eCOMMERCE EVOLVED:
WHAT LEADING EXECUTIVES ARE SAYING ABOUT THE SHIFT TO DIGITAL
Consumers are increasingly going digital with online shopping a permanent shift accelerated by the COVID-19 pandemic. The Automotive Aftermarket industry is participating in this shift and proving its resilience, as auto enthusiasts “rev” their passion online with the eCommerce channel experiencing rapid growth.

**U.S. eCOMMERCE TRAJECTORY ON FAST-TRACK**

eMarketer has signaled the COVID-19 pandemic as the most disruptive event to the retail sector in decades, with eCommerce continuing to gain an ever-increasing share of consumer spending. Nationwide lockdowns, brick-and-mortar closures, and a growing digital influence have led to a channel shift that is predicted to outlive the pandemic, leading brands to ramp eCommerce investments in an effort to capture growth. In its third quarter forecast, eMarketer revised estimates for U.S. eCommerce sales, projecting a 32.4 percent increase to $794.5 billion in 2020, or 14.5 percent of total U.S. retail sales—up substantially from a second quarter forecast of 18 percent growth. Online sales reached a level not previously expected until 2022, reports eMarketer. eCommerce penetration is projected to reach 19.2 percent of all retail sales by 2024. “There will be some lasting impacts from the pandemic that will fundamentally change how people shop,” said Cindy Liu, eMarketer senior forecasting analyst at Insider Intelligence. “...Many consumers have either shopped online for the first time or shopped in new categories...Both the increase in new users and frequency of purchasing will have a lasting impact on retail.”

**US RETAIL ECOMMERCE SALES**

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail eCommerce Sales ($ in billions)</th>
<th>% Change</th>
<th>% of Total Retail Sales</th>
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</thead>
<tbody>
<tr>
<td>2018</td>
<td>$524</td>
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<td>9.9%</td>
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<tr>
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<tr>
<td>2024</td>
<td>$1,205</td>
<td>12.3%</td>
<td>19.2%</td>
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Source: eMarketer
The Auto Parts & Accessories market is seeing continued robust gains online, fast-tracked by COVID, with eCommerce sales projected to increase from $16 billion in 2020 to more than $22 billion by 2023, according to a Hedges & Company forecast. Hedges & Company (Hedges) is a market research firm dedicated to serving the Automotive Aftermarket industry. To learn more about Hedges, see Page 24 of the Insider or visit hedgescompany.com. Hedges revised its forecast to reflect what it calls a “fundamental shift” in consumer buying behavior during the pandemic, shifting $1.9 billion of incremental revenue to the eCommerce channel in 2020. This represents a 30 percent gain over 2019. The North American auto parts eCommerce market was estimated to reach $20.6 billion in 2020.

The eCommerce portion of the Automotive Aftermarket demonstrates recession resistance, according to Hedges & Company, as more and more shoppers choose online as their preferred method of purchase. Online shopping has increased dramatically in terms of both business-to-business (B2B) and direct-to-consumer (DTC) and includes purchases from both OEM and independent aftermarket suppliers.

While the 2021 annual sales forecast is still being finalized, Hedges is estimating that eCommerce growth in 2020 will likely be closer to 50 percent, beating the revised July forecast of 30 percent. While still a small percentage of overall aftermarket sales, eCommerce represents a significant area of future growth given the stickiness of channel sales, with the COVID pandemic an accelerator.

The COVID surge that began last May has shown little signs of slowing. This transformational shift will carry into 2021, according to Hedges, which predicts that by March, 35 to 50 percent more consumers will be buying auto parts and accessories online. In an analysis of nearly 100 million website visits, Hedges revealed a 50 percent average year-over-year increase in monthly online sales since April 2020, which compares to 14 percent pre-COVID.
AFTERMARKET ECOMMERCE CATEGORY SALES
YEAR-OVER-YEAR SALES INCREASE

ALL SALES

Source: Hedges & Company

AUTOMOTIVE

Source: Hedges & Company

TRUCK

Source: Hedges & Company

OEM

Source: Hedges & Company

PERFORMANCE & RACING

Source: Hedges & Company

POWERSPORTS

Source: Hedges & Company

50% AVERAGE YoY INCREASE SINCE APRIL 2020

53% AVERAGE YoY INCREASE SINCE APRIL 2020

53% AVERAGE YoY INCREASE SINCE APRIL 2020

32% AVERAGE YoY INCREASE SINCE APRIL 2020

62% AVERAGE YoY INCREASE SINCE APRIL 2020

66% AVERAGE YoY INCREASE SINCE APRIL 2020

Source: Hedges & Company
Participants in AAPEX’s virtual roundtable in November 2020 conveyed optimism about the growth outlook for the industry. Keynote messages resonate themes of resilience despite unprecedented challenges and a silver lining of a booming eCommerce channel. Industry executives point to a number of macro indicators which support a V-shaped recovery, notably a quick rebound since April 2020 in the production of vehicles and parts and a return to pre-pandemic levels. Panel participants also cited the global structural shift from public transportation to personal driving and a steady recovery in miles driven among the key performance drivers.

According to an IHS Markit forecast, the Auto Aftermarket industry is expected to see a contraction in 2020, with revenue declining 8.8% to $281 billion. In 2021, industry revenue is projected to grow 11.7% to $314 billion and increasing to $341 billion by 2023.

- The broader Enthusiast market fared better during the pandemic than many other consumer-facing segments as product demand is more resilient to economic changes. Enthusiast consumers in the automotive aftermarket purchase products across all segments including the following areas: tire, battery, brake parts, filters, body parts, lighting and electronic components, wheels, and exhaust components. These items are sold by both OEM and aftermarket suppliers through the DIY (Do It Yourself) and DIFM (Do It For Me) channels. The DIY segment is expected to experience the greatest growth over the near-term as more consumers choose to complete simpler tasks on their own during the pandemic.

- According to an Auto Care Association survey “E-tailing in the Automotive Aftermarket,” DIY and DIFM consumers differ in their buying behavior. Purchases in the DIY segment tend to include parts such as filters, glass, and lighting products, as well as electrical products that are less technical and easier to install. The DIFM sees a greater volume of purchases involving complex parts such as emission system components and computers. Additionally, survey findings revealed that DIFM purchasers are more likely to be millennials, who are generally more tech-savvy and are choosing to upgrade and personalise their vehicles.

Industry growth is driven primarily by both the non-discretionary need for replacement parts and the enthusiast consumer base’s desire to enhance vehicle performance in terms of exhaust sound, speed, appearance, and other factors:

- An aging car fleet is contributing to increased maintenance and repairs. Consumers are opting to hold onto vehicles versus buy new in the current COVID-19 impacted economic climate, spurring demand in the aftermarket channel. In a July release, research firm IHS Markit reported that the average age of light vehicles in operation in the U.S. reached 11.9 years. Todd Campau, associate director of Aftermarket Solutions at IHS Markit, was cited, saying “The COVID-19 pandemic has created the perfect storm to accelerate U.S. light vehicle average age in coming years. This should be a positive side effect for the aftermarket, as the majority of repairs for older vehicles come through the aftermarket channel.”
Commerce is in its early stages within the Automotive Aftermarket, an industry for which resilient demand, an entrenched enthusiast consumer base, and industry fragmentation are among key themes attracting increased investment.

In our exclusive roundtable, we polled industry executives to share insights on eCommerce channel expansion and how growing competition and the impacts of COVID, tariffs, and supply chain disruption are affecting the industry. Participants offer unique perspectives from businesses with diverse origins as digitally native brands and deeper histories in DTC eCommerce to those newer to the channel.

The universal message is that DTC eCommerce is seeing rapid growth, and the online purchasing shift is here to stay. Companies that keep ahead of consumer shopping trends and continue to invest in digital capabilities and product and service differentiation will be winners.

**DIRECT-TO-CONSUMER ECOMMERCE: WHAT INDUSTRY LEADERS ARE SAYING**

“"The expansion into DTC has been positive, but we are doing it while supporting our brick-and-mortar customers, which are critical because we want the ability to market to both the DIY and DIFM customers through our other channels.”

Scott Forst
CEO, AAMP Global

“I believe the way the market is today, and will continue to be, is having DTC capabilities is a price of entry. Whether you are a manufacturer or an importer or a distributor, if you don’t have a B2C presence, you are in for challenging times, COVID or not. COVID accelerated the channel shift.”

