



BAIRD

VEHICLE TECHNOLOGY & MOBILITY AND OUTDOOR RECREATION PERSPECTIVES

Global Consumer, Technology & Services Conference Takeaways

July 2023

GLOBAL CONSUMER, TECHNOLOGY & SERVICES (“GCTS”) CONFERENCE OVERVIEW

BAIRD

Baird hosted 25+ privately owned companies and coordinated 400+ 1x1 meetings, as well as hosting 240+ publicly traded companies and arranging 4,700+ meetings



Unique Opportunity for Companies



Engage With Priority Investors

Unique setting to efficiently meet top potential partners



Sets Competitive Atmosphere

Conference participation signals a premium asset



Proactive Positioning

Introduce or reintroduce the story to “level set” the market



Enables Early Diligence and Speed

Investors can “get smart” early to move quickly later



Elicits Market Feedback

Utilize feedback to tailor story and address concerns



Early Evaluation of Potential Partners / IPO

Rapport with financial sponsors and institutional investors

VEHICLE TECHNOLOGY & MOBILITY (“VT&M”) / OUTDOOR RECREATION UNIVERSE CONFERENCE PARTICIPANTS

BAIRD

Presenters included a highly diversified set of leading VT&M and Outdoor Recreation companies across both the private and public tracks

37

Participating
Companies

390+

Total
Conference
Attendees (1)

225+

Scheduled
Meetings

\$4.0B

Median
Market Cap (2)

AFTERMARKET & SUPPLIERS



DEALER & DEALER SERVICES



MOBILITY SERVICES



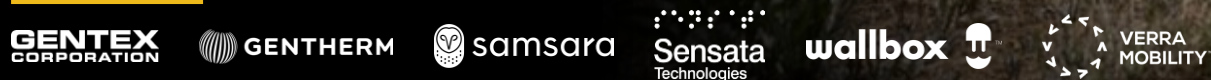
OUTDOOR RECREATION OEMS & SUPPLIERS



TRANSPORTATION SERVICES



VEHICLE TECHNOLOGY & MOBILITY



* Represents meaningful aftermarket exposure.

(1) Represents the public and private company conference attendees.

(2) Market cap data reflects VT&M and Outdoor Recreation public participants.

VT&M / OUTDOOR RECREATION MARKET PERSPECTIVES FROM THE 2023 GCTS CONFERENCE

Unemployment is Essential

1

While inflation and rate increases have adversely impacted consumer spending, unemployment remains the key thread in maintaining reasonable volumes across consumer enthusiast sectors, albeit down significantly from a year ago

“As long as jobs remain, the consumer will have money to spend, which will ultimately drive core unit volume”

– Powersports OEM

(10)bps **400bps**

Decline in Unemployment Rate ⁽¹⁾

Increase in Disposable Income

Market Uncertainty Drives Relative Inactivity

2

Looming macroeconomic uncertainty is resulting in significant caution around strategic decisions, with the relative sentiment varying by sub-sector. Regardless, management teams want to “get it over with” (e.g. recession) and move forward

“We are focused on our core business until there is more clarity. We feel like we’re continuing to operate in purgatory”

– RV OEM

~19%

Median YoY Net Debt Decline Amongst Peer Group

Outdoor Recreation Trends Are Durable

3

COVID-era megatrends related to outdoor recreation and specifically new consumers to the category remain intact, with market participants citing demographic shifts in purchasers and their purchasing behavior fueling long-term demand

“Younger demographics crave experiences and want to have the right [gear / accessories] to fully enjoy their time outdoors”

– Aftermarket Manufacturer

33

Avg. Age of RV Buyers in 2022

Needs-Based Auto Services Remain Resilient

4

Needs-based services remain a clear positive segment of the aftermarket in the current environment. A combination of growing miles driven, an aging vehicle parc and increasing vehicle complexity / repair cost have underpinned strong sector performance and outlook

“Core same-store-sales have been incredibly stable, growing high-single-digits annually over the last five years, and our customer base has been loyal. Stability in miles driven results in stability for our core business”

– Multi-Unit Auto Service Platform

~2%

Increase in Cumulative Traffic Across North America

26.8B

Increase in Vehicle Miles Driven Across North America

“Destocking” Theme is Omnipresent

5

Destocking has been a key theme across the broader economic landscape and conference participants echoed this trend. Outdoor recreation participants specifically see the de-stocking cycle nearing an end, but mix is now the biggest challenge

“Demand has shifted since 2021 with an increased focus on determining the correct mix of inventory”

– RV Dealer

~64%

Dealers Saying Towable Unit Inventory is Too High

Supply Chain Normalization is Valued

6

OEM and aftermarket manufacturers have welcomed a normalization in input costs (particularly steel, aluminum, resin) that has enabled tighter cost / margin controls. Many are assessing current pricing levels to achieve targeted margin profiles

“We’re assessing pricing across all categories. We view costs settling into a new normal and need to focus on margins”

– Aftermarket Manufacturer

~17%

Decline in Input Costs Prices YoY ⁽²⁾

Electrification Remains Top of Mind

7

Electrification was a topic in nearly every conversation with participants strategizing on how to play this trend. Most are either a net beneficiary of EV penetration or have taken a partnership approach to gain exposure

“We remain focused on collaboration to expand electric propulsion solutions and advance higher power electric systems, delivering electric products that are easy for consumers to use, reliable and high performing”

– Marine OEM

~40%

Consumers Considering an Electric Boat for Their Next Purchase

Source: Baird GCTS Interaction / Investment Banking knowledge, leading third-party market study and Strategas investment research.

