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MCFT - Q4 2016 MCBC Holdings Inc Earnings Call

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CORPORATE PARTICIPANTS

Tim Oxley *MasterCraft - CFO*

Terry McNew *MasterCraft - President & CEO*

CONFERENCE CALL PARTICIPANTS

Jimmy Baker *B. Riley & Company - Analyst*

Joe Altobello *Raymond James - Analyst*

Mark Turenti *Wells Fargo Securities - Analyst*

Mike Swartz *SunTrust Robinson Humphrey - Analyst*

Rommel Dionisio *Wunderlich Securities - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the MasterCraft Q4 FY16 earnings conference call.

(Operator Instructions)

As a reminder, this call will be recorded. I would now like to introduce your host for today's conference, Mr. Tim Oxley, Chief Financial Officer. You may begin.

Tim Oxley - *MasterCraft - CFO*

Thank you, operator and welcome, everyone. Today's call is being webcast live and also will be archived on our website for future listening. Joining me on today's call is Terry McNew, MasterCraft's President and Chief Executive Officer. Our agenda includes the strategic overview by Terry, followed by my analysis of the financials, and Terry will outline our strategies for growth and expectations for FY17 prior to the Q&A session.

Before we begin, we'd like to remind participants that the information contained in this call is current only as of today, September 8, 2016. The Company assumes no obligation to update any statements, including forward-looking statements, statements that are not historical facts or forward-looking statements, and subject to the Safe Harbor disclaimer in today's press release. Additionally, on this conference call we will discuss non-GAAP measures that include or exclude special or items not indicative of our ongoing operations. For each non-GAAP measure we also provide the most directly comparable GAAP measure. Our FY16 fourth-quarter earnings release includes a reconciliation of these non-GAAP measures to our GAAP results for the fourth quarter.

Before turning the call over to Terry, I would like to remind listeners that there is a slide deck summarizing our financial results in the investor section of our website. With that I'll turn the call over to Terry.

Terry McNew - *MasterCraft - President & CEO*

Thanks, Tim. I'd like to thank everyone for joining us today. As you saw from today's press release, we ended the year with another strong quarter, delivering solid top and bottom line results. Our core MasterCraft business continues to perform and with our relentless focus on operational excellence and continuous improvement, we are driving further efficiency gains. For the quarter, MasterCraft only net sales which exclude Hydra-Sports grew $2.6 million, or 5.2% to $53.4 million from $50.8 million in the prior year period. The increase was primarily due to a rise in MasterCraft unit volume and on the efficiency front, we delivered notable fourth-quarter gains in gross margins and adjusted EBITDA.

Looking at the broader picture, we posted continued revenue growth in the fourth quarter, driven by strong demand for our new models including the X23, X26 and NXT22. While international markets have been challenging, domestic demand for our boats remains solid and we continue to focus on delivering profitable, sustainable market share across our product line.

One innovation I am particularly excited about, during the quarter we debuted our new Dockstar Handling System, which enables boat drivers of any ability to competently drive in reverse and more easily navigate slow speed conditions around tight docks and crowded marinas. This is an industry first. The Dockstar Handling System improves the on-water experience for boaters, effectively removing any remaining barriers to buying an inboard towboat for owners who typically have preferred the slow speed handling and maneuverability of a traditional outboard or stern drive configuration. Initial dealer and customer reactions to Dockstar have been nothing short of spectacular. This is being reflected in a high option uptake for this new innovation.

We also unveiled the new XT23, MasterCraft's latest multisport model designed to be a do it all crossover. The new XT23 will anchor our new XT line of boats, targeting the sweet spot between our entry-level NXT line and the award-winning premium X series. The XT23 embraces the idea that endless possibilities result in endless fun, and the boater's user-friendly digital dashboard interface intuitively dials in the size and shape of the wake for any sport on the water, wake boarding, waterskiing, wake surfing, tow sports or tubing. Equipped with MasterCraft's award-winning Gen 2 Surf System, the XT23 can be loaded up with plenty of gear and up to 16 people. The XT23 is just now getting out into the retail marketplace, but dealer orders and reactions to test driving initial units has been extremely positive.

For FY17 we are steadfast in our five-pronged growth strategy, developing new and innovative products in core markets, further penetrating the entry level and mid-line segment of the performance sport boat category, capturing share from adjacent boating categories, strengthening our dealer network and driving margin expansion through continuous operational excellence. I will conclude my overview by reiterating that our commitment to operational excellence and innovation, teamed with our strong, diverse product portfolio positions MasterCraft well for FY17. Now I'd like to turn the call back over to Tim to go over our financials.

