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MRAA/Baird/Trade Only Marine Retailer Pulse Report

November 3, 2023

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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 October 2023 Marine Retailer Pulse Report.

We recently surveyed 89 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.

Table of Contents



Marine Retailer Pulse Report

Retailer Profile	5
Retailer Sentiment	6
Retail Trends	7 – 10
Revenue Trends	11
Inventory	12
Comments	13 – 23

Key Statistics

Macro Overview	24 – 25
U.S. Powerboat Retail	26 – 28
U.S. Retail by Category	29 – 31
Stock Performance	32
Stock Seasonality	33

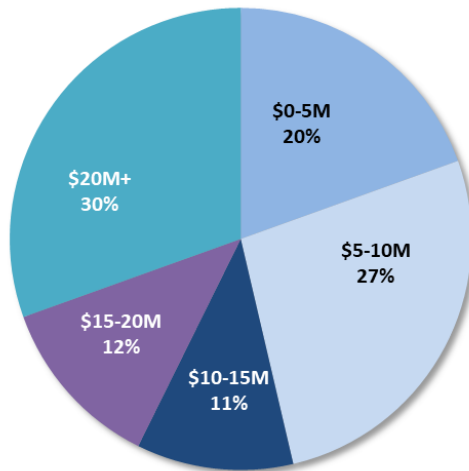
Disclosures

34 – 38

Retailer Profile

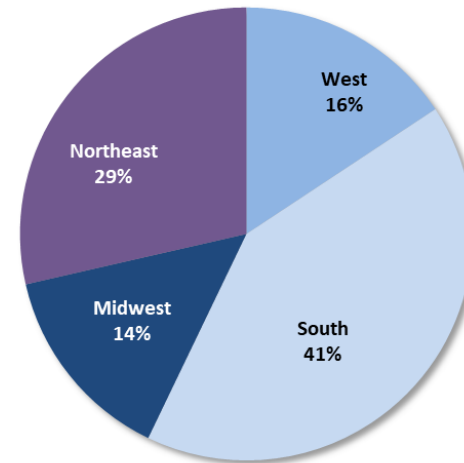
89 retailers participated in the MRAA/Baird/Trade Only Marine Retailer Pulse Report.

Dealer Annual Revenue Profile



Source: Baird research

Dealer Participation - By Geography



Source: Baird research

Retailer Sentiment

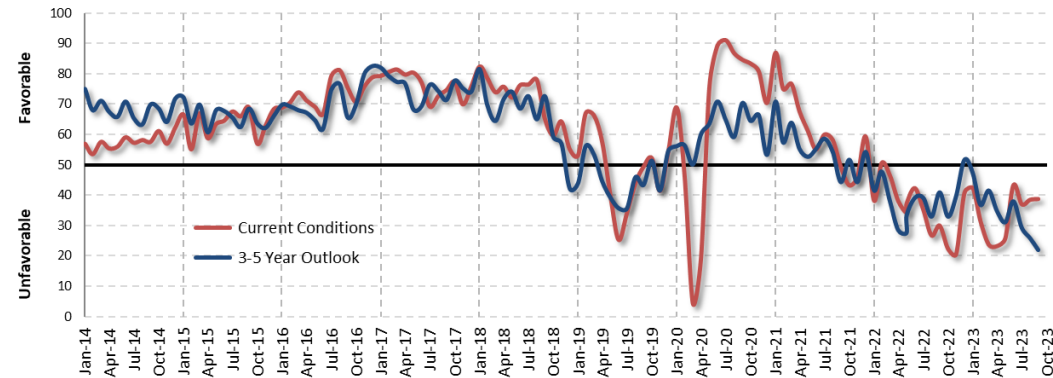
We have established the first **Marine Retailer Sentiment Index**, capturing both current and longer-term (3-5 year) retailer sentiment.

Sentiment on **current conditions** increased slightly in October (**39** vs. **38** in September), while the **3-5 year outlook** declined (**22** vs. **26** in September).

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

October Retail Trends

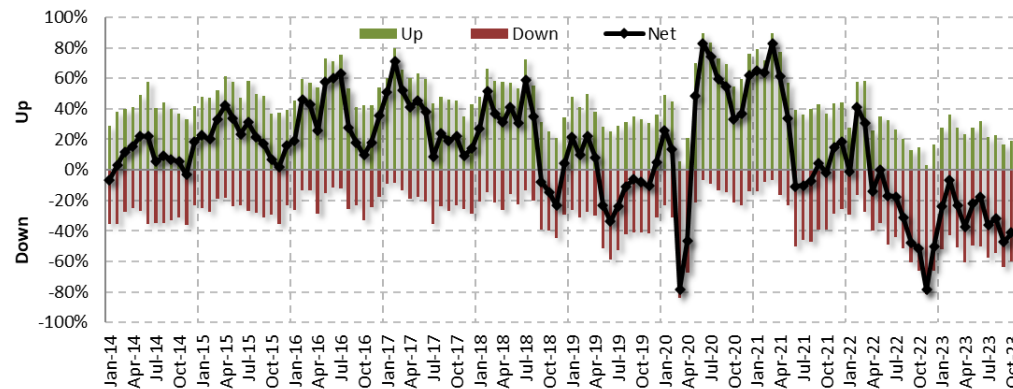
More dealers reported retail declines in October (60%) than growth (19%).

Dealers also reported used boat retail declines, with 66% reporting a decline versus 13% reporting growth.

October typically represents ~4% of annual retail sales.

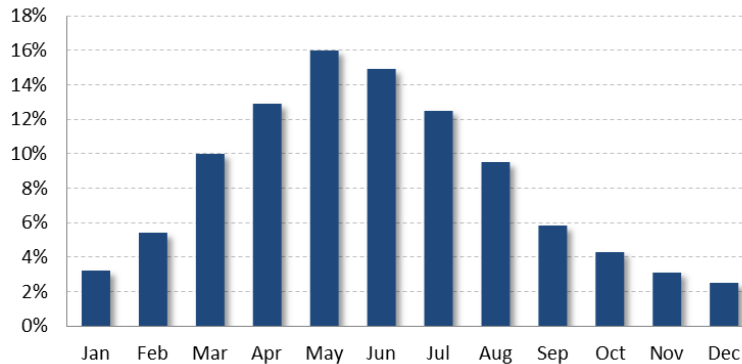
New Boat Retail Trends

"Rate retail trends during the month"



Source: Baird research

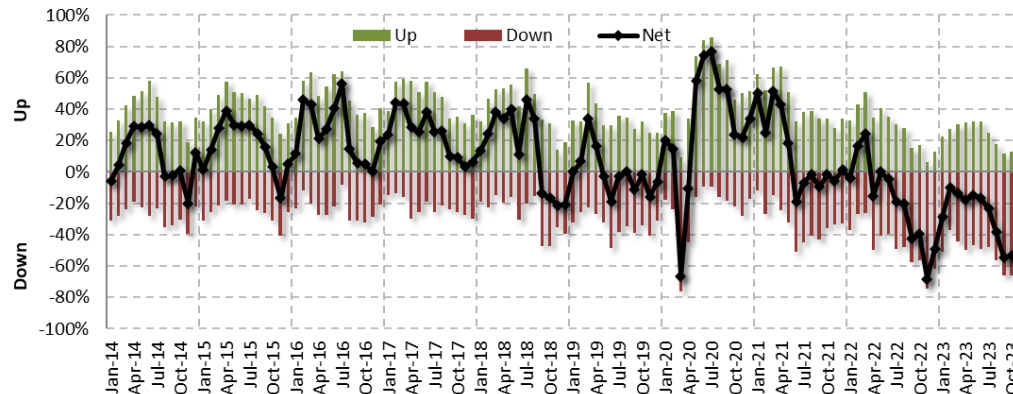
U.S. Powerboat Retail - Seasonality



Source: Brunswick, NMMA, Baird research

Used Boat Retail Trends

"Rate retail trends during the month"