(1) Unemployment rate and disposable income as of 2023.

(2) Input costs reflect aluminum and steel prices.

MARKET OBSERVATIONS TRANSLATE TO COMPANY PERFORMANCE TRENDS AND MANAGEMENT EXPECTATIONS



SHIPMENTS

- **Soft retail activity**, hampered by economic uncertainty across all outdoor recreation segments, including marine, RV and powersports



INVENTORY

- Marine dealer inventory is over-indexed towards new boats, with dealers noting that the **mix is off with too many new units**; however, used boats is getting to be more balanced
- Largely restocked dealer channel across RV / Powersports markets, with **inventory levels improving**



ORDERS

- **Dealers expected to order less** while continuing to still move 2022 and 2023 inventory
- Incentivizing buyers with **deep discounts and promotions, or more consideration for trade-ins** to move units



FLOORPLAN COSTS

- Floorplan **inventory expense has increased for dealers**, providing a major disincentive to over-order in addition to higher prices and interest rates



RETAIL COSTS

- **Inventory normalization presents a headwind to record dealer profitability**



AFFORDABILITY

- **Units are becoming less affordable** due to inflation and rising rates, however, increases to dealer inventory for select categories should drive the price to consumer down



BUYERS

- **Continued interest in the outdoor recreation sector**, however, broader macro-economics creating consumer resistance from unit purchases
- Expect repeat buyers to **delay purchases as monthly payment costs jump**



DISCIPLINE

- Industry **participants anticipate better discipline through the downturn despite skepticism** from investors

BAIRD'S EQUITY RESEARCH COVERAGE GCTS CONFERENCE TAKEAWAYS

BAIRD



Craig Kennison
Senior Research Analyst
Consumer Leisure & Automotive Services
23+ Years of
Industry Experience



Peter Benedict
Senior Research Analyst
Consumer Products & Services
13+ Years of
Industry Experience

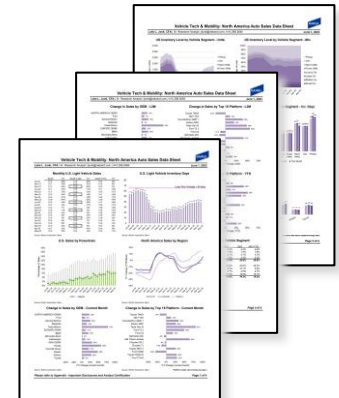


Justin Kleber
Senior Research Analyst
Consumer Products & Services
14+ Years of
Industry Experience



Luke Junk
Senior Research Analyst
Vehicle Technology & Mobility
14+ Years of
Industry Experience

GCTS CONFERENCE TAKEAWAYS



VT&M / OUTDOOR RECREATION H2 2023 OUTLOOK AND EXPECTATIONS

Despite the persistence of headwinds, innovation continues to win out and significant opportunities for inorganic expansion have emerged for highly strategic entities

“We have a tremendous portfolio of brands and have seen significant growth in our more premium offerings with electrification having a strong reception in the market while value brands have remained relatively flat. Despite interest rates, we’re expecting to outperform last year’s comp”

BRUNSWICK

“The outcome of a macroeconomic environment like this is the emergence of very favorable dealership acquisition opportunities. What I find most unusual and intriguing about the last 90 days is the rapid and recent influx of acquisition candidates, the likes of which I've never seen [...] Historically, on average, we've paid multiples in the 2 to 4x range, and recently, we've seen those multiples drop, including some deals that are very simple. Buy my real estate and inventory and I'll sell”

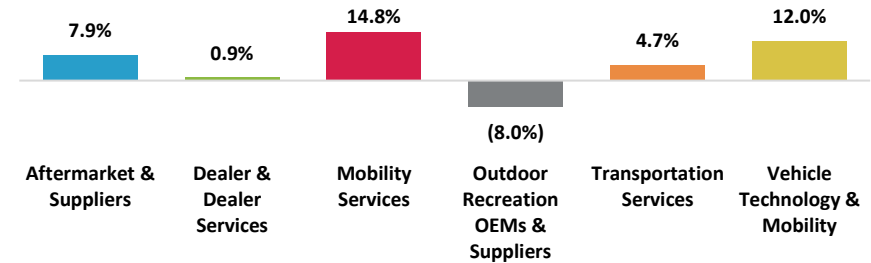
CAMPING WORLD

“We're not expecting growth in our recreational category from the existing products [given that] that's a far more discretionary purchase and consumers are obviously impacted by what's going on. Even if credit is available, the cost of credit is obviously a strong consideration”

