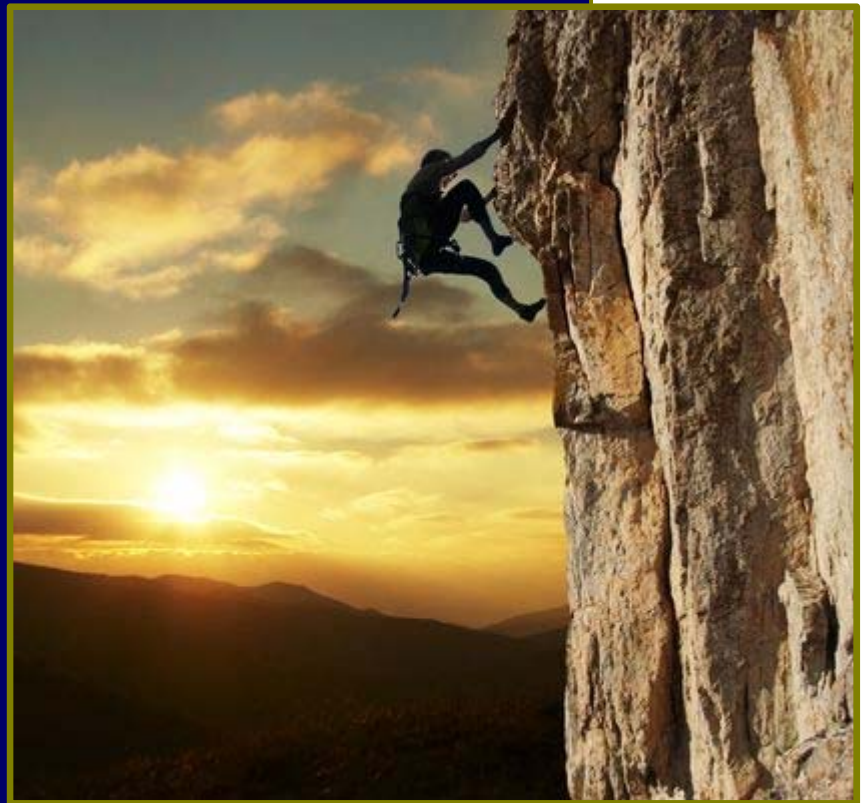


Recreational Products

Coverage Report

“Market Intelligence for Industry Players”

Q3 2012



Capstone Partners
Investment Banking Advisors

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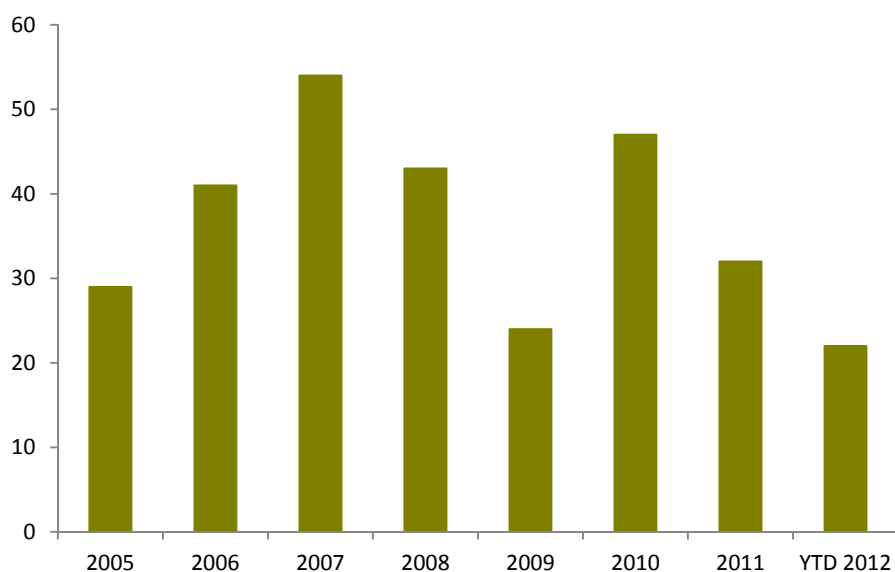
Recreational Products

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MERGER & ACQUISITION ACTIVITY

M&A activity in the recreational products industry followed a similar pattern to many other industries, with the number of transactions accelerating through 2007, then declining during the economic recession of 2008 and 2009. Activity rebounded substantially in 2010, and the industry remained increasingly active in 2011 and year-to-date 2012. There currently is elevated interest from both strategic and financial buyers in the industry. Strategic investors are seeking to boost market share and expand product offerings, while private equity sponsors are prepared to deploy cash in search of new platform or add-on acquisitions.

