



The State of the Great Outdoors – (Y)our Guide for 2024 –



Source: stockvault.com

Ammo, Boating, Firearms, Fishing, Hunting, Powersports, Retailers & RVs



Overview

Having witnessed remarkable returns in 2020 and 2021, the outdoor leisure group faced a more pronounced pullback than the broader market in 2022, trailing in gains during 2023 (Table 1). This dip can be attributed to factors such as consumer cutbacks on discretionary spending in the current economic climate and retailer inventory bloat, resulting in delayed restocking. While investor concerns are valid, some companies have become notably undervalued, creating opportunities for value plays. Our "Great Outdoors Index" has slightly underperformed the overall market (S&P 500) over the time period January 1, 2020-December 31, 2023, but it is important to note that our index is equally weighted unlike the S&P, which does not enable an apples-to-apples comparison (if compared to the equal weight version, our index is in line with annualized performance). The performance of our index over the past four years underscores the significant and enduring impact of the pandemic on the sector. In this report, aimed at being a "handbook" for investors, we delve into the addressable market for outdoor leisure products across various sub-categories, examine current industry dynamics, and present outlooks for 2024.

Table 1

"The Great Outdoors Index" - Performance History

Industry	Company	Ticker	Price	Mrkt Cap (mm)	2023 PERF.	2022 PERF.	2021 PERF.	2020 PERF.
Powered Vehicles	BRP	DOOO	\$68.02	\$2,278	(3.00%)	(11.42%)	18.82%	76.40%
Boating	Brunswick Corp.	BC	85.58	5,889	34.17%	(28.19%)	31.30%	23.85%
Recreational Vehicles	Camping World Holdings	CWH	24.77	1,109	16.71%	(45.21%)	58.81%	68.94%
Recreational Products	Clarus Corporation	CLAR	5.73	219	(12.88%)	(71.65%)	72.47%	16.70%
Recreational Vehicles	Equity Lifestyle Properties	ELS	67.62	12,604	8.42%	(24.01%)	17.58%	(13.04%)
Powered Vehicles	Fox Factory	FOXF	66.13	2,803	(27.36%)	(44.50%)	47.84%	54.10%
Recreational Products	Johnson Outdoors	JOUT	47.01	425	(21.14%)	(30.84%)	7.13%	51.36%
Recreational Vehicles	LCI Industries	LCII	119.24	3,020	33.83%	(41.70%)	4.61%	17.26%
Boating	Malibu Boats	MBUU	51.03	1,041	1.54%	(23.52%)	18.43%	31.29%
" "	Marine Products	MPX	10.50	362	(3.39%)	(6.51%)	11.28%	2.04%
" "	MarineMax	HZO	33.36	744	23.34%	(46.96%)	39.19%	73.67%
" "	MasterCraft Boat Holdings	MCFT	20.48	353	(13.36%)	(8.33%)	6.24%	32.41%
" "	OneWater Marine	ONEW	29.46	428	17.24%	(52.65%)	42.83%	92.14%
Powered Vehicles	Polaris	PII	90.96	5,137	(7.26%)	(8.46%)	40.98%	5.42%
Recreational Vehicles	Thor Industries	THO	113.21	6,037	54.94%	(27.84%)	24.96%	14.48%
Recreational Products	Vista Outdoor	VSTO	29.03	1,686	20.20%	(48.95%)	89.60%	146.47%
Recreational Vehicles	Winnebago	WGO	67.64	1,978	37.56%	(30.33%)	17.52%	4.41%
Group Average Performance					9.39%	(32.42%)	32.33%	41.05%

Great Outdoors Index Annualized Return (Jan 1, 2020-Dec 31, 2023)

8.38%

Source: Gabelli Funds

US Outdoor Recreation Industry

According to the Bureau of Economic Analysis, real outdoor recreation gross output reached \$579B in 2022. Total conventional outdoor recreation gross output hit \$370B in 2022, up from \$341B in 2021. Total conventional outdoor recreation gross output between 2017-2022 grew at a ~4.1% CAGR, outpacing all industries in aggregate over the same time (~3.5% CAGR). When looking at subcategories within the outdoor recreation space, we see activities such as Camping/Hiking, RVing and Snow outpaced overall industry growth over the 2017-2022 period. Going forward, industry groups expect outdoor output to grow at a 4-6% CAGR through 2028.

Table 2

2017-2022 Real Outdoor Recreation Gross Output by Activity (\$, Millions)

Activity	2017	2018	2019	2020	2021	2022	17-'22 CAGR
Bicycling	\$3,174	\$2,958	\$3,244	\$3,718	\$4,283	\$4,322	3.9%
Boating/Fishing	46,910	47,654	49,163	64,321	58,475	60,860	3.3
Climbing/Hiking/Tent Camping	6,618	6,203	6,431	8,460	8,790	10,171	5.5
Equestrian	8,679	9,049	9,237	10,127	9,565	10,161	2.0
Hunting/Shooting/Trapping	8,679	9,049	9,237	10,127	9,565	10,161	2.0
Motorcycling/ATVing	14,205	14,106	12,958	12,645	17,144	18,460	3.3
Recreational Flying	3,234	3,208	2,996	2,494	3,155	6,474	9.1
RVing	42,195	45,863	44,427	44,219	63,774	70,759	6.7
Snow Activities	7,997	8,382	8,667	7,978	9,505	13,201	6.5
Other Conventional Outdoor Recreation Activities	19,627	20,569	22,227	24,541	31,077	30,870	5.8
<u>Multi-use Apparel and Accessories</u>	<u>101,931</u>	<u>103,751</u>	<u>104,120</u>	<u>83,955</u>	<u>117,932</u>	<u>125,514</u>	<u>2.6</u>
Total Conventional Outdoor Recreation Gross Output	\$268,279	\$275,168	\$277,202	\$278,092	\$341,620	\$369,572	4.1

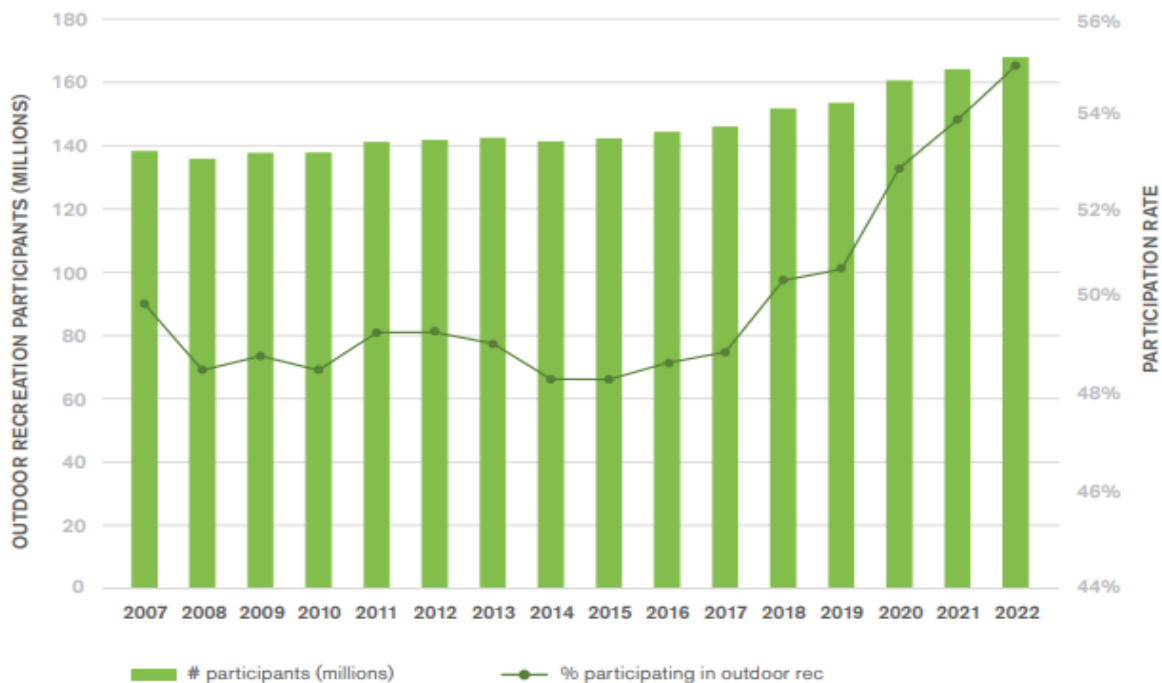
Source: Bureau of Economic Analysis, Gabelli Funds

