

2017-2018 RECREATIONAL VEHICLE MANUFACTURERS

Mergers and Acquisitions Outlook



RV MANUFACTURERS KEY STATISTICS

Revenue	\$19.7 billion	Life Cycle Stage	Growth
Profit	\$1.4 billion	Revenue Volatility	Medium
No. of Businesses	633	Technology Change	Low
No. of Employees	63,746	Barriers to Entry	Medium
Concentration Level	Medium	Projected Annual Growth 2017-2022	1.7%
Competition Level	High	Historic Annual Growth 2012-2017	7.8%

RECREATIONAL VEHICLE INDUSTRY OVERVIEW



According to IBIS World, a national research firm, recreational vehicle manufacturers generated \$19.7 billion in revenue and \$1.4 billion in net operating profits in 2016, making the RV industry one of the leading manufacturing sectors in the United States economy. There are over 660 RV manufacturers in the United States, but the industry is dominated by three major players that

collectively account for 64.3% of total revenues.

The motor home and recreational vehicle industry was hit particularly hard during the 2008-2009 financial crisis, but since then the industry has recovered strongly. Revenues for RV manufacturers climbed at double digit rates between 2009 and 2012. Since 2012, the RV industry has grown at an average annual rate of 7.8%. Growth is expected to slow to just over 1.7% per year over the next five years.

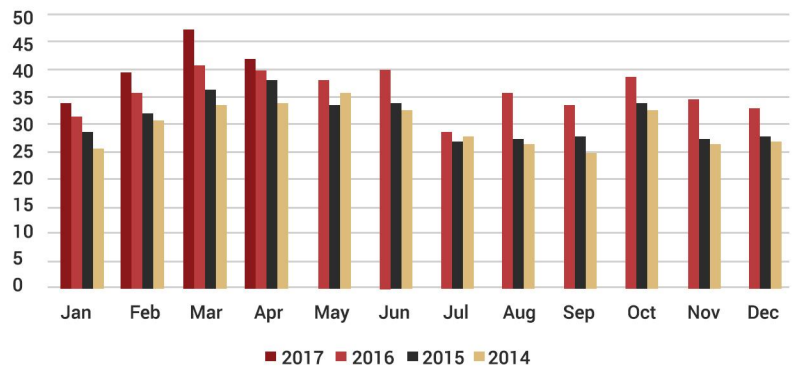
Why has the recreational vehicle industry been growing faster than the rest of the U.S. economy? There are several powerful macro factors at play. First, credit has become more readily available so consumers can afford big ticket purchases again. Second, gas prices have decreased significantly since 2008 making the cost of operating motor homes and other RVs more affordable. However, the third, and perhaps most important factor is the aging of America.

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A 2011 study by Professor Richard Curtin at University of Michigan found that about 40% of RV owners were age 55 or older. The number of Americans in that age group is surging as the Baby Boomer generation approaches retirement. As a result, RV ownership in the United States jumped from 6.9 million in 2001 to 8.9 million in 2011, with over 50% of the increase coming from buyers who are 55 and older, according to Curtin's study.

This strong growth, fueled by macro demographic trends, makes the RV industry of interest to private equity groups and strategic buyers alike. Over the last 10 years, the RV industry has seen a wave of consolidation, which has left the industry dominated by several larger players who represent many of the industry's leading brands.

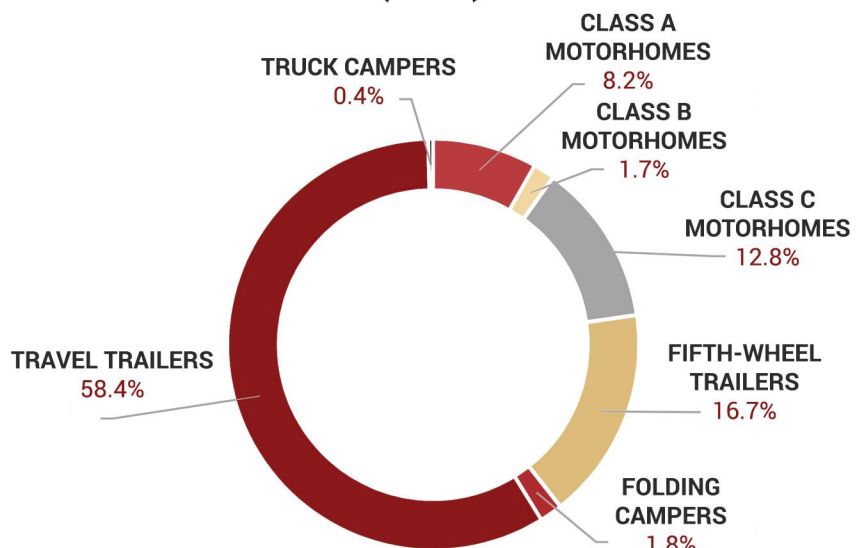
RV UNITS SHIPPED BY MONTH AND YEAR (in 000's)



