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MCFT - Q1 2017 MCBC Holdings Inc Earnings Call

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Terry McNew *MasterCraft - President, CEO*

CONFERENCE CALL PARTICIPANTS

Jimmy Baker *B. Riley & Company - Analyst*

Joe Altobello *Raymond James - Analyst*

Michael Swartz *SunTrust - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the MasterCraft First Quarter 2017 Earnings Conference Call.

(Operator Instructions)

I would like to introduce your host for today's conference, Mr. Tim Oxley, Chief Financial Officer.

Sir, please go ahead.

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 a strategic overview by Terry, followed by my analysis of the financials. Then Terry will discuss our strategies for growth and expectations for fiscal 2017, followed by 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, November 10, 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 will also provide the most directly comparable GAAP measure. Our fiscal 2017 first quarter earnings release includes a reconciliation of these non-GAAP measures to our GAAP results for the first quarter.

Before turning the call over to Terry, I'd like to remind listeners that there's 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 kicked off fiscal 2017 with solid performance in line with our expectations, delivering key sales, gross margins and net income gains. These were driven by continued demand for our entire portfolio in innovative new products like the XT20. Market reception to our newest model, the XT23 has been very strong, and we look forward to unveiling additional models and a number of exciting product innovations in fiscal 2017.

For the quarter, net sales grew high single digits from the prior year period, primarily due to a rise in MasterCraft unit volume. And on the efficiency front, we continued to deliver notable first quarter gains in gross margins and adjusted EBITDA. Looking at the broader picture, while international markets have been challenging, an industry wide trend that's not unique to MasterCraft, domestic demand for our boats remained solid, and we continue to focus on delivering profitable, sustainable market share and driving efficiency in every area of the business.

One innovation I'm particularly excited about, during the quarter, we unveiled our new XT20. The highly versatile 20 foot XT20 packs best in class performance and styling into a garage friendly size. Building on the success of the recently released XT23 model, the XT20 is our latest addition to our MasterCraft's new lineup of cross over boats that deliver premium comfort and performance at a more affordable price.

The XT20 delivers agile responsive handling with minimal bow rise, maximizing the enjoyment on the water. In the spacious helm and new ergonomic dashboard allow the driver to control everything from the size and shape of the wake to the sound and lighting system through the intuitive Murphy touch screen.

From bow to stern, the XT20 is packed with innovation. Armed with MasterCraft's award winning optional gen 2 surf system, the fully loaded XT20 lays down a clean wake for water skiing, perfectly sculpted lips for wakeboarding and large curling surf waves. The boat also features our signature pickle fork bow and wrap around interior seating it can comfortably accommodate up to 11 passengers. Moreover, the XT20 can be outfitted with our new cool feel vinyl that stays cool to the touch even after extended exposure in direct sunlight, an industry first.

In addition to the XT20, we look forward to sharing our other two new models later in the year. A new feature for 2017 that we are particularly excited about is the revolutionary Dockstar handling system. Our innovative flanking rutter system that makes maneuvering in tight spots and crowded marinas a breeze, drivers used to traditional inboard handling are amazed at the boat's ability to reverse and more easily navigate tight docks and crowded marinas, while newcomers to the inboard category, especially from outboard and stern drive categories, instantly feel comfortable maneuvering in constricted spaces.

I would also like to note another very strong quarter of margin improvement at MasterCraft at both the gross margin and adjusted EBITDA margin levels. While we expect some quarterly volatility in margins in fiscal 2017, due primarily to the cadence of the operational calendar and production launch activity, we believe the first quarter will likely represent the peak in margins for the year. We expect the trend to be positive for the full year as we continue our relentless focus on operational excellence.

The operational fly wheel is truly turning at MasterCraft with a continuous improvement culture engrained at every level of our organization, from the manufacturing floor to engineering to sales and marketing, and as you can see, it's not just talk. It translates to the bottom line every day. This culture is at the heart of everything we do here at MasterCraft and is the foundation that will allow us to perform at a best in class level to any operating environment we might encounter.

This combined commitment to operational excellence and innovation, teamed with our strong diverse product portfolio position MasterCraft well for fiscal 2017 and beyond.

Now, I'd like to turn the call back over to Tim to go through our financials.

Tim Oxley - MasterCraft - CFO

Thanks, Terry.

From a top line perspective, MasterCraft's net sales increased \$4.7 million or 8.4% to \$60.7 million, compared to \$56 million for the prior year period. The increase was primarily due to growth and unit volume of 36 units or 5.3%, resulting mainly from an increase in calendar production days and the cadence of launch activity.

