



BAIRD

VEHICLE TECHNOLOGY & MOBILITY AND OUTDOOR RECREATION

2H 2024 Insights & Perspectives



CONFERENCE KEY TAKEAWAYS

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

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Highly diversified set of leading VT&M and Outdoor Recreation companies across both the private and public tracks

48

Participating
Companies

230+

Total
Conference
Attendees ⁽¹⁾

160+

Scheduled
1x1 Meetings

\$2.5B

Median
Market Cap ⁽²⁾

AFTERMARKET & SUPPLIERS



DEALER & DEALER SERVICES



MOBILITY SERVICES



OUTDOOR RECREATION OEMS & SUPPLIERS



BRUNSWICK *



MARINE PRODUCTS CORPORATION

MasterCraft



POLARIS *



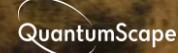
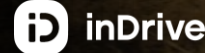
THOR
Go Everywhere. Stay Anywhere.™

WINNEBAGO INDUSTRIES

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.

CONFERENCE THEMES TOP OF MIND FOR EXECUTIVES ENTERING 2H 2024

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1

Interest Rates Continue to Dominate the Conversation

- “First cut” will help improve consumer sentiment, but many executives believe multiple cuts are needed before retail activity meaningfully increases
- Increased rates have challenged affordability for many consumers across the automotive and outdoor recreation markets
- Rates have meaningfully impacted dealer profitability / willingness to hold inventory

~90%

Chance of a September Rate Cut ⁽¹⁾

2

With Continued Soft Retail Sales in 1H 2024, De-Stocking is Complete / Nearly Complete

- New vehicle climate is shifting in favor of the consumer, with retail sales slowly recovering while inventory nears pre-COVID levels
- Across outdoor recreation segments, wholesale shipments are relatively in-line with retail, indicating the 2023 de-stocking cycle is nearly complete (RV / Powersports leading Marine)
- Many companies in discretionary segments of our peer group have revised estimates downward, with optimism muted for the remainder of 2024
- Summer release of mid-year 2025 units in outdoor recreation segments will be an early barometer on retail interest and inventory levels

~1.0 / ~0.9

Motorhomes /
Towables LTM
Replenishment Ratio

Represents wholesale unit shipments per retail unit sold in North America

3

Margins Have Stabilized, Policy in View

- Stabilization of input cost volatility has resulted in margin improvements on a year-over-year basis
- Continued focus on diversifying supply chains across segments, including supply base diversification to countries outside of China, nearshoring with operations in Mexico and evaluation of domestic supply / production
- Heightened focus on supply chain diversification as we near the 2024 election, with implications on global trade policy / tariffs

~60%

of VT&M and Outdoor Recreation Peers with YoY Gross Margin Improvement ⁽²⁾

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

(1) Market data as of July 11, 2024.

(2) Percentage of public peers on page 10 with 2023 – 2024E gross margin improvement.

CONFERENCE THEMES TOP OF MIND FOR EXECUTIVES ENTERING 2H 2024 (CONT'D)

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4

Consumer Interest / Participation Remains Strong, Driving Focus on the Customer Experience

- Brand building remains critical to driving share gains during this period of retail volume softness
- Focus on “winning the consumer now” with retail improvement on the horizon
- Executives focused on solidifying brand affinity to maintain existing recreation customers for life
- Prioritizing capital investment to enhance the overall customer experience to create multiple consumer touchpoints and drive revenue growth

“From where we stand today, consumer sentiment is holding, and we continue to sell boats and grow our market share.”

NEWATER

5

Light Vehicle Non-Discretionary Categories and Aftermarket Services are Clear Outperformers

- Key aftermarket fundamentals remain intact driving strong performance in needs-based segment
- Aftermarket services category has been a clear bright spot and remains well positioned to realize further growth
- Companies in discretionary segments have a heightened focus on building aftermarket exposure / operations to buoy the inherent cyclical nature of new unit sales

“In Light Duty, we continue to be encouraged by the positive overall market trends. Vehicle miles driven and the average age of vehicles continues to increase.”

