



SECTOR SCOPE: The **Outdoor Equipment & Apparel** market is divided into three segments: (i) Apparel; (ii) Footwear; and (iii) Equipment. In addition to the core outdoor activities (hunting, fishing, camping, climbing, hiking, and snow sports), this snapshot also covers cycling and water sports. The Apparel and Footwear segments encompass a variety of technical products used by participants of these activities while the Equipment segment includes all other gear and accessories such as skis and bindings, fishing tackle, and camp stoves.

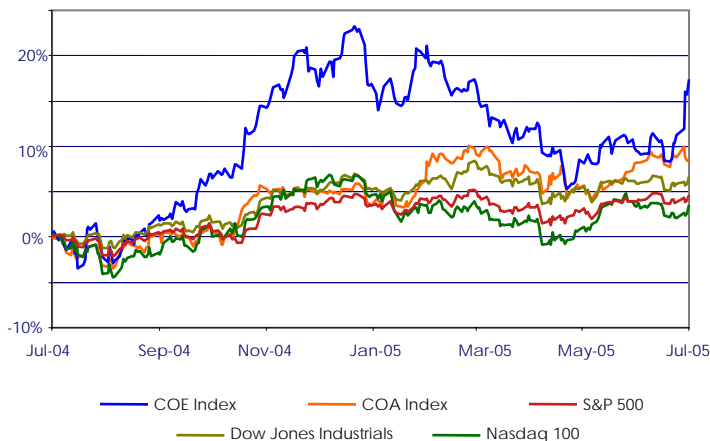
GROWTH OUTLOOK:

- ▶ The core outdoor market represents about \$20 billion in sales, with cycling and watersports contributing an additional \$5.7 billion and \$680.9 million, respectively (Leisure Trends Group and National Sporting Goods Association).
- ▶ The industry is a relatively mature market with sales growth holding steady in the range of 2.0-5.0% per year.
- ▶ Women and young adults are two consumer segments with the greatest potential for growth opportunities. The participant population is also becoming more ethnically diverse (Outdoor Industry Association, "OIA").

DEMAND DRIVERS:

- ▶ **Evolving Consumer Profile Creates Demand for Higher-Margin Products** - The outdoor sports market's consumer is typically more educated, has a higher median income than the general population, and prioritizes function over discount pricing in making purchases. Growth in the number of enthusiasts, who are more likely to purchase high-margin equipment and apparel, outpaced that of the general outdoor sports participant population from 2001 to 2003. This is a viable growth opportunity for manufacturers, as demand for more sophisticated, higher-margin products will also increase.
- ▶ **Mounting Challenges for Niche Manufacturers** - Manufacturers with limited product offerings are finding it increasingly difficult to compete for shelf space against larger suppliers who offer budget-crunched retailers a portfolio of brands in diverse product areas. The most resilient niche manufacturers will succeed by producing high quality, innovative goods and creating a superior brand with a loyal customer following.
- ▶ **Growth Challenges Drive Supplier Consolidation** - Manufacturers are addressing increased pressure to sustain growth and profitability by creating production synergies and gaining complementary offerings for a more comprehensive product line. Suppliers that are able to create mainstream brand appeal and achieve sustainable growth rates above 10% will continue to be attractive acquisition opportunities for leading consolidators.
- ▶ **Manufacturers Respond to Demands of Growing Female Demographic** - The number of female participants in outdoor sports increased 13.4% from 57.5 million to 65.2 million between 1998 and 2003, according to the OIA. Manufacturers should continue to target this growing demographic, as interest in women-specific products increase and as findings have shown that women are responsible for 80% of household purchases.

CAPSTONE OUTDOOR EQUIPMENT AND APPAREL INDEX



The Capstone Outdoor Equipment (COE) Index is a market capitalization weighted index that includes the following companies: ATN, ALDA, UCPJ, BIKE.O, DIIB, ESCA, GRMN, HED, JAH, KTO. The Capstone Outdoor Apparel (COA) Index is a market capitalization weighted index that includes the following companies: BOO, COLM, BOOT, OO, ZOK, RCKY, RML, TBL, VFC (July 8, 2004 to July 8, 2005).

