MATRIX
CAPITAL MARKETS GROUP

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Outdoor Recreation & Marine Update

Q3 · 2024

Mergers & Acquisitions | Capital Advisory | Valuation Advisory

Outdoor Recreation & Marine Update Q3 · 2024

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Meet Matrix's Outdoor Recreation & Marine Investment Banking Group

William O'Flaherty
Managing Director
804.591.2053
woflaherty@matrixcmg.com

Matt Oldhouser, CPA
Vice President
804.591.2040
moldhouser@matrixcmg.com

Jason Keyser, CFA
Analyst
804.775.6855
jkeyser@matrixcmg.com

Select Transactions

G.G. Schmitt & Sons, Inc.
Lancaster, PA
A leading designer and manufacturer of customized hardware and structural components to OEMs in the marine industry
has been acquired by
PATRICK INDUSTRIES, INC.
(NASDAQ:PATK)
Elkhart, IN

Engineered Metals and Composites, Inc.
EM&C
West Columbia, SC
A designer and manufacturer of custom marine towers, frames and other fabricated component products
has been acquired by
PATRICK INDUSTRIES, INC.
Patrick Industries, Inc.
(Nasdaq: PATK)
Elkhart, IN

MXL INDUSTRIES, INC.
A manufacturer and engineer of advanced coatings for motorcycle visors
has been acquired by
PLASKOLITE
a portfolio company of
PRITZKER PRIVATE CAPITAL

narcote TECHNICAL TEXTILE SOLUTIONS
A formulator and engineer of technical textiles for water-resistant outdoor apparel
has been recapitalized by
LNC PARTNERS

Market Focus

Boating/Watercraft

Watersports

Kayaking

Camping

Hunting/Archery

Biking

Skiing/Snowboarding

ATV/Performance

Recreational Vehicles

Q3 2024 Outdoor Recreation & Marine Overview

Overview

Welcome to our first market update for the Outdoor Recreation and Marine sectors. In many ways, the timing of our update couldn't have occurred at a more unique or opportune moment in the lifecycle of these industries. In this issue, ahead of our annual trip to IBEX, we have zoomed in on the Marine market. With the changes over the past few years, we thought it would be helpful to take stock of what has occurred in the market, where we are today, and how this information can influence decision making moving forward.

2024 can perhaps best be characterized as a reset for participants across the Marine landscape. After three-plus years of nearly record levels of growth, most stakeholders saw 2024 as an opportunity to recalibrate on more normalized levels of demand. Macroeconomic factors, most notably around higher interest rates, matched with higher levels of marine dealer inventories, have led to an environment where wholesale powerboat shipments are down approximately 20% year-over-year, with retail unit sales down approximately 10%. In a market where north of 60% of boat owners have a household income of $75,000 or less, the Federal Reserve's economic policies aimed at stemming inflation have hit particularly hard for buyers looking to finance these relatively big-ticket purchases.

Despite these headwinds and resulting lower sales volumes, we've seen remarkable resiliency across the marketplace. Most organizations relied on informed forecasting to manage costs and those that did have been rewarded, at least in the public markets, with valuations that represent modest, if any, erosion. Additionally, we've observed resilience in the M&A markets, with a number of transactions crossing, or on the path to crossing, the finish line this year so far. Not surprisingly, interest tended to be greater in service-based versus product-based businesses with the service organizations remaining more resilient in the face of declining overall volumes.

With analyst and marketplace sentiments more optimistic for 2025, matched with what seems to be softening inflation (and shrinking interest rates), we expect many parties to begin assessing capital needs for potential growth opportunities. Furthermore, while we don't expect next year's demand to necessarily reach levels seen during the pandemic, we nevertheless believe next year's anticipated rebound to allow many business owners to reestablish earnings momentum and consider a potential exit or sale. In conversations with many organizations, the demand reset of 2024 has helped the marketplace recalibrate growth expectations after years of misalignment over sustainable levels of earnings.

State of Marine Operations – Key Industry Data

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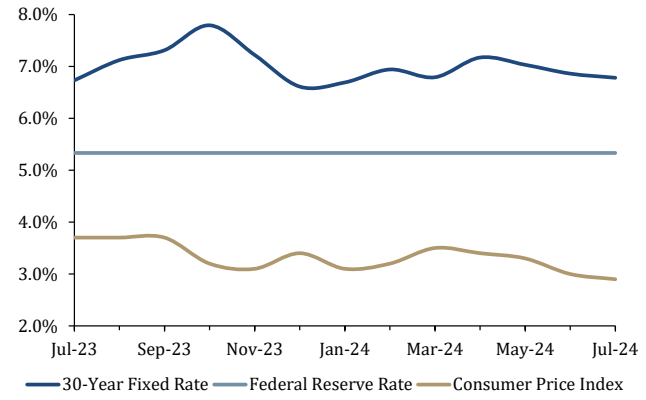
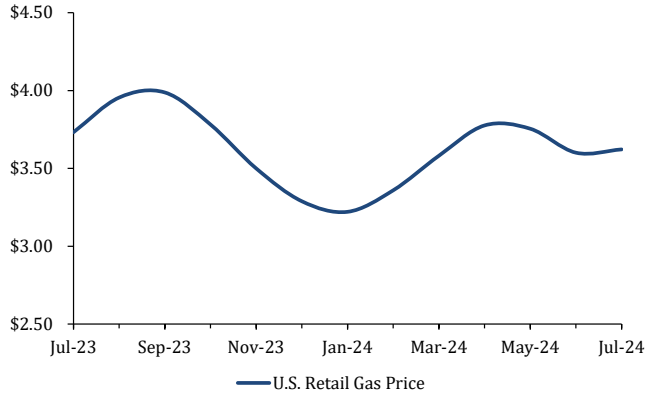
Key Marine Macroeconomic Indicators