DORMAN®

6

Executives Focused on the “Core”

- Executives are increasingly focused on simplifying their business to streamline operations and public-market messaging
- Strategic assessment of initiatives to change business structure and divest non-core segments
- Continued focus on core business segments to strengthen overall position in marketplace

“We are reiterating our full year adjusted earnings per share and free cash flow guidance based on our confidence in the core strengths of our businesses.”

LKQ

7

Well-Capitalized Platforms Aggressively Investing in Growth

- Sentiment amongst executives is generally less cautious, sensing we are at an inflection point and now is the time to invest in growth
- Many are seeking to capitalize with product innovations or improvements in their manufacturing capabilities
- Capitalizing on M&A opportunities in adjacent markets that expand the TAM while supporting the core business is a top priority

“Our goal is a disciplined capital allocation strategy, and we continue to evaluate possible organic growth initiatives, while maintaining a robust acquisition pipeline.”

PATRICK

VT&M / OUTDOOR RECREATION SEGMENT PERFORMANCE & OUTLOOK

Light Vehicle

~285M
Vehicles in Operation

~12.5 Years
Average Car Age

~15.7M / +1%
2024E New Sales Volume / YoY Change

~36.8M / +1%
2024E Used Sales Volume / YoY Change

+7%
YoY Change in Motor Vehicle Repair Costs

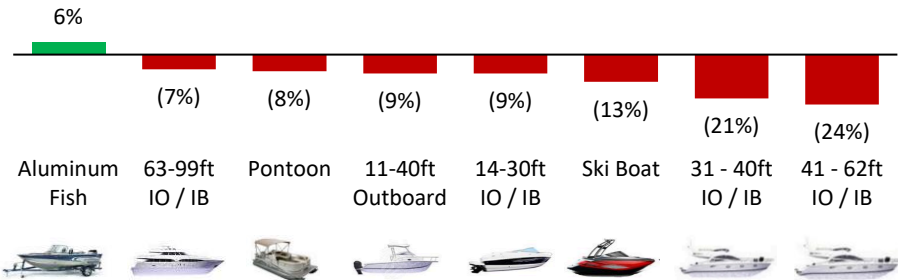
(9%)
YoY Change in Used Vehicle Retail Prices

YoY sales up modestly and slowing less as inventory approaches pre-COVID levels, while repair costs outpace values and drive increase in total loss rate

Marine

Marine Retail Remains Pressured and Differs Meaningfully By Marine Segment

(YTD U.S. Retail Growth by Category)

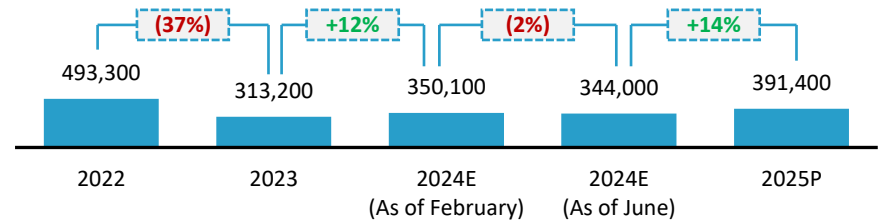


Boat retail demand is expected to remain under pressure through 2024, with production remaining suppressed to work down inventory ahead of 2025

Recreational Vehicle

Historical & Estimated RV Wholesale Units

(thousands of units; 2024E and 2025P represent midpoint RVIA forecast)



Select Company Wholesale Units Forecast Revisions

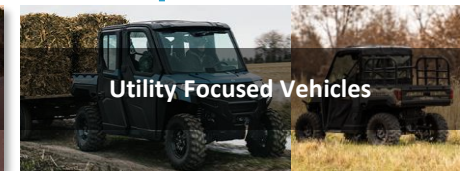
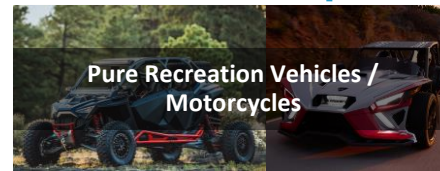
WINNEBAGO INDUSTRIES
330K – 335K

