



June 2, 2023

# MRAA/Baird/Trade Only Marine Retailer Pulse Report

## May 2023

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**PLEASE REFER TO APPENDIX – IMPORTANT  
DISCLOSURES AND ANALYST CERTIFICATION AT  
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## Overview

Robert W. Baird, in partnership with Marine Retailers Association of the Americas (MRAA) and Soundings Trade Only, is pleased to present the May 2023 Marine Retailer Pulse Report.

We recently surveyed 101 marine retailers to assess recent trends in North America.

Thank you to each of the retailers who participated in this survey.

If you have any questions or comments that you would like to direct to MRAA, please contact Matt Gruhn, President of MRAA, at 763.333.2421.

If you have any questions or comments, would like additional research on the marine industry, or are a retailer and would like to participate in our next survey, please email Senior Analyst Craig Kennison [ckennison@rwbaird.com].

**Note:** *This is not a scientific survey, rather it is meant to give investors an indication of current industry trends. Some quotes have been edited to protect the anonymity of respondents.*



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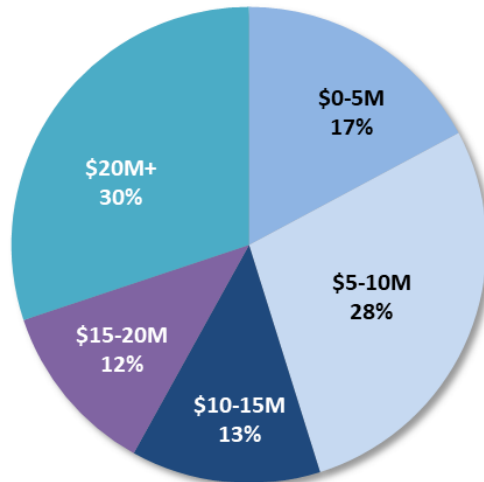
## Disclosures

29 – 33

# Retailer Profile

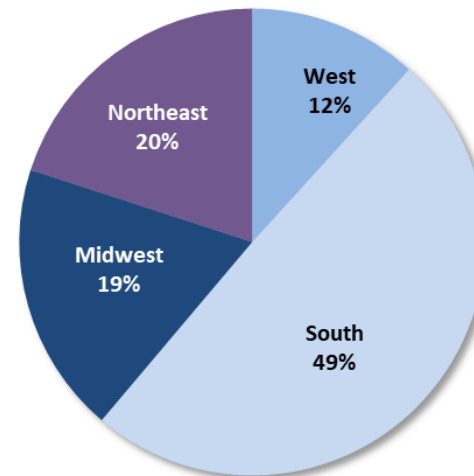
101 retailers participated in the MRAA/Baird/Trade Only Marine Retailer Pulse Report.

## Dealer Annual Revenue Profile



Source: Baird research

## Dealer Participation - By Geography



Source: Baird research

# Retailer Sentiment

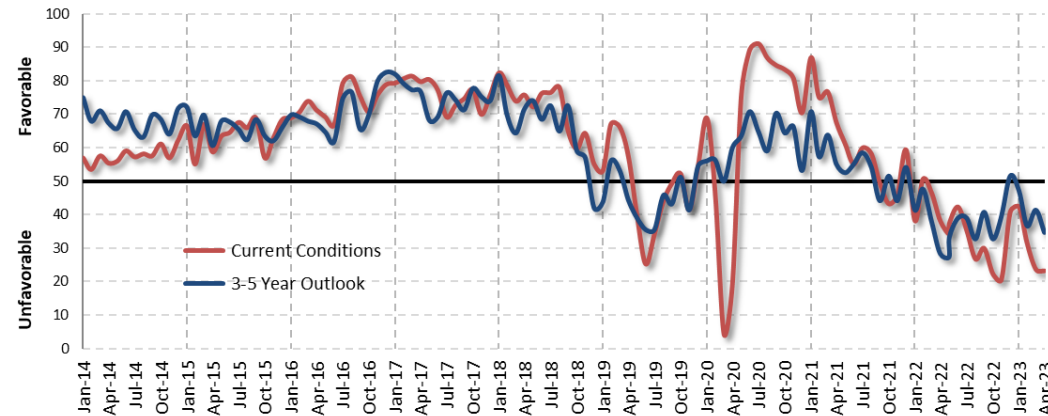
We have established the first **Marine Retailer Sentiment Index**, capturing both current and longer-term (3-5 year) retailer sentiment.

Sentiment on **current conditions** ticked lower in May (**23** vs. **24** in April), while the **3-5 year outlook** also declined (**35** vs. **41** in April).

For context, sentiment readings can range from 0-100, with 50 providing a “neutral” outlook.

**MRAA/Baird/Trade Only Marine Retailer Sentiment Index**

*Aggregate Response*



Source: Baird research

# Retail Results

## May Retail Trends

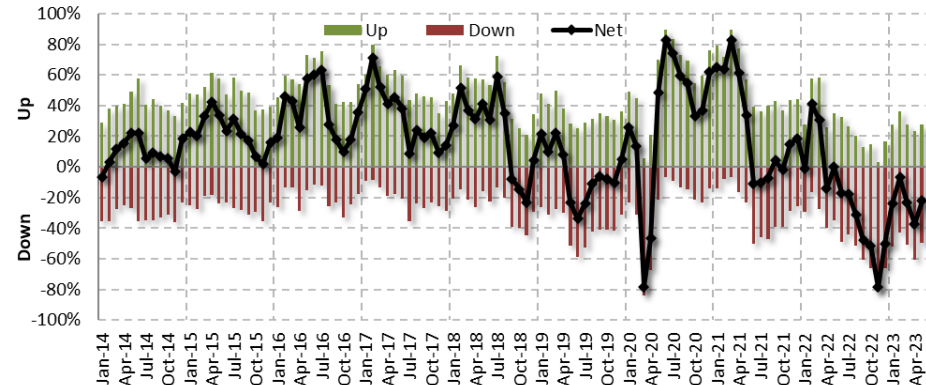
More dealers reported retail declines in May (49%) than growth (27%).

Dealers also reported used boat retail declines, with 47% reporting a decline versus 32% reporting growth.

May typically represents ~16% of annual retail sales.

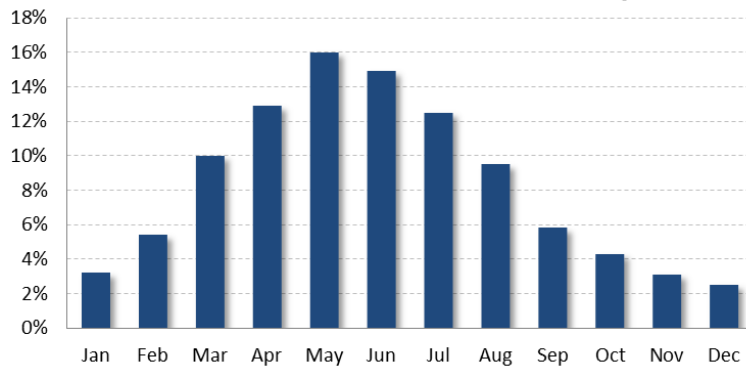
### New Boat Retail Trends

"Rate retail trends during the month"



Source: Baird research

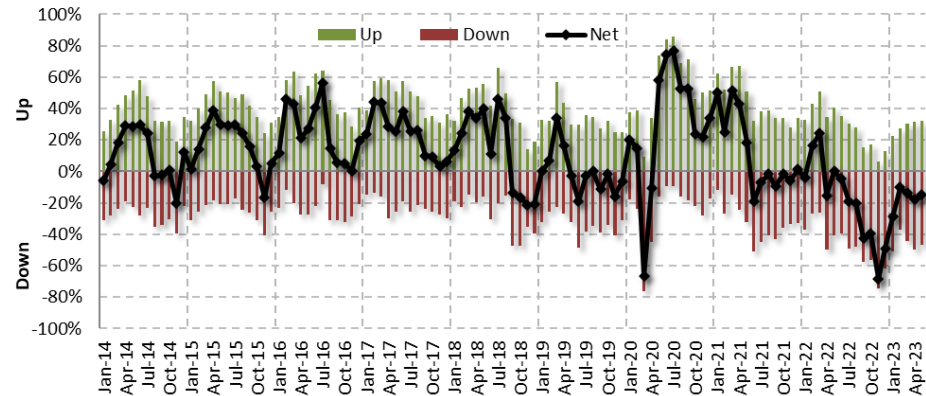
### U.S. Powerboat Retail - Seasonality



Source: Brunswick, NMMA, Baird research

### Used Boat Retail Trends

"Rate retail trends during the month"