Ray Fundora
CEO, Daystar Products International

“As consumer buying preferences have changed over time to more of a direct model, manufacturers have to move in that direction. Those that aren’t willing to do that have lost share. Those that are willing to follow the consumer to deliver what they want in the manner that they want it have and will continue to gain brand value and share.”

Jeff King
CEO, Engineered Performance Technologies

“We anticipate that the consumer changes of 2020 will have a lasting impact. To the extent that we accelerated the migration to digital shopping, that growth is here to stay. When consumers migrate to faster, more efficient, and more user-friendly shopping methods, they don’t tend to go back. It seems certain to me that the migration to eComm is a one-way road.”

Rich Spratt
CEO, Motis Brands
When did you shift to a DTC / eCommerce business model, and how long have you operated this way?

**SCOTT FORST:** DTC eCommerce is newer for us, but it is more of an expansion than a shift. Our core focus in the past has been the independent brick-and-mortar installer, and that focus will always be a priority. We have worked hard to implement strong MAP policies to protect our brick-and-mortar partners knowing we will support eCommerce initiatives including DTC. Over the last year, we’ve begun selling our products on our own sites.

**RAY FUNDORA:** Dubin Clark acquired the business in 2017. At that time, we marketed our products through B2B and marketplace channels. Through acquisitions, we gained a strong DTC presence.

**JEFF KING:** When you discuss the automotive aftermarket, I believe it is important to understand some key segmentation within the marketplace. There is an enthusiast aftermarket (these are parts used for customization and are want-based purchases) and a traditional aftermarket (these are need-based purchases). The enthusiast market is further segmented between a legacy-focused (1986 and older cars, before electronic controls) and a tuner/late-model (1986 and new vehicles, integration of electronic control systems). The enthusiast market and particularly the tuner/late-model sub-segment has been quicker on the uptake and focus on eCommerce than the traditional side of the market.

At EPT we have companies that are leaders in both segments of the enthusiast market. Our legacy-focused business is our Auto Meter instrumentation business. At Auto Meter we first offered our full line through an eCommerce channel in 2014. It was more of a static catalog than a real consumer-focused website. It has really been in the last four years where we have had a true consumer-focused, high-quality website. Our tuner/late-model focused business provides tuning solutions and performance/customization packages for late model vehicles. Our companies in this segment (COBB Tuning, EcuTek Technologies, and BC-Automotive) are newer companies and have always had DTC/eCommerce as part of their business model.
eCommerce has been part of our model as long as we’ve been invested in this space. Our subsidiary COBB has always had a DTC element. So, depending on the business, we have been participating in the eCommerce space for five to ten years. The size of that channel has grown dramatically – far faster than any of the other channels that we support. Today eCommerce (DTC and B2B) accounts for more than half of our business.

**Q: Do you go to market through other channels?**

**A: RICH SPRATT:** DTC eCommerce is in our DNA. Since our inception we’ve gone to market digitally, and we have stayed true to that model for nearly 20 years.

**A: SCOTT FORST:** Our entire line is sold through either e-tailers, Amazon, or our brick-and-mortar independent install partners.

Given our product line, in the past, we’ve always been behind the scenes. Now with Apple and Android coming into the car and consumers wanting Tesla-style screens, for the first time we have said, we can do the backend and also have the forward-facing product. So, we’re targeting the highest production vehicles (pickup trucks), the highest accessorized vehicles (Wrangler), and then we’re developing a complete solution that is built for that specific vehicle.

**A: JEFF KING:** In our legacy business, we have very broad distribution. We supply national retailers, eCommerce sites, and wholesale distributors. In each case, we have multiple channel partners, as well as our eCommerce. We also support multiple channels in our tuner/late-model businesses but with fewer channel partners, but strong partners in each key segment (Distributor, Reseller, Protuner/Installer).

**A: RICH SPRATT:** Our Race Ramps and Heavy-Duty divisions sell through our owned properties and also through a mix of distributors and eCommerce resellers; the vast majority of our sales have always been eCommerce.

**Q: What have been your biggest learnings in transitioning to a DTC eCommerce model?**

**A: SCOTT FORST:** The content (i.e., install manuals, install videos, lifestyle photos, lifestyle videos, YouTube channel) and service levels (order fulfillment) needed to keep the consumer pleased and to come back and offer a rating of their experience. The reviews and feedback have been positive, but it certainly is a lot of work behind the scenes to keep that end consumer happy with their overall experience.

**A: RAY FUNDORA:** The biggest learning has been the importance of maintaining pricing disciplines throughout the channels. MAP pricing has enabled us to establish proper pricing policies and allow all of our channel partners to make a margin.

I believe the way the market is today, and will continue to be, is having DTC capabilities is a price of entry. Whether you are a manufacturer or an importer or a distributor, if you don’t have a B2C presence, you are in for challenging times, COVID or not. COVID accelerated the channel shift.

**A: JEFF KING:** There are four takeaway items that I think about when I consider what we have learned in our DTC channel growth. One is the importance of channel and distributor selection and how broad you want to be distributed beyond your own eCommerce site. We’ve taken different approaches based on the type of business and how our end user enthusiast wants to shop for our products.

Pricing parity and transparency has been a real learning piece. As the internet has created the ability for people to do instantaneous price shopping, you...
We’ve always aimed to stay on the forefront of digital marketing and shopping trends, and we’ve evolved quite a bit as a result.

**Q** Have you seen benefit versus your competitors that focus on traditional channels to market (particularly as brick-and-mortar retailers were closed during 2020)?

**A SCOTT FORST:** We have seen the COVID impact as sales shifted to either DTC or our e-tail partners as online shopping increased. Our independent installers have performed really well through the pandemic.

**A RAY FUNDORA:** Absolutely. Our market is high-end off-road, light truck, and UTVs; because consumers haven’t been traveling, they still want to get out of the house, so the outdoors has been the alternative. The DTC channel drove our business in the first and second quarters and continues to experience significant growth.

Our B2B business was hit hard during the first and second quarters due to lockdowns and brick-and-mortar closures. During this period distributors shut down or limited their operations. We focused significant resources into the DTC channel during that period and benefited from it.

**A JEFF KING:** I think so. Our view, and what we have explained to our channel partners over time, is that ultimately the consumer is the one who decides how and where they want to shop. As consumer buying preferences have changed over time to more of a direct model, manufacturers have to move in that direction. Those that aren’t willing to do that have lost share. Those that are willing to follow the consumer to deliver what they want in the manner that they want it have and will continue to gain brand value and share. I think we have been a leader in the marketplace adapting to changing consumer buying preferences.

**A RICH SPRATT:** Although we’ve always gone to market via DTC eCommerce, the landscape has changed dramatically since our beginning. Both Google and Amazon were relatively nascent during those early years, and each has become a tremendous force. Competition continues to grow and evolve, as does digital marketing, and the customer’s expectation.

have to make sure you’re not unfairly competing with your distributors, and conversely, you must be able to ensure that channel partners are adding value and not solely competing on price. We’re very transparent with our distributors about pricing because we think it’s an important role that the manufacturer and brand owner must play to ensure value and pricing integrity in the marketplace.

The flip side is you have to make sure your website is reasonably competitive out in the market. That’s taken us a little while to figure out and learn how to balance channel partner needs with our own goals. This has been particularly true for our legacy-focused businesses.

The need to be dynamic with your pricing is the third learning point. We’ve found in the eCommerce market prices change every week, every day, sometimes multiple times. As an eCommerce participant, we have to be dynamic in our pricing model and be willing to move as needed.

Finally, making sure that we are respectful of the value provided by our channel partners is the final learning point. They create a lot of great content that is key to establishing our brand value and key to driving the enthusiast to select our product. We also must recognize what a great job our channel partners do fulfilling orders. I think it’s easy for companies to only focus on themselves and to lose sight of the important role their distribution partners provide to their brand and to the end user enthusiast.
A RICH SPRATT: We primarily compete against other eCommerce retailers, and certainly we’ve benefited as consumers accelerated the migration to digital in 2020. Our product portfolio is diverse, and several of our categories—Powersports, Automotive, Recreation—have benefited disproportionately from the stay-at-home trends this year.

We pride ourselves on maintaining an in-stock, same-day shipping proposition, and we go to market through marketplace channels and our own properties. This formula positioned us well to serve customers this year in those high-demand categories.

