



2024-2025 eCommerce Trends in the Automotive Aftermarket



TM CAPITAL
A DIVISION OF JANNEY

STATE OF THE AUTOMOTIVE AFTERMARKET

Coming off SEMA and the presidential election in November, here are a few “real-time” reactions regarding the current state of the automotive aftermarket:

2024 Year in Review

- 2024 was a tough year for the automotive aftermarket – inflation and macro consumer pressure coupled with the continued hangover effects following the 2020-2022 pull forward, led to another year fighting headwinds for manufacturers, distributors and retailers across the automotive aftermarket
- On its Q3 2024 earnings call, Holley estimated that the performance aftermarket was down 4-5% YTD in 2024 vs. PY

Election Aftermath

- Consumer demand is always shaky in the lead up to a major election as the uncertainty and accompanying anxiety (partially driven by the months-long bombardment of political ads) make consumers less likely to open their wallets
- Additionally, the cost to advertise increases significantly as a result of competing with political campaigns for tv slots and online ad space
- The public markets responded positively to the election results and are soaring to record-highs
- We are optimistic on consumer sentiment in the category following the election, and are closely watching for clues regarding the incoming administration’s tariff policy

2025 Outlook

- We are bullish on 2025 and believe the industry will return to positive growth
- A return to growth coupled with the private equity universe’s growing stockpile of dry powder will drive a busy and eventful year of M&A

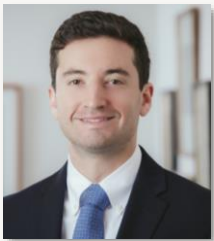
TM CAPITAL'S AUTOMOTIVE AFTERMARKET TEAM



Phil Krieger
Managing Director
 (404) 995-6242
 pkrieger@tmcapital.com



Jim Grien
Managing Director
 (404) 995-6235
 jgrien@tmcapital.com




Brad Goldstein
Vice President
 (404) 995-6248
 bgoldstein@tmcapital.com

SELECT TM CAPITAL AUTOMOTIVE AFTERMARKET TRANSACTIONS

Active

Project Lightning

DTC-oriented enthusiast platform



- ✓ Enthusiast Focus
- ✓ DTC and B2B eCommerce Expertise
- ✓ Manufacturing and Distribution Experience



has been recapitalized by



and its portfolio company





“After spending the first 20 years of my working life obsessed with forming and growing a business that I love and enjoy, selecting a partner that was the right fit to work alongside our team to take Z1 Motorsports forward to the next level was a daunting task. Our decision to engage with TM Capital early, at a time seemingly prematurely, to guide us through this process was the best decision we could have made. The TM team took the time necessary to really understand our business and, equally importantly, to understand us personally. We were thoroughly impressed with both the work ethic and mental aptitude of the TM Capital team. I now consider the TM team not only outstanding professionals, but trusted friends. I look forward to working with TM Capital again on future endeavors.”



has been acquired by



a portfolio company of





Russell Floyd
President & CEO



Founded in 1989 and now part of Janney Montgomery Scott, TM Capital is the “client-first” investment bank advising industry-leading companies across North America and around the world. In everything we do, our professionals share a relentless commitment to engineering extraordinary outcomes with an unmatched standard of client care. Over the last three decades, we have completed nearly 450 transactions with a combined value of \$30 billion. With offices in Atlanta, Boston and New York, our mission critical capabilities include: complex mergers and acquisitions; debt and equity financings; minority and majority recapitalizations; restructurings; and board advisory services. TM Capital is also a member of Oaklins, the world's most experienced mid-market M&A advisor, with over 850 professionals and dedicated industry teams in more than 45 countries, having closed 1,700 transactions in the past five years.

TABLE OF CONTENTS

INTRODUCTION AND KEY THEMES

PAGE 5

Q&A WITH INDUSTRY VETERAN MATT JORDAN

PAGE 9

AUTOMOTIVE AFTERMARKET TRENDS AND DRIVERS

PAGE 12

MARKET LANDSCAPE

PAGE 15

ENTHUSIAST M&A ACTIVITY

PAGE 17

THIS COMMUNICATION IS THE INTELLECTUAL PROPERTY OF TM CAPITAL, A DIVISION OF JANNEY AND MAY NOT BE REPRODUCED, DISTRIBUTED, OR PUBLISHED BY ANY PERSON FOR ANY PURPOSE WITHOUT JANNEY'S EXPRESS PRIOR CONSENT.

Disclaimer: This communication has been created by the Investment Banking Department of Janney Montgomery Scott LLC ("Janney") and is to be used for informational purposes only. It is not a product of Janney's Research Department. The information presented herein is taken from sources believed to be reliable but is not guaranteed by Janney as to its accuracy or completeness and is subject to change. The views expressed in this communication reflect the personal views of the author(s) regarding the subject securities and issuers and may differ with those of Janney or Janney's Research Department. This communication shall not constitute a solicitation or offer to purchase or sell a security. This communication is intended for Institutional Use Only, not for retail investors, and should not be distributed, forwarded, or otherwise disseminated. Nothing in this material should be construed as tax, legal, or accounting advice. Please consult your own tax, legal, and accounting professionals. Member: NYSE, FINRA, SIPC.