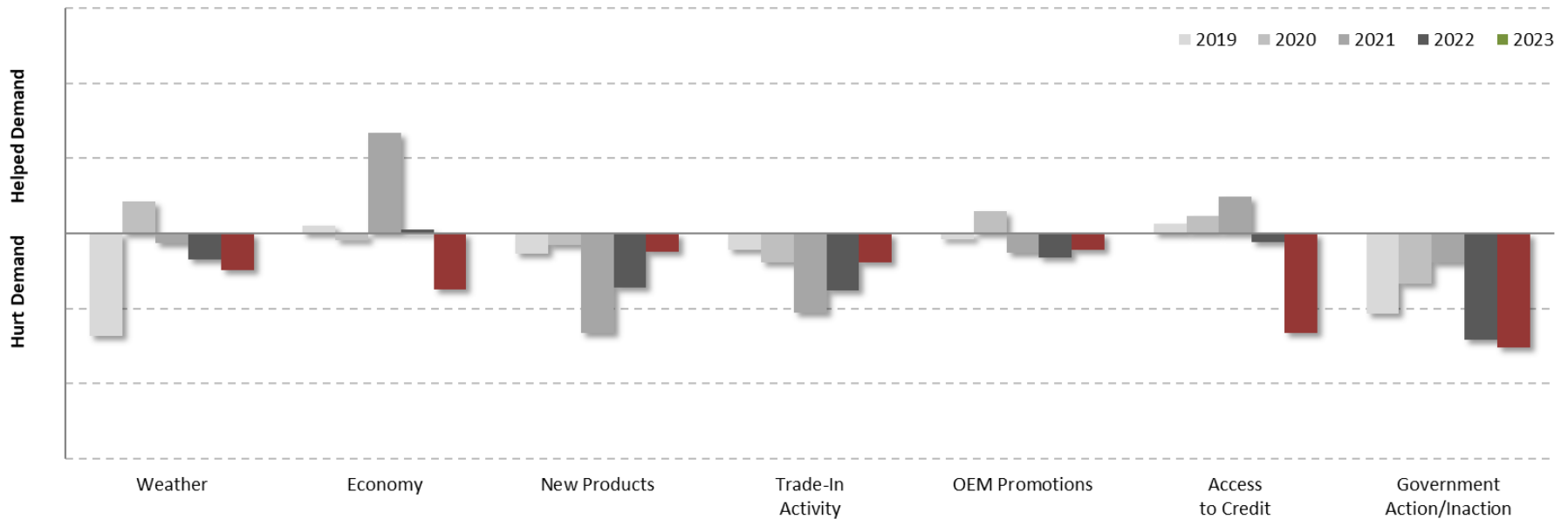
Source: Baird research

# Retail Demand Factors

## May Retail Trends

Retailers indicated that government action/inaction, access to credit, the economy, and trade-in activity were all headwinds to demand in May.