Interest and Inflation Rates



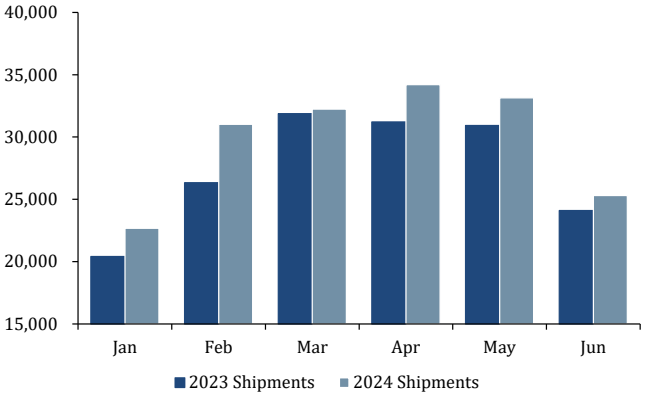
Recent Federal Reserve Interest Rate Movement Should Support Market

U.S. Retail Gas Price



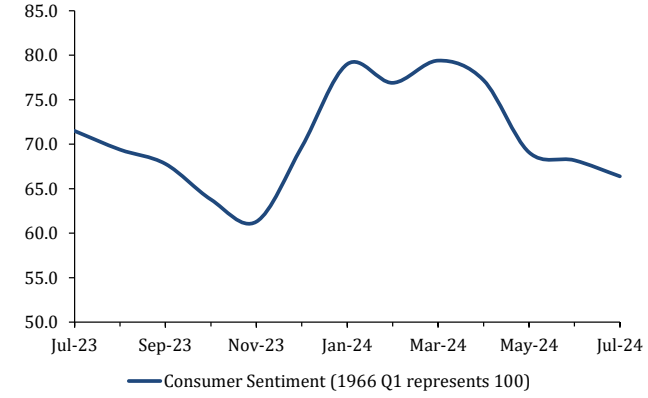
Fuel Prices Remaining Neutral Following Steep Rise

RV Wholesale Shipments



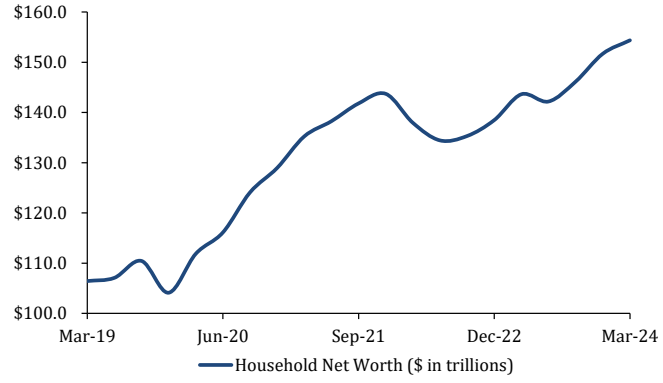
Year-Over-Year Volumes Remain Impressive And Encouraging

Consumer Confidence Index



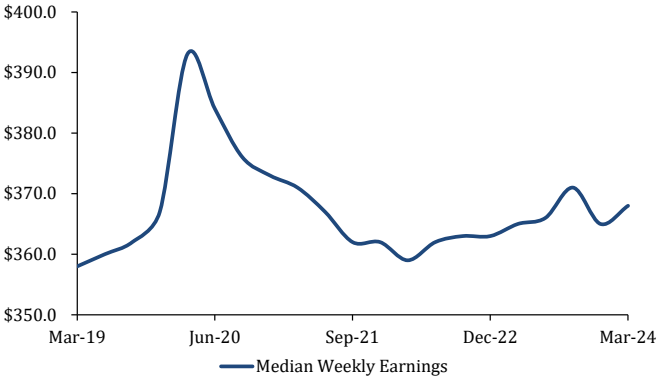
Election Uncertainty Could Be Causing Cooling Sentiment

Household Net Worth



Long-Term Trajectory Is Positive For Marketplace

Real Wages



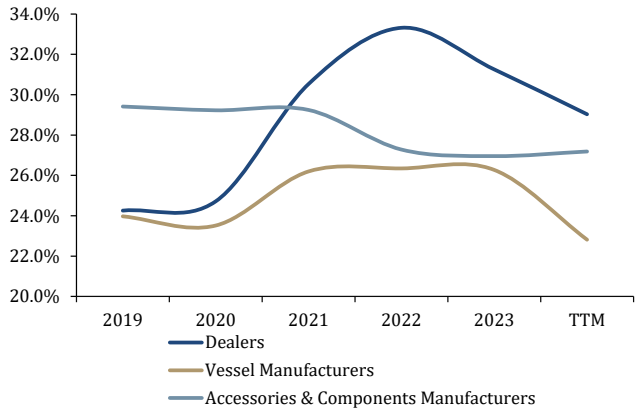
Tight Labor Market Supporting Strong Wages

Sources: NMMA; Federal Reserve Economic Data.