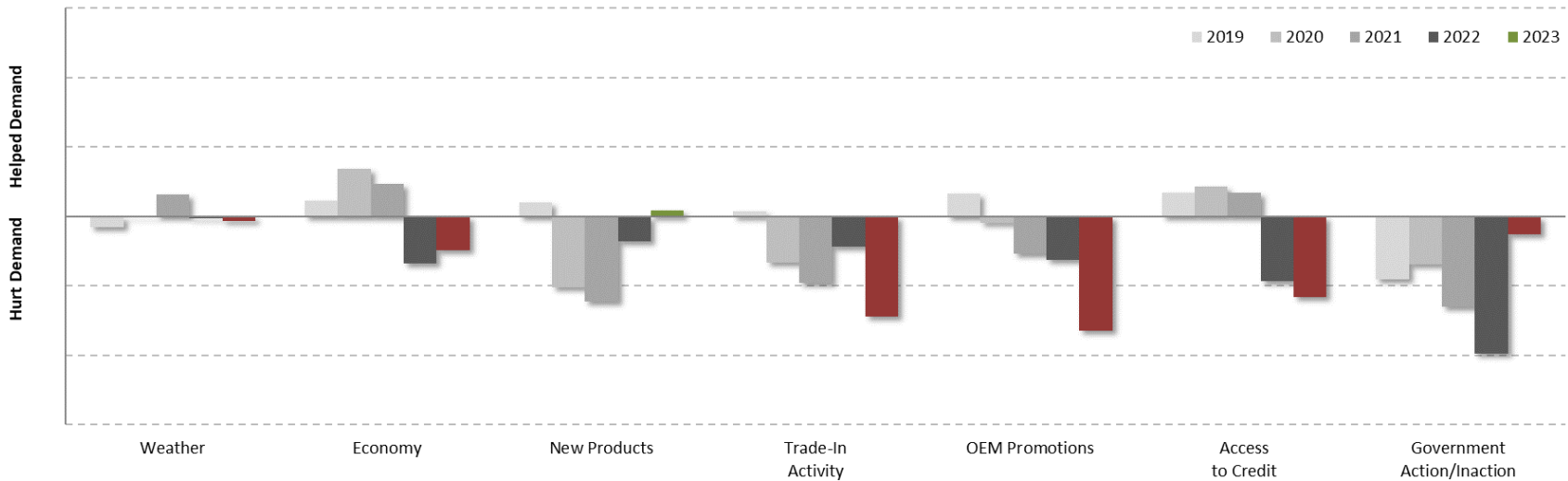
Source: Baird research

Retail Demand Factors

October Retail Trends

Retailers indicated that trade-in activity, promotions, and access to credit were the primary headwinds to demand in October.

