

Boat Building

Industry Snapshot

June 2010



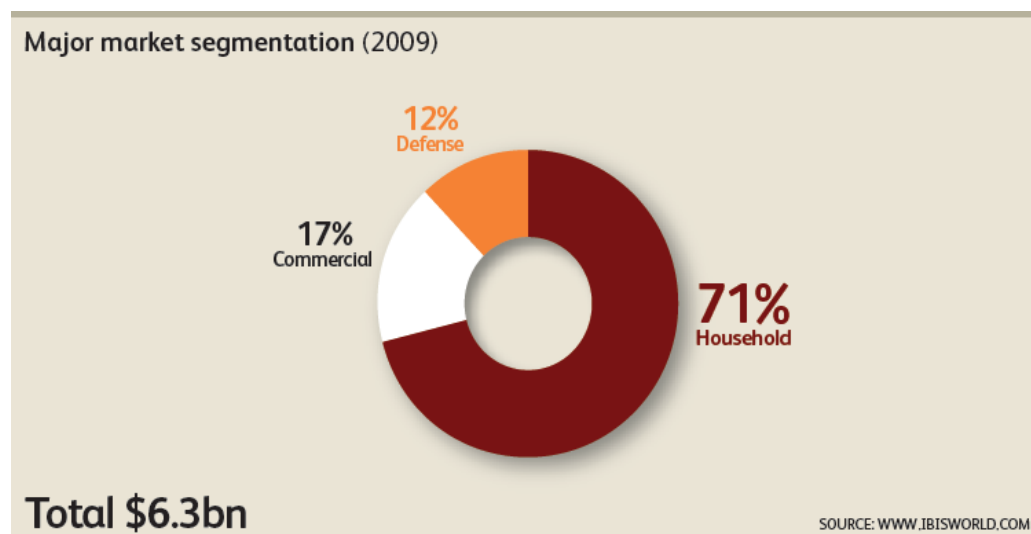
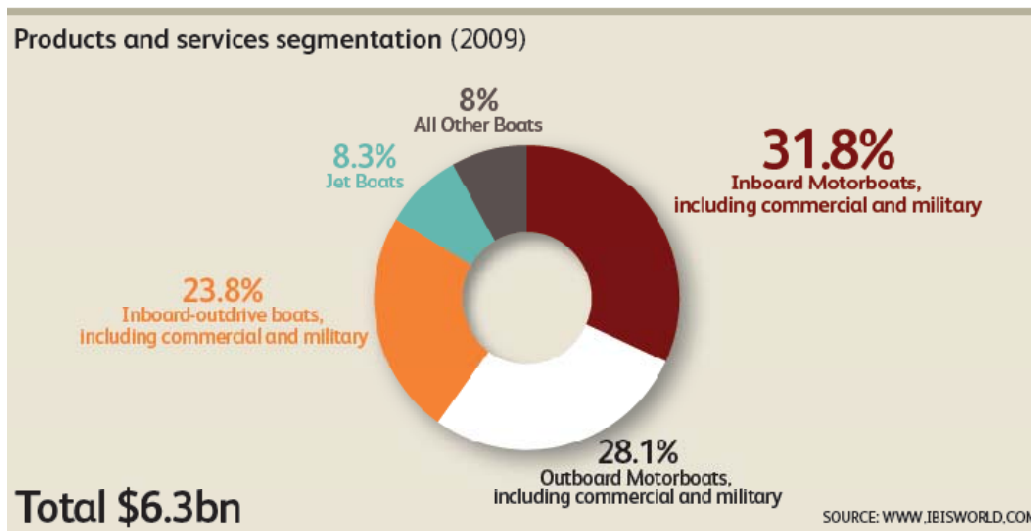
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Industry Segments

The boat building industry, as classified by the North American Industry Classification System (NAICS), is composed of establishments that build boats, not in shipyards, and primarily for personal use.¹

There are approximately 1,000 companies represented by the industry. The key players in the industry include Brunswick, Genmar, and Yamaha Motor Corporation. The 50 largest companies comprise about 75% of the revenue for the industry.²

The products, services and market segments in this industry break down as follows:³



¹ "North American Industry Classification System," U.S. Census Bureau, <http://www.census.gov> (Accessed 6/3/10).

² First Research, Inc. 2007, "Boat Building." Austin, TX: First Research. 5/10/2010. <http://www.firstresearch.com>. Our subscription to this service is possible through donations made by Metcalf Hodges and Wells Fargo Bank.

³ IBISWorld Pty Ltd., "Boat Building in the US." New York: IBISWorld. January 2010. <http://www.ibisworld.com>.