**Retail Demand Factors - May**



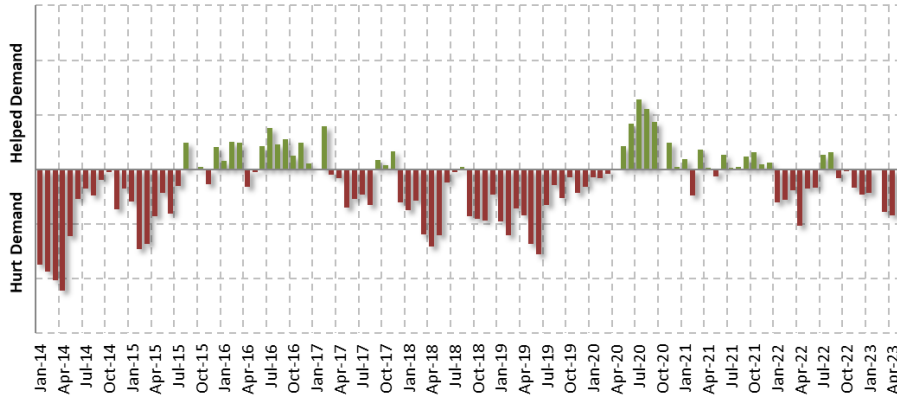
Source: Baird research



# Retail Demand Factors

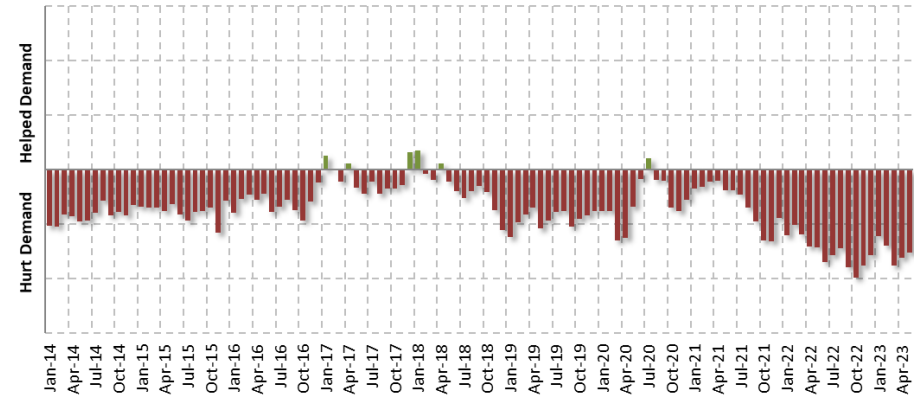
## Detail

**Weather Impact on Demand**



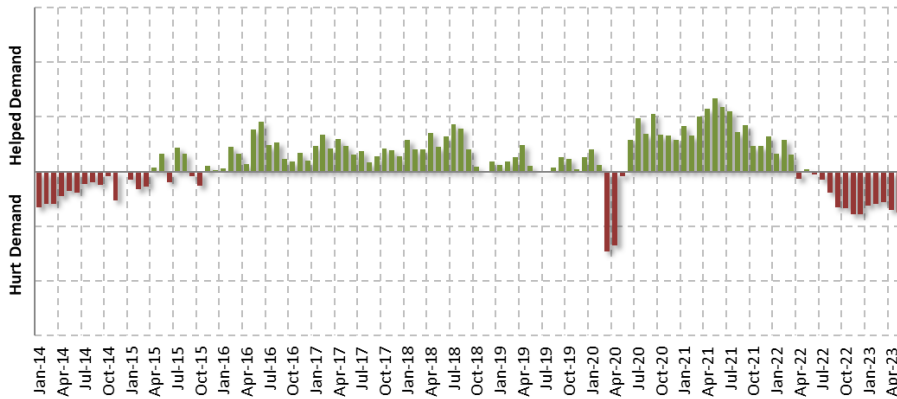
Source: Baird research

**Government Impact on Demand**



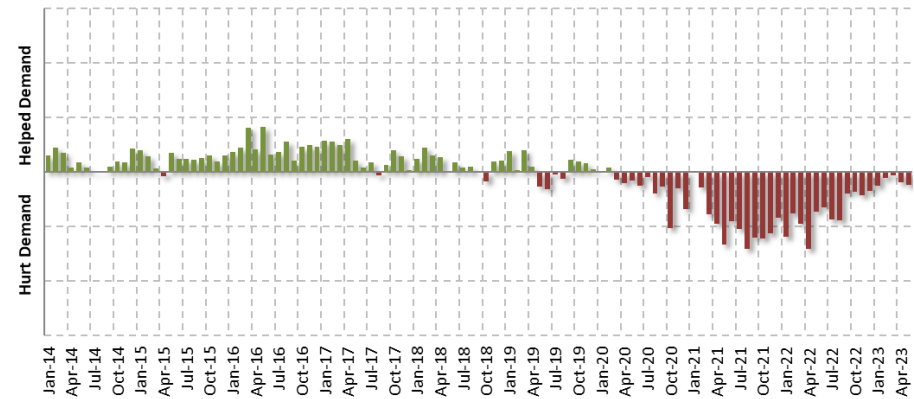
Source: Baird research

**Economy Impact on Demand**



Source: Baird research

**New Products Impact on Demand**

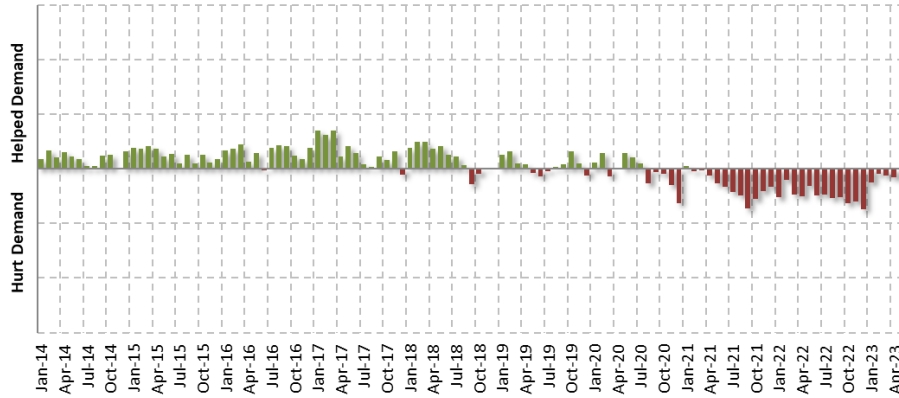


Source: Baird research

# Retail Demand Factors

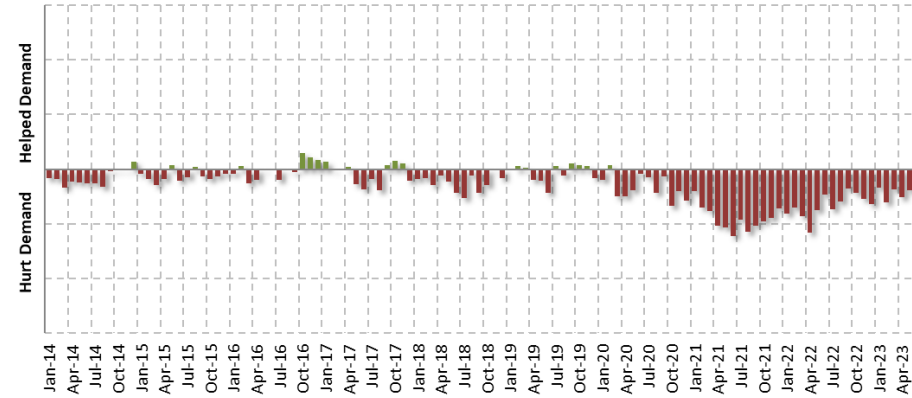
## Detail

**OEM Promotions Impact on Demand**



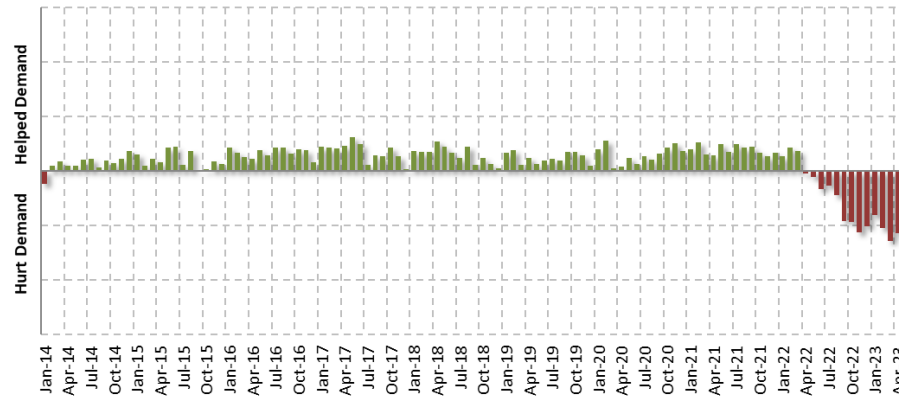
Source: Baird research

**Trade-In Activity Impact on Demand**



Source: Baird research

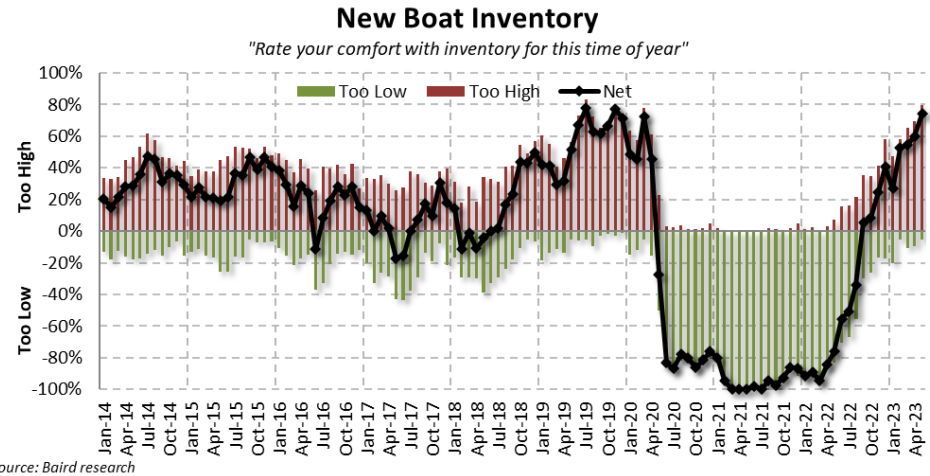
**Access to Credit Impact on Demand**



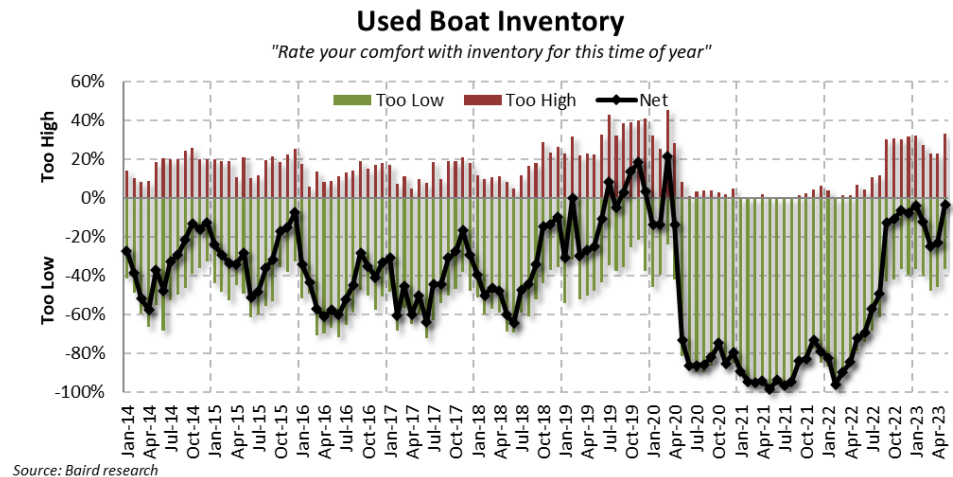
Source: Baird research

# Inventory

**New boat inventory** is higher than dealers would like. 80% of dealers reported new boat inventory was “too high” versus just 5% of dealers that reported “too low” in May.