Tim Oxley - *MasterCraft - CFO*

Thanks, Terry. From top line perspective, MasterCraft only net sales for the fourth quarter ended June 30, 2016, which exclude the terminated Hydra-Sports manufacturing contract from the prior year, increased $2.6 million or 5.2% to $53.4 million from $50.8 million in the prior year period. The solid gain was primarily due to a rise in MasterCraft unit volume of 37 units or 5.9%. Including Hydra-Sports in the prior year period, net sales for the fourth quarter were down $1.5 million or 2.7%, compared to $54.9 million for the prior year period. Gross profit for the FY16 fourth quarter increased $1.2 million or 9.4% to $14 million, compared to $12.8 million in the prior year period. Gross margin rose to 26.3% from 23.3% for the prior year period. The 300 basis point increase primarily stemmed from cost reductions driven by a culture focused on improving efficiency, sales of higher-end content option packages and lower warranty costs. In addition and importantly, the Company replaced its Hydra-Sports volume with higher-margin MasterCraft units.

On the expense front, fourth-quarter selling and margin expense was relatively stable at $2.1 million. General and administrative expense totaled $4.2 million versus $3.8 million for the prior year period. This increase resulted mainly from the increased legal cost, stock-based compensation and cost associated with the payment of the special cash dividend partially offset by decreases in professional fees.

Turning to the bottom line, fiscal fourth-quarter net income totaled $4.8 million, up from $2.5 million in the year earlier quarter. Adjusted net income increased 46.2% to $5.7 million or $0.30 per share, on a pro forma, fully diluted weighted average share count of 18.6 million shares. This compares with 3.9 million or $0.20 per share in the prior year period. Fiscal fourth-quarter adjusted EBITDA margin rose 280 basis points to 18.6% from 15.8% in the prior year period. And adjusted EBITDA was $9.9 million, a 23.8% increase from $8 million in the prior year period. See the non-GAAP measures in our press release for a reconciliation of adjusted EBITDA, adjusted EBITDA margin and adjusted net income to the most directly comparable financial measures presented in accordance with GAAP.

I'd also like to highlight the fact that during the fourth quarter our Board of Directors rewarded shareholders by declaring a special cash dividend of $4.30 per share of common stock. The dividend totaled an aggregate payment of $79.9 million and was funded with cash on hand and borrowings under a new senior secured credit facility. Our post dividend leverage of 1.28 times earnings leaves room on the balance sheet for additional strategic initiatives. In the interest of time, I won't discuss the details of our fiscal full-year results this afternoon, but I will echo Terry's comments and reiterate that we're very pleased with our performance and look forward to FY17. I'll be happy to answer any year-to-date questions during the Q&A. I'll now turn it back to Terry for our strategy and outlook.

Terry McNew - *MasterCraft - President & CEO*

Thanks, Tim. MasterCraft delivered a solid FY16. A few highlights of the year on a MasterCraft-only basis include: revenue from MasterCraft grew 10.9% for the full year, gross margin grew 370 basis points and adjusted EBITDA margin grew 280 basis points for the full year. Adjusted fully diluted, pro forma net income per share increased 57% to $1.24 per share for the full year. For the fiscal year ending June 30, 2017, we anticipate year-end net sales growth in the low- to mid- single digits from fiscal year-end 2016 and we expect continued growth in adjusted EBITDA margin with the target in the low 19% range. Net sales in EBITDA gains will result in continued growth in net income and adjusted net income, partially offset by increased interest expense due to our refinancing completed in the fourth quarter of FY16. Top line growth for the first quarter will be a bit higher than the full-year growth due to a difference in calendar production days by quarter year-over-year, as well as a planned reduction in finished goods inventory associated with the introduction of the new XT23.

To conclude, we are committed to growing the Company going forward. We thank you for your interest and confidence in MasterCraft, and our team is working hard every day to justify your confidence and enhance value for our shareholders. At this time I would like to turn it over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jimmy Baker, B. Riley and Company.

Jimmy Baker - *B. Riley & Company - Analyst*

Hi Terry, hi Tim, thanks for taking my question. I just wanted to first understand what you are planning for in terms of the breakdown of growth between volume and NASPs here in FY17. And can you just talk about, along those lines, the dealer and consumer reception to the change in some of your option packages, in particular, the breakdown of the old surf and convenience package. And then lastly, further along those lines with the Dockstar uptake and then the more accessible price point of the new Power Tower, do you expect that option uptake as a percentage of total boat price to continue to increase here in FY17?

