

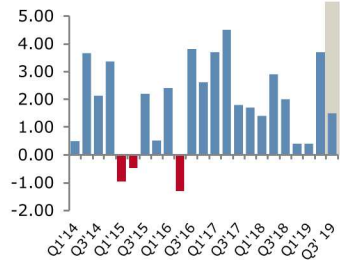


2019 RV Industry Update: Volume 2

Canada Edition

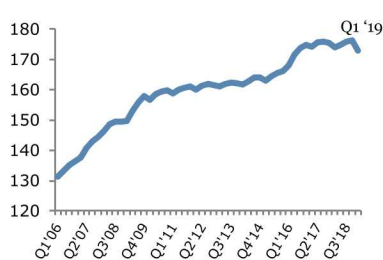
Quarterly annualized GDP % Change

(BoC Monetary Policy Report – Jul. 2019)



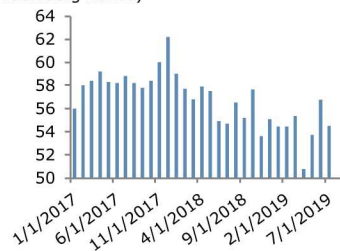
Quarterly Household Debt to Disposable Income

(Statistics Canada – Apr. 2019)



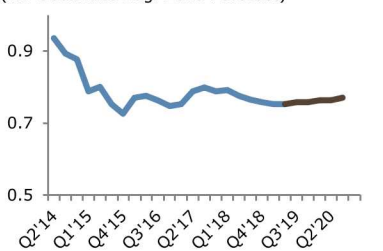
Consumer Confidence Index

(Bloomberg Nanos)



Wells Fargo Securities Currency Forecasts

(WF Securities Aug. 2019 Forecast)



Sources: Statistics Canada (Retail and Wholesale Sales, GDP, Unemployment, CPI, Household debt to disposable income ratio), Bank of Canada July 2019 Monetary Policy Report, Wells Fargo Securities Monthly FX Update – Aug. 2019

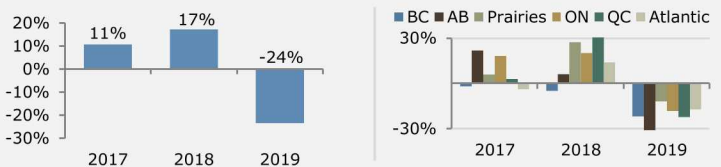
Economic Watch

- Canada's economy grew by a greater than expected 3.7% (q/q GDP annualized) in Q2'19. The Bank of Canada predicts growth at 1.5% (q/q GDP annualized) for Q3'19.
- Canada Q1'19 household debt-to-income ratio dropped to 173% from 176% in Q4'18.
- Retail sales remained flat in June m/m, while wholesale sales increased 0.6%.
- Canada added 81,000 jobs in August. The unemployment rate holds at 5.7%.
- The Bloomberg Nanos Canadian confidence index was 57.03 in August, lower than the 12-month high in July (59.06).
- Canada's inflation rate has remained at 2.0% since June, staying within the Bank of Canada's target.
- Wells Fargo economists predict the Canadian dollar to strengthen over the medium term through increasing oil production and effects of the USMCA.
- The Bank of Canada held its overnight rate at 1.75% on Sept 4th. Wells Fargo economists expect the Bank of Canada to cut interest rates in December of this year.

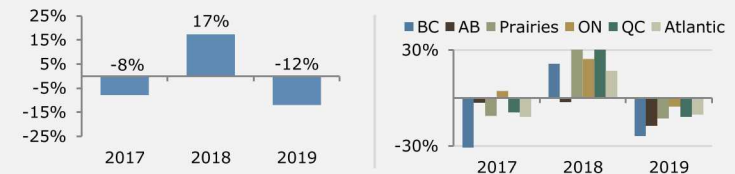
CDF Portfolio Overview

- Inventory purchases financing over the last 12 months has mirrored the decrease in retail sales across Canada.** Slower than expected retail sales during the key spring months coupled with dealers starting the year with higher inventory levels to avoid potential shortages caused by US dealer demand has focused dealers on selling units before committing to re-stocking.
- Y/y outstandings:** After seeing elevated inventory levels through the end of Q2, dealer efforts to move units coupled with low wholesale purchases has resulted in normalized inventory levels. Financed RV inventories are down 12% at the end of July, and if the trend continues inventory levels will end the year down 17% - levels not seen since 2016.
- Liquidations (loan repayments resulted from sales):** Liquidations are down 11% year over year. RV performance was impacted by a number of factors, such as cold temperatures, delayed spring, flooding, economic & trade issues to name a few. However, July and August liquidations started to trend back to 2018 levels as dealers reported increased levels of foot traffic at their stores.

