



Outdoor & Enthusiast Industry Update | November 2017



Dynamic Times in a Dynamic Market

[Seller Advisory](#) | [Acquisition Advisory](#) | [Capital Markets](#)

www.mhtpartners.com | San Francisco | Dallas | Boston | Boulder

Our Outdoor & Enthusiast Practice

Outdoor & Enthusiast Team



Craig Lawson
 Managing Director, Co-Founder
clawson@mhtpartners.com



Malcolm Thompson
 Director
mthompson@mhtpartners.com



Chris Neils
 Principal
cneils@mhtpartners.com

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.

Select Transactions



Spotlight

Quarterly Spotlight

**Kenny Ballard,
CEO of The Mountain**

An Interview by MHT Partners' Craig Lawson

Craig Lawson recently sat down with Kenny Ballard, CEO of The Mountain (www.themountain.com), a leading manufacturer and omnichannel marketer of outdoor apparel and products defined by unique partnerships with artists globally. Ballard is a longtime leader in the outdoor products space having previously served in leadership roles with Osprey Packs, Established Brands, Kelty, and his own consulting company.



Kenny Ballard

Craig: So you recently joined The Mountain as CEO. Tell us about the company and what attracted you to the opportunity.

Kenny: The Mountain is a 25 year old company, is a portfolio company of Gladstone, is based Keene, NH and the cornerstone of the company is art. We have over 35 global artists, as well as five in-house artists staffed here in Keene, and their whole objective is to create unique, differentiated, and distinctive art. In reframing the tagline or vision for the brand, we went from an artware brand where we applied that art to apparel, to where we've reformed the brand to a global, art lifestyle brand where art is the cornerstone of what we do. We have a process that reaches out to our global collective of artists based on a theme, a given retailer, or a consumer base. The theme might be patriotic, it might be irreverent humor, it might be political humor, etc. We then apply that unique art to the product – in this case t-shirts, hoodies, apparel, mugs, etc.

Craig: What is The Mountain's point of differentiation, what is its secret sauce?

Kenny: We have a unique, proprietary approach which really brings the art to life and this is why the artists and consumers love us. It's the style - big, "in your face" three dimensional art. The Mountain is really a lifestyle brand that happens to leverage art and technology in a way that is globally unique and differentiated. There are different models out there, other people out there doing it, but we do it in a way that is truly unique.

We use state-of-the-art screen print technology, here in Keene, applied to products (t-shirts, hoodies, etc). We also employ an on-demand manufacturing model (take digital demand, drive consumers to website, enable the consumer to make their own product), where we have that same level of technology applied to other products that we don't make in Keene - blankets, pillows, coffee mugs, etc. This is where the "lifestyle" component comes in – so if you say "hey, I can't wear an irreverent 'Trump on a tank' t-shirt," you may say to yourself, "I can still go to the board meeting and rock it with that same image on my coffee mug." The ubiquitous nature of those products enables us to stand out with our art. I think the part that's really cool about the brand is, and what my vision to be a global leader is, lies in curating unique, differentiated art that we can apply to products that are a part of everybody's day. Simply stated, we want to put a smile on people's faces and the way we do that is to enable people to share their passion, their inner animal, their lifestyle where they can wear it, they can hold it, and they can put it on the back of their iPhone.

Spotlight

Quarterly Spotlight (Continued)

Kenny (Continued): With respect to our production method, every one of our t-shirts, which have that look reminiscent of tie dye, is hand dyed. So while we may make 100,000 t-shirts with the same art image, every one is different by virtue of the way it was dyed. Each blank is dyed individually. The blanks we obtain are unique because they are treated a special way. The blanks need to be very clean because the dye picks up irregularities in blanks (e.g. if you had a pepperoni pizza and then handled the blank, the dye on the blank would pick up your pepperoni stained fingerprints). We utilize a global manufacturer of blanks and we are a very special customer of theirs. You can see this on our website; we literally have a person stewing all those blanks in a vat. The containers they go into create that tie dyed look, which is unusual, especially in this day and age.

