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MICROMOBILITY – INDUSTRY UPDATE

D.A. DAVIDSON MCF INTERNATIONAL

November 2020

* MCF Locations

FOREWORD – MICROMOBILITY

The Mobility Landscape is evolving quickly. With the world taking action to save the environment, improve health, fight congestion and socially distance, it is not surprising that governments, industry stakeholders and investors are currently allocating substantial resources in infrastructure and new modes of mobility to facilitate the movement of people and goods in urban areas and beyond. We call this the ‘MicroMobility Movement’ and consumers are enthusiastically embracing it!

All stakeholders who are not already involved in the transformation of short distance mobility should identify where and how they want to engage – and act now.

D.A. Davidson MCF International has been providing strategic M&A and capital structuring services to the MicroMobility sector for years, and with the rapidly increasing interest in Urban Mobility, Leisure, Sports & Recreation (bicycles, eBikes, eScooters, and eMopeds, in particular), we have formed a dedicated team of industry and investment banking experts who are investing substantial resources to assist with end-to-end strategic and financial advice within the sector.

As with most market transformations driven by the introduction of new technologies, significant changes in demand, usage and/or shifting buying patterns, the opportunities are immense. However, there are also risks – associated with both action and inaction.

In this first edition of our ‘*MicroMobility – Industry Update*’ we introduce the Team and our mission to support those of you who are actively taking part, or seeking to take part, in the MicroMobility Movement. We provide market data and our reflections on how Covid-19 is having a direct and profound impact on the sector. Finally, we will offer interesting insights from Marc van Rooij, President SHIMANO Europe, Blythe Jack, Managing Director at TSG (owner of Competitive Cyclist, Backcountry and minority owner of Canyon) and Florian Walberg (founder of Walberg Urban Electrics).

We hope you enjoy the reading and please reach out if we can assist you.

D.A. Davidson MCF International’s MicroMobility team

HOW WE DEFINE MICROMOBILITY...

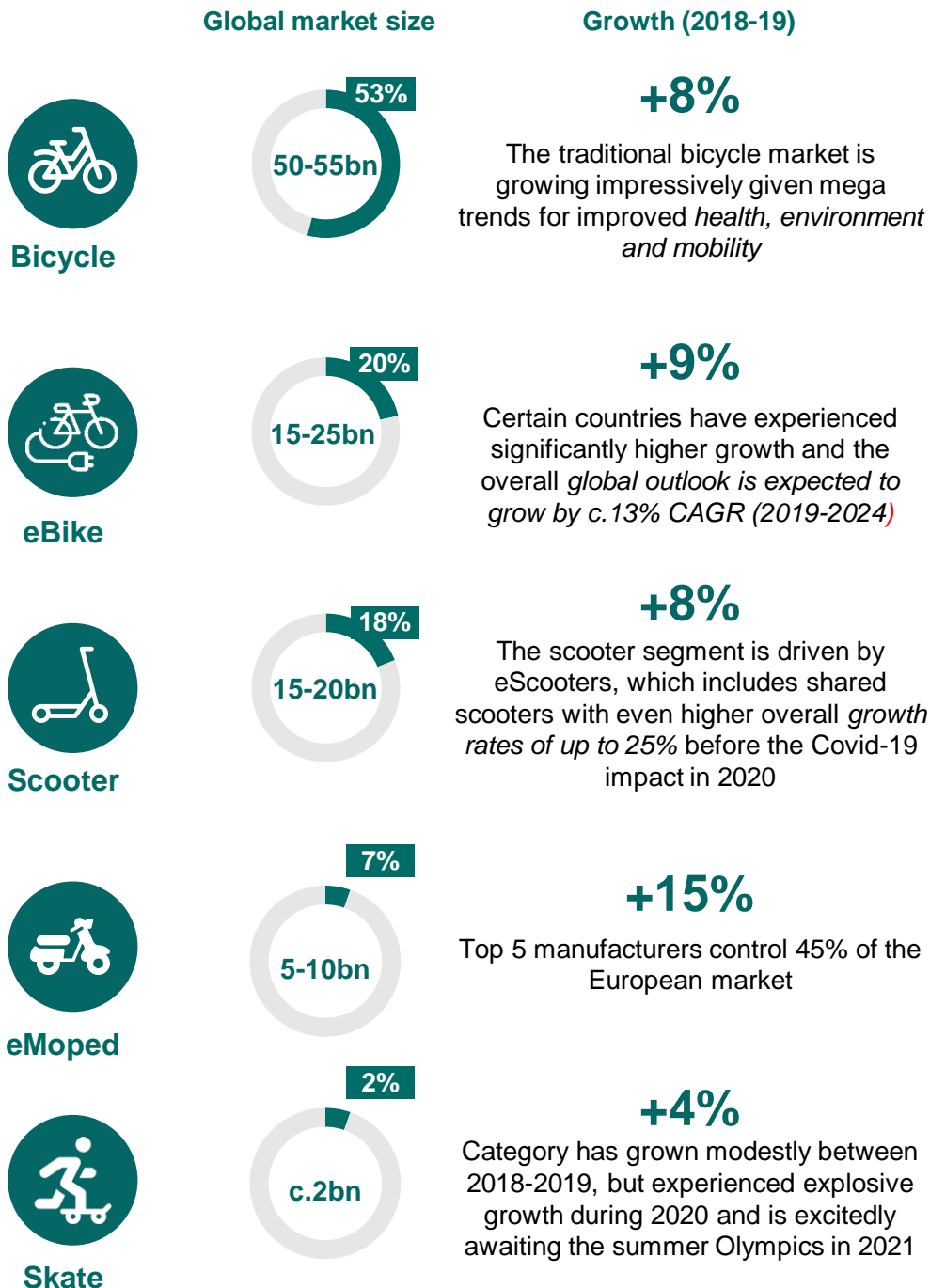
MOVEMENT OF PEOPLE AND GOODS: <20 KM AND <45 KM/H

“Personal mobility in the least impactful way”

Introduction of the term 'MicroMobility' by Mr. Horace H. Dediu (2017)

We acknowledge this definition while also considering an expanded definition of 'movement of people and goods up to 20 km (12.5 miles) at speeds less than 45 km/h (28 mph) given rapid technological advancements paired with changing consumer behaviors

KEY SEGMENT SIZES* (USD)



MICROMOBILITY PLATFORMS - BICYCLES

TRADITIONAL BICYCLES STILL LEAD THE MICROMOBILITY MARKET AS THE MOST POPULAR TRANSPORTATION MODE...