Retail Demand Factors - October



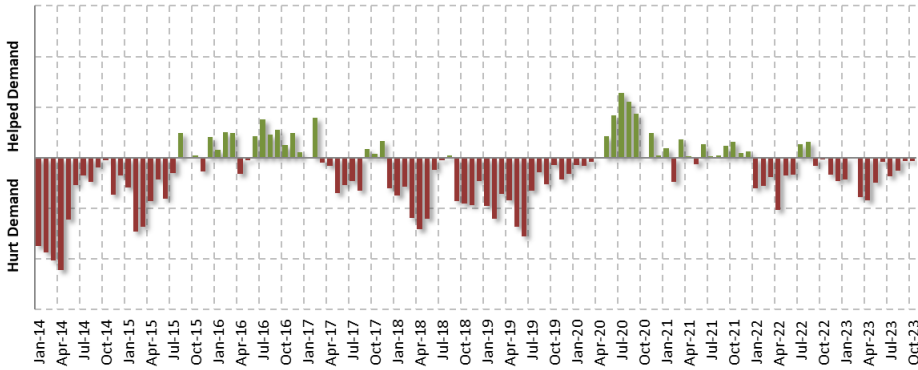
Source: Baird research

Retail Demand Factors



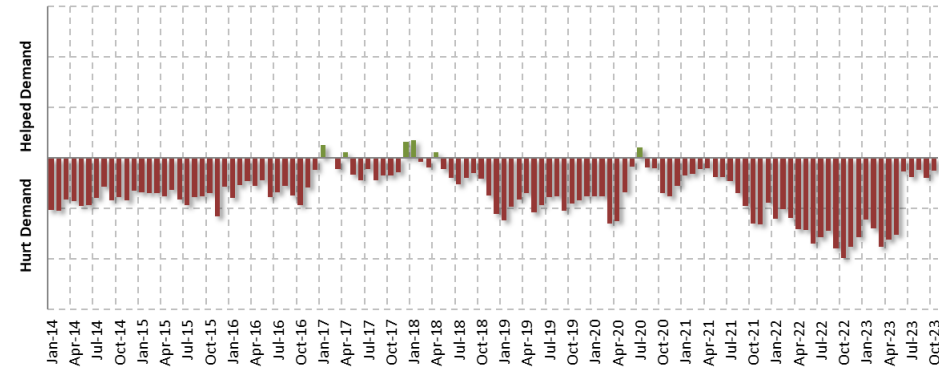
Detail

Weather Impact on Demand



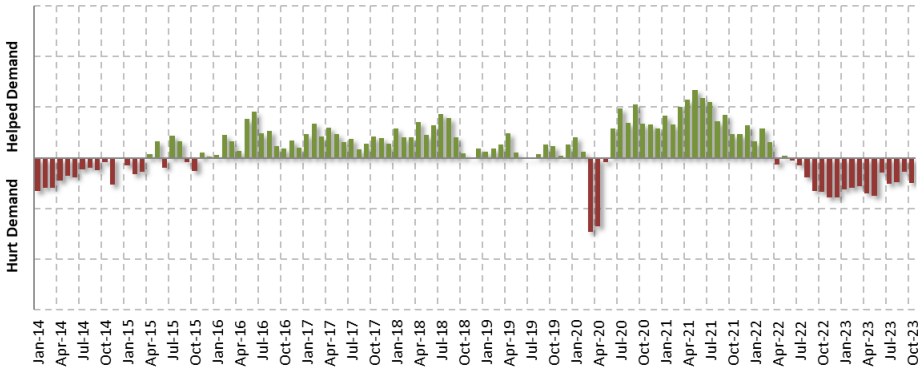
Source: Baird research

Government Impact on Demand



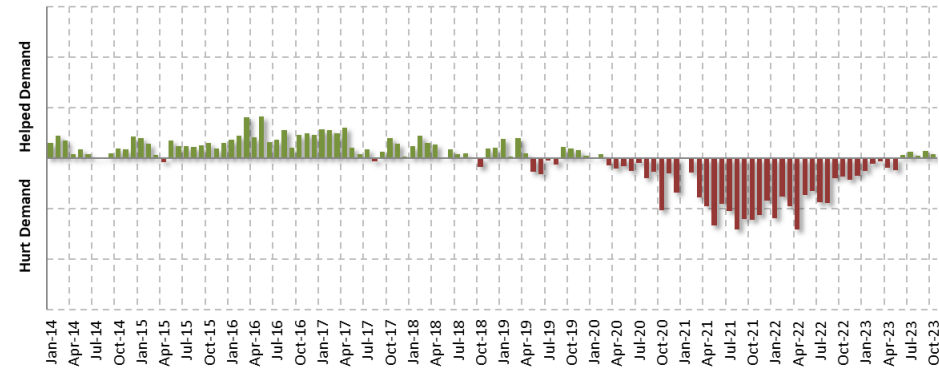
Source: Baird research

Economy Impact on Demand



Source: Baird research

New Products Impact on Demand



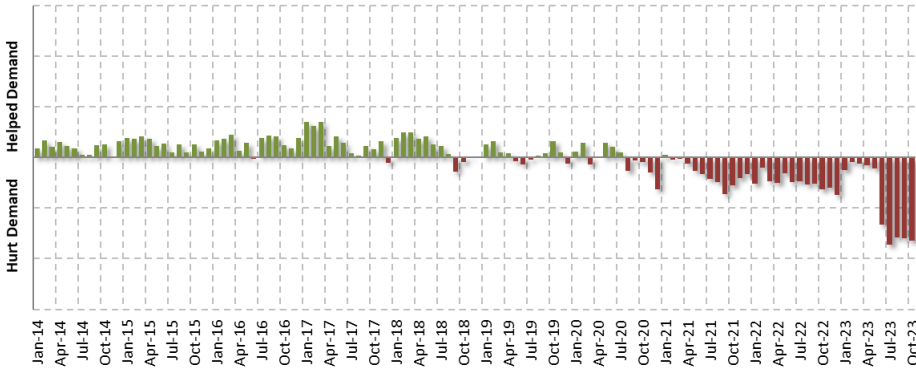
Source: Baird research

Retail Demand Factors



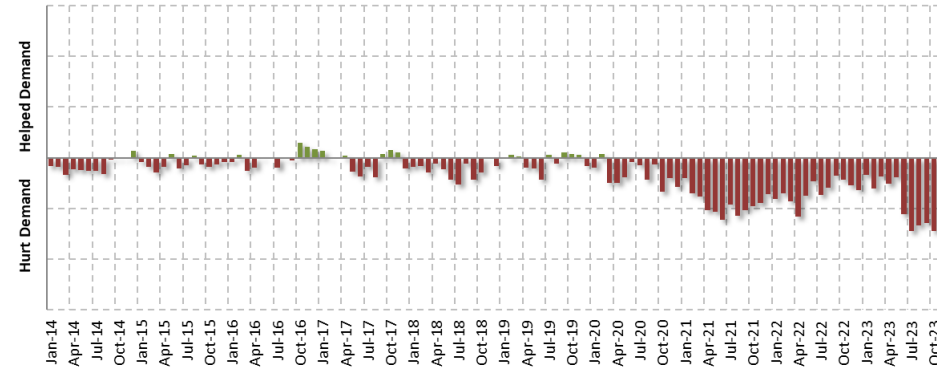
Detail

OEM Promotions Impact on Demand



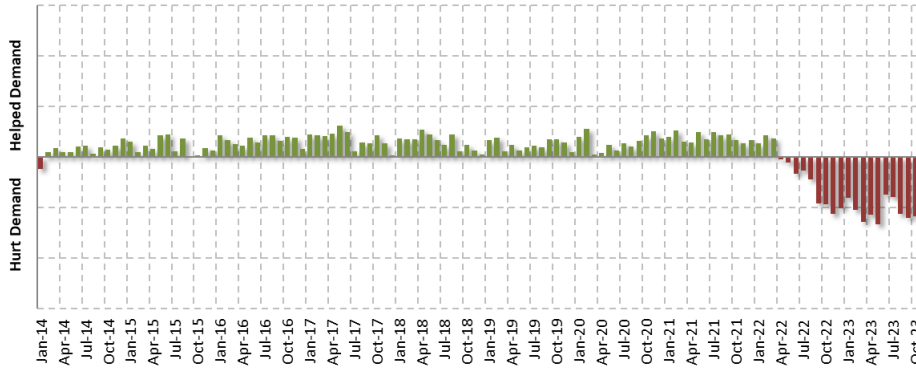
Source: Baird research

Trade-In Activity Impact on Demand



Source: Baird research

Access to Credit Impact on Demand

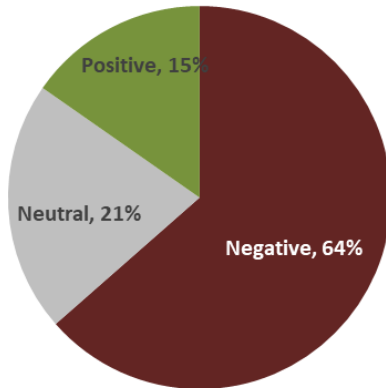


Source: Baird research

Dealership Revenue Trends

New Boat Revenue

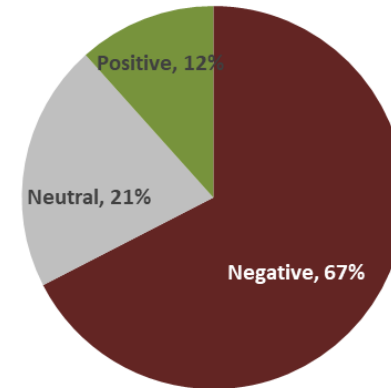
Rate REVENUE trends in the month



Source: Baird research

Used Boat Revenue

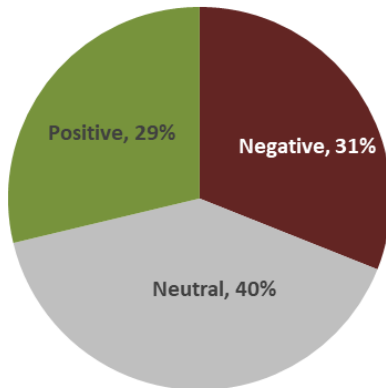
Rate REVENUE trends in the month



Source: Baird research

Parts and Service Revenue

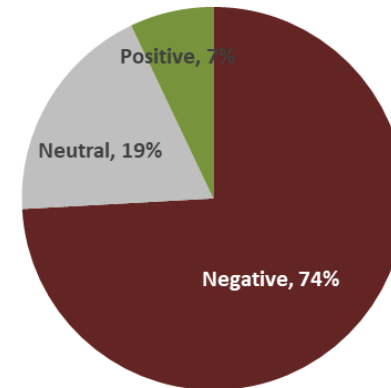
Rate REVENUE trends in the month



Source: Baird research

Finance and Insurance Revenue

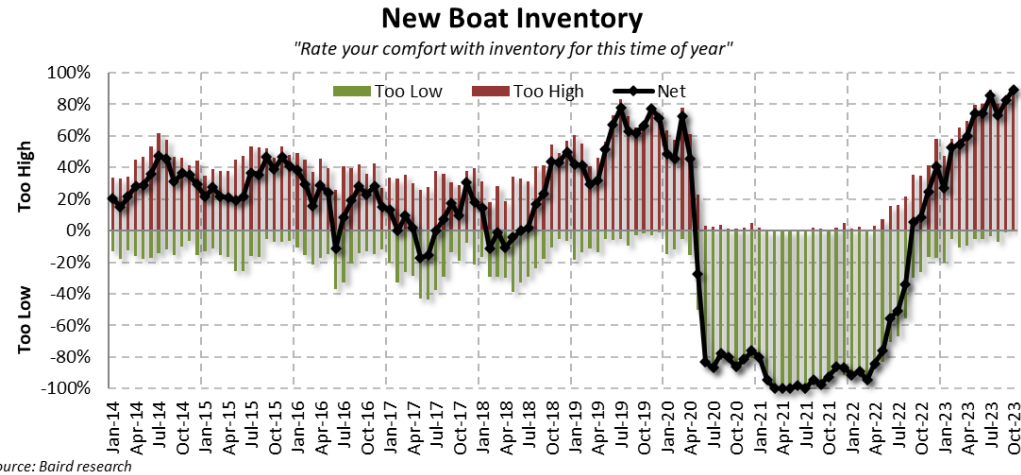
Rate REVENUE trends in the month



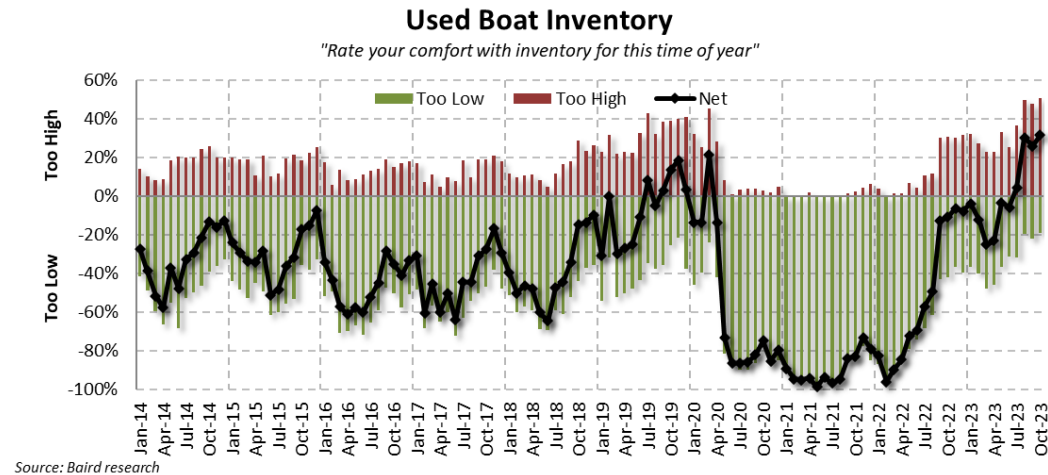
Source: Baird research

Inventory

New boat inventory is higher than dealers would like. 89% of dealers reported new boat inventory was “too high” and no dealers reported new boat inventory was “too low” in October.



Used boat inventory is also higher than dealers would like, with 51% of dealers responding it is “too high” and 19% responding “too low.”



What's Working



Comments

- " Premium products."
- " Robalo - hot line."
- " Spotty through all brands. October is up vs 2022 but not enough to catch up year."
- " Nothing. Can't seem to get anyone interested in buying, despite nearly giving boats away."
- " Rebates."
- " Brands that have no incentive right now are not selling. We are slowly moving boats where we are getting help."
- " The things that work are the basics. Stay in contact with your customers by calling and being where they are. Stay visible."
- " Small personal boat shows. Personal invites."
- " Not much."
- " New products, better promotions, watch staffing expense."
- " Consistent follow up, heavy discounts, and social media advertising and promotion is getting some response and activity, but little sales."
- " Rebates from manufacturers."
- " Rebates on tri-toons, social media promotion of products."
- " Nothing comes to mind."
- " Not much."
- " Boat shows and branded events."
- " Enhancing new boats with aftermarket add-ons such as bar top tables, diving boards, etc."
- " Manufacturer promotions help."
- " Not much. Promotions are falling on deaf ears. Some minor impact from a new product that seems off to a good start."
- " Increase shop sales and upgrades to current customers boats."