Craig: Broadly speaking, given you've been at a couple of companies (Kelty, Osprey, etc.), and have been in this industry for a long time as an operator and consultant, what are the largest changes you are seeing in the outdoor apparel space / bespoke art meets outdoor product space?

Kenny: I will break that into two pieces. I'll start with the broader consumer space then segue into the outdoor products space.

The challenge is, "How does the consumer engage with the product?" Whether you want to call it the Amazon effect, the Jet effect, etc., it's the consumer marketplace and the access to products that enable the consumer to engage globally with any of those platforms. So that's what's rocking the world - whether it's the art world, my world here at The Mountain, the outdoor space, or the sporting good space - the consolidation of retail and the bifurcation of consumer engagement at retail.

Brick & mortar retailing is always going to be a component of omnichannel retailing, whether at REI with their very robust brick & mortar presence, or Bass Pro/Cabelas. There will always be products that the consumer is going to want to interface with, whether it be a car, skis, a backpack, or a piece of art. There's always going to be segment of the consumer population that is interested in having a unique retail experience. So within brick & mortar, what you are seeing is curated brick & mortar, whether it's retail entertainment (e.g. Bass Pro/Cabelas with big trout tanks) or popups (where you have small, very unique brands that pop up and then go away), where that curated experience is really becoming a big part of a lot of brands' "go to market" strategy in the way they engage with retail.

When you look at the online side, it's literally all about choices and a big part of that is how do you protect the brand, how do you protect the value of the brand, and how do you protect and represent the "story telling" around that? On Amazon, there's not a lot of storytelling on a unit by unit basis. So for me, whether selling backpacks, or widgets, or t-shirts, or iPhone cases, that story telling around the brand is really critical and all of us are really struggling with how we do that. How do we balance doing transactional activities with an Amazon or a Jet on the one hand, with, on the other hand, not having the ability to tell the story? So for me (The Mountain), I have to have an omnichannel approach which says I have to sell brick & mortar, I've got to sell online and I have to sell everything in between, and any time I have the chance to tell the brand story, I need to. This dynamic is particularly true given we are a premium brand (not a \$9.99 t-shirt brand), because of the value we put into our product, the homegrown artisanal nature of our products, and our sustainable technology, among other things.

At the end of the day, what's going to make or break brands is how they engage and capture the consumer and how they make themselves relevant to the consumer. Is it price, is it product, is it brand, is it storytelling, or is it "purchase with a purpose?" As we know, different generations have different decision making trees.

For The Mountain, it's teaming up with the retail folks that aren't clouding the brand, that do a good job with storytelling, and that are not confusing the consumer, whether through counterfeits, somebody grabbing our adwords, or someone literally just not doing a good job. And this is all true for everybody - we're all in the same boat together. Now, solving that is industry specific, channel specific, and brand specific, but there is a lot of overlap.

Recent M&A Transactions

\$ in Millions

Date	Target	Acquirer	Target Description	Enterprise	Enterprise Value /	
				Value	Revenue	EBITDA
Announced	Uncle Dan's Ltd.	Camping World Holdings, Inc.	Uncle Dan's Ltd. owns and operates outdoor apparel stores.	\$8.2	--	--
						
Announced	Breckenridge Ski Enterprises, Inc.	Vail Resorts Retail LLC	Breckenridge Ski Enterprises, Inc. owns and operates outdoor sports clothing and equipment retail stores.	--	--	--
						
10/10/2017	Nielsen-Kellerman Co.	Clearview Capital, LLC; Clearview Capital Fund III LP	Nielsen-Kellerman Co. designs, manufactures, and distributes waterproof environmental and sports performance instruments for active lifestyles and other technical applications.	--	--	--
						
10/9/2017	Maurice Sporting Goods	Peak Global Holdings, LLC	Maurice Sporting Goods, one of North America's largest distributors of outdoor sporting goods, announced that Peak Global Holdings, LLC, the parent company of Big Rock Sports, Head Quarters Taxidermy Supply, and Bluefield Brands has signed a Letter of Intent to acquire the Company. Maurice Sporting Goods will continue to operate without interruption as the two companies finalize the transaction.	--	--	--
						
