NMEA International Conference and Expo

Annual Dinner

October 2, 2010 Seattle, WA

National Marine Electronics Association
Today’s Review Includes:

• Where We’ve Been--2009 Industry Results
• Where We’re Headed--2010 Outlook
• Growing Boating
Recreational Boats Owned

Millions of Boats

State Registered Boats  USCG Documented Vessels  Non-Registered Boats
Number of Adult Boating Participants
18+ Years Old

No. of Adults Boating

% of 18+ Who Went Boating

Millions of Participants

Percent of 18+ year olds who went boating
Where We’ve Been
Total Retail Expenditures
2001 to 2009
(in Billions of Dollars)
## Retail Expenditures

<table>
<thead>
<tr>
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<th>2009</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>(billions)</td>
</tr>
<tr>
<td>New Boats</td>
<td>$6.85</td>
</tr>
<tr>
<td>New Motors</td>
<td>$1.66</td>
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<tr>
<td>New Trailers</td>
<td>$0.09</td>
</tr>
<tr>
<td>Pre-owned Boats/Motors</td>
<td>$11.5</td>
</tr>
<tr>
<td>Aftermarket Accessories</td>
<td>$2.31</td>
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<tr>
<td>Other (Finance Charges,</td>
<td></td>
</tr>
<tr>
<td>Insurance, Maintenance/Repair,</td>
<td></td>
</tr>
<tr>
<td>Storage, Fuel)</td>
<td>$8.46</td>
</tr>
<tr>
<td>Total</td>
<td>$30.82</td>
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Where Have All The Boat Buyers Gone?
Percent New Boat Sales to Pre-owned 2001 to 2009

- 2001: 28% New Boats, 72% Pre-Owned
- 2002: 27% New Boats, 73% Pre-Owned
- 2003: 28% New Boats, 72% Pre-Owned
- 2004: 29% New Boats, 71% Pre-Owned
- 2005: 29% New Boats, 71% Pre-Owned
- 2006: 28% New Boats, 72% Pre-Owned
- 2007: 27% New Boats, 73% Pre-Owned
- 2008: 24% New Boats, 77% Pre-Owned
- 2009: 18% New Boats, 82% Pre-Owned

Legend:
- Green: Pre-Owned
- Red: New Boats
New Traditional Powerboat Sales vs. Pre-owned
2001 to 2009
So What’s Happening

• Boating remains big business – $30 billion
• Sales are down but industry still alive
• While sales still falling, the rate of decline is slowing
• Business Good for those Serving the Existing Boater
Industry Retail Powerboat History
(1965 - 2010E)
Total Retail Powerboats

1969 - 1991
Average 400,000

1992 - 2004
Average 311,000

2010E
130,500
Based on data from Info-Link and Statistical Surveys through June 2010, unit sales of traditional powerboats at the retail level on a rolling 12-month basis will down 15%.
Comparison of Consumer Confidence to Wholesale Boat Shipments as of July 27, 2010
Traditional Powerboat Retail Sales Compared to Recreational Vehicle Sales
Where Are We Going?
Is Economic Growth Sustainable in 2010 and 2011?

The State of the Economy

Percent Change (SAAR)


Level (1997.4=100)

Source: U.S. Department of Commerce
Is Growth Sustainable in 2010 and 2011?

- **REASON #1**: Improving confidence on TTM basis = lower personal saving rate = more spending
- **REASON #2**: Production increases associated with reversing the HUGE drawdown of inventory
- **REASON #3**: Turnarounds in 3 key sectors
- **REASON #4**: Exports rising with a world recovery and a competitive dollar
- **REASON #5**: More fiscal stimulus plan spending in 2010 and 2011
CONSUMER SPENDING BACK ON TRACK

Real Personal Consumption Expenditures on Goods and Services

PERCENT CHANGE FROM PRECEDING PERIOD

source: Bureau of Economic Analysis
Consumer Spending: Total and Boats

Source: Bureau of Economic Analysis

- Spending: Pleasure Boats (Mil.$)
- Total Consumer Spending (Bil. $)

R = Recession

Source: Bureau of Economic Analysis
Boating Outlook

• Traditional 2010 boat sales anticipated to be up 50-60% at wholesale and down 15% at retail.
• Inventories well under control by end of 2010
• Aftermarket remains strong due to large installed base
• New boats will cost more as engine emission requirements get tougher
  – Catalytic Converters
  – Evaporative Emission Systems (carbon canisters, non-permeable hoses, etc.)
• Increasing Cost of New Boats Dampens Demand
2011 Forecast

- US Recession Has Ended
- The Worst for Boating is Behind Us
- Boating Recovery In US Coming in 2011
- Sales of Boats Under 30 feet stronger than over 30 feet
- Outboard Engine Wholesale Shipments
  - Units up 32% and $$ up 59% in first half 2010
Forecast Cont’d

• Momentum Has Shifted Upward
• Consumer Spending Up Nine Months
  – Boating will get its share
From *Time Magazine*:

"...The slump is the longest, if not the deepest, since the Great Depression. Traumatized by layoffs ... U.S. consumers have fallen into their deepest funk in years.

U.S. consumers seem suddenly disillusioned with the American Dream of rising prosperity.

"I'm worried if my kids can earn a decent living and buy a house," says...

"I wonder if this will be the first generation that didn't do better than their parents. There's a genuine feeling that the country has gotten way off track, and neither political party has any answers. Americans don't see any solutions."

The deeper tremors emanate from the kind of change that occurs only once every few decades. America is going through a historic transition from the heedless borrow-and-spend society of the 1980s to one that stresses savings and investment.

Source: FRB/Chi. Auto Conference.
How Are We Preparing for the Future?
Discover Boating Summary

• The target audience (first time boaters) is being reached
  • 73% of DVD recipients have no prior boating history

• To date, total number of boats sold is 19,267

• Of the people who were sent the DB DVD, to date 17.6% have purchased a boat

• Results were achieved during a time of unprecedented headwinds
What they bought

DB Converters and Total Market by Vessel Size
What they bought

DB Converters and Total Market by Buyer Type

- NEW:
  - DB Converters: 31%
  - Total Market: 27%

- PRE-OWNED:
  - DB Converters: 73%
  - Total Market: 69%
Summary

• Large Installed Base
• Buyers Still Out There
• Value End of the Market Growing
• Economic Momentum
• Boating Near Turn to Recovery
• Opportunity Abounds
Thank You!