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MCFT - Q2 2016 MCBC Holdings Inc Earnings Call

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## CORPORATE PARTICIPANTS

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**Shane Chittum** *MCBC Holdings Inc. - COO*

**Tim Oxley** *MCBC Holdings Inc. - CFO*

## CONFERENCE CALL PARTICIPANTS

**Joe Hovorka** *Raymond James - Analyst*

**Craig Kennison** *Baird - Analyst*

**Rommel Dionisio** *Wunderlich Securities - Analyst*

**Tim Conder** *Wells Fargo Securities - Analyst*

## PRESENTATION

### Operator

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

At this time all participants are in a listen-only mode. Later we will conduct a question and answer session and instructions will be given at that time. (Operator Instructions) As a reminder, this conference is being recorded.

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

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### Tim Oxley - MCBC Holdings Inc. - CFO

Thank you, Operator. And welcome, everyone. Today's call is being webcast live and will also be archived on our website for future listening. Joining me on today's call are Terry McNew, MasterCraft's President and Chief Executive Officer, and Shane Chittum, MasterCraft's Chief Operating Officer.

Our agenda includes a strategic overview by Terry, followed by my analyst of the financials. Then Terry will outline our strategies for growth and expectations for Fiscal 2016 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, February 4, 2016. The Company assumes no obligation to update any statements including forward-looking statements. Statements that are not historical facts or forward-looking statements are 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 non-recurring items. For each non-GAAP measure we also provide the most directly comparable GAAP measure. Our Fiscal 2016 second quarter earnings release includes a reconciliation of these non-GAAP measures to our GAAP results for the second quarter.

With that I will the call over to Terry.

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### Terry McNew - MCBC Holdings, Inc. - CEO, President

Thanks, Tim. I would like to thank everyone for joining us today. As you saw from today's press release, we continue to deliver outstanding top and bottom-line increases, and unit volume growth.



These gains are driven by continued demand for our performance sport boats across all models, in particular overwhelming demand for our X23 both in our MasterCraft NXT line of entry-levels models and our newly release X26.

For the quarter, MasterCraft-only net sales, which excludes the terminated Hydra-Sports manufacturing, contract increased \$6 million or 12.4% versus the prior year. The net sales gain was primarily due to a rise in MasterCraft unit volume. Additionally, our relentless focus on operational excellence and continuous improvement continues to yield notable gains in gross margins and adjusted EBITDA.

Looking at the broader picture domestically, demand for MasterCraft boats remains solid and we expect that to continue. Like most marine manufacturers, international headwinds, particularly in Canada, are partially offsetting US results. But again, we expect MasterCraft to continue to drive sustainable, profitable market share gains.

While we are pleased with dealer inventory levels at this time we are providing additional FX support to ensure that dealer inventories internationally remain at healthy levels while continuing our bias towards maintaining healthy margins.

On the new product front, we unveiled the X26 in the first quarter, the latest addition to our innovative 2016 boat line. We began ramping up production on this model to meet demand in the second quarter. And as I alluded to in my earlier remarks, the X26 is selling very well.

Everything we're hearing from both dealers and consumers about the X26 is exceptionally positive. Since its release we have sold 150% more X26s than the prior year model it replaced. All slots for this model are fully allocated for the remainder of the model year.

We have two additional product launches slated for the year, building on that momentum and continuing our cadence of three new product introductions annually. We firmly believe that our 2016 product line-up is the deepest in the Company's history and consumers will respond positively. The bottom line is that we're well-positioned for the future and look forward to achieving further success as Fiscal 2016 continues to unfold.

On the operations side of our business we continue to drive sustainable margin improvement through our robust value-added value-engineering program and focus on operational excellence. A key factor has been our successful employee empowerment program, an ongoing company-wide initiative that encourages all employees to suggest improvements to the production process.