Terry McNew - *MasterCraft - President & CEO*

Jimmy, let me take the latter questions first. The option packages, the new ones are being well-received as we introduced and reviewed those with the dealers late in the fourth quarter. Very pleased with it, as you mentioned for model year 2017, some of the new items and options are the Dockstar, obviously that is a very high uptake for us and a lot of excitement around that. We have the new Power Tower, which is much more affordable than the previous Power Tower we offered. It also comes in color options. We also have the new cool touch vinyl as well, so that is exclusive for us and there is a lot of excitement around that as well. The surf and convenience package being reconfigured, it just gives our dealers and customers a lot of different options to bring the boat in. So overall, very, very positive about it. We are anticipating a rise in AUP in the low- to mid- single digits.

We don't really give guidance on units, as you know we look and manage our worldwide dealer inventory every single week. We have an incredibly flexible manufacturing system, our VP of Ops, Larry Janosek, runs that for us and we can literally change mix and count every single week, so we really focus on the revenue. But a big part of our strategy, as you guys know, is to drive innovation. We manage that through a phase gate program and then we take that innovation, once it is properly understood, validated and market-based priced and we bring it out in the form of options. That's what's really driving AUP for us.

Tim Oxley - *MasterCraft - CFO*

That's correct.

Jimmy Baker - *B. Riley & Company - Analyst*

Great, and maybe one for Tim just on the margin guidance going for, call it, 50 bps of EBITDA margin expansion or so, give or take. Can you help us break that down between gross margin and operating expense leverage? And I know you don't provide quarterly guidance, but in the past you have talked about the seasonality of margins, with them typically being strongest in the front half of the fiscal year. How should we think about the seasonality of this margin expansion that you are expecting?

Tim Oxley - *MasterCraft - CFO*

I think the seasonality will be pretty consistent what it was in the prior year. A little stronger in the first half than the second, in particular in the quarter one, that will be our highest EBITDA margin quarter and that really associated with the revenue in the quarter. As to the breakdown of the margin improvement, I'd say about half of it is going to be from the gross profit margin, about half of it from leverage of our operating expenses. There is a bit of noise in our operating expenses this year associated with stock-based compensation, that's going to go down from $13.5 million this year to something less than $1 million in FY17.

Jimmy Baker - *B. Riley & Company - Analyst*

Understood. Just lastly, hoping I could get any commentary from you on the retail performance calendar year-to-date. Not sure what you have internationally to share, but that would be helpful since that's a little bit more opaque to us. And then in particular, anything on July and August. The SSI data was obviously a little softer in July, but curious what you are seeing on a fully nationwide basis in light of some other companies maybe disagreeing with the early registration data in the prelim reporting states.

Terry McNew - *MasterCraft - President & CEO*

Sure, Jimmy, this is Terry. We are very bullish on the US, we are seeing strong continued growth there. We've mentioned this on prior calls before, international headwinds continue. I would suggest Europe still hasn't found a bottom, Canada feels like it's nearing a bottom. But we are very bullish about US.

We have mentioned it before, we have underperformed in Texas and in California. Number one and number three BTA in the United States. We are starting to pick that up, we've added additional points of distribution, as we mentioned before, and California of course, seeing a better snowpack and return of rain, so we are very bullish there. Our business had traditionally been about 70% US, 15% Canada, 15% the rest of the world, but over the last year and a half or two, we've seen that change to about 81% US, probably Tim, about 9% rest of the world and the balance being Canada.

Tim Oxley - *MasterCraft - CFO*

Correct.

Terry McNew - *MasterCraft - President & CEO*

And you guys know, early on in model year 2016, Tim and I, our risk is always in volume, we don't invoice in foreign currency. So we saw what was going on in Canada, for example, Western Canada is obviously the strongest ski wake segment -- province for our segment, and we got ahead of that. We took counts down in model year 2016, our dealer commitments anywhere from 30% to 50%. So in model year 2016 and continuing this year, the inventory turns, actually the rest of the world and Canada are actually very good. They are stronger than they were even in 2015.