Recreational Products M&A Transactions



*Source: Capital IQ; 2012 data as of June 30.
Includes M&A transactions in the U.S. and Canada*

The recreational products industry tends to be a perennial investment favorite because of its size and staying power. According to the Outdoor Industry Association (OIA), Americans spend a substantial amount, \$646 billion a year, on outdoor activities. This figure includes \$121 billion in gear and \$525 billion in related travel expenses. Furthermore, participation in outside sports is at its highest level in five years, with nearly 50% of all Americans age six and older, or 141.1 million individuals, participating in at least one outdoor activity in 2011. An analysis of comparable activities by the OIA shows that the outdoor recreation economy grew approximately 5% annually between 2005 and 2011, an impressive rate especially during the economic recession when many industries were contracting.

The size and diversity of the recreational industry, home to a wide array of products, makes for a fertile M&A environment. As the economy continues to improve and the overall M&A environment strengthens further, Capstone expects to see additional activity in mergers and acquisitions among recreational product companies.

Long-term success in this industry depends on a company's ability to maintain relationships with customers, attract new customers and develop new products that satisfy consumers and help pioneer new activities. Acquisitions offer companies an efficient means of satisfying the industry's need for constant change.

M&A DRIVERS

Transactions in the recreational products space have been focused on accessing new distribution channels, penetrating new geographic markets, improving brand recognition, acquiring innovative product lines and achieving economies of scale. The following trends have been driving M&A activity in the space:

Access to "Hot" Products – Due to ever-changing consumer preferences, certain recreational activities exhibit above-average growth rates and their related products represent lucrative add-ons for large recreational products companies.

Product Innovation – Product innovation is a major driver of M&A in the recreational products industry. New products are constantly created and those that find success are often quickly targeted for acquisition by strategic players looking to expand their product offering. Additionally, America is globally recognized as the leader in recreation and its advancements in technical apparel, footwear and equipment for outdoor activities attract buyers from both the U.S. and abroad.

Access to Popular Brands – Branding plays an integral role in this industry and smaller companies can garner a loyal, selective customer base. Such niche brands represent an attractive opportunity for buyers.

Strategic Growth – Major strategic buyers are proactively seeking acquisitions in order to expand revenues and market share. For example, Black Diamond, Inc., a global manufacturer of outdoor equipment, reports an ambitious growth plan calling for a \$500 million increase in revenue by 2015, half of which it anticipates will come from acquisitions. VF Corporation, the world's largest apparel company and owner of such brands as The North Face, JanSport and Timberland, announced that its "priority for cash flow continues to be acquisitions, primarily in the outdoor and action sports category." As major industry players seek growth, many will look to do so through acquisitions.

Globalization – The recreational products industry is becoming increasingly globalized in terms of both sourcing and sales. As a result, acquisitions in this industry are often motivated by the need for geographic expansion.

Product Seasonality – Many products in this industry are geared towards use in a particular season, causing buyers to view acquisitions as a way to balance their product offering so as to consistently generate revenue and cash flow throughout the year.

Return of Cash Flow Lending – Smaller companies, which typically specialize in a certain product category, often seek a sale in order to sustain growth. Many of these smaller firms outsource their production, making it difficult for buyers to secure traditional M&A loans without hard assets to offer as collateral. As the credit crunch subsides and banks and private equity firms shift their focus from asset-based lending back to cash flow lending, M&A activity in this sector is expected to rise.