PATRICK
320K – 340K

LIPPERT
325K – 350K

Powersports

Expected 2024 vs. 2023 Powersports Shipments Volume Growth by Offering



Year-over-year 2024 powersports unit shipments forecast remains flat

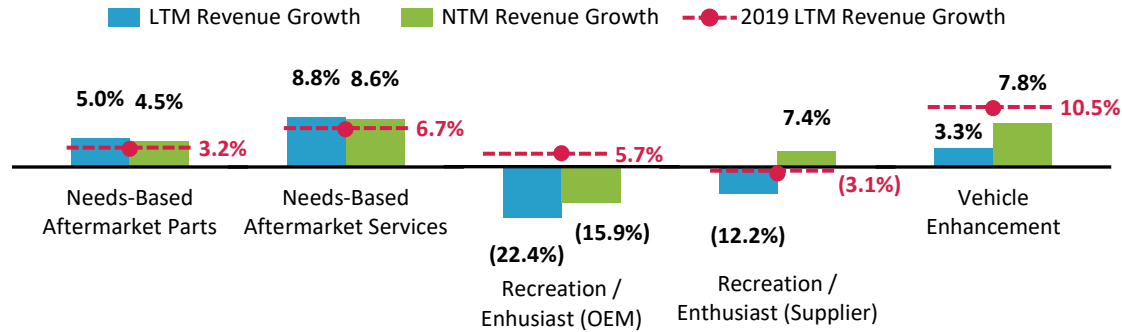


MARKET PERSPECTIVES

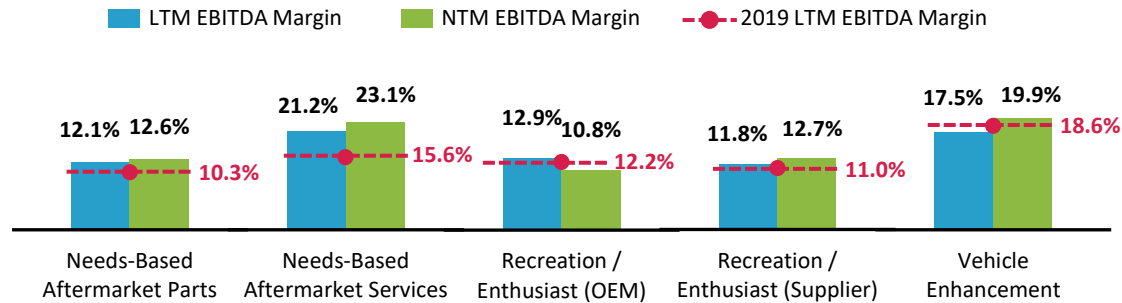


SELECT MARKET FORWARD LOOKING FINANCIALS

REVENUE GROWTH ANALYSIS



EBITDA MARGIN ANALYSIS



EARNING RESULTS & OUTLOOK

Needs-Based Peers

~10% Beat Q1 2024 Consensus Revenue	~70% Beat Q1 2024 Consensus Earnings
~5% Median 2024 Expected Revenue Growth	~5% Median 2024 Expected Earnings Growth

Outdoor Recreation / Enthusiast

~50% Beat Q1 2024 Consensus Revenue	~90% Beat Q1 2024 Consensus Earnings
~(7%) Median 2024 Expected Revenue Growth	~(15%) Median 2024 Expected Earnings Growth

"For the year, **we expect total sales growth** to be in the range of 3% to 5% with a more **moderated first half and stronger second half for both automotive and industrial**. Included in our outlook is the assumption that the benefit from inflation remains at more normalized levels contributing less than 1% for both business segments."