What's Working



Comments

- “ *Focusing on the client in front of you. Solving their problems, addressing their needs. Demonstrating you care and showing I have skin in the game too.*”
- “ *It is our slow time so not much hot right now.*”
- “ *Electric outboard.*”
- “ *Factory promotions are the only thing working.*”
- “ *Sales through service.*”
- “ *Seeing strong interest and lead activity has remained robust. Higher dollar boats are generating the most interest and lead activity. Much stronger fall for newly written deals than last year. Encouraged by the activity and continuing to keep the foot on the gas so the trend continues.*”
- “ *Being more open to hiring seasonal employees.*”
- “ *Fresh designs.*”
- “ *Cleaning products and maintenance parts are what we continue to see selling. This is across the board for these two categories. Marketing has shifted into a more digital reach to our consumers. Return has been low to moderate. Staffing has improved. But quality applicants is still difficult. Cost of living in [our area] is high. We've acknowledged this and will factor it into our next cost of living increase first quarter, if not sooner.*”
- “ *Mid-priced used boats are selling.*”
- “ *Well maintained used equipment sold fast in October. Consignment sales led the way for us.*”
- “ *Marketing promos.*”
- “ *I think the manufacturers who have focused promotions towards a personal aspect, more than a business aspect have helped. What I mean by this is extended warranties on motors to help out the buyer, sales with extras for those who support or give to the community, etc.*”
- “ *Aggressive internet campaign on in stock units.*”
- “ *Nothing.*”
- “ *Once in a while we have a match with a walk in on a stock and using our best pitch and pricing we have closed a deal.*”
- “ *Anyone willing to buy down interest rates is going to win in the next year. Used market already saturated, obtaining retail financing will be key.*”
- “ *Marketing.*”

What's Not Working



Comments

- “ *Value products.*”
- “ *Availability of marine technicians.*”
- “ *Fishing is the only thing moving with some repowers on schedule.*”
- “ *Interest rates, small meaningless manufacturer promotions that require a reorder.*”
- “ *Payment buyers, financing, high dollar trade ins.*”
- “ *Tough to gauge this time of year in the Northeast along with coming off of Covid but unless we can promote massive savings on any boat, we just don't have a chance to win business. Rates are just killing us.*”
- “ *Authorization and winterizing requests used in the past seem to be more challenging for customers to follow, understand or agree with this year. I feel the economy is a factor as consumers have to pay more attention to where their money is being spent, so are questioning items and services they haven't in the past.*”
- “ *Don't increase advertising looking for different results.*”
- “ *Waiting on customers.*”
- “ *Sales. Everyone is doing a sale, so customers don't realize how good the deals really are.*”
- “ *Plain pontoons will not sell. Better products with innovation will survive.*”
- “ *Very little is working. The financial outlook and economic uncertainty are concerning for both dealers and consumers. While there are still rebates, some incentive promotions, discounts, and salespeople that diligently follow up, that does not seem to be enough to overcome the economic unpredictability, significantly higher interest rates, tighter financial underwriting, and substantially higher boat prices. Many boat models, especially pontoons, are not getting any activity. Most potential buyers are relegated to taking a wait-and-see attitude, while grappling with stick-shock, higher interest rates for boat payments, and fear of what may be coming with the current economy.*”
- “ *Higher interest rates.*”
- “ *Fiberglass and surf/wakeboard boats are not moving.*”

What's Not Working



Comments

- “ Pricing promotions are not working.”
- “ Entry level boats.”
- “ Things are really slow.”
- “ Promotions are not working since there aren't really any buyers this time of year.”
- “ Consumers know there are deals to be had so fake deals are not a reality anymore.”
- “ The show prices posted by boat builders with extreme discounts. Their show prices are below our cost lines. We are challenged to accept trades.”
- “ High boat prices along with high interest rates is a hard sell.”
- “ Sterndrive.”
- “ High rates and uncertainty!”
- “ High prices and high rates.”
- “ Show rebates, staffing issues, rates being crazy, and world events.”
- “ Reaching those qualified candidates for hire is a challenge. We have expanded our resources in the job searching digital platforms. And we're working on expediting our processes for on-boarding, drug test and background checks through one platform.”
- “ Most everything.”
- “ Economy.”
- “ Being pushy in all aspects of business has not worked. Pushing sales instead of suggesting and influencing has cost us some future customers. This being said, the staff was removed from position and training is being developed to teach proper personal skills and customer service.”
- “ Luxury tax hurting high dollar unit sales.”

What's Not Working

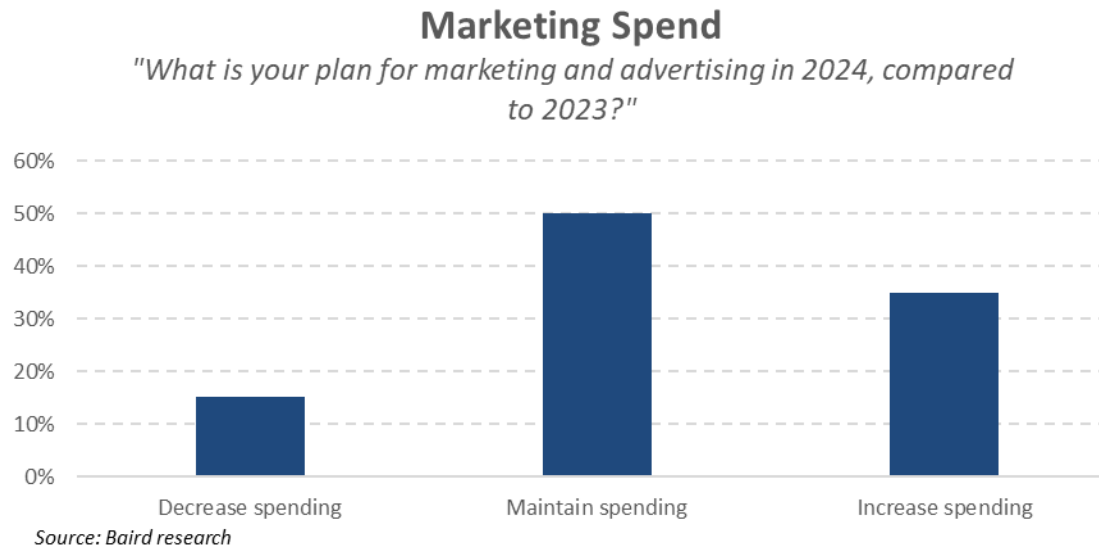


Comments

- " Spending a bunch on advertising is not working."*
- " Manufacturers promotions lol. Economy being very uncertain and the joke on us. Call the Democrats and all associated with."*
- " We are increasing our spending online. Getting the leads and working the deals hard but the pricing and interest rates are killing us. It seems that people believe that there will be a market correction and they are hanging on for that correction."*
- " Lack of manufacturer promotions, marketing / advertising support. Dealers cannot do it on their own."*
- " Products and promotions."*
- " No effective promotions from our vendors at this time. Needing lower APR rates."*
- " After running a \$22K marketing campaign in October our lot traffic was down 70 percent from 2019."*

Marketing Spend

What is your plan for marketing and advertising in 2024, compared to 2023?



Sales Tactics



What sales tactics have you found effective at overcoming common objections from today's consumers?

- " Effectively establishing realistic trade value."*
- " Perceived lack of availability of product still driving some sales."*
- " More let's make a deal, if there is any skin left in the deal."*
- " It does not seem to matter what the price is, if they buyer is motivated. They buy, the issue is there are not many of them."*
- " Rebates/incentives for new boats."*
- " Slowing the customer down and explaining to them that now is the very best time to purchase a new boat. Dealer discounts, brand incentives, and a variety of inventory."*
- " Encouraging regular maintenance to avoid costly repairs and downtime. Offering bigger, more expensive jobs to be completed over the winter. Some of these customers then qualify for free storage, but it also allows them to spread out spending - winterizing and repairs then don't need to be paid for at the same time."*
- " Do the same thing as always and implement new ideas. Just go back to basic selling strategies."*
- " Selling the dealership as well as the boat. Making the customer know they will have a better long-term experience with us."*
- " Promotions and discounts."*
- " That real question should be what customers? While we are getting a few (very few) customers into the showroom, they are all looking for clearance and heavily discounted units only. Our sales department continues to work very closely with all potential buyers, follows up consistently, and offers heavy discounts and a lot of free throw-ins, but the one objection we cannot seem to overcome is ridiculously high interest rates."*
- " Aggressive pricing."*
- " Asking why we have so much inventory currently - We are blessed to have inventory to show this year compared to last year."*
- " Spending more time with the prospects to make sure we answer any and all objections."*
- " Morning Sales Meetings - reminding team of the steps we need to hit to try and close sales. The biggest issue is lack of lot traffic Those folks that do come out have no urgency."*

Sales Tactics



What sales tactics have you found effective at overcoming common objections from today's consumers?