Benefits

- ✓ Health and wellness
- ✓ Leisure, fun, commute, convenience
- ✓ Affordable
- ✓ Low maintenance costs
- ✓ Environmentally friendly

Challenges

- ✗ Distance
- ✗ Terrain / steepness
- ✗ Road danger
- ✗ Storage / theft
- ✗ Infrastructure (still being developed)

Many biking enthusiasts still value the 'traditional way of cycling' without pedal assisted technology

- The traditional bicycle, as we know it, originates from 1817 in Germany when Karl von Drais created a two-wheel steerable bicycle, although it was without pedals!
- Since then, bicycles have grown into one of the main modes of short distance transportation in the world, with more than 1 billion bikes globally
- Traditional bicycles still have the largest global market share with a market size of USD 50-55bn in 2019 despite the recent boom of electric MicroMobility modes, mainly eBikes, which have given consumers a larger variety of other travel options and has resulted in many traditional bicycle retailers expanding their offering to sell eBikes as well
- A large number of users also choose traditional bicycles over eBikes due to affordability and lower maintenance costs
- Additionally, many biking enthusiasts still value the 'traditional way of cycling' without pedal assisted technology, embracing the physical challenge
- Many users also enjoy the dual benefit of exercising while reaching a destination and a recent study found that people who cycle to work have a 45% lower risk of developing cancer and a 46% lower risk of cardiovascular disease
- The reduced pollution from cycling has also been stated as a nice and welcome consequence!
- City infrastructure initiatives to make roads safer for cyclists, along with tax credits in some countries, have also resulted in more individuals cycling to work even before Covid-19
- Furthermore, Covid-19 has acted as a catalyst for users to swap public transportation in favor of cycling as people are starting to return to work and want to limit the risk of being exposed to the virus...

MICROMOBILITY PLATFORMS - eBIKES

NEW MICROMOBILITY MODES ARE DISRUPTING THE MARKET AND CREATING EXCITING OPPORTUNITIES...

- eBiking has gained tremendous momentum even before Covid-19, with the global eBike market being valued at approx. USD 15-25bn with the number of eBikes sold in Europe expected to increase from c.3m a year to over 10m within 5 years
- The eBike 'trend' grew from leisure and sports, but is now also rapidly growing within the commuting and cargo categories as a mode of convenience
- Market leaders like SHIMANO and Bosch made significant investments in technology, 'creating' the eBike market, and are now being followed by several Tier 1 suppliers to vehicle OEMs that are looking for new opportunities
- Several new entrants are focusing on developing user experiences through innovation and are rapidly gaining market share, such as eBike sharing companies including Lime, who recorded their highest ever eBike usage in London during July 2020
- The technological advancements are improving (e.g. design, speed, weight, battery capacity, safety, IoT ('Smart Bikes')) to provide an overall superior user experience – for example, the public transport-friendly fully foldable eBikes
- The eBiking experience is also converting some traditional cyclists' habits, to ride eBikes more often than they rode bicycles, riding further and into older ages due to convenience
- Increasing the possible ranges travelled further motivates users to swap car trips for eBikes which helps protect the environment and promote general health while being cheaper alternatives
- Additionally there is significant pressure, but perhaps not enough, on governments to subsidise eBikes as part of the 'green agenda' and to battle obesity which has become an increasing problem



Benefits

- ✓ Range expansion (distance)
- ✓ Overcome tougher terrain (e.g. slopes)
- ✓ Health and wellness
- ✓ Leisure, fun, commute, convenience
- ✓ Travel time savings
- ✓ Cheaper than short car journeys
- ✓ Environmentally friendly

Challenges

- ✗ Costs (compared to traditional bikes)
- ✗ Road danger
- ✗ Storage / theft
- ✗ Infrastructure (still being developed)

Several new entrants are focusing on developing user experiences through innovation and are rapidly gaining market share...

MICROMOBILITY PLATFORMS - SCOOTERS

TECHNOLOGICAL ADVANCEMENTS COMBINED WITH LIFESTYLE CHANGES HAVE DRIVEN THE SCOOTER BOOM...



Benefits

- ✓ Affordability
- ✓ Government subsidies
- ✓ Leisure, fun, commute, convenience
- ✓ Modern form of shared services
- ✓ Travel time savings
- ✓ Environmentally friendly
- ✓ Low noise levels
- ✓ Low maintenance costs

Challenges

- ✗ Low cost / low quality alternatives
- ✗ Legislative clarity (e.g. speed, usage on pavements vs roads)
- ✗ Bans in certain cities
- ✗ Safety / injuries
- ✗ Theft / vandalism (shared scooters)
- ✗ Disruptive to public in some instances

*The next generation is likely to be the
'smart eScooter' ...*

- Scooters were developed to move more efficiently within short distances for leisure, fun and convenience compared to other modes of transportation
- The segment is relatively young, but has already evolved to an almost \$20bn market that is expected to grow by c.8% CAGR until 2030, mainly driven by eScooters
- China remains the largest manufacturer and user of eScooters and recently pledged to invest c.EUR 1.2bn to develop and expand their charging network to further support their light electric vehicle market
- The shared eScooter community was created as an improved and affordable mobility solution in cities and boomed globally in 2018 – an inflection point for MicroMobility
- After just 18 months, shared eScooters became the most popular MicroMobility solution in large cities, although Covid-19 adversely impacted the category temporarily
- Shared eScooters commenced in Germany, Spain, France and the US and are now popular in many other countries, providing an affordable way for consumers to test eScooters before purchasing
- The popularity of eScooter sharing platforms was solidified when Lime surpassed 1 million rides within 7-8 months after launch (6 million within 13 months) and quickly reaching a \$1bn+ valuation
- Innovative usage methods include TUI cruises being equipped with Walberg Urban Electric eScooters that passengers can use when docked, a concept that has proven very popular
- eScooter innovation is mainly focused around weight, quality, wheels, performance, torque, speed, battery types (e.g. higher voltage for longer ranges), energy efficiencies (e.g. solar powered or vehicle-to-grid technologies) and locking systems
- The next generation is likely to be the 'smart eScooter' infused with IoT technology

MICROMOBILITY PLATFORMS - eMOPEDS

CONTINUOUS DEVELOPMENT FOCUSED ON PROVIDING OPTIONS FOR LONGER DISTANCES HAVE GIVEN BIRTH TO eMOPEDS...