**Used boat inventory** is more balanced, with 36% of dealers responding it is “too low” and 33% responding “too high.”





# What's Working

## ✓ Comments

- " Nothing other than our staff who has worked hard this spring delivering boats and trying to keep people happy."
- " Able to get inventory."
- " Outstanding customer service."
- " Communication between departments."
- " Boat sales picking up a tad. Nothing real hot though except service (as usual)."
- " Paid search is bringing in leads but getting them to the bottom of the funnel is still a challenge."
- " Lowest price preowned units are moving rapidly. Unlike pandemic timeframe when we couldn't move a low-cost preowned unit."
- " Not a lot."
- " Access to credit from local credit unions."
- " Not much. Leaning on social media more to increase our exposure. Shows are somewhat successful."
- " Power Bimini installs, Suzuki, Boatrader.com."
- " Cash buyers, high-end wake boats, mid-line pontoons."
- " Having good inventory is key right now."
- " Manufacturers rebates for sales."
- " Yamaha. Boats, service department, used boats."
- " Promotions on boats helped this past month."
- " The early spring in the northeast has jump started the season giving us the best May we have had."
- " Staffing of younger technicians and office administrators that want to make the marine business their career."
- " Used Pontoon under 30K."
- " Good inventory of products, well trained staff, improving process and procedures through MRAA certified dealer program."
- " Staying active will all facets of marketing."
- " Yamaha Promotions are helping as well as a couple of boat companies that have promotions without dealer participation. Larger boats seem to be selling better than smaller boats."



# What's Working

## ✓ Comments

- " *Rebates.*"
- " *There are still shoppers being driven to the dealership through our advertising, social media marketing, and in-house promotions, but they seem to be remaining as shoppers rather than buyers, mostly due to sticker shock over unit pricing.*"
- " *We will find out if availability of product in May, June and July will pick up for sales lost in the spring.*"
- " *Some promos are helping. Boat shows and open houses.*"
- " *The lower end of the high-end segment is red hot. If it's between 70-100k, people are writing checks.*"
- " *Access to our valet program and word of mouth are what's bringing in buyers.*"
- " *We had a great Spring on all aluminum boats. We should keep more of the Mod Vs in stock year-round.*"
- " *Jet boats.*"
- " *Return of promotions from OEMs.*"
- " *Lot of dock and lift parts, customers are fixing stuff up rather than replacing it.*"
- " *Digital marketing.*"
- " *Digital marketing campaigns showing big visibility numbers but small return in sales. Incentivizing consumer and showing dealer participation to earn business. Paying talent appropriately, rewarding employees going the extra mile.*"
- " *Sponsoring events that get people on the water enjoying time on their boats. Seeing a few sales and accessory upgrades coming from people joining in.*"
- " *Having product ready for same day deliveries and promotions are a must!*"
- " *Cutting-edge boat brands are doing well. Traditional lines are struggling in our dealership. Paid search is still bringing in leads but conversions are slower to happen.*"



# x What's Not Working

## Comments

- " Interest rates, perceived economy, inflation, predicted slowing economy."
- " Interest rates/payment buyers."
- " The current President."
- " Government - from rules & regulations to taxes."
- " Promotions and aggressive marketing are not moving the needle on getting more shoppers into our showroom or even inquiring on the internet."
- " Rebates and extended warranty promotions really are not working for us. Interest rates and market uncertainty are the challenge."
- " High-end towboats have shown steep decline in our market."
- " Higher product pricing and high interest rates."
- " Customer sticker shock. Interest rates."
- " Quality of products from OEMs. Lack of employees and those who show up don't really have any pride in the quality of their own workmanship. It's not that nobody wants to work, it's that nobody seems to care."
- " Interest rates, software expense."
- " Mid-line wake boats, new buyers with 35K budgets."
- " Salesmen that just want to sell, no follow through, no product knowledge and no customer service."
- " Pricing does not seem to be the problem although the buyer is definitely shopping. Lowering prices is not the key."
- " Quality control from the manufacturers is poor and getting worse. Some are slow to process and pay warranties."
- " Need to hire more people to keep the service side of the dealership moving."
- " DC, Democrats, Federal Reserve and Rhinos. Some manufacturers that are not understanding current retail conditions. Little or no incentives. Wait till 2024 with very little or NO reorders."
- " Interest rates continue to run off customers."
- " Training new staff and getting them up to speed. But we are glad to have them! higher interest rates have lost us a couple of sales."
- " Availability of new boat lines in South Florida. Too many multiple boat dealerships having every boat line due to their presence throughout the state."
- " Listed access to credit is hurting demand. Access to credit is fine. Consumers are resistant to higher interest rates."
- " Same old waiting for a customer to walk in, it doesn't happen."
- " Promotions are not working. Most of our brands are stagnant with sales. Price doesn't seem to be the issue. Rates and the economy vibe are hurting the mid-range buyer."



# x What's Not Working

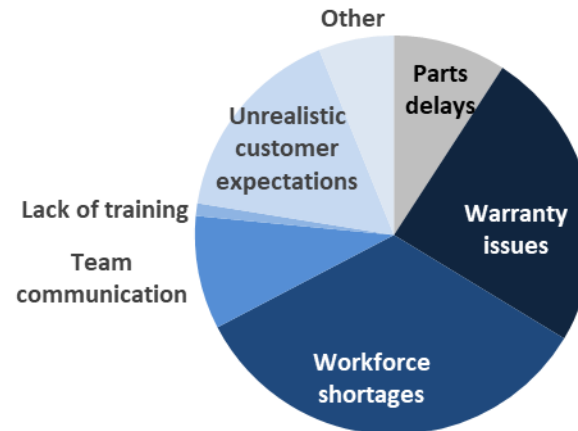
## Comments

- " *Sterndrive fiberglass boat.*"
- " *Weather is starting to affect service.*"
- " *Promotions with dealer participation are not working as well. Several boat reps have gotten lazy and are not keeping up with communications, updates, etc. Lots of dealers are dumping product outside of their territory with very low margins.*"
- " *Selling boats.*"
- " *Interest rates.*"
- " *Boats priced 30% higher than two years ago.*"
- " *Nothing seems to be working. Amid our potential buyer's fear of continuing uncertainty in the economy, higher interest rates, tougher loan underwriting, new buy sticker shock, high inflation, and sputtering demand, buyers are still very reluctant to make purchases, shying away with a wait-and-see attitude.*"
- " *Have been overloaded with new boats because manufacturer told us if we wanted inventory in time for April we needed to order in September, we ended up receiving all on order by December! What are we supposed to do, not take them? Then, we have been stuck with high, high, HIGH floor interest! Willing to sell at cost, just to get rid of interest payments, still can't get buyers! Thanks Joe! Two more years of this... we will be out of business!*"
- " *High interest rates and inflationary price increases are combining to hurt demand.*"
- " *The economy and customer apprehension are the biggest deterrent to new sales at this time.*"
- " *General lack of pride in workmanship from the dealer level all the way up to the boat builders and OEMs. We have never seen so many new products with so many issues and our level of care on the dealer level is not any better.*"
- " *It's nearly impossible to keep sufficient quality yard staff to operate efficiently. Starting wages in our area passed \$20/hr. and you're still not getting enough young people dropping off resumes. Combined with the cold spring and sudden heat wave it's causing a major issue on getting boats ready to our standards.*"
- " *Factory promotion has led to zero new leads and isn't helping close.*"
- " *Still slow delivery times for product. Staffing shortage is the number one issue.*"
- " *Pontoons and bass boats.*"
- " *Availability of qualified candidates for pretty much any role.*"
- " *Facebook Marketplace, Craig's List even our own website have slowed down to a trickle. Interest rates are way too high, even if we sell the loan at cost.*"
- " *Negative outlook on economy, high interest rates are hurting sales and are eroding net profit quickly.*"
- " *Manufacturers not pushing the envelope with fresh product and content will see sales slow even more than they have. Digital marketing showing strong impressions for store(s) but not a transfer to actual sales.*"

# Customer Service

## Customer Experience

*What do you consider to be your biggest hurdle in providing an outstanding customer experience?*



*Source: Baird research*

### Other responses:

- Think we are doing fine here, no hurdles.”
- All of the above.”
- Prepping new boats in the middle of launching boats from winter storage is causing delays.”
- Credit approvals.”
- Pay - wages are hurting bottom line.”