10/3/2017	B.A.S.S., LLC	Anderson Media Corporation	B.A.S.S., LLC operates a fishing membership organization and publishes various magazines for anglers.	--	--	--
						
10/2/2017	Williamson-Dickie Manufacturing Company	V.F. Corporation	Williamson-Dickie Manufacturing Company manufactures workwear and accessories in the United States and internationally.	\$820.0	0.9x	11.0x
						
10/2/2017	Taylor Made Golf Company, Inc.	KPS Capital Partners, LP; KPS Special Situations Fund IV, L.P.	Taylor Made Golf Company, Inc., doing business as TaylorMade-adidas Golf Company, manufactures golf products.	\$425.0	0.5x	--
						
9/28/2017	Outdoor Leisure Products, Inc.	Masterbuilt Manufacturing, LLC	Outdoor Leisure Products, Inc. manufactures barbecue grills, grill smokers, and related accessories.	--	--	--
						
9/25/2017	Cabela's Incorporated	BPS Direct, L.L.C.	Cabela's Incorporated operates as a specialty retailer of hunting, fishing, camping, shooting sports, and related outdoor merchandise in the United States and Canada.	\$8,767.2	2.2x	18.9x
						
9/14/2017	Outdoor Experience Limited	Highbridge Caravan Centre Limited	Outdoor Experience Limited manufactures outdoor and camping equipment.	--	--	--
						

Recent M&A Transactions

\$ in Millions

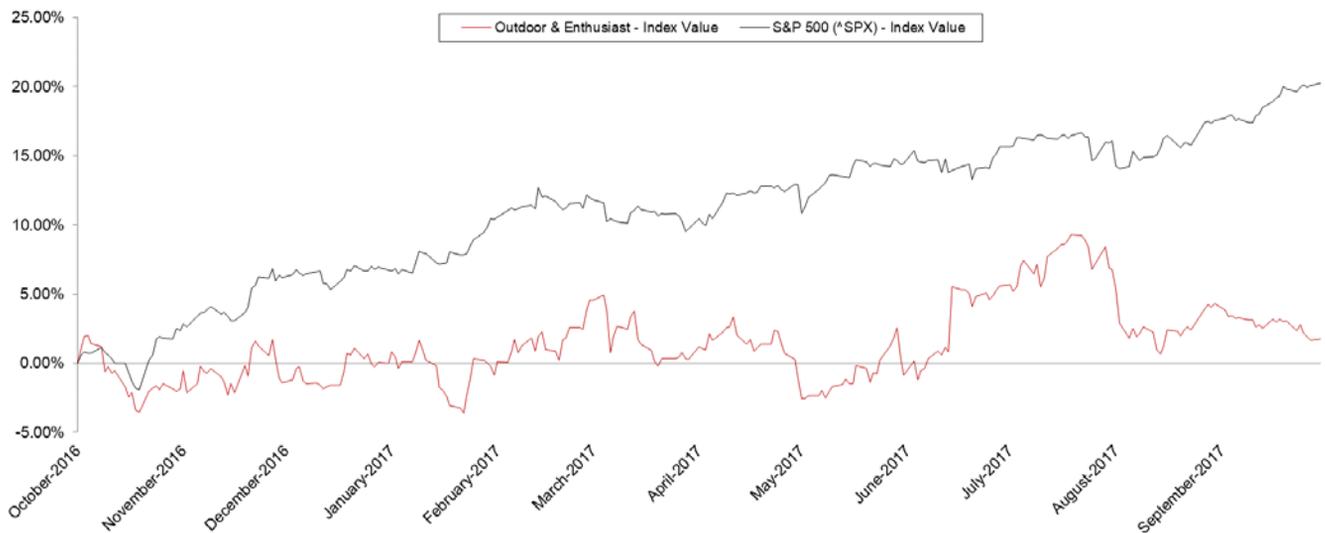
Date	Target	Acquirer	Target Description	Enterprise Value	Enterprise Value /	
					Revenue	EBITDA
9/4/2017	Reebok-CCM Hockey, Inc. 	Birch Hill Equity Partners Management Inc. 	Reebok-CCM Hockey, Inc., along with its subsidiaries, designs, manufactures, and markets hockey equipment and related apparel.	\$110.0	--	--
8/18/2017	TravisMathew LLC 	Callaway Golf Company 	TravisMathew LLC manufactures and retails golf apparel and accessories.	\$125.5	--	--
8/7/2017	Gemini Technologies, Inc. 	American Outdoor Brands Corporation 	Gemini Technologies, Inc. designs and manufactures firearm silencers and sound suppressors in the United States.	\$10.0	--	--
7/28/2017	Aerobie, Inc., Flying Disc Product Line 	Swimways Corporation 	Superflight Inc. manufactures Aerobie flying rings, discs, and other products. The company sells its products through retailers throughout United States and to distributors in over 30 countries. It was founded in 1984 and is based in Palo Alto, California.	\$10.7	--	--
8/17/2017	Active Sports, Inc. 	Camping World, Inc. 	Active Sports, Inc. retails outdoor equipment for active sports such as skiing.	\$71.7	--	--
7/25/2017	Jack Sisemore Traveland, L.P. 	Camping World Holdings, Inc. 	Jack Sisemore Traveland, L.P. sells recreational vehicles. The company was founded in 1974 and is headquartered in Amarillo, Texas.	--	--	--
7/6/2017	Cobalt Boats, LLC 	Malibu Boats, LLC 	Cobalt Boats, LLC manufactures and sells family bowriders, water sports boats, cruisers, and cuddy cabin boats.	\$130.0	0.9x	--
5/26/2017	Gander Mountain Company Inc. 	Camping World Holdings, Inc. 	Gander Mountain Company Inc. operates a retail network of outdoor specialty stores for shooting sports, hunting, fishing, camping, marine, apparel, footwear, and outdoor lifestyle products for men, women, and kids' in the United States.	\$34.1	--	--