US & Washington Industry Data

There are about 5,000 retail dealers selling boats in the United States. In the US, approximately 300,000 new powerboats and personal watercraft and approximately 400,000 canoes and kayaks are sold annually.⁴

In Washington State, there is a strong and rapidly growing boat building industry that comprises 9% of the total industry establishments in the US. In 2007, Washington had 97 establishments, 33 of which have 20 or more employees. The industry employs 3,721 people in the state, with a total payroll of \$142,015,000 annually.⁵

Detailed industry statistics for the US as a whole are below:⁶

Industry Data

	Revenue (\$m)	Industry Value Added (\$m)	Establishments	Enterprises	Employment	Exports (\$m)	Imports (\$m)	Wages (\$m)	Domestic Demand	Rec Boats in Use (Mil)
2001	8,812.6	3,896.3	1,140	1,089	50,163	670.7	1,323.2	2,059.6	9,465.1	17
2002	10,135.8	4,581.5	1,126	1,063	49,927	709.5	1,355.6	2,156.7	10,781.9	17.1
2003	10,051.9	4,657.9	1,119	1,060	48,852	866.9	1,382.4	2,216.8	10,567.4	17.1
2004	11,499.5	5,281.4	1,153	1,092	55,622	1,272	1,384.8	2,471.6	11,612.3	17.4
2005	12,174.8	5,124.3	1,157	1,096	55,681	1,723.7	1,451.3	2,514.5	11,902.4	17.7
2006	12,156.4	5,058.5	1,129	1,069	53,857	1,846.1	1,491.4	2,522.1	11,801.7	16.8
2007	12,470.1	5,170.1	1,139	1,079	51,433	2,280.5	1,491.9	2,413.2	11,681.5	16.9
2008	9,745.4	3,742.2	1,065	1,009	40,148	1,867	1,297.2	2,088.1	9,175.6	16.9
2009	6,281.8	2,467.5	920	982	37,802	1,501	1,073.6	1,694.5	5,854.4	16.8
2010	7,211.5	2,992.8	903	953	36,479	n/a	n/a	1,630.1	n/a	n/a
2011	7,875	3,370.5	895	929	35,932	n/a	n/a	1,739.3	n/a	n/a
2012	8,355.3	3,634.6	893	924	35,968	n/a	n/a	1,744.5	n/a	n/a
2013	8,706.3	3,795.9	902	934	36,291	n/a	n/a	1,781.2	n/a	n/a
2014	9,089.3	3,972	910	941	37,670	n/a	n/a	1,841.7	n/a	n/a
Sector Rank	154/209	142/209	90/202	74/200	99/202	n/a	n/a	99/199	n/a	n/a
Economy Rank	566/759	526/759	568/726	514/711	509/740	n/a	n/a	472/719	n/a	n/a

Global Industry Data

On a global level, North America fared the worst in 2009. Europe was the best off, and the European boat market exceeded the market in North America back in 2007 (in terms of dollar value). North America is still the largest in terms of units sold. The global boat industry was estimated at \$23.9 billion at the end of 2008, and demand for recreational boats is projected to reach \$25.8 billion in sales by 2014.

Globally there is a shift toward larger and more expensive boats as well, driven by high demand in Europe for luxury cruisers and mega yachts.⁷

⁴ First Research, Inc. 2007, "Boat Building." Austin, TX: First Research. 5/10/2010. <http://www.firstresearch.com>. Our subscription to this service is possible through donations made by Metcalf Hodges and Wells Fargo Bank.

⁵ "US Economic Census," US Census Bureau, http://factfinder.census.gov/home/saff/main.html?_lang=en. (Accessed 6/4/2010).

⁶ IBISWorld Pty Ltd., "Boat Building in the US." New York: IBISWorld. January 2010. <http://www.ibisworld.com>.

Success Factors

There are several key success factors important to the boat building industry:⁸

- Undertaking technical research and development is critical due to changes in consumer demand and in design and manufacturing of boats.
- Financial structure of the company is important due to long lead times required in the construction of boats.
- Access to new technology allows companies to compete efficiently and implement new techniques
- Location relative to markets is important to minimize transportation costs.
- Export markets are a key success factor for larger firms in particular.
- Economies of scale due to the fixed costs required to run a boat building operation.

Risks and Challenges

There are many issues facing the boat building industry, particularly due to the fact that demand is tied to income growth and due to the industry's dependence upon petroleum prices. Boats are considered a luxury item. US boat and ship production dropped more than 15% in 2009. In addition, higher fuel costs make boats more expensive to operate as well as to build.⁹

Other challenges facing the industry are dealer relations, managing inventory levels and competition from used boats. Due to advances in technology, many boats now may be on the water for 15 to 20 years. 75% of all powerboat and sailboat sales in 2008 were used boats.¹⁰

Trends

The following are key trends reported in the boat building industry:

- **Population Growth in Coastal Areas** - *Half of the US population lives in coastal areas (under the jurisdiction of the federal Coastal Management Zone Program) and the population of such areas is forecast to grow rapidly. Growth will pressure estuarine eco-systems and may slow development of marinas, docks, and other infrastructure necessary to support the boating industry.*
- **Dealer Consolidation** - *Manufacturers compete for independent dealers. In the recession of the late 2000s, many dealers consolidated or went out of business altogether. This in turn put pressure on manufacturers by reducing the number of sales outlets.*

⁷ "The Global Demand for Recreational Boats Is Projected To Reach \$25.8 Billion in Annual Sales by 2014, According To This New Research." *China Weekly News*. 2010. *HighBeam Research*. (June 4, 2010). <http://www.highbeam.com/doc/1G1-217125328.html>

⁸ *IBISWorld Pty Ltd.*, "Boat Building in the US." New York: IBISWorld. January 2010. <http://www.ibisworld.com>.