The information and opinions in this report were prepared by TM Capital LLC ("TM"). The information herein is believed by TM to be reliable, but TM makes no representation as to the accuracy or completeness of such information. There is no guarantee that the views and opinions expressed in this communication will come to pass. TM may provide, may have provided or may seek to provide advisory services to one or more companies mentioned herein. In addition, employees of TM may have purchased or may purchase securities in one or more companies mentioned in this report. Opinions, estimates and analyses in this report constitute the current judgment of the author as of the date of this report. They do not necessarily reflect the opinions of TM and are subject to change without notice. TM has no obligation to update, modify or amend this report or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, estimate, forecast or analysis set forth herein, changes or subsequently becomes inaccurate. This report is provided for informational purposes only. It is not to be construed as an offer to buy or sell or a solicitation of an offer to buy or sell any financial instruments or to participate in any particular trading strategy in any jurisdiction.

INTRODUCTION

THE AUTOMOTIVE AFTERMARKET IS AT A CRITICAL INFLECTION POINT WHILE COMPANIES ARE FACED WITH AN ULTIMATUM: **LEVERAGE DIGITAL CHANNELS OR BE LEFT IN THE DUST**

“I live my life a quarter mile at a time. Nothing else matters: not the mortgage, not the store...”
 – *The Fast and the Furious (2001)*

There may be no greater single influence on the current generation of automotive enthusiasts than *The Fast and the Furious* franchise. In the final scene of the first movie, when Vin Diesel’s 1970 Dodge Charger lined up with Paul Walker’s 1994 Toyota Supra MK IV a quarter mile from the railroad crossing, our love and passion for all things with wheels was turbocharged. Ten movies and twenty-three years later, our passion for the automotive aftermarket has never been stronger, and we are fortunate to devote a portion of our professional lives to working with our enthusiasts peers.

Understanding the interplay between manufacturers, distributors, retailers and those that do all three is paramount in navigating today’s market environment – and in nearly all cases, the most successful have been those who have succeeded in weaponizing their digital toolkit to gain an edge in an otherwise challenging market environment.

In this report, we will analyze the implied opportunities and associated risks in the evolving automotive aftermarket – and how entrepreneurs, operators, strategic acquirers and investors can capitalize on those trends to capture value. Our broader work in eCommerce provides us a unique lens through which to view the industry as its tectonic plates shift rapidly in the digital direction. In compiling this report, we’ve spoken with many of the industry’s leading operators, executives and board members. The underlying themes across these conversations reverberate loudly... **leverage digital channels or be left in the dust.**



ENTHUSIAST ROOTS IN THE AUTOMOTIVE AFTERMARKET

The \$350+ billion U.S. automotive aftermarket is a cornerstone industry within the economy; today roughly 40% of this revenue flows through digital channels ⁽¹⁾. The digital component of the \$39b U.S. *enthusiast* portion of the market is likely even higher ⁽²⁾. Much of today's enthusiast eCommerce market traces its roots back to the early days of internet forums. Industry pioneers, like Russell Floyd (Founder of *Z1 Motorsports*), got their start in the early days of the internet by engaging with fellow enthusiasts to buy, sell and trade parts all while building their own community. What followed was an influx of automotive eCommerce players beginning to chart a path in the late 90s / early 2000s. Specialized websites like *Summit Racing* (1997) and *Rockauto* (1999) were formed, larger eCommerce platforms launched automotive-focused sub-sites like *Amazon Automotive Parts & Accessories* (2006) and *eBay Motors* (2000), and a wave of enthusiast-focused platforms for specific makes and models launched individual websites (*ECS Tuning* in 2001, *Z1 Motorsports* in 2002, *Holley* in 2009, etc.).

Ultimately, the pitch was simple – these sites were built **for enthusiasts by enthusiasts** and provided strong customer engagement via informative, entertaining content and easy access to whatever a customer needed. While the “eliminate the middleman” thesis of DTC has been well documented in many categories, the most valuable element of the model has been the possibility of getting closer to the end customer and engaging with them, tracking data and demographics and serving them on a more bespoke basis – **all at scale**.

In the 1990s and early 2000s, that meant being active on the enthusiast-focused forums, hosting track days and drift events and sponsoring model-specific car events (*Wicked Big Meet*, *Corvettes at Carlisle*, *Z Nationals*, *Ponies in the Smokies*, etc.) While those initiatives are still relevant today, social media has changed the game. Enthusiast platforms all share a common denominator – winning customer loyalty by portraying themselves authentically as enthusiasts. The enthusiast platforms that are winning and taking market share from competitors have superior levels of customer engagement driven by robust content generation engines. Producing authentic content to drive organic customer engagement is a critical success factor. Not only does it drive brand awareness and customer loyalty, but it also directly impacts the bottom line as customer acquisition costs (CAC) tend to be lower, average order values (AOV) tend to be higher and customer retention goes off the track.

“ eCommerce, DTC, extensive social content, and serving DIY....this really defines a modern automotive aftermarket accessory branded product company...”

– Brian Reese, CEO, T Sportline



THE DTC PLAYBOOK



Its All About the Metrics

DTC companies live and die by the metrics – AOV, customer lifetime value (LTV), CAC, customer retention – be certain you are acquiring and retaining customers profitably from the very first purchase.



How Do Amazon and Marketplaces Fit In?

Go where the customer is already shopping – Amazon and other marketplaces can be complementary to your overall DTC strategy but be careful about becoming overly reliant on a concentrated channel (target <20% of sales).



