Blame it on the election year blues, the stock market roller coaster, oil patch profits drying up or a bunch of non-riding Millennials, 2016 was a challenging year for the powersports industry. The volatility that plagued us at the end of 2015 carried over into 2016 and pressured not only new unit sales, but also cut into the profitability of those units sold. The silver lining is that pre-owned units seem to be bucking the sales trend in terms of both volume and profitability.

More than 60,000 units rolled through NPA auction lanes this past year, meaning some savvy dealers were still on the gas. Despite an uptick for street bike sales in September and dirtbikes remaining in positive territory, the new motorcycle and ATV market remained soft in third quarter of 2016, according to MIC numbers (see page 4).

Research analyst and syndicated columnist Seth Woolf cites four issues in particular that caused headaches for dealers:

1) macroeconomic weakness (GDP only grew 0.8% in the first quarter) and energy price deflation (especially painful for dealers in North America’s oilpatch); 2) product recalls in key segments such as the Polaris RZR; 3) price-sensitive consumers, which resulted in an ever-increasingly competitive environment; and 4) the uncertainty of an election year.

Despite the election year uncertainties, Woolf is cautiously optimistic. “Many of the issues are in the rear-view mirror, which could ultimately set the stage for a better operating environment in 2017. Indeed, our conversations have revealed that the outlook dealers have has certainly improved since the election ended. Regardless of political leanings, dealers are in nearly complete agreement that the mere fact that the airwaves are no longer dominated by election rhetoric will help consumer confidence.”

Most dealers agree the industry will benefit from lower taxes and a more robust manufacturing jobs picture. “Conversely, we have all seen the negative effect of low energy prices on this industry,” he notes. “Additionally, the U.S. Dollar has been very volatile since the election, which can also have a major impact on the market —just look at used motorcycle prices for proof.” Again the value of pre-owned units available via auctions is not only a key indicator, but a strategic play for successful dealers.

What impact will Harley’s Milwaukee-Eight™ have on the motorcycle market?

The last year and a half has not been kind to Harley dealers… retail sales are down 4.7% YTD after being down 1.7% in ‘15. There does seem to be a positive light coming for the Milwaukee faithful with the introduction of The Motor Company’s “Milwaukee-Eight” power train. “While improving trends seem to be concentrated in the MY17 touring bikes that feature the new engine and inventory levels of older bikes are still a little high, this is the most optimistic Harley-Davidson dealers have been in a couple of years,” claims Woolf. This bodes well for H-D in 2017… and it means clean, late model Big Twins will be something to watch at the auctions!

What will be the lasting impact of the Polaris recalls?

Where there is smoke, there is sometimes fire… or at least a significant “thermal issue” and unfortunately Polaris saw red hot RZR sales cooled off by several recalls. This may have helped some other brands slightly, as it is tough on the entire industry when a segment leader takes such a major hit. Fortunately the recalls seem to have resolved the issue and the “stop sale” has been rescinded. “We do not expect the recalls to cause a migration of ORV owners,”

BUILDING MOMENTUM INTO 2017

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see 2016 BY THE NUMBERS p2
Over the last couple of years I have had the pleasure of speaking at industry events like AIMExpo and Powersports Finance. Each year I leave inspired by the information that is shared about our industry. I figured this would be the perfect time to share a few pieces that I felt complement Seth Woolf’s statements on the future of our industry in 2016 By The Numbers.

Approximately 14 million people rode a motorcycle in 2014 but didn’t own one, according to data from the Motorcycle Industry Council. If only 10% of these “test riders” took the next step to purchase a motorcycle we would see our industry grow more than 50%. So that begs the question - Why? These “test riders” have enough interest to ride but have not taken the next step to purchase one.

I feel there are two untapped components in the market. The first component is pre-owned finance, which was a running theme throughout the Powersports Finance Summit in October. We already see that lenders in 2017 will offer dealers more options for pre-owned units.

The second component and probably the number one financing opportunity is that only one-fourth of motorcycle transactions go through the dealer’s doors. There are tens of thousands of curb to curb transactions taking place weekly. I think one of the biggest reasons why is the lack of financing options available to customers.

