



Outdoor & Enthusiast Industry Update | May 2017



Dynamic Times in a Dynamic Market

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Our Outdoor & Enthusiast Practice

Select Recent Transactions



Capital Raise



Has been acquired by



Has been acquired by



Capital Raise

YAKIMA

Has been acquired by

KEMFLO



Has been acquired by



Outdoor & Enthusiast Team



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About MHT Partners

MHT Partners is a leading national middle market investment bank focused on high-growth companies and industry leaders. The team at MHT Partners assists clients with seller advisory, acquisition advisory, corporate finance, and strategic advisory assignments. With a tightly integrated combination of Wall Street, middle market, and strategic consulting expertise, we are uniquely qualified to serve the distinct advisory needs of companies across a range of industries. Within the consumer industry, the senior professionals of MHT Partners have completed over 100 deals, including ten outdoor / enthusiast transactions. We bring these combined skill sets to bear in every engagement, creating maximum value for each client through thoughtful positioning and creative deal structuring.

Spotlight

Quarterly Spotlight

Rick Elder,

President of Beyond Clothing

An Interview by MHT Partners' Mal Thompson

Mal: Rick, can you tell us about Beyond's mission?

Rick: Our mission is to build the most effective survival clothing systems in the industry. Since we certify clothing systems to environments, we ensure our clothing systems, or the tools we build, rather, perform how we specify they'll perform. This means individuals, whether they be professional or recreational, will be able to do their job and come home, or enjoy themselves in scenarios where other clothing systems might fail them, potentially causing harm or fatality.

Mal: You're obviously part of *5.11 Tactical* now, but where and how did Beyond start and evolve to where it is today?

Rick: Beyond started out in 1996 as a company called Beyond Fleece by a founder named Scott Jones, who built the company out of his dorm room. The key to his initial success was developing mass customization systems that today have now matured well past where they were in the late 90's. It all came to a head when 5.11 wanted to purchase a clothing brand and develop a special operations clothing company. That purchase happened in late 2012, and then I was brought on shortly thereafter to take the clothing company over and re-platform it.

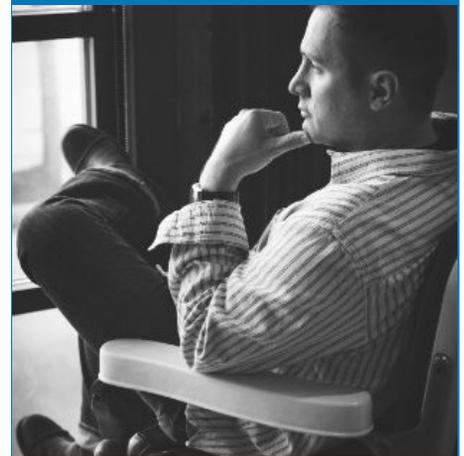
Mal: So your mandate then was to execute on the Company's mission that we just discussed?

Rick: Yes. When 5.11, and at the time their owners, TA Associates, approached me, they did so with one question: how do you build a brand that sells to and specializes in solutions for special operations teams? And the key to that from my experience has been not to build a tactical brand but rather an outdoor brand. So, we sit between outdoor and tactical in that we are a survival company — I don't build apparel. I build tools, and those tools are rated to perform in a certain way in a certain environment, ranging from extreme heat to extreme cold.

Mal: A lot of outdoor / hunting / tactical convergence is going on, right? (Right.) And lots and lots of smaller brands popping up and spin offs and whatnot. How do you guys differentiate yourselves? Does it go back to what you just said: 'look, that's how I'm going to build out a Special Operations brand; I'm going to come from that point of view and then build it out in a certain way.' Do you think about it as an outdoor brand first and then customize it to the special operations community?