PUBLIC EQUITY MARKETS

| Equipment Company Name | Valuation Statistics | | |
|--|----------------------|----------------|--------------|
| | TEV/LTM Rev | TEV/LTM EBITDA | TEV/LTM EBIT |
| Action Performance Companies Inc. (NYSE:ATN) | 0.5x | 6.4x | N/A |
| Aldila Inc. (NasdaqNM:ALDA) | 1.5x | 6.8x | 7.7x |
| Brownie's Third Lung (OTCBB:UCPJ) | 0.6x | 178.6x* | N/A |
| Cannondale Corp. (OTCPK:BIKE.O) | 0.4x | N/A | N/A |
| Dorel Industries Inc. (NasdaqNM:DIIB) | 0.9x | 9.3x | 10.8x |
| Escalade Inc. (NasdaqNM:ESCA) | 1.0x | 7.4x | 9.5x |
| Garmin Ltd. (NasdaqNM:GRMN) | 6.2x* | 15.1x | 17.2x |
| Head NV (NYSE:HED) | 0.5x | 9.1x* | 32.7x* |
| Jarden Corp. (NYSE:JAH) | 2.4x | 16.5x | 19.5x |
| K2 Inc. (NYSE:KTO) | 0.8x | 9.2x | 13.7x |
| Average | 1.0x | 10.1x | 13.1x |
| Median | 0.8x | 9.2x | 12.2x |
| Harmonic Mean | 0.7x | 9.0x | 11.7x |

| Apparel Company Name | Valuation Statistics | | |
|--|----------------------|----------------|--------------|
| | TEV/LTM Rev | TEV/LTM EBITDA | TEV/LTM EBIT |
| Collegiate Pacific Inc. (AMEX:BOO) | 1.2x | 12.2x | 13.1x |
| Columbia Sportswear Co. (NasdaqNM:COLM) | 1.4x | 6.9x | 7.6x |
| Lacrosse Footwear Inc. (NasdaqNM:BOOT) | 0.6x | 6.1x | 7.2x |
| Oakley Inc. (NYSE:OO) | 1.9x | 11.6x | 17.1x |
| Quiksilver Inc. (NYSE:ZQK) | 1.5x | 11.9x | 14.4x |
| Rocky Shoes & Boots Inc. (NasdaqNM:RCKY) | 1.5x | 12.5x | 15.5x |
| Russell Corp. (NYSE:RML) | 0.8x | 7.3x | 10.7x |
| Timberland Co. (NYSE:TBL) | 1.5x | 8.7x | 9.5x |
| VF Corp. (NYSE:VFC) | 1.2x | 7.5x | 8.9x |
| Average | 1.3x | 9.4x | 11.5x |
| Median | 1.4x | 8.7x | 10.7x |
| Harmonic Mean | 1.1x | 8.8x | 10.6x |

TEV = Total Enterprise Value = Market Capitalization + Debt - Cash.
*Excluded from calculation
Source: Capital IQ, Reuters, FT.com and company reports.



Capstone Partners LLC is a leading national investment banking advisory firm dedicated to assisting middle market entrepreneurs through complex M&A and financing transactions.



Ongoing Capital
Markets Advisory

Companies advised:



*Advised by principals of Capstone Partners

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DEAL ACTIVITY:

M&A Transactions

| Date | Target | Buyer | Summary | Deal Size (\$mm) | TEV / Rev | TEV / EBITDA |
|-----------|--|---|---|------------------|-----------|--------------|
| 8/3/2005 | Reebok International Ltd. | Adidas-Salomon AG | Adidas-Salomon AG acquired Reebok International Ltd., a rival sporting goods retailer, for \$3.8 billion. Reebok had \$3.9 billion in revenues and \$336.7 million in EBITDA. | \$3,800.0 | 0.9x | 10.6x |
| 6/29/2005 | The Holmes Group Inc. | Jarden Corporation | Jarden Corporation acquired The Holmes Group Inc., a home appliances manufacturer, for \$625.9 million. The Holmes Group had revenues of \$623.8 million and EBITDA of \$86.2 million. | 625.9 | 1.0x | 7.3x |
| 6/17/2005 | Pearl Izumi USA, Inc. | Nautilus Inc. | Nautilus, Inc. acquired Pearl Izumi, a manufacturer of high performance fabrics for the cycling and outdoor industry, for \$74 million. Pearl Izumi had revenues of about \$49 million. | 74.0 | 1.5x | N/A |
| 5/18/2005 | Watermark Paddlesports Inc., Water Sports Business | Confluence Holdings Corporation | Watermark Paddlesports Inc., a manufacturer of kayaks and paddle sports accessories, sold its water sports business to Confluence Holdings Corp for an undisclosed amount. Watermark Paddlesports Inc. has revenues of \$46.6 million. | N/A | N/A | N/A |
| 5/17/2005 | Innovo Inc. | Loew-Cornell, Inc. | Loew-Cornell, a subsidiary of Jarden Corporation, acquired selected assets of Innovo Inc.'s crafts business, specializing in marketing, sale, and distribution of fashion accessories. Details of the transaction were not disclosed. | N/A | N/A | N/A |
| 5/12/2005 | Oxbow SA | Lafuma SA | Lafuma group acquired Oxbow, a manufacturer and distributor of branded surfing, snowboarding, motor cross and windsurfing clothing and equipment, for about \$33 million. | 33.4 | N/A | N/A |
| 5/9/2005 | Aqua Xtremes Inc. | Nova Communications Ltd. | Nova Communications Ltd. acquired Aqua Xtremes Inc., a personal watercraft products manufacturer. Terms of the transaction were not disclosed. | N/A | N/A | N/A |
| 5/2/2005 | Salomon S.A. | Amer Sports Corporation | Amer Sports Corp. acquired Salomon S.A., a manufacturer of ski equipment, gloves, hiking boots and bicycle wheels, for about \$624.34 million. Salomon had revenues of \$840.61 million. | 624.3 | 0.7x | N/A |
| 4/27/2005 | International Brand Licensing AG, Mountain Equipment Brand | Swiss Cutlery (UK) Ltd. | Swiss Cutlery (UK) Ltd. acquired International Brand Licensing's Mountain Equipment Brand, an outdoor clothing and equipment brand, for \$5.72 million. Mountain Equipment had revenues of about \$4.41 million. | 5.7 | 1.3x | N/A |
| 4/5/2005 | Surfection Group | Quiksilver Inc. | Quiksilver acquired Surfection, an Australian retail chain, for an undisclosed amount. | N/A | N/A | N/A |
| 3/31/2005 | Jack Wolfskin | Quadrige Capital Eigenkapital Beratung GmbH | Bein Capital LLC sold its stake in Jack Wolfskin, a manufacturer of apparel, equipment and footwear for outdoor activities, to Quadrige Capital Ltd. Financial Terms of the transaction were not disclosed. | N/A | N/A | N/A |
| 3/22/2005 | Skis Rossignol SA | Quiksilver Inc. | Quiksilver, Inc. acquired the Rossignol Group SA, a sporting goods manufacturer operating principally in the winter sports goods market, for about \$320 million. The Rossignol Group had revenues of about \$625 million. | 320.0 | 0.5x | N/A |
| 3/21/2005 | Reef Holdings Corporation | VF Corporation | VF Corporation acquired Reef Holdings Corporation, a manufacturer of surf related footwear and clothing, for \$188 million. Reef had \$75 million in revenues. | 188.0 | 2.5x | N/A |
| 12/8/2004 | Holoubek Inc. | VF Corporation | VF Corporation acquired substantially all the assets of Holoubek Inc., a licensee of Harley-Davidson products, for \$26.3 million. Holoubek had about \$33.5 million in revenues. | 26.3 | 0.8x | N/A |
| 12/6/2004 | EJ Footwear LLC | Rocky Shoes & Boots Inc. | Rocky Shoes & Boots, Inc. acquired EJ Footwear Group, a footwear manufacturer, for \$102.6 million. | 102.6 | N/A | N/A |
| 9/20/2004 | American Household Inc. | Jarden Corporation | Jarden Corporation acquired American Household, Inc., a manufacturer operating through its subsidiaries Sunbeam Products, Coleman and First Alert/Powermate, for \$845.6 million. American Household had revenues of about \$1.2 billion and an EBITDA of \$92.2 million. | 845.6 | 0.7x | 9.2x |
| 8/23/2004 | LaCrosse Footwear, Inc., PVC Boot Line in Claremont | Onguard Industries LLC | Onguard Industries LLC acquired Lacrosse Footwear's PVC boot manufacturing division. Terms of the transaction were not disclosed. | N/A | N/A | N/A |
| 8/12/2004 | Bell Sports Corporation | Riddell Group | Fanway Partners, Inc. acquired Bell Sports Corp., a manufacturer of bicycle helmets, for \$240 million in a transaction merging Bell with Riddell Group. Bell Sports Corp. had revenues of \$197.3 million and an EBITDA of \$46.4 million. | 240.0 | 1.2x | 5.2x |
| 8/4/2004 | Ocean Pacific Apparel Corporation | Warnaco Group Inc. | The Warnaco Group, Inc. acquired Ocean Pacific Apparel Corporation, a sports apparel manufacturer, for \$41 million. | 41.0 | N/A | N/A |
| 7/15/2004 | Four Star Distribution, Four Snowboard Brands | Burton Snowboards | Burton Snowboards acquired four brands from Four Star Distribution, a snowboard manufacturer. | N/A | N/A | N/A |
| 7/14/2004 | Walls Industries, Inc. | Brazos Equity Fund, L.P., Brazos Private Equity Partners, LLC | Brazos Private Equity Partners, LLC and Mr. Jerry M. Meyer, Chairman of Valhalla Holdings, Ltd. Acquired Walls Industries, Inc. a manufacturer of workwear, hunting and outdoor apparel. Terms of the transaction were not disclosed. | N/A | N/A | N/A |