Q Do you still view your DTC/eCommerce initiatives as unique in the market?

A SCOTT FORST: Our products are unique. The solutions that we build are unique. Where we differentiate ourselves is our unique solutions within the electronics segment of the automotive aftermarket. Specifically, our complete solutions. Complete solutions for the enthusiast—for a Jeep, pickup truck, a sports car. The expansion into DTC has been positive, but we are doing it while supporting our brick-and-mortar customers, which are critical because we want the ability to market to both the DIY and DIFM customers through our other channels.

There is a huge amount of white space in our market. Very few people realize Best Buy has a bay in every store. So, we have increased spending to drive overall awareness for not only our eCommerce site but for all customers. Our customers fully understand it, and we will continue to work with them and protect their margins.

A RAY FUNDORA: We market our products through eight industry leading brands that afford us a significant advantage in the market. They allow us to offer our customers a one-stop shop for their off-road needs. We are uniquely positioned because many of the branded products that we offer through the B2C channels we manufactured or sourced directly ourselves.

A JEFF KING: I believe that, particularly in our tuning business and performance package business, that we are a leader and an example that other companies have focused on trying to emulate. The combination of the hardware and software solutions that we offer has established a competitive advantage for us and continues to be a significant source of advantage for the company.

A RICH SPRATT: Being present and proficient in eComm is necessary but no longer sufficient to garner a true and defensible advantage. We obviously invest heavily to maintain and improve our digital expertise, but the quality and differentiation of a brand’s products and service is equally critical, and that’s an area we invest a great deal of our time and resources.

Q Did you experience any friction with your traditional channels as you shifted to DTC/eCommerce?

A SCOTT FORST: We’ve seen a little bit of it. But we’ve been direct and transparent with our brick-and-mortar and e-tailer customers. We have put a strong MAP policy in place to protect margins for all channels.

A RAY FUNDORA: There is always going to be channel conflict when you’re omnichannel. Entering the DTC channel forced us to implement pricing policies that minimized channel conflict. Pricing discipline has helped significantly reduce channel conflict by allowing our customers to achieve acceptable margins.
JEFF KING: It certainly has been much easier in the tuning/late-model business segment (tuning solutions) than in the legacy-focused segment, as eCommerce has always been part of the channel mix in the tuner/late-model segment of the market. There was a fair amount of channel conflict/concern from our distribution partners in the legacy business as we introduced a DTC eCommerce option for the consumer. Our commitment to them was this channel wasn’t going to replace our distribution partners but was being established because it was what the consumer wants. We also made firm commitments to our channel partners that we weren’t going to compete on price. It really all goes back to who’s buying the product. The enthusiast/consumer is the one who is going to decide where and how they want to shop, and we have to follow their lead and deliver what they want in the manner/location/channel that they want to purchase our products.

TARIFFS

Q Did you experience any supply disruptions as a result of the tariffs on China coming into 2020?

A SCOTT FORST: No supply disruptions due to tariffs. Obviously, the biggest challenge was the margin loss because a majority of our products are coming out of China. We did increase prices to our customers. All of our competitors were forced to increase prices too. We have not seen a decrease in demand. We had strong growth in 2019. We will have strong growth in 2020 and are extremely optimistic about 2021 and beyond.

A RAY FUNDORA: We manufacture most of our products in the U.S. Although we do have a few products coming from China, we’ve partnered with companies from Mexico, India, and Taiwan. So, tariffs on China have had little impact on our business.

A JEFF KING: We didn’t really see any supply disruption because of the tariffs, but certainly we saw a significant impact on our product cost structure.

A RICH SPRATT: The tariff impact created challenges, no doubt, but we didn’t experience significant supply disruptions as a result.

Q How has that environment changed throughout the year?

A SCOTT FORST: It stayed the same.

A JEFF KING: Tariffs are here, and they appear to be here for a significant period of time. We have looked at alternative sourcing options, and where we could move production of key products, we have moved them. However, I would say we have only made token changes to the supply stream; the near-term switching cost of moving production is very high. We haven’t really had significant changes because of tariffs at this point.

Q Has it caused any rethinking of your supply chain or business model as a result?

A SCOTT FORST: We are high SKU count, low volume. Realistically, it is going to require us to start second sourcing in other countries. As we progress with the core product categories, the goal is to move some sourcing out of China to offset those tariffs.

A RAY FUNDORA: Yes, we made a conscious effort to partner with sourcing companies outside of China. We’re getting a really good combination of price and quality from our other international suppliers who have really stepped up.

A JEFF KING: Our strategy is to source sub-assemblies, and then we complete the final assembly, calibration, and testing in our domestic facilities.
There is a fair amount of fixed costs in terms of tooling and fixtures and training that we put in place in our international value stream that make it very difficult in the short-term to make a move. Long-term, we can set those manufacturing processes up elsewhere. This is an ongoing discussion topic that we have with our Board regarding our longer-term (two-plus year) sourcing strategy. So, I would say yes, there are alternatives, but it’s not free to get there.

**RICH SPRATT:** Like every element of the business, we’re constantly evaluating our supply chain to identify improvement opportunities. We own and operate two domestic manufacturing facilities, and we believe our supply chain diversity is an asset. We did not meaningfully change our business model as a result of the tariffs.

**COVID**

**Q** COVID-19 has affected how many companies have conducted business. How have your business practices changed in light of COVID-19?

**A** SCOTT FORST: Having a majority, if not all, of the employee base working remotely has been the largest change. I give our team a lot of credit. Everybody has done a phenomenal job executing and doing it remotely.

Employee safety is our number one priority; so, our focus was following CDC guidelines and putting the right protocols in place to get work done in a safe environment. We have team members on the ground in China, so that has been a huge benefit for us because we have not traveled.

**RAY FUNDOARA:** We’ve done everything possible to maintain a healthy staff, abiding by all CDC and local COVID regulations. We have implemented two-week rotation cycles for positions that can work at home which has worked well for us. There have been a small handful of COVID cases, but thankfully, we have been COVID-free in recent weeks.

Additional business practice changes included shifting resources to our growing DTC business and increasing our efforts into automation to offset the tight labor market.

Like many in our space, inventory availability has been something we have had to constantly monitor to meet our customer’s needs throughout the entirety of the year.

**JEFF KING:** 2020 has really seen a significant increase of our digital footprint and our work from home business model.

We put together a multifaceted COVID containment policy and strategy for each of our facilities around the world. That ranges from eliminating all travel, to identifying and equipping our team members to work from home (for those team members who could work from home) and establishing cleaning and social distancing practices in our operations centers for those team members whose work required that they continued to report to our production and distribution facilities (we are an essential business and continued to run our operations throughout the pandemic). We have about 50% of our team members working from home and about 50% working in our operations centers.

**RICH SPRATT:** The primary COVID impact to Motis Brands was the transition to a remote working environment. When lockdowns and precautions began in mid-March, we shifted almost immediately to a remote work environment for our entire office team, and we put additional processes and protocol in place to support our distribution and manufacturing facilities throughout. Our remote team transitioned seamlessly, and our production
teams have been incredible. I’m incredibly proud of our leaders and their teams.

Q **How have your end markets performed as the pandemic has continued on? Have you seen equal growth across your channels to market as a result of COVID?**

A **SCOTT FORST:** Overall, we’ve seen growth globally for the business in 2020. Growth has been mixed from a channel perspective.

We’ve seen significant growth in the independent installer and eCommerce (own site and e-tailer partners) channels. We’ve seen strong demand in what we call our core retail business. Large chains (i.e., Best Buy), just with demand in the third quarter, have had a very strong year considering they were shut down for an extended period of time.

The B2B business (i.e., OEM accessory, agriculture, construction, upfitters) definitely felt more of the COVID impact due to the lack of vehicle production. Now vehicles are being produced, and we are seeing demand in the B2B channel return to normal levels.

A **RAY FUNDORA:** COVID has shifted demand to the DTC channel. Our DTC channel has remained strong all year. We operate in the high end of the off-road market, so we’re typically dealing with an average to above-average income consumer. With travel restrictions, consumers shifted spending to their hobbies. If it’s off road, they have to buy the equipment, and if the equipment breaks, they have to replace it.

Our B2B and Marketplace businesses have lagged during the first and second quarters but recovered during the third quarter.

