



# Capstone Partners

Investment Banking Advisors

## RECREATIONAL PRODUCTS

Q1 2014

### CONTACTS

**Jacob Voorhees**  
Director, Principal  
(617) 619-3323  
jvoorhees@capstonellc.com

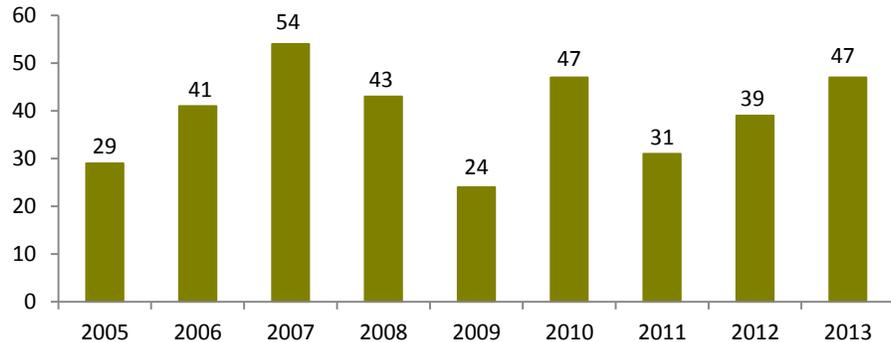
**Sophea Chau**  
Vice President  
(617) 619-3307  
schau@capstonellc.com

**Daniel Schultz**  
Vice President  
(617) 619-3368  
dschultz@capstonellc.com

### **MERGER & ACQUISITION ACTIVITY**

The recreational products industry experienced robust M&A activity in 2013 with 47 deals reported for the year. This represented over 20% growth from 2012 and the industry posted its third consecutive year of increasing activity. The 2013 transactions included companies of all sizes and representing a wide variety of recreational activities. Both corporate and private equity buyers were active, as many employed a buy vs. build strategy in order to quickly gain access to growing niches or well-known brands. The M&A outlook for 2014 continues to be positive, supported by an improving economy, healthy business valuations, accessible debt and general industry and product expansion.

#### **Recreational Products M&A Transactions**



*Includes M&A transactions in the U.S. and Canada  
Sources: Capital IQ and Capstone Partners LLC research*

### **INDUSTRY DYNAMICS**

The \$120 billion recreational products industry continues to expand, growing about 5% annually in recent years. Moreover, the industry has proven resilient in uncertain economies as more Americans participate in recreational activities. The Outdoor Foundation reported nearly 142 million participants in outdoor activities in 2012 – the highest number since the group began measuring activity. The continuous innovation displayed by the industry, whether related to the introduction of new activities and their associated products or the incorporation of new technologies into next-generation products, helps drive the adoption of these activities and change lifestyle patterns of millions of participants.

As a result of sport and product innovation, the industry is highly fragmented as many entrepreneurs see an opportunity to start new activities and brands. Once these companies reach an adequate size, they represent attractive targets for buyers looking to expand product lines, gain access to new markets and channels, upgrade their products with technology advancements, and/or gain a competitive edge via e-commerce and social networking initiatives.

**BOSTON**

**CHICAGO**

**LONDON**

**LOS ANGELES**

**PHILADELPHIA**

**SAN DIEGO**

**SILICON VALLEY**

*Companies continue to seek acquisitions for the purpose of gaining access to new product lines and popular brands, new sales and distribution channels, and expanded geographic markets.*

## NOTABLE M&A TRENDS & TRANSACTIONS

Buyers of recreational product companies continue to seek acquisitions for the purpose of gaining access to new product lines and popular brands, new sales and distribution channels and expanded geographic markets. A few recent transactions are profiled below.

**Large Corporations Investing in Recreational Products Companies:** As an endorsement of its growth potential and opportunity, large buyers continue to invest in the recreational products industry. In some cases, these buyers are already entrenched in the industry and are looking to expand or improve their product offerings via acquisitions. One such example is the acquisition of **Combat Sports**, a manufacturer of hockey sticks and baseball bats, by **Bauer Performance Sports**. Bauer noted that the acquisition will provide it with advanced composite technologies and strong intellectual property to further strengthen its capabilities across its platform of high-performing sports equipment, as well as helping to expand its product portfolio.