US Outdoor Recreation Participation

In 2022, 55% of Americans ages 6+ participated in outdoor recreation at least once (Exhibit 1). This is the highest participation rate on record (up from ~54.5% in 2021 and ~54.0% in 2020). The outdoor recreation participation base has added 14.5M participants since January 2020, and has growth sequentially each year since 2014. While the industry saw record participation in 2022, outings per participant declined for the first time since the pandemic began, showing that the heightened levels were not fully sustainable as participants returned to work and school. We expect that both participation rates and trips per participant declined in 2023.

Exhibit 1

OUTDOOR RECREATION PARTICIPANT COUNT AND PARTICIPATION RATE 2007 TO 2022



Source: Outdoor Industry Association

In 2022, the fastest growing outdoor recreation categories were Snowshoeing (+21% YoY), Camping (+12% YoY), Cross-Country Skiing (+8.5% YoY) and BMX Bicycling (+8.3% YoY). Other notable growers for our coverage universe in 2022 were Scuba Diving (+7.3%), Climbing/Bouldering (+6.6%) and Road/Mountain Biking (+6.5%). Categories that experienced declines in 2022 were trap and skeet shooting, overnight backpacking, road running and adventure racing. Those categories combined lost 3.1M participants in 2022 and have experienced year-over-year declines since the 2020 pandemic peak.

Exhibit 2

THE FASTEST GROWING CATEGORIES IN OUTDOOR INCLUDED:



21%

ANNUAL GROWTH IN
SNOWSHOEING



12%

ANNUAL GROWTH IN
CAMPING



8.5%

ANNUAL GROWTH IN
CROSS-COUNTRY SKIING



8.3%

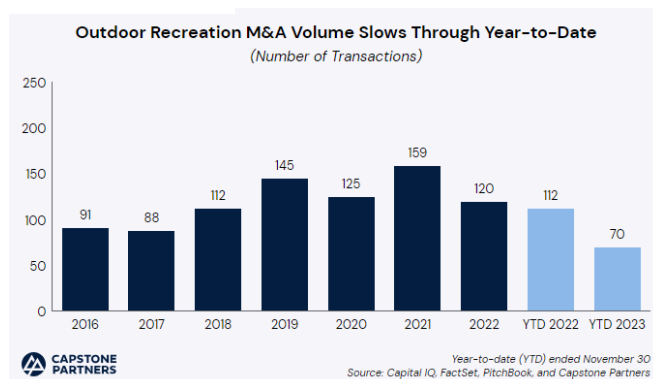
ANNUAL GROWTH IN
BMX BICYCLING

Source: Outdoor Industry Association

Outdoor Recreation M&A

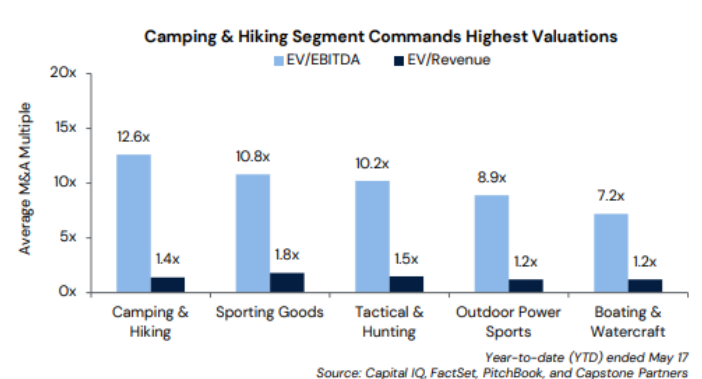
The outdoor recreation industry has seen depressed levels of M&A over the last two years as both strategic and financial buyers had to grapple with the higher interest rate environment and uncertainty surrounding consumer spending habits. According to Capstone Research, there were 70 deals consummated in the outdoor space this year through November 30, 2023 (down from 112 in 2022 during the same time period) (Table 3). Strategic buyers accounted for 84% of the total deals in 2023, as they aimed to take advantage of beaten down valuations as well as synergies. While 2023 started off slower than 2022, some of the biggest deals over the last three years were announced in Q4. Vista Outdoor announced the sale of its ammo portfolio for \$1.9B to The Czechoslovak Group (~5.5x EBITDA), Fox Factory (FOXF) acquired Marucci Sports from Compass Diversified for \$572M (~11x EBITDA), and Colt CZ Group announced the acquisition of Sellier & Bellot Ammunition for \$350M (~4.5x EBITDA). According to Capstone Partners, M&A transaction inventory has been building in the Outdoor Recreation market and many prospective sellers have been waiting for greater economic transparency to launch a sale process. Capstone also forecasts that 2024 will see an M&A market recovery in the Outdoor space and that strategics will likely continue to drive deals.