- " Boat shows have really comeback as a sales driver."*
- " Overcoming higher interest rates."*
- " Prices are going to continue to increase."*
- " Boat shows are still a great way to sell."*
- " Helping customers get over the interest rate issue. Rates are back to historical normal and it's going to take some time to recalibrate the consumer."*
- " You have to sell the lifestyle and aspiration."*
- " Life and the world always has uncertainty. People need to keep their lives full and secure. Boating with friends, family even alone will enrich your life and provide sanctuary, relief from work and common routines. Interest rates are at historical average, just higher than the abnormal lows last few years."*
- " Repower instead of a new boat purchase."*
- " In depth conversations with qualified prospects explaining that time is short, prices are not going down as inflation increases."*
- " No more quick sales. You have to spend a lot of time with the customer now and try and win them over. Good ole salesmanship."*
- " Win your purchase contest."*
- " Factory promotions are the only thing working."*
- " Working hard to create incremental sales- upselling existing owners/customers."*
- " Selling on long term quality of life objectives versus short term needs."*
- " For retail parts, training the sales team on existing and upcoming products. Without the sales team's knowledge, its significantly hard to increase sales."*

Sales Tactics

What sales tactics have you found effective at overcoming common objections from today's consumers?

- " Relationship selling. Emotions over logic."*
- " One needs a customer to contact them to overcome objections."*
- " Shows, promotions."*
- " We are trying to focus on the family enjoyment of boating and pushing the cost as less than taking vacations elsewhere."*
- " Current inventory is a great value."*
- " Managers specials, value cash buyers are what is driving and controlling the market."*
- " Aggressive promotions and pricing, thorough follow up and maybe change in some personnel."*
- " Not much is working. We have prospects, quote them aggressively, but we get to finance and end up at an impasse. Of course, that is from the payment buyer. Many of our cash buyers who have been getting quotes feel that we should do much better because they are going to stroke a check. The pricing has just gotten out of control and we are going to have to hang on until the public gets used to that."*
- " Focusing on repeat and referral customers. New buyers are non-existent, and cost per acquisition of a repeat / referral is significantly lower."*
- " Social media."*
- " We sometimes explain that the discount we are giving (because of the low demand) more than covers a couple of years of the difference in interest rates. So, use that discount to in a sense pay that extra interest for a couple years and then refinance when they think rates look better."*
- " Hitting all angles and not found anything that is fantastic draw to action."*

Additional Comments



- “ *Government regulation/taxes a definite negative.*”
- “ *Interest too high at retail and wholesale vs cost of funds. Dems and liberals are hell bent on destroying our country.*”
- “ *FLIBS results and feedback indicate buyers in no rush. Rates do nothing but hurt sales.*”
- “ *Customers don't feel any urgency. They know we have a lot of inventory and that prices are staying low, and since boating season is over, why do they need to buy now as opposed to the Spring.*”
- “ *There is no urgency for customers to buy at this point in the year. In the past we have still had urgency.*”
- “ *Concerns some dealers with ballooned inventory will affect everyone's sales and profit.*”
- “ *With a lot of stagnant inventory, we are now deeply discounting units to try and get buyer's interest. It is not working. Pontoon models are the hardest hit in our market, with mid-level models not even getting a look. Advertising and discounted pricing do generate some lookers, but not buyers. Economy, pricing, and interest rates continue to slow sales, while inventory and floor-plan expense are threatening to drive some out of the business.*”
- “ *Cost of losing a deal based on price at this time of year - is it worth it right now to let a deal walk because of price? Do you take the 15% deal to prevent the boat sitting on floorplan? I think yes.*”
- “ *Having to turn away service due to lack of available qualified technicians.*”
- “ *To get lot traffic up we need to go to the manufacturers and retail lenders for a shared buy-down program to offer a rate that will get folks to come out and talk to us.*”
- “ *Current interest rates are causing customers to second guess purchasing new if it requires financing.*”
- “ *2024 is going to be all about consumer confidence amidst many weighty uncertainties: wars and global instability - our US election results - gas prices - interest rates - inflation stabilizes? Based on above, we expect less boats sold, and less money spent on anything that can be postponed until the timing is perceived as better/'right'.*”

