

***MASTERCRAFT
BOAT HOLDINGS INC.***

INVESTOR PRESENTATION

MARCH 2019

MasterCraft


CREST


NauticStar[®]
BOATS


AVIARA

DISCLAIMER

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This presentation includes certain non-GAAP financial measures, including Adjusted EBITDA. These non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. Please refer to the Appendix of this presentation for a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure prepared in accordance with U.S. GAAP.

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MANAGEMENT PRESENTERS

TERRY MCNEW | PRESIDENT & CEO

- 30 years in the industry
- 6 years with MasterCraft
- Senior executive roles at both Brunswick and Correct Craft

TIM OXLEY | CFO

- 28 years in the industry
- 12 years with MasterCraft
- Senior executive roles at Brunswick

INTRODUCTION

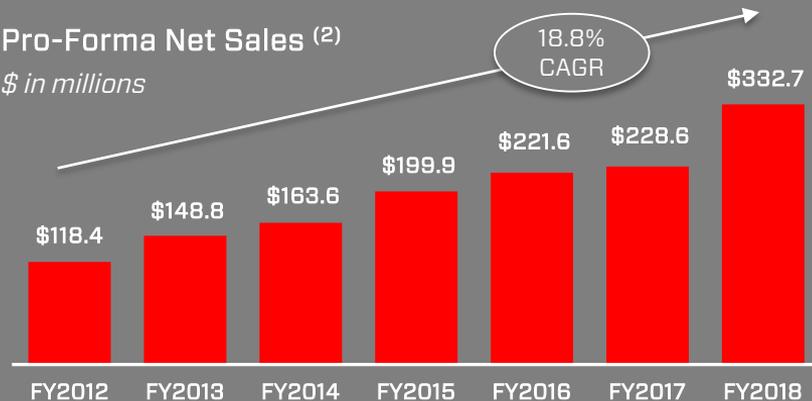
MASTERCRAFT BOAT HOLDINGS, INC.

- World-renowned innovator, designer, manufacturer, and marketer of a diversified portfolio of powerboat brands
- Four leading brands serving the fastest growing segments of the boating industry
- Direct addressable market of ~\$8.0 billion in retail sales⁽¹⁾
- Global distribution network serving consumers in 46 countries around the world
- Highly experienced and cycle-tested management team
- Rapid growth driven by relentless focus on product innovation, quality and performance
- Opportunity for further profit margin expansion driven by continued deployment of best-in-class operational excellence across all brands

DEMONSTRABLE TRACK RECORD OF STRONG FINANCIAL GROWTH