In other transactions, the buyers originate from outside of the industry or are diversified consumer products companies looking to establish or expand a presence in recreational products. For example, aerospace and defense company **Alliant Techsystems** purchased **Bushnell** for \$985 million in November and acquired **Savage Sports** in June for \$315 million. Bushnell manufactures sports optics, outdoor accessories, eyewear and other products for outdoorsmen and Savage Sports is a manufacturer of hunting rifles and shotguns. The acquisitions are meant to enhance Alliant's product offering in the sporting arms and accessories market and, in the case of Bushnell, to "expand our portfolio of branded shooting sports products. In addition, this transaction will allow the company to effectively enter new sporting markets in golf, snow skiing and camping." Also noteworthy is the acquisition of the ski and snow brand **Spyder** by **Authentic Brands Group** and the purchase of **Heely's** by **Sequential Brands Group**. Spyder represents the first outdoor and winter sports brand in ABG's growing portfolio. Earlier this year, Sequential Brands made its first move into the action sports sector after agreeing to an \$8.6 million deal to buy the DVS brand from **DVS Shoe Company**. Authentic and Sequential are both brand development companies with diversified global portfolios of prominent brands across multiple consumer sectors.

**Continued Consolidation Among Specialty Retailers:** 2013 also witnessed ongoing consolidation among specialty retailers, particularly running stores. Leading the consolidation effort in that segment is **Running Specialty Group (RSG)**, which has built a 47-store chain that now includes the 2013 acquisitions of **The Running Spot**, **Boulder Running Co.** and **BlueMile**. RSG is a partnership between The Finish Line and Capital Partners, which previously bought 140 ski and snowboard shops before selling that group to Vail Resorts in 2010. The RSG partnership intends to buy up to 200 running retail shops in five years. Non-running retailers are also targets, as in the acquisition of **Pro Hockey Life** by Canada's diversified sporting goods retailer, **FGL Sports** which is seeking "new platforms for growth in core categories." Much of the consolidation in specialty retailing is being driven by intense competition in the channel, including from online retailers such as Amazon.

## NOTABLE M&A TRENDS & TRANSACTIONS (CONTINUED)

**Particularly Active Categories, such as Hunting and Shooting:** Mergers and acquisitions are occurring across many segments of the recreational products industry. However, fast-growing product categories are experiencing above-average activity. For instance, the hunting and shooting segment has seen an elevated level of mergers and acquisitions in recent years, driven primarily by the rapid growth of the segment. The firearm industry has grown exponentially in recent years as a result of an unprecedented number of Americans choosing to exercise their right to keep and bear arms and purchase a firearm and ammunition. At the same time, hunting is a growing recreational activity, with the number of participants reportedly increasing by 1 million over the past five years. Mergers and acquisitions in this category in 2013 spanned the segment and included manufacturers of rifles, shotguns and shooting accessories as well as bows, arrows and archery accessories. Notable transactions include the Bushnell and Savage Sports transactions mentioned previously. Earlier in the year, **Bushnell** had itself made an acquisition, buying **Gold Tip**, a manufacturer of carbon arrows.

Other transactions in the segment include **Easton Technical Products'** acquisition of **Delta Sports Products**, notable because it meshed Easton's camping products (tent poles) with Delta Sports' archery targets and accessories. Easton views the acquisition as "an opportunity to expand further into markets where Easton is known as a premier brand, providing superior products to the outdoor markets."

**The Convergence of Rec and Tech:** As in most industries, technology has infiltrated the recreational space in the form of e-commerce, mobile apps and online social networking. There were several examples of technology deals in the recreational space in 2013, one of the most interesting being **Under Armour's** acquisition of **MapMyFitness** in December. MapMyFitness operates recreational websites and provides mobile apps to track and share personal workout results. Under Armour, a designer of performance footwear, apparel and accessories, views the acquisition as a product extension but with the common goal to produce innovative products that "make all athletes better." Under Armour stated that with this acquisition, it will now be uniquely positioned at the forefront of sports and technology. The transaction was valued at \$150 million.