Don't Forget About the Installer / Jobber

Installers / jobbers can be a powerful marketing and sales tool. As later generation vehicles and EVs become increasingly complex, we expect the DIFM consumer segment to grow compared to the DIY segment.



Rip Off the Band Aid

A swift adoption of a DTC model (organically or through acquisition) can be advantageous – having the conversation with your existing wholesale customers once is better than transitioning gradually and having those same conversations every quarter.

(1) L.E.K. – Direct-to-Consumer Sales: An Untapped Opportunity in the Automotive Aftermarket

(2) Based on SEMA data; performance aftermarket based on performance engines, wheels, tires, brakes and suspension categories

DO-IT-YOURSELF (DIY) VS. DO-IT-FOR-ME (DIFM)

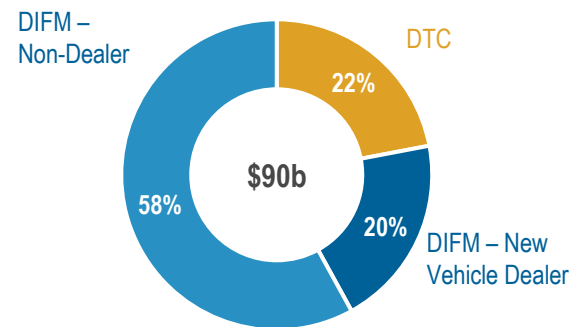
The automotive aftermarket is perfectly suited for DTC given the prevalence of DIY and DIFM customers. Each segment has its place within the automotive aftermarket and needs to be carefully considered by manufacturers and retailers. The DIY side is more straightforward. The DIY customer is typically focused on basic maintenance and / or working on older vehicles that don't require complex parts and technology to modify. The DIY customer is researching and making the purchase decision on their own. Certain segments of the aftermarket (e.g., restoration, racing, accessories, etc.) may focus more on the DIY customer; however, much of the projected growth within the automotive aftermarket is expected to come through the DIFM channel due to the increasing technological complexity inherent in newer and electric vehicles.

“ At the end of the day, the consumer is our customer, and they decide what to buy and who to buy from...an increasing number of consumers prefer purchasing directly from us and are confident in handling the installation themselves.”

– Bob Bruegging, CEO, Race Winning Brands



2025 Aftermarket Parts Size and Share



Source: strategy& - DIFM Outlook 2025: A Dynamic Battleground

Depending on the segment of the automotive aftermarket that one plays in, it is critical to consider the different needs and purchasing behavior of both segments. Online content including installation manuals, technical specifications and help videos are critical marketing tools to convert DIY customers.

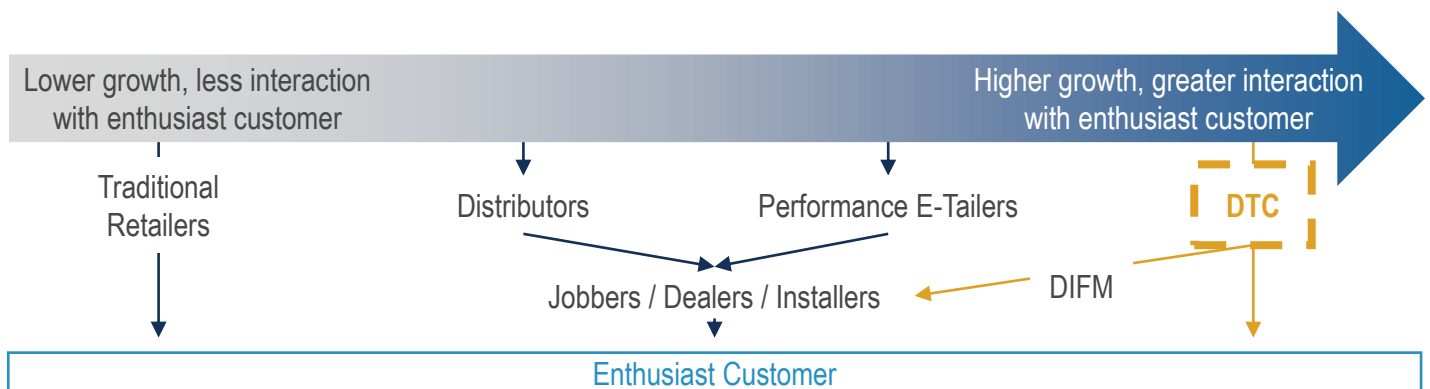
DIY

- ✓ Older vehicles
- ✓ Focused on basic maintenance
- ✓ Simpler, “bolt on” projects
- ✓ Can be driven by economic circumstances

DIFM

- ✓ Newer vehicles with more complex technology
- ✓ Projects that require advanced tools and knowledge
- ✓ Large-scale projects
- ✓ Purchase decision can still be driven by consumer

REACHING THE ENTHUSIAST CUSTOMER



“ To bring it full circle, when our marketing generates a larger brand following there is more foot traffic asking for OVS, the stores sell more, our wholesale partners sell more, and we sell more.”

– Chris Faux, Board Member, Overland Vehicle Systems



SOUNDBITES FROM AROUND THE INDUSTRY

“At Race Winning Brands, we’ve continued to increase our presence and business in DTC channels. At the end of the day, the consumer is our customer, and they decide what to buy and who to buy from. While many still prefer buying through Dealers and Installers (particularly for parts that are more difficult for DIYers to work with), an increasing number of consumers prefer purchasing directly from us and are confident in handling the installation themselves.