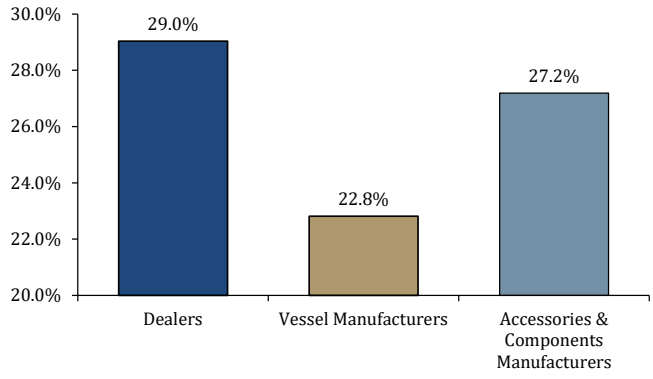
Operational Indicators and Measurements

Despite Difficult 2024 Across All Segments,
Experts Anticipate Rebounding Volumes in Next Fiscal Year

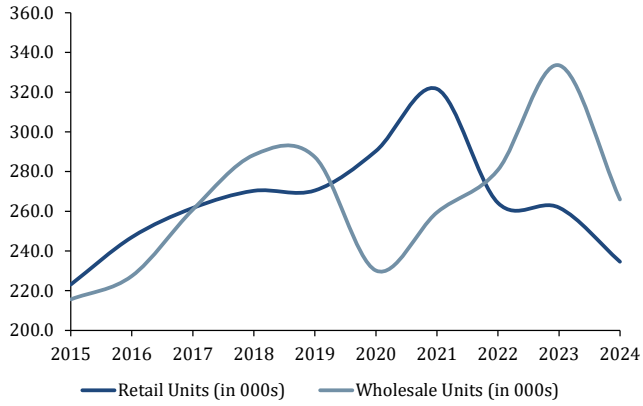
Gross Margin Performance – 5 Years



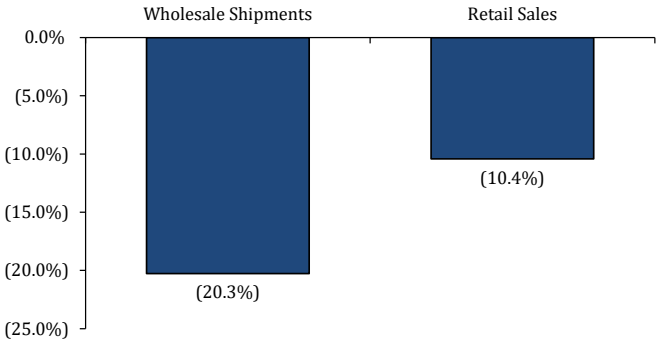
Gross Margin Performance - Current



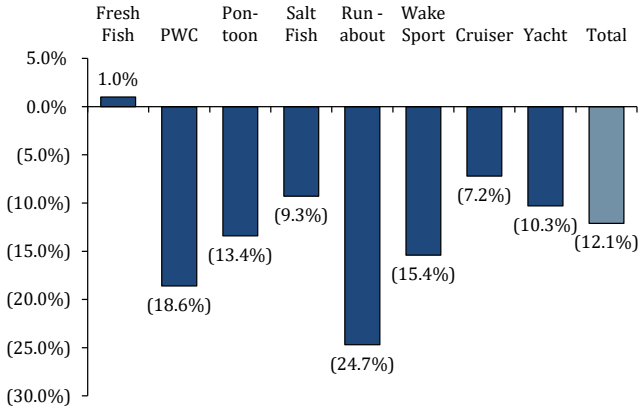
Total Powerboat Sales – Rolling 12 Months (as of June)



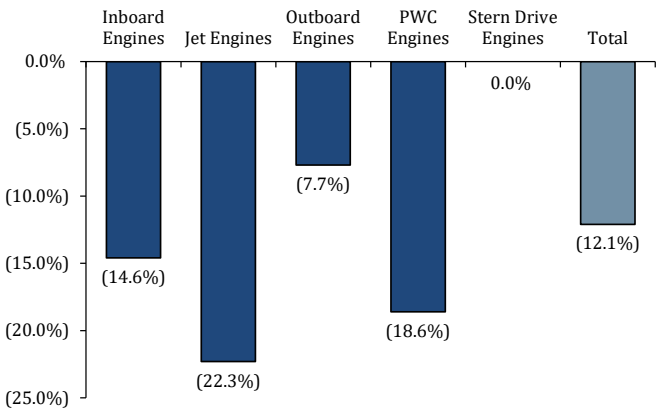
Total Powerboat Sales – Change from 2023 to 2024 (as of June)



Powerboat Sales by Segment – Change from 2023 to 2024 (YTD June)



Powerboat Sales by Engine – Change from 2023 to 2024 (YTD June)



Sources: NMMA; Capital IQ.