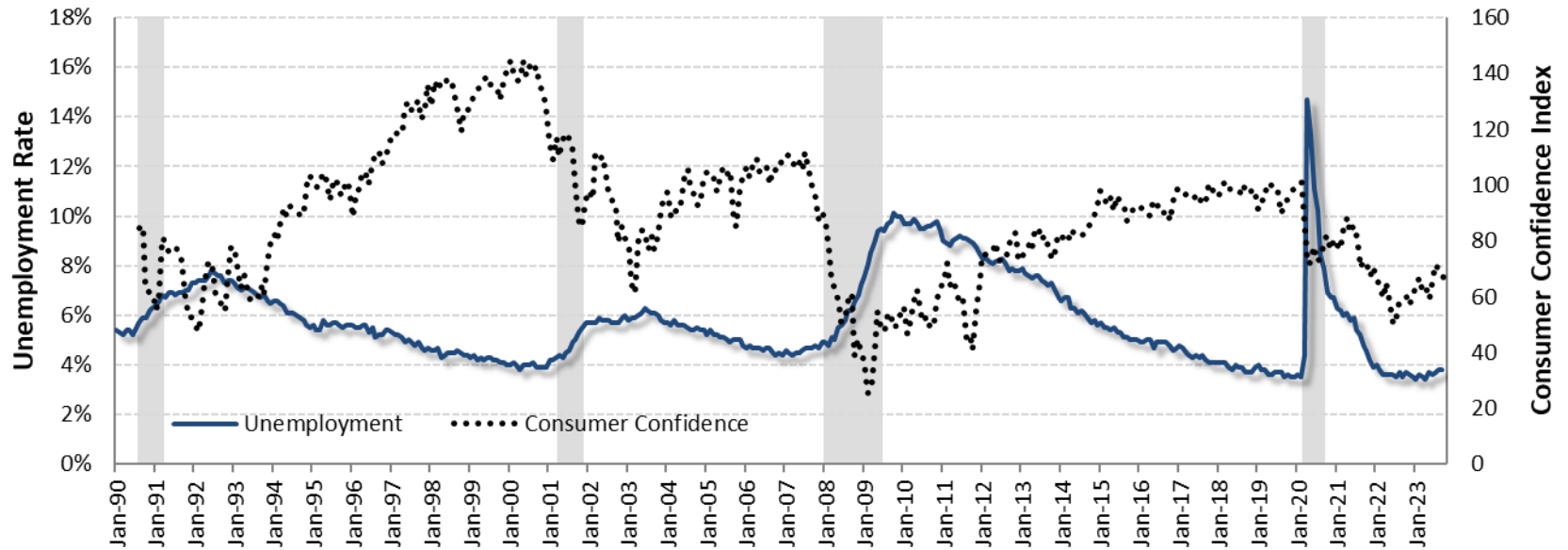
Additional Comments



BAIRD

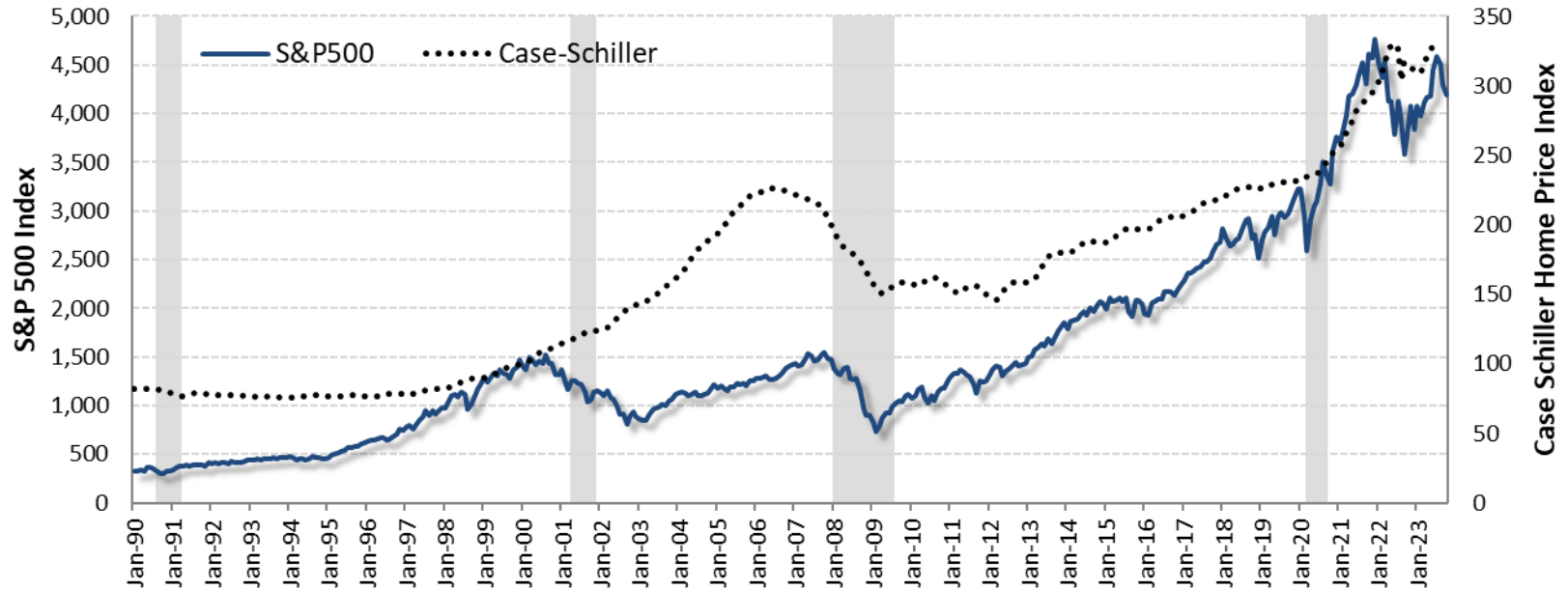
- “ *Manufacturers seem in panic and are allowing sales outside dealer territories. Banks still lending so that is helpful.*”
- “ *The Feds are killing the economy.*”
- “ *Pre-owned inventory has zero activity. Capital for taking in trades is become more and more limited as they are not selling- making it more difficult to fabricate deals on new boats with heavy trade ins.*”
- “ *Inventory has become more steadily available. Sales are hard to compare from the previous year, considering our out of the normal increased revenue. With hefty vendor price increases from the last 2 years, our customers are spending less in volume. But sales continue to stay consistent. Just not as fruitful as we were forecasting.*”
- “ *We are a full-service yacht repair facility. We have seen a decline in quality smaller boat customers, they want the work, but don't have the budget (under 60'), however the larger boats (72m is currently our largest) are still going strong.*”
- “ *Very difficult business conditions which look to get worse before they get better.*”
- “ *It would be nice to see manufactures get involved with promotions and actively promote on social media. Dealers can only do so much.*”
- “ *The high interest rates added to the cost of gas and licensing (new taxes added) makes a hard sell to younger families. The rising shipping costs is also affecting the bottom dollar on every sale.*”
- “ *Going to be a hard reset. Dealers will not be accepting forced product over the next few years.*”
- “ *Credit and interest are the most damaging items decreasing sales.*”

Unemployment Rate and Consumer Confidence



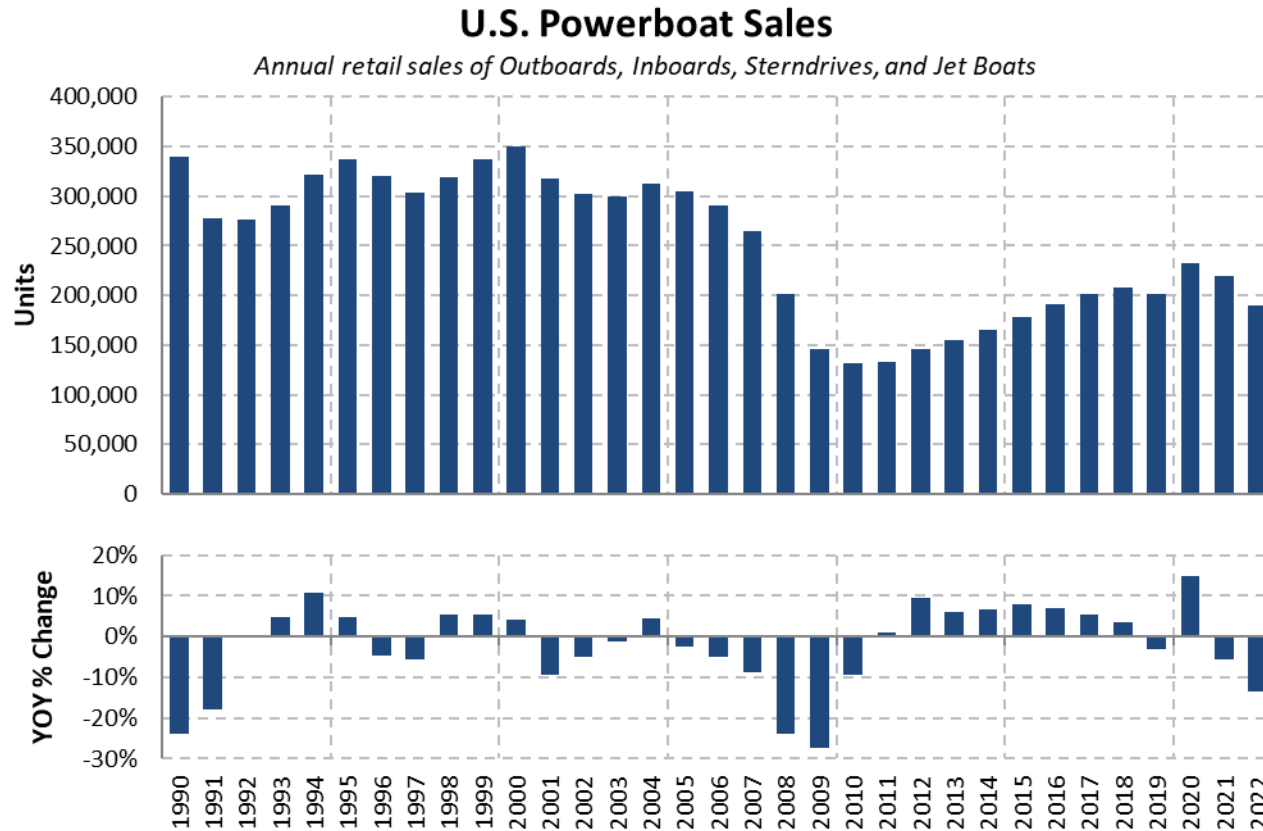
Source: Conference Board, Federal Reserve Bank of St. Louis, Baird research

Stock Market and Home Prices



Source: Standard and Poors, Baird research

U.S. Powerboat Retail

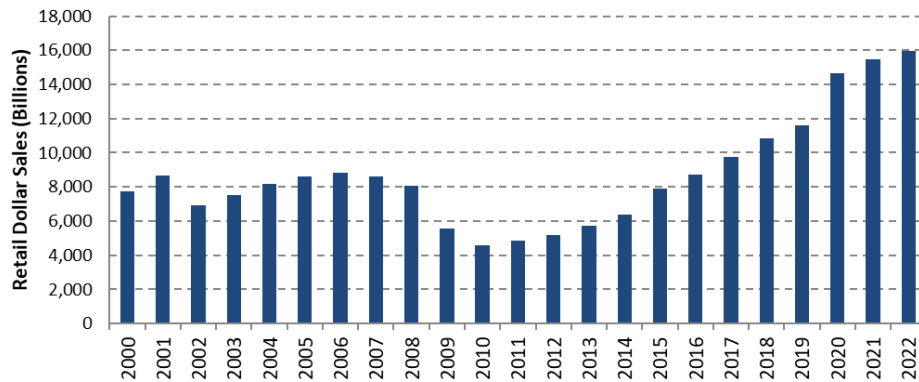


Source: NMMA, Baird research

U.S. Powerboat Retail Dollar Sales

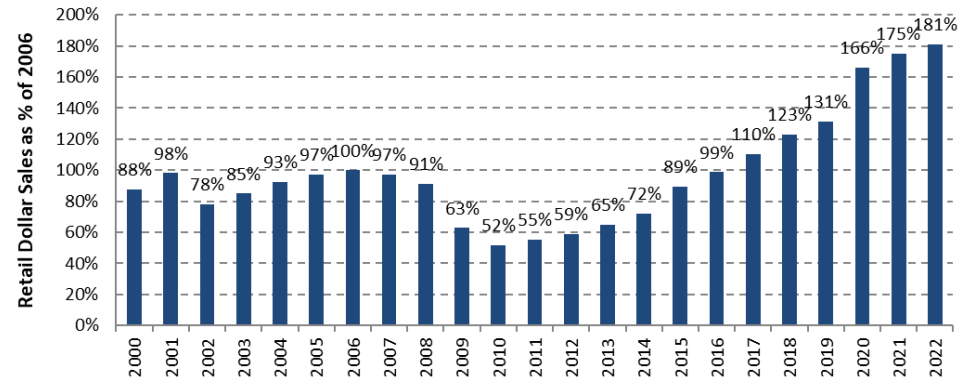


Annual Retail Dollar Sales - Traditional Powerboats¹



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

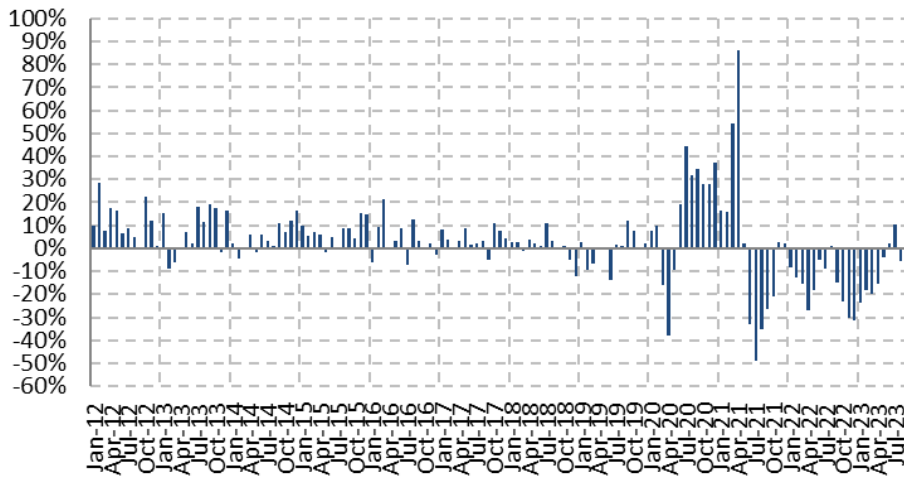
Annual Retail Dollar Sales - Traditional Powerboats¹