Bob Bruegging, CEO



I’m excited to share that our DTC sales have grown by over 20% year over year! We’ve achieved this without disrupting the relationships we have with our Engine Builders, Dealers, Installers, and Distributors. Much of our business with these partners is now done through online portals, making it easier for everyone to place orders, track shipments, and check inventory any time of the day.”

**Chris Faux,
Board Member**



“OVS is a consumer-focused brand. DTC sales through our website make up a majority of our sales, and our sales & marketing spend is focused on A+ content for the end consumer. We do this because a larger consumer following for the brand helps our own DTC efforts while also benefiting our wholesale customers... All boats rise. Since we’re focused on content creation for the brand, our wholesale strategy is to find the B2B customers that add value for us to compliment our own efforts. Since we’ve got eCommerce and marketing covered ourselves, our B2B customers are typically the ones that allow us to access the in-person channels like retail stores.

To bring it full circle, when our marketing generates a larger brand following there is more foot traffic asking for OVS, the stores sell more, our wholesale partners sell more, and we sell more.”

“The immediacy of DTC is what makes this channel so invaluable to T Sportline. We can launch products directly in DTC and immediately pulse demand and customer insights (pre-orders) prior to manufacturing. With DTC the feedback relating to product issues happens much faster and directly than if selling B2B. Beyond the immediacy and margin benefits, DTC enables us to market to existing customers with all new products and adjacent products, resulting in high customer lifetime value (LTV).

Brian Reese, CEO



eCommerce, DTC, extensive social content, and serving DIY....this really defines a modern automotive aftermarket accessory branded product company, in my opinion. Figure out how to make these centers of excellence or your company is at high risk to lose share to those that do.”

Q&A WITH INDUSTRY VETERAN MATT JORDAN



Matt has over 20 years of executive leadership experience in the auto aftermarket, and over 30 years of experience in eCommerce. Matt is currently serving as the interim CEO of PerTronix Performance Brands and has previously served in CEO roles at Covercraft Industries, Aftermarket Performance Group (APG) and Eckler's Industries. Matt currently serves on the Boards of Directors for PerTronix Performance brands, Covercraft Industries, CJ Pony Parts, and Extra Mile Brands. Prior to returning to his love of classic and enthusiast cars, Matt worked in the collectibles industry for industry leaders such as The Bradford Group, the Hamilton Collection and Franklin Mint.

Matt Jordan

mdjordanusa@gmail.com



Matt Jordan has led and advised many companies across the automotive aftermarket industry. Since February 2024, he has served as interim CEO of PerTronix Performance Brands and has served in prior CEO and board roles with many companies across the automotive aftermarket. We sat down with Matt to get his perspective on all things automotive.

Q: What are some key trends are you seeing across the automotive aftermarket and what should business owners be paying attention to over the next few years?

It is a really interesting time in our industry right now. We are in uncertain times, and generally in uncertain times, consumers behave more conservatively. That said, I remain extremely optimistic about the medium-to-long-term trends in our industry. This wouldn't be a trends discussion if I didn't mention COVID. In 2020, when consumers had time and money, they rushed to their cars. We saw a huge spikes in sales the days after stimulus checks were mailed out across the industry. Many automotive enthusiasts were reinvigorated with their hobby during COVID and this reinforced, for me, that the automotive aftermarket is deeply ingrained in American culture and a very strong sign for the future.

Q: We saw the same COVID trends in our clients' businesses. How have you seen the overall market and competitive landscape evolving in recent years?

Great question, there are a few trends impacting our industry that I think are worth discussing:

- 1) **More and more manufacturers are going DTC. It makes sense.** The manufactures want to have a direct relationship with their enthusiast customer. This trend can put a lot of pressure on distributors and even strain the manufacturers' relationship with its wholesale customers if not done tactfully. When done the right way, I truly believe that everyone can win – the brand, the consumer and the wholesalers. The key is to never prioritize your DTC customer over your wholesale customers' end customer. You have to take care of your business partners and give them comparable pricing and lead times vs. DTC. If you undercut them, you are only taking market share from yourself. If done right, both channels are taking market share from competitor brands. At Covercraft, we were able to consistently grow both our DTC and wholesale business. The wholesalers benefited from our direct marketing strategy and, in combination, brand awareness skyrocketed and sales in both channels followed.

Q&A WITH INDUSTRY VETERAN MATT JORDAN (CONTINUED)

- 2) **It is no secret, the average age of vehicles on the road is getting older.** The biggest winners in this trend are the players who focus on repair & maintenance products – older cars require more parts. I believe the enthusiast segment can also benefit. Older vehicles are often cheaper and older technology can be easier to modify and upgrade than newer cars. Often times enthusiasts look for older models to modify. I think more and more enthusiasts will be turning to cars built in the 1990s and 2000s for their enthusiast projects.
- 3) **The auto aftermarket has seen rapid consolidation by private equity and private-equity backed businesses.** The impacts of this are two-fold. First, it is tougher for private equity and existing platforms to find high-quality privately owned businesses, driving steeper competition and higher multiples. Second, on the other side of that coin, some of these platforms are over-leveraged and walking a fine line in the current high interest rate, high inflation environment. Often facing artificial pressures to complete add-on acquisitions, many private-equity owned platforms have put together businesses that do not fit and synergies are hard to find. Mismatched add-on acquisitions coupled with the business losing its enthusiast culture, slowing of new product development and general lack of authenticity can lead to some severe problems.