SELECTED RECREATIONAL PRODUCTS M&A TRANSACTIONS

Date	Target	Acquiror	Target Business Description	Enterprise Value (mm)	EV / LTM	
					Revenue	EBITDA
6/29/12	Cascade Helmets Holdings, Inc.	Bauer Performance Sports Ltd. (TSX:BAU)	Manufactures helmets and eyewear products for use in lacrosse and field hockey markets in North America.	\$81.9	3.7x	14.3x
6/25/12	Cutters Gloves LLC	EZ GARD Industries, Inc.	Designs and manufactures sports gloves for football, baseball, soccer, golf and weight training.	-	-	-
6/4/12	Eagle One Golf Products, Inc.	Golf Supply House Inc.	Manufactures recycled plastic lumber products for use in golf courses, tennis courts and other outdoor recreation facilities.	\$1.5	-	-
6/1/12	Adams Golf Inc.	Taylor Made Golf Company, Inc.	Designs, assembles, markets and distributes golf clubs for various skill levels primarily in the United States and internationally.	\$88.7	0.7x	9.6x
5/23/12	S4Gear	Field Logic, Inc.	Manufactures and supplies equipment for outdoor enthusiasts to use in hunting, observation and outdoor sporting applications.	-	-	-
5/09/12	Anvil Holdings Inc.	Gildan Activewear Inc. (TSX:GIL)	Manufactures activewear for men, women and children in the United States.	\$88.0	0.4x	5.2x
5/1/12	Dragon Alliance LLC	Marchon Eyewear, Inc.	Produces eyewear, goggles and accessories for the surf, snow, skate and motocross markets worldwide.	-	-	-
4/30/12	Primos, Inc.	Bushnell Performance Optics	Manufactures and sells hunting products.	-	-	-
4/2/12	Fitness Quest Inc., BOSU Products	Ball, Bounce, and Sport Inc.	Comprises worldwide distribution rights of BOSU training balls.	-	-	-
3/30/12	McKenzie Sports Products, Inc.	Levine Leichtman Capital Partners	Offers a wide variety of taxidermy supplies.	-	-	-
3/6/12	CCH Machining Inc.	TechRock Company	Manufactures climbing and safety products.	\$0.3	0.5x	-
1/3/12	Deezfit, LLC	Activewear Brands LLC	Online retail of women's performance athletic clothing for aerobics, dance, spinning, yoga, Pilates, running, walking and casual wear.	-	-	-
1/17/12	Aviva Sports, Inc.	Rave Sports, Inc.	Provides inflatable recreational products for use in consumer and commercial environments.	\$0.3	0.1x	-
11/30/11	Paris Glove of Canada Ltd.	New Wave Group AB (OM:NEWA B)	Manufactures and supplies gloves for sport, outdoor and industrial applications in North America.	\$16.2	0.6x	-
9/13/11	Timberland LLC	V.F. Corporation (NYSE:VFC)	Designs and markets footwear, apparel and accessories for men, women and children in North America, Europe and Asia.	\$2,225.5	1.3x	12.3x
8/31/11	The Running Specialty Group, LLC	Finish Line Inc. (NasdaqGS:FINL)	Operates stores that offer apparel, footwear and accessories to runners, marathoners and tri-athletes in the United States.	\$8.5	0.4x	-
8/24/11	CamelBak Products, LLC	Compass Diversified Holdings (NYSE:CODI)	Manufactures and sells portable hydration solutions primarily to athletes and outdoor enthusiasts.	\$336.3	2.7x	12.7x
8/18/11	Forzani Group Ltd.	Canadian Tire Corp. Ltd. (TSX:CTC.A)	Operates as a sporting goods retailer in Canada.	\$867.8	0.6x	8.0x
8/1/11	Ahead, Inc.	New Wave Group AB (OM:NEWA B)	Designs and manufactures golf apparel, headwear and accessories for pro shops, golf outlets, golf clubs and others.	\$22.4	0.7x	-
7/29/11	Acushnet Company, Inc.	Fila Korea Ltd. (KOSE:A081660)	Manufactures and markets golf balls, clubs, shoes, gloves, bags, outerwear, socks and accessories.	\$1,225.0	1.0x	-
7/1/11	Sanuk U.S.A. LLC and C & C Partners Ltd.	Deckers Outdoor Corp. (NasdaqGS:DECK)	Manufactures and retails "surf style" sandals, clothing, accessories and footwear for surf, skate and active sports.	\$149.8	3.1x	-

Mean	1.2x	10.4x
Median	0.7x	11.0x
Harmonic Mean	0.6x	9.2x

LTM = last twelve months; EV = enterprise value

Sources: Capstone Research, Capital IQ, company public filings and press releases.