So what is being done about these untapped opportunities? A lot! We have seen an increase in lending programs over the last two years, and OEMs have diligently been working on creating both in-house and strategic partnerships with lenders to create the financing tools needed to capture the 14 million “test riders”. Besides lending, a majority of OEMs are also creating amazing new models that have seen early success. For more information see the story 2016 By The Numbers.

Best wishes to all for a great 2017!

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**Opportunity is Knocking!**

By Jim Woodruff

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**VIDI VENI VICI**

**MOTORCYCLES CONQUER MILAN!**

During the time of Caesar, they said, “All roads lead to Rome.” For the modern motorcyclist, all roads lead to Milan for the all-conquering EICMA show. Officially known as the Esposizione Internazionale Ciclo, Motociclo & Accessori, the event in Italy has grown to become the world’s largest motorcycle show over the past 100 years. EICMA encompasses more than 3 million square feet and a half million attendees…Simply put, if you are serious about being in the worldwide motorcycle market, you have to be at the Milan show.

Some sweeping changes for this year included involving the entire city to create “2-Wheels Week” just like the Fashion Week festivities for the haute couture crowd. Milan has been synonymous with EICMA for more than 100 years and EICMA means motorcycles, so innovations, surprises and trends were highlights of the 2016 EICMA. With more than 1,000 exhibitors from 38 different countries, EICMA is truly the center of the motorcycling empire during 2-Wheels Week.

Unlike America, new unit sales are up in Europe, with new motorcycle registrations hitting double digits in key markets like Germany and Italy. So it is no surprise that the OEMs all saved some show-stopping models to impress the more than half a million consumers and virtually every motorcycle media outlet in the world at the five-day show.

Space is too limited here to cover all the major new model announcements, but the global media – from Australian Motorcyclist and Bike EXIF to the U.S. editors at Cycle World and MPN – agreed it was a banner year for bikes.

Not one to be upstaged, Ducati showed off the 1299 Superleggera, updated Panigale and a couple tasty variations of the Scrambler. Meanwhile BMW busted out the “baby” 310 and R nineT Urban GS (there are now five different variations of the nineT); Triumph teased with Bonneville-based retro bikes; Kawasaki kicked off the next generation of downsized sportbikes, Honda and Yamaha...
had Dakar Rally inspired concepts, even Royal Enfield stepped up to take the wraps off its much-anticipated entry level Himalayan ADV bike. Although there was literally something for everyone, the basics were back for all the OEMs. “The center of gravity was the modern-retro scene, with the ‘modern’ part finally catching up with the ‘retro’ part,” claims Bike EXIF. “There were 70s throwbacks a-plenty, but also some intriguing new approaches to stripped-back, classic styling.” Even the die-hard Ducatisti sportbike fans were intrigued by the new Scrambler Desert Sled and the Cafe Racer variant. “The existing Ducati Scrambler frame has been reinforced, there’s a new swingarm, and — most importantly — there’s now a substantial eight inches of suspension travel,” explains EXIF. “The new seat has added plushness too, and the 19-inch front wheel and Pirelli Scorpion STR tires mean business. Ducati’s Scrambler finally has real purpose — and looks like an absolute blast to ride.”

A hallmark of the Milan show has always been concept bikes. It is human nature to crave “unobtanium” and EICMA has been the leading supplier of the stuff that motorcycle dreams are made off. On a practical side, it also serves as a bellwether as to where global motorcycle industry trends are going to take us. With that in mind, Cycle World named their top five picks for best concepts shown in Milan.

In no particular order, Cycle World says Honda’s CB1100 TR Concept puts the “super” in superbike. Based off of Big Red’s unassuming CB1100, it adds Öhlins suspension to massive brakes and a fully custom swingarm. Husqvarna’s street-based Vitplien Aero drew attention, as did the KTM 790 Duke prototype; for those looking to do it in the dirt, CW picked Yamaha’s T7 Tenere Concept and Honda’s Africa Twin Enduro. Bike EXIF agreed with CW’s picks and added the Triumph Street Scrambler to their picks to click. “The launch of the new Bonneville range has been hugely successful, but until now there’s been an important piece missing from the jigsaw: the Scrambler replacement. Triumph has now plugged the gap with the reveal of the ‘Street Scrambler‘,” says the web-based publication. Doesn’t matter if Dakar-inspired Rally bikes, BMW-based erotica, Italian exotica or even a British Scrambler is your cup of tea, EICMA has it all. The motorcycle world went to Milan and crushed it! In the immortal words of Caesar: Vidi, Veni, Vici… they came, they saw and they conquered! Get specifics at eicmausa.com