Also notable in this category is the acquisition of **The Active Network** by **Vista Equity Partners**, a private equity firm, for \$946 million. The Active Network is a technology and media company that provides applications for activity management via an online network connecting activity and event organizers with their participants. Its properties also include eteamz.com, an online resource for team sports; LaxPower.com, an online resource for college and high school lacrosse schedules, scores, ratings and rankings; ReserveAmerica.com, a reservation provider managing various parks, campsites and cabins; CoolRunning.com, an online resource for runners; and ActiveGolf.com, an online resource for local golf information and online tee time reservations.

## NOTABLE PRIVATE EQUITY TRANSACTIONS

Another prominent M&A trend in the recreational products industry is the elevated interest of private equity groups in the sector. Private equity firms are attracted to the industry's size, growth and fragmentation and are actively seeking acquisitions in the space. The following transactions exemplify some of the recent acquisitions of recreational products companies by private equity firms.

**Altamont Capital Partners acquires Mervin Manufacturing (November 2013) and DAKINE (July 2013) - Altamont Capital Partners** acquired **Mervin Manufacturing**, a leading manufacturer of snowboards, from Quiksilver in a transaction valued at \$51.5 million. Mervin also manufactures snowboard apparel, surfboards, skis, skateboards and snowskates. Altamont Capital Partners is a private investment firm focused on investing in businesses where it can partner with leading management teams to help companies reach their full potential. Altamont was attracted to Mervin's passionate corporate culture and loyal retail and customer following. Mervin believes that the Altamont partnership will allow the company to advance its innovation, introduce new disruptive technologies and enter new categories.

Mervin represents the second acquisition in the industry for Altamont in 2013. Altamont also acquired **DAKINE**, an action sports and outdoor accessories and apparel company, from Billabong, for \$64.6 million. Steve Brownlie, Principal at Altamont said: "DAKINE has a high quality brand, strong track record, and long history in the markets it serves – all of the qualities we look for in a consumer business. There is a talented team at the company and we are excited to work with them to build on DAKINE's successful history and drive future growth opportunities."

**Versa Capital Management, LLC acquires Hatteras Yachts (August 2013) – Versa** acquired the operating businesses of **Hatteras/CABO** from Brunswick Corporation. Hatteras Yachts is recognized as a leader in the construction of convertible sportfishing and luxury motor yachts. CABO Yachts is one the world's top builders of sportfishing express boats. Purchase terms were not disclosed but Versa stated that it sees great opportunity to build value in these businesses and their iconic brands. As mentioned previously, Versa also acquired The Active Network in 2013 for \$946 million and, in 2012, the firm acquired **Eastern Mountain Sports**, a 69-store outdoor retailer in 12 eastern states. These acquisitions reflect Versa's continued interest in the recreational products space.

**Guardian Capital Partners Acquires Kwik Tek Inc. (January 2013) - Kwik Tek** is a leading designer of branded products for the recreational water sport and snow market, including towables, inflatables, wakeboards, water skis, kneeboards, life jackets, personal watercraft accessories, waterproof cases, protective fenders and bumpers, tow ropes and other related products. It sells predominantly through sporting good chains, outdoor chains, mass retailers, marine distributors and e-commerce channels. Guardian Capital has experience in the consumer products sector and views this acquisition as an entrée to the fast-growing recreational products space.