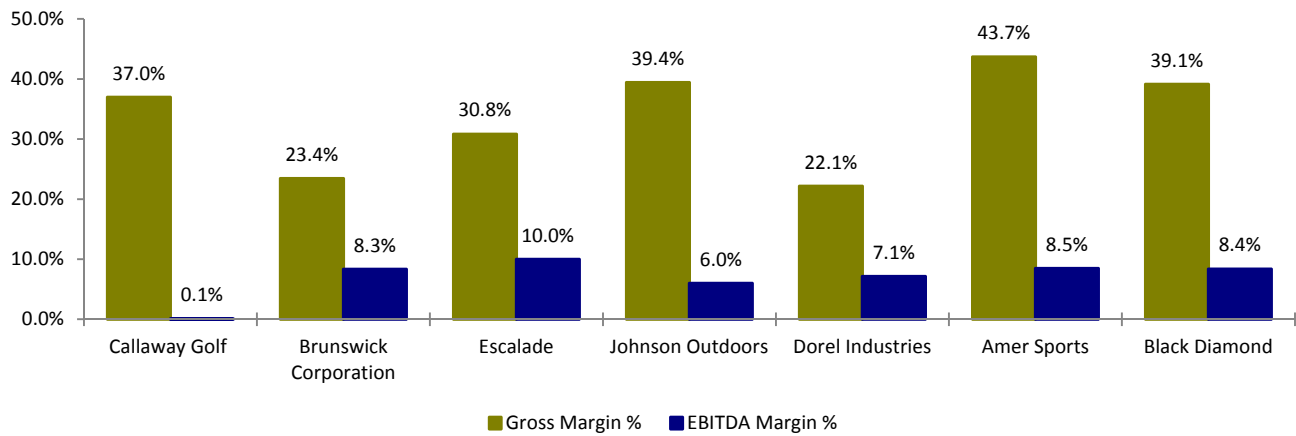
PUBLIC COMPANY TRADING & OPERATING DATA

Company	Price	% 52 Wk	Market	Enterprise	LTM			1-Yr Rev	EV / LTM	
	6/29/12	High	Cap	Value	Revenue	EBITDA	Margin	Growth	Revenue	EBITDA
Amer Sports Corp.	\$11.39	76.3%	\$1,342	\$1,861	\$2,562	\$216.7	8.5%	5.8%	0.7x	8.6x
Black Diamond, Inc.	\$9.45	93.6%	290	264	153	13	8.4%	22.3%	1.7x	NM
Brunswick Corporation	\$22.22	81.1%	1,985	2,311	3,736	311	8.3%	5.4%	0.6x	7.4x
Callaway Golf Co.	\$5.91	81.1%	384	422	886	1	0.1%	(6.8)%	0.5x	NM
Dorel Industries Inc.	\$26.47	89.1%	845	1,168	2,378	170	7.1%	2.3%	0.5x	6.9x
Escalade Inc.	\$5.65	90.8%	74	92	137	14	10.0%	10.8%	0.7x	6.7x
Johnson Outdoors Inc.	\$20.60	98.1%	193	215	409	24	6.0%	0.5%	0.5x	8.8x

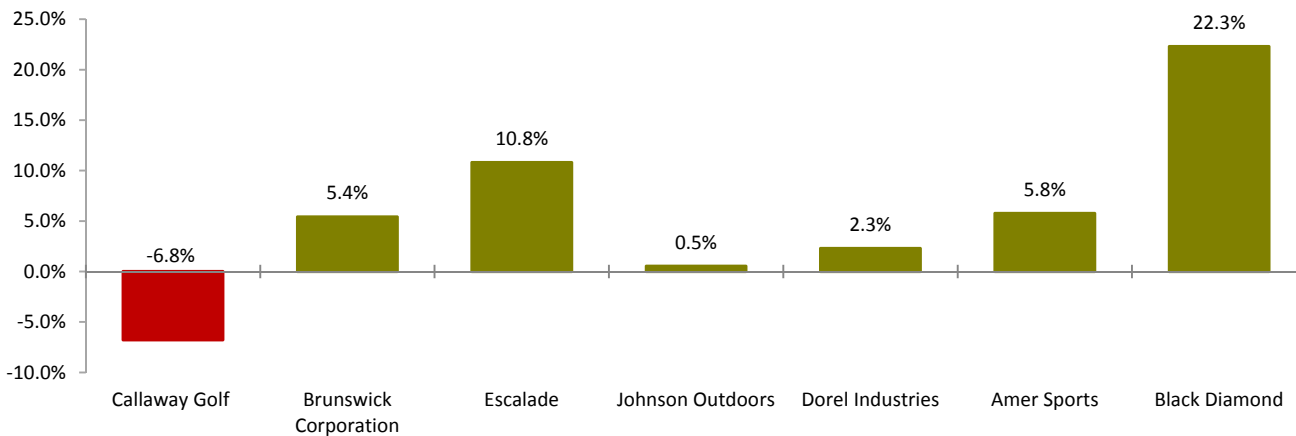
EV = enterprise value; LTM = last twelve months
 \$ is millions, except per share data
 NM = Not Meaningful (EBITDA multiple > 20x)

Mean	6.9%	5.8%	0.7x	7.7x
Median	8.3%	5.4%	0.6x	7.4x
Harmonic Mean	0.4%	NA	0.6x	7.6x