More than 13,000 employee-generated suggestions were implemented over the course of the last fiscal year alone. The positive results have been recently recognized with the 2015 IndustryWeek Best Plant Award. This program honors companies that have successfully implemented strategies to increase competitiveness, enhance customer satisfaction, and foster stimulating work environments.

The prestigious award places MasterCraft among the elite leading-edge manufacturers across varying industries in North America. More important, we are the first marine manufacturer to achieve this award since its inception.

Across the Company we continue to set new benchmarks for operational excellence and establish best practices in manufacturing. Being recognized as a 2015 IndustryWeek Best Plant validates the operational excellence strategy that is embraced throughout MasterCraft. Our commitment to operational excellence and innovation teamed with our strong, diverse product portfolio position MasterCraft well for continued growth.

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

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**Tim Oxley - MCBC Holdings Inc. - CFO**

Thanks, Terry. From a top-line perspective, net sales for the three months ended December 27th, 2015 were \$55.2 million, up \$2.4 million, or 4.5%, compared to \$52.8 million for the year earlier three months.

MasterCraft-only net sales for the three-months ended December 27th, 2015, which exclude the terminated Hydra-Sports manufacturing contract, increased \$6 million, or 12.4%, versus the prior year.

The net sales gain was primarily due to a rise in MasterCraft unit volume of 48 units, or 7.4%. Net sales per MasterCraft unit grew by 3.9%, chiefly stemming from greater adoption of higher-end option packages and price increases

Gross profit for the three months ended December 27th, 2015 increased \$2.7 million, or 21.3%, to \$15.4 million, compared to \$12.7 million a year earlier.

Gross margin rose to 27.8% for the Fiscal 2016 second quarter from 24% for the prior-year period. The 380 basis point increase primarily stemmed from cost reductions delivered by a culture focused on eliminating waste, sales of higher-end option packages and newly innovative features and robust value added, value engineered programs. In addition, we replaced our discontinued Hydra-Sports volume with higher-margin MasterCraft volume.

On the expense front, selling and marketing expenses rose to \$2.9 million for the three-month period, compared to \$2 million for the year-earlier second quarter primarily due to investments in marketing targeted at improving our distribution network through both products and sales training.

General and administrative expense totaled \$9.6 million, versus \$2.6 million for the Fiscal 2015 three-month period. This planned increase resulted mainly from \$6.8 million of stock-based compensation and higher costs associated with being a public company.

Turning to the bottom line, we are pleased to net income for the Fiscal 2016 second quarter of \$1.9 million, up 26.7% from \$1.5 million in the year-earlier quarter. Fiscal 2016 second-quarter adjusted EBITDA was \$10.5 million, up 31.3% from \$8 million for the year-ago period.

On an adjusted basis 2016 second-quarter adjusted net income increased 59% to \$6.2 million, or \$0.33 per share, on a pro-forma, fully diluted weighted average share count of 18.9 million shares. This compares with \$3.9 million, or \$0.21 per share, a year earlier. See the non-GAAP Measures section of our press release for a reconciliation of adjusted EBITDA and adjusted net income to net income.

We ended the quarter with \$15.6 million in cash, up significantly from \$7.8 million last quarter and \$1.2 million at Fiscal 2015 year-end.

In the interest of time, I won't discuss the details of our fiscal six-month results this afternoon, but I will echo Terry's comments and reiterate that we are very pleased with our performance and look forward to the rest of the year. I will be happy to answer any year-to-date questions from the Q&A.

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

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

Thanks, Tim. MasterCraft has delivered a solid Fiscal 2016 first half, and we expect to continue to drive strong organic growth for the remainder of Fiscal 2016.

Across the organization we'll remain committed to our five-pronged growth strategy; developing new and innovative products in core markets, further penetrating the entry-level segment of the performance sport boat category, capturing share from adjacent boat categories, strengthening our dealer network and driving margin expansion through continuous operational excellence.