High:	\$8,767.2	2.2x	18.9x
Mean:	\$955.7	1.1x	15.0x
Median:	\$110.0	0.9x	15.0x
Low:	\$8.2	0.5x	11.0x

Outdoor & Enthusiast Performance

Public Company Sector Performance

For the last twelve months, the outdoor & enthusiast industry has underperformed the S&P 500 Index. The outdoor & enthusiast index has remained relatively flat in 2017. This is largely driven by concern with the overall retail sector as participants continue to deal with Amazon's impact on the brick and mortar channel. Firearms and optics continue to stagnate given uncertainty around proposed and potential legislation, particularly in light of recent events. Recreational vehicles and accessories, and performance sporting equipment are up 54% and 11%, respectively, in the past year, showing that there are bright spots in the industry.



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	\$7,674	2%	61%	22.6x	2.0x	1.9x	14.6x	1.8x	15.2x
Performance Sporting Equipment	11	\$791	11%	11%	0.1x	0.1x	1.2x	14.4x	1.2x	13.4x
Firearms and Optics	4	\$3,867	7%	42%	18.6x	0.6x	1.1x	7.4x	1.2x	8.2x
Recreational Vehicles and Accessories	6	\$3,828	54%	41%	18.0x	1.2x	1.7x	13.0x	1.4x	10.3x
Sporting Retailers	6	\$364	-56%	-40%	10.3x	1.5x	0.3x	3.5x	0.3x	3.7x
Outdoor & Enthusiast Index	32	\$3,828	7%	41%	18.0x	1.2x	1.2x	13.0x	1.2x	10.3x

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), **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:DKS, NYSE:WWW, NasdaqGS:FINL, NasdaqGS:SPWH, NasdaqGS:HIBB, NasdaqGS:BGFV)