Last Twelve Month Margin Performance



Last Twelve Month 1-Year Revenue Growth



Source: Capital IQ as of June 30, 2012

CAPSTONE PARTNERS: RECREATIONAL TRANSACTIONS



has been acquired by



a portfolio company of



Capstone Partners successfully advised BOB Trailers, Inc. on its recent acquisition by Britax Group Limited, a portfolio company of Nordic Capital Fund VII. The transaction marks the international unification of two of the top brands in the juvenile and recreational products category. BOB, which began in 1994 as a manufacturer of bicycle trailers, is widely considered America’s premier provider of innovative, design oriented high quality “sport utility” or jogging strollers. Headquartered in the UK with facilities in the UK, Germany, Australia and the U.S., Britax is the world’s premier brand for children car safety seats and strollers.

Capstone Partners has completed several transactions in the Recreational Products industry. These transactions involved companies that manufacture and market a variety of products related to biking, boating, off-roading, hunting and camping. Capstone’s experience in the Recreational Products sector provides us with insight into the valuable attributes and valuation metrics of a target company, the active buyers in the industry and the nuances of transactions in this space.



has divested



America’s Place To Race



has been acquired by




FRIEND SKOLER & Co.




financial advisory


THE AMERICAN BICYCLE GROUP, LLC




has recapitalized with



BLACK CANYON CAPITAL



has been acquired by




has been acquired by



THE RECREATIONAL PRODUCTS TEAM

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John Ferrara, the founder and principal shareholder of Capstone, serves as the firm's President and Managing Partner. Over his extensive career in investment banking, venture capital and management consulting, John has executed over 100 related engagements representing in excess of \$6 billion in value. John was formerly a Regional Managing Partner with Andersen Corporate Finance, where he founded the Boston office and held various national and global leadership positions. He started his career in Lehman's Brothers' M&A group in New York, London and Riyadh, later becoming a founding member of Rodman & Renshaw's M&A practice in New York. He earned an MBA in Entrepreneurial Studies from The Anderson School at UCLA and the London School of Economics, during which time he founded and operated a corporate finance advisory boutique, JG Atlas Advisors, and its related investment arm, Atlantis Capital Partners. He holds dual BA degrees from Wesleyan University and is qualified as a General Securities Principal.



David Bench, Managing Director
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David joins Capstone as a Managing Director in charge of the Western Region, based out of Los Angeles. Prior to Capstone, David managed the Western region for Morgan Stanley Smith Barney's Capital Strategies Group and its predecessor, Citi Capital Strategies. David has focused on middle market investment banking for over 23 years and has been the lead banker in over 250 M&A transactions involving both domestic and foreign corporate buyers, as well as leveraged recaps with private equity sponsors. David's achievements in the investment banking industry have gained national recognition by The M&A Advisor: in 2008, one of his transactions was awarded the "Energy Deal of the Year" and, in 2007, he was awarded Middle Market Financing Professional of the Year. Mr. Bench holds a BS and an MBA in Finance from Brigham Young University. He is a Series 7 and 63 Registered Securities Representative and a Series 24 Registered Securities Principal.



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Jacob is a founding member of Capstone Partners and focuses on asset positioning, strategy articulation, due diligence and negotiations coordination. Formerly, Jacob was with Andersen Corporate Finance LLC, where he focused his efforts on the software and direct marketing industries. He started his career in New York City with Rabobank International, a multi-national Dutch investment bank headquartered in Utrecht, the Netherlands. While at Rabobank International, Jacob worked in the mergers and acquisitions group focusing on cross-border transactions in the consumer products, food and beverage industries. Jacob holds dual BS degrees from Cornell University and is qualified as a General Securities Representative.



Sophea Chau, Senior Associate
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Sophea works closely with senior team members while executing a variety of corporate finance transactions. Prior to joining Capstone, Sophea was an analyst at FTN Midwest Securities, a full-service investment banking firm based in Cleveland. While working in their New York office, she focused on M&A advisory for middle-market companies in a variety of industries, including healthcare, pharmaceutical services and marketing & advertising. Her responsibilities included providing financial and valuation analysis, performing due diligence, and drafting all marketing materials related to a wide range of M&A transactions. Sophea holds a Bachelor of Arts in Economics from Columbia University.

ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a leading national investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. Capstone maintains various industry specialties including one in Recreational Products. The firm also possesses merchant banking capabilities to actively co-invest in transactions.

Additional information about Capstone Partners can be found at www.capstonellc.com.

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