RECREATIONAL VEHICLE PRODUCT SEGMENTS

The most popular type of RV is the travel trailer, which accounts for 58.4% of RV industry revenue in 2016. The second most popular RV is the fifth-wheel trailer with 16.7% of industry revenues. The following graphic shows a breakdown of RV sales by product segment. All motorized RVs (Class A, B and C), which have the largest retail price, account for just under 23% of revenues combined.

RV SALES BY TYPE (2016)



LEADING RV MANUFACTURERS

Thor Industries is the 800 lb gorilla in the RV industry. Thor is the world's largest manufacturer of recreational vehicles with \$4.5 billion in sales and a 44.5% market share. It designs, manufactures, and sells recreational vehicles and related parts and accessories primarily in the United States and Canada. Thor sells its recreational vehicles through a network of independent dealers.

Berkshire Hathaway, Inc., through its Forest River subsidiary, is the second largest manufacturer of RVs with a 14.2% market share. It makes all types of recreational vehicles, including motor homes, travel trailers, buses and manufactured homes under the Forest River and Coachmen brands. Forest River's share of the total RV market jumped dramatically in 2008 when it acquired Coachmen Industries. Combined revenues in 2017 are believed to be approximately \$2.78 billion.

Winnebago Industries is the third largest manufacturer of motorhomes, travel trailers and fifth wheel products with \$975 million in revenue and 5.6% market share. Through its subsidiaries, Winnebago also makes parts and component for other RV manufacturers; including motorhome shells for law enforcement command centers, mobile medical clinics, and mobile office space; and commercial vehicles to third-party manufacturers and customizers. The company sells its products primarily through a network of independent dealers in the United States and Canada.

LCI Industries, formerly Drew Industries Incorporated, also known as Lippert Components, is the largest manufacturer and supplier of parts, components, and assemblies to the RV industry. It has revenues of over \$1.7 billion. The company makes parts and components for original equipment manufacturers (OEMs), as well as for the aftermarket. Over the last 10 years, Lippert has acquired dozens of companies and now produces a wide range of RV parts and components. Lippert's goal appears to be to be a one-stop supplier of all parts and components to RV manufacturers and OEMs. Strategic mergers and acquisitions will no doubt continue to be a core part of their strategy.

Cavco Industries, with over \$700 million in revenues, focuses on a different end of the recreational vehicle sector. Cavco designs, builds, and sells manufactured homes in the United States. It operates through its Factory-Built Housing and Financial Services divisions. The Factory-Built Housing division produces modular homes under the Nationwide Homes brand name. In addition, the company builds park model RVs and vacation cabins, as well as system-built commercial structures. Cavco's Financial Services division provides conforming and non-conforming mortgages, and chattel loans to buyers of factory-built and site-built homes; as well as property and casualty insurance to owners of manufactured homes.

Patrick Industries, Inc., with \$1.2 billion in revenues, manufactures and distributes building products and materials for the recreational vehicle, manufactured housing, and industrial markets. Its manufacturing segment manufactures laminated interior panels, fabricated aluminum products, profile moldings, countertops, cabinet doors, hardwood furniture, bath and shower surrounds and fixtures, etc.

REV Group, Inc. is a designer, manufacturer and distributor of recreational and specialty vehicles and related aftermarket parts and services. The Company operates through three segments: Fire & Emergency, Commercial and Recreation. The Company manufactures specialty vehicles like ambulances, fire trucks, school buses, mobility vans and municipal transit buses, industrial and commercial vehicles like street sweepers, as well as recreational vehicles and luxury buses.