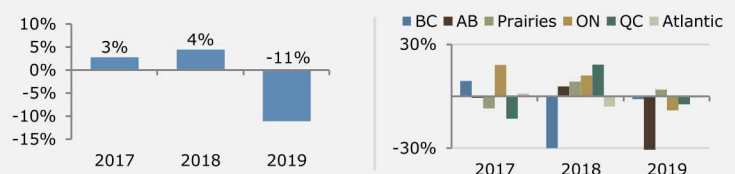
Y/y Volume % Change (Rolling 12-mth @ 7/31)



Y/y Outstanding's % Change (@ 7/31)

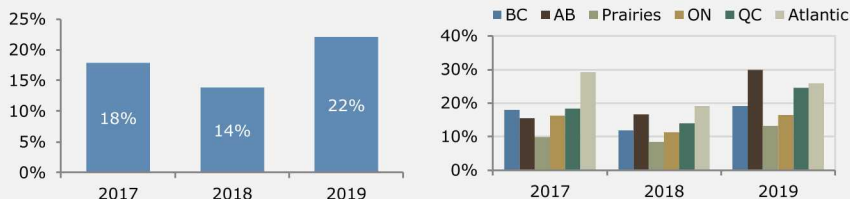


Y/y Liquidations % Change (Rolling 12-mth @ 7/31)



Source: Wells Fargo CDF® Internal Database

Aging (@ 7/31)



Inventory aging trending higher to 22% of dealer outstandings.

There continue to be pockets of high aging in various regions across Canada as dealers stocked up in 2018 and turns have slowed in 2019. Dealers are focused on clearing 2019 model year units during the fall show season.

Source: Wells Fargo CDF® Internal Database

Headlines

[Why young people are driving an RV revolution](#)

(theglobeandmail.com, Aug 16, 2019)

“Younger people are the fastest-growing segment in the business, which is somewhat unexpected”... The RV industry is expected to nearly double in value to US\$64-billion by 2024, from US\$38-billion in 2017, according to Zion Market Research.

[Millennials are the future of RVs. Is the industry ready?](#)

(curbed.com, May 31, 2019)

“New data shows that millennials make up the largest group of campers at 41 percent and that share of the market is growing. By 2025, the number of consumers between the ages of 30 and 45 will total 72 million people”

[Economists warn falling RV sales signal impending recession](#)

(whas11.com, August 25, 2019)

“Economists are warning that a downturn in shipments of recreational vehicles from the northern Indiana county that calls itself the “RV Capital of the World” suggests an impending recession... The RV Industry association is predicting that shipments for the year will be down about 14% at the end of 2019.”

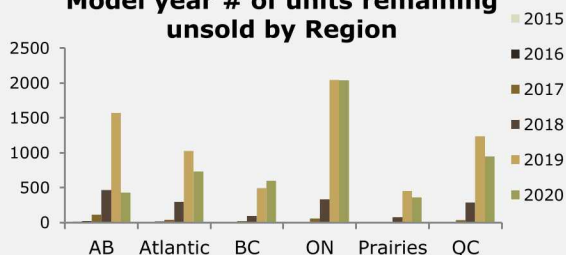
[Trump’s Tariffs trip up the all-American RV industry](#)

(reuters.com, July 18, 2019)

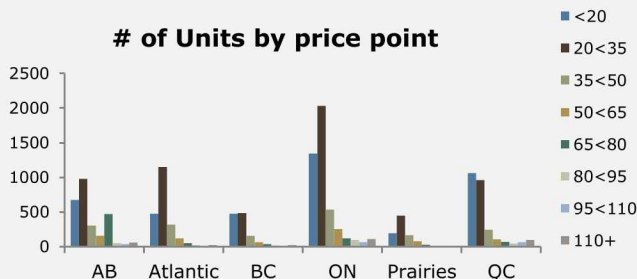
“The RV industry has taken hits from U.S. tariffs on steel and aluminum and other duties on scores of Chinese-made RV parts, from plumbing fixtures to electronic components to vinyl seat covers... Shipments of RVs to dealers have fallen 22% percent in the first five months of this year, compared to the same period last year, after slipping 4% in 2018, according to the Recreational Vehicle Industry Association.”

Provincial Data

Model year # of units remaining unsold by Region



of Units by price point



Source: Wells Fargo CDF® Internal Database

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