"We increased total company revenue, managed expenses and achieved our 13th consecutive quarter of same store sales growth. Looking ahead to the remainder of 2024, we are confident in our full-year outlook and **committed to prudently deploying capital and paying down debt.**"



"We are cautious heading into the prime retail selling season as we believe **North American dealers will maintain tight control over inventory levels until retail demand firms**. Because we have not assumed any material relief from these macroeconomic challenges through the balance of fiscal 2024, we have revised our guidance...and will continue to manage the business in line with this more cautious view."



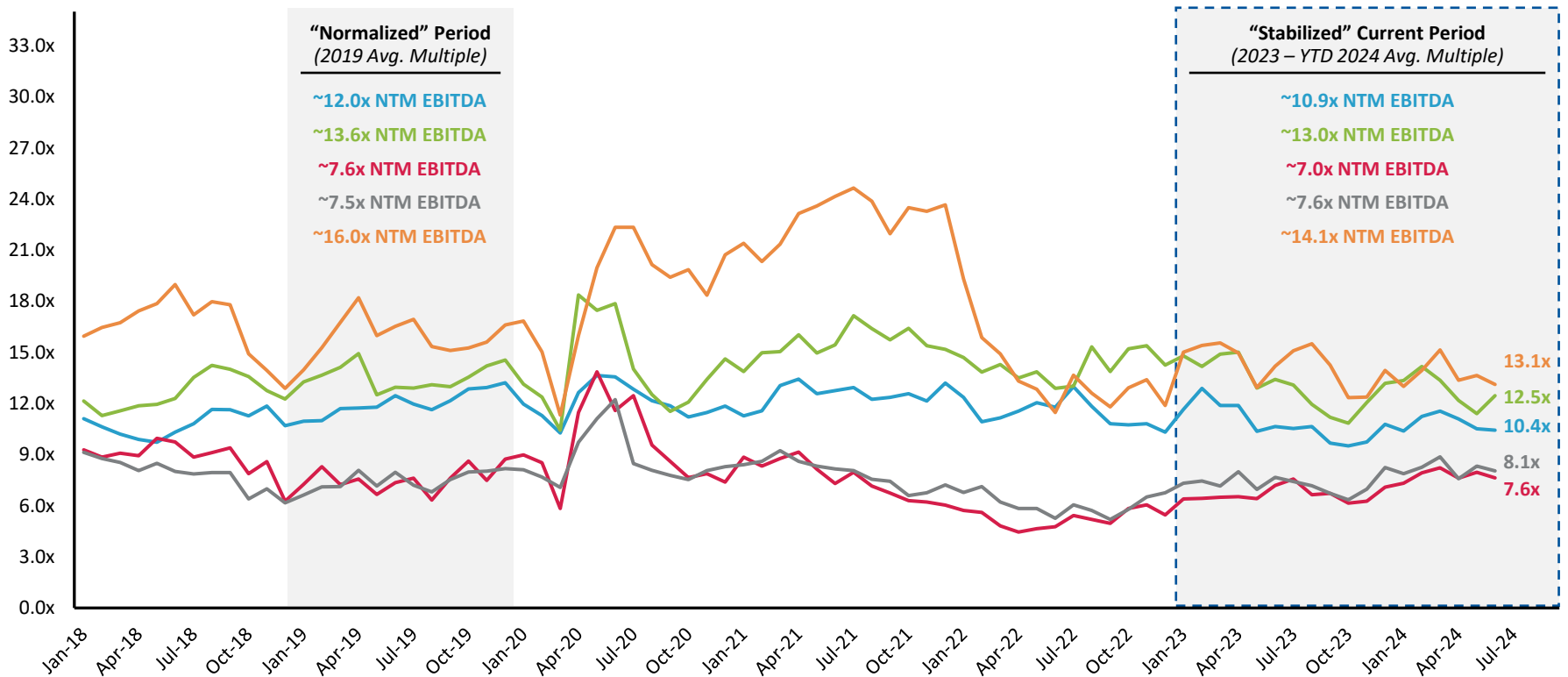
"We continue to **expect sequential growth in the second quarter and further acceleration in the second half of fiscal 2024**. However, we are narrowing our full year fiscal 2024 outlook towards the bottom-half of our previous range, effectively removing the upside scenario from our plan to align with the market's latest expectations that interest rate relief will be pushed out beyond fiscal 2024."