# Additional Comments

- " We are receiving 2023 models in May and June and at the same time being asked for 2024 models to ship in July and August."*
- " Time for Manufacturers to adjust to market demand."*
- " Beginning to look like a fairly good season ahead of recessionary times which still seem looming."*
- " Interest rates coupled with banks pulling back approvals or high-rate approvals is making business very difficult."*
- " Interest rates are the biggest hurdle we have. The traditional consumer has a very short memory. They struggle to look back to when rates weren't too far off to what they are now."*
- " The price gouging in the name of inflation needs to stop. We are pricing the vast majority of the population out of the industry. We need more affordable products and services to capture a different segment of the population in our industry. We can't survive on the 1 percenters only."*
- " Seeing a slowdown in lead activity, especially on the higher-cost inventory. Not sure yet if it is more due to higher interest rates, waning consumer interest, or some other factor. Concerned about floorplan interest and curtailments."*
- " Demand down, dealer inventories growing."*
- " 2024 elections. Across levels must change the course of our country. Also manufactures must address pricing, programs etc."*
- " Interest in electric pontoon."*
- " Just good old fashioned hard work."*
- " Boat manufacturers are sending out shotty product and then they do not want to pay a fair price to the dealer to fix something under warranty."*
- " Financing has been a bigger challenge as well as floorplan interest and possibly soon to be curtailments."*
- " Dealer inventory remains high due to slowing sales, with manufacturers continuing to push inventory onto dealers. The reality is that the significant manufacturer price increases have far exceed the buying power of consumers, causing inventory levels to rise as buyers shy away from making major purchase decisions. In simple terms, it seems our industry is pricing the blue collar and middle market buyer out of the market."*

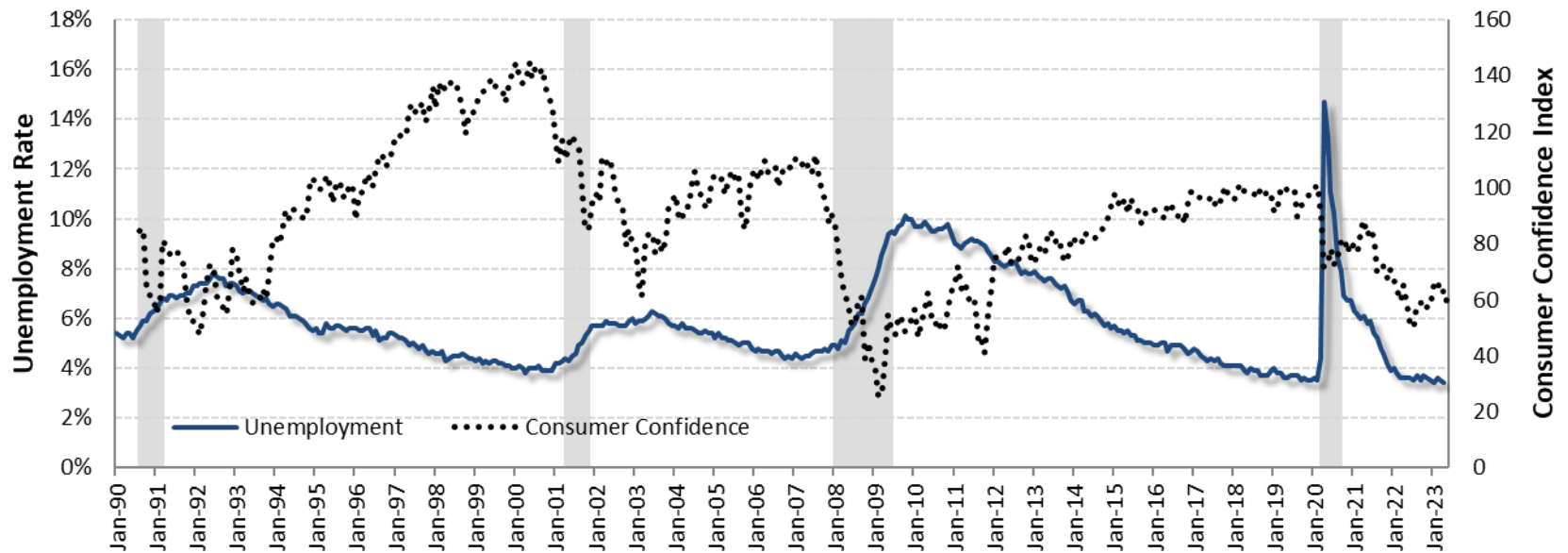


# Additional Comments

- “ *Manufacturers waited too late to announce rebates! They should have known the outlook! Don't they pay people to know these things?? 2024 models will be out in a month, can't sell the 2023 models.*”
- “ *Inventory levels are high across the region after years of understock, which combined with higher than previous interest rates, economic uncertainty, and a very cold start to the year is significantly impacting the mid ranged and entry segments. Margins will take a major hit to correct inventory balance.*”
- “ *Hoping OEMs don't raise prices too aggressively because we are already having to drop margins to stay competitive.*”
- “ *The tight credit and inflation rates have made a large impact on our dealership.*”
- “ *Credit/interest rates hurting marginal buyer.*”
- “ *Boat companies are asking for our 2024 orders already, seems like every year they want earlier and earlier. Knowing that if we order now, the boats will be here in July, and we'll still have 1/2 our 2023 inventory on the lot.*”
- “ *Manufacturers at this point seem to be willing to cut back production till we figure out what is happening in the market and right size our inventories.*”
- “ *We're seeing some manufacturers touting dealer health as a priority while slamming more units into production. Seem to be scrambling for orders and where to put more units. Lack of understanding of current retail environment and hopes to retain pandemic level sales are going to be fatal for some.*”

# Consumer

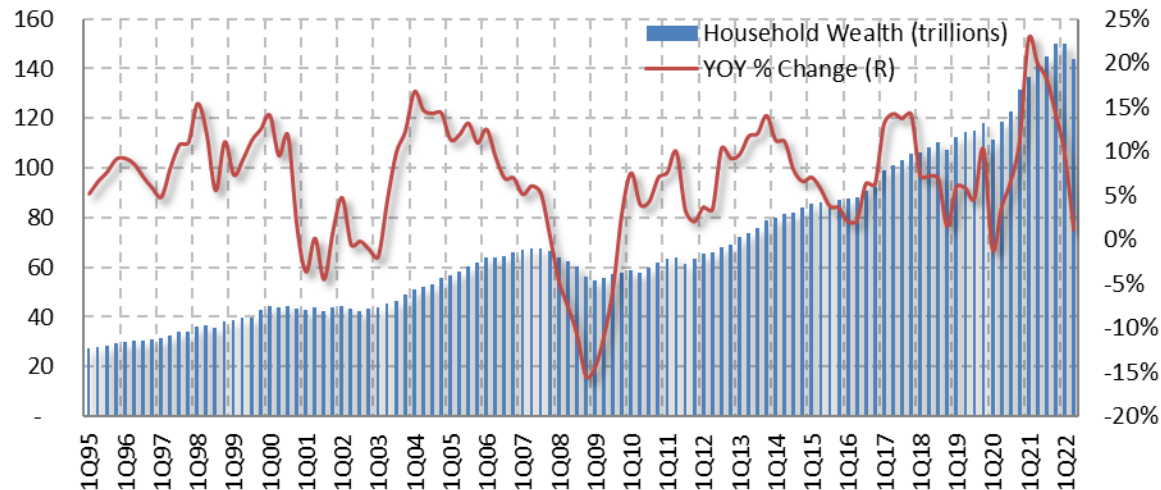
## Unemployment Rate and Consumer Confidence