And sales per unit increased by 3%, due primarily to price increases, as well as increased sales of higher end option packages. Gross profit for the first quarter ended October 2, 2016, increased \$2 million or 12.4% to \$17.8 million, compared to \$15.8 million in the prior year period. Gross margin rose to 29.3% from 28.3% for the prior year period, 100 basis point increase primarily stem from sales of higher content option packages, which raises average margin per unit, as well as continue deficiency gains driven by manufacturing improvements and leverage on increased sales.

On the expense front, first quarter selling and marketing expense fell \$.4 million or 17.1% to \$2.1 million for the first quarter ended October 2, 2016. General administrative expense totaled \$4.1 million, versus \$9.3 million for the prior year period. This decrease resulted mainly from the lower stock based compensation cost of \$5.3 million, partially offset by higher Malibu litigation cost.

Turning to the bottom line, fiscal first quarter net income totaled \$7 million, up from a net loss of \$1.3 million in the year earlier quarter. Adjusted net income increased to \$7.6 million, or 41 cents per share on a proforma, fully diluted weighted average share count of 18.7 million shares. This compares with \$5.7 million or 30 cents per share in the prior year period. Fiscal first quarter adjusted EBITDA margin rose 280 basis points to 21.9%, from 19.1% in the prior year period.

Adjusted EBITDA was \$13.3 million, a 24.8% increase from \$10.7 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 first quarter, we completed a secondary offering of 4.6 million shares of common stock, held by affiliates of Wayzeta Investment Partners at an offering price of \$10.25 per share, which included 600,000 shares sold pursuant to the underwriter's exercise of their overallotment option. Those shares were sold by the company and we did not receive any proceeds from the sale of shares.

As Terry mentioned, and as discussed during our previous call, the quarter over quarter comparison for fiscal 2017 will be choppy due to how our production calendar compares to the [rug] production calendar in the previous year's quarter. After a net sales increase of 8.4% in fiscal 2017 first quarter, our first half expectations are for net sales - net sales to be up in the low single digit range, compared to the prior year first half, which is consistent with our fiscal 2017 full year guidance of low to mid single digit increase. Keep in mind that we are comparing to a year with an intentional inventory build associated with our additional entry level model, the NXT22.

For the first half of fiscal 2017, the improvement in adjusted EBITDA is expected to be up slightly over the first half of 2016. We also reiterate our expectations for fiscal 2017, adjusted EBITDA margin in the low 19s to reflect the continued strong operating performance we're seeing at MasterCraft.

Our adjusted earnings per share was 41 cents per share in the first quarter fiscal 2017, up 36% and for the six month period adjusted EPS will be in the high single digit range. Full fiscal 2017 guidance for adjusted EPS is expected to be up in the mid to high single digit range. Before leaving our financials, I'd like to highlight our best in class working capital management. The combined balance of crate receivables in net inventory was \$16.2 million and \$17.5 million at the end of June and September respectively. Our outstanding cash conversion cycle days runs in the low single digits.

Superior working capital management affords opportunities to enhance shareholder return in a variety of ways and is a hallmark of a well managed company.

With that, I would like to echo Terry's comments and reiterate that we're very pleased with our performance and look forward to fiscal 2017. I'll be happy to answer any questions during the Q&A.

I will now turn it back to Terry for our strategy and outlook.



Terry McNew - *MasterCraft - President, CEO*

Thanks, Tim.

MasterCraft is off to a great start in fiscal 2017, and we're optimistic about the future. Across the organization, we remain committed to our five prong growth strategy, developing new and innovative products in core markets, further penetrating the entry level and midline 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.

For the fiscal year ending June 30, 2017, we are reiterating our expectations for continued growth and net income and adjusted net income, despite increased interest expense, due to our refinancing completed in the fourth quarter of fiscal 2016. We also expect net sales growth in the low to mid single digits and continued growth in adjusted EBITDA margin, with, as Tim indicated, a target in the low 19% range.

At this time, I'd like to turn it over to the operator for questions.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Our first question comes from the line of Jimmy Baker with B. Riley & Company. Your line is open. Please go ahead.

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

So, Tim, I think you mentioned - you know, Q1 being the peak this year for sales and margins, that was in your original guidance, I believe, so just wanted to clarify if anything changed in your mind or if you're just emphasizing this cadence, given the nuances of the production schedule and comparables?