Exhibit 3



Source: Capstone Research

Exhibit 4



Source: Capstone Research

Table 3

Select Recent Outdoor Leisure M&A

Date	Target	Acquirer	Business Description	EV	EBITDA Multiple	Rev. Multiple
1/11/2024	Sportech	Patrick Industries (PATK)	Power Sports Parts and Accessories	\$315	7.7x	
12/29/2023	Clarus Ammo	JDH Capital	Small-Caliber Ammunition	\$175	6.5x	
12/20/2023	Sellier & Bellot	Colt CZ Group (CZG-PR)	Small-Caliber Ammunition	\$350	4.5x	
11/15/2023	Marucci Sports	Fox Factory (FOXF)	Baseball Equipment	\$572	11.0x	
11/7/2023	Camillus & Cuda Knives	GSM Outdoors	Hunting/Fishing Knives	\$20	8.0x	
10/16/2023	Vista Outdoor Ammo	CSG	Small-Caliber Ammunition	\$1,900	5.5x	
9/5/2023	Fliteboard	Brunswick	eFoiling	\$90		
4/6/2023	Euerka! Military Tents	Rekord Group	Camping Tents	\$14		
2/22/2023	Moosejaw	Dick's (DKS)	Outdoor Apparel Retailer			
2/16/2023	Precision Shooting	Heritage Outdoor Group	Archery Equipment			
11/24/2022	Fiocchi Munizioni	CSG	Small-Caliber Ammunition		7.2x	
7/28/2022	Simms Fishing Products	Vista Outdoors (VSTO)	Manufactures Fishing Products	\$193	13.5x	1.8x
7/6/2022	Fox Racing	Vista Outdoors (VSTO)	Racing/Biking Equipment	\$590	10.7x	1.7x
3/10/2022	Grilla Grills	American Outdoor (AOUT)	Manufactures Grills	\$27		
3/8/2022	Taxa Outdoors	L Catterton	Manufactures Campers & Travel Trailers			
3/7/2022	Sun Mountain Sports	Solace Capital Partners	Golf Accessories			
2/14/2022	SIK Golf	LA Golf Partners	Manufactures Golf Putters			
1/24/2022	Cascadia Vehicle Tents	Gathr Outdoors	Manufactures Vehicle Tents			
1/24/2022	Accell Group	KKR	Manufactures Bicycle Parts and Accessories	\$2,007	13.6x	
1/19/2022	Bote, LLC	Seawall Capital (Kent Outdoors)	Manufactures Paddle Boards, Kayaks			
1/19/2022	Kona, USA	Seawall Capital (Kent Outdoors)	Manufactures Bikes			
1/6/2022	Western Power Sports	Arrowhead Engineered	Power Sports Parts and Accessories			
12/28/2021	Stone Glacier	Vista Outdoors (VSTO)	Manufactures Mountaineering Equipment			
11/29/2021	Osprey Packs	Helen of Troy (HELE)	Manufactures Backpacking/Hiking Products			
10/11/2021	Dorel Sports	Pon Holdings	Manufactures Bicycles, Parts & Accessories	\$810	11.5x	0.7x
9/17/2021	Igloo Products	Dometic (DOM)	Manufacturers Coolers and Outdoor products	\$900	22.0x	2.2x
9/10/2021	Foresight Sports	Vista Outdoors (VSTO)	Manufactures Golf Equipment/Technology	\$499	10.0x	5.0x
9/2/2021	Oru Kayak	Solo Brands (DTC)	Manufacturers Kayaks	\$25		
7/20/2021	Barletta Boats	Winnebago Industries (WGO)	Manufactures Pontoon Boats	\$330	12.7x	
6/25/2021	Bestway Global	Great Success Enterprise Holdings	Manufactures Water Leisure Products	\$132		

Average EBITDA Multiple	10.3x
Average Revenue Multiple	2.3x

Source: Gabelli Funds, Public Data

The State of Outdoor Retailers – Waiting for the “Great Restocking” (Relevant Stocks: ASO, BGFV, DKS & SPWH)

Currently, both vendors and retailers anticipate that Q4 2023 will witness the clearance of old and often distressed inventory in an intensely promotional environment. Quarter after quarter since early 2023, outdoor companies have consistently expressed expectations of imminent restocking (i.e., within one or two quarters). However, each time, our optimism has been met with disappointment after quarterly results, with management teams indicating delays in restocking beyond the initially projected timelines. It seems we are now positioned where restocking is imperative after the disposal of remaining distressed inventory during the holiday season. Moreover, the comps should become more favorable in 2024 compared to 2023. The previous year saw many retailers and vendors grappling with weakened financial results due to economic challenges and adverse weather conditions that either pushed back or virtually canceled some outdoor activities (e.g., spring fishing in the west). We believe the upcoming spring fishing season will serve as a crucial indicator this year, shedding light on the potential speed and extent of restocking (via year-over-year comps and highlighting demand trends). Additionally, Q4 earnings for retailers are expected to provide a more precise overview of inventory levels across the industry. We anticipate a more accelerated decline in inventory, contrasting with the pace observed in the past few quarters.

Exhibit 5 Average Outdoor Retailer Inventory Levels \$, m (ASO, BGFV, DKS, SPWH)

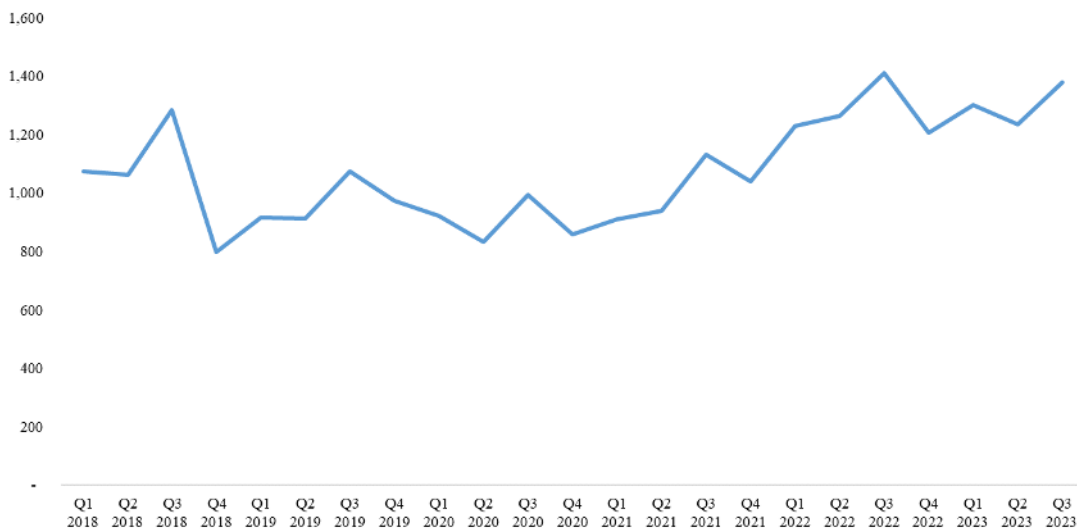
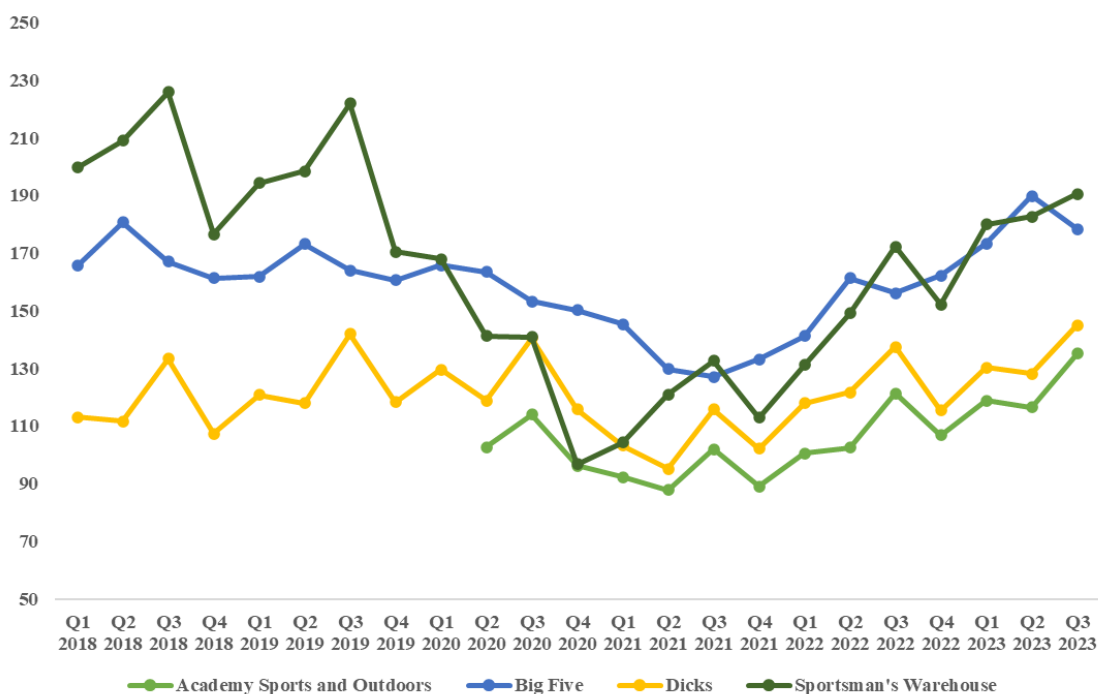