Market Data & Updates

Marine Public Trading Group

Trading Analysis

(Amounts in USD Millions except Stock Price)						EV / Revenue		EV / EBITDA		P / E	
Company	Stock Price	% of 52 Week High	Equity Value	Enterprise Value	TTM Revenue	TTM	FY2023	TTM	FY2023	FY2023	Dividend Yield
MarineMax, Inc.	$34.72	87.1%	$774.9	$1,776.4	$2,462.5	0.7x	0.7x	8.2x	5.7x	8.0x	--
OneWater Marine, Inc.	$22.55	62.9%	$329.8	$1,378.4	$1,845.8	0.7x	0.7x	8.7x	6.5x	NM	--
Dealers	**Mean**	**75.0%**				**0.7x**	**0.7x**	**8.5x**	**6.1x**	**8.0x**	**--**
	Median	**75.0%**				**0.7x**	**0.7x**	**8.5x**	**6.1x**	**8.0x**	**--**
Brunswick Corporation	$80.17	80.4%	$5,309.1	$7,695.0	$5,764.4	1.3x	1.4x	7.9x	7.9x	10.7x	2.1%
Malibu Boats, Inc.	$38.61	68.9%	$772.7	$758.4	$829.0	0.9x	0.9x	9.4x	4.3x	10.8x	--
Sanlorenzo S.p.A.	$38.26	74.3%	$1,336.2	$1,226.4	$966.5	1.3x	1.6x	7.5x	9.2x	20.0x	2.9%
MasterCraft Boat Holdings, Inc.	$17.77	73.9%	$295.2	$258.4	$366.6	0.7x	0.7x	8.5x	3.8x	4.4x	--
Marine Products Corporation	$9.47	64.6%	$328.8	$273.6	$287.5	1.0x	0.9x	8.4x	6.4x	9.7x	5.9%
Vessel Manufacturers	**Mean**	**72.4%**				**1.0x**	**1.1x**	**8.4x**	**6.3x**	**11.1x**	**3.6%**
	Median	**73.9%**				**1.0x**	**0.9x**	**8.4x**	**6.4x**	**10.7x**	**2.9%**
Dometic Group AB	$6.22	69.0%	$1,987.1	$3,378.4	$2,485.6	1.4x	1.5x	8.5x	9.7x	16.2x	3.0%
LCI Industries	$118.23	90.0%	$3,010.4	$3,962.8	$3,819.4	1.0x	1.1x	10.0x	13.2x	8.1x	3.6%
Patrick Industries, Inc.	$136.54	99.8%	$3,058.7	$4,528.6	$3,597.4	1.3x	1.0x	9.3x	7.6x	7.4x	1.6%
Johnson Outdoors, Inc.	$36.67	66.2%	$373.8	$274.0	$583.3	0.5x	0.7x	n.m.	12.3x	28.1x	3.6%
Accessories & Components Manufacturers	**Mean**	**81.2%**				**1.0x**	**1.1x**	**9.3x**	**10.7x**	**14.9x**	**2.9%**
	Median	**79.5%**				**1.1x**	**1.1x**	**9.3x**	**11.0x**	**12.1x**	**3.3%**

