

# As Outdoor Recreation Increases, So Does Opportunity for Investors

## CONTRIBUTORS

[Mark Jones-Pritchard](#), Director

[Chris Stradling](#), Managing Director

[Tyler Shankel](#), Vice President

Over the past several years, an increasing number of US consumers have focused on living healthier lifestyles, driving growth for active and outdoor recreation sectors. This trend has continued despite COVID-19, shelter in place and social distancing and creates several opportunities for both business owners and investors. Going forward, Lincoln expects outdoor recreation brands and service-oriented companies to benefit from these trends and seek capital to support continued growth.

## CONSUMERS ARE SHIFTING TO OUTDOOR FITNESS

Earlier this year, following the mandated shutdowns and nationwide gym closures, individuals rapidly adapted to find new ways to maintain their health and fitness levels. At the same time, the World Health Organization highlighted the importance of continuing exercise routines and encouraged outdoor recreational activities while practicing social distancing.

Outdoor recreation became increasingly popular as both a fitness and socially distant activity and encompassed running, hiking, cycling, boating, fishing, camping and walking. This has led to increased demand for products and services in these sectors, with strong likelihood for sustained demand going forward. Even as gyms re-open and indoor fitness resumes, many consumers are expected to continue to participate in outdoor recreation to replace or supplement their previous gym-based routines.

## “WORKING FROM HOME” FURTHER DRIVING OUTDOOR RECREATION

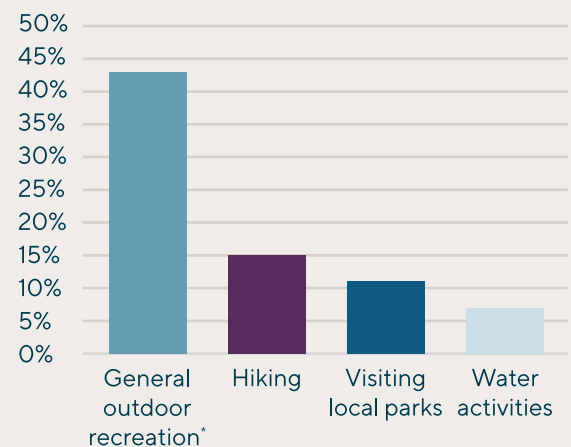
Current shifts in the US employment landscape are also contributing to the increase in outdoor recreation. Many consumers are now working from home and, with the absence of daily commutes, have more free time for recreation. They are also no longer spending on vacations, dining out or other social activities, so are more willing to spend their additional disposable income on outdoor recreation and related products. Even individuals facing unemployment are turning to outdoor fitness options like running, hiking and camping as more cost-conscious means to stay active. While these activities require significantly less expenditures than alternatives, there will be demand for apparel / footwear and related products still necessary to participate.

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# 37.7%

of consumers expect that COVID-19 will change their outdoor recreation activities for the continued future. These changes include participating in more fitness-based activities, diversifying recreation activities and utilizing public land spaces more often.<sup>(1)</sup>

## Recent survey results indicate 43% of Americans will increase participation in certain outdoor activities<sup>(2)</sup>



\*General outdoor recreation includes all outdoor activities such as hiking, cycling, camping, water activities and visiting parks

With **more than 50%** of consumers opting for recreation locations within two miles of their homes, this ease of access further supports the likelihood they will continue newfound activities post-COVID.<sup>(1)</sup>

Finally, as workplaces reopen and the health risks associated with public transportation become front of mind, consumers are re-evaluating their commute. Many plan to shift towards walking and cycling as healthier alternatives to travel to the workplace. More than 80% of Americans see cycling as safer than public transportation, which is driving rapid growth in sales of road bikes and will continue post-COVID as more consumers make the transition. Additionally, this will create a larger market for bike services, repairs, parts and accessories.

## THE NEW AGE OF OUTDOOR ACTIVITIES

While most outdoor recreation categories are expected to perform well post-COVID, some will face challenges due to travel requirements and large group settings. Skiing / snowboarding and beach activities often require travel and expose participants to areas with large groups. However, continued awareness of social distancing and the consumer drive toward newfound outdoor fitness routines will increase growth across most outdoor sectors, including cycling, running, hiking, fishing and camping. Initially, companies with brands or products in these spaces will benefit, followed by service providers such as repair shops. This increased demand will drive the need for investment to fund continued expansion. Lincoln expects strong valuations going forward and an active M&A market for companies surrounding outdoor recreation. For example, several public companies focused on outdoor recreation have returned to or exceeded pre-COVID EV / EBITDA valuation levels, including Lululemon, Shimano, Johnson Outdoors, Yeti Holdings, Clarus Corporation and Polaris.

## MOMENTUM IN CYCLING

**As America re-opens, cycling may become the primary method of commuting<sup>(3)</sup>**

**80%**

of Americans view cycling as safer than public transportation

**35%**

growth expected for several bicycle categories

**\$450 - \$1,000**

cost for most popular models, affordable to a broad range of consumers

## LINCOLN PERSPECTIVE

Lincoln expects several outdoor recreation trends to continue post-quarantine, including the following:

Continued growth in outdoor recreation activities where participation is individual or involves one additional person, such as running, cycling, hiking, fishing and visiting parks

Increased participation in outdoor activities that include small groups (camping, boating, hiking), enabling consumers to be socially and physically active while remaining distanced from larger groups

Renewed focus on outdoor activities that require minimal travel, are more cost-effective and promote physical health

These continued trends will drive sustainable growth across outdoor recreation products and service categories, building upon trends in health and wellness that have already seen steady growth throughout that past several years. Lincoln expects brands and service-focused businesses in these sectors to seek growth capital over the next six to twelve months, with sustainable performance following this period.

Source<sup>(1)</sup>: [Leave No Trace](#) consumer survey, 3/11/2020

Source<sup>(2)</sup>: [CivicScience](#) consumer survey, 3/30/2020

Sources<sup>(3)</sup>: [Trek Bicycle and Engine Insights](#) survey, 5/18/2020

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