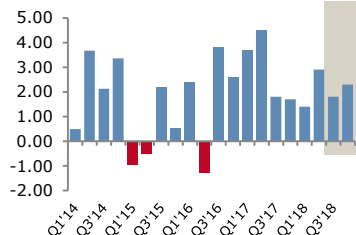


2018 Marine Industry Update: Volume 3

Canada Edition

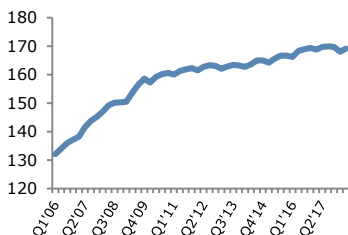
Quarterly annualized GDP % Change

(BoC Monetary Policy Report – Oct. 2018)



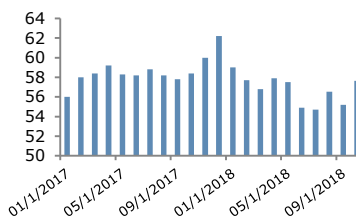
Quarterly Household Debt to Disposable Income

(BoC Monetary Policy Report – Oct. 2018)



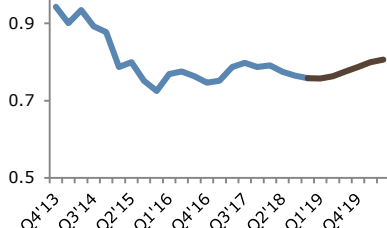
Consumer Confidence Index

(Bloomberg Nanos)



Wells Fargo Securities Currency Forecasts

(WF Securities Nov. 2018 Forecast)



Sources: Statistics Canada (Retail and Wholesale Sales, Unemployment, CPI), Bank of Canada October 2018 Monetary Policy Report, Wells Fargo Securities Monthly FX Update – Nov. 2018

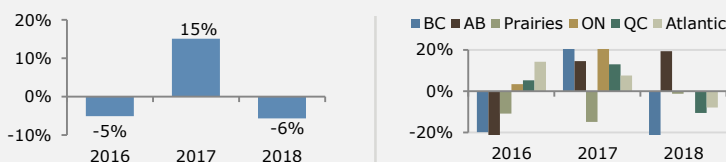
Economic Watch

- After strong growth of 2.9% in Q2 (q/q GDP annualized), Canada's economy grew again by a stronger-than-expected 1.8% in Q3. Predicted growth by the Bank of Canada for Q4 is set at 2.3%.
- Canada Q2 household debt-to-income ratio rose to 169% from 168% in Q1.
- Retail sales increased 0.2% in September. Wholesale sales decreased 0.5% in September, with machinery, equipment and supplies and the personal and household goods subsectors leading the decline.
- Canada added nearly 35,300 jobs in October, as a surge in full-time jobs was partially offset by a decline in part-time positions. The unemployment rate dropped to 5.8%.
- The Bloomberg Nanos Canadian confidence index rose to 57.6 in October from 55.2 in September.
- After surging to 3% in July, its highest rate in nearly seven years, Canada's inflation rate eased to 2.4% in October.
- The Bank of Canada raised its overnight rate by 25 bps to 1.75% on October 24 and reiterated a data-dependent and gradual approach to future rate hikes.

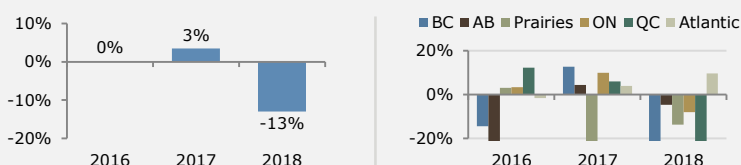
CDF Portfolio Overview

- Total inventory purchases financed by CDF were down 6% across all provinces** versus the same period in 2017. Despite the strong first half of the year, we saw volume moderate heading into Q4. Dealers have delayed purchases due to tariffs implemented at the end of Q2 in hopes they would be lifted. Year-over-year volume varied across the regions. Alberta and Ontario were the only provinces to see volume growth while the rest of Canada saw a decline in volume.
- Y/y outstandings:** inventory levels have decreased relative to last year by 13%. Year-over-year decline is driven by sell through outpacing volume.
- Liquidations (loan repayments resulted from sales) are up 3%.** All geographies, with the exception of BC, the Prairies and the Atlantic, ended the selling season with higher retail sales compared to 2017.