Operating Analysis

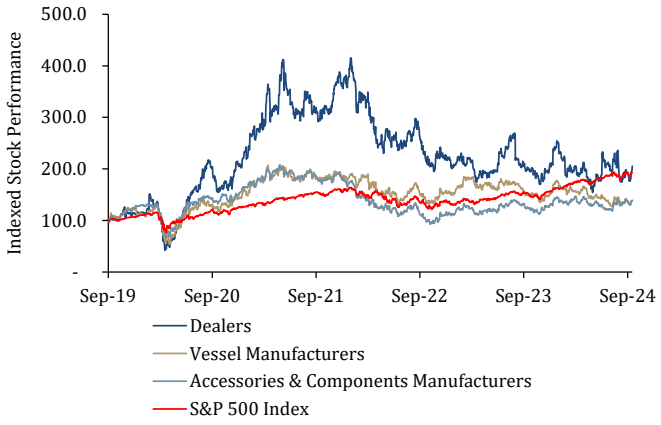
(Amounts in USD Millions)		Growth Rates						Operating Efficiency		Credit Statistics	
		Revenue CAGR			EBITDA CAGR						
Company	TTM EBITDA	'20-'21	'21-'22	'22-'23	'20-'21	'21-'22	'22-'23	Gross Margin	EBITDA Margin	Total Debt	Total Debt /
MarineMax, Inc.	$215.86	36.7%	11.9%	3.8%	84.4%	26.0%	(12.8%)	33.0%	8.8%	$1,234.6	5.7x
OneWater Marine, Inc.	$157.60	20.1%	42.1%	11.0%	88.7%	57.7%	(20.4%)	25.1%	8.5%	$1,057.9	6.7x
Dealers	**Mean**	**28.4%**	**27.0%**	**7.4%**	**86.6%**	**41.8%**	**(16.6%)**	**29.0%**	**8.7%**	**$1,146.2**	**6.2x**
	Median	**28.4%**	**27.0%**	**7.4%**	**86.6%**	**41.8%**	**(16.6%)**	**29.0%**	**8.7%**	**$1,146.2**	**6.2x**
Brunswick Corporation	$972.50	34.5%	16.5%	(6.0%)	41.9%	19.9%	(11.4%)	28.1%	16.9%	$2,962.9	3.0x
Malibu Boats, Inc.	$80.60	41.9%	31.1%	14.3%	69.5%	30.5%	15.7%	17.7%	9.7%	$7.9	0.1x
Sanlorenzo S.p.A.	$163.30	4.0%	19.3%	17.9%	20.8%	28.9%	25.4%	29.1%	16.9%	$115.1	0.7x
MasterCraft Boat Holdings, Inc.	$30.35	28.3%	37.7%	3.2%	112.8%	43.7%	2.0%	18.3%	8.3%	$49.3	1.6x
Marine Products Corporation	$32.39	24.3%	27.8%	0.7%	45.1%	43.6%	(5.2%)	20.8%	11.3%	$0.0	0.0x
Vessel Manufacturers	**Mean**	**26.6%**	**26.5%**	**6.0%**	**58.0%**	**33.3%**	**5.3%**	**22.8%**	**12.6%**	**$627.0**	**1.1x**
	Median	**28.3%**	**27.8%**	**3.2%**	**45.1%**	**30.5%**	**2.0%**	**20.8%**	**11.3%**	**$49.3**	**0.7x**
Dometic Group AB	$360.04	20.6%	20.0%	(3.3%)	31.0%	6.1%	(2.8%)	28.5%	14.5%	$1,747.3	4.9x
LCI Industries	$327.37	60.0%	16.4%	(27.3%)	57.5%	32.5%	(56.5%)	22.6%	8.6%	$1,082.8	3.3x
Patrick Industries, Inc.	$427.29	64.0%	19.7%	(29.0%)	77.5%	35.9%	(31.9%)	22.6%	11.9%	$1,513.8	3.5x
Johnson Outdoors, Inc.	($8.06)	26.5%	(1.1%)	(10.7%)	43.0%	(32.8%)	(58.6%)	35.1%	(1.4%)	$50.8	n.m.
Accessories & Components Manufacturers	**Mean**	**42.8%**	**13.8%**	**(17.6%)**	**52.3%**	**10.4%**	**(37.5%)**	**27.2%**	**8.4%**	**$1,098.7**	**3.9x**
	Median	**43.2%**	**18.1%**	**(19.0%)**	**50.3%**	**19.3%**	**(44.2%)**	**25.6%**	**10.2%**	**$1,298.3**	**3.5x**

Source: CapitalIQ as of September 16, 2024.

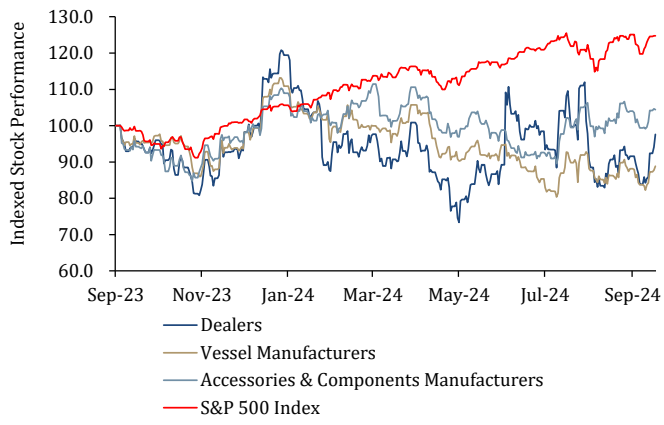
Market Valuation & Performance

Market Data And Valuations Have Remained Resilient
In The Face Of Difficult Operating Environment