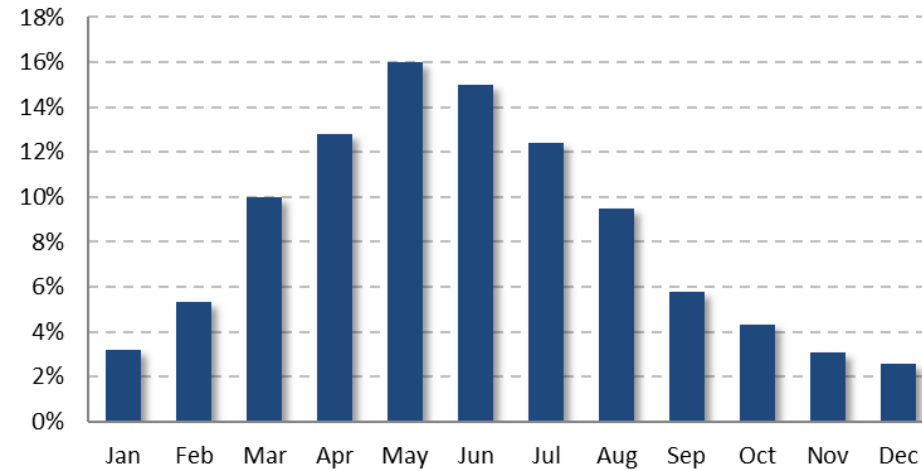
¹ Includes outboard, inboard-cruiser, inboard ski/wake, sterndrive, and jet boat categories
Source: NMMA, Baird research

U.S. Powerboat Retail

Total U.S. Powerboat Retail - Monthly



U.S. Powerboat Retail - Seasonality

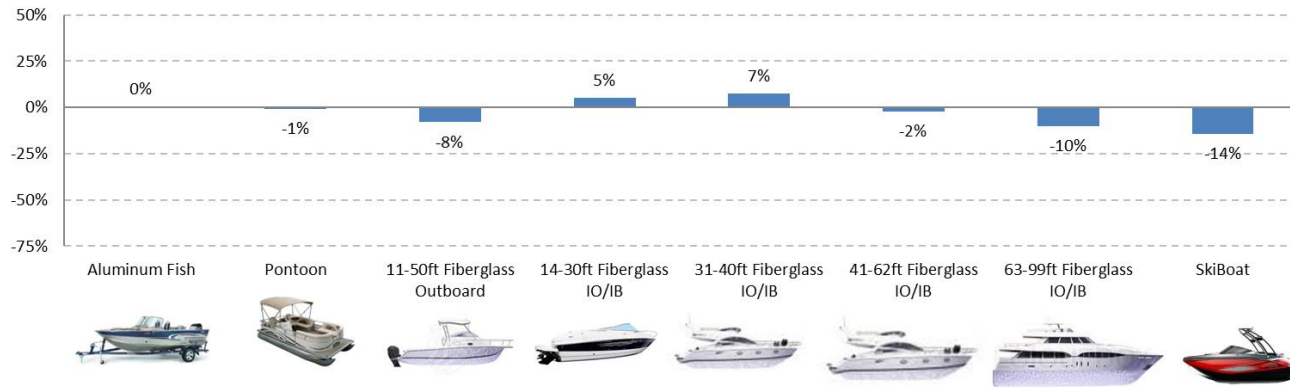


Source: SSI, Trade Only Today, Baird research

Source: Brunswick, NMMA, Baird research

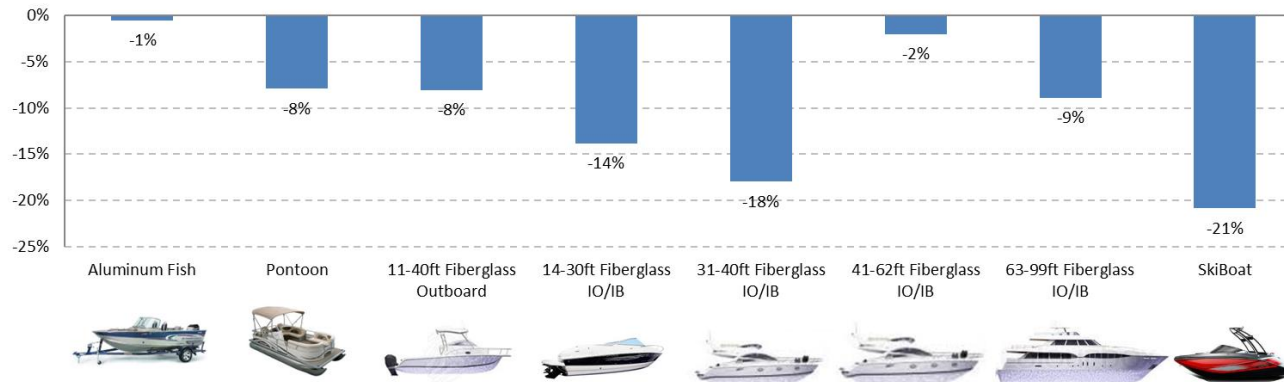
U.S. Retail by Category

U.S. Retail Growth by Category - September 2023



Source: SSI, Trade Only Today, Baird research

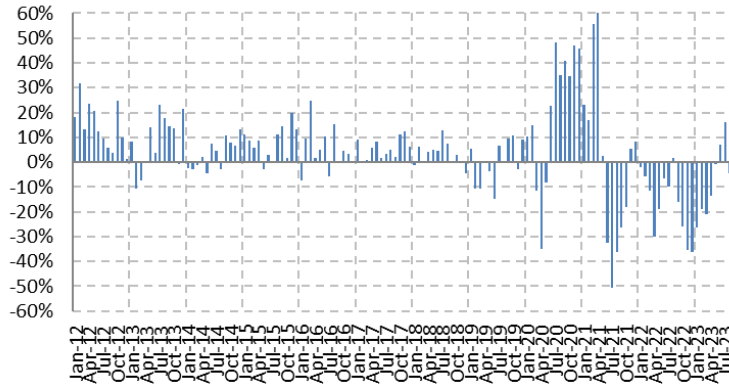
U.S. Retail Growth by Category - YTD



Source: SSI, Trade Only Today, Baird research

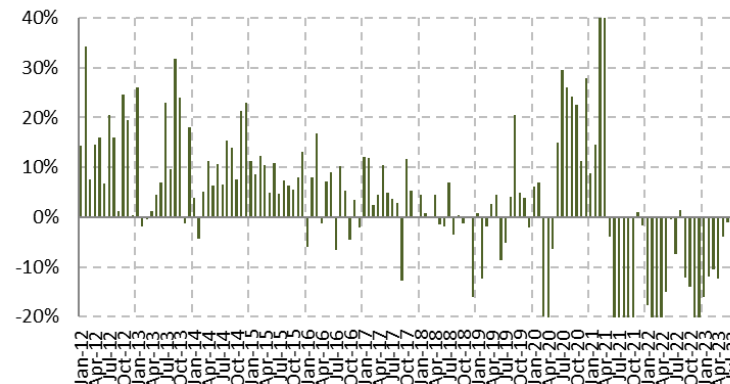
U.S. Retail by Category

Aluminum >16ft



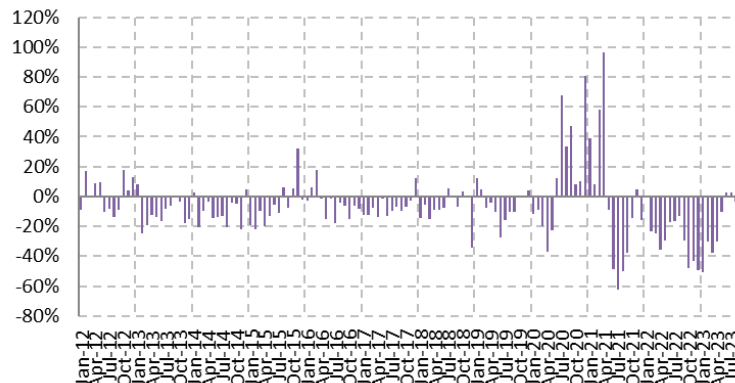
Source: SSI, Trade Only Today, Baird research