A **JEFF KING:** We’re an enthusiast-based consumer-focused company, and we’ve seen a real benefit as people have had more spare time and had some stimulus money to spend on their passion (vehicle customization). Like most companies, we saw that initial concerning dip in activity in March and then a significant spike in April/May, and that spike appears to be sticky. We are continuing to see nice year-over-year growth in all of our enthusiast segments, and we’re hoping that this growth continues into 2021.

We certainly have seen that the closer you are to the consumer, you have enjoyed a disproportionate growth benefit. So, DTC has had the highest growth. Those channel participants that are one-step distributors (e-tailers) have experienced the second highest growth rate. Those companies relying on multi-step distribution to the consumer, probably going through more brick-and-mortar—traditional distribution—have seen the smallest growth. It’s really a function of the closer you are to the end user, the better you are able to capture that growth benefit.

We have tuning enthusiast companies in England, Belgium, France, and Luxembourg. During the first lockdown, the tuning centers in those countries were all closed for more than six weeks, and that had a significant negative impact on demand in those markets. Those tuning centers have now reopened, and demand has returned to more normal levels even though there are fairly strict COVID containment restrictions still in place throughout Europe.

A **RICH SPRATT:** Our Automotive, Powersports, and Recreation segments each benefited from the stay-at-home trends. 2020 trends were favorable to each of these end markets, and we’ve fared well in each.
Each of our largest channels are digital, and they each benefited comparably from the COVID impacts. Our diversity of channels served us well, and we feel incredibly fortunate to have maintained strong growth during such a challenging year.

Q One of the questions is whether we are pulling demand forward on some of these businesses and some of categories that are very COVID-friendly.

A RICH SPRATT: Time will tell, but we anticipate that the consumer changes of 2020 will have a lasting impact... travel patterns, vacation trends, recreation and hobby growth... certainly many segments likely pulled-forward a bit of demand, but consumers that discovered or rediscovered these segments can be a source of growth hereafter. And to the extent that we accelerated the migration to digital shopping, that growth is here-to-stay. When consumers migrate to faster, more efficient, and more user-friendly shopping methods, they don’t tend to go back. It seems certain to me that the migration to eComm is a one-way road.

Q If you don’t produce your own products, where do you source products from and how have you coped with supply chain challenges due to COVID-19?

A SCOTT FORST: We do a small volume of plastic injection molding here in the U.S., but it is a very small percentage of the overall business. We do some harness assembly in Indiana, but a majority of it is done out of Asia.

COVID has certainly increased our desire to have other sources outside of China just to mitigate the risk. The goal is to look at second sources, especially with our core products. It is a top priority to mitigate that risk as much as possible by looking at other regions to manufacture product.

A RAY FUNDORA: We source a small percentage of our products from India, Mexico, and Taiwan. Lead times from India have doubled on new product development but experienced minor delays on existing product. We have not experienced significant delays from Taiwan or Mexico.

A JEFF KING: We do the final assembly and calibration of all of our products, but we’re dependent upon suppliers on a global basis for subassemblies. Like a lot of companies, we probably created a little bit of stress ourselves, because as we saw this initial pull down in demand, we immediately started de-expediting with our international value chain partners. Then as demand suddenly shot way back up, we were expediting all of the things that we had recently de-expedited. Our suppliers have done a wonderful job responding to our needs. Certainly, there have been challenges and some suppliers have performed better than others, but in general we have been able to manage our supply chain effectively. Everyone that has been involved in purchasing materials on the operations side has had to be very flexible, but we’ve done a good job of fulfilling consumer demand.

We have suppliers in the U.S., Mexico, Europe, and Asia. The impact of COVID has varied quite a bit. Not all suppliers in China and Mexico have experienced the same problems/issues with COVID containment actions, but in general, we have seen the length of cycle time from order to delivery expand.

A RICH SPRATT: The global supply chain certainly felt the shock of COVID, and it created very real challenges for the entire market. Our team managed the impact effectively, and we benefit from very strong, long-term vendor relationships. Also, the diversity of our sourcing – including our own, domestic manufacturing facilities – was critical.
LOGISTICS

**Q**: Can you discuss how you handle order fulfillment today? Has it changed as a result of COVID?

**A**: SCOTT FORST: We were built almost as a DTC model for our independent installers. So, we ship anywhere in the country in two days. We typically will ship 99% of our orders same day. So, the movement to eCommerce really followed the way we operated for our smaller, independent installers.

We were conservative in March, especially from an inventory perspective. With lower inventory levels in facilities throughout the country and increased demand, it certainly stressed operations. We were about four or five days behind from an order fulfillment perspective. Our team has done a great job managing it, and we’ve gotten through it. Inventory levels are returning to normal, and we’re seeing service levels return to normal.

**A**: RAY FUNDORA: About 60% of our business goes out through UPS, and the balance through LTL carriers. They have done an excellent job maintaining service levels, so we have not had any logistics-related issues.

**A**: JEFF KING: I wouldn’t say there have been significant order fulfillment changes because of COVID. We’ve tried very hard to maintain our order-to-shipment commitments. The amount of back order that we are seeing on initial shipments has increased slightly, but we’ve still been able to fulfill orders in a pretty timely manner. We certainly did see a period where our overall inventory levels really came down because of some struggles on the supply side and the spike in demand. We’re in the process of rebuilding inventory levels throughout the channel. We’re fortunate that we haven’t had any major COVID-related issue with team members that work in our production, warehouse, and fulfillment centers. We’ve been able to continue to operate and fulfill orders as they come in.

**A**: RICH SPRATT: We operate our own warehouse and facilities, and that has not changed.

**Q**: Has this year provided any challenges to keep up with delivery? Have customer expectations changed at all either as a result of COVID or Amazon’s impact on the industry?

**A**: SCOTT FORST: I think consumers have been a little more understanding, at least in the short-term. If you consider the early days of COVID, all the goods that no one could access, and Amazon concentrating on essential items. I think people have accepted it. I would imagine as things slowly return to normal, that the expectations of delivery and service levels are going to return, and that is the way we are operating.

**A**: RAY FUNDORA: Coming into 2020, the consumer expected two days or less delivery as the norm. As COVID kicked in, we have noticed that consumers are more understanding of what businesses are facing, so they’re willing to accept longer delivery times than they would have in the past. I believe this acceptance is short-term. As soon as COVID is behind us, expectation will be back to pre-COVID levels.

**A**: JEFF KING: You certainly have to take your hat off to Amazon. They do a phenomenal job and have established the consumer expectation of next-day or two-day order fulfillment with the end user. What we did see during the peak of the pandemic and the demand spike was that people were a little more forgiving and willing to wait a little longer for their products/orders to ship. As long as you’re reasonable in fulfillment and transparent in communication with the consumer about what’s
happening and what to expect, in general people have hung in there and given us a little more time to fulfill their orders, but everyone still really wants it tomorrow. There is definitely some continued pressure to try to be more Amazon-like, and that is a real challenge.

**RICH SPRATT:** Consumer expectations for fast and FREE delivery has increased consistently over the years, and we expect that will continue hereafter.

**Do you use your own warehouse network, third-party logistics (3PL), direct manufacturer fulfillment, or a blend?**

**SCOTT FORST:** We have our own facilities. We have five in the U.S., two in the UK, and one in Sweden, and looking to further expand into Europe.

**RAY FUNDORA:** We use our own warehouse network.

**JEFF KING:** We distribute from our own warehouses.

**Have you seen increased competition in the e-commerce channel with respect to your product categories or DTC channel in recent years, and has it impacted how you think about your logistics model and how you get a product to market and product availability?**

**SCOTT FORST:** We haven’t seen much from a competition standpoint with regards to the DTC channel. We feel like our unique solutions are what differentiate us. We will continue to build custom solutions and with our omnichannel approach, sell through all our channels and secure margin for our retailers, and, target having a satisfied consumer, whether the sale is through our own site or retail partner.

We’re telling our business partners, the profit we’re generating from DTC is going back into engineering, product development, and digital spend to build awareness for our overall market. We’re working hard to reinvest back in the business and continue to bring our partners the most unique solutions possible to drive their profitability and work together to grow.

We’re a little unique in that this is newer to us. We’re balancing our core channels as well as trying to expand DTC.

**RAY FUNDORA:** Yes, competition increases every year as do expectations.

We have accelerated plans to expand our warehousing network to allow us to cover the continental U.S. within three days or less.