Terry McNew - *MasterCraft - President, CEO*

There's nothing that's changed, Jimmy. We're just emphasizing that, since it is choppy, we want to make sure that people don't extrapolate and run past what our guidance is.

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

Okay, okay, understood. And then it just - at least through the preliminary reporting stage, it seems like you had a very strong close to the - to the 2016 retail selling season or start to your fiscal '17, if you want to say it that way. Any color on how you fared nationwide and how you fared in Canada at retail during the selling season? And if you - did you see any changes in regional performance later in the selling season?

Terry McNew - *MasterCraft - President, CEO*

Hey, Jimmy, this is Terry. We did - you know, we performed really well, especially in the first quarter of this fiscal year. Our retail registrations, when you compare it to the SSI data, is running above what's been reported for segment growth in performance sport boats, so we're pretty confident that we'll see market share gains after all states reporting on a rolling 12 through September .

United States continues to be strong. Canada, we characterize that as we feel like it has found the bottom. The rest of the world still is experiencing challenges outside of North America, so we don't expect any significant change in that trend in the near future. But the - once again, any sluggishness outside of North America is being offset by solid US performance.

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

Okay great. And then, Terry, just wondering if I could get - you know, your initial take, if you have one, from dealers on any change in post election sentiment. I mean I realize we're only - or not even 48 hours into this, but just wondering if there's been any notable change, positively or negatively, in terms of dealer sentiment and especially given that strong finish to the year at retail, if maybe there's a little bit more risk appetite out there in terms of adding inventory?

Terry McNew - *MasterCraft - President, CEO*

Well, a couple of things, Jimmy, prior to the election, you know, we - we've been seeing strong retail, especially in the US. We are very comfortable with our dealer pipeline inventory, however there is a bit of reluctance on some dealers' parts to restock because the curtailments are being strictly enforced, so there's some caution there.

However, we're fast forward the night of the election, I did receive - and it's all anecdotal, it's not statistically significant, but I have - did receive several texts and emails and calls from dealers that were very positive about the results of the election. If the president elect does do what he said in terms of reducing not only corporate, but personal income taxes and reducing regulation on businesses, this should be a positive for the entire industry.

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

Okay great. Just last one then for me, I just had a couple of questions on model year '17 content. So wondered if you could speak to - you know, any change in price or margin difference if it's meaningful to the - to the consolidated ASPs and margins as it pertains to the new engines? And I realize it's a small sample so far, but are you seeing any notable difference in the option uptake on the XT series versus the X series that those models replaced?

Terry McNew - *MasterCraft - President, CEO*

Yes, let me break that down in a couple of pieces, Jimmy. So - you know, the XT23 has been out in the market now - it launched early July, so we have seen some market input on that, and that has been very strong. It was certainly strong when our dealers saw a pre-market launch in early July. We expected it to do well in the marketplace, but then again, it launched in July, so it's halfway through the selling season, but orders for wholesale continue to be very strong.

The new XT20 released just at the end of this quarter. Our dealers got to see it at our dealer meeting in early October. They were very, very positive. It is a very, very good boat in terms of a crossover. So you know, we - we're designing the XTs around that true crossover capability. One of our pro riders actually was able to do 32 off at 34 miles an hour and did the entire course on a crossover boat, so it's not the ProStar, so that's pretty significant. We expect that to do as well or better than the X23 once it sees its first selling season coming up - you know, April, May, June. So, we're pretty high on that.

The Dockstar - I guess, let me back up even further, we are seeing higher option uptake in the first quarter. Now, as we have explained on previous calls, that's kind of our algorithm and do see early adopters in Q1 generally pull our average option uptake above the full year average, but we're seeing Dockstar in particular, has been very, very positively received in the marketplace, in fact, that's over the 50% option uptake.



And keep in mind, that was released at the beginning of the model year, so again, it didn't really start to ship out to dealers until July. Did not see a full selling season out in the market, but the initial market acceptance has been very positive, we'd get a lot of positive comments from customers about it, again pretty expected how easy it is to drive, you know, couples - spouses that don't typically feel comfortable driving, now are sending us stories about how they don't mind driving at all, so that's - that's absolutely going to be a game changing technology for us.

So, kind of in summary, we are seeing option uptakes higher than even last year first quarter, and we think a lot of that's being driven by the new innovation.

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

Excellent. Thanks a lot for the color. Nice quarter, guys, I'll pass it on.

Terry McNew - *MasterCraft - President, CEO*

Okay, thanks, Jimmy.

