high profile exits in 2021, either via traditional sales or the public markets (including SPAC and direct listing transactions) as long as the favorable equity markets backdrop remains.

CONCLUDING REMARKS

At PJ SOLOMON, we believe the Powersports category has reached an inflection point and anticipate strong demand trends in 2021 and beyond, resulting in an increasingly attractive total addressable market.

Our mission is to help founders, entrepreneurs and institutional owners achieve exceptional outcomes. We look forward to our continued dialogue with our clients and friends regarding this highly dynamic and attractive sector.

AUTHORS

JEFF DERMAN
MANAGING DIRECTOR
CONSUMER RETAIL
T 212.508.1625
M 917.648.2176
jderman@pjsolomon.com

PATRICK FURLONG
DIRECTOR
CONSUMER RETAIL
T 212.508.1643
M 412.983.5170
pfurlong@pjsolomon.com

PJ SOLOMON AUTOMOTIVE AND POWERSPORTS SECTOR COVERAGE

Globally recognized strategic advisor to leading automotive, powersports and outdoor recreation companies

FOCUS AREAS

Retail

- Specialty Retail
- E-Commerce
- Distribution
- Dealerships and Marinas

Parts and Accessories

- Tires, Wheels and Suspension
- Vehicle Technology
- Aftermarket Parts and Supplies
- Chemicals and Lubricants
- Tools and Equipment
- Apparel, Safety Gear and Accessories

Service and Repair

- General Repair
- Rental and Ridesharing
- Oil Change and Lubrication
- Collision and Glass Repair
- Car Wash and Detailing
- Tire Change

Our team of enthusiasts and experts have significant experience positioning growth stories focused on automotive, powersports and outdoor brands and a proven track record of working with corporate clients to effect strategic transactions.

ABOUT PJ SOLOMON

Founded in 1989, PJ SOLOMON is a leading financial advisory firm with a legacy as one of the first independent investment banks. We advise clients on mergers, acquisitions, divestitures, restructurings, recapitalizations, capital markets solutions and activism defense across a range of industries. We offer unmatched industry knowledge in the sectors we cover, providing comprehensive strategic solutions, tailored to generate long-term shareholder value.

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