Source: Conference Board, Federal Reserve Bank of St. Louis, Baird research

# Wealth Effect

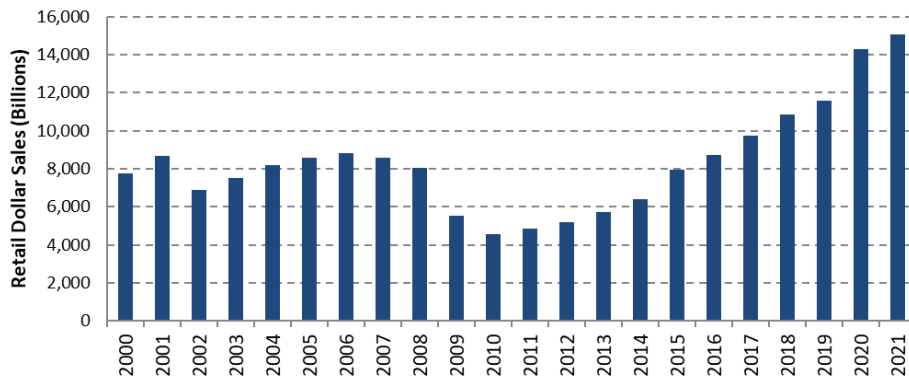
## U.S. Household Wealth



Source: Federal Reserve Bank of St. Louis, Baird research

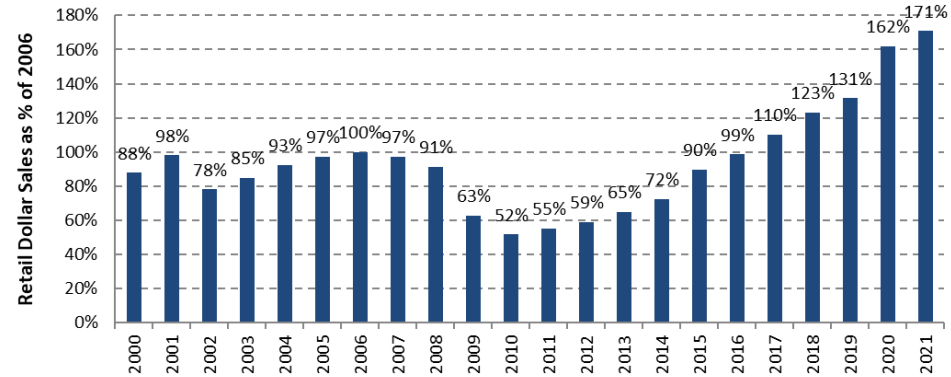
# U.S. Powerboat Retail Dollar Sales

**Annual Retail Dollar Sales - Traditional Powerboats<sup>1</sup>**



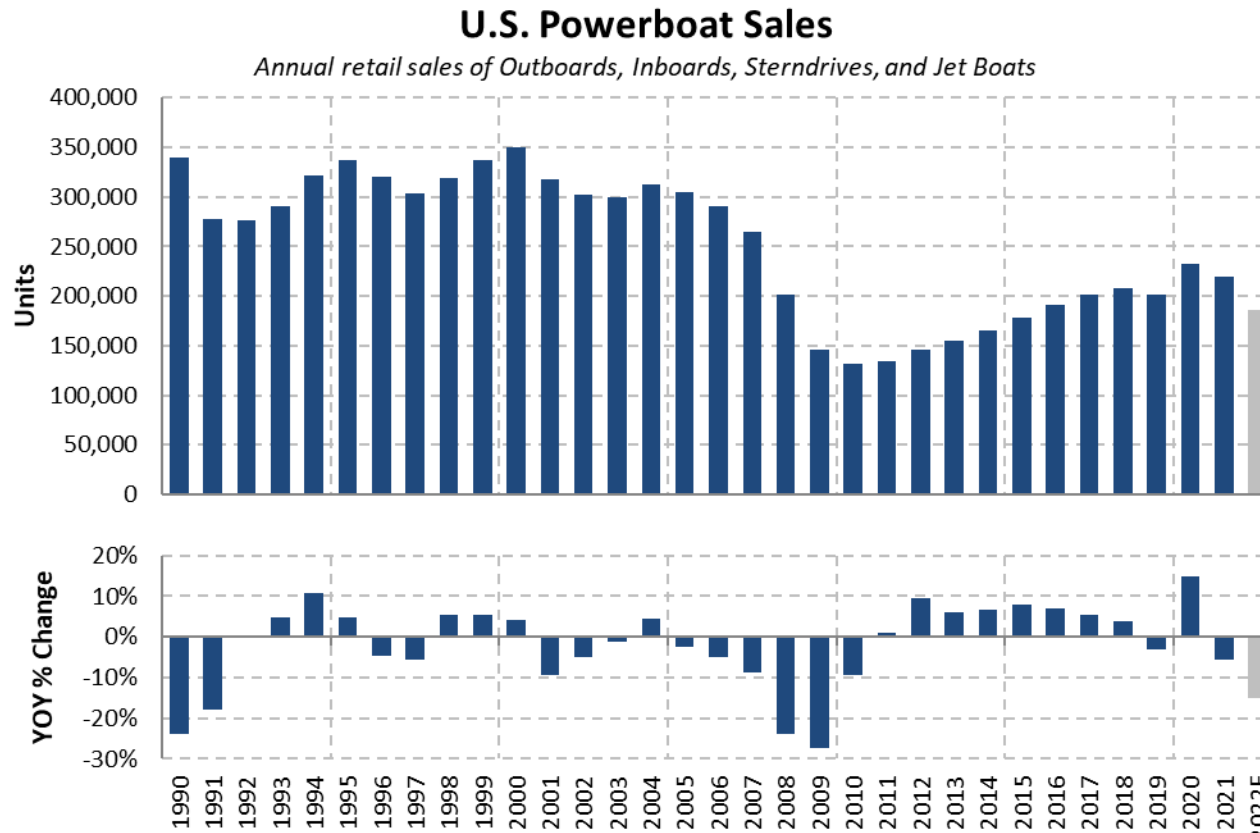
<sup>1</sup> Includes outboard, inboard-cruiser, inboard ski/wake, sterndrive, and jet boat categories  
Source: NMMA, Baird research

**Annual Retail Dollar Sales - Traditional Powerboats<sup>1</sup>**



<sup>1</sup> Includes outboard, inboard-cruiser, inboard ski/wake, sterndrive, and jet boat categories  
Source: NMMA, Baird research