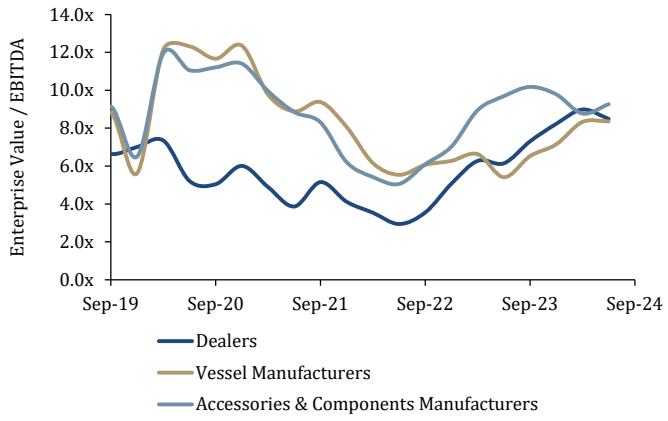
Industry Stock Performance 5-Year



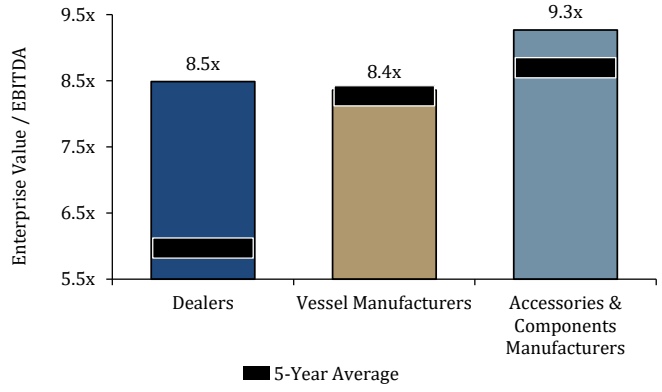
Industry Stock Performance 1-Year



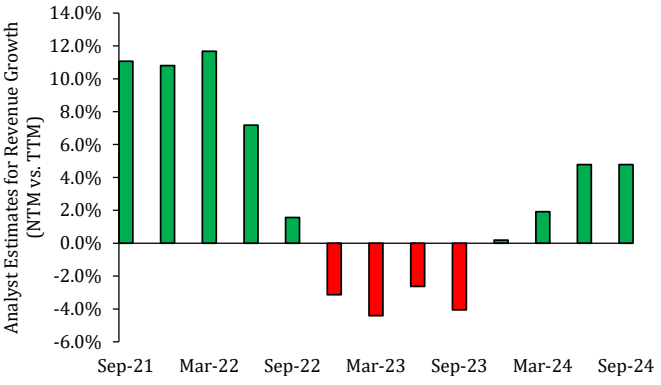
Valuations Over Time



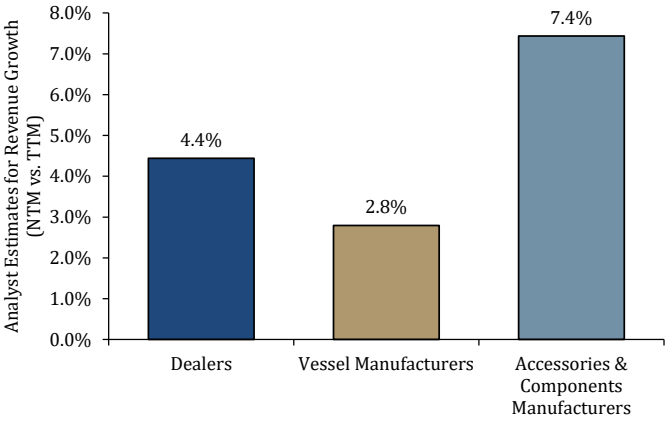
Current Valuation Snapshot



Analyst Sentiment Over Time



Analyst Sentiment Current Snapshot



Source: CapitalIQ.