Exhibit 6 Sporting Retailers Avg. Days Inventory on Hand (Q1'18 - Q3'23)



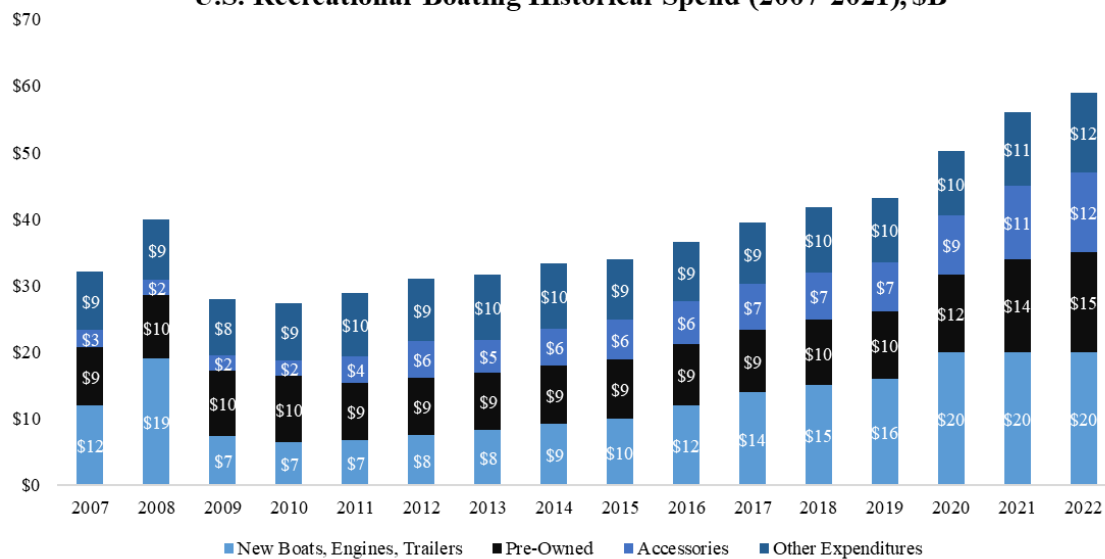
Source: Company Data

Recreational Boating Industry (Relevant Stocks: BC, HZO, MBUU, MCFT, MPX, ONEW, PATK, PII & WGO)

The U.S. Recreational Boating Industry saw record demand in 2020 and 2021 due to the pandemic. The industry began to see a correction in 2022 with overall new boat unit sales declining ~13% YoY. Specific sub-categories saw larger declines such as traditional powerboat sales down 13.5% YoY and jet boat unit sales down 39.4% YoY. In terms of total spend, consumers spent about \$59B on recreational boating in 2022 across New/Used Boats, Engines, Trailers and accessories (up from \$56B in 2021). The industry will likely see its worst year in a decade in terms of overall unit sales (across new & used units) in the powerboat segment as higher interest rates hit consumers' wallets (-8% YoY). For context, according to Brunswick (BC), loan rates have nearly doubled since early 2020 to around ~9% today taking a typical monthly payment on a 20-foot fiberglass boat (+ motor/trailer package) from around \$400 to about \$700. For our coverage universe, we tend to track new powerboat units more closely than total boat unit sales (as the public OEMs are the leaders in this category). New powerboat unit sales should end 2023 virtually flat YoY, as the OEMs hit the tail end of their backlogs. We saw some OEMs in Q3'23 take large hits to their top-lines such as Marine Products (MPX), who saw a 22% decrease in sales YoY. We believe we have likely hit a new baseline in terms of boat demand, but 2024 could see slightly higher demand as interest rates begin to change.

Exhibit 7

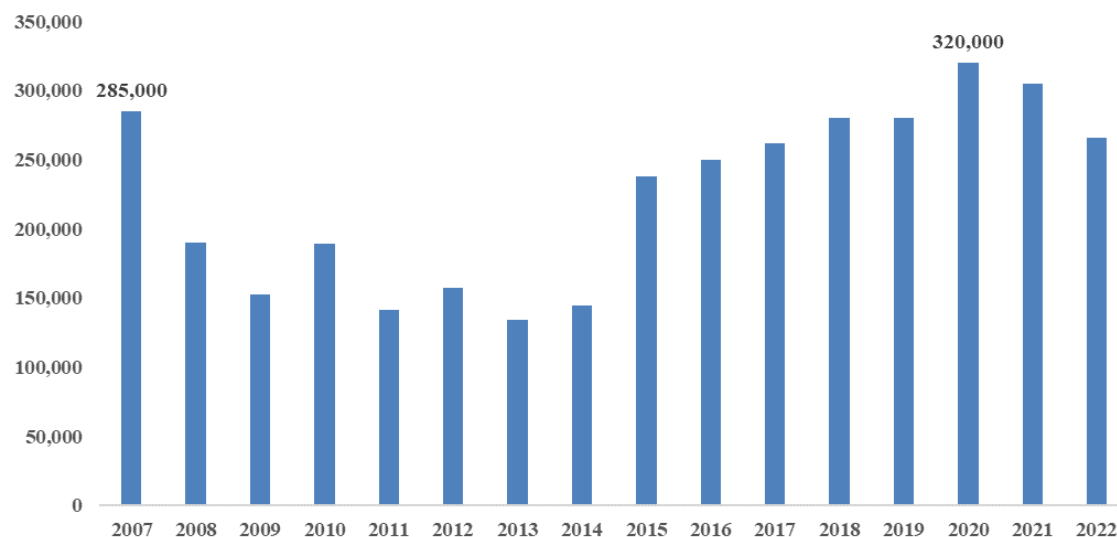
U.S. Recreational Boating Historical Spend (2007-2021), \$B



Source: NMMA

Exhibit 8

New US Recreational Boat Unit Sales (2007-2021)



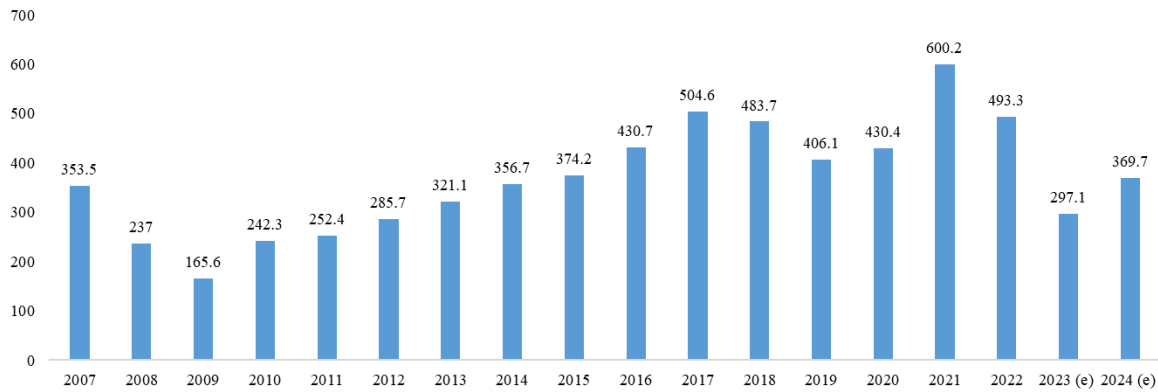
Source: NMMA

Recreational Vehicle (RV) Industry (Relevant Stocks: BC, CWH, LCII, PATK, THO & WGO)