For the Fiscal 2016 year ending June 30, 2016, we reiterate our expectations for MasterCraft sales and unit volume growth compared to Fiscal 2015 sales and unit volume, excluding Hydra-Sports, in the high-single to low-double digit range.

Gross margin and adjusted EBITDA margin are both expected to increase at least 200 basis points from Fiscal Year 2015, with contributions from higher net sales and continued operating efficiency gains offsetting the absorption of public company costs following the Company's July, 2015 IPO.

Adjusted net income is expected to grow faster than adjusted EBITDA, while GAAP net income will be impacted by charges related to changes in the fair value of the Company's common stock warrants, as well as stock compensation expense related primarily to restricted stock and options granted in connection with the IPO, which will be down significantly for the remainder of the year.

To conclude, we are encouraged by our second-quarter performance and 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'd like to turn it over to the operator for questions.

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## QUESTIONS AND ANSWERS

### Operator

Thank you. (Operator Instructions). And our first question comes from the line of Joe Hovorka with Raymond James. Your line is open.

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### Joe Hovorka - Raymond James - Analyst

For your international markets - I guess two questions; one, is that mostly Canada or is it elsewhere? And secondly, your guidance didn't change for the full-year, so I guess I'm implying that the domestic market is maybe modestly better versus your three-months ago, is that how the guidance stays the same?

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### Terry McNew - MCBC Holdings, Inc. - CEO, President

Joe, on the first part of your question you broke up a little bit. All we caught was international, can you repeat that?

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### Joe Hovorka - Raymond James - Analyst

Yes. You had mentioned you were providing additional assistance for the international markets and wanted to know if, A, where that was; I'm assuming it's mostly Canada, but if there's elsewhere.

And then secondly; that would seem to be a negative relative to your guide last time, yet your full guide doesn't change, implying that the domestic market is as strong or stronger than what you were thinking three months ago.

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### Tim Oxley - MCBC Holdings Inc. - CFO

Joe, this is Tim. You are correct; the vast majority of our support is going to be in Canada even though we do provide some level of support for our dealers in Europe and Australia.

And, yes, you are again correct that due to the strength in the US, we are able to spend this additional support, but still maintain our guidance.

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### Joe Hovorka - Raymond James - Analyst

Great. That's all I had.



**Operator**

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

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**Craig Kennison - Baird - Analyst**

Good afternoon. Thanks for taking my questions as well. Maybe to begin, Tim, could you quantify the pace of retail growth in the quarter and also give us a feel for dealer inventory at the end of the quarter?

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**Tim Oxley - MCBC Holdings Inc. - CFO**

Sure. You know, we pay very little attention to a month and a quarter, which traditionally looked at a trailing 12-month on a number. And we're very pleased with that. It continues to be double-digit improvements on a worldwide basis. And I will have speak Terry speak to some of the added comment from SSI in a minute.

But overall dealer inventory, we are pleased with that as well. We look it not only by dealer, but we look at it by model and by model year. So we're very comfortable with the level of the inventory out there.

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**Terry McNew - MCBC Holdings, Inc. - CEO, President**

Hey, Craig, this is Terry. Thanks for joining us today. As you know, SSI fourth quarter for the Calendar Year 2015 is not all states reporting, but we've continued to drive anywhere in our year-over-year unit growth on a trailing 12-month basis between 20% and 23%, according to SSI.

We are very pleased with that. That's consistent with our market share gains. And as Tim said, we have a bias towards maintaining margins even though we do assist with some FX, especially in Canada.

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**Craig Kennison - Baird - Analyst**

That's helpful, thank you. And then with respect to mix, your ASP was higher than we had envisioned and I'm wondering to what extent mix is a factor there?

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**Shane Chittum - MCBC Holdings Inc. - COO**

Good evening, this is Shane. Craig, our ASP, I think if you're comparing it to last year, is higher relative to the launch of the X26.