⁹ First Research, Inc. 2007, "Boat Building." Austin, TX: First Research. 5/10/2010. <http://www.firstresearch.com>.

Our subscription to this service is possible through donations made by Metcalf Hodges and Wells Fargo Bank.

¹⁰ *Ibid.*

- **Engine Technology Advances** - Low-noise, low-emission outboard engine technologies have advanced such that some companies have stopped building the traditional two-stroke engines in favor of the more efficient four-cylinder. While costlier for consumers and with less gross margin for manufacturers, these engines continue to grow in popularity due to their reliability, fuel efficiency, and low noise levels. EPA requirements regarding fuel efficiency have influenced the industry to produce these popular engines.
- **High-tech Designs** - Boat manufacturers can differentiate their products through high-tech design and features. New materials and construction allow builders to design and manufacture highly engineered boats. Other features include more efficient (and less polluting) engines, and hull designs that offer a smoother, faster ride.¹¹

Consumer Demographics

Over 40% of boaters are married with two incomes, and they are largely affluent, with one quarter of these households reporting an income of \$100,000 or more. The majority (65%) are between 35 to 64 years old and are more than twice as likely as the general populations to participate in camping/hiking, fishing, horseback riding, hunting/shooting and using recreational vehicles. They are also more than twice as likely as the general population to own a GPS locator.¹²

The number of adults who went boating increased to around 70 million in 2008, up nearly 6% from the previous year. However, in the same year, boat owners took their boats out on average six days less in 2008 than 2007.¹³

Boating has traditionally been male-dominated but in recent years companies have begun marketing to women. Some organizations now offer seminars and courses in boating for women who are interested in the sport.¹⁴

Financial Information

For 2009, the industry's cost structure is projected to produce a 9.5% operating loss, due to companies' inability to control their costs as revenues decline. This compares to a 6.0% operating profit back in 2006.¹⁵

¹¹ First Research, Inc. 2007, "Boat Building." Austin, TX: First Research. 5/10/2010. <http://www.firstresearch.com>. Our subscription to this service is possible through donations made by Metcalf Hodges and Wells Fargo Bank.

¹² SRDS, *The Lifestyle Market Analyst* (SRDS Media Solutions, 2007), pp 734-735.

¹³ First Research, Inc. 2007, "Boat Building." Austin, TX: First Research. 5/10/2010. <http://www.firstresearch.com>. Our subscription to this service is possible through donations made by Metcalf Hodges and Wells Fargo Bank.

¹⁴ Ibid.

¹⁵ IBISWorld Pty Ltd., "Boat Building in the US." New York: IBISWorld. January 2010. <http://www.ibisworld.com>.

The following are key financial benchmarks for the boat building industry: ¹⁶

12 Month Rolling Data Period	Last Update March 2010
Small Company Data	Sales < \$2,330,936
Table Data Format	Median Values

US Private Company Data		
	Aggregate	Small Company
Company Count in Analysis	136	34

Income Statement		
Net Sales	100%	100%
Gross Profit	38.0%	38.0%
Operating Income	3.8%	3.1%
Net Profit After Tax	2.0%	1.3%
Balance Sheet		
Cash	4.7%	6.0%
Accounts Receivable	9.5%	8.7%
Inventory	30.8%	27.0%
Total Current Assets	47.4%	42.7%
Total Fixed Assets	27.8%	20.8%
Other Non-Current Assets	24.9%	36.5%
Total Assets	100.0%	100.0%
Accounts Payable	11.1%	5.1%
Total Current Liabilities	42.5%	42.6%
Total Long-Term Liabilities	9.4%	15.5%
Net Worth	48.1%	41.9%
Financial Ratios (Click on any ratio for comprehensive definitions)		
Quick Ratio	0.42	0.56
Current Ratio	1.42	2.3
Inventory Turnover	9.4	8.1
Return on Sales	2.0%	1.0%
Return on Assets	6.0%	3.0%
Return on Investment	24.0%	15.5%
Interest Coverage	6.6	2.3

¹⁶ First Research, Inc. 2007, "Boat Building." Austin, TX: First Research. 5/10/2010. <http://www.firstresearch.com>. Our subscription to this service is possible through donations made by Metcalf Hodges and Wells Fargo Bank.