NPA announces the first-ever program for dealers to get paid BEFORE their consignments sell!
NPA’s Advance Value Payment™ “AVP” program is the first of its kind in the auction industry. We know that cash flow is an important part of any business - especially for powersports dealers - so we created a solution to increase cash flow. This program allows dealers to consign vehicles as normal and request up to 75% of the estimated auction value as soon as the unit and title are dropped off at any NPA location. The balance will be paid out as normal after the unit sells. *Open to all NPA consigning dealers in good standing *Funds are issued within 1 business day of approval *No upper limit on number of units or total amount advanced

For more information about NPA’s AVP program, please contact Mike Murray, 858.413.1629 or email him at mmurray@npauctions.com

* A service charge is applied to the amount advanced. The unit must be sold within 60 days of the AVP. Unit can be redeemed upon payment of all fees due.

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**INDUSTRY PULSE**

**COMPARING THE NUMBERS**

How were retail sales in August of 2016 compared to August of 2015?

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<td>Up Considerably</td>
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How do you project your dealership’s new and used retail sales for Q4 2016 compared to Q4 2015?

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<td>Up Slightly</td>
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Which would you designate as the biggest challenge facing your dealership in 2016?

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<tr>
<td>Lack of Consumer Interest/Traffic</td>
<td>35%</td>
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<td>Not Enough Retail Financing</td>
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<td>Too Much Wrong Inventory</td>
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<td>Depressed Local/National Economy</td>
<td>32%</td>
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<td>Recall/Supply Chain Issues</td>
<td>2%</td>
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*mmurray@npauctions.com*
Despite an uptick for street bike sales in September and dirtbikes still in positive territory, the new motorcycle and ATV market remained soft in third quarter of 2016. Although off-highway sales are still up 7.1% YTD, every other sector is down YTD in terms of new unit sales. However, pre-owned sales remain strong and with the stock market rebounding after the election, the industry is cautiously optimistic. While National Powersport Auctions specializes in pre-owned market, we felt it would be beneficial to share this data with you (with MIC permission, of course). Much more detailed figures, including make and model breakdowns are available to MIC members, as is their comprehensive Statistical Annual. Dealers can now become MIC members and access much of the same data as the OEMs, including Sales Reports like this one. For more details on the benefits of MIC membership, visit: membership.mic.org

Triumph’s Brutal Beauty Tour is set to make more than 50 stops at Triumph dealerships across North America this season. Highlighting the events are the ALL NEW Triumph 2017 Bobbers in addition to several other modern classic models. Thanks to our friends at Schlossmann’s Motorcycles of Milwaukee, NPA crashed the party.

This photo of American Pickers star Frank Fritz, along with NPA’s very own Tony Avello and Schlossmann’s Dan Dettmann, was taken by Nik Thyrion at the second annual Triumph Launch Party. Dan, the sales manager at Schlossmann’s Motorcycles of Milwaukee, is the real star of the show… he organized the event and had over 300 people in attendance.

Schlossmann’s was chosen to host the event because they have maintained the #1 spot for Triumph in their region, as well as the entire upper Midwest! Schlossmann Motorcycles has BMW, Triumph and Zero Motorcycle franchises in addition to 150+ pre-owned motorcycles of all makes, models and price ranges. The Schlossmann family has been serving their community since 1967 in the motor vehicle world but is relatively new to powersports, adding motorcycles to their roster about 5 years ago.

For a look at all the 2017s and more details about the Brutal Beauty Tour, check out triumpmotorcycles.com

Dealers on the Eastern Seaboard can now take advantage of the world’s largest pre-owned powersports auction in their own backyard! NPA found key players to make sure the newest NPA operation in Philadelphia exceeds dealer expectations. The 35,000 square/foot facility will accommodate more than 500 units and house meeting rooms, offices and condition report stations like all NPA locations. The location is in Bristol, PA near the intersection of the 95 and 276 freeways and its only 29 miles from the Philadelphia airport.

NPA Philadelphia: 2554 Ford Road • Bristol, Pennsylvania 19007 • TOLL FREE: 1.888.292.5339 • FAX: 267.712.6674