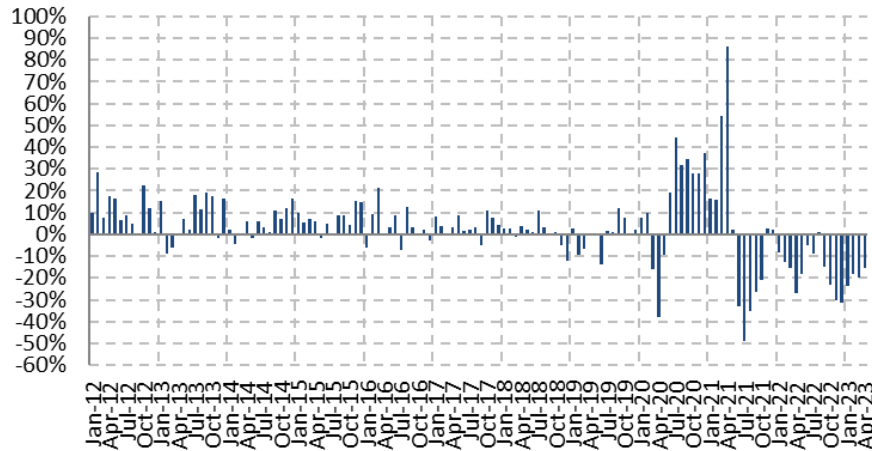
# U.S. Powerboat Retail



Source: NMMA, Baird research

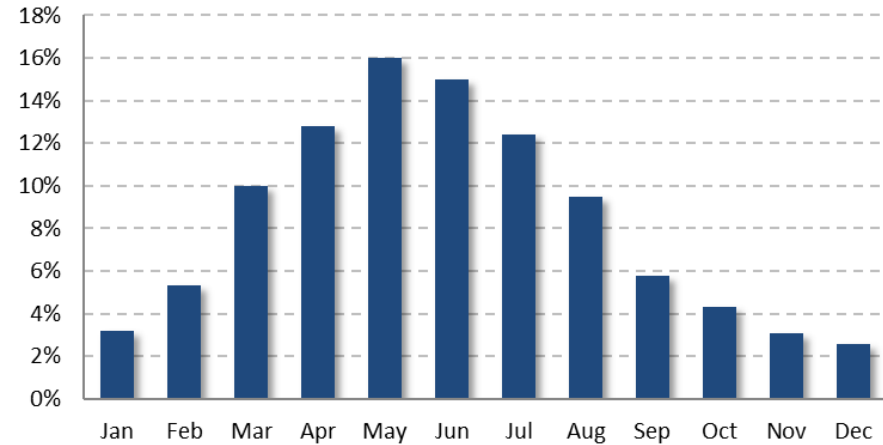
# U.S. Powerboat Retail

### Total U.S. Powerboat Retail - Monthly



Source: SSI, Trade Only Today, Baird research

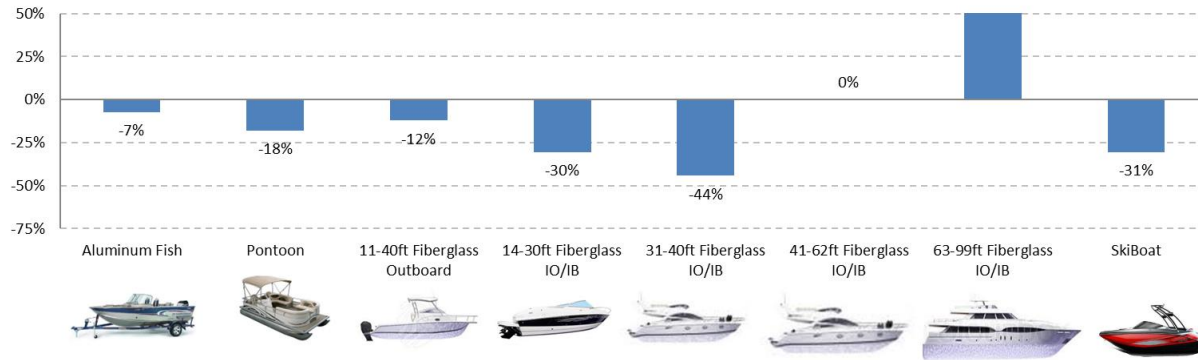
### U.S. Powerboat Retail - Seasonality



Source: Brunswick, NMMA, Baird research

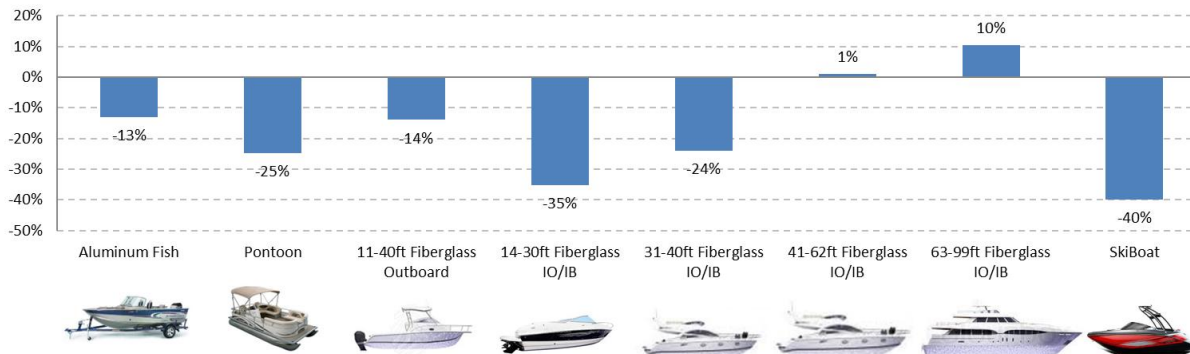
# U.S. Retail by Category

U.S. Retail Growth by Category - April 2023



Source: SSI, Trade Only Today, Baird research

U.S. Retail Growth by Category - YTD

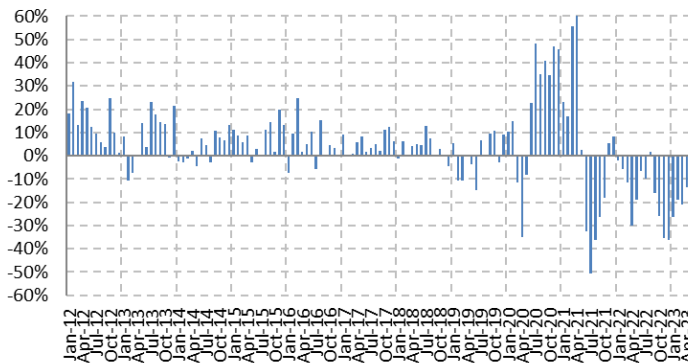


Source: SSI, Trade Only Today, Baird research



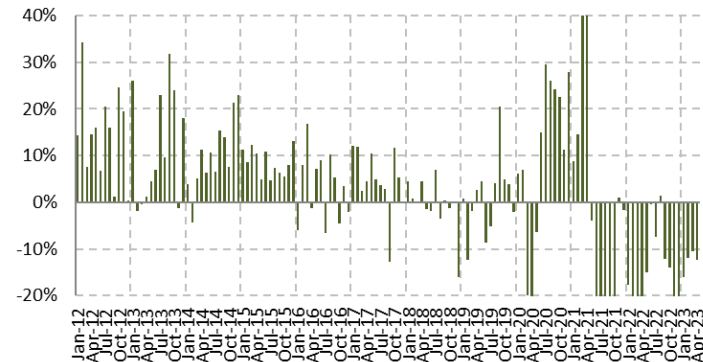
# U.S. Retail by Category

### Aluminum >16ft



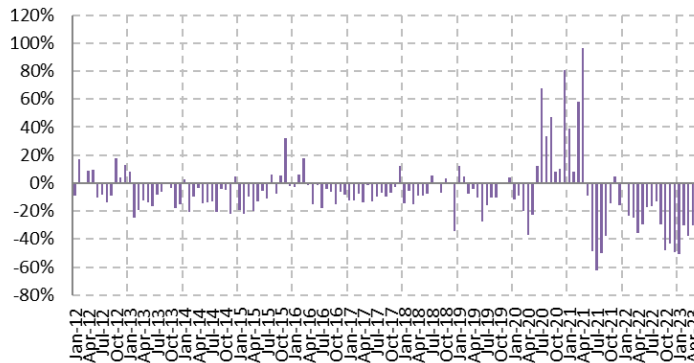
Source: SSI, Trade Only Today, Baird research

### Fiberglass Outboard



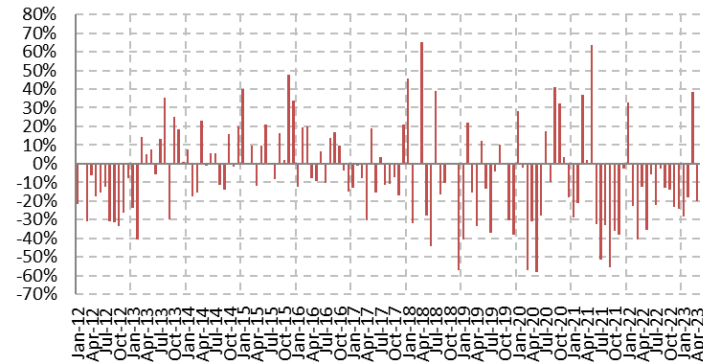
Source: SSI, Trade Only Today, Baird research