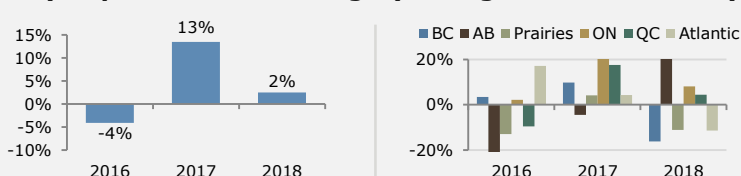
Y/y Volume % Change (Rolling 12-mth @ 10/31)



Y/y Outstanding's % Change (@ 10/31)

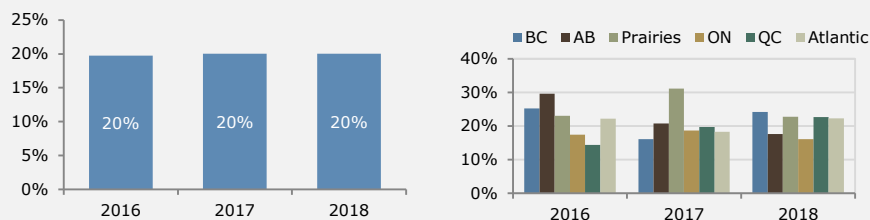


Y/y Liquidations % Change (Rolling 12-mth @ 10/31)



Source: Wells Fargo CDF Internal Database

Aging (@ 10/31)



Source: Wells Fargo CDF Internal Database

Due to inventory levels being down 13%, aging as a percentage of inventory is somewhat misleading. It should be noted that from a dollar perspective, aging is down 13%. Based on reduced shipment levels, we expect aging to continue to decrease as dealers focus on liquidating in-stock units.

Headlines

Trends from the 2018 Top 100

(boatingindustry.com, Oct 8, 2018)

“Canadian dealers had it a little tougher this year with economic conditions not being as strong north of the border. Unfortunately, that's something many dealers up there expect to continue next year as tariffs put increased pressure on boat imports.”

“Boat shows are still alive and well... Those dealers that are in top markets are still seeing great results from their boat show efforts. Many wrote about increasing their investment in shows. This seems to be an especially strong trend in northern climates, like the Great Lakes, Northeast and Canada.”

Even with the new NAFTA, boat exports to Canada are still hit with a 10 percent tariff

(tradeonlytoday.com, Oct 26, 2018)

“It's unclear whether the USMCA will eliminate tariffs on imported Canadian steel and aluminum. Those tariffs prompted Canada to impose retaliatory tariffs of 10 percent on U.S.-built boats, which have hurt U.S. builders that export to Canada and Canadian dealers that represent them.”

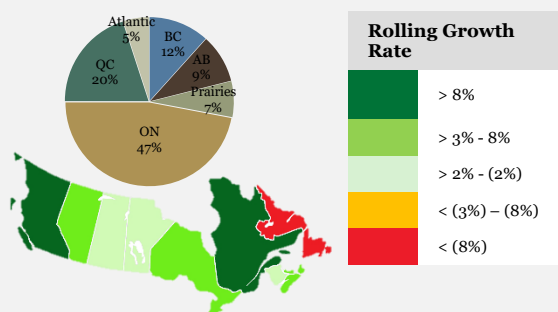
“The tariffs are not only causing a “tremendous amount of uncertainty” for Canadian dealers, but they are also a significant drain on cash flow.”

Boatsetter's Slow Sail Into The Sharing Economy

(pymnts.com, Nov 9, 2018)

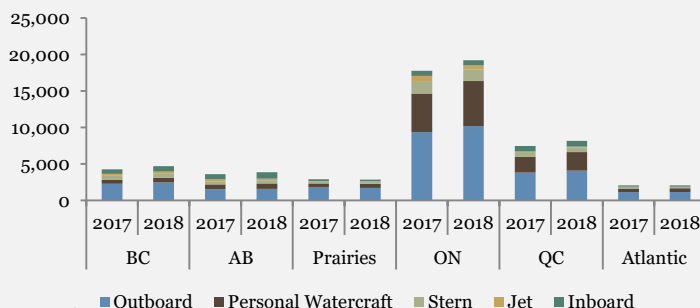
“When Boatsetter first set sail, the company's focus was Florida, but these days it is setting its sights on a wider market and is in the midst of a national rollout of its service. But though the firm is getting bigger, its goal remains the same: unlocking the 95 percent of boats that are sitting idle in way that works for owners — and for those who just want to sample the sailing life.”

% Boat Sales by Province as of 10.31.18



Source: Statistical Surveys, Inc. <https://www.statisticalsurveys.com/>

Canadian Retail Units – By Province as of 10.31.18



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