KEY RECENT TRANSACTIONS / DEAL SPOTLIGHT

Recent Transaction Overview

M&A Momentum Across All Markets Remains Exceptionally Robust

Transaction Date	Target	Acquiror	Target Description
Pending	Nautor Swan S.R.L.	Sanlorenzo, S.p.A.	Nautor Swan S.R.L. designs, constructs, sells, and refits sailing yachts.
Pending	Forza X1, Inc.	Twin Vee Powercats Co.	Forza X1, Inc. engages in designing, developing, and manufacturing electric boats in the United States.
Pending	Roth RV	Camping World Holdings, Inc.	Roth RV operates as a dealer of recreational vehicles, cargo, boats, fish houses, utility trailers, parts, and services.
Sep-24	South Florida Franchise Operations	Freedom Boat Club, LLC	South Florida Franchise Operations includes 13 locations from Pompano Beach to Stuart, Florida.
Sep-24	Denny's Marina, Inc.	Hurless Anderson Corporation	Denny's Marina, Inc. operates as a boat dealer in Indianapolis, Indiana.
Sep-24	Hidden Cove Marina	Suntex Marina Investors, LLC	Hidden Cove Marina, located in Frisco, TX, is a marina providing fuel sales, ship storage, and boat rentals.
Sep-24	Icon Direct, Inc.	Patrick Industries, Inc.	Icon Direct, Inc. operates an e-commerce business and aftermarket platform for marine end markets.
Sep-24	Profile Division of Keller Products, Inc.	Barbour Plastics, Inc.	Profile Division of Keller Products, Inc. manufactures thermoplastic and plastic extrusions for marine products.
Aug-24	Sunset Bay Marina	Chicago Yacht Works	Sunset Bay Marina is a marina on the Calumet River that offers sales, service, and storage to boaters.
Aug-24	Kalkomey Enterprises, LLC	Macquarie Group, Ltd.	Kalkomey Enterprises, LLC, offers online safety certification courses in boating and other activities.
Aug-24	Doyle Sails and Quantum Sail Design Group	North Technology Group, LLC	Doyle Sails and Quantum Sail Design Group design, manufacture, and repair sails for racing, yachts, and cruising sailboats.
Jul-24	Marine Emporium Landing	Suntex Marina Investors, LLC	Marine Emporium Landing, located in Oxnard, CA, operates as a commercial marina.
Jun-24	Bay Marine of Chicago, LLC	TopSide Marinas	Bay Marine of Chicago, LLC includes two marinas on the shores of Lake Michigan.
May-24	Sola Ventures, Inc.	Oasis Marinas, LLC	Sola Ventures, Inc., doing business as Diversified Marine Services, provides boat maintenance services.
May-24	Furniture Business of CWDS, LLC	LCI Industries	Furniture Business of CWDS, LLC includes the RV and marine OEM furniture manufacturing capabilities of CWDS, LLC.
May-24	Garden State Yacht Sales, LLC	OneWater Marine, Inc.	Garden State Yacht Sales, LLC operates as a marina and boat dealer that sells new and used boats.
Apr-24	Almar Management, Ltd.	Suntex Marina Investors, LLC	Almar Management, Inc. engages in the development, construction, and management of recreational boat marinas.
Apr-24	Lighthouse Point Marina, LLC	Monument Marine Group, LLC	Lighthouse Point Marina, LLC, a marina management company, operates marine ports.
Apr-24	Silent-Yachts	Michael Said	Silent-Yachts is a builder of solar catamarans.
Apr-24	Revere Survival, Inc.	Lalizas S.A.	Revere Survival, Inc. manufactures and markets survival equipment in the United States and internationally.
Apr-24	Torqeedo GmbH	Yamaha Motor Co., Ltd.	Torqeedo GmbH manufactures, distributes, and markets water-based electromobility.
Mar-24	Simpson Marine, Ltd.	Sanlorenzo, S.p.A.	Simpson Marine, Ltd. sells new and pre-owned yachts and boats.
Feb-24	Dock Bench Company	Goldner Marine Group	Dock Bench Company is a manufacturer of benches that attach to boat docks.
Feb-24	Maple Leaf Marinas Holdings, Ltd.	Rosebridge Capital Corp.	Maple Leaf Marinas Holdings, Ltd., through its subsidiaries, owns and operates marinas in Canada.
Feb-24	Aloha Marine, Inc.	Smith Automotive Group, LLC	Aloha Marine, Inc. operates as a boat dealership.
Feb-24	Banshee Marine Audio	Poly-Planar, LLC	Banshee Marine Audio is a manufacturer of marine audio products.
Feb-24	Yachting Marine Service, LLC	QUICK USA, Inc.	Yachting Marine Service, LLC is a leading service center for superyachts.
Feb-24	Crystal Shores Marina and Crazy Horse Marina	Goodhue Boat Company	Crystal Shores Marina and Crazy Horse Marina operate as marinas on Smith Mountain Lake, VA.
Jan-24	Williams Tenders USA, Inc.	MarineMax, Inc.	Williams Tenders USA, Inc. operates as a distributor and retailer of jet tenders for the luxury yacht market.
Jan-24	Sportech, LLC	Patrick Industries, Inc.	Sportech, LLC designs and manufactures thermoformed plastic products for recreational and utility vehicles.
Jan-24	Wefings Marine, Inc.	Nautical Ventures South, Inc.	Wefings Marine Inc. operates as a dealership that sells boats, motors, and trailers.
Jan-24	Stoltzfus Trailer Sales, Inc.	General R.V. Center, Inc.	Stoltzfus Trailer Sales, Inc. operates as a retailer of boats and RVs.

Sources: CapitalIQ; various industry publications.

Acquisition Spotlight: Patrick Industries Acquires Sportech, LLC

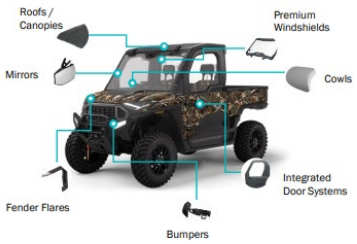
Acquisition Highlights

Buyer:	Patrick Industries, Inc.
Target:	Sportech, LLC
Seller:	Monomoy Capital Partners
Close Date:	January 2024
Purchase Price:	$315 million
TTM Revenue:	$255 million
TTM EBITDA:	$41 million

Sportech Company Profile

430 +	~400,000	1 million +	~35
Total Employees	Dedicated Square Footage	Units Shipped	In-House Engineers

Product Portfolio



Key Customers

BRP, Honda, John Deere, Kawasaki, Kubota, Polaris, Yamaha

Transaction Rationale & Commentary

Solidifies Patrick's Position in the Attractive Outdoor Enthusiast Market

Market leader in core powersports segments drives the continued evolution of Patrick's Outdoor Enthusiast vision

Multi-Use Dynamic within the Powersports Industry

Proliferating use cases across powersports and SxS/UTV applications provides exposure to highly attractive segment of the market

Clear Platform Advantages

Meaningful engineering and design overlap drives synergies across powersports, marine and RV segments

Experienced Leadership Team with Strong Track Record

Proven management team focused on accelerating growth

Enhances Growth and Margin Profile

Attractive financial profile with consistent top line and earnings growth, profit margin & earnings accretive to Patrick with strong free cash flow generation

Matrix Assessment

While Patrick Industries has been a prolific, and in many ways a preferred, buyer in the marine and RV markets, the Sportech acquisition was transformational to Patrick given the scale and end market alignment of the transaction. The fundamental basis for the deal was to increase exposure and share into the rapidly growing $2.0 billion addressable market for powersports. It has created another meaningful consolidator in the outdoor recreation segment.