### Fiberglass Sterndrive <30ft



Source: SSI, Trade Only Today, Baird research

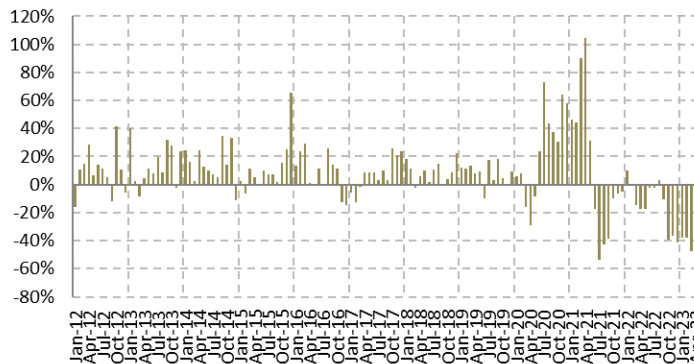
### Fiberglass Sterndrive 30ft+



Source: SSI, Trade Only Today, Baird research

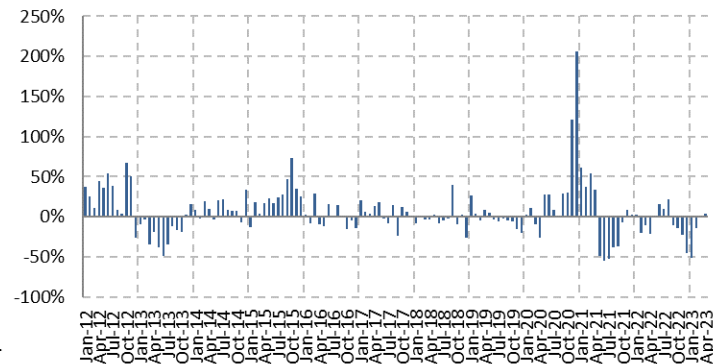
# U.S. Retail by Category

**Ski**



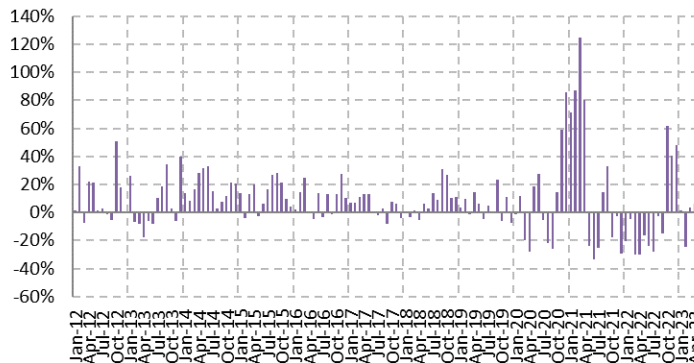
Source: SSI, Trade Only Today, Baird research

**Jet Boat**



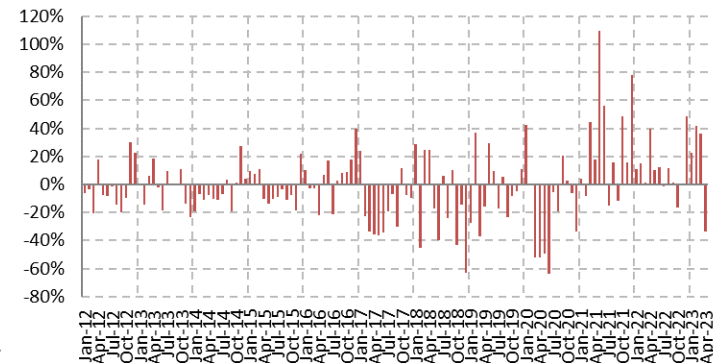
Source: SSI, Trade Only Today, Baird research

**Personal Watercraft (PWC)**



Source: SSI, Trade Only Today, Baird research

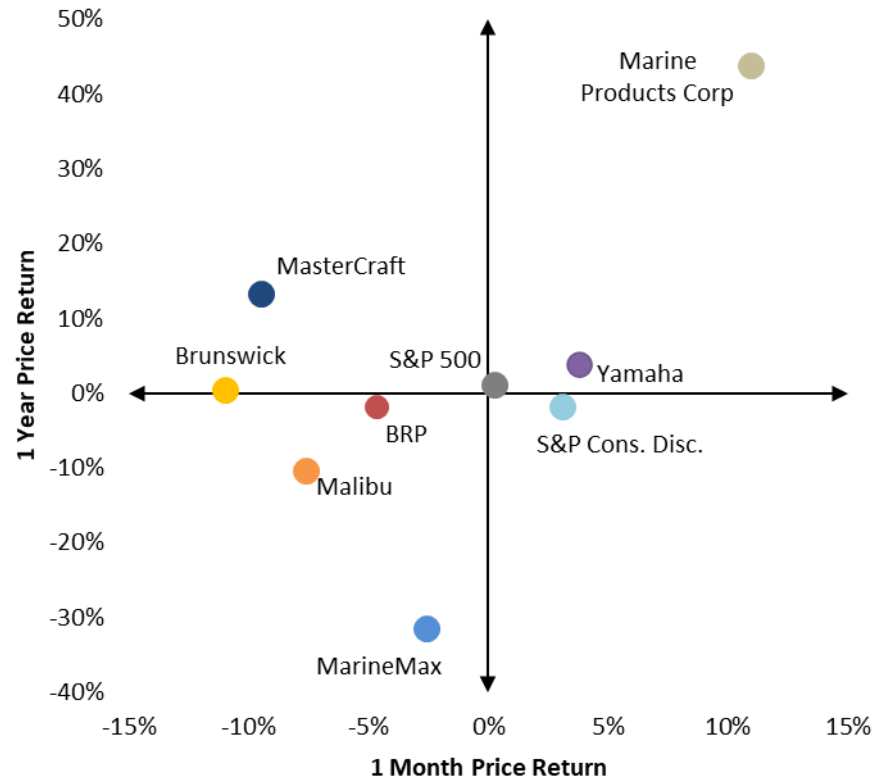
**Sailboat**



Source: SSI, Trade Only Today, Baird research

# Stock Performance

## Marine Stock Performance



Source: Factset, Baird research

# Stock Seasonality

## Brunswick Monthly Excess Return versus S&P 500

*assumes reinvested dividends*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2014	-6%	4%	0%	-12%	5%	-4%	-3%	3%	0%	9%	4%	4%
2015	9%	-5%	-3%	-4%	1%	2%	2%	0%	-1%	4%	-2%	-2%
2016	-16%	8%	6%	0%	-2%	-5%	6%	-7%	6%	-9%	12%	7%
2017	8%	-3%	2%	-8%	-3%	13%	-12%	-7%	5%	-12%	7%	-1%
2018	8%	-5%	7%	1%	4%	1%	-4%	1%	0%	-15%	1%	-3%
2019	0%	2%	-6%	-2%	-12%	4%	6%	-3%	10%	10%	-2%	-1%
2020	5%	-7%	-21%	22%	11%	15%	-1%	-14%	-1%	11%	7%	-2%
2021	15%	0%	4%	7%	-5%	-5%	3%	-10%	3%	-9%	2%	3%
2022	-5%	9%	-19%	2%	0%	-5%	13%	-2%	-3%	0%	0%	3%
2023	3%	1%	-4%	1%	-1%							
<b>1-Year Average</b>	<b>3%</b>	<b>1%</b>	<b>-4%</b>	<b>1%</b>	<b>-1%</b>	<b>1%</b>	<b>2%</b>	<b>-4%</b>	<b>3%</b>	<b>0%</b>	<b>3%</b>	<b>1%</b>
<b>% of Years Outperformed</b>	<b>70%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>40%</b>	<b>50%</b>	<b>60%</b>	<b>30%</b>	<b>60%</b>	<b>50%</b>	<b>70%</b>	<b>40%</b>

Source: FactSet, Baird research

Past performance is no guarantee of future results.



## Appendix – Important Disclosures and Analyst Certification

### Covered Companies Mentioned

All stock prices below are the 6/1/2023 closing price.

Brunswick Corporation (BC - \$76.11 – Outperform)  
LCI Industries (LCII - \$108.69 – Outperform)  
Malibu Boats, Inc. (MBUU - \$52.14 – Outperform)  
MasterCraft Boat Holdings, Inc (MCFT - \$26.52 – Outperform)  
OneWater Marine Inc. (ONEW - \$28.12 – Outperform)  
Patrick Industries, Inc. (PATK - \$67.99 – Outperform)

See recent research reports for more information



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