Operator

Thank you.

And our next question comes from the line of Joe Altobello, with Raymond James. Your line is open. Please go ahead.

Joe Altobello - *Raymond James - Analyst*

So, first of all I just wanted to kind of go back to the calendar production day issue here in the first quarter, and kind of explain a little bit how many more days did you have of production in this quarter, versus a year ago, maybe how much that added to units in the quarter?

Tim Oxley - *MasterCraft - CFO*

It represented about five days, so very consistent with our unit growth quarter over quarter.

Joe Altobello - *Raymond James - Analyst*

Okay. And does that mean 2Q will have five fewer days?

Tim Oxley - *MasterCraft - CFO*

There will be some offset. And Q2, I don't have that in front of me, but there will be a reduction in Q2, and just how the calendar falls out, both - you know, where June 30 lands as well as the Christmas holidays causes this kind of disruption in the calendar.

Terry McNew - *MasterCraft - President, CEO*

And there will - just to add on to that, Joe, so directionally yes, there will be fewer days and that is adding to the choppiness of quarter over quarter, and that's why we're taking a bit more time on the guidance. In adding, as we mentioned on the last call, additional sales were helped by - the XT23 was brand new.



We we're starting to roll those off the assembly line in late June. It's a - it was a July 1 marketing launch, and we held maybe 20 of those units and shipped them into Q1, so we pulled-- finished good, so more days in the calendar in Q1 and then compared to last year's Q1 and then we had some additional intentional holds that shipped in Q1 of the brand new XT23.

Joe Altobello - *Raymond James - Analyst*

Got it, okay that's helpful. And then just moving on to dealer inventory, last call, you mentioned it was probably - there was probably 100 to 150 units excess in the channel, it sounds like that got cleaned up. So, it sounds like over the next three quarters you guys will be shipping to demand.

Terry McNew - *MasterCraft - President, CEO*

Yes -

Tim Oxley - *MasterCraft - CFO*

We've seen - you know, nice improvement --

Terry McNew - *MasterCraft - President, CEO*

Yes.

Tim Oxley - *MasterCraft - CFO*

-- in the - in the pipeline from June to the end of September, so yes, I think that's fair to characterize that, Joe, our [turn] -

Joe Altobello - *Raymond James - Analyst*

Okay...

Terry McNew - *MasterCraft - President, CEO*

-- [are flat - with last year].

Joe Altobello - *Raymond James - Analyst*

Okay. And just one last one, [I know international] - I mean obviously you guys - as you mentioned, are not alone in terms of you know, [seeing] headwind here, but it - is there a sense that international markets are close to flattening out? Or it's still pretty tough out there?

Terry McNew - *MasterCraft - President, CEO*

Yes, I characterize Europe as still pretty tough. Australia, we're starting to see it maybe finding a bottom. Canada's definitely closer to finding a bottom. Now it's been almost a year since the currencies had a time to level off, and again reminder, the currency in Canada is really now closer to long term average, so as Tim had stated in our prior call, it's really the rate of change that happened, you know 12, 18 months ago that caught them.



Oil seems to be stabilizing, if not returning a little bit, at least coming off the bottoms of the high \$27 a barrel. It's been pretty consistent in that \$40 to \$50 range. So, they're starting to get their heads around it, and we definitely think Canada's returning or strengthening - finding the bottom sooner than Australia. Probably Australia is behind it and then Europe, I think, is still a little ways off.

Tim Oxley - *MasterCraft - CFO*

Yes, I think we'll know a bit more after we go through the Canadian boat shows...

Terry McNew - *MasterCraft - President, CEO*

Right.

Tim Oxley - *MasterCraft - CFO*

... some of those end a bit late, but we'll know a bit more probably when we - in the March quarter on how Canada's doing.

Joe Altobello - *Raymond James - Analyst*

Okay. Great. Thank you guys.

Operator

Thank you.

And our next question comes from the line of Tim Conder with Wells Fargo. Your line is open. Please go ahead.

Unidentified Participant

Hey, good afternoon. This is actually [Mark Turrentine] on for Tim. Just looking at the US market, it sounds like all trends are intact for both the broader marine industry and then also the ski wake segment, are you seeing any other regional trends of note, especially in the west - seems to be a major region for opportunity? Are there any other areas, maybe outperforming or underperforming?

Tim Oxley - *MasterCraft - CFO*

You know, [Mark], we've mentioned on prior calls that we felt like we had a long runway, and we're bullish on California and Texas, so I'll just kind of go back and repeat it though.