SELECTED RECREATIONAL PRODUCTS M&A TRANSACTIONS

Date	Target	Acquirer	Target Business Description	Enterprise Value (mm)
12/20/13	Tippmann Sports, LLC	G.I. Sportz Inc.	Manufactures paintball markers and accessories.	-
12/6/13	MapMyFitness	Under Armour	Operates a suite of social wellness-oriented websites and provides associated mobile and tablet applications for runners and cyclists.	\$150.0
12/5/13	Edwin Watts Golf Shops	Hilco Merchant Resources; GWNE Inc.	Retails golf equipment, apparel and accessories via stores, eCommerce and catalog sales.	\$45.0
11/7/13	McMillan Firearms Manufacturing	Strategic Armory Corps	Manufactures tactical & hunting rifles.	-
11/1/13	Running Spot, Inc.	The Running Specialty Group, LLC	Owens and operates a chain of retail stores serving runners, walkers, tri-athletes and others.	-
11/1/13	Bushnell	Alliant Techsystems	Develops and markets sports optics.	\$985.0
10/23/13	Mervin Manufacturing	Altamont Capital Partners	Designs and manufactures snowboarding and skateboarding products in the United States.	\$51.5
10/21/13	Martin Archery	Diversis Capital	Manufactures bows, bowstrings and accessories for archers in the United States and internationally.	-
9/20/13	Delta Sports Products	Easton Technical Products	Manufactures targets and archery accessories for archery enthusiasts, bowhunters and archers.	-
8/16/13	Spyder Active Sports, Inc.	Authentic Brands Group	A leading specialty ski brand, the company sells high performance outerwear and sportswear.	-
8/12/13	Pro Hockey Life Sporting Goods Inc.	FGL Sports Ltd.	Operates a chain of hockey specialty stores in Canada.	\$85.6
8/6/13	Hatteras Yachts, Inc. and CABO Yachts, Inc.	Versa Capital Management, Inc.	Designs and builds sport fishing boats and fiberglass reinforced plastic yachts.	-
7/31/13	Yogitoes	Manduka	Manufactures yoga towels and mats.	-
7/23/13	Da Kine Hawaii	Altamont Capital Partners	Develops, designs, produces and markets packs, luggage bags, gloves, outerwear, headwear, apparel and wallets.	\$64.6
6/30/13	Ross Worldwide Outdoor and Scientific Anglers	The Orvis Company	Designs and manufactures fly reels and other outdoor related fishing and hunting products.	-
6/25/13	BSN Sports	Herff Jones	Offers team sports products, athlete care products, ball and equipment carts, campus recreation products and hydration/safety products.	-
6/21/13	Savage Sports Corporation	Alliant Techsystems Inc.	Manufactures centerfire rifles, rimfire rifles, shotguns and muzzleloaders for the hunting and shooting sports industries.	\$315.0
6/19/13	Serotta Competition Bicycles	Mad Fiber	Manufactures handcrafted performance bicycles.	-
6/10/13	Hi-E	First Flight Bicycles	Manufactures sealed bearing hubs, quick release skewers, pedals and rims for bicycles.	-
5/31/13	Boulder Running Company	The Running Specialty Group, LLC	Specializes in recreational footwear but also offers outdoor apparel and accessories through retail stores and online.	\$7.1
5/31/13	Move Collective (Bobble)	Seventh Generation	Manufactures and markets an environmentally-friendly, self-filtering sport water bottle.	-
5/23/13	BlueMile	The Running Specialty Group, LLC	Operates a six-location running specialty store based in Indianapolis.	-
5/3/13	Combat Sports Inc.	Bauer Performance Sports	Manufactures composite and hybrid-composite baseball bats and hockey sticks.	\$4.0
4/24/13	Hoigaard's	SSI Ventures	Manufactures outdoor equipment and apparel for camping, biking and paddle sports.	-
2/7/13	Cybox International Inc.	UM Holdings Ltd.	Manufactures strength and cardiovascular fitness equipment.	\$62.7
2/1/13	Gold Tip, L.L.C.	Bushnell Inc.	Manufactures carbon arrows for professional archers, bow hunters and shooters.	-
1/24/13	Heelys, Inc.	Sequential Brands Group, Inc.	Designs action sports-inspired products under the HEELYS brand, selling to the youth market.	\$4.3
1/1/13	Kwik Tek Inc.	Guardian Capital Partners	Manufactures products for the recreational water sports and snow sports market.	-

