

The APEX and SEMA SHOW logos are positioned in the middle-left section of the image. The APEX logo is in a white, lowercase, sans-serif font with the tagline "ahead of the curve" in a smaller font below it. The SEMA SHOW logo features the word "SEMA" in a large, bold, italicized, uppercase font, with "SHOW" in a smaller, bold, uppercase font below it, separated by a series of vertical bars.

# BAIRD'S AFTERMARKET WEEK RECAP AND 2025 OUTLOOK

December 2024



# BAIRD'S AFTERMARKET WEEK RECAP

BAIRD

## Select Baird Aftermarket Week Statistics

~180

Total Company Interactions

~40

Total 1x1 Meetings

~100

Total Companies at Reception

~150

Total Attendees at Reception

## EXPANSIVE TOUCHPOINTS WITH PREMIER VEHICLE AFTERMARKET BUSINESSES AND INVESTORS





# SIGHTS AND SOUNDS FROM AFTERMARKET WEEK



"Growth is finally starting to pick up...the last couple months have been solid, but it feels like we're starting to accelerate. Momentum is across all segments too, which is a big positive."

– SEMA Exhibitor Board Member



"Our business is performing exceptionally well, especially in the light and medium duty segments. The fact that our products are highly consumable has provided great stability in 2024."

– Automotive Chemicals Executive



"We are seeing growth in needs-based vehicle technology investments as technicians seek ways to streamline operations with new digital tools."

– Aftermarket Repair Executive



"Protex is a game changer for us, and what you see at SEMA is the tip of the iceberg. We're excited about how this can transform the way consumers interact with RealTruck."

– RealTruck Executive

"Collision repair markets continue to show strength... we expect this to continue especially with the rising costs of repairs as vehicles become more technologically advanced."

– Collision Repair Executive



"We're excited to support the SEMA Overland Experience and provide coverage for SEMA exhibitors showcasing their vehicles in the area...we look forward to seeing all the unique builds and demonstrating that overlanding is accessible to everyone, regardless of experience level."

– Overlanding Executive

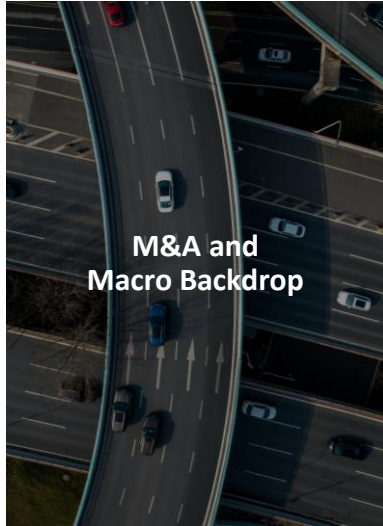


# KEY THEMES AT TOP OF MIND ENTERING 2025

## CATEGORY

## 2024 THEMES GOING IN

## WHAT WE LEARNED / OBSERVED AT AFTERMARKET WEEK



M&A Activity Remains Slow and Challenging, with Cautious Optimism for 2025

- ✓ Strategic M&A is projected to continue into the first half of 2025 as stronger platforms look to further invest in growth
- ✓ Meaningful backlog of business that could come to market, but earnings level / sustainability are an important hurdle
- ✓ Strategic portfolio review / simplification efforts will continue to create acquisition opportunities (e.g., carveouts and strategic combinations)

Impact of Potential Tariffs & Trade Policies Are Top of Mind

- ✓ Tariff uncertainty was a primary discussion topic at Aftermarket Week as executives work to understand a range of impacts
- ✓ Potential rate cuts, positive changes to the regulatory environment and overall confidence in economic growth can benefit consumers
- ✓ China, Mexico and Canada tariffs present headwinds and policy-driven impact on reactionary changes in OEM production will need to be assessed, though raw material prices may already have some supply chain disruption priced in



Consumer Spending Continues to “Bounce Across the Bottom” but Sentiment and Engagement are Strengthening

- ✓ SEMA companies have been seeing an uptick in engagement and sales volume over the last few months, representing early signs that the consumer will return in 2025
- ✓ Channel mix is an increasing Board topic headed into 2025 – the ability to “meet the customer where they are” enhances the purchase potential
- ✓ Direct models continue to enable to most influence over the purchase decision

Utility-Focused Categories Show Resilience as Consumers Prioritize Spending on Items that Support Lifestyle or Commercial Activities

- ✓ Utility-focused vehicles remain attractive recreational alternatives due to versatility, durability and effectiveness for cross functionality and lifestyle alignment
- ✓ Increased intermingling of subcategories across SEMA exhibits, with one notable example being overlanding-focused accessories on an increasing number of West Hall truck, SUV and off-road builds