POLARIS

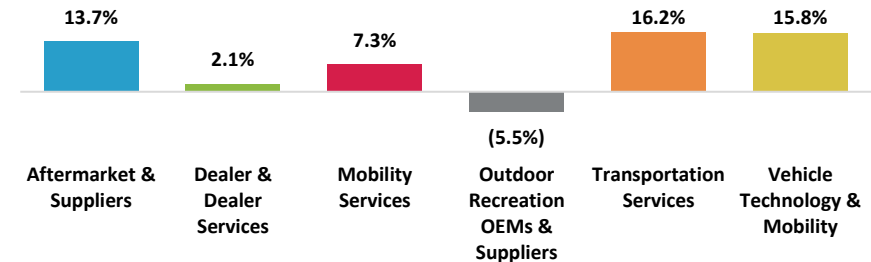
2H 2022 – 2H 2023E REVENUE GROWTH ⁽¹⁾

(Comp group medians)



2023E – 2024P REVENUE GROWTH ⁽¹⁾

(Comp group medians)



EARNINGS RESULTS & OUTLOOK ⁽¹⁾

~80%

Beat Q1 Consensus Revenue

~79%

Beat Q1 Consensus Earnings

~5%

Median 2023 Expected Revenue Growth

(~8%)

Median 2023 Expected Earnings Growth

Source: S&P Capital IQ, Baird Investment Banking knowledge.

(1) Represents publicly traded VT&M / Outdoor Recreation conference participants. See page 2 for the composition of each comp group.

BAIRD'S DEDICATED INVESTMENT BANKING TEAM

BAIRD

CORE VEHICLE TECHNOLOGY & MOBILITY AND OUTDOOR RECREATION TEAM



Adam Czaia
Managing Director &
Head of Vehicle Technology
& Mobility

aczaia@rwbaird.com
+1 (414) 298-7358



Drew Prekop
Director, Vehicle
Technology & Mobility

dprekop@rwbaird.com
+1 (414) 298-1738



Ryan Smith
Director, Vehicle
Technology & Mobility

rsmith@rwbaird.com
+1 (312) 609-4667



John Bastian
Director, Active Lifestyles,
Fitness & Mobility

jbastian@rwbaird.com
+1 (312) 609-7067



Sara DePalma
Vice President,
Marine & Electronic Components

sdepalma@rwbaird.com
+1 (312) 609-7096

ADDITIONAL CONSUMER, M&A AND EQUITY CAPITAL MARKETS EXPERTISE



Mike Lindemann
Managing Director,
Co-Head of Industrials &
Co-Head of Global M&A

mlindemann@rwbaird.com
+1 (414) 298-7408



Maria Watts
Managing Director &
Co-Head of Consumer

mwatts@rwbaird.com
+1 (312) 609-4743



Andy Martin
Managing Director,
Enthusiast Brands

amartin@rwbaird.com
+1 (704) 553-6615



Chris Sciortino
Managing Director,
Multi-Unit, Consumer
Services & Franchising

csciortino@rwbaird.com
+1 (312) 609-4923



Ryan Brunker
Managing Director,
Multi-Unit, Consumer
Services & Franchising

rbrunker@rwbaird.com
+1 (312) 609-4679



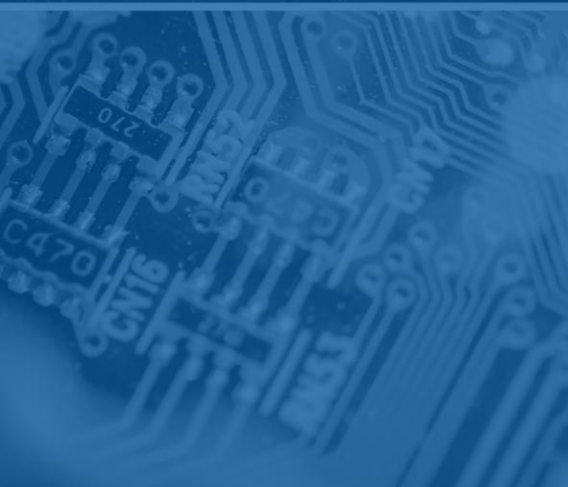
Sandy Walter
Managing Director,
Equity Capital Markets

swalter@rwbaird.com
+1 (414) 298-5118



Justin Holsen
Managing Director,
Equity Capital Markets

jholsen@rwbaird.com
+1 (414) 298-7768



BAIRD



Baird Investment Advisor Co., Ltd., an affiliate of Robert W. Baird & Co. Incorporated.
Robert W. Baird Ltd. and Baird Capital Partners Europe are authorized and regulated in the UK by the Financial Conduct Authority.