In California, our dealer in the first half of this calendar year, changed their footprint from two large big box stores to eight smaller stores from the Pacific Coast over to Tahoe, and that was completed towards the middle part of this calendar year. So, now that that seems to be in place, we think that's going to get traction coming up in the next selling season.

Texas, we started doing that. We added a location in the Fort Worth Dallas area about 12 to 18 months prior, made some additional changes in the state, and we've actually gained just under 4 points of market share through June, rolling 12 in Texas, so those two, in particular we're very pleased with that.



Of course, we always do well in Michigan, so you know, between California and Texas, California and Michigan, those are the top three [MTAs]. We generally have almost 50% market share in Michigan, so that's always continued to perform strong for us.

Unidentified Participant

Okay, great. And then, within Canada, are you seeing dealers starting to restock more or are they still hesitant following recent inventory draw downs?

Tim Oxley - MasterCraft - CFO

You know, we're starting to see them feel more comfortable, certainly off of the bottom they've come up. They're not restocking where they were at the end - or during model year '15, but they're certainly off the bottoms of model year '16.

Unidentified Participant

Okay, great. Thank you.

Operator

Thank you.

And our next question comes from the line of Craig Kennison with Robert Baird. Your line is open. Please go ahead.

Unidentified Participant

Good afternoon, this is actually [Erin Wilson], back on for Craig. Just wanted to - hi - just wanted to follow up a bit on Mark's question. I know - you know, in your most recent dial-ins you have talked about - you know, adding a net 14 distribution points. I know you mentioned earlier California, in terms of a change in the dealer strategy, but maybe could you just highlight other markets where - you know, having success on that dealer distribution strategy?

Terry McNew - MasterCraft - President, CEO

Yes, sure. You know, we've added some locations throughout the last year, about a dozen, but we continue to focus also on helping our dealers improve their business. We're giving specific help and guidance in business acumen, lead management activities and effectiveness, so you know, those have helped. We've certainly - we've added dealers in the upper Midwest and the Southeast, really all over. Out of those locations, we've been talking about in Northern California, the upper plains states as well, added location in Texas. So, it's been really all over.

Outside of North America, we've also added more points of distribution around Europe and the Middle East. And we've changed out some dealers in Australia, which has really been very, very effective for us, especially around the Melbourne area.

Terry McNew - MasterCraft - President, CEO

Yes, I think it takes - there's a little lag between the time you added the [oar] obviously and then it - you'll - certainly there's a significant lag before it shows up in market share, but you know, also a lag before the - you know, before the boats land there and so forth, so we're optimistic that that's going to continue to drive some of the wholesale - some of the wholesale demand in the - in the near future.

Unidentified Participant

Great. And then just a follow up question on the dealer inventory front. You know, you mentioned that you've done a nice job of working down that inventory, but I'm wondering on sort of a - an aged inventory basis, how your inventory position is looking and perhaps what the promotional environment looks like for the industry as a whole, just kind of based on some of the model year '16 inventory that's left in the channel?

Terry McNew - MasterCraft - President, CEO

So, Erin, I mentioned on our last call back in early September that we had seen some aggressive competitive pricing, beginning in June. That continued through the selling season. It seems to have abated a little bit, but if you look at - we look at full year '16 - our incentives were pretty much flat from prior year within a few tenths of a percent. So, we - as Tim had mentioned, we're pretty judicious about that.

We don't just do those wide - you know, peanut butter spreads on discounts and incentives. We have to play in some markets where it's very competitive, but our turns at the end of the first quarter - and we had mentioned this in our September call, our goal was to get [turns] down equivalent to where they were prior year. And we're really close to that. We're right on top of that, so statistically we're about even.

So, we feel good about the product. And if you look at the makeup of our dealer pipeline inventory worldwide, over 95% of that is current, and minus one year, so it's very healthy inventory. It's not aged much at all.

Tim Oxley - MasterCraft - CFO

Yes, one thing I'd like to mention on market share, I mean Terry and I have been saying this since our IPO, we're all about profitable, sustainable market share, and I think when you see our growth in sales, as well as a growth in profitability, it demonstrates that we're going to continue that. I am fine with being number two on market share as long as we're number one in profitability.

Unidentified Participant

Great. Thanks so much for taking my questions and congrats on [the nice] quarter.

Terry McNew - MasterCraft - President, CEO

Right. Thank you, Erin.