- Traditional mopeds started off as 'motorized bicycles' during the first half of the 20th century and are still a common mode of transportation
- The evolution of eMopeds has been a natural development of the traditional moped and a consequence of trying to cater to longer distances and new entrants seeking to monetize the MicroMobility Movement
- Similar to eBikes and eScooters, eMopeds are attracting new users hence growing the overall MicroMobility market
- The market is currently dominated by a few select manufacturers, which limits the options for consumers, but new entrants with appealing consumer offerings (e.g. design, comfort, speed) are quickly gaining market share and fueling a projected global market CAGR of 35% from 2019-2026
- Traditional moped manufacturers that are responsive to changing consumer dynamics are also starting to offer electric options as the 'electric revolution' is here to stay...
- eMopeds are increasingly competing with eBikes as the most viable substitute for public transport, but are a more expensive alternative than eBikes
- Unlike eBikes, where the primary propulsion method is pedaling, the eMopeds' propulsion is its electric motor with some eMopeds having pedals to assist the motor
- Top speeds are normally under 50km/h (~30mph), but some can go up to 75km/h (~45mph)
- Sales in Europe have been growing over the last 3 years, with an almost 50% jump in 2019 to 60,000 vehicles sold – this growth is expected to continue as eMopeds are seen as a substitute for cars, especially in larger cities
- Convenience and range capabilities also appeals to the older generations where many have replaced their cars with eMopeds over the last couple of years



Benefits

- ✓ Comfort
- ✓ Range expansion (distance)
- ✓ Speed
- ✓ Cargo ability
- ✓ Effortless
- ✓ Silent
- ✓ Tax credits in many countries

Challenges

- ✗ Purchase price
- ✗ Maintenance costs
- ✗ Drivers licence required in many countries
- ✗ Not always permitted to ride on bike lanes
- ✗ Does not promote health and wellbeing

The 'electric revolution' is here to stay!

MICROMOBILITY PLATFORMS - SKATE

A SURGE IN GROWTH HAS BEEN AMPLIFIED BY THE IMPACTS OF COVID-19 AND IS ANTICIPATED TO CONTINUE DUE TO INCREASED AWARENESS AND THE INCLUSION OF SKATEBOARDING IN THE SUMMER OLYMPICS



Benefits

- ✓ Affordability
- ✓ Leisure, fun, commute, convenience
- ✓ Health & Wellness
- ✓ Travel time savings
- ✓ Environmentally friendly
- ✓ Low noise
- ✓ Low maintenance

Challenges

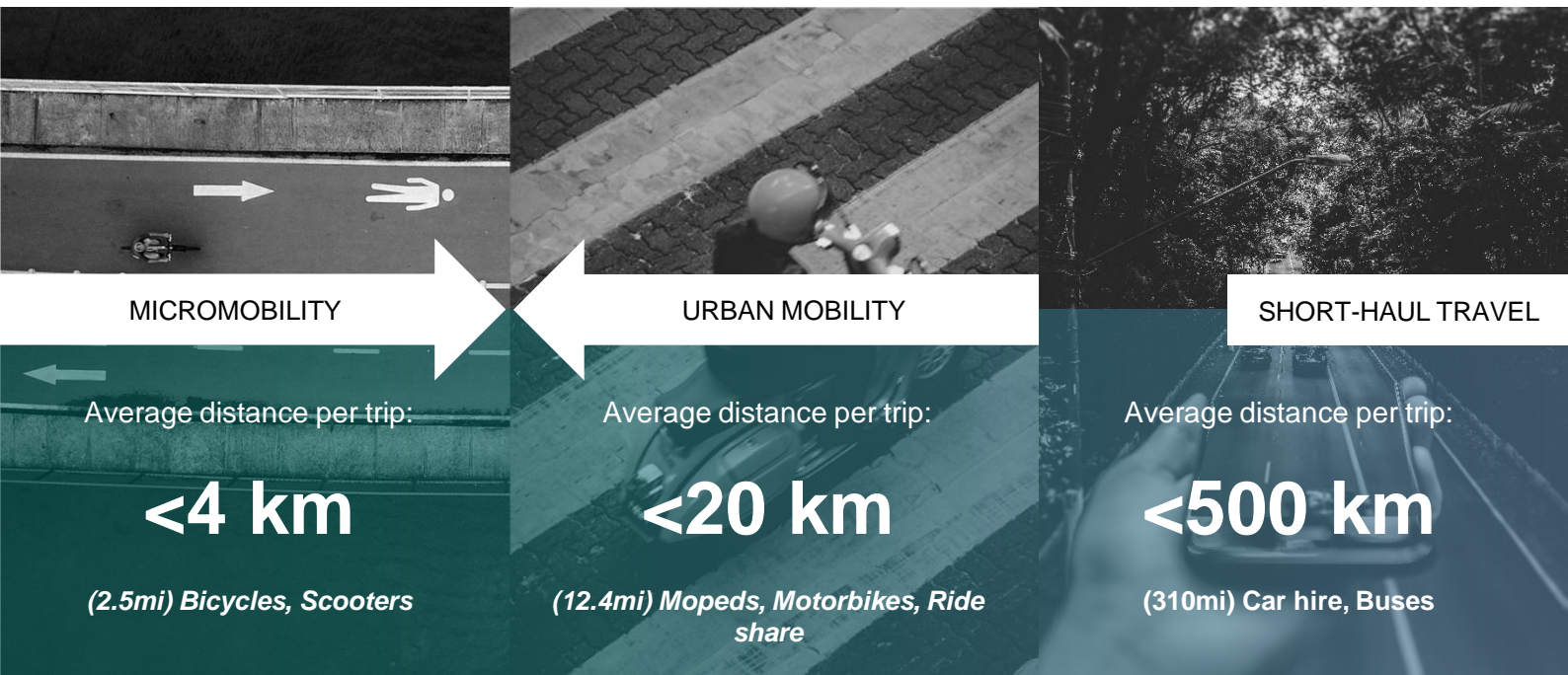
- ✗ Learning to ride safely
- ✗ Road danger
- ✗ Riding bans (outside the US)
- ✗ Distance
- ✗ Terrain

Given these exciting trends, this is a segment that should be closely monitored

- Skateboarding, invented in the late 1940s, has evolved to become a popular form of recreation and transportation
- Participation in skate has moved in cycles, often driven by resurgence in categories within the sector (longboards, penny boards, street and roller-skates), with the latest resurgence accelerated by Covid-19 as both teenagers and older populations look for other ways to recreate or commute
- Similar to with bicycles, Covid-19 has acted as a catalyst for users to swap riskier public transportation in favor of skating as people more frequently venture out to work or have fun
- The resurgence in interest in skate has also helped drive explosive growth in the eSkate category
- The segment was estimated to be valued at \$1.9 billion in 2018. Although the overall segment is estimated to have declined in recent years, it is believed to have grown in 2019 and to continue to grow through 2025
- The inclusion of skateboarding in the 2021 summer Olympics is expected to further increase awareness and growth
- All categories within skate are expected to grow in the coming years, however, longboards are estimated to be the fastest growing category
- Interest in skate and eMobility combined has also given rise to creative new products in recent years, including hoverboards, onewheels and segways
- North America is the largest regional market, accounting for nearly a third of global revenue, followed by Europe with slightly less than a third
- North America is also the largest producer of skateboards, followed by China
- Competition in skate is concentrated around a handful of major players in the industry, but the explosion in eSkate is seeing a number of smaller new entrants

LINES ARE GETTING BLURRED AS MICRO- AND URBAN MOBILITY CONVERGE...

