



BOAT MANUFACTURING

Update | Q3 2020



Victory Partners

Boat Manufacturing Update | Q3 2020

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FIRM MANTRA

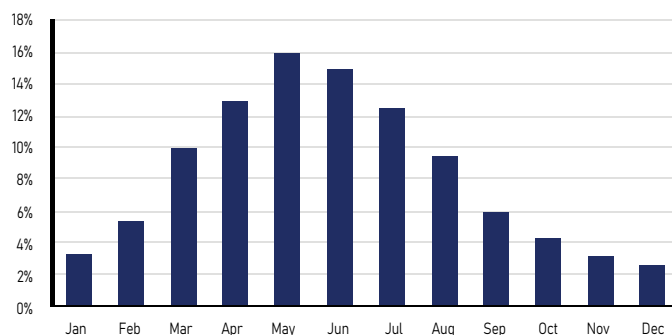
It is not the critic who counts; nor the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat.

INDUSTRY OUTLOOK

In the U.S. and around the globe, it has been well-documented that the early Spring selling season was critically compromised due to canceled boat shows, closed businesses, manufacturing shutdowns and limited access to boat ramps and marinas. As a result, the lowest dip in U.S. boat sales occurred in the first week of April. However, no one could have predicted how quickly Americans would flock to boating as a source of escape from COVID-19's restrictions. By the close of Q3, the running total of reported brokerage boat sales for the year increased 10% over 2019 and value sold jumped 11% YoY.

- ▶ 49% of CEOs reported current business conditions were stable, another 39% reported business was expanding, and 11% reported business was declining, on par with sentiment levels prior to the pandemic.
- ▶ 51% of marine manufacturers reported sales were up or on par with Q3 2019, and 15% of them reporting substantial growth in sales.
- ▶ 47% of marine manufacturers reported new orders were up compared to a year ago, primarily reflecting gains in orders of new boats.
- ▶ Hiring improved as manufacturing lockdown restrictions were lifted, with 37% of manufacturers actively hiring in the last quarter, 44% sustaining their normal staffing levels, and 19% reporting job cuts.

U.S. POWERBOAT - SEASONALITY



Source: Brunswick, NMMA, Baird research



COMPANY CASE STUDIES

Invincible Boats 'Saltwater Distancing'

- ▶ Invisible Boats VP of Sales Bill Cordes wasn't sure if he should panic in the early months of the Covid-19 pandemic.
- ▶ After all, a boat – especially a high-end one – is the epitome of a luxury product, Cordes said. During a pandemic that was fueling job losses and economic uncertainty, he assumed a recreational vessel would be among the first items consumers would cut from their budgets.
- ▶ Cordes said if he knew then what he does now, he would not have lost any sleep.
- ▶ “We actually have the biggest backlog of orders in the history of the company right now,” he said. “We can't build boats fast enough.” -Bill Cordes
- ▶ And sales kept up all summer. Seventy-three percent of boat dealers reported retail growth in August, according to the Marine Retailers Association. Demand was so high that 82% of dealers said new boat inventory was too low that month, while 89% said used boat inventory was also lean.

OneWater

- ▶ Net income for the fiscal third quarter of 2020 totaled \$40.6 million, compared to net income of \$32.7 million, in the fiscal third quarter of 2019, an increase of 24.3%.
- ▶ The increase is primarily due to the strong growth in sales volume, partially offset by the timing of a \$10.4 million reduction in income related to the non-cash change in fair value of warrants recognized in the prior year and higher interest expense and income taxes in the current year.
- ▶ Excluding the income from the non-cash fair value adjustment in the prior year, net income was up \$18.3 million or 82.1%
- ▶ Retail sales trends continued in July at a robust pace and the sales backlog for August is building, despite the rapidly changing environment and a strong same-store sales comparison from the prior year

“ The fiscal third quarter 2020 was a record quarter with unprecedented retail demand, resulting in significant growth across all of our core business segments, including new boat sales increasing nearly 59% ”

- Austin Singleton
Chief Executive Officer of OneWater



NEW BOAT SALES Q3 2020

- Overall, recreational boating retail spending as a whole increased in Q3 of 2020
- Sales revenue was up in all segments tracked by NMMA, with the exception of inboard cruisers
- New boat sales increased by 9.7% compared to Q3 of 2019 with the value of boats sold increasing by 10.6%
- The global recreational boating market is expected to reach an estimated \$30B by 2022 and it is forecast to grow at CAGR of 3.8%