HISTORICAL TRADING MULTIPLES FOR SELECT MARKETS

HISTORICAL EV / NTM EBITDA TRADING MULTIPLES (2018 – YTD 2024)

Needs-Based Aftermarket	Needs-Based Services	Recreation / Enthusiast (OEMs)	Recreation / Enthusiast (Suppliers)	Vehicle Enhancement
<ul style="list-style-type: none"> Needs-based aftermarket multiples exhibit durability driven by essential nature of end applications Peers currently trade generally in line with 2019 	<ul style="list-style-type: none"> Need-based services multiples display long-term stability through various market environments Historically trade at ~2.0x premium to aftermarket 	<ul style="list-style-type: none"> Recreation / enthusiast OEMs multiples gradually expanding since 2023 Peer trading slightly below 2019 levels by less than 1.0x 	<ul style="list-style-type: none"> Recreation / enthusiast suppliers have less historical cyclicality than OEMs Peers trading at premium to OEMs since 2019 by ~0.5x 	<ul style="list-style-type: none"> Vehicle enhancement multiples have contracted ~8.0x since Q2 2021 Peers trading softer than “normalized” 2019 levels since 2023



Source: Baird Investment Banking knowledge and Capital IQ as of July 2024.
 Note: Reference appendix for public constituents by peer group.

BAIRD'S DEDICATED INVESTMENT BANKING TEAM

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CORE VEHICLE TECHNOLOGY & MOBILITY AND OUTDOOR RECREATION TEAM



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APPENDIX

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

Baird hosted 24 privately owned companies and coordinated ~370 1x1 meetings, as well as hosting 248 publicly traded companies and arranging 5,400+ meetings



Key Statistics

270+
Participating Companies

2,200+
Total Attendees

5,400+
Scheduled Meetings

\$4.5B
Median Market Cap

REPRESENTED SECTORS AT THIS YEAR’S CONFERENCE

Aftermarket & Suppliers

Dealer & Dealer Services

Vehicle Technology

Marine, Powersports & Recreation Vehicle

Mobility Services

Transportation Services

Outdoor Recreation & Sporting Goods

Active Lifestyles, Fitness & Mobility

Sportsman

Performance & Lifestyle Apparel and Footwear

BAIRD'S EQUITY RESEARCH COVERAGE GCTS CONFERENCE TAKEAWAYS



Craig Kennison

Senior Research Analyst

25+ Years of Industry Experience

Consumer Leisure & Automotive Services



Peter Benedict

Senior Research Analyst

15+ Years of Industry Experience

Consumer Products & Services



Justin Kleber

Senior Research Analyst

14+ Years of Industry Experience

Consumer Products & Services



Luke Junk

Senior Research Analyst

15+ Years of Industry Experience

Vehicle Technology & Mobility



[Link to GCTS Conference Takeaways](#)

[Link to GCTS Conference Takeaways](#)

[Link to GCTS Conference Takeaways](#)

[Link to GCTS Conference Takeaways](#)

PROPRIETARY, REAL-TIME INSIGHTS INTO PERFORMANCE TRENDS AND SENTIMENT

BAIRD

Baird's Craig Kennison publishes recurring market surveys and reports providing unique insights for VT&M and Outdoor Recreation markets

SELECTED RESEARCH



Auto Services & Marketplaces
Total Loss Rate Update - June Recap

INDUSTRY UPDATE

Total Loss Rate: The report shows a decline in the total loss rate and average repair costs during the first half of the year. Total loss rate declined from 1.8% in the first quarter to 1.5% in the second quarter. Average repair cost declined from \$1,100 in the first quarter to \$1,000 in the second quarter. The decline in total loss rate is primarily due to a decline in the number of vehicles repaired. The decline in average repair cost is primarily due to a decline in the number of vehicles repaired.