And we had a very good retail, the season was a little late starting, the weather started to turn in call it mid-June. We had a very good June, a very strong July, which suggests probably the July SSI data for probably the entire industry, but I'll speak for ourselves, will be revised up. And August was strong as well and we're into the first week of September and it continues -- we're continuing to see strength, warm weather is continuing. We've got the new models, as you know we did some intentional inventory builds on our NXT22 which was new in model year 2016, as well as our X23 and with the strong retail, we are very, very pleased with where we're sitting with worldwide dealer inventory.

Jimmy Baker - *B. Riley & Company - Analyst*

That's great to hear. Thanks a lot for the color.

Terry McNew - *MasterCraft - President & CEO*

Thank you.

Operator

Craig Kennison, Robert Baird.

Unknown Participant - - *Analyst*

Good afternoon, this is Erin on for Craig, thanks for taking my questions. With respect to most of the calendar 2016 retail season being complete, where do you think you have done the best from a market share perspective and where do you see more opportunity?

Terry McNew - *MasterCraft - President & CEO*

Let me just first state, Erin, that we look at market share as a secondary metric. That doesn't drive our business, we're after sustainable profitable market share. We are pleased with our retail sales, they are up.

We have great product and market share can be a function of many things, including the cadence and release of your new product development schedule. We manage a five-year cycle plan, two years are locked and loaded, years three, four and five we're still doing customer -- voice of the customer, voice of the dealer exercises. So depending on our cadence, we have a strong, broad portfolio of everything from like our X26, which is a very good profitable boat, but a 26 foot boat generally is not going to be as high runner in unit volume as maybe a 20, 22, 23 foot boat. So we have a nice blend.

This year and model year 2017, which obviously straddles the latter part of 2016 calendar year and the beginning of 2017 calendar year, we have three brand-new releases every year, we've done that now for nearly four years. These are not refreshes, they are brand-new tooling. We always see one in the spring, one in the fall, one in the midyear, our first one for model year 2017 was the XT23. It's a midline product for us, you can see it's strong and crossover very versatile. And we'll have two more releases for this fiscal year and they will be in the midline category as well. The release schedule supports three midline products, which are generally high running boats for us, so we are very encouraged by that, we expect good sell-through rates.

We have historically been really strong in the Midwest and in the East. As you talk about the United States, I mentioned earlier in Texas and in California, over the last year and a half we have added points of distribution, and we think we've got a long runway there. So we are very bullish and we've started to see some increased market share already in both of those locations. Again, it's a secondary metric for us.

We really are thoughtful about our business, about our portfolio, about the dealer inventory, and we try to be prudent and that's how we want to communicate it with you guys. We've seen consistent market share gains over the last few years. Wouldn't expect -- we are not one to go and predict market share. We just honestly don't know how our competitors are going to be, a lot of things can affect that from pricing to over-producing. So we just stick to our game plan, we have got good, fresh product. Everything in our portfolio is less than four years old. We have 12 models on the four-year cycle plan we replenish that very effectively, I would argue as effectively and efficiently is anyone in the business. You can see that for our return on invested capital numbers as well.

Tim Oxley - *MasterCraft - CFO*

I would add to that one of the things that we're -- one of the accomplishments we are most proud of is the fact we been growing market share and growing our profitability at the same time and growing gross profit margin. We're all about profitable, sustainable market share and that's where we're going to continue to focus there.

Unknown Participant - - *Analyst*

Thanks, that was very helpful. And then on the dealer inventory front, could you tell us what the change was in dealer inventory at the end of Q4 versus the end of FY15, either in units or on a percentage change basis?

Terry McNew - *MasterCraft - President & CEO*

On a per unit basis, I don't have the percentage off the top of my head. What I can tell you, Erin, is we intentionally built inventory for the incremental models, which were the NXT22 and the X23. So think about the NXT22, it's an entry-level, it's a value brand, we call those sunshine boats. They are generally -- you have to have them in inventory at the right place before the selling season or you will literally miss sales. So we had an intentional inventory build throughout model year 2016 and we have rapidly seen that come down.

I would say mother nature doesn't care about your fiscal year, so we don't really look at it that way. Selling season 40% to 50%, 45% to 50% of annual retail at our business happens April, May and June, and I would suggest that most of that happens in the month of June but it carries over into July, this trips another fiscal year. By the time we get to the end of September that's important for us, that's when you're starting to chip into those dark days, if you will, of fall. We are very, very pleased, we are right on target with where we want to be turns. As I mentioned in Canada, overseas, are actually -- and we started this and FY16, ahead of where they were a year prior and they are very, very healthy in the US.