Rick: I would say no. It's important to tie in the fact that as a developer, I was the lead for development for the current U.S. Special Operations clothing systems. Those later transitioned to be the larger Army and Marine Corps clothing concepts. And so in doing that, we started from the other side. Outdoor clothing companies usually start with the garment, right? And this is what I always say, 'somebody will show you a great coat and it is a great coat, but they don't know what that coat can do.' For us, we started with the framework of what our clothing systems, known as our Axios line, are supposed to do, their performance parameters, and then we've filled in the blanks to allow for optimization of different roles after that. So, we started with the requirement and then we moved out toward the garment or tool versus starting with the garment and moving toward the recreational purpose. Those are two extremely different approaches to clothing systems and how you build them. We build actual clothing systems. Most outdoor companies build outdoor clothes. Does that make sense?

Rick Elder



Spotlight

Quarterly Spotlight (Continued)

Mal: Absolutely. Let's just close the circles. I've asked you about your mission, where you came from, and how you approach design. So, who is your core customer if you could capture them in a few words?

Rick: Our core customers are professional teams, both federal and private, that operate in extreme environments. Those teams range everything from Special Operations forces to National Geographic personnel to U.S. Antarctic mission-type personnel.

Mal: Where you where do you want to go from here? What does Beyond look like five years from now?

Rick: I think Beyond has a couple opportunities that are very interesting. Today, Beyond is 100% U.S. domestically sourced from the fiber all the way through construction and manufacturing. So for us, that is an amazing place to be and we're going to always maintain that — but we also are going to expand our sourcing so that the items that we build are more accessible to people that need those types of tools without being able to bear the extreme price point that building in the US brings. I see Beyond as a commercial brand, but again, a commercial survival brand that carves a niche between outdoor and tactical where extremely serious outdoor enthusiasts and professional teams can go and build systems that will actually amplify their performance or help them do whatever job it is that they're doing. I think that there's a global demand for that, and obviously there is always the push for us to continually learn and further explore what our customers' needs are. Ultimately, it starts with the customer and their requirements and then we translate out. The nice side note is that if we do it right, we build pieces that are also attractive and fit what I consider a "tech-fashion" type of a role as well. There are a lot of consumers that want very authentic equipment that don't need to exist in -40° that will be able to enjoy Beyond pieces and the lineage and story behind it.

Mal: What are your biggest challenges?

Rick: Today, domestic sourcing is our biggest challenge just because it is extremely hard to build very competent, technical apparel in the United States. That market is holding on by a thread and so for us, that's our most pressing challenge. Like every other company that is where we are on the maturity curve, scaling ends up being the next challenge. But dollars can get us through that 'partially mature tween phase' to get to the scale appropriate so that broader distribution makes sense and then allows for the next array of targets for us to go after.

Mal: Are there any other aspects of Beyond that you think set you apart?

Rick: Yeah, I would say that today, one of the things I'm most proud of is that our team takes almost an outfitters approach toward its customers. We're small and our customer service is extremely good in the way we handle folks and the things that we do to bend over backwards to take care of them. Also, the fact that our clothing system is vetted and validated by the best and the hardest in the world, bar none. The requirements that we fulfill on a daily basis and to have what are some of the most opinionated and demanding customers excited to work with us is something that is a real privilege. It also puts us in a unique space to work with people of all walks of life and give them a bit more of a personal level of service than they're definitely going to get from any other outdoor company. At the same time, we'll actually help train them in what it is that they're going to be using and how they do it to allow them to have more fun and optimize whatever recreation or professional endeavor they're doing in the outdoors, and that really does, I think, set us apart from the big boys on a lot of levels.