One of the things that I would like to note is if you look at ASP compared to Q1 of this year, both Q1 and Q2 of this year are higher than last year. And from quarter to quarter, it looks like as we noted last year and we've seen even in our trends in the prior year, it looks like the early adopters come in really heavy in Q1 and they drop off in Q2. But the Q2 is being driven by very strong demand on our X23 and the new X26, Craig.

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**Craig Kennison - Baird - Analyst**

Okay, thanks. And then moving to your gross margin guidance. Gross margins, I think, are up 380 basis points in the first half of the year. And I'm trying to square that with your full-year guidance of up, at least, 200 basis points. Is there something unusual on the second half or you just feel like it's more prudent to stick with guidance being unchanged?

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

I think it's prudent to stick with guidance being unchanged. And I will remind you that our guidance in Q1 and Q2 was to be up at least 200 basis point, and we landed at, I think, you know, 390 and 380, respectively.

So, our guidance remains unchanged for the year. You know, if you look at the adjusted EBITDA, it's going to drift down a bit from our 19%, probably in the mid 18%, and that's kind of the normal cadence for this business, between first half and second half, and that's just kind of the way our discounts are traditionally laid out and in particular with retail sales being highest in Q4 of our fiscal year.

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**Craig Kennison** - *Baird - Analyst*

And if I could squeeze one more in as well that would be appreciated. On your NXT20 global edition, should that be considered a different market for you given it's an outboard rather than an inboard engine?

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

Yes. As we mentioned to all of you guys before, the focus on the NXT20 global edition was primarily for international markets as we did our market research on that and talked to customers.

We felt strongly usage patterns in Europe, South America, in Australia; they're using that boat, oftentimes they're beaching the boat, they want to be able to get the engine up out of the water. But what we're pleasantly surprised with is the reception in the US as well.

We recently had the Dusseldorf show just a few weeks ago, and strong interest in it. As you know, it was just released within the last month. But the US reaction to that has been much stronger than we anticipated, so we're very, very pleased with that.

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**Craig Kennison** - *Baird - Analyst*

Okay. Thank you for taking my questions.

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

Sure.

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**Operator**

Thank you. Our next question comes from the line of Rommel Dionisio with Wunderlich Securities. Your line is open.

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**Rommel Dionisio** - *Wunderlich Securities - Analyst*

Thanks. Good afternoon. I just want to drill down a little bit further on the gross margin question from Craig. On a couple of things there; to what extent does a fall in raw material prices and/or energy prices play a factor and what's helping drive the significant increase in gross margins?

And second, with all the new products that you are coming out with, I wonder if you could just talk about product quality, the initial product quality in the new boats. And what initiatives are you putting in place to really ensure that these new models that are coming out like the X26 come out with that same sort of quality control that the boats that you've been producing longer or up the learning curve for? Thank you.



**Shane Chittum** - *MCBC Holdings Inc. - COO*

Hi, Rommel, this is Shane. I will start off with both of them. I guess as it relates to raw material changes and energy changes, we're not really dependent on energy changes.

We do have some commodity indexes that are associated with raw materials, but it's very slight improvement. We see that a little bit in the resin world and a little bit in copper in connection with our wire harnesses. And like I said, we look at that on an annual basis and most of our contracts are hedged.

As it relates to new models, there really is no different quality system for our new models or our current models. And in fact I think, one of the things we like to pride ourselves on is that we leverage product and process intellect very well as we integrate all our new models into the market, they go through a very robust screening process and an integration process that generates first-time quality very consistent with the quality coming out of more mature products.

I think our quality as a whole, as we enter into the dealer boat shows, we're getting a lot of good feedback. Our quality as a whole is a good show piece in the market.

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

Rommel, this is Terry. I had three calls last Saturday alone from three separate dealers and they virtually said the same thing. Customers are coming into their booth at boat shows and just thrilled in telling them how much better the quality of our product is to the competitive product at the other boat shows.