**JEFF KING:** More and more people are moving into that space, and I think that trend will only continue as time moves forward.

As distributors act more and more like manufacturers (expanding private label programs, etc.), manufacturer need to act and think more and more like distributors. So, we do think about our committed order cycle times and shipping policies to ensure that we’re competitive in the marketplace. We continually monitor a series of metrics relative to our performance and who we believe is best-in-class in the marketplace and continually review what services we should be providing to the enthusiast consumer to maintain and grow our competitive position/advantage.

**RICH SPRATT:** Competition for digital shoppers is constantly increasing and evolving, and we’ve certainly seen that in each of our segments. The increased competition is good for the customer, and it drives us to continually evolve and improve our offering as well. We prioritize product development and innovation, and we intend to continue building trusted brands that matter in the markets we serve. Great products and service will always win in the end.
The Automotive Aftermarket felt the early COVID shock; however, deal activity quickly resumed in June with strong momentum continuing through year end and into 2021. Strategic and financial buyers remain highly active underscoring optimism about future opportunities, with eCommerce an area where investors are showing continued and increasing levels of interest.

Acquisitive First Brands Group completed three transactions over a six-month period, picking up Centric Parts in December and Brake Parts and Champion Labs in August. The transactions solidified leading market positions in aftermarket braking and filtration products. The combined entity is a large provider of a wide array of non-discretionary replacement parts.

Financial sponsors continue to be aggressive buyers in the marketplace. The industry saw several aftermarket assets trade in the fourth quarter of 2020 alone, including Truck Hero in December (CCMP Capital sold to a consortium led by L Catterton); Highline Aftermarket (Pritzker Private Capital acquired from The Sterling Group) and Warren Distribution in November; and Parts Authority (Kohlberg & Company acquired from The Jordan Company) and Schumacher (acquired by Lincolnshire Management), both in October.

We expect additional consolidation as sponsors look to capitalize on industry fragmentation and execute on buy-and-build strategies. In February 2021, Wynnchurch Capital announced a new platform investment in The Wheel Group (TWG), a designer and marketer of branded aftermarket wheels, specialty tires, and accessories for the truck, SUV, and car markets. A week later, TWG announced its first add-on acquisition, Tuff Stuff Overland, a DTC eCommerce platform of outdoor accessory products including truck bed racks. Wynnchurch is anticipating growing aftermarket demand, citing the enthusiast-oriented wheel, specialty tire, and accessory categories.

Wheel Pros, backed by Clearlake Capital, was active in the market with two add-on acquisitions, TSW Alloy Wheels (December 2020) and Performance Replicas (November 2020). Highline-Warren completed its first add-on just one month following its buyout by Pritzker Private Capital with the purchase of Bluedevil Products in January 2021. Notable sponsor-backed platforms such as Truck Hero (four add-ons under CCMP’s ownership) and Highline Aftermarket (six deals under The Sterling Group) are illustrative of the buy-and-build approach.

**PUBLIC COMPANY METRICS**

Major indices have recovered sharply from COVID-induced volatility to close the year at all-time highs, with the S&P 500, DJIA, and NASDAQ registering annual returns of 15.3%, 41.8%, and 6.0%, respectively. The BGL eCommerce Composite Index outperformed the broader market with an annual return of 57.5%, underscoring positive investor sentiment for the sector’s strong fundamentals, notably channel growth and stickiness accelerated by the pandemic.
VALUATION MULTIPLES

The Aftermarket and eCommerce sectors have demonstrated resiliency through Q4 2020 evidenced in EBITDA multiple expansion. The median EBITDA multiple in the Auto Aftermarket sector increased to 14.3x in Q3 2020, which is 61 percent above the 8.9x low in Q1 2020. Valuations contracted albeit modestly in Q4 2020 to 13.9x, which is above the median average multiples in 2020 (12.7x), 2019 (13.6x) and the five-year period (12.4x). eCommerce EBITDA multiples increased from 17.2x in Q1 2020 to 28.0x in Q4 2020, significantly above the five-year median average of 18.4x. Each deal has its own unique characteristics, and as with many emerging categories, public availability of transaction data is limited.
<table>
<thead>
<tr>
<th>DATE</th>
<th>TARGET</th>
<th>BUYER</th>
<th>RATIONALE</th>
<th>DEAL METRICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pending</td>
<td>CCMP</td>
<td>Catterton</td>
<td>Truck Hero provides aftermarket accessories for pickup trucks and Jeep vehicles. L. Catterton stated growth plans for RealTruck.com, the company’s DTC online marketplace serving truck enthusiasts.</td>
<td></td>
</tr>
<tr>
<td>Feb 21</td>
<td>TWG</td>
<td>Tuff Stuff</td>
<td>Acquisitions establish new growth platform targeting the enthusiast-oriented wheel, specialty tire, and accessory categories.</td>
<td></td>
</tr>
<tr>
<td>Jan 21</td>
<td>CarCover</td>
<td>Royal Capital</td>
<td>Acquisition establishes platform in retail eCommerce. CarCovers is a DTC eCommerce provider of vehicle covers and related vehicle protection products.</td>
<td></td>
</tr>
<tr>
<td>Jan 21</td>
<td>BlueDevil</td>
<td>Highline</td>
<td>Acquisition augments portfolio of premium performance automotive and motorsport consumable products. BlueDevil supplies stop leak solutions, fluid additives, and repair and maintenance products.</td>
<td></td>
</tr>
<tr>
<td>Dec 20</td>
<td>TSW</td>
<td>US PARTS</td>
<td>Acquisition broadens offering of aftermarket custom wheels for the luxury and off-road markets.</td>
<td></td>
</tr>
<tr>
<td>Dec 20</td>
<td>Centric</td>
<td>Prizker</td>
<td>Centric manufactures replacement brake components sold under the Centric, C-TEK, Posi Quiet, and StopTech brands. The acquisition positions First Brands as the leader in aftermarket braking, according to a company statement.</td>
<td></td>
</tr>
<tr>
<td>Nov 20</td>
<td>Highline</td>
<td>The Sterling Group</td>
<td>Platform acquisition combines Highline and Warren portfolios to establish leading supplier of automotive aftermarket consumable products. Warren manufactures private label lubricants and automotive chemicals.</td>
<td></td>
</tr>
<tr>
<td>Nov 20</td>
<td>Performance Replicas</td>
<td>Performance Replicas</td>
<td>Acquisition adds maker of replica wheels, expanding product offerings for enthusiast customers.</td>
<td></td>
</tr>
<tr>
<td>Oct 20</td>
<td>Parts Authority</td>
<td>Kohlberg</td>
<td>Acquisition establishes platform in automotive aftermarket industry. Parts Authority distributes automotive and truck parts primarily for the DIFM segment serving independent installers, national fleets, chains, jobbers, and e-tailers. Kohlberg stated plans to pursue an organic and acquisition-driven strategy to accelerate growth.</td>
<td>EV: $3.8B  EV/Revenue: 1.05x  EV/EBITDA: 11.3x</td>
</tr>
<tr>
<td>Oct 20</td>
<td>Delphi Technologies</td>
<td>BorgWarner</td>
<td>Acquisition of powertrain and aftermarket parts supplier enhances BorgWarner’s combustion, commercial vehicle, and aftermarket businesses.</td>
<td></td>
</tr>
<tr>
<td>Aug 20</td>
<td>Brake Parts Inc</td>
<td>FRST Brands</td>
<td>Acquisitions of brake and filtration product manufacturers (Raybestos® and LuberFiner® are leading brands) complement vehicle maintenance and vehicle repair product solutions.</td>
<td></td>
</tr>
<tr>
<td>May-20</td>
<td>STUFF</td>
<td>Nivel</td>
<td>Acquisition expands aftermarket portfolio with entry into UTV market.</td>
<td></td>
</tr>
<tr>
<td>May-20</td>
<td>MOTIONI</td>
<td>Turn I4</td>
<td>Acquisition builds market position in the distribution of high-performance parts and accessories for the automotive aftermarket. Motovicity supplies parts and accessories for passenger cars and race vehicles.</td>
<td></td>
</tr>
<tr>
<td>May-20</td>
<td>Harper Cycle Works</td>
<td>Nivel</td>
<td>Acquisition expands aftermarket portfolio with parts supplier to the UTV.</td>
<td></td>
</tr>
<tr>
<td>Apr-20</td>
<td>PROZ</td>
<td>Readylift</td>
<td>Acquisition expands product portfolio and broadens footprint in the aftermarket suspension market, adding supplier of aftermarket performance parts focused on UTV and snowmobile suspension components. Zbroz sells primarily through its DTC website.</td>
<td></td>
</tr>
</tbody>
</table>