Recent M&A Transactions

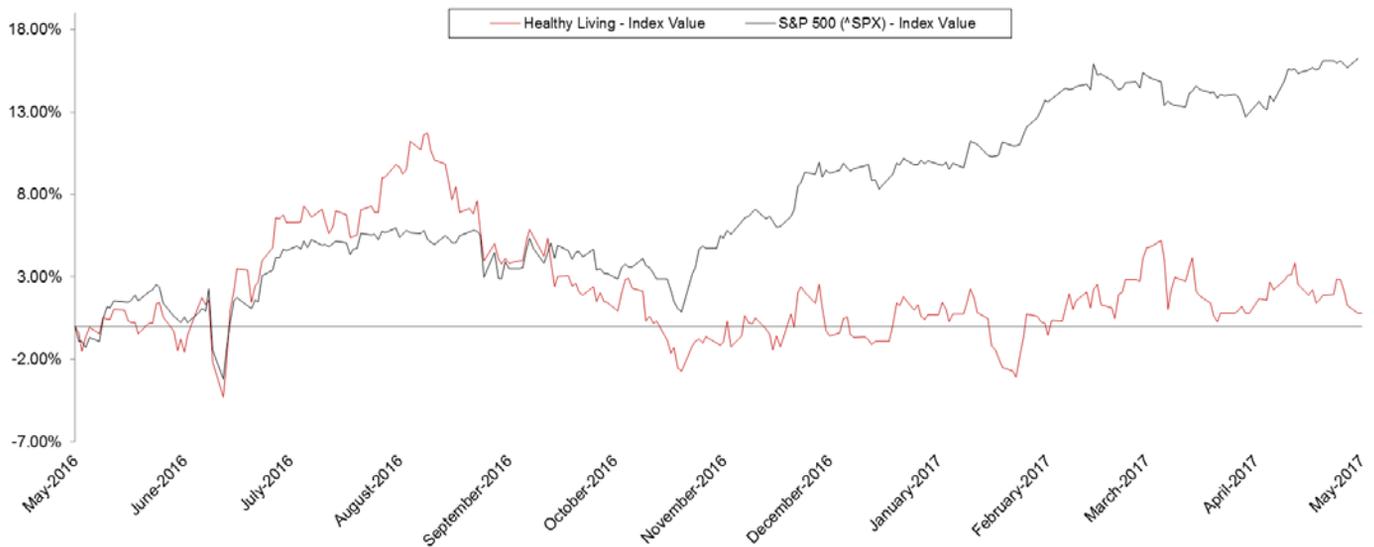
Recent M&A Transactions

Date	Target	Acquirer	Target Description	Enterprise Value	Enterprise Value / Revenue	Enterprise Value / EBITDA
Announced	Eastman Outdoors, Inc. 	FeraDyne Outdoors, LLC  SNOW PHIPPS	Eastman Outdoors, a branded archery, crossbow, wildgame processing, and gourmet outdoor cooking equipment company, has been acquired by FeraDyne Outdoors (a portfolio company of Snow Phipps Group), a leading manufacturer of archery, bowfishing, and other bowhunting products.	--	--	--
Announced	Belle International Holdings Limited 	Hillhouse Capital Management, Ltd. 	Belle International Holdings Limited, an investment holding company, manufactures, distributes, and retails shoes and footwear products.	\$5,736.2	1.0x	6.4x
Announced	Intrawest Resorts Holdings, Inc. 	Aspen Skiing Company, LLC; KSL Advisors, LLC 	Intrawest Resorts Holdings, Inc. operates as a mountain resort, adventure, and real estate company in North America.	\$1,369.5	2.3x	10.2x
Announced	Performance Health, LLC 	Patterson Medical Supply, Inc. 	Performance Health, LLC develops products for the therapy, rehabilitation, wellness, massage, sports medicine, performance, and podiatric markets.	--	--	--
Announced	Taylor Made Golf Company, Inc. 	KPS Capital Partners, LP 	KPS Capital Partners has agreed to acquire TaylorMade Golf, a Carlsbad, Calif.-based golf products manufacturer doing business as TaylorMade-adidas Golf Company, for \$425 million. The seller is adidas AG (DB:ADS).	--	--	--
5/4/2017	Club Pilates LLC 	TPG Growth 	Club Pilates LLC owns, operates, and franchises Pilates clubs.	--	--	--
4/20/2017	KUIU, Inc. 	Main Post Partners 	Main Post Partners acquired a 23% stake in Kuiu, a Dixon, CA-based hunting gear company, for \$50 million.	\$217.4	--	--
4/11/2017	GSC Technologies Corporation 	KL Outdoor LLC 	GSC Technologies Corporation designs, manufactures, and markets plastic storage and organization products, folding tables and chairs, utility shelving systems and cabinets, closet systems, refuse and recycling products, sporting goods, and various household products.	--	--	--
1/19/2017	Kwik Tek, Inc. 	Falconhead Capital, LLC; M3 Outdoor Investments LLC 	Falconhead Capital and M3 Outdoor Investments acquired Kwik Tek, a Denver, Colo.-based manufacturer of water sports products from Guardian Capital Partners. Terms were not disclosed.	--	--	--
1/17/2017	MacNeill Engineering Company, Inc. 	Pride Sports, LLC (nka:MacNeill Pride Group) 	PrideSports, a Brentwood, Tenn.-based golf equipment manufacturer owned by Centre Partners, merged with MacNeill Engineering, a Marlborough, Mass.-based maker of athletic and industrial footwear components. Financial terms weren't disclosed.	--	--	--
1/10/2017	Gared Holdings, LLC 	Gen Cap America, Inc. 	Gen Cap America, Inc. acquired Gared Holdings, a Noblesville, Ind.-based designer and manufacturer of sporting goods equipment for athletes.	--	--	--