The RV industry was one of the biggest beneficiaries of the pandemic, as thousands of consumers chose to divert travel dollars to RVs in order to do activities with families away from others. Unit sales peaked in 2021 at ~600,000 units, with the highest monthly peak hitting 55,000 in September 2021. Since then, sales for RVs across both Towables and Motorized have slumped significantly. 2022 saw an 18% decline in overall wholesale units, with 2023 expected to finish down 40% YoY (down 51% from 2021). The RVIA and OEMs such as Thor and Winnebago, expect that we have reached the bottom of the market and anticipate growth in 2024. The most recent data from the RVIA shows that in November 2023, overall wholesale shipments were up 4.4% YoY, perhaps giving credence to the view that 2023 is really the bottom. Further evidence of this can be seen when looking at Winnebago's historic dealer inventory levels. At the end of WGO's Q1'24 (11/25/23), the company's dealers had 20,891 total units, down from a peak of 26,621 at the end of 2022 (8/31/22). The dealer destocking that occurred in 2023 and will further occur in 2024 (through promotions), should put the OEMs and their partners in position for growth next year.

Exhibit 9

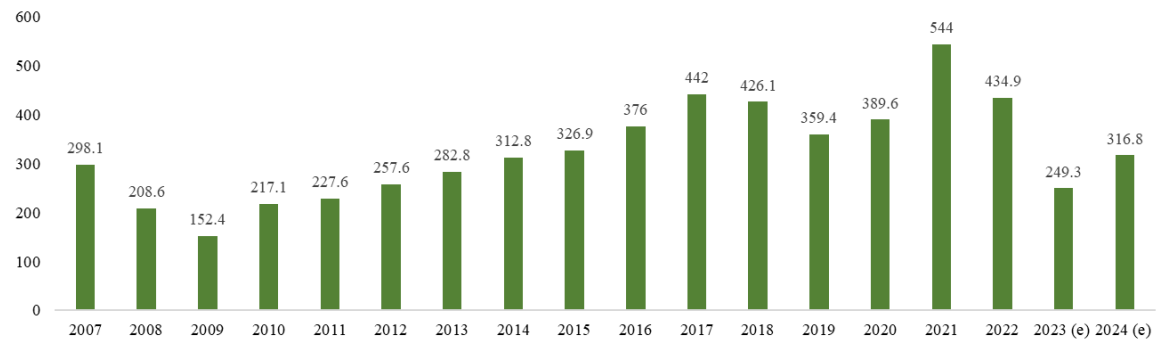
RV Wholesale Market North America (Units 000's)



Source: RVIA

Exhibit 10

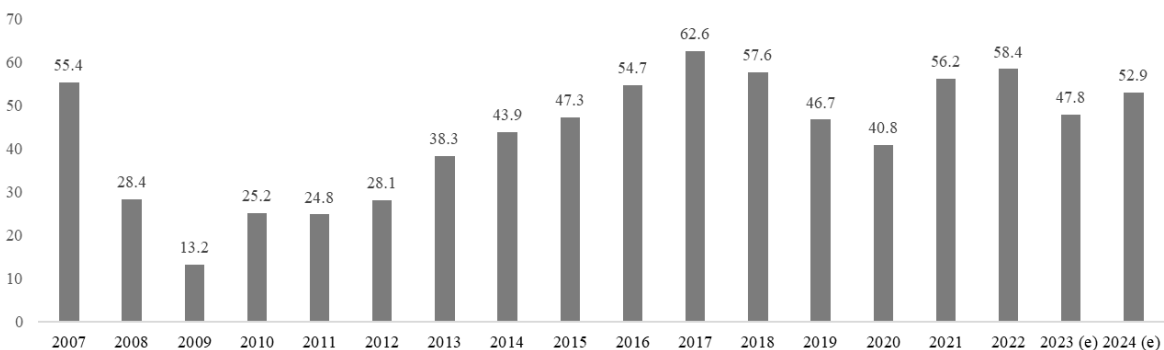
Towable Wholesale Market North America (Units 000's)



Source: RVIA

Exhibit 11

Motorized Wholesale Market North America (Units 000's)



Source: RVIA

Powersports (Relevant Stocks: FOXF, HOG, PATK & PII)

The powersports industry refers to a market segment that includes various recreational and utility vehicles designed for outdoor and off-road activities. The powersports industry encompasses a diverse range of products, and some of the key categories include Motorcycles, All-Terrain Vehicles (ATVs), Utility Taks Vehicles (UTVs), Snowmobiles and Personal Watercraft (such as Jet Skis). The powersports market in the US is around \$37B and was also a significant beneficiary from the pandemic. According to J.D. Power, powersports segments cooled notably in the second half of 2023, which reflected the tougher financing and trade environment. For example, in the motorcycle segment, values for the most recent ten model years of cruisers averaged 6.8% lower in the first ten months of 2023 compared to the same period of 2022. Sport bike values averaged 2.8% lower in 2023 than 2022, while Utility segment vehicles took the biggest hit, with values down 8.3% YoY (first ten months of 2023). J.D. Power also notes that values and the market as a whole are back at 2019 levels (not 2021 peak levels). Polaris continued to call out softness in both recreation and utility demand during its Q3 earnings call. PII also mentioned that the industry was going through a period of elevated promotions, although promotions remain below 2019 levels. The company is seeing strong interest in new vehicles as well as premium products on the ORV side.

Exhibit 12

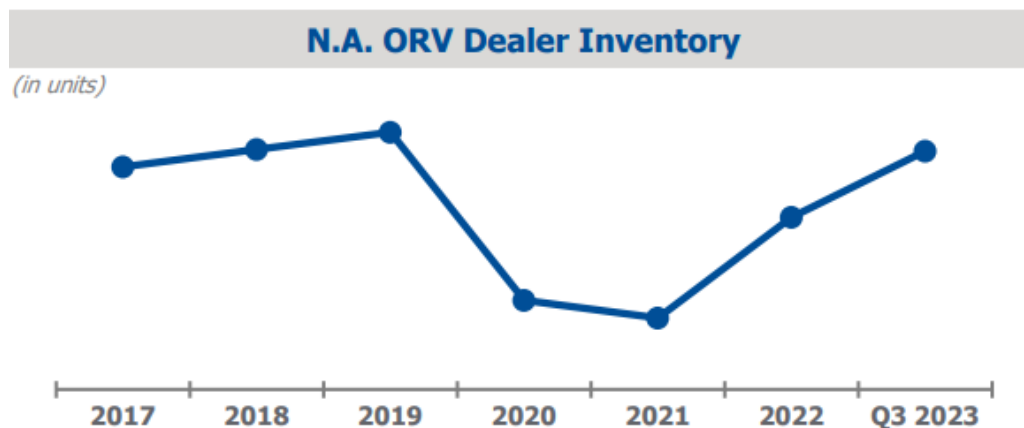
UTILITY SIDE BY SIDES



Source: J.D. Power

As of Q3 2023, dealer inventory was down 10% vs 2019 and up 85% vs 2022 on the ORV side (according to PII). The company believes that dealer inventory remains at target levels and retail should be up in Q4 driven by snow vehicles. The company also mentioned that retail seasonality is returning but will not be reflected in this years comparisons. With inventory levels at target levels, the industry is poised to now align with consumer demand trends (which it was unable to during 2020-2022 due to supply chain issues). The industry also needs to continue to deal with the economic factors impacting consumers but are in a better position to capitalize on a potential rebound.