Unknown Participant - - *Analyst*

Great. Thank you for taking my questions.

Terry McNew - *MasterCraft - President & CEO*

You're welcome.

Operator

Joe Altobello, Raymond James

Joe Altobello - *Raymond James - Analyst*

Thank you, good afternoon guys.

Terry McNew - *MasterCraft - President & CEO*

Hey, Joe

Joe Altobello - *Raymond James - Analyst*

I wanted to follow up on the inventory question, maybe looking at it in a different way. How many units do you think are excess in the channel coming out of the fourth quarter, and when do you expect that to be eliminated?

Tim Oxley - *MasterCraft - CFO*

It's a little bit hard to predict because as you know, inventory turns are calculated on the trailing 12 base, that really what matters is the future. But we estimate between 100 and 150 higher than we would've liked in Q4, and that number is down more than half.

Terry McNew - *MasterCraft - President & CEO*

And again, Joe, that was intentional. It's going to be higher in June this year than it was prior, because these are truly incremental models. By September end I would suggest we're going to be exactly where we were last year in terms of turn and to Tim's point, we are less than half of where we were at the end of June.

Joe Altobello - *Raymond James - Analyst*

Okay, that's very helpful. And then just moving on to the outlook for FY17, you guys implied in units flattish this year. Maybe what your assumption is for market growth, number one, and number two, you mentioned July and August were strong from a retail perspective, can you give us any more color or specifics in terms of what your retail numbers look like in July and August?

Tim Oxley - *MasterCraft - CFO*

July was an exceptionally strong month for us. We look at our internal registration, if you look at as a size, it's only 28 states reporting, so we generally finish stronger as those latter states report. But we had a significant increase in the month of July and August was very, very strong. We had a very strong August last year, and I suggest September's actually started off a little stronger than we did last year. For the season, we are up in retail on a trailing 12 -- double digits.

Joe Altobello - *Raymond James - Analyst*

Okay, so July and August were up strong double digits, it sounds like

Tim Oxley - *MasterCraft - CFO*

June was good and July was really good, and August was strong as well.

Joe Altobello - *Raymond James - Analyst*

Okay, and just on my last question, the market growth assumption that you guys are thinking about for FY17?

Tim Oxley - *MasterCraft - CFO*

I look at it in the US, certainly mid- to high- single digits. Internationally that's a lot harder to predict, and we don't know that we've gotten to the bottom yet, and Europe and Canada is iffy as well.

Joe Altobello - *Raymond James - Analyst*

Okay, very helpful. Thank you, guys.

Operator

Tim Conder, Wells Fargo

Mark Turenti - *Wells Fargo Securities - Analyst*

Hey good afternoon this is actually [Mark Turenti] on for Tim, wondering if you could provide a little additional color on the low cash balance. Is that more or less timing at the end back of the quarter? And maybe going forward, what is your minimal cash balance that you desire to have and future capital deployment philosophy, given that you guys do have a strong cash flow generation?

Tim Oxley - *MasterCraft - CFO*

Sure. Our cash balance was low because we borrowed approximately $5 million, as I recall, on the line of credit when we paid our dividend, and that was in June. And because we got that, I think it was all paid back by the end of June, so we continue to generate strong cash flow. Our term loan requires amortization of 10% in year one and two, 15% years three and four, excess cash payment. So we will deploy cash, paying down the term loan first unless we have a strategic initiative that has a better return for shareholders.

Mark Turenti - *Wells Fargo Securities - Analyst*

Okay, great. And then in terms of AUPs, looks like you took a little step down during the quarter, is that just a function of higher NXT contribution? And then why are you expecting that to reverse in the next year?

Tim Oxley - *MasterCraft - CFO*

The cadence on our discounts associated with retail sales is traditionally booked more in the fourth quarter where 40% to 50% of retail activity occurs. So that traditionally drives down AUPs in quarter four versus the other three quarters, also drives down profitability a bit more in quarter four versus the other three quarters, and so I think that's a primary driver in AUP. I will say we shift the mix to meet demand, and so it can move around pretty significantly quarter by quarter. We build what is selling

Mark Turenti - *Wells Fargo Securities - Analyst*

Okay. Great. Thank you.

Operator

Mike Swartz, SunTrust

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Tim, just wanted to start housekeeping. What are we thinking in terms of interest expense and depreciation and amortization in FY17?

