

January 27, 2022

## Dear Clients and Colleagues:

The Omicron variant of COVID-19 has caused some short-term weakness in the travel industry. The reintroduction of lockdown measures in some parts of the world, and the continuation of travel restrictions have once again penalized the industry. After a slightly tougher start to the year, we still expect the travel industry to begin its recovery by March or April.

One area of travel that surpassed the pre-pandemic era is the overall outdoor living and leisure products sector, and with it, recreational vehicles (RVs). Demand for RVs has remarkably increased over the past two years. Even before the pandemic, this market segment benefited from favourable structural changes.

We believe that future demand for RVs and outdoor products should remain strong, in part because of sustained consumer interest, as well as the fact that the profile among RV owners and outdoor enthusiasts has changed. The RV Industry Association (RVIA) noted that half of the 11.2 million households that own RVs are less than 55 year old, with the 18-34 years old category representing 22% of the market. The RVIA's survey also showed that an additional 9.6 million households said they were considering buying an RV in the next five years, combined with over 10 million households that camped for the first time during 2020.<sup>1,2</sup>

Thanks to the growing popularity of leisure vehicles among younger consumers and families, there has been an increased preference for local destinations, and more interest in eco-friendly vacations. We anticipate demand for outdoor products will remain strong.

Companies offering sustainable solutions designed for consumers interested in outdoor adventures and exploring nature more frequently, should do well in that context. Dometic, a company we initiated at the end of 2021 in our international portfolios, could benefit from that trend.

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<sup>1</sup> <https://www.rvia.org/go-rving-rv-owner-demographic-profile>

<sup>2</sup> <https://www.prnewswire.com/news-releases/fresh-data-indicates-camping-interest-to-remain-high-in-2021-301273611.html>

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Dometic is a Swedish manufacturer of products within the climate, hygiene and sanitation, and food and beverages sectors. The products are used in recreational vehicles, pleasure boats, work boats, trucks, and premium cars. Some of Dometic's products include: refrigerators, barbecues, heating solutions, air conditioning, blinds, power solutions, safety solutions, and much more.

Dometic operates 28 plants in nine countries, and 85% of products sold are manufactured in-house. The products are sold in close to 100 countries through Original Equipment Manufacturers (OEM), aftermarket, and distributors. The company generates 32% of its sales in Europe, 30% in the Americas, 9% in Asia, and 29% in global markets such as marine, residential, hospitality, mobile deliveries, coolers. During the last 12 months, the company reported sales of SEK 20,187 million (USD 2,229 million) and an EBIT of SEK 2,937 million (USD 324 million).

### *Market size*

- Spending on outdoor recreation products in the United States (U.S.) represents US\$185 billion per annum.<sup>3</sup>
- Global Industry Analysts estimates that the global camping and caravanning market will grow from US\$49.8 billion in 2020 to US\$71.2B in 2026, growing at 6% per annum.<sup>4</sup>

### *Growth strategy*

- Signing more customers and increasing its product portfolio by developing new products.
- Entering new product categories or new applications.
- Growing the distribution network.
- Bolt-on acquisitions.

### *Strengths*

- Strong market leading position (number 1 or 2 in most markets).
- Growing share in aftermarket channel, which carries a higher margin profile.
- High barriers to entry due to high product requirements and tailor-made product dimension.
- Strong relationships with clients.
- Sales diversifications amongst RV, recreational boating, and commercial vehicles.

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<sup>3</sup> [https://outdoorindustry.org/wp-content/uploads/2017/04/OIA\\_RecEconomy\\_FINAL\\_Single.pdf](https://outdoorindustry.org/wp-content/uploads/2017/04/OIA_RecEconomy_FINAL_Single.pdf)

<sup>4</sup> <https://www.prnewswire.com/news-releases/global-camping-and-caravanning-market-to-reach-71-2-billion-by-2026--301378595.html>

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### *Opportunities*

- Structural drivers in the RV market, such as demographic changes, increased leisure spending, and more focus on outdoor lifestyle.
- Demand for products secured by new regulations, driver's comfort, and improved product functionality.
- Cross-selling.
- Cost reduction programs, industrialization improvement, and driving product innovation.

### *Risks*

- Their products are discretionary by nature and could be impacted by a deterioration in leisure spending and by weaker disposable incomes.
- Tension in the supply chains could impact availability of products.
- Raw materials and tariffs could impact margins.

Have a great day.

The Global Alpha team

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