Q: What are common threads of success that you have witnessed in your various roles at leading automotive aftermarket companies?

This is a tough question. The best run companies that I have been fortunate enough to be a part of are all hyper focused and detail oriented. **They are run by enthusiasts and every decision is made with the target customer in mind.** It is absolutely critical to have your finger on the pulse of your target customer – you can't be everything to everyone. In addition to focusing on the enthusiast core, these companies have functional experts in house – like finance, IT, marketing and eCommerce. Gone are the days where companies can wing it in those areas. Competition is too fierce. The internet has evolved, so you are now competing against players like Amazon, eBay and Rock Auto.

New product development is always top of mind for leading companies. The benefits are innumerable: 1) it keeps you in front of your consumers and drive increased sales; 2) it shows you are investing in your brand; 3) it evidences a deep-rooted enthusiast culture. When I was at APG, we used to host Cars and Coffee – it was so valuable for us to speak with our customer, see the cars and ultimately understand what new products the customer is looking for.

Q: What macro economic factors do you pay most attention to due to their effect on the auto aftermarket?

It varies by the segment of the market. For example, when I was in restoration at Eckler's, we saw a high correlation between our sales and the performance of the stock market. Our customer base tended to be retired (a group I have tried to join twice, unsuccessfully), so that customer "felt" richer or poorer based on the movements of the stock market and their investment portfolio. We could accurately predict call volumes on any day based on the market moving.

It all comes down to your customer demographics and what motivates them. As another example, the high-end restomod and performance side of the market is very much insulated from economic trends, as that customer base tends to always have discretionary income. In the fat part of the bell curve, you have a large group that prioritizes street performance and appearance items. While still enthusiasts, these customers tend to be more impacted by the greater economy (think fuel prices, interest rates and inflation). In general, the more diehard the enthusiast customer, the less that segment will be impacted. I have always believed that the vast majority of people want to drive a car that looks nice and makes them feel good – and they will spend money to achieve those things.

Q&A WITH INDUSTRY VETERAN MATT JORDAN (CONTINUED)

Q: What is your greatest success story in initiating change within a company?

That is really tough. Like any parent, I'm proud of all my kids. Perhaps my time with Covercraft stands out at the moment. I stepped into the CEO role from the board while we were having some challenges. We had great products (the best in their categories!), some really fantastic people, and a great financial sponsor, but we lacked direction and vision. The company's priority list of open projects had over 300 lines on it. My job was to simplify the complexity. We whittled that priority list down to 5-10 items that we focused on and executed well. The buy-in was terrific and we made huge progress very quickly. The whole team understood where we were going and everyone bought in. Perhaps the best moment for me was when we successfully sold to a new financial sponsor and made sure that all employees got to share in the fruits of their efforts.

Q: If you had to drive one vehicle for the rest of your life, what would it be?

But I don't want just one! Well, if I had to pick one, it would be a Land Rover Series III 109. It'll take me anywhere I want to go. I love the look and its simplicity. Nothing on it can't be fixed with basic tools and no project is too complicated. Just looking at one of these reminds me of the line from one of my favorite poems, "*For lust of knowing what should not be known, we take the Golden Road to Samarkand*". I want to go, someplace unchartered and exciting, and there is no better way than in a Land Rover Series III 109.



Q: You have spent a lot of time working with private companies either before or during their first period of intuitional ownership. What advice do you have for owners who are thinking about a sale?

Finding the right partner is the key to happiness, both at home and at work. Not all private equity firms are created equal. Always do your homework and check references. Go to LinkedIn and find people a step or two down in the organization that was owned by the private equity firm. Collect as much feedback as you can. What were they like to work with? What was their style? Did they let management run the company or were they trying to impose their will? Like in every relationship, finding a balance is what will make for the most successful outcome.

Make your business bullet-proof before a sale. I have seen many things derail a sales process, like sales tax issues, EPA / CARB compliance issues, accounting issues and IT issues. Focusing on these items before a sale not only limits the chance for unforeseen negative surprises but it also gives investors more confidence in your business.

You also need to have a strong vision for future growth. An investor comes to the table because of the business you have built and your accomplishments, but the deal gets done (and at exciting valuations) because of the excitement around the growth plan. You need to have a detailed plan with specific action steps of how you will achieve it. Think creatively and expansively.