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**Rommel Dionisio** - *Wunderlich Securities - Analyst*

Great. Thanks very much, guys.

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

Thanks, Rommel.

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**Operator**

Thank you. And our next question comes from the line of Tim Conder with Wells Fargo Securities. Your line is open.

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**Tim Conder** - *Wells Fargo Securities - Analyst*

Thank you. Mostly on the gross margin question here a little bit, gentlemen. Maybe rephrase it a different way. How did your mix in the quarter, and again, I know there's timing and you kind of look at it on the trailing 12 months also. But how did that mix fair versus your expectations? And maybe another way to ask it to look forward here is the retail takeaway, how is that trending versus expectations from a mix perspective?

And as it relates, again, to the margin that you just reported in the quarter, the option uptake versus your expectations?





**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

Tim, this is Terry. Let me try to break that down in three pieces. So, we anticipated the X23 in our plan was going to be strong because we saw initial strength with it when we released this last year in the second quarter of last year. In fact, the dealers couldn't get enough. But that strength has continued, if not been slightly above what we had planned for.

The X26 has been, as I mentioned, about 150% of the model that it replaced, so it's coming out even stronger. But we've contemplated some of that in our plan, but it's a little bit more even with that.

You know, the gross margins has, as Shane alluded to, we have long-term supply agreements with our top half a dozen suppliers. So, we have a hedging strategy up and down. We're not dependent on energy, oil price changes, and that's not really - we're enjoying some of that as it relates to oil, it's petrochemicals, of course, but that's not the main driver.

We are extremely efficient in through-put and in waste minimization. And what Shane was referring to is when we replace new models, we examine those and get those learnings into the new model that's replacing. So, we don't have to go through that learning curve with new models as other companies in my experiences have seen, we can get up to speed very quick. Time to full run-rate is much steeper, much quicker with much less waste and in terms of overtime and lower yields of materials.

And because we have a strategy of a high use of common parts among all of our models employees can work on any line. We can build models on any of our lines and they fill in very nicely for absenteeism, again, so our labor variances are very, very small.

So, even though we introduce three new models a year, 25% of our portfolio, we don't experience negative effects from that in terms of labor or material, or overhead inefficiencies.

Tim?

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**Tim Oxley** - *MCBC Holdings Inc. - CFO*

Tim, this is Tom Oxley, I would like to add one comment in relation to margin and that is the fact that our 380 basis point improvement in margin was including building a significant number of NXTs. I know that when we first mentioned that our NXT was not going to be dilutive to our overall gross profit margin, it was met with a bit of skepticism in the marketplace. And we're pleased to remind you guys that our volume there is about 25% of our overall volume on a wholesale volume. And as you can see it's not diluting our margins.

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

And in terms of your question related to retail sales, Tim, I mentioned earlier as we looked at the SSI data, we continuously see year-over-year unit growth on a trailing 12-month basis every single month that it comes out we're between 20% and 23%. And again, you see that reflected in the market share gains. It's not getting stuck in the pipeline. Tim talked about that a few minutes ago; we're very, very comfortable with our inventory around the world.

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**Tim Conder** - *Wells Fargo Securities - Analyst*

Okay. And then, gentlemen, your competitor - the plaintiff, however you want to frame it, commented two days ago. But I just want to get your view on the state of litigation, the expense expectations, any update there for Fiscal 2016 looking into 2017, and then sort of the time-line decision points looking out on it?

**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

Tim, this is Terry. The court has not yet decided MasterCraft's summary judgment motion and has not given any indication of when it will decide the motion.

In early December the court issued a schedule with discovery set to run through early 2017 and a trial to take place in May of 2017, so the parties have begun the discovery process.

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**Tim Conder** - *Wells Fargo Securities - Analyst*

Okay.