Exhibit 13



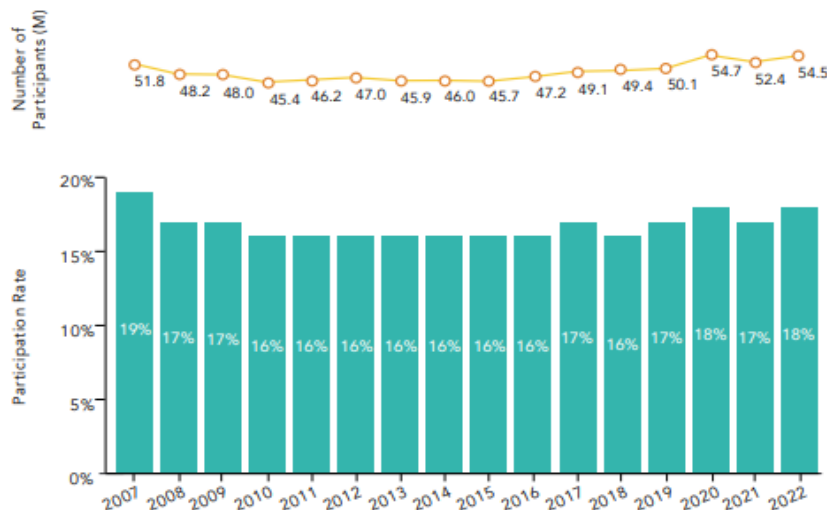
Source: Polaris Industries Investor Deck

Recreational Fishing Industry (Relevant Stocks: ASO, AOUT, BC, DKS, JOUT, MPX, SPWH & VSTO)

Amid the challenges of the COVID-19 pandemic, recreational fishing experienced a significant surge as millions of Americans sought outdoor activities away from crowded spaces. This boom brought in a wave of new and returning anglers, setting the stage for a promising future for the fishing industry. Below we highlight key statistics for the industry according to The Outdoor Foundation and its 2023 Special Report on Fishing.

- **Overall Fishing Participation:** In 2022, 54.5 million Americans aged six and over participated in recreational fishing, which marked a 4% increase from the previous year. The participation rate of 18% was just slightly below the all-time record set in 2020, but it was higher than pre-COVID levels in 2019.

Exhibit 14 Fishing Participation Rates and Number of Participants (2007-2022)



Source: Outdoor Industry Association

- **Frequency of Fishing:** Nearly seven in ten participants fished between 1 to 11 times in 2022, which is less than once a month. However, the number of more frequent anglers, those fishing once per month or more, has gradually declined since tracking began in 2007. In 2022, 17% of anglers fished once a month or more, down from 21% a decade ago.
- **Churn Rate:** The "leaky bucket" analysis shows the annual churn of fishing participants, comparing those joining or rejoining the activity to those quitting. In 2022, there was a net gain of 2.1 million fishing participants, with nearly 14.2 million new or returning anglers and over 12 million participants leaving the sport.
- **Freshwater Fishing:** The most popular category, with nearly 42 million Americans engaging in it in 2022, representing seven in ten total fishing participants. The national participation rate for freshwater fishing rose to 14%, with an average of fifteen outings per angler. Total outings in freshwater fishing increased by 2% to 634 million.
- **Saltwater Fishing:** Experienced a rebound in 2022, with 14.3 million participants, approaching 2020's record of 14.5 million. The numbers also exceeded the pre-COVID levels of 2019, with over 2 million more participants in 2022 compared to a decade ago.
- **Fly Fishing:** Saw a 2% increase in participant numbers and the national participation rate in 2022, recovering from the 4% decline in 2021. There were 100,000 more participants in 2022 than the previous year and 600,000 more than in 2019.

Recreational Fishing Industry Economic Overview

According to the American Sport Fishing Association, recreational fishing generates about \$51B in retail sales each year. Fishing produces \$16B in state and federal tax revenue and overall the industry generates ~\$40B in overall economic output annually. Over 800,000 jobs across the United States are supported by recreational fishing, highlighting its overall importance to the US economy.

Table 4 Economic Contributions by Type of Fishing

(\$, millions)	Freshwater	Saltwater	Great Lakes	All Fishing
Retail Sales	\$34,345	\$14,357	\$2,455	\$51,157
Multiplier Effect (Economic Output)	86,283	36,069	6,168	128,520
Salaries & Wages	26,474	11,067	1,892	39,433
Contribution to GDP	43,284	18,732	3,272	65,288
Taxes (Fed, State & Local)	11,019	4,606	789	16,414

Source: American Sport Fishing Association

Firearm Data - (Relevant Stocks: ASO, AOUT, CLAR, CZG-PR, SPWH & VSTO)

The exhibits below show data on yearly firearm background checks and licensed firearm manufacturing by weapon type. We thought it would be necessary to highlight this data to convey that firearm manufacturing and background checks hit a peak in 2020 (due to the election cycle, social unrest and increased outdoor participation) and have come down each year since (hitting about ~29M checks in 2023). The declining gun sales have led to increased investor concerns about the health of the firearm industry going forward and have resulted in multiple contractions for firearm related companies and has been perhaps the catalyst behind all of the recent ammunition M&A. We anticipate that the firearm market will continue to soften in 2024 as economic headwinds continue to pressure would be firearm purchasers (i.e. inflation & personal income changes). Additionally, as mentioned earlier, with inventories and restocking at the retail level remaining uncertain, manufacturers might hold back production until they get a clearer picture. However, we now have entered an election year which is poised to once again be polarizing. Domestic politics are one of the biggest driving forces behind increased firearm purchases as consumers grapple with potential ramifications on firearms and related restrictions. For example, if consumers feel that more restrictions on firearms will be coming, they tend to buy guns/ammo in anticipation (i.e. pull-forward of demand).

Exhibit 15 Yearly NICS Firearm Background Checks (1999-2023)