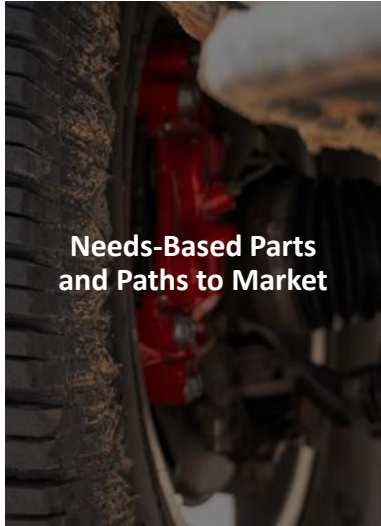


# KEY THEMES AT TOP OF MIND ENTERING 2025 (CONT'D)

## CATEGORY

## 2024 THEMES GOING IN

## WHAT WE LEARNED / OBSERVED AT AFTERMARKET WEEK



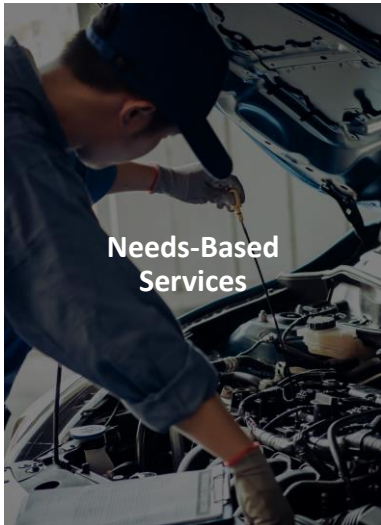
Needs-Based Parts and Paths to Market

**Growing Vehicle Complexity and Destocking of Parts Drive Increase in Repair Costs, Leading to Deferred Maintenance Spend Across Categories**

- ✓ Supply chain disruptions and growing demand for replacement parts as vehicle parc age is at an all time high has resulted in reduced availability of specialized components, delaying routine maintenance
- ✓ AAPEX participants continue to observe stable demand for select critical safety product categories, including vehicle lighting and brake components

**Electrification & Digital Tools Continue to Influence Needs-Based Investments**

- ✓ Advancements in ADAS technology across all vehicle types was prevalent across the AAPEX floor
- ✓ Increased adoption of workflow digitization solutions and remote diagnostics across service shops providing enhanced technician efficiency and improved customer experiences



Needs-Based Services

**Balanced Unit / Service Volume Growth and Resilient Profitability Defines Best-In-Class Need-Based Platforms**

- ✓ Growing bifurcation between well-operated platforms focused on profitability versus market participants solely focused on unit growth
- ✓ Platforms of scale were the most bullish on the market, especially those that with high levels of integration and / or the ability to leverage an attractive balance sheet

**Relative Category Strength and Attractiveness Due to Impact of Underlying Vehicle Parc Dynamics**

- ✓ Category strength supported by increasing vehicle age, complexity and stable vehicle miles traveled, with vehicle parc-dynamics driving performance and strong sentiment, while ICE concerns easing relative to 2023 due to long-tail in vehicle parc
- ✓ Growing vehicle technology needs driving growth in the space, with investments being made in new diagnostics and calibration solutions at AAPEX for maintenance / quick lube categories

# TOP 5 EXPECTATIONS FOR THE VEHICLE AFTERMARKET AND M&A IN 2025



***M&A activity in the aftermarket positioned for a continued rebound, especially as earnings growth continues to improve with long-hold sponsor-backed assets; strategic portfolio reviews will also create opportunities***



***Needs-based categories are expected to maintain momentum, with continued relative strength in consumable and wear-part categories; vehicle affordability increasing average age also likely to persist***



***Consumer discretionary sales volumes will continue to gain momentum, though improvement expected to be gradual absent a substantial catalyst***



***Supply chain diversification and value chain strength will be one of the largest determinants of success in 2025 as policy changes impacting global trade loom large***



***Aftermarket fundamentals will prevail, driving continued investment from both financial sponsors and well-capitalized strategics***

# BAIRD'S COMMITMENT AS A THOUGHT LEADER TO THE VT&M SECTOR

## BAIRD'S 2024 ATTENDANCE AT SEMA AND AAPEX

### VT&M Coverage Team



**Adam Czaia**  
Managing Director



**Drew Prekop**  
Director



**Ryan Smith**  
Director



**Aaron Haney**  
Vice President



**Chris McGough**  
Associate



**Ervin Sobanski**  
Associate

### Broader Coverage of VT&M and Adjacent Markets



**Jon Fitzsimmons**  
Managing Director,  
Specialty Materials  
& Chemicals



**Sam Scanlan**  
Director,  
Multi-Unit  
Auto Services



**Justin Holsen**  
Managing Director,  
Equity Capital  
Markets



**Sandy Walter**  
Managing Director,  
Co-Head of Equity  
Capital Markets



**Craig Kennison**  
Sr. Research Analyst,  
Consumer Leisure &  
Auto Services

### Baird's VT&M Franchise Highlights

~30

Years of Sector Focus

105+

M&A Transactions

\$50B+

M&A Transaction Value

40+

Equity Capital Raises

- ✓ Strong commitment to the vehicle aftermarket with 15+ years of attending SEMA and AAPEX
- ✓ In-depth interactions with the most active / influential executives, investors and thought leaders that shape the strategic landscape of the vehicle aftermarket
- ✓ Publishes exclusive *Guide to Aftermarket Week*



## RECENT & UPCOMING CONFERENCE SCHEDULE

November  
5 – 8, 2024

Aftermarket Week  
(AAPEX and SEMA)



November  
12 – 14, 2024

Baird Global  
Industrial Conference



January  
7 – 10, 2025

Consumer Electronics  
Show (CES)



January  
13 – 15, 2025

ICR  
Conference



January  
20 – 23, 2025

Heavy Duty  
Aftermarket Week



January  
23 – 26, 2025

NADA  
Show