AUTOMOTIVE AFTERMARKET TRENDS AND DRIVERS

HEADLINES AROUND THE AUTOMOTIVE AFTERMARKET

Hoonigan Emerges From Bankruptcy, Eliminates \$1.2 Billion in Debt

- Hoonigan, the clothing and lifestyle brand, was acquired by Wheel Pros (Clearlake Capital) in September 2021; Wheel Pros was re-branded under the Hoonigan name in October 2023
- Hoonigan completed its restructuring and emerged from its Chapter 11 process on December 2nd, eliminating \$1.2b in debt and securing access to a \$175m asset-backed loan facility
- Its majority owner group, led by Strategic Value Partners, LLC and Nut Tree Capital Management LP, is optimistic about the future growth of the company

[HOONIGAN]

WHEEL PROS



Holley Reports Q3 2024 Earnings

Holley

Q3 2024 Results

\$134.0m Net Sales (14.4%) vs. PY	39.0% Adj. Gross Margin +170bps vs. PY
16.51% Adj. EBITDA Margin (250bps) vs. PY	(\$2.1m) Free Cash Flow (\$23.8m) vs. PY

- On the first page of its investor presentation, Holley highlighted its strategic marketing calendar of events contributing to a DTC lift of 110% in the quarter – evidencing the critical importance of social media and DTC in today’s enthusiast automotive aftermarket
- Launched stand-alone brand experience websites which provided a 20% sales lift
- Forecasting negative growth in Q4 2024 but a return to positive growth in Q1 2025

Supreme Court Ruling Relaxes EPA’s vice grip on the Automotive Aftermarket

- In June 2024, the Supreme Court voted to dismantle the Chevron Doctrine – ending the 40-year practice of the courts deferring to government agencies to interpret ambiguous federal laws
- Viewed as win by automotive enthusiasts who have long since felt the enhanced scrutiny and investigation of the EPA and CARB
- More time is needed to see how this plays out, but it is positively viewed as a step in the right direction

*“Our industry has felt the sting of federal overreach in a number of ways over the past several years and our businesses constantly live under the fear and threat of future encroachment of federal agencies,” says Mike Spagnola, President and CEO of the Specialty Equipment Market Association (SEMA). “The Supreme Court’s decision restores the checks and balances of our system of governance, and rightly places authority back where it belongs: with the elected officials in Congress who are charged with drafting federal laws.” – **MOTOR TREND***



AUTOMOTIVE AFTERMARKET TRENDS AND DRIVERS (CONTINUED)

STABLE, RECESSION-RESISTANT CATEGORY

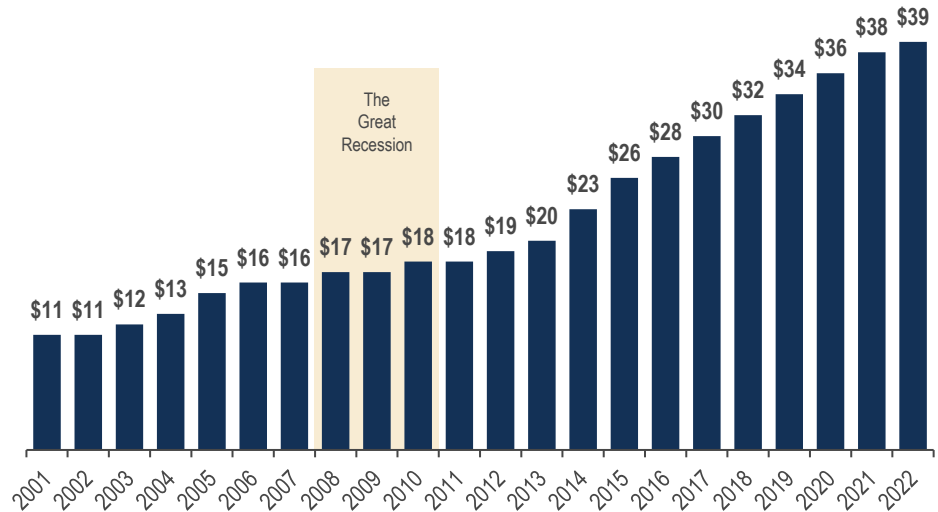
Commentary

2001-2022 CAGR: 6.2%

- ✓ A \$39b industry, the performance automotive aftermarket is consistent and has grown at a 6.2% CAGR since 2001
- ✓ Although the data is not yet published, consensus among industry experts is that the performance aftermarket reached a peak in 2022 and has been mostly flat / down in 2023 and 2024
- ✓ This flat / downward trend was fueled by the pull forward in demand during COVID, which is visible in the chart below

(Industry revenue in billions)

The Performance Automotive Aftermarket



Source: Based on SEMA data; performance aftermarket based on performance engines, wheels, tires, brakes and suspension categories

UNDERSTANDING THE COVID BUMP AND RECENT MARKET NORMALIZATION

Google Trends Interest Over Time for search term "cold air intake"



Note: Numbers represent search interest relative to the highest point on the chart for the given region and time. A value of 100 is the peak popularity for the term. A value of 50 means that the term is half as popular. A score of 0 means there was not enough data for this term.

Commentary

- ✓ We utilized Google Trend data for the search term "cold air intake" as a simple yet elegant approximation of market health in the enthusiast automotive aftermarket
- ✓ Following COVID, the market reached peak interest in March 2021, coinciding precisely with the issuance of stimulus checks under the American Rescue Plan Act of 2021
- ✓ The market troughed in December 2022 and January 2024, evidencing the flat to down trend across the market the last 18-24 months