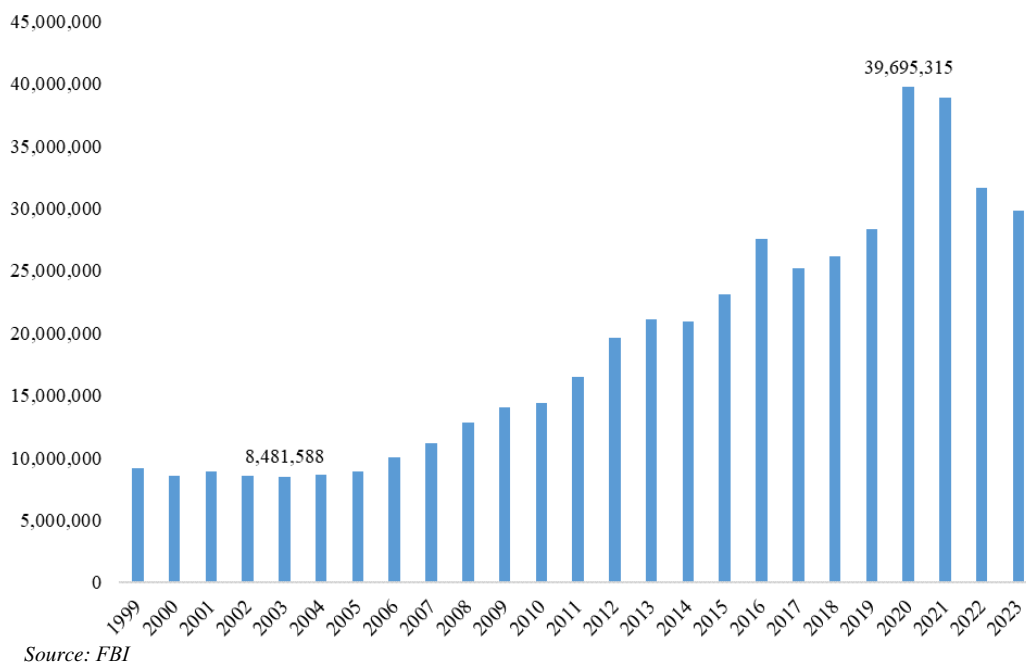
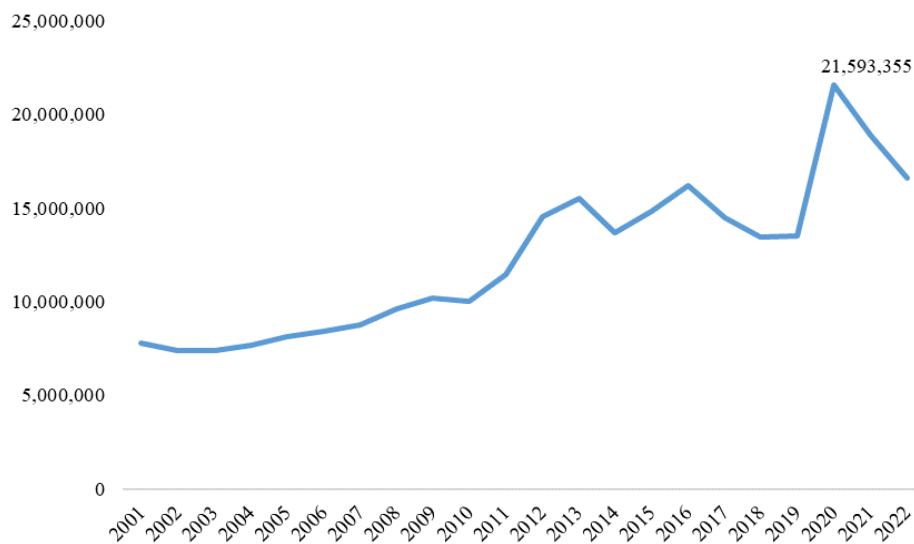


Exhibit 16 Estimated Number of Guns Sold in the US (2000-2022)



“The Ammo War” - (Relevant Stocks: ASO, CLAR, CZG-PR SPWH & VSTO)

The flurry of ammo asset sales that have continued through Q4 2023 have resulted in what we are coining as the “ammo war.” The war has seen both strategics and financial buyers fighting for the few prestigious ammo companies (on both the public and private markets) to take advantage of the expected NATO restocking over the next ten years, as well as the gunpowder shortage (and the election in the US this year). On December 7, 2023, Vista Outdoor (VSTO) told Newsweek that ammo prices were set to rise substantially starting on January 1 due to the world-wide gunpowder shortage. The shortage can be attributable to the geopolitical conflicts around the world that have led to a surge in small-caliber ammo demand. VSTO raised prices for its ammo brands, Federal & Remington between 1-7% depending on the bullet size and brand.

Within the last two quarters of 2023, we saw three major ammunition deals announced (CSG/VSTO, Colt/Sellier & Bellot, JDH/CLAR). When looking back to 2022, we also saw one of the major ammo manufacturers, Fiocchi, sell a 70% stake to The Czechoslovak Group (CSG). Within the last two years, we have seen four out of the seven major ammo manufacturers get acquired or are under pending acquisition agreements. The remaining players that have yet to see recent offers are Winchester (owned by Olin Corp.), Hornady (Private) & PMC (owned by South Korean Poongsan Corp.).

Table 5 **Select Recent Small-Caliber Ammo M&A**

<u>Date</u>	<u>Target</u>	<u>Acquirer</u>	<u>Business Description</u>	<u>EV</u>	<u>EBITDA Multiple</u>
12/29/2023	Clarus Ammo	JDH Capital	Small-Caliber Ammunition	\$175	6.5x
12/20/2023	Sellier & Bellot	Colt CZ Group (CZG-PR)	Small-Caliber Ammunition	\$350	4.5x
10/16/2023	Vista Outdoor Ammo	CSG	Small-Caliber Ammunition	\$1,900	5.5x
11/24/2022	Fiocchi Munizioni	CSG	Small-Caliber Ammunition		7.2x

Average EBITDA Multiple	5.9x
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Source: Gabelli Funds, Public Data

Exhibit 17

Competitive Landscape

ammo
INCORPORATED

Competition	Positioning
	• Ammo division stock split from outdoor group – Strong Performer but heavy overhead with cost of Remington
	• Predatory Pricing, consistently lowest price on market with PMC
	• Market Leader on 223/5.56 with offset cost from LC
	• High Quality, Seen as market leader for innovation
	• Strong Shotgun sales, declining Centerfire market sales
	• Predatory Pricing. Low price leader with S&B
	• Premium Bullet Manufacturer making its way into Ammo

Further Gabelli Notes
Owned by VSTO, Pending Acquisition by The Czech Group for \$1.91B
Pending Acquisition by Colt CZ for \$350M
Owned by Olin Corp.
Private US Company owned by Hornady Family
Majority (70%) Acquired by The Czech Group in 2022 for “high hundreds of millions of \$”
Owned by South Korean Company Poongsan Corp.
Owned by Clarus Corp. Pending Acquisition by JDH Capital for \$175M

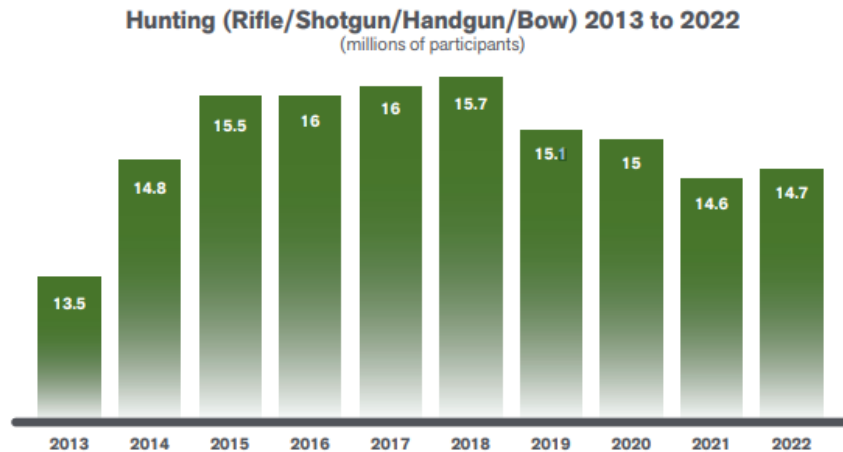
Source: Ammo Inc.