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

**PUBLIC COMPANY TRADING & OPERATING DATA**

Company	Price 12/30/13	% 52 Wk High	Market Cap	Enterprise Value	LTM			1-Yr Rev Growth	EV / LTM	
					Revenue	EBITDA	Margin		Revenue	EBITDA
Amer Sports Corp.	\$20.89	94.5%	\$2,454.8	\$3,246.8	\$2,839.0	\$173.3	6.1%	4.8%	1.1x	18.7x
Bauer Performance Sports Ltd.	\$13.24	99.4%	\$557.1	\$751.6	\$405.3	\$53.9	13.3%	6.5%	1.9x	14.0x
Black Diamond, Inc.	\$13.38	88.3%	\$433.8	\$475.4	\$191.4	\$3.6	1.9%	17.1%	2.5x	NM
Brunswick Corp.	\$45.31	96.2%	\$4,120.8	\$4,236.9	\$3,815.8	\$407.4	10.7%	6.0%	1.1x	10.4x
Callaway Golf Co.	\$8.39	93.5%	\$625.3	\$695.6	\$835.6	\$0.4	0.0%	(3.7)%	0.8x	NA
Dorel Industries, Inc.	\$38.13	90.1%	\$1,225.4	\$1,615.1	\$2,424.5	\$162.1	6.7%	(0.2)%	0.7x	10.0x
Escalade, Inc.	\$11.80	95.1%	\$159.7	\$181.2	\$158.1	\$18.3	11.6%	10.2%	1.1x	9.9x
Head NV	\$2.42	90.3%	\$201.3	\$284.5	\$461.4	\$18.7	4.1%	(2.8)%	0.6x	15.2x
Jarden Corp.	\$60.61	98.9%	\$7,796.0	\$10,139.8	\$6,959.5	\$750.9	10.8%	5.2%	1.5x	13.5x
Johnson Outdoors, Inc.	\$27.27	94.9%	\$270.0	\$222.7	\$426.5	\$35.2	8.3%	3.4%	0.5x	6.3x
Lafuma SA	\$19.34	66.9%	\$115.6	\$159.4	\$262.1	\$16.6	6.3%	(13.8)%	0.6x	9.6x

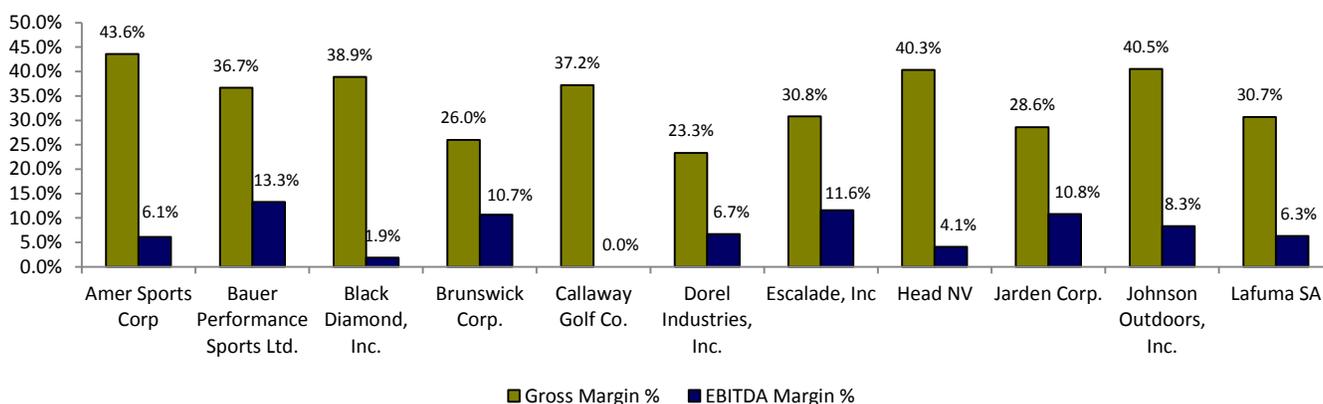
EV = enterprise value; LTM = last twelve months