| | | |
|---------------|------|------|
| Mean | 1.1x | 8.1x |
| Median | 1.0x | 8.2x |
| Harmonic Mean | 0.9x | 7.5x |

Private Placement Transactions

| Date | Company | Participants | Summary | Deal Size (\$mm) |
|-----------|----------------------------|--|--|------------------|
| 6/30/2005 | Quiksilver Inc. | Qualified Institutional Buyers | Quiksilver announced it will offer \$350 million aggregate principal amount of senior notes, in part to finance its acquisition of Skis Rossignol S.A. | \$350.0 |
| 5/23/2005 | FRWD Technologies Ltd | Holtron Ventures Ltd., Sentica Partners Oy | FRWD Technologies Ltd., an outdoor and action sports products manufacturer announced that it has received \$2.6 million (\$3.3 million) in funding. | 3.3 |
| 9/19/2004 | Jarden Corporation | Catterton Partners, Catterton Partners V, L.P., Warburg Pincus & Co., LLC, Warburg Pincus Equity Partners VIII, L.P. | Jarden Corporation, a branded consumer products manufacturer, announced that it has signed a definitive agreement for a \$350 million financing. Jarden has \$1.2 billion in revenues. | 350.0 |
| 9/2004 | Hunter's Specialties, Inc. | Greyrock Capital Group | Hunter's Specialties, Inc., a hunting accessories manufacturer, announced that it has secured \$5 million in funding. Hunter's Specialties has \$44 million in revenues. | 5.0 |
| 6/15/2004 | Kellwood Company | Institutional Investors | Kellwood Company, an apparel and consumer soft goods marketer, announced a private placement of \$180 million to qualified institutional buyers. Kellwood has \$2.4 billion in revenues. | 180.0 |

CLOSER LOOK: FABRIC TECHNOLOGY

The outdoor market is mature and is not expected to experience high growth; however, manufacturers can take advantage of high margins with innovative new products. Particularly in the Apparel segment, producing goods with more high-performance features gives manufacturers and their brands an advantage over the competition.

Applications

- Provide warmth while minimizing fabric weight
- Greater breathability and temperature regulation
- Improved water repellency
- Scent-suppressing fabrics

Select Manufacturers



From Pearl Izumi; designed to be warm and windproof, allowing maximum movement and comfort while cycling or running.



With odorless insect repellent and 30+ UV protection for fishing, hiking and other outdoor activities.



Performance-enhancing microfabric that keeps moisture away from the skin; for hunting and physical training.



First produced 25 years ago, this breathable, waterproof, windproof fabric raised the standard for performance outerwear.

Images courtesy of company websites

Select Deal Activity

| | |
|-----------|---|
| 6/17/2005 | Nautilus Inc. acquired Pearl Izumi for \$74 million. |
| 9/19/2004 | Jarden Corporation announced a \$350 million financing. |
| 5/12/2004 | K2 Inc. acquired Ex Officio for about \$4.7 million. |