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

On the expense side, our litigation cost related to this case; \$376,000 the first six months. We maintain our guidance of spending about \$1.2 million, and that's embedded in our numbers for the fiscal year. And as we stated previously, between \$1 million and \$1.5 million in defense cost every year for - I mean, a couple of years, three years. We're not sure.

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**Tim Conder** - *Wells Fargo Securities - Analyst*

Okay. And then two others if I may, gentlemen. One is we asked the same question a couple of days ago, but any early read from your dealer-base?

I know that a lot of the boat shows are still yet to go, but especially in California that could provide a nice tail wind to the industry, should we continue to get some decent rains there. Any read from your perspective on that?

And then as brought up earlier about your cash; any thoughts about a token dividend, Dutch purchase, just given where the stock is trading relative to everything?

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

Tim, this is Terry. I will address your first question. As far as boat shows, we're very pleased; we have strong 2015 boat show season and we're in line with similar results for 2016.

I think we're all disappointed the San Francisco boat show was cancelled this year. Unfortunately, it rained. I mean that's a good sign for California, but we did really well with that show last year.

As it relates to, you know, we got rain this summer in Texas. And it looks like El nino is getting us a good snow pack in California. I think everybody is saying about the same thing; they're seeing reservoirs come up and our dealers are very, very excited about that.

As you know, our market share in Texas and California is below our national average, however, we have added four points of distribution in California of net three with our North California dealer. And we've added a new dealer to the family in Central California where we didn't have a presence before.

So, in California we're up net four points of distribution. And in the Dallas area we've actually added another point of distribution in the Fort Worth and Dallas area. So, we are very bullish on Texas and California; one, because waters are returning and two because of the point of distribution.



As it relates to cash, you saw the cash on our balance sheets we reported today. And we said continuously we are currently in the evaluation phase of several different possible uses for that cash and we're considering every option out there. So, we're actively looking and what we're really focused on is growth and returning the maximum value for our shareholders.

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**Tim Conder** - Wells Fargo Securities - Analyst

One clarification, Terry, on California. If you saw the market double year-over-year; one, is that any way baked in your expectations, or two, if not, would you be able to react to that?

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**Terry McNew** - MCBC Holdings, Inc. - CEO, President

First of all, there is only a general increase baked into our number. So, if we were to see a near doubling, as you mentioned, no, that would be considered upside mostly to what we have shared with you guys.

Do we have the ability to react? I would suggest we are probably if not the most, one of the most flexible manufacturing systems in the boating industry. We are, as you've heard us say this before, we are a pull-based system, we have the capability to change mix and account on a weekly basis and do it extremely efficiently.

So, we have the capacity. As you know and you've heard us say before, we're not believers in bricks and mortars; we actually gain capacity through these manufacturing operational initiatives that we deploy every single day. So, I think the answer is we would be in a really good position to be able to respond.

Again, remember our algorithm as we work one shift four days a week and we can change and mix account rapidly, we can add - if we see demand in the short-term we can add production on Fridays for a period of time. That's a very efficient way to meet demand in the short run. And if we see long-term demand going beyond that you can always add a second shift to the current footprint.

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**Tim Oxley** - MCBC Holdings Inc. - CFO

I'd like to add, I'm glad that you're predicting sales are going to double in California (inaudible) consideration. But what they meant was likely to occur, if we had that good news, it was likely to occur in the fourth quarter of our fiscal year. So we would probably have some small impact on this year's results, but would be very good news for Fiscal Year 2017.

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**Tim Conder** - Wells Fargo Securities - Analyst

Okay, thank you. And, no, I'm not predicting that. It was, obviously, hypothetical, but it would appear there is a potential up-side.

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**Terry McNew** - MCBC Holdings, Inc. - CEO, President

Sure.

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**Operator**

Thank you. (Operator Instructions) Our next question comes from the line of Mike Swartz with SunTrust. Your line is open.