Outdoor & Enthusiast Performance

Public Company Sector Performance

For the last twelve months, the outdoor & enthusiast industry has underperformed the S&P 500 Index. During the second half of 2016, the outdoor & enthusiast index declined after strong first quarter growth, and has remained relatively stagnant in 2017. This is largely driven by a stagnant market in the firearms and optics segment, and overall declining performance amongst retailers as part of broader, macroeconomic shifts. Recreational vehicles and accessories, and performance sporting equipment are up 20% and 11%, respectively, in the past year.



Key Trading Statistics

Sector	Number of Companies	Median Enterprise Value (\$mm)	Median Stock Price Performance		Median Forward Ratios		Median LTM Multiples		Median 2016E Multiples	
			1 Year	3 Years	P/E	PEG	EV/Revenue	EV/EBITDA	EV/Revenue	EV/EBITDA
Outdoor Lifestyle Apparel	5	\$9,260	-7%	37%	22.2x	1.7x	1.9x	16.2x	1.7x	15.7x
Performance Sporting Equipment	12	\$778	11%	11%	0.1x	0.1x	1.2x	14.7x	1.1x	12.5x
Firearms and Optics	4	\$3,303	2%	6%	18.4x	0.7x	1.3x	7.1x	1.3x	8.0x
Recreational Vehicles and Accessories	6	\$3,519	20%	15%	14.8x	1.1x	1.5x	10.7x	1.4x	9.3x
Sporting Retailers	7	\$479	3%	-20%	12.2x	1.2x	0.5x	5.6x	0.5x	5.3x
Healthy Living Index	34	\$3,303	3%	11%	14.8x	1.1x	1.3x	10.7x	1.3x	9.3x

Note:

Outdoor Lifestyle Apparel (NYSE:NKE, DB:ADS, NYSE:UA, NasdaqGS:LULU, NasdaqGS:COLM), Performance Sporting Equipment (NYSE:VFC, TSE:7309, HLSE:AMEAS, NYSE:ELY, NasdaqGS:GPRO, TSE:7906, TSE:8022, NYSE:NLS, HLSE:RAP1V, NasdaqGS:JOUT, NasdaqGS:ESCA, NasdaqGS:BDE), Firearms and Optics (TSE:7731, NasdaqGS:FLIR, NYSE:VSTO, NYSE:RGR), Recreational Vehicles and Accessories (NYSE:HOG, NYSE:PII, NYSE:CWH, NYSE:BC, NasdaqGM:MBUU, NYSE:MPX), Sporting Retailers (NYSE:CAB, NYSE:DKS, NYSE:WWW, NasdaqGS:FINL, NasdaqGS:SPWH, NasdaqGS:HIBB, NasdaqGS:BGFV)