Sources: S&P Capital IQ, PitchBook, Equity Research, public data.
Notes: 1 EV defined as Enterprise Value.
## M&A TRANSACTIONS

<table>
<thead>
<tr>
<th>DATE</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Mar 20</td>
<td>IXS</td>
<td>Capital Partners</td>
<td>IXS is a leading provider of coating solutions and vehicle upfit services to OEMs, the automotive aftermarket, and diversified industrial end markets.</td>
</tr>
<tr>
<td>Mar-20</td>
<td>Factor 55</td>
<td>Warn</td>
<td>Acquisition of premium brand in the vehicle recovery market with specialization in closed system winching products.</td>
</tr>
<tr>
<td>Mar-20</td>
<td>Morris Center</td>
<td>Auto雅仕</td>
<td>Acquisition grows online footprint in the Jeep enthusiast market. Morris 4x4 is an online retailer of automotive aftermarket parts and accessories to Jeep and 4x4 enthusiasts.</td>
</tr>
<tr>
<td>Feb-20</td>
<td>Manley</td>
<td>Force Traction</td>
<td>Acquisition grows performance product lines, adding manufacturer of high-performance pistons, connecting rods, crankshafts, and valvetrain components.</td>
</tr>
<tr>
<td>Feb-20</td>
<td>Fox</td>
<td>Edelbrock</td>
<td>Acquisition expands Fox's aftermarket solutions and increases its presence in the specialty vehicle manufacturing market. SCA is a specialty vehicle manufacturer (SVM) for light-duty trucks and SUVs, marketing its products under aftermarket brands SCA Performance, Rocky Ridge Trucks, and Rocky Mountain Truckworks.</td>
</tr>
<tr>
<td>Feb-20</td>
<td>Comp-Axle</td>
<td>Johnny's Auto Parts</td>
<td>Acquisition expands automotive aftermarket platform with maker of camshaft and valvetrain related components.</td>
</tr>
<tr>
<td>Jan 20</td>
<td>Southern Cycles</td>
<td>COMOTO</td>
<td>Acquisition expands footprint in the South Florida market. Johnny's distributes aftermarket automotive parts and components.</td>
</tr>
<tr>
<td>Jan-20</td>
<td>Entrenenth Auto</td>
<td>Corvara</td>
<td>Add-on acquisition of enthusiast brand serving American V-Twin riders extends reach in powersports aftermarket products.</td>
</tr>
<tr>
<td>Jan-20</td>
<td>Clearwater Lights</td>
<td>Simpson</td>
<td>Platform acquisition in automotive aftermarket. EAH is a direct-to-enthusiast producer of specialty autoparts.</td>
</tr>
<tr>
<td>Jan-20</td>
<td>TransAxl</td>
<td>Crossplane</td>
<td>Acquisition establishes growth platform in the automotive aftermarket industry. Transaxle is an aftermarket distributor and remanufacturer of heavy-duty truck transmissions and differentials with a national footprint.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>Truck-Lite</td>
<td>Genstar</td>
<td>Platform acquisition in automotive aftermarket. Truck-Lite supplies safety lighting, filtration systems, and telematics services for commercial vehicles. Genstar stated plans to accelerate growth through strategic acquisitions.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>Curt</td>
<td>Luverne, Retrac</td>
<td>Acquisition doubles the size of Lippert’s aftermarket business. Curt manufactures and markets branded towing and truck products under the names CURT, Aries, Luverne, Retrac, and UWS.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>E44</td>
<td>Thompson Street</td>
<td>Platform acquisition in the automotive aftermarket. CWH distributes branded automotive aftermarket wheels, performance tires, and accessories. Brands include Method Race Wheels, Tensor Tires, and GMZ Race Products.</td>
</tr>
<tr>
<td>Nov 19</td>
<td>AAMP</td>
<td>The Halifax Group</td>
<td>Acquisition establishes platform in the automotive aftermarket industry. AAMP is a global manufacturer of vehicle aftermarket and OEM technology.</td>
</tr>
<tr>
<td>Sep-19</td>
<td>SeaTac Parts</td>
<td>Transstar Group</td>
<td>Acquisition grows footprint in the Pacific Northwest with distributor of transmission and driveline parts.</td>
</tr>
</tbody>
</table>

Sources: S&P Capital IQ, PitchBook, Equity Research, public data.
Notes: 1 EV defined as Enterprise Value.
## M&A TRANSACTIONS

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<th>RATIONALE</th>
<th>DEAL METRICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul-19</td>
<td>Todd</td>
<td>Alliance Automotive Group, GPC</td>
<td>Acquisition expands heavy-duty parts offering and European footprint. France-based Todd Group distributes truck parts and accessories for the independent heavy-duty aftermarket, including trucks, trailers, semi-trailers, buses, and commercial vehicles.</td>
<td>EV: $1.21B</td>
</tr>
<tr>
<td>Jul-19</td>
<td>sparesbox</td>
<td>GPC</td>
<td>Acquisition expands digital footprint with online auto parts seller.</td>
<td></td>
</tr>
<tr>
<td>May-19</td>
<td>Randles</td>
<td>Tailwind Capital</td>
<td>Platform acquisition in the automotive aftermarket. Randy’s supplies engineered drivetrain products.</td>
<td>EV: $175M</td>
</tr>
<tr>
<td>May-19</td>
<td>Axletech, Meritor</td>
<td></td>
<td>Acquisition diversifies offering in adjacent markets, adding complementary portfolio including independent suspensions, axles, braking solutions and drivetrain components.</td>
<td>EV: $173M EV/Revenue: .7x</td>
</tr>
<tr>
<td>May-19</td>
<td>Lund, Highlander, Hicher, CCMP</td>
<td></td>
<td>Acquisition diversifies Truck Hero’s product mix and increases its addressable market of vehicles. Lund’s complementary portfolio consists of branded automotive aftermarket accessories (e.g., vent visors, hood shields, floor mats, tonneau covers, storage boxes, and others) for passenger cars, light trucks, and heavy trucks.</td>
<td></td>
</tr>
<tr>
<td>May-19</td>
<td>MHT</td>
<td></td>
<td>Acquisition creates largest “automotive aftermarket wheel platform” in the world — with 22 complementary wheel brands and annual sales of about 3 million wheels. MHT supplies brands for the off-road light truck, street, tuner/racing, luxury, and powersports vehicle markets.</td>
<td></td>
</tr>
<tr>
<td>Apr-19</td>
<td>Eastwood, Kian Capital</td>
<td></td>
<td>Platform acquisition in eCommerce aftermarket automotive tools and equipment.</td>
<td>EV: $149M EV/Revenue: .7x EV/EBITDA: 7.5x</td>
</tr>
<tr>
<td>Apr-19</td>
<td>Ruili Group</td>
<td>SORL</td>
<td>Assets acquired include the hydraulic brake, power steering, and automotive electrical operations.</td>
<td></td>
</tr>
<tr>
<td>Apr-19</td>
<td>Truckfitters, Big Tex, Bain Capital</td>
<td></td>
<td>Acquisition adds complementary portfolio of aftermarket products including truck beds and bodies and general truck upfits.</td>
<td></td>
</tr>
<tr>
<td>Apr-19</td>
<td>PartsPoint, Alliance Automotive Group</td>
<td></td>
<td>Acquisition expands footprint in Europe, adding distributor of automotive aftermarket parts and accessories with leading market positions in the Netherlands and Belgium.</td>
<td></td>
</tr>
<tr>
<td>Apr-19</td>
<td>Global Auto Care Business</td>
<td>Spectrum Brands, Energizer, GPC</td>
<td>Acquisition of global auto care brands that include Armor All, STP, and A/C Pro.</td>
<td>EV: $1.21B</td>
</tr>
<tr>
<td>Jan-19</td>
<td>Corvette America, DC, CID Capital</td>
<td></td>
<td>Platform acquisition in automotive aftermarket. Corvette America offers interior components and sells a complete line of parts, wheels, and other accessories for the Corvette and Mustang restoration markets.</td>
<td></td>
</tr>
</tbody>
</table>