Recreational Vehicle Dealer Survey

CONSUMER LEISURE

Baird June RV Dealer Survey
in partnership with RVDA

July 11, 2024

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Marine Retailer Pulse Report

MRAA / Baird / Trade Only
Marine Retailer Pulse Report

July 1, 2024

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Powersports Dealer View Report

Consumer: Powersports
Q2 Powersports Dealer Health/Financial Checks and Other News

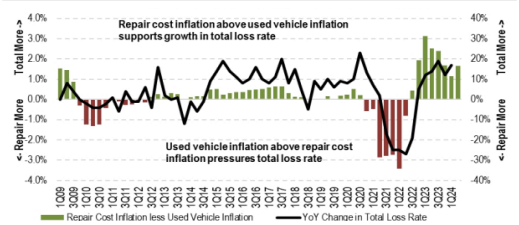
INDUSTRY UPDATE

Market Overview: The market for powersports vehicles is showing signs of recovery. Sales are up from the first quarter, and inventory levels are improving. The market is expected to continue to grow throughout the year.

OVERVIEW AND EXAMPLE DATA INSIGHTS

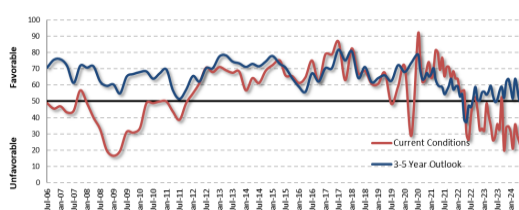
- **Distribution Frequency:** Monthly
- **Report Overview:** Pairs data between proprietary Baird research with market leaders in auto services to identify new and used vehicle price trends, price gaps, used vehicle affordability and general car demand

Repair Costs vs Used Vehicle Inflation



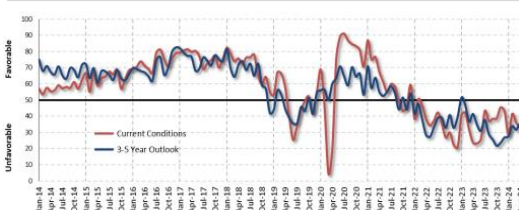
- **Distribution Frequency:** Monthly
- **Survey Overview:** Partners with the Recreational Vehicle Dealer Association (RVDA) to survey 24 leading RV dealers providing leading and coincident industry indicators (i.e., inventory data) while including commentary from RV retailers

Baird RV Dealer Sentiment Index



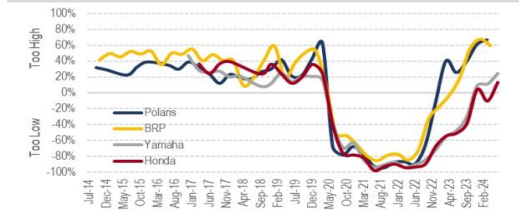
- **Distribution Frequency:** Monthly
- **Report Overview:** Partners with the Marine Retailers Association of America (MRAA) to survey 83 leading marine retailers providing retail sentiment, demand drives and current metrics (revenue trends, inventory levels)

Baird / MRAA Marine Sentiment Index



- **Distribution Frequency:** Quarterly
- **Report Overview:** Underscores dealer profiles in separate reports for BRP, Honda, Polaris and Yamaha; discussing recent trends, promotions and dealer sentiment, along with revenue trends, inventory levels and a macro-overview

Baird - Inventory Comfort by OEM



PUBLIC PEER GROUP CONSTITUENTS

Needs-Based Aftermarket



Needs-Based Services



Recreation / Enthusiast (OEMs)



Recreation / Enthusiast (Suppliers)



Vehicle Enhancement