BOTH EXISTING PLAYERS AND NEW ENTRANTS ARE CHALLENGING TRADITIONAL INDUSTRY BORDERS, DRIVING DEMAND FOR BUSINESS INNOVATION, STRATEGIC M&A, AND PRIVATE EQUITY INVESTMENTS



CHANGING MARKET DYNAMICS ARE CREATING HIGH APPEAL

- MicroMobility is rapidly attracting interest from new stakeholder groups due to market attractiveness
- The potential market is huge: >50% of total passenger distance traveled in Europe, the US and China is less than 8 km (5 miles)
- Municipalities and Transport Authorities are recognizing that MicroMobility solutions are required for cities to solve growing demand for Urban Mobility and the important 'Green Agendas'. Covid-19 is also swiftly changing the demand for MicroMobility as it is a substitute for traditional mass transportation
- Traditionally distinct boundaries between mobility segments are now becoming blurred:
 - Vehicle OEM's are expanding their offering to include eBikes, eScooters, eMopeds and many are even looking to add eScooters as a part of the standard vehicle accessories
 - Bicycle OEM's are focusing more on sub-segments, such as eBikes and cargo
 - eScooter providers, including shared providers, are also offering eBikes and eMopeds
- Developments in the MicroMobility landscape will force current stakeholders to react to changing market dynamics and user behaviors in order to remain relevant

"It's not how big you are, it's how relevant you are. So, there could be big brands that are no longer relevant, but there could also be smaller brands that become wildly relevant"

Mike Sinyard, Founder and Chairman, Specialized Bicycles Components

THE MICROMOBILITY MARKET LOOKS EXTREMELY BRIGHT...

PROMPT TRANSFORMATION IS REQUIRED TO CAPTURE THE GROWTH – AMONG INCUMBENTS IN PARTICULAR

MEGA TRENDS



Health & Recreation



Mobility



Environment / Sustainability

MARKET DYNAMICS



Positive Cycling Trend



Strong eBike Growth



Strong Political /
NGO Support

MARKET CHALLENGES

Covid-19

Recession

Tariffs / Trade Turbulence

Public perception & political pressure

BUSINESS CONCERNS

Supply Chain Challenges

Under-Digitalization

Lack of Liquidity

Unwillingness to Change

- **MEGA TRENDS** – The entire supply chain needs to be agile and adapt quickly to rapidly changing consumer demand for *outdoor activities, improved physical and mental health, environmental sustainability and mobility*, underpinned by strong political support based on ‘Green Agendas’ fueling market growth
- **MARKET DYNAMICS** – Brands and retailers need to adapt their *value propositions* based on continuously *changing consumer preferences for convenience, health and sustainability*
- **MARKET CHALLENGES** – Covid-19 is a balancing act... It results in an *increased demand* for socially distanced commuting methods, but the other hand in a *recessionary environment and higher unemployment* which creates *uncertainty and reduces buying power* in addition to the negative public perception of shared eBikes and eScooters being placed ‘all over’ the cities
- **BUSINESS CONCERNS** – The traditional bicycle market is under-digitalized and overly reliant on brick & mortar retail while also lacking liquidity, jeopardizing the entire supply chain

“You tell me someone else who has a product that can help with social distancing, can help with the health crisis and is good for the environment. That’s a really good space to be in”

John Burke, CEO, Trek Bicycles

MICROMOBILITY DEVELOPMENT FOLLOWING COVID-19...

COVID-19 HAS ACCELERATED THE TRANSFORMATION OF THE MOBILITY LANDSCAPE



Changing consumer behaviour

- Covid-19 has had a major effect on our preference for private and individual transportation
- Public transportation usage has decreased dramatically
- The usage of bicycles has increased rapidly and proven to be a viable alternative to city transit
- Bicycling for exercise and recreation is also gaining momentum
- We anticipate these changes, accelerated by Covid-19, to become a permanent cultural shift



The 'Green Deal' will have significant positive effects

- The 'Green Deal' is at the center of the political agenda and in line with sustainability objectives in Europe and the US
- MicroMobility is poised to play a big part in this development and will drive important sector innovations to reduce carbon footprints (e.g. expanding the transportation reach efficiently)
- The UK is forming a new government agency and allocating USD 2.57bn to promote walking and biking – however as the lockdown eases, motor vehicle traffic has risen back to pre-Covid levels in August, but the MicroMobility users are still at all time high levels



Cities are adapting their infrastructure

- As lockdowns ease up, many road networks will be transformed to facilitate increased MicroMobility travel
- London, Berlin, Paris, Madrid, Los Angeles and San Francisco are just some of the cities preparing for a significant increase in bicycle traffic with more bicycle lanes on roads
- There is also an ongoing discussion about potentially banning motor vehicle usage in some parts of Manhattan

TRANSPORTATION PREFERENCES HAVE CHANGED SIGNIFICANTLY IN MAJOR CITIES DURING THE PANDEMIC



Bicycle

Significant *positive impact* where a steep increase in bicycling is visible in many major cities



Shared bicycles & scooter

Initially negatively affected as people actively moved away from shared alternatives, but now showing signs of recovery



Public transportation

Substantial decrease in usage as a means to avoid crowds and limit the spread of Covid-19

"In all crises trends are accelerated, there was a consolidation and shake-out trend in the shared scooter segment that has intensified further. The strong get stronger"

Fredrik Hjelm, VOI Founder and CEO

SO HOW IS COVID-19 ACTUALLY IMPACTING THE MICROMOBILITY MARKET?