INDUSTRY OUTLOOK

The recreational vehicle manufacturing industry is expected to continue to grow faster than the overall economy over the next five years. Industry revenue is expected to increase steadily as a strengthening economy continues to boost disposable income and consumer spending. Per capita disposable income is forecast to rise at an annualized rate of 2.9% over the five years to 2022, which will encourage consumers to make more big-ticket purchases like recreational vehicles. In addition, the number of Americans aged 50 and older, is projected to 117.2 million in 2022, up from 109.2 million in 2017. As a result, we expect the US recreational vehicle market to grow by 4.8 percent in 2017-2018 and grow at an average annual rate of 1.7% to \$21.4 billion between 2017 and 2022.

RECENT MERGERS AND ACQUISITIONS IN THE RECREATIONAL VEHICLE INDUSTRY

DATE	BUYER	SELLER	NOTES
May 22, 2017	LCI Industries	Lexington, LLC	Lexington is a manufacturer of high quality seating solutions for the marine, RV, transportation, medical and office furniture industries with sales of approximately \$60 million.
April 25, 2017	REV Group	Ferrara Fire Apparatus, Inc.	Ferrara Fire Apparatus, Inc. is a leading custom fire apparatus and rescue vehicle manufacturer with annual revenues of approximately \$140 million.
February 25, 2016	Erwin Hymer Group	RoadTrek Motorhomes, Inc.	RoadTrek Motorhomes, Inc. was acquired from Industrial Opportunity Partners for an undisclosed amount.
February 10, 2016	Erwin Hymer Group	Explorer Group	The Explorer Group is based in England.
February 8, 2017	LCI Industries	Sessa Klein	Reported purchase price was approximately EUR 7.9 million (\$8.5 million).
February 2, 2017	Dexter	Tie Down Engineering	A manufacturer of trailer parts and accessories for an undisclosed amount.
January 2, 2017	Covercraft Industries	ADCO	A leading manufacturer of protective covers and assorted soft-goods for RVs. Purchase price was not disclosed.
December 30, 2016	REV Group	Renegade RV	Renegade RV is a leading manufacturer of recreational vehicles, heavy-duty trailers, and specialty vehicles.
July 1, 2016	Thor Industries	Jayco Corp.	Purchase price was approximately \$576 million in cash.
October 3, 2016	Winnebago Industries, Inc.	Grand Design Recreational Vehicle Company	Purchase price was approximately \$500 million in cash and newly issued Winnebago shares.
January 27, 2016	LCI Industries	Highwater Marine's Furniture Division	Purchase price of \$10 million and a five-year supply agreement.

GROWTH VIA MERGERS AND ACQUISITIONS

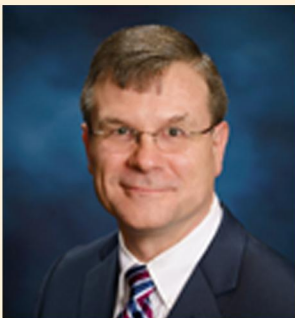
The recreational vehicle industry will continue to experience consolidation as larger companies look to supplement organic growth with acquisitions. For example, Thor Industries, the largest RV manufacturer in the world, is still highly acquisitive even after its purchase of Jayco. In addition, private equity groups and institutional investors also see an opportunity to implement a buy & build strategy in the recreational vehicle sector and are aggressively looking for large companies to acquire as platform investments or small to mid-size companies they can add to their existing investments in the sector.



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By Rich Jackim, Managing Partner at Jackim Woods & Co.

Jackim Woods & Co. is a leading mergers & acquisitions advisor focused on providing senior level attention and flawless execution to clients in the recreational vehicle industry.



Rich Jackim is an experienced mergers and acquisitions advisor and a retired mergers and acquisitions attorney. Rich has over 20 years of experience advising owners of middle market companies and their boards of directors on mergers, acquisitions and divestitures. During his career, Rich has been involved in over 70 mergers or acquisitions of middle market companies worth over \$2 billion. Rich is also the author of the critically acclaimed book, "The \$10 Trillion Opportunity: Designing Successful Exit Strategies for Middle Market Business Owners."

To arrange a free, confidential initial consultation please contact Rich Jackim at (224) 513-5142 or at rjackim@jackimwoods.com.

“Well-funded strategic buyers and private equity groups will continue to consolidate the RV industry over the next five years, making this a seller’s market for well-run RV manufacturers, suppliers and dealers.”

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