Fiberglass Outboard



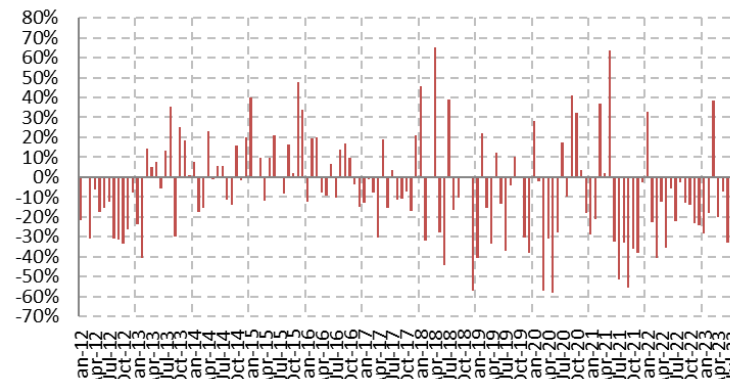
Source: SSI, Trade Only Today, Baird research

Fiberglass Sterndrive <30ft



Source: SSI, Trade Only Today, Baird research

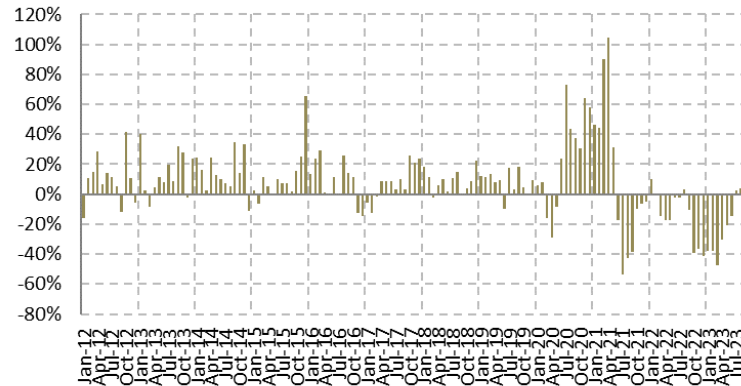
Fiberglass Sterndrive 30ft+



Source: SSI, Trade Only Today, Baird research

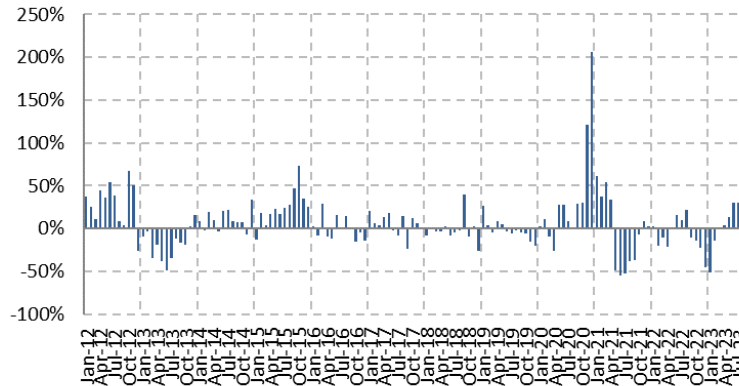
U.S. Retail by Category

Ski



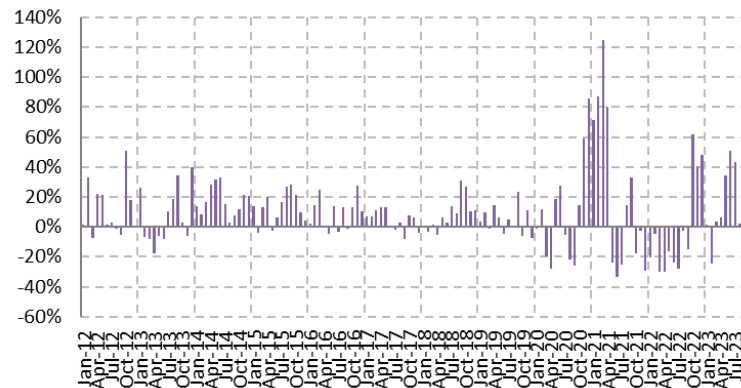
Source: SSI, Trade Only Today, Baird research

Jet Boat



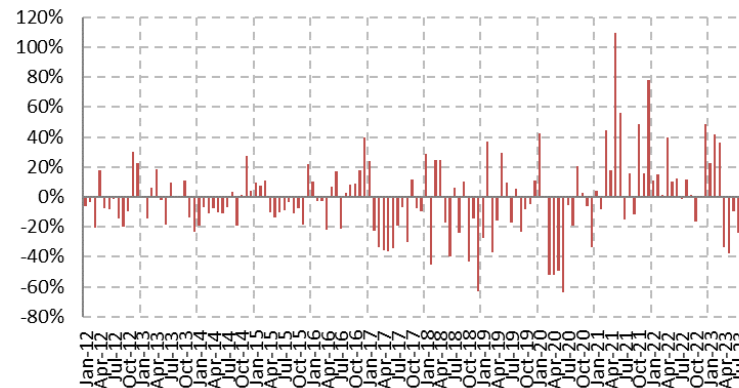
Source: SSI, Trade Only Today, Baird research

Personal Watercraft (PWC)



Source: SSI, Trade Only Today, Baird research

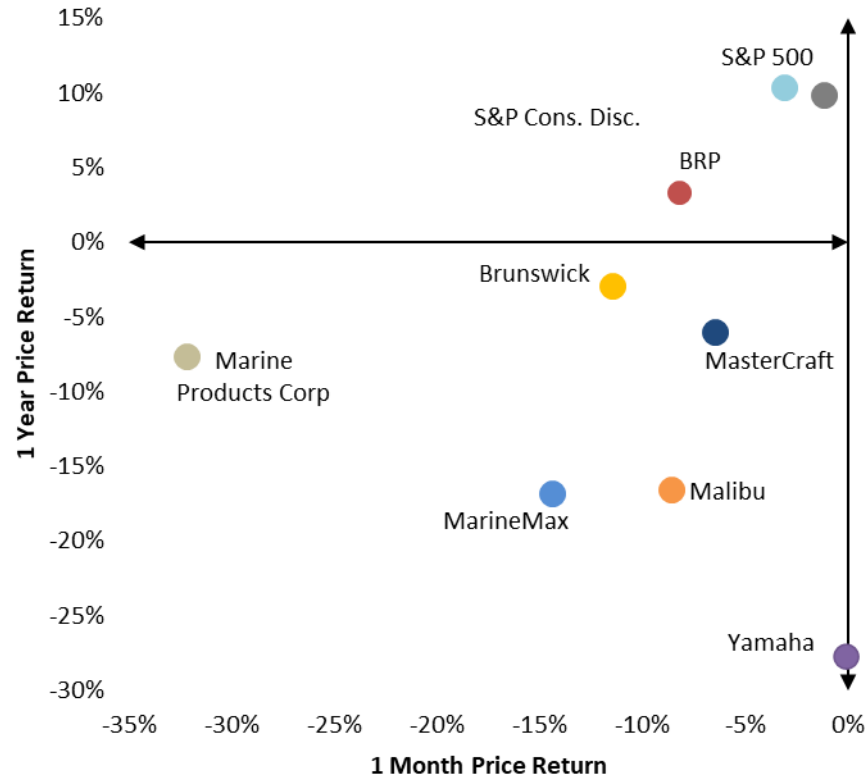
Sailboat



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%	2%	1%	-5%	2%	-2%		
10-Year Average	3%	1%	-4%	1%	-1%	2%	1%	-5%	2%	-2%	3%	1%
% of Years Outperformed	70%	50%	50%	50%	40%	60%	60%	30%	60%	40%	70%	40%

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 11/2/2023 closing price.

Brunswick Corporation (BC - \$72.21 – Outperform)

LCI Industries (LCII - \$113.27 – Outperform)

Malibu Boats, Inc. (MBUU - \$44.10 – Outperform)

MasterCraft Boat Holdings, Inc (MCFT - \$21.16 – Outperform)

OneWater Marine Inc. (ONEW - \$23.98 – Outperform)

Patrick Industries, Inc. (PATK - \$79.46 – Outperform)

See recent research reports for more information

Appendix – Important Disclosures and Analyst Certification

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