THE PANDEMIC HAS DIRECT AND PROFOUND EFFECTS

By Anders Hedgren, Senior Adviser

The fear of catching the virus as well as the rapid downturn in our economy have already had direct and profound effects on the MicroMobility market. The initial effects were negative with the entire bicycle supply chain and the demand for shared mobility services took a very negative hit. Now, and looking ahead, the demand for MicroMobility is much brighter. To capture the positive effects of the rapidly growing political support, changed consumer sentiment and consumption patterns of short distance travelling, that are all supporting the expansion and growth of the MicroMobility market, stakeholders need to be increasingly and actively engaged

ACTIVE STEPS NECESSARY TO REACH THE NEXT NEW

If we try to summarize our conversations with industry leaders and investors in the European and US MicroMobility markets, they are presently looking for ways to overcome 3 major challenges;

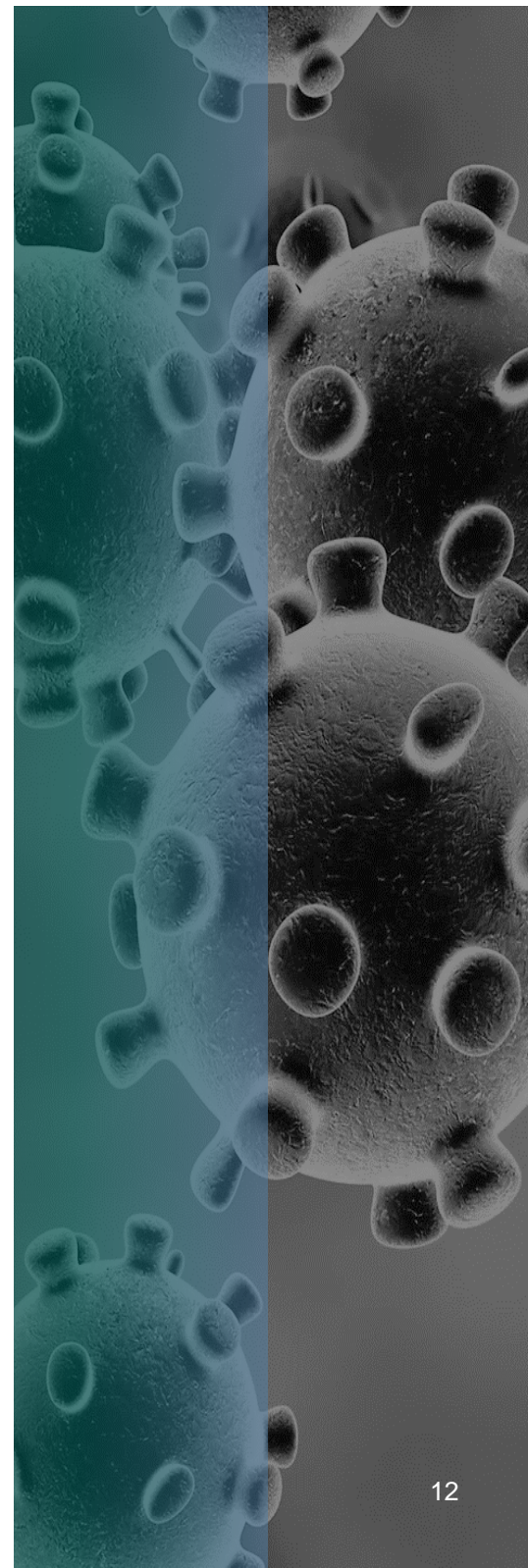
1. The dry-up of liquidity which potentially will put not only their own businesses, but the entire value and supply chains in jeopardy
2. (a) The Bicycle Industry's unhealthy dependency on a predominantly non-digital retail channel given today's digital customers' purchasing patterns, which is further exacerbated by 'social distancing' restrictions and customers that are now also hesitant to visit stores due to Covid-19
(b) The new MicroMobility providers offering eScooters and eMopeds only as shared services are likely to suffer as users may be afraid of catching the virus from handlebars and other surfaces recently used by others
3. The economic downturn with large and escalating unemployment, changing consumer sentiment and consumption patterns which will hurt consumption in all categories, particularly in premium segments

But the winners do not just see the challenges...They also identify the opportunities

Now, they say, is the right time to consider:

1. Add-on acquisitions which will strengthen their competitiveness
2. Acquisition of Online and Direct-to-Consumer capabilities to complement existing distribution infrastructure
3. Addition of 'Last-Mile Capabilities' from factories, via fulfilment partners to retailers, to be able to support customers end-to-end in an omnichannel market set up
4. Addition of (new) business models, preferably subscription-based commerce, which will be necessary to continue having sales in the premium segments and demand for eScooters, eMopeds and other light vehicle mobility also in the future

"But the winners do not just see the challenges...They also identify the opportunities"



Q&A – OUR PERSPECTIVE

WHAT DO WE THINK ABOUT THE MARKET?



Anders Hedgren
Senior Adviser



Hans-Christoph Stadel
Managing Partner



Robert Bäckström
Partner



Brien Rowe
Managing Director



Mike Smith
Managing Director



Nalin de Silva
Director

“ It is even more fascinating than before with a structural change driven by innovation and digitalization ”

How do you view the MicroMobility market today given the developments pre-Covid-19 and during this surreal period?

Nalin – It feels like the market has received a major ‘push’ due to social distancing, fears and the limitation of exercising options in the midst of the lockdowns

Robert – It’s amazing being in Stockholm where it feels like an almost overnight boom of eBikes and eScooters...I am looking to replace my Vespa with an eBike as well!

What opportunities do you foresee following Covid-19?

Anders – It is even more fascinating than before as the changing dynamics are encouraging innovation, differentiation and digitalization. I think the premium segment will need to be very aware and agile as smaller and ‘mass-market’ players, in addition to MicroMobility as a Service (‘MaaS’), are fulfilling a need and are becoming increasingly popular

Hans – There is significant consolidation occurring that is driven by liquidity needs or broadening product and service offerings such as the \$170m investment led by Uber into Lime that had been struggling a bit during Covid or Chimera Investments’ acquisition of Colnago. It is most definitely an interesting space with much more M&A to come...

What excites you about the market?

Brien – Innovation and M&A opportunities excite me. We’ve seen somewhat similar dynamics when traditional retail pursued a more digitalized strategy and that was an exciting time with many lessons that can be applied to the MicroMobility space as well

How important is innovation and digitalization?

Mike – Consumers are becoming more sophisticated and their awareness, ‘know-how’, and buying behaviors are involving more research compared to how us consumers used to buy. Therefore product innovation and digitalization, both regarding ecommerce and online engagement, will become increasingly important

What advice do you have for MicroMobility companies?

Anders – Stay relevant, listen to the consumer, make sure you have an agile value chain and develop an online or omnichannel strategy, but perhaps more importantly, continue to do what you do well – the market is large enough and growing!

Mike – I agree with Anders and we have seen some great success stories in the US where companies have listened to consumers and anticipated what the user demands are even before they know it!

Q&A – A STRATEGIC PERSPECTIVE



Marc van Rooij

- President, Shimano Europe
- Based in Eindhoven Area, Netherlands

SHIMANO



“The bicycle market is developing quickly now, as an even more important means of commuting, travel, transportation, fitness and wellness”

How do you view the Bicycle market today given the developments pre-Covid-19 and during this surreal period?