Sources: S&P Capital IQ, PitchBook, Equity Research, public data. Notes: 1 EV defined as Enterprise Value.
## INDUSTRY METRICS

($ in millions, except per share data)

<table>
<thead>
<tr>
<th>COMPANY NAME</th>
<th>COUNTRY</th>
<th>TICKER</th>
<th>CURRENT STOCK PRICE (1)</th>
<th>% OF 52 W HIGH</th>
<th>MARKET CAPITALIZATION (2)</th>
<th>ENTERPRISE VALUE (3)</th>
<th>ENTERPRISE VALUE / TTM REVENUE</th>
<th>TOTAL DEBT / EBITDA</th>
<th>TTM REVENUE</th>
<th>TTM MARGINS</th>
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<tr>
<td><strong>AFTERMARKET</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LKQ Corporation</td>
<td>United States</td>
<td>LKQ</td>
<td>$ 39.39</td>
<td>98.0%</td>
<td>$ 11,947</td>
<td>$ 16,023</td>
<td>1.38x</td>
<td>2.5x</td>
<td>$ 11,629</td>
<td>39.6%</td>
</tr>
<tr>
<td>Fox Factory Holding Corp.</td>
<td>United States</td>
<td>FOXF</td>
<td>$ 127.15</td>
<td>88.1%</td>
<td>$ 5,315</td>
<td>$ 5,486</td>
<td>6.16x</td>
<td>32.6x</td>
<td>$ 891</td>
<td>32.5%</td>
</tr>
<tr>
<td>Thule Group AB</td>
<td>Sweden</td>
<td>THULE</td>
<td>$ 41.93</td>
<td>98.1%</td>
<td>$ 4,584</td>
<td>$ 4,436</td>
<td>4.77x</td>
<td>21.5x</td>
<td>$ 953</td>
<td>41.2%</td>
</tr>
<tr>
<td>Dorman Products, Inc.</td>
<td>United States</td>
<td>DORM</td>
<td>$ 99.71</td>
<td>95.0%</td>
<td>$ 3,187</td>
<td>$ 3,074</td>
<td>2.81x</td>
<td>17.4x</td>
<td>$ 1,093</td>
<td>35.1%</td>
</tr>
<tr>
<td>Standard Motor Products, Inc.</td>
<td>United States</td>
<td>SMP</td>
<td>$ 42.01</td>
<td>76.0%</td>
<td>$ 939</td>
<td>$ 961</td>
<td>0.85x</td>
<td>6.5x</td>
<td>$ 1,129</td>
<td>29.8%</td>
</tr>
<tr>
<td>Motorcar Parts of America, Inc.</td>
<td>United States</td>
<td>MPAA</td>
<td>$ 21.28</td>
<td>80.5%</td>
<td>$ 406</td>
<td>$ 557</td>
<td>1.06x</td>
<td>12.5x</td>
<td>$ 523</td>
<td>22.6%</td>
</tr>
<tr>
<td>Horizon Global Corporation</td>
<td>United States</td>
<td>HZN</td>
<td>$ 9.40</td>
<td>84.8%</td>
<td>$ 246</td>
<td>$ 506</td>
<td>0.81x</td>
<td>NM</td>
<td>$ 628</td>
<td>15.3%</td>
</tr>
<tr>
<td>Median</td>
<td></td>
<td></td>
<td>$ 41.93</td>
<td>88.1%</td>
<td>$ 3,187</td>
<td>$ 3,074</td>
<td>1.38x</td>
<td>14.9x</td>
<td>$ 953</td>
<td>32.5%</td>
</tr>
<tr>
<td>Mean</td>
<td></td>
<td></td>
<td>$ 54.41</td>
<td>88.6%</td>
<td>$ 3,775</td>
<td>$ 4,435</td>
<td>2.55x</td>
<td>16.6x</td>
<td>$ 2,406</td>
<td>30.9%</td>
</tr>
<tr>
<td><strong>eCOMMERCE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amazon.com, Inc.</td>
<td>United States</td>
<td>AMZN</td>
<td>$ 3,092.93</td>
<td>87.1%</td>
<td>$ 1,557,491</td>
<td>$ 1,574,324</td>
<td>4.08x</td>
<td>28.9x</td>
<td>$ 386,064</td>
<td>39.6%</td>
</tr>
<tr>
<td>Alibaba Group Holding Limited</td>
<td>China</td>
<td>BABA</td>
<td>$ 237.76</td>
<td>74.5%</td>
<td>$ 643,164</td>
<td>$ 616,012</td>
<td>6.24x</td>
<td>24.6x</td>
<td>$ 98,675</td>
<td>43.2%</td>
</tr>
<tr>
<td>Pinduoduo Inc.</td>
<td>China</td>
<td>POD</td>
<td>$ 171.16</td>
<td>80.5%</td>
<td>$ 209,898</td>
<td>$ 204,490</td>
<td>31.75x</td>
<td>10.6x</td>
<td>$ 6,441</td>
<td>77.6%</td>
</tr>
<tr>
<td>JD.com, Inc.</td>
<td>China</td>
<td>JD</td>
<td>$ 93.87</td>
<td>86.7%</td>
<td>$ 145,487</td>
<td>$ 136,205</td>
<td>1.34x</td>
<td>38.7x</td>
<td>$ 101,926</td>
<td>8.2%</td>
</tr>
<tr>
<td>eBay Inc.</td>
<td>United States</td>
<td>EBAY</td>
<td>$ 56.42</td>
<td>87.0%</td>
<td>$ 38,391</td>
<td>$ 42,882</td>
<td>4.18x</td>
<td>12.2x</td>
<td>$ 10,271</td>
<td>75.9%</td>
</tr>
<tr>
<td>Wayfair Inc.</td>
<td>United States</td>
<td>W</td>
<td>$ 288.98</td>
<td>78.3%</td>
<td>$ 29,933</td>
<td>$ 30,968</td>
<td>2.19x</td>
<td>46.5x</td>
<td>$ 14,145</td>
<td>29.1%</td>
</tr>
<tr>
<td>Copart, Inc.</td>
<td>United States</td>
<td>CPRT</td>
<td>$ 109.16</td>
<td>83.4%</td>
<td>$ 25,796</td>
<td>$ 25,692</td>
<td>11.24x</td>
<td>24.4x</td>
<td>$ 2,286</td>
<td>47.9%</td>
</tr>
<tr>
<td>Overstock.com, Inc.</td>
<td>United States</td>
<td>OSTK</td>
<td>$ 88.23</td>
<td>91.4%</td>
<td>$ 3,199</td>
<td>$ 2,821</td>
<td>4.23x</td>
<td>25.8x</td>
<td>$ 667</td>
<td>61.2%</td>
</tr>
<tr>
<td>Shutterstock, Inc.</td>
<td>United States</td>
<td>SSTK</td>
<td>$ 67.17</td>
<td>52.3%</td>
<td>$ 2,879</td>
<td>$ 2,494</td>
<td>0.98x</td>
<td>45.7x</td>
<td>$ 2,550</td>
<td>22.7%</td>
</tr>
<tr>
<td>1-800-FLOWERS.COM, Inc.</td>
<td>United States</td>
<td>FLWS</td>
<td>$ 28.28</td>
<td>71.4%</td>
<td>$ 1.834</td>
<td>$ 1.741</td>
<td>0.94x</td>
<td>8.3x</td>
<td>$ 1,858</td>
<td>42.6%</td>
</tr>
<tr>
<td>Median</td>
<td></td>
<td></td>
<td>$ 93.87</td>
<td>80.5%</td>
<td>$ 29,933</td>
<td>$ 30,968</td>
<td>4.08x</td>
<td>25.2x</td>
<td>$ 6,441</td>
<td>42.6%</td>
</tr>
<tr>
<td>Mean</td>
<td></td>
<td></td>
<td>$ 388.06</td>
<td>77.6%</td>
<td>$ 241,706</td>
<td>$ 239,838</td>
<td>6.28x</td>
<td>27.0x</td>
<td>$ 56,836</td>
<td>43.4%</td>
</tr>
</tbody>
</table>

(1) As of 2/26/2021.
(2) Market Capitalization is the aggregate value of a firm’s outstanding common stock.
(3) Enterprise Value is the total value of a firm (including all debt and equity)
Source: S&P Capital IQ
GLOBAL CONSUMER / AUTOMOTIVE AFTERMARKET