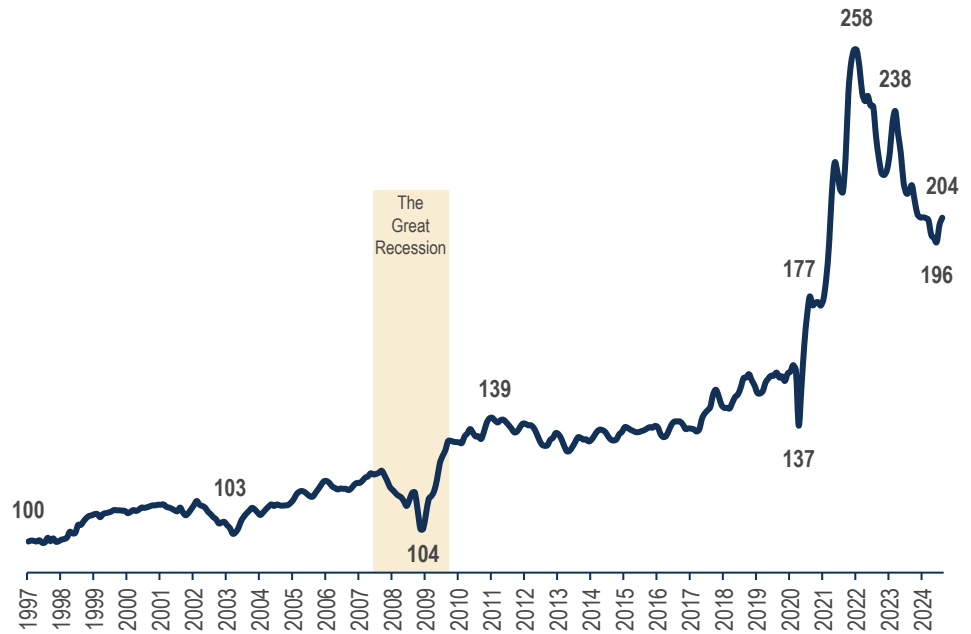
AUTOMOTIVE AFTERMARKET TRENDS AND DRIVERS (CONTINUED)

USED VEHICLE PRICES LEVELING OFF BUT STILL WAY ABOVE PRE-PANDEMIC LEVELS

Commentary

- ✓ Wholesale used vehicle prices increased steadily up until the COVID pandemic – inventory shortages and increasing inflation led to a sharp rise in prices; low-cost, enthusiast models (like the Mazda Miata) instantly became more expensive which had an impact on related aftermarket sales
- ✓ Used vehicle prices peaked in January 2022
- ✓ In 2023 and 2024, used vehicle values are decreasing to more normalized levels but are still significantly higher than historical norms

Manheim Used Vehicle Value Index



CONSUMERS ARE DRIVING MORE MILES THAN EVER BEFORE

(# of miles in millions)