The bicycle market is developing quickly now, as an even more important means of commuting, travel, transportation, fitness and wellness. It is a widely appreciated alternative to cars, public transportation and traditional ways of health exercise

What areas of development/transformation do you foresee will be most important to focus on in the near future for the bicycle industry?

Supply chain development. As our President Mr. Yozu Shimano stated during an interview with Bloomberg in May: “The factory shutdowns have forced Shimano to rethink its supply chain. While much of the company’s products are made entirely at a single plant, production that required cross-regional work were impacted during the pandemic”

What do you see as the main opportunities for the market post-Covid-19?

Government’s support, incentives and stimulation for bicycle infrastructure development, to be continued post Covid-19

What do you see as the main risks for the market post-Covid-19?

The ‘real’ economic crisis is likely still to come...

What advice do you have for other market participants?

From the beginning of the crisis I urged everybody in our teams to think in opportunities and possibilities for the customer, not in threats and impossibilities. Customers will never forget what you did for them during the crisis

How important is infrastructural development (e.g. safe cycling paths) and safety technology (e.g. ABS brakes, anti-collision systems and crash sensors) as a driver of the market going forward?

It has always been Shimano’s mission to make cycling attractive, easy, enjoyable and safe as much as possible for a wide group of consumers. This is our continuous commitment to the industry, the market and society

Do you foresee that the Bicycle industry will remain focused on the traditional bicycle segments (including eBikes) or also trying to expand into other MicroMobility segments (e.g. eScooters, eMopeds and other rapidly growing segments)?

We expect that many automotive manufacturers from outside the bike industry will try to enter the MicroMobility market

The shift to online retail is already happening – probably much faster than many experts within the Bicycle industry predicted. Do you expect this development to (a) pick up even more speed, (b) result in brands increasingly turning to D2C Retail and (c) be achieved in co-operation with or at the expense of traditional bricks & mortar retail?

We foresee serious omnichannel developments, so basically a mix of a), b) and c)

Q&A – AN INVESTOR PERSPECTIVE



Blythe Jack

- Managing Director at TSG Consumer Partners
- Board member at Canyon Bicycles
- Based in San Francisco, USA



” This is the industry’s opportunity to leapfrog its many historical headwinds and turn cycling not only into a bigger sport, but a better business model for all constituents”

What do you see as the role of the independent bike retailer (‘IBD’) in North America in the future?

There will be fewer, but the strong operators will become stronger by adapting to a post Covid world where bike demand has been unprecedented AND ecommerce has become a reality for an industry that eschewed it for decades. Great operators will recognize that online can be a true friend and partner to IBDs and bring new customers into their stores for high margin service without having to support the prohibitively costly inventory that comes with the territory of selling complete bikes and is a long detriment to the entire industry, IBDs and manufacturers

How has consumer buying behavior in the bike space changed due to Covid-19?

Consumers who haven’t bought bikes in years are buying bikes! For a variety of uses: exercise outside (vs gyms), family activities outside and commutes

What have you learned with each of your investments as result of Covid; how to better reach the consumer?

We have investments in Canyon and Backcountry/Competitive Cyclist (both 100% online) and the power of ecommerce to capture market share has been incredible given how low the industry indexes online and the relevance of ecommerce. We can also offer a huge range of choices, far more than a local bike store with small floor plan and reduced access to inventory in these tight times

Key criteria being considered by consumers as they purchase their first eBike?

Really it is about education still. Why would I want an eBike? Where and when would I use? How does it work? Creating the narrative for how an eBike enhances your life is key to selling the value proposition. Specs can follow. But this conversation about what? Why? Where? Has to happen first. So manufacturers and the industry need to frame that for consumers more clearly. Most people have no idea why they would want one until they go through this narrative. eBikes are bringing people into cycling that otherwise would not be riding a bike. eBikes are a beautiful thing. They take nothing away from the cycling experience as they are what you make of it. For experienced cyclists they allow them to go longer and enjoy even more epic rides. For newbies, they can enjoy a sport they would not have otherwise experienced

What are your views on the US vs European markets as it related to the eBike phenomenon?

Some things start in the US and go to Europe and some things start in Europe and come to US. Cycling heritage tends to follow the latter. Same can be said for eBikes. Some provincial attitudes amongst US cyclists are “eBikes are cheating” and our American love affair with the car have not helped adoption. But things are changing fast

What do you see as the main risks / concerns from an investment perspective?

Cycling investments have not historically paid out well because the industry is only as strong as its weakest link, of which there are many in cycling (seasonal, cyclical, lower margin durables with little consumables opportunity, long lead times, strong powerful overseas suppliers who are often late and most importantly the very weak distribution network that is not well suited to support the cost or the catalog range of inventory). DTC models have begun to change these factors. So while DTC is a nice value proposition to the consumer, it is nothing compared to the value proposition that DTC represents to improvements to the business model of cycling industry

What are your top “lessons learned” / advice for operators in the sector?

Millions of consumers all over the globe have re-/discovered cycling in Covid: how are we going to keep them? How are we going to use this windfall customer gain to change and augment the role of cycling in our world. This is the industry’s opportunity to leapfrog its many historical headwinds and turn cycling not only into a bigger sport but a better business model for all constituents

What excites you about the market?

The vast quantum of consumers that have come into cycling during this pandemic and the opportunity to reshape and grow the industry into an attractive sector for participation and investment....oh and please check out Canyon’s new dual-motor ‘Velomobile’ concept. I am so excited for the future.

What trends are you seeing in Road / Gravel / MTB / Urban & Cargo / Triathlon?

Gravel is where it is at with the experienced cycling community. Triathlon may suffer in short to medium term as events that drive participation are cancelled. And of course urban/mobility will have unique consumer behavior trends and municipal tailwinds from Covid

IN FOCUS – AN OPERATOR PERSPECTIVE



Florian Walberg

- Founder of Walberg Urban Electrics (2011)
- Based in Hamburg, DE
- Driving force behind the German legislation surrounding personal light electric vehicles



“Technology and mobility are in our hearts”

How did Walberg Urban Electrics evolve?

I was still working as a tour manager in the music industry back in 2002 when I was given an electric scooter as a gift to transport myself across the large venues – it was love at first sight. Shortly thereafter I had some ideas on product improvements and started consulting a scooter importer about these. Although it took until 2011 before I started the company, I knew early on what I wanted to achieve with the product as I was a passionate user!

What is the strategy of Walberg?