\$ in millions, except per share data

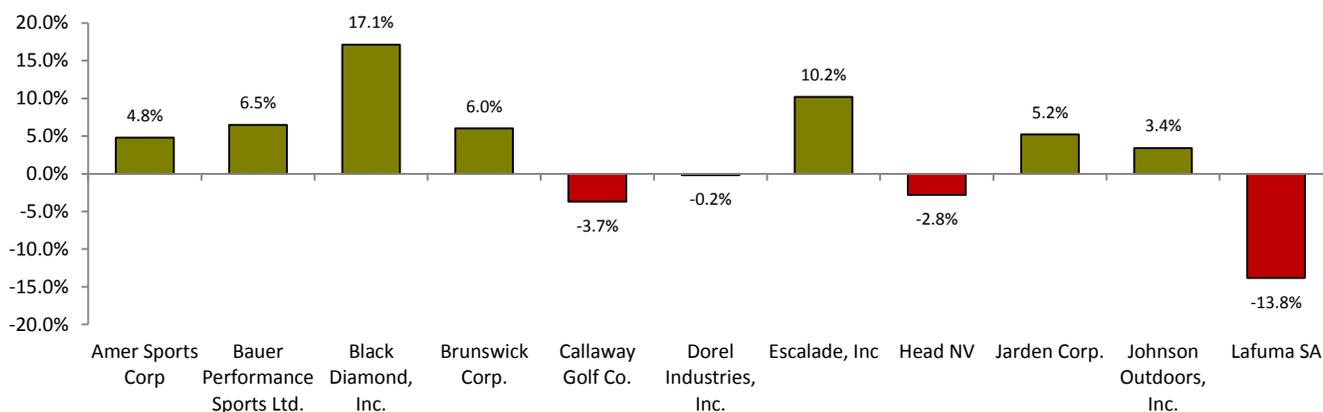
NM = Not Meaningful; NA = Not Available

<b>Mean</b>	<b>7.2%</b>	<b>3.0%</b>	<b>1.1x</b>	<b>12.0x</b>
<b>Median</b>	<b>6.7%</b>	<b>4.8%</b>	<b>1.1x</b>	<b>10.4x</b>
<b>Harmonic Mean</b>	<b>0.5%</b>	<b>NA</b>	<b>0.9x</b>	<b>10.9x</b>

**Last Twelve Month Margin Performance**



**Last Twelve Month 1-Year Revenue Growth**



Source: Capital IQ as of December 30, 2013

CAPSTONE PARTNERS: RECREATIONAL PRODUCTS TRANSACTIONS



THE 4<sup>TH</sup> ANNUAL  
INTERNATIONAL M&A AWARDS  
**2012 WINNER**



*has been  
acquired by*



a portfolio company of

**NORDIC CAPITAL**

Capstone Partners won the 2012 award for middle-market International Corporate/Strategic Acquisition of the Year and was named as a finalist in two other categories, all for its work on the sale of BOB Trailers, Inc. to Britax Group Limited. Capstone advised BOB Trailers on its acquisition by Britax, 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 is widely considered America's premier provider of innovative, design oriented high quality "sport utility" or jogging strollers and bicycle trailers. 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<sup>®</sup>



*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*



## CAPSTONE'S LEADERSHIP TEAM

### NATIONAL

John Ferrara  
Founder, President  
(617) 619-3325  
jferrara@capstonellc.com

### CHICAGO

Ted Polk  
Managing Director  
(312) 674-4531  
tpolk@capstonellc.com

### LOS ANGELES

David Bench  
Managing Director  
(949) 460-6431  
dbench@capstonellc.com

### SAN DIEGO & SILICON VALLEY

David Michaels  
Managing Director  
(858) 926-5950  
dmichaels@capstonellc.com

### BOSTON

Jacob Voorhees  
Director and Principal  
(617) 619-3323  
jvoorhees@capstonellc.com

### LONDON

John Snead  
Managing Director  
+44 7979 704302  
jsnead@capstonellc.com

### PHILADELPHIA

Eric Williams  
Managing Director  
(215) 854-4065  
ewilliams@capstonellc.com

### CORPORATE RESTRUCTURING

Brian Davies  
Managing Director  
(617) 619-3328  
bdavies@capstonellc.com

## ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a premier investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides corporate sale & divestiture, merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. Capstone maintains various industry specialties including one in the Recreational Products sector. The firm also has a merchant banking capability to actively co-invest in transactions. Headquartered in Boston, Capstone has offices in Chicago, London, Los Angeles, Philadelphia, San Diego and Silicon Valley.

**For more information about our  
expertise, please visit  
[www.capstonellc.com](http://www.capstonellc.com)**



**Capstone Partners**  
Investment Banking Advisors

World Class Wall Street Expertise. Built for the Middle Market.