Tim Oxley - *MasterCraft - CFO*

Interest expense is going to be in the $2 million range. We will have some amortization of deferred financing cost, it might cause that to be up to about $2.2 million, but I think on a cash basis it is going to be $2 million or a little less.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Depreciation and amortization?

Tim Oxley - *MasterCraft - CFO*

Depreciation and amortization was -- shoot, I've got that right here in front of me. It's in one of our reconciliations. I don't remember off the top of my head Mike, I'd rather not speculate since I don't have it in front of me. It's going to be pretty consistent next year as it was this year.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Okay. That's helpful. And I think you talked about the new product introduction, the XT23. Could you just give us a sense in terms of price points where that fits in the spectrum? And then just in terms of -- I know in the past you've given us some sense of unit volume when you launched NXT, talking around how that was a bigger unit volume opportunity for you versus maybe the premium end. So where does this XT line-up fit in terms of ASPs and unit volume?

Terry McNew - *MasterCraft - President & CEO*

You think of XT23, we are repositioning part of our premium X, Mike, into these XT midline products. So we've got the XT23, there will be at least two more this year that will release. We have a step-ladder pricing model that we follow pretty rigorously. So think about it, your NXT20 and 22, then you can go right into these XT lines. The XT23 will be at the upper end of the midline segment. I apologize, I'm not trying to be facetious, but we don't want to get ahead of our marketing because those other two releases will be later in the year.

So they are actually going to be able to move people up very nicely and they change in terms of content. Think about the content differences, NXT to XT to X being you can get good, better, best. Pricing and good, better, best content in terms of audio systems, upholstery, features and functionality, we do a good job with engine differentiation already, towers are going to be another component that will differ. The interface and touchscreen at the helm also are another feature that differentiates that as well.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

And then just in terms of price, and Terry, I think you said you are expecting within the guidance that you gave pricing of about low- to mid- single digits. Is that the same as like-for-like pricing? How should we be thinking about pricing in totality?

Terry McNew - *MasterCraft - President & CEO*

I think that includes content, Mike. We don't have a base boat price increase of mid-single digits. It was below [3], so when we add the popular options that is what causes the average unit selling price to go up. We have a little bit of a mix component as well.

Tim Oxley - *MasterCraft - CFO*

For us this year, we've changed the tower strategy so the towers are not part of base boats, they're part of option, that's probably the biggest difference you are seeing in model year 2017 to model year 2016.

Mike Swartz - *SunTrust Robinson Humphrey - Analyst*

Okay that's helpful. That's it for me. Thanks, guys.

Operator

Rommel Dionisio, Wunderlich Securities

Rommel Dionisio - *Wunderlich Securities - Analyst*

Thanks very much. Wonder if I can delve into the supply chain [with Ilmor]. I know you guys have talked about some realignments of the production process in the factory, I just haven't seen that in a while. I wonder if you can give us an update where that stands and how far you are along and what work may be left to be done here over the next couple of quarters? Thanks.

Terry McNew - *MasterCraft - President & CEO*

Sure Rommel, this is Terry. As you know, we already historically have always built our fiberglass parts, our upholstered parts, we have always done for many years now our trailers, so we are pretty vertically integrated. There is not a great deal more that we have identified and have as a strategic initiative in the near to midterm. Engines obviously, we have a strong relationship with Ilmor, in towers we have a very good, strong relationship with GereMarie that is unique. We definitely have a different approach to material selection relative to our competition with [aluminum]. When you look at engines, when you look at towers, those are high fix costs, and we like to try to keep our business a bit more variable on that and that's just something we don't plan on getting into those areas. So I would suggest as far as vertical integration, not a great deal more. We are looking at a couple, Larry Janosek manages that for us, but strategically, Rommel, don't expect a whole lot more vertical integration from us, we already do a lion's share ourselves.

Rommel Dionisio - *Wunderlich Securities - Analyst*

Thanks very much, Terry.

Terry McNew - *MasterCraft - President & CEO*

Sure, Rommel.

Operator

Thank you. I am showing no further questions at this time. I'd like to turn the call back to Mr. Terry McNew for any closing remarks.

Terry McNew - *MasterCraft - President & CEO*

Thank you, operator. Once again, thanks to everyone for joining us. We believe our success in FY16 has positioned us well for FY17 and beyond. We look forward to updating you on our progress and our first-quarter results in November. Thank you.

Operator

Ladies and gentlemen, thank you for saving today's conference. This does conclude today's program. You may all disconnect. Everyone have a great day.