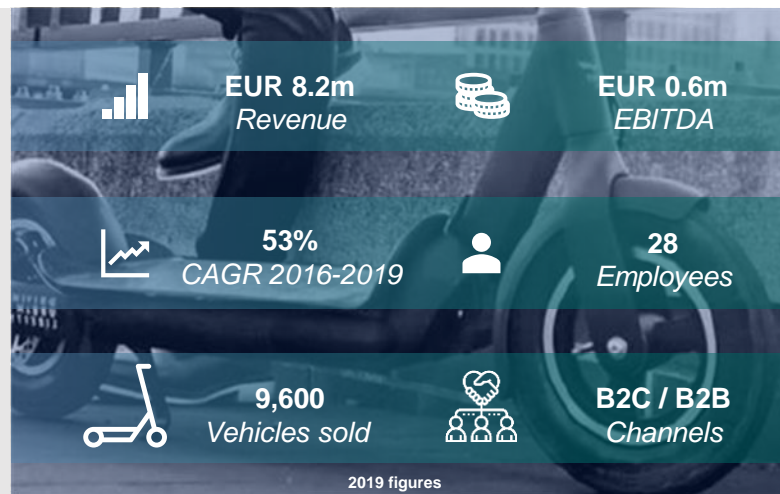
When we started in 2011, we were pioneers in offering electric scooters with specifications such as speed, design, weight and quality. Now that the market is booming, as we predicted, we aim to do what we have always done, and that's to continue to provide products that customers value and we are seeking to raise capital to help accelerate our growth plans which involves constant product development and continuing to invest in marketing and our online business in order to grow internationally which currently accounts for c.40% of our total sales

How has your business been impact by Covid-19?

Everything went to a complete temporary stand still when we were experiencing a higher demand than ever, but we were agile and managed to limit the impact. It quickly became apparent how fragile the value chain is as our current business model forces us to finance our growth through prepayments from wholesalers and retailers. If any of these partners have liquidity challenges, it immediately impacts our business as well, but we managed to work closely with our partners and we reacted well to the situation and are pleased that we are now over this and see the future very brightly

What are the key challenges?

As with many growing industries, one big challenge is the access to funds needed to meet the growth in demand. Another aspect is the media penetration achieved by the 'shared scooter' industry, though we do not see this as a threat as they address a different user case of bringing people from A to B, while we bring our customers from A to B and then back to A. Additionally, a growing number of consumers also prefer to own their own scooters



What do customers love about your scooters?

The quality! This is and has always been our key goal. Even though we have 2 brands that are focusing on different target groups, the key objective is always providing a valuable customer experience. This may be the reason why our lifestyle brand THE-URBAN and our premium brand EGRET are both multiple award winners and this may be why B2B customers with high expectations love to choose us as their partners

What excites you about the market?

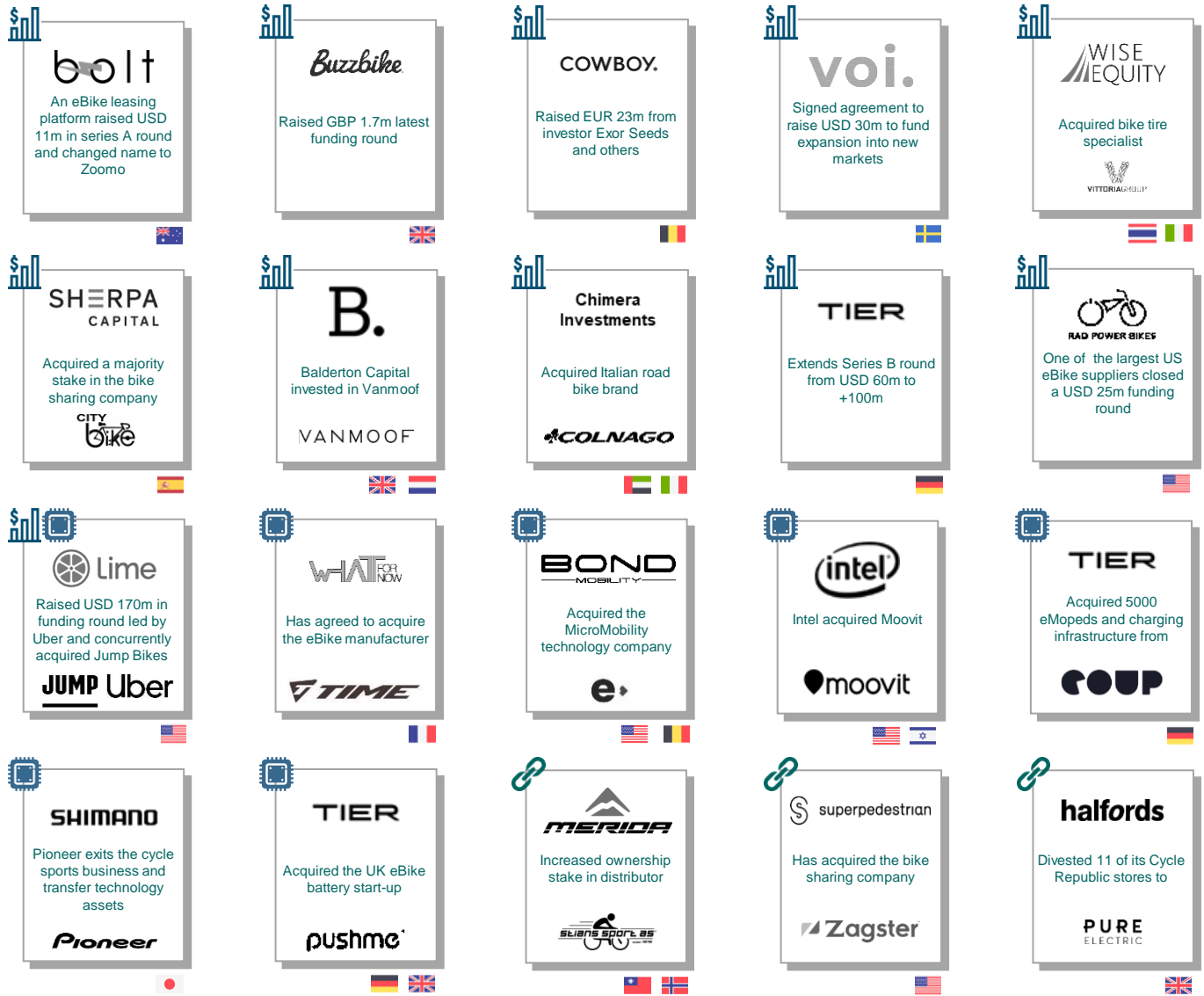
On a personal level, having thought about the electric scooter market since 2003, I am absolutely over the moon that the market is developing as it is. I could talk for weeks about what excited me about the market, but mainly the endless opportunities to continue to develop, innovate, incorporate technology, comfort and design to meet and predict consumer needs for short haul mobility solutions

What does the future involve for Walberg?