Sources: Patrick Industries investor presentations; CapitalIQ.

What We're Reading

What We're Reading – Interest and Growth in Electric Alternatives

Sports boats set out on a voyage to electrify the waters in the same way Tesla electrified the roads

AP

September 2024

Summary: Arc Boats, a startup founded in 2021, is aiming to electrify watercraft, similar to how Tesla transformed the automotive industry. Starting with luxury models like Arc One and the more affordable Arc Sport, Arc Boats target affluent customers with quieter, more efficient electric boats designed for activities like wakeboarding, while also planning to expand production and eventually lower prices.

Relevant Quote: *"Worldwide sales of electric boats stood at … $5 billion in 2021, and even with steady double-digit annual growth, are … projected to reach roughly $17 billion by 2031, according to Allied Market Research."*

Source/Link: https://apnews.com/article/electric-boats-wake-boarding-water-skiing-arc-tesla-6adb39d9a0eb5f3b31ffb9b2af45f5d9

Electric power sends shockwaves through the industry

Boating Industry

August 2024

Summary: Electric propulsion in the marine industry is rapidly advancing, with companies like Mercury Marine and Torqeedo introducing new electric models capable of powering larger boats. As consumer demand for quiet, low-maintenance, and emission-free boating grows, manufacturers are addressing challenges like charging infrastructure and cost, while battery technology continues to improve, promising more powerful and efficient electric vessels in the future.

Relevant Quote: *"[A]s technology in these areas has evolved, niche markets like tenders, kayaks and paddleboards are seeing the value of electric propulsion in ways that they didn't think were possible, … I think that if a boater is ready to repower or buy a new vessel, they are seriously considering the option of electric propulsion over internal combustion and whether it is right for their needs."*

Source/Link: https://boatingindustry.com/features/2024/08/09/electric-power-sends-shockwaves-through-the-industry/

The benefits and challenges of electric propulsion for recreational boats

Boating Industry

August 2024

Summary: Electric propulsion systems for recreational boats offer environmental benefits such as zero emissions, quiet operation, and low maintenance, making them an attractive option for eco-conscious boaters. However, challenges remain, including limited range, higher upfront costs, and the need for expanded charging infrastructure, though advancements in battery technology and growing infrastructure promise to improve their viability.

Relevant Quote: *"It's also essential to recognize that electric propulsion is not a one-size-fits-all solution to environmental concerns. There are other ways to reduce the environmental impact of recreational boats. Internal combustion engines powered by renewable liquid fuels or hydrogen propulsion systems are also viable options for decarbonizing recreational boating."*

Source/Link: https://boatingindustry.com/features/2024/08/09/the-benefits-and-challenges-of-electric-propulsion-for-recreational-boats/

About Matrix

About Matrix Capital Markets Group, Inc.

Founded in 1988, Matrix Capital Markets Group, Inc. is an independent, advisory focused, privately-held investment bank headquartered in Richmond, VA, with additional offices in Baltimore, MD and New York, NY. Matrix provides merger & acquisition and financial advisory services for privately-held, private-equity owned, not-for-profit and publicly traded companies. Matrix's advisory services include company sales, recapitalizations, capital raises of debt & equity, corporate carve outs, special situations, management buyouts, corporate valuations and fairness opinions.

Our industry focused, dedicated sector advisory groups serve clients in the automotive aftermarket, downstream energy & convenience retail, healthcare and outdoor recreation & marine markets. Our broad sector advisory groups serve clients in a wide range of industries including business services, consumer, diversified industrials, restaurants and transportation & logistics.

About Matrix's Outdoor Recreation & Marine Investment Banking Group

We have a lengthy track record of partnering with privately-held, family and founder owned businesses across the outdoor recreation & marine (ORM) industry that are seeking advisory services. Our ability to listen and help our clients outline their goals and craft a highly-detailed process to achieve those objectives sets us apart from other investment banks. We recognize the exceptional trust we're given by each client and meet that standard by the high-touch, focused approach we bring to every transaction. We are intimately familiar with the various supply chain levels of the ORM sector, from OEMs to distributors to retail and aftermarket parts and service. This expertise of the full value chain is unique and yields exceptional results for our clients.

Our team at Matrix focuses on four major points in the ORM market:

- Marine – Watercraft and Watersports
- Sporting – Recreational and Competitive
- Adventure – Leisure and Active/Endurance
- Automotive Specialty – Performance and RVs

Our ability to identify and market the different value drivers for our clients is critical to successfully marketing, negotiating and ultimately closing our engagements with exceptional terms and often premium values. Given our relevant experience, we are also exceptionally familiar with the most active strategic buyers and private equity funds eager to make investments in the sector.

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