

**THE DAILY CHECK-IN WITH GOLDMAN SACHS**  
**GUEST: Daphne Robbins, Senior Analyst,**  
**Asset Management Division**  
**HOST: Liz Bowyer, Global Head of Content**  
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**Liz Bowyer:** Hi Daphne.

**Daphne Robbins:** Hi Liz.

**Liz Bowyer:** You're a senior analyst in our asset management division, covering the small cap consumer growth sector, which includes companies that are benefiting from what you called "the shift to the great outdoors." Explain what you mean by that.

**Daphne Robbins:** So, in the smaller cap consumer space, one of the strongest themes we've invested in over the last year has been that of outdoor recreation and leisure. The pandemic really prompted a relocation of consumer discretionary dollars away from traditional air travel and towards recreation closer to home. Additionally, the migration away from cities into suburbs and what the CEO of Zillow kind of calls "the great reshuffling," untethered people from their offices and commutes. And it enabled them to reevaluate how and where they want to live. That flexibility has naturally made an outdoor lifestyle much more accessible. And we think the shift should be rather sticky going forward.

Now, the products that saw the greatest demand acceleration throughout the lockdowns were things like boats, RVs, bicycles, and power sports or off-road vehicles. These are all naturally safe, socially distanced ways to spend leisure time.

**Liz Bowyer:** So, let's take those one by one starting with boating. What are some of the dynamics that you're seeing there?

**Daphne Robbins:** So, the surge in boating really began last April, accelerated through May and June, and sustained through the off season. Brunswick, one of the largest manufacturers of US power boats reported 40 percent retail sales growth, year over year, in 2020. This is a business that typically grows sales 8 to 10 percent year over year. 30 percent of boat purchases in 2020 were made by first time buyers. That's the highest level in a decade. Also, the average age of boaters fell for the first time in 20 years from over 50 to under 40. So, for the first time, this industry is really capturing that

millennial cohort. This is key because it creates a much larger, healthier customer base for go forward industry growth.

These first time buyers typically have a much more accelerated, upgraded replacement cycle as they use their products more frequently. In fact, one of the largest US boat dealers reported recently that they've seen 2020 buyers come back into the market already for 2021 new purchases. So, all of these things are encouraging signs of a healthy demand base.

**Liz Bowyer:** And how about RVs and camping?

**Daphne Robbins:** So, most people actually don't realize that pre COVID, about 9 percent of US households actually owned RVs. So, this activity was already quite popular. But what we've seen is tremendous growth and demand over the last year. And that demand has only accelerated through 2021, year to date. Similar to boats, about 35 percent of RV purchases last year were also made by first time buyers.

One fun fact on camping is that last October, Yellowstone actually hosted 360 million visitors. That's an over 100 percent increase versus 2019, making it one of the busiest years on record for the national park. Also, last year, Congress passed what's called The Great American Outdoors Act, which provides about \$9.5 billion in funding over the next five years for our national parks and outdoor wildlife refuges. This is the single greatest investment in outdoor recreation our country has seen in about 65 years.

**Liz Bowyer:** So, you also mentioned biking and power sports. How have those sectors fared?

**Daphne Robbins:** So, we've seen a major renaissance in biking. There are a staggering \$4.1 billion worth of bikes sold in the US last year from January to October. Additionally, bike manufacturers saw their sales growth run rates accelerate from 3 to 4 percent over 20 percent year over year with mountain bikes having their backlogs filled well into 2022 and possibly into 2023 at this point.

Another great example is power sports, which includes things like motorcycles and ATVs. A large manufacturer recently reported retail sales growth of 70 percent year over year. And 100 percent growth in ATVs. About 75 percent of their customers last year were new buyers. These are younger, more diverse customers, with a lot more families coming into the space as

well. So, demand here has really been unprecedented.

**Liz Bowyer:** So, a lot of interesting developments in the outdoor space. Now that we're on the precipice of summer, what will you be watching as an investor?

**Daphne Robbins:** So, I'll be watching consumer instant gratification. We have never entered a selling season with inventory levels this low. Absolute inventory levels for boats and RVs are at their lowest levels since 2010. But the industry is retailing more than double what it did a decade ago. So, the question is, if the consumer has to wait four to five months for a product, do they take their discretionary dollars and walk elsewhere?

So far, we haven't seen any evidence of that yet. At the dealer level, pre order books remain incredibly firm and they continue to grow. So, even as delivery times get pushed out further and further, what we're seeing is the consumer is really willing to wait for the product.

**Liz Bowyer:** But even when these supply issues are resolved, to what extent do you think these changes are short term versus a longer-term shift?

**Daphne Robbins:** So, the larger, longer-term debate here is really whether or not this is a secular shift. Are we seeing a cultural inflection on consumers' time allocation and priorities? Or is this demand more transitory? Logically, as the vaccine rolls out and more competition for leisure time emerges, we should see a natural wane in demand for these products. But so far, a year later, retail demand indicators remain exceptionally strong. And the longer these demand trends last, the more emboldened that secular thesis really becomes.

Now, the back half of this year, you should see growth rates decelerate some, particularly as we lap challenging compares from last year. With that said though, we think this trend really has legs through 2022 and beyond. And growth rates should normalize well above historical levels. So, our view is that this dollar shift towards the outdoors really should be more structural in nature, particularly as the consumer exits the pandemic with a much more balanced, flexible lifestyle.

**Liz Bowyer:** Thanks Daphne.

**Daphne Robbins:** Thank you, Liz.

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