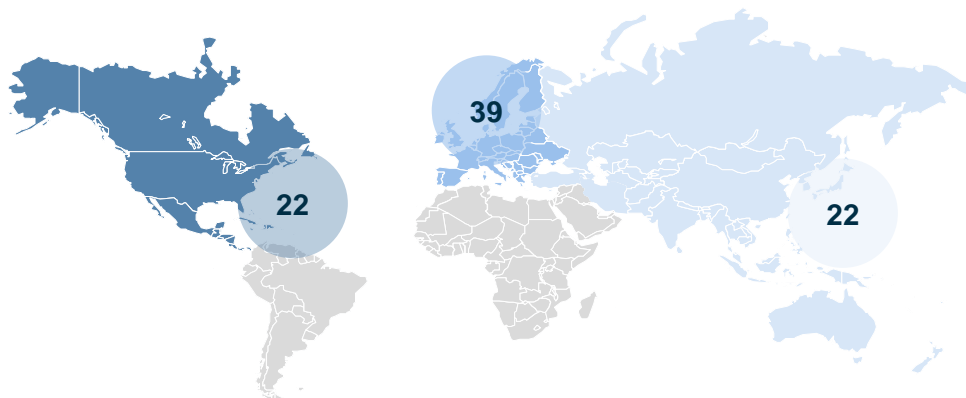
Technology and mobility are in our hearts, so we want to continue building on our spirit to keep on meeting the huge market demand. We strongly believe in our attractive brands and products and aim to achieve the next level of our journey together with a likeminded partner

A VERY ACTIVE M&A MARKET DRIVEN BY KEY STRATEGIC OBJECTIVES

2020 M&A ACTIVITY HAS CONTINUED DESPITE COVID-19...



MICROMOBILITY TRANSACTIONS (2018 – PRESENT*)



THE MICROMOBILITY TEAM OVERVIEW

MARKET LEADING M&A SERVICES WITH THOUGHT LEADERSHIP, EQUITY RESEARCH AND INDUSTRY UPDATES

- Davidson MCF is very active in the consumer space with 20+ ongoing mandates and focusing on MicroMobility after several successful transactions over the last few years
- Anders Hedgren, Senior Adviser, has been active in the sector for over 12 years as both a strategic adviser to industry leaders and as a major shareholder and chairman of a bicycle retail chain, which allows Anders to provide a symbiotic perspective as consultant and owner

BREADTH AND DEPTH OF CONSUMER EXPERTISE



MICROMOBILITY TEAM



Anders Hedgren
Senior Adviser



Hans-Christoph Stadel
Managing Partner



Robert Bäckström
Partner



Brien Rowe
Managing Director



Mike Smith
Managing Director



Nalin de Silva
Director

SELECT MICROMOBILITY SECTOR EXPERIENCE...

Project Hudson

Current adviser to a leading US MicroMobility solution provider

SELL-SIDE adviser

Project VeloOne

Current adviser to leading Swedish bicycle omni-channel retailer

SELL-SIDE adviser

SHIMANO

Strategic review for Shimano Europe and Shimano Nordic

STRATEGIC adviser

dwindle distribution
a subsidiary of **GLOBE**

Has been acquired by **ERAMO**
a portfolio company of **TRANSOM CAPITAL GROUP**

SELL-SIDE adviser

Beeline
a subsidiary of **ACCELL**

Has been acquired by **STRATA FUSION**

SELL-SIDE adviser

ACCELL

Has been acquired by **REGENT**

SELL-SIDE adviser

ACCELL

Has been acquired by **STRATA FUSION**

SELL-SIDE adviser

ASEE

Has been acquired by **TIGER**

SELL-SIDE adviser

ADVANCED SPORTS INTERNATIONAL

Has acquired **PERFORMANCE BICYCLE**

STRATEGIC adviser

OVVAL

Has been acquired by **FUJII**

SELL-SIDE adviser

Lagardère

Sale of sports endurance division **IRONMAN**

SELL-SIDE adviser

HYBRID

Has acquired **Altamont**

BUY-SIDE adviser

D.A. DAVIDSON MCF INTERNATIONAL

INDUSTRY COVERAGE

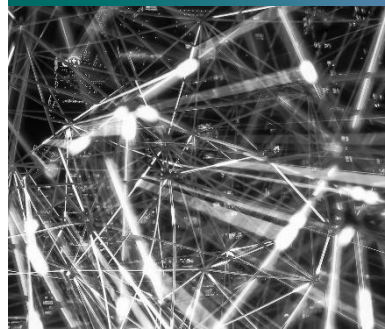
CONSUMER



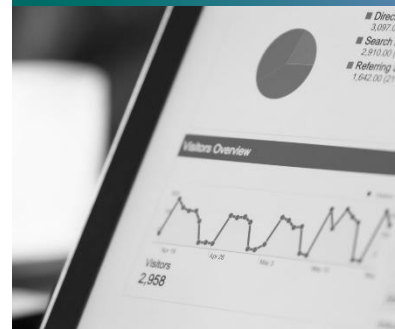
INDUSTRIALS



TECHNOLOGY



BUSINESS SERVICES



CONSUMER EXPERTISE

- Extensive network and deal flow with senior involvement throughout
- Consumer team consisting of over 30 professionals with a proven track-record of successfully executing M&A transactions
- Decentralized organization with competencies in various consumer sub-sectors spread across offices in Europe and the US

GLOBAL APPROACH

1,000+
M&A TRANSACTIONS
COMBINED

150+
INVESTMENT BANKING
PROFESSIONALS

44
SENIOR
PARTNERS

14
TRANSATLANTIC
LOCATIONS

D.A. DAVIDSON *mcf*
INTERNATIONAL



D | A | DAVIDSON | mcf
INTERNATIONAL

Anders Hedgren
Senior Adviser, Stockholm
+46 733 759 801
hedgren@mcfcorpfin.com

Hans-Christoph Stadel
Managing Partner, Hamburg
+49 175 264 44 11
stadel@mcfcorpfin.com

Robert Bäckström
Partner, Stockholm
+46 708 129 307
backstrom@mcfcorpfin.com

Brien Rowe
*Managing Director, Orange
County*
+1 310 779 4989
browe@dadco.com

Mike Smith
Managing Director, Park City
+1 206 898 7125
msmith@dadco.com

Nalin de Silva
Director, London
+44 7901 104 328
desilva@mcfcorpfin.com

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