**Unidentified Participant**

Hi, this is actually Anna on for Mike. We were wondering what your market share expectations for Calendar Year 2016 were? And then how should we think about your share movements in premium brand versus the NXT line and entry level? Thanks.

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

We don't really look at market share and bifurcate our product line from NXT to the rest of the MasterCraft net portfolio.

The NXT is just an extension of our portfolio. It has the same engines and it enjoys the same material selection in terms of buying on gel coats and resins and so forth. So we don't really look at it that way. We don't have a sub-brand, so it's all MasterCraft.

What we said and we'll continue to say is we're after sustainable, profitable market share. If you look back over the last 18 to 20-months, we've been on the steady cadence. And what we believe is when you have the right product that has exceptional material selection and it is processed with a superior process as recognized by the 2015 IndustryWeek Best Plants in North America Award as well as we're the only boat company, to our knowledge, that has three ISO certifications, as well as you look at the NMMA and CSI Indexes, there's lots of third-party testimonials to our quality, and it's fairly priced and loaded with innovation.

We just believe that will continue to climb. I think it's difficult to try to predict market share because we don't believe in buying market shares. As we mentioned before, we have bias towards maintaining our margins even though we can provide a slightly additional FX support, especially for Canada in the second half. That doesn't come as a sacrifice for our margins.

And I think you've seen, since we've gone public, we can increase market share and we also improve our margins simultaneously.

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**Unidentified Participant**

Yes, for sure. And then I just had a follow-up on the NXT global addition question.

So, how big of a market would you say that it's globally, and then will that be meaningfully additive to unit volume growth this year? And then lastly, what the ASP stat products are versus the existing NXT20 product.

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

Tim, do you want to speak to the ASPs?

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**Tim Oxley** - *MCBC Holdings Inc. - CFO*

Yes, the ASPs on that product are very similar to the ASPs on the NXT20. It depends a little bit on what engine is ordered in that out-board configuration, but very similar ASPs. And I would also add the gross margin contributions to the rest of our portfolio.

The global addition is not diluted, just as the other NXTs are not diluted as well. You know, the model was just released about four weeks ago, so it's a little early to tell. Our internal planning, we believe it's going to be additive, I would suggest it's a little bit too early to tell. But I think if we are at full run rate on a full-year basis, if we could be incremental in another 100 units, we'd be pleased with that.

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

Yes. It was not designed to be a high runner, no. This is to hit those pockets of the international markets where we got feedback from voice of the customer exercises, and they wanted just a slightly different configuration.

So again, as I mentioned, a lot of these markets will beach the boat or use it in a different fashion than typically in import.

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**Unidentified Participant**

Okay, thank you very much. That's all we had.

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

All right, thank you.

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**Operator**

Thank you. And it looks like we have a follow-up from Joe Hovorka with Raymond James. Your line is open.

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**Joe Hovorka** - *Raymond James - Analyst*

Thanks, guys. I just wanted to confirm a number you threw out; I think you said mid 18% EBITDA margins in the second half of the year. And if that's the case that would suggest that EBITDA margins will actually grow faster than they did in the first half, is that correct?

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

What I meant to say, I'm not sure what I said, what I meant to say is we think that we're going to land the year at about mid 18%, on a full year adjusted EBITDA margin.

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**Joe Hovorka** - *Raymond James - Analyst*

Okay. Thank you. I just wanted to clarify that. Thanks.

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**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

Thanks, Joe.

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**Operator**

Thank you. This concludes today's Q&A session; I would now like to turn the call back over to Mr. Terry McNew, Chief Executive Officer, for closing remarks.



## PRESENTATION

**Terry McNew** - *MCBC Holdings, Inc. - CEO, President*

Thank you, Operator. Once again, thanks you everyone for joining us. We appreciate your time. We delivered another quarter of strong performance and we believe that we are positioned well for the future.

We look forward to updating you on our progress and third-quarter results in May. Thanks again.

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## Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may now disconnect. Everyone, have a great day.

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