YEAR-OVER-YEAR SAME-STORE SALES CHANGE

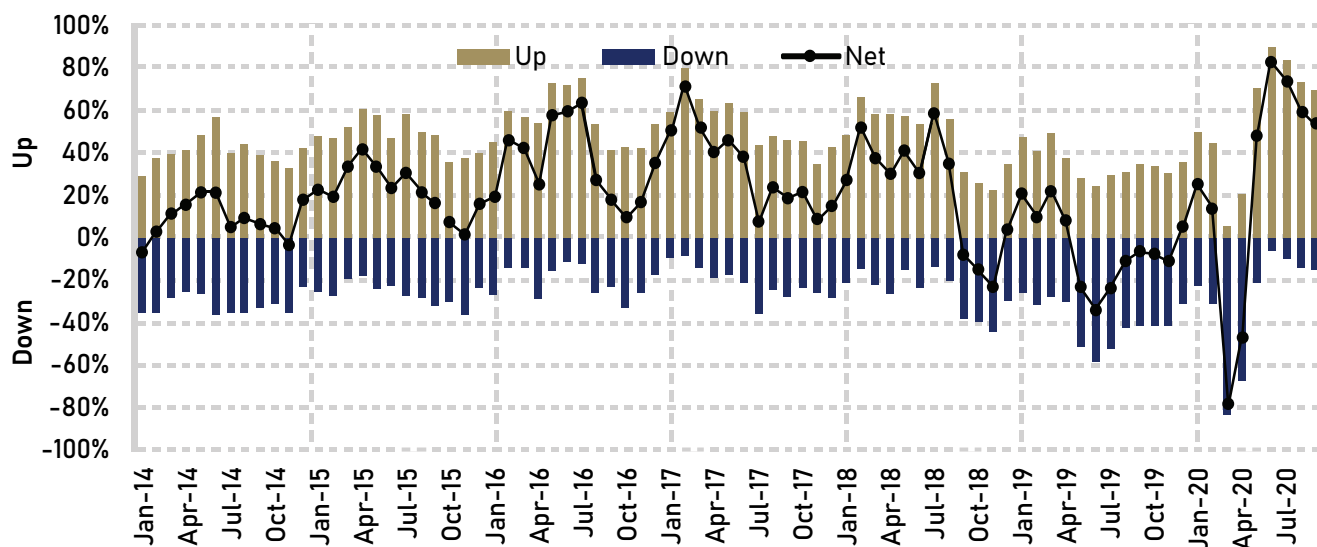
Same store sales see a decent 2019, start strong in 2020, crater then surge!

	PARTS	SERVICE	SALES	OVERALL
JAN-19	8.3%	20.7%	9.5%	9.3%
FEB-19	1.2%	6.5%	6.3%	5.4%
MAR-19	6.4%	-2.5%	1%	-0.3%
APR-19	14.1%	9.8%	13.9%	15%
MAY-19	2.6%	8.2%	2.7%	4.1%
JUN-19	-6.9%	1.1%	-4.2%	-2.6%
JUL-19	4.4%	6.5%	7.9%	9.5%
AUG-19	6.8%	1.4%	12.3%	9.5%
SEP-19	1.7%	-2.1%	16.6%	11.2%
OCT-19	2.2%	3.1%	23%	17.2%
NOV-19	-4.8%	-0.8%	17.1%	10.8%
DEC-19	8.7%	7.8%	3.2%	4%
JAN-20	2.5%	-1.4%	10.1%	8.2%
FEB-20	8.4%	11.4%	8.5%	6%
MAR-20	-13.9%	6.2%	-12.2%	-8.5%
APR-20	-11.7%	-19.7%	-13.5%	-14.9%
MAY-20	23.4%	-8%	31.2%	26.2%
JUN-20	52.2%	9.1%	67.8%	61.2%
JUL-20	28.1%	7.4%	45.5%	38.4%
AUG-20	21.1%	5.4%	27.9%	25.1%
SEP-20	34.2%	17.5%	29.3%	25.7%

Source: CDK Global Recreation

New Boat Retail Trends

"Rate retail trends during the month"



Source: Baird research

Public Company Comparables

Peer Public Company Analysis			Statistics				Multiples				
Company Name	Ticker	Price	MKT CAP	Sales (TTM)	Profits (TTM)	P/E (FWD)	P/S	P/B	EV/Revenue	EV/EBITDA	
Malibu Boats	MBUU	\$ 56.24	\$ 1.15 B	\$ 662.07 M	\$ 151.83 M	n/a	1.74 x	4.13 x	1.77 x	10.40 x	
BRP	D000	48.67	4.40 B	n/a	n/a	11.71	1.01 x	n/a	1.00 x	9.74 x	
Brunswick Corporation	BC	71.17	5.52 B	4.10 B	1016.00 M	12.99	1.38 x	3.79 x	1.46 x	9.50 x	
Marine Products Corporation	MPX	16.67	549.69 M	216.89 M	65.39 M	n/a	2.54 x	6.83 x	2.40 x	24.22 x	
Marine Max	HZO	31.13	650.36 M	1.51 B	398.71 M	8.80 x	0.44 x	1.43 x	0.46 x	6.44 x	
OneWater Marine	ONEW	22.67	313.3 M	960.69 B	172.13 M	n/a	0.32 x	4.33 x	0.54 x	6.85 x	
Polaris Ind	PII	\$ 96.05	\$ 5.75 B	\$ 6.69 B	\$ 1730.00 M	12.41 x	0.87 x	6.07 x	1.04 x	20.65 x	
Master Craft	MCFT	23.19	444.43	357.03 M	76.75 M	n/a	1.32 x	7.54 x	1.49 x	-35.55 x	



VICTORY PARTNERS GROUP



R. Todd Lazenby
Founding Partner
todd@victorypartnersllc.com



Terry Hess
Managing Partner
terry@victorypartnersllc.com



Ryan Hallihan
Principal & C.O.O
ryan@victorypartnersllc.com



Kruger Wang
Senior Analyst
kruger@victorypartnersllc.com



Bhavin Patel
Analyst
bhavin@victorypartnersllc.com



Kenneth McArthur
Analyst
kenneth@victorypartnersllc.com



FIRM TRACK RECORD

Broad Industry Experience in Mergers & Acquisitions





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