TIERED VEHICLE SUPPLIERS
- Advanced Technologies
- Components Produced with Various Materials
- Highly Engineered Systems
- Mixed OE Supply & Aftermarket Models

AUTOMOTIVE AFTERMARKET
- Non-Discretionary Replacement Parts
- Enthusiast Products
- Asset Light Manufacturing & Distribution Models
- Varied Go-To-Market Strategies

VOCATIONAL VEHICLES
- Commercial Vehicle Components & System Suppliers
- Specialty Vehicle Manufacturers
- On- and Off-Highway Applications

FUNCTIONAL
- Home Decor
- Lighting
- Kitchen & Bath
- Outdoor & Casual Furniture
- Ready-to-Assemble Furniture

ENTHUSIAST BRANDS
- Outdoor Products
- Active Lifestyle
- Sporting Goods
- Performance Automotive
- Aftermarket
- Arts & Crafts
- Performance Apparel & Accessories

eCOMMERCE
- Amazon-centric, FBA
- Brands with eCommerce Strategies
- Digitally Native Brands
- Omnichannel Retailers

FOOD & BEVERAGE
- Fresh & Consumer Packaged Goods
- Ingredients
- Processing & Co-Manufacturing
- Supply Chain
BGL: WHO WE ARE
LEADING INDEPENDENT FIRM

- Independent investment banking and financial advisory services for the global middle market since 1989
- A firm culture built on the core principles of integrity, accountability, commitment, and relationship focus; as a partnership owned exclusively by our professionals, we are singularly focused on helping our clients succeed
- On every engagement, our clients receive senior-level attention from experienced bankers who bring a wealth of industry knowledge, transaction expertise, and deep relationships
- We are energized when presented with unique challenges and known throughout the industry for our ingenuity in developing and executing creative solutions to deliver outstanding results
- Deep industry experience in Business & Industrial Services, Consumer, Healthcare & Life Sciences, Industrials, and Real Estate
- Broad client base including family/entrepreneurially-owned, private equity-backed, and publicly owned companies
- Investment banking offices in Chicago, Cleveland, and Philadelphia; real estate brokerage offices in Chicago, Cleveland, and San Antonio; and access to experience and capital in more than 30 countries worldwide via Global M&A Partners, Ltd.

HEDGES & COMPANY: WHO WE ARE
LEADING DIGITAL MARKETING AGENCY

- A digital marketing agency focused exclusively on the automotive aftermarket, OEM parts and powersports industries, founded in 2004.
- A full-service agency has an in-house professional staff serving a diverse client base, from family-owned businesses to companies backed by private equity, including eCommerce retailers as well as manufacturers in the US and Canada.
- With aftermarket experience dating to the 1980s, Hedges & Company brings a unique data-based perspective as an industry thought-leader. We keep our pulse on market changes and trends through market research. We have conducted 500+ B2B and B2C automotive research studies using a wide range of methodologies. The agency publishes analysis and forecasts regularly at HedgesCompany.com.
- The first Premier Google Partner and Microsoft Partner agency dedicated to the aftermarket.
- Agency principals Julie Hedges and Jon Hedges have been featured speakers at automotive industry events and webinars, including the annual SEMA Show, Custom Automotive Network (CAN) conferences, ChannelAdvisor’s Catalyst and AutoCommerce conferences, AASA Emerging Leaders and MiX Council meetings, and the National Automobile Dealers Association (NADA).

COMPREHENSIVE CAPABILITIES

M&A ADVISORY
- Sell-Side Advisory
- Acquisitions & Divestitures
- Public & Private Mergers
- Special Committee Advice
- Strategic Partnerships & Joint Ventures
- Fairness Opinions & Fair Value Opinions

CAPITAL MARKETS
- All Tranches of Debt & Equity Capital for:
  - Growth
  - Acquisitions
  - Recapitalizations
  - Dividends

FINANCIAL ADVISORY
- General Financial & Strategic Advice
- Balance Sheet Restructurings
- Sales of Non-Core Assets or Businesses
- 363 Auctions

RESEARCH
- Primary Research
- Industry Benchmarking
- Operating Advisor Network
- White Papers
- Industry Surveys

DIGITAL MARKETING
- Paid Search Marketing Management
- Search Engine Optimization (SEO) Services
- Programmatic & Native Advertising
- Amazon Advertising
- Remarketing Advertising

AUTOMOTIVE MAILING LISTS
- Automobile & Truck Owner Mailing Lists
- In-Market Mailing Lists
- Mailing Lists by Market Segment
- Enthusiast Mailing Lists for Non-Automotive Markets

WEBSITE & MARKETING AUDITS
- Comprehensive Evaluation of Websites for User Experience (UX)
- Comprehensive Analysis of the Competitive Landscape
- Digital Marketing Best Practices
- Comprehensive Evaluation of Brand Visibility
- Conversion Rate Optimization (CRO)

SOCIAL MEDIA & CONTENT MARKETING
- Website Content Creation
- Social Media Advertising
- Social Media Management
- Brand Awareness
DEDICATED LEADERSHIP

JOHN R. TILSON
Managing Director
Head of Consumer

PROFESSIONAL EXPERIENCE
• Leads BGL’s Consumer Group
• Over 25 years of investment banking and corporate finance experience
• Former Managing Director at Banc One Capital Markets (JP Morgan Chase)
• Former Managing Director at First Chicago Capital Markets, founding the Detroit office for the firm in 1996
• Serves on the National Board of Directors for the Gift of Adoption Fund

EDUCATION
• M.B.A., Northwestern University, Kellogg School of Management
• B.S., University of Illinois
• Eagle Scout

TODD R. CASSIDY
Managing Director
Automotive Aftermarket

PROFESSIONAL EXPERIENCE
• Nearly 20 years of M&A and corporate experience
• Former investment banker at Raymond James and William Blair where he led coverage of the Automotive Aftermarket sectors
• Prior experience in product planning, program management, and engineering at Ford Motor Company, as well as engineering roles at DaimlerChrysler and Boeing

EDUCATION
• M.B.A., Harvard Business School
• M.S., University of Michigan
• B.S., University of Notre Dame
• Eagle Scout

JOHN T. JAMESON
Director
Consumer

PROFESSIONAL EXPERIENCE
• Over 10 years of M&A and corporate finance experience
• Former investment banking associate at Rippe & Kingston Capital Advisors
• Former Securities Paralegal at Bear Stearns

EDUCATION
• M.B.A., University of Cincinnati
• B.A., Rutgers University

OFFICE LOCATIONS

CHICAGO
One Magnificent Mile
980 N. Michigan Avenue
Suite 1800
Chicago, IL 60611
p. 312.658.160

CLEVELAND
One Cleveland Center
1375 East 9th Street
Suite 2500
Cleveland, OH 44114
p. 216.920.6613

PHILADELPHIA
One Liberty Place
1650 Market Street
Suite 3600
Philadelphia, PA 19103
p. 610.941.2765
GLOBAL CONSUMER / AUTOMOTIVE AFTERMARKET

REPRESENTATIVE TRANSACTIONS

- **TRUGLO**: acquired by Wind Point Partners
- **RTIC**: acquired by Upper Echelon Products
- **OrthoFeet**: acquired by Haptae Healthcare Capital
- **GSM Outdoors**: acquired by Adobe Systems
- **Logos Sportswear**: acquired by Growthpoint Capital Partners
- **KanoJam**: acquired by Weider Sports Entertainment
- **TSC**: acquired by True Capital Partners
- **JA/EG**: acquired by Frazier Private Equity
- **HCAP Partners**: acquired by STS Capital Partners
- **WD**: acquired by Pistons Partners LLC
- **Kian Capital**: acquired by Bboxx Capital
- **Cortec Group**: acquired by Kian Capital
- **Eastwood**: acquired by Broadstone Capital
- **BCE Investments**: acquired by BCE Investments
- **Wheel Pros**: acquired by H&R Mackenzie
- **Old World Industries**: acquired by Icahn Enterprises
- **Qualitor**: acquired by HCI Equity Partners
- **Gabriel**: acquired by OpenGate Capital
- **Sales**: acquired by Cyl-Tec
- **Dexter Axle**: acquired by The Sterling Group

BGL AUTOMOTIVE AFTERMARKET INSIDER | eCOMMERCE EVOLVED

BROWN GIBBONS LANG & COMPANY