Moving 12-Month Total Vehicle Miles Traveled

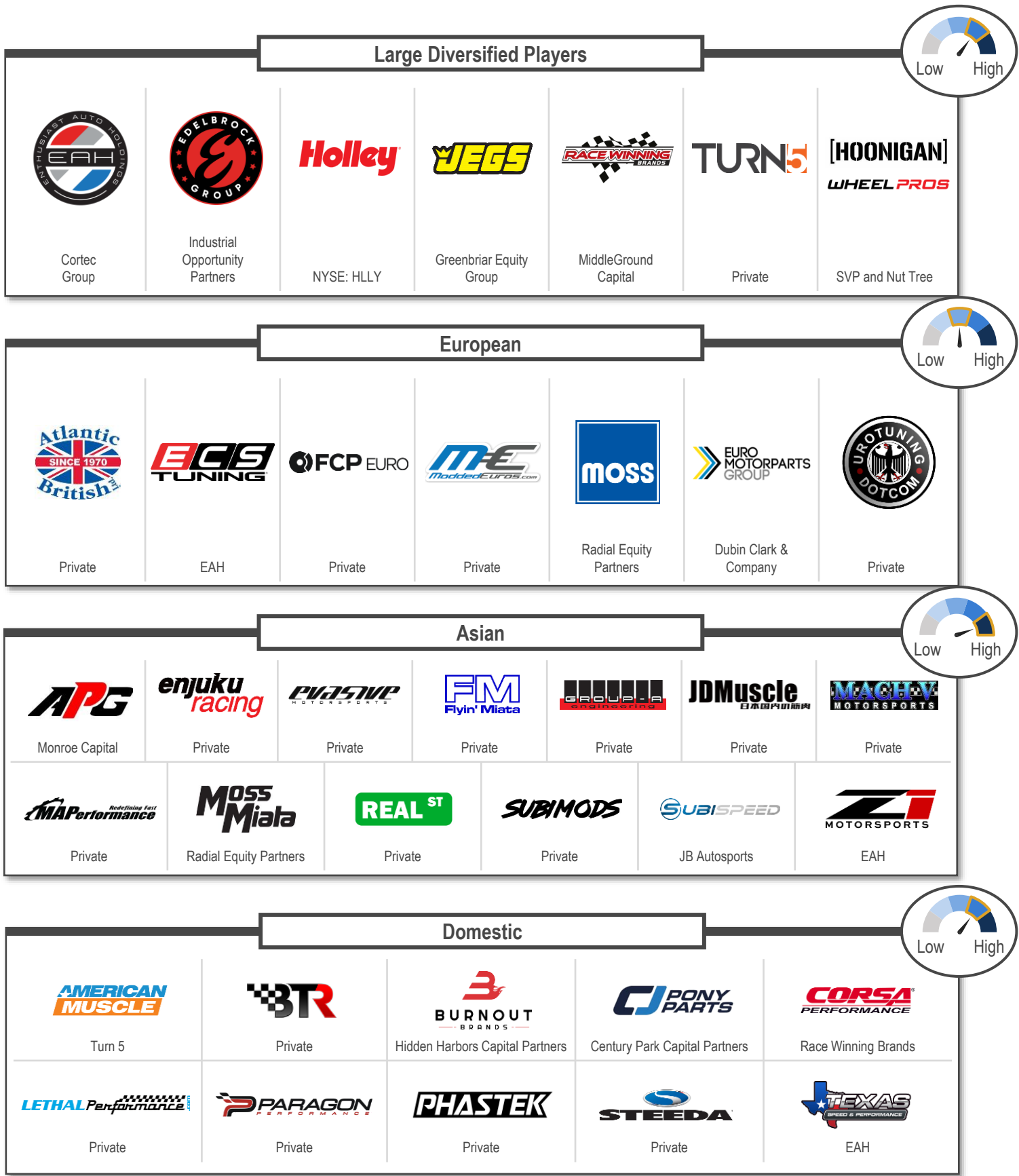


Commentary

- ✓ Total vehicle miles traveled continues to increase as remote work conditions have normalized and consumers are back behind the wheel
- ✓ Total vehicle miles traveled has returned to pre-COVID levels
- ✓ Mileage driven and increasing vehicle prices (see above) has led to the average age of cars on the road being 13.6 years old, up 2 full years since 2016
- ✓ While these trends drive sales on the repair / replace side, enthusiast demand remains thwarted by higher prices

Source: U.S. Federal Highway Administration, Moving 12-Month Total Vehicle Miles Traveled [M12MTVUSM227NFWA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/M12MTVUSM227NFWA>; Bureau of Transportation Statistics

REPRESENTATIVE ENTHUSIAST AUTOMOTIVE AFTERMARKET LANDSCAPE



REPRESENTATIVE ENTHUSIAST AUTOMOTIVE AFTERMARKET LANDSCAPE (CONTINUED)



SELECT ENTHUSIAST M&A ACTIVITY (2023-2024)

A historically vibrant M&A market, the enthusiast segment of the automotive aftermarket has slowed down over the last 18 months. Recent acquisition activity has largely been driven by strategic buyers making opportunistic acquisitions (e.g., carve outs, private sellers, fund life dynamics, etc.). As businesses rebound and return to positive year-over-year growth in late 2024 and 2025, we expect acquisition activity to accelerate. Below we include a representative listing of the enthusiast transactions completed in 2023 and 2024. As always, we welcome the opportunity to discuss the trends and drivers of M&A activity in more detail, and our team stands ready to help you capitalize on opportunities across the automotive aftermarket.

Date	Target	Acquirer	Target Description
Oct-2024	 CPS	 HCI EQUITY PARTNERS	Provider of auto parts and accessories
Oct-2024	 BURNING	 A 111	Provider of fully custom restoration and modernization services
Jul-2024	 4 WHEEL PARTS	 DRW	Provider of aftermarket vehicle enhancements
Mar-2024	 AMERICAN POWERTRAIN	 PonyParts	Provider of transmission kits for classic vehicles
Feb-2024	 STORYTELLER OVERLAND	 L CATTERTON	Innovator in adventure vehicle manufacturing
Jan-2024	 ati	 CLOYES ESTABLISHED 1921	Supplier of front-end drive pulleys and tensioners
Oct-2023	 TRANCO	 CenterGate CAPITAL	Manufacturer of replacement valve body repair kits
Oct-2023	 Rotomaster THE TURBOCHARGER AND COMPONENT SPECIALISTS	 CLOYES ESTABLISHED 1921	Turbocharger and component specialist
Aug-2023	 MOUNTAIN TOP	 REALTRUCK	Supplier of truck accessories
Jun-2023	 GO RHINO!	 REALTRUCK	Innovator in truck, Jeep and SUV products
Jun-2023	 REVCOCA	 Real Distributing	Supplier of aftermarket parts and accessories
Jun-2023	 FVC	 HORSE POWER	Manufacturer of adventure van parts and accessories
Apr-2023	 SPECIALISTS RACING ENGINES	 BANYAN TECH GROUP	Distributor of auto accessories
Apr-2023	 ULTIMATE TOYS	 COURTESY CREATIONS	Designer and market of Class B RV luxury vehicles
Mar-2023	 RCI	 EPI	Manufacturer and retailer of aftermarket accessories
Feb-2023	 msd	 KV Capital	Distributor of powersports parts and accessories
Feb-2023	 eWH Outdoor Wheel Haven	 FOX FACTORY	Manufacturer and distributor of wheels
Feb-2023	 iRO Parts Autotechnica	 RIVERARCH EQUITY PARTNERS	Supplier of replacement parts
Jan-2023	 VORTECH SUPERCHARGERS	 RACING & PERFORMANCE	Manufacturer of high-technology air management products
Jan-2023	 HORIZON GLOBAL	 FRST BRANDS GROUP	Manufacturer of branded towing and trailering equipment



TM CAPITAL
A DIVISION OF JANNEY

ATLANTA

1230 Peachtree Street NE
Suite 550
Atlanta, GA 30309

404.995.6230

BOSTON

201 Washington St
32nd Floor
Boston, MA 02108

617.259.2200

NEW YORK

641 Lexington Avenue
32nd Floor
New York, NY 10022

212.809.1360

www.tmcapital.com