Operator

Again, ladies and gentlemen, if you have a question at this time, please press star then one on your touchtone telephone.

Our next question comes from the line of Michael Swartz with SunTrust. Your line is open. Please go ahead.

Michael Swartz - SunTrust - Analyst

Maybe a little more clarification on some of the commentary you've made around - I guess market share, expecting that to be up - [on a] trailing 12 month basis, inventory's clean. It looks like the US market, at least, is going to grow this calendar year around 10%, maybe a little higher than that.

So could you just help us back into - I mean how are - I guess the last - on the last call you said unit volume was flat, I don't know if you're reiterating that here with the guidance, but just - I guess what are we missing in terms of you know, the kind of flattish unit volume versus - you know, what we're seeing in the US market?

Tim Oxley - *MasterCraft - CFO*

Yes, I think one thing, obviously, we've been talking about the headwinds in the international markets and I would reiterate that. You know, we're becoming more optimistic, in particular about Canada, but I wouldn't say it's really - you know, showing up in the wholesale demand yet.

And so - you know, the other thing is with the dealers being a little more reluctant to stock, due to the curtailments, and so I think that you're going to see our retail growth, which going to be a little bit stronger than our wholesale growth this year, and so we're projecting end of year with improved terms, throughout -- certainly versus June, and so, I think maybe that's what you've been missing on our guidance.

Terry McNew - *MasterCraft - President, CEO*

Yes, and I just want to add on to that, Michael, it's - it is - it's - Tim touched on briefly at the end, it's - we're talking market share retail. Remember, we intentionally built our dealer pipeline especially with last year with the new NXT22. We characterized it as a sunshine boat, new entry level product and so, that sold as we anticipated, so you're seeing the market share gains.

When we look at our retail registrations in the first quarter of this year, they were very strong. They were above - well above the 10% that we've seen, and you just mentioned, in the segment. So, that's why we feel confident the math would suggest that we are going to see some market share data. Of course, that's US data. Our worldwide retail was up even above that.

So, we are just - from a wholesale basis, we've been signaling kind of flattish this year on a - on a - on a unit basis from a wholesale perspective, but again, market share is selling out of - you know, its retail out of our dealer inventory. So, that all lines up. It all triangulates and that's why our turns are higher at the end of the first quarter than they were at June. And that's exactly what we expected. So, it's all tying together.

Michael Swartz - *SunTrust - Analyst*

Okay, thanks. That's - it's helpful. And then just in terms of - Terry, and [you] both mentioned it, [ten of] the volatility quarter to quarter, given the production schedule and I think it - or at least it sounds like second quarter revenue could be down as much as - call it mid single digits, should we also look at that maybe the second quarter as being the toughest, in terms of a year over year comparison in margins as well?

Terry McNew - *MasterCraft - President, CEO*

Yes, I think that's probably accurate, you know, to a certain extent. You know - you know how overhead acts with sales, so you know, overhead will be higher as a percentage of sales, certainly in Q2 than it is in Q1, so I think you're right that margin in Q2 will certainly be less than Q1. Q4 is traditionally a - kind of a low margin quarter for us as well, as I think about that cadence, because of retail rebates tied to the retail activity in Q4.

Michael Swartz - *SunTrust - Analyst*

Okay, that's helpful. And then just final question on sales and marketing line for the quarter, you grew the top line pretty nicely, but sales and marketing was off around - I believe a half a million or so.

Did you have any kind of - I guess timing, any shifts in marketing spend later in the year?

Tim Oxley - *MasterCraft - CFO*

Yes. Yes, I'm glad you asked that question. We had a significant event in fiscal 2016 in first quarter, significant market event from a cost perspective, and that marketing money will now be - you know, spread throughout the year, so it is timing.

Terry McNew - *MasterCraft - President, CEO*

Yes and the event you were referring to, Tim, was the MasterCraft [throw down] from a year ago...

Tim Oxley - *MasterCraft - CFO*

Correct.

Terry McNew - *MasterCraft - President, CEO*

First quarter, yes.

Operator

Thank you.

And I'm showing no further questions at this time. And I would like to turn the conference back over to Chief Executive Officer, Terry McNew. Sir, please go ahead.

Terry McNew - *MasterCraft - President, CEO*

Very good. Thank you, operator.

And once again, thanks to everybody for joining us this afternoon. We believe that our success has positioned us well for 2017 and beyond. As I mentioned earlier, we do look forward to updating you on our progress and second quarter results in February. Thanks again for your time.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect.

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