The main culprits behind recent ammo M&A have been The Czechoslovak Group (CSG) and Colt CZ Group. CSG started its ammo portfolio accumulation with the 70% acquisition of Fiocchi in 2022. Fiocchi is the third most critical manufacturer of small-caliber ammunition in the world. The company then made the announcement that it would be acquiring Vista Outdoor’s ammunition business for \$1.91B on October 16, 2023. VSTO owns Federal and Remington ammunition and is the most critical small-caliber ammunition manufacturer in the world. Colt CZ (CZR-PR) made its entry into the small-caliber ammunition industry with its 100% acquisition of swissAA Holding, a Swiss producer of top-quality small-caliber ammunition. On November 22, Colt CZ announced that it had made an unsolicited offer to acquire Vista Outdoor (VSTO) for a deal that would value VSTO’s equity at \$1.74B (\$30/share), in order to take control of the ammunition business. VSTO has since then declined the transaction and has chosen to stick with the CSG offer. It is still unknown whether or not Colt will come back and try to buy VSTO or the ammo business once again, but in the meantime Colt announced on December 19, 2023 that it had agreed to acquire Sellier & Bellot, a small-caliber ammo manufacturer for \$350M. Time will tell what will happen with VSTO’s ammo business or whether or not another ammo business comes into the cross-hairs. What we know is that both Czech companies seem to want to expand their small-caliber offerings and manufacturing capabilities to take advantage of current geo-political dynamics given both are key arms dealers. Each are looking for companies with current or previous experience with military ammo manufacturing.

Hunting - (Relevant Stocks: ASO, AOUT, CLAR, CZG-PR, SPWH & VSTO)

According to the Outdoor Industry Association, around 14.7M Americans hunted at least one time with a bow or a firearm. Participation increased 1% YoY in 2022 from 2021, due to increases in bowhunting and handgun hunting. Other measures that are used to gauge the health of the hunting industry in 2022 were more mixed. Hunting license sales fell 3.2% in 2022, bringing license sales down below pre-pandemic levels. As mentioned earlier, firearm sales peaked in 2020 at about 21.5M firearms sold, and sales have been declining ever since. It is important to note that most firearms are purchased for self-defense, so overall firearm sales metrics do not paint a full picture of the health of hunting. According to Pew Research, ~38% of American gun owners plan to use firearms for hunting purposes. Hunters are large consumers of outdoor/gear apparel, with around 73% hunters purchasing gear/equipment in 2022. Additionally, according to the Outdoor Industry Association, around two-thirds of firearm hunters were introduced to the sport before the age of eighteen, making many hunters lifelong participants (like fishing).

Exhibit 18



Source: Outdoor Industry Association

The U.S. Fish & Wildlife Service released its National Survey of Fishing, Hunting and Wildlife-Associated Recreation on October 13, 2023. This survey is released every five years (since 1955) and reports results from interviews with US residents about these specific activities. The aim of the survey is to provide participation, expenditure, and activity day estimates of US outdoor recreation. The full report can be found on the Fish and Wildlife website, but below we provide a snapshot of important statistics from the report on hunting. In 2022, \$45.2B were spent by hunters on related gear, equating to around an average of \$3,146 spent per hunter. Hunters over sixteen years of age, went on an average of eleven trips and spent ~\$857 per trip on related expenses. 11.5M are big game hunters, 5.3M are small game and 2.8M are migratory bird hunters.

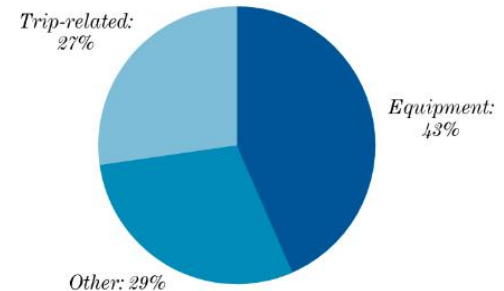
Exhibit 19



Source: U.S. Fish & Wildlife Service

Total Hunting Expenditures

Total expenditures: \$45.2 billion



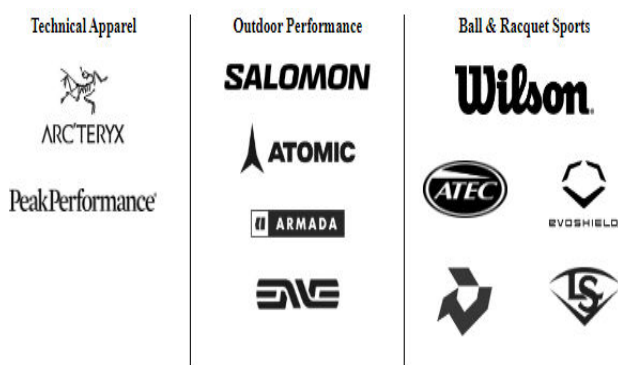
Source: U.S. Fish & Wildlife Service

The Big IPO – Amer Sports Inc.

On January 4, 2024, Amer Sports Inc. filed its initial public offering documents (F-1) with plans to trade on the New York Stock Exchange under the symbol AS. Amer Sports is a global group of sports and outdoor brands including Arc'teryx (Outdoor Equipment), Salomon (Ski Equipment), Wilson (Tennis/Basketball), Atomic (Skis) and Peak Performance (Ski & Golf Casual Wear). The company is going public (timing unknown) with 21 underwriters including Goldman, BoFA, JP Morgan and Morgan Stanley. Reports state that the company is looking for a valuation of \$10B, based on 2022 financials of \$3.5B in revenue and \$453M of Adjusted EBITDA. For simplicity, assuming the company reached \$500M of Adj. EBITDA in 2023, that would put the valuation at a theoretical 20x. Not only is this deal going to be on a large scale (based on the number of underwriters), but it will be extremely expensive when compared against the current public market players in the outdoor/sports verticals (they trade at anywhere from 4x-12x EIBTDA). While it is true that Amer has some iconic sports brands (such as Wilson), and those tend to trade at higher multiples (i.e. Nike @ ~20x EBITDA), over one-third of the company's revenue and about one-third of its profit come from its outdoor related business (note this is solely from its segment breakdown, outdoor related revenue also comes from Technical Apparel but we do not know how much yet). It is too early to judge potential investor appetite and hype for this IPO, but if it is a resounding success, it may lead to investors looking for alternatives in the space if the valuation is too rich in their opinion. All in all, this IPO should be good for the overall outdoor industry and should bring the spotlight to an industry filled with potential deep value plays.

Exhibit 20

Amer Sports Inc. Portfolio



Source: Amer Sports F-1 Filing

Table 6

Amer Sports Inc. Segments

Segment Revenue

	For the Nine Months Ended September 30,	
	2023	2022
(\$ in millions)		
Technical Apparel	\$1,042.7	\$ 658.8
Outdoor Performance	1,144.4	902.8
Ball & Racquet Sports	866.3	788.5
Total	\$3,053.4	\$2,350.1

Segment Adjusted Operating Profit ⁽¹⁾

	For the Nine Months Ended September 30,	
	2023	2022
(\$ in millions)		
Technical Apparel ⁽²⁾	\$186.0	\$71.3
Outdoor Performance ⁽³⁾	103.2	46.9
Ball & Racquet Sports ⁽⁴⁾	55.6	64.2

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This whitepaper was prepared by Alec Boccanfuso. The examples cited herein are based on public information and we make no representations regarding their accuracy or usefulness as precedent. The Research Analyst's views are subject to change at any time based on market and other conditions. The information in this report represent the opinions of the individual Research Analyst's as of the date hereof and is not intended to be a forecast of future events, a guarantee of future results, or investments advice. The views expressed may differ from other Research Analyst or of the Firm as a whole.

As of September 30, 2023, affiliates of GAMCO Investors, Inc. beneficially owned 3.90% of American Outdoor, 3.25% of Marine Products, 1.44% of Johnson Outdoor, 1.12% of Big 5 Sporting Goods and less than 1% of all other companies mentioned.

This whitepaper is not an offer to sell any security nor is it a solicitation of an offer to buy any security. Investors should consider the investment objectives, risks, sales charges and expense of the fund carefully before investing.

For more information, visit our website at: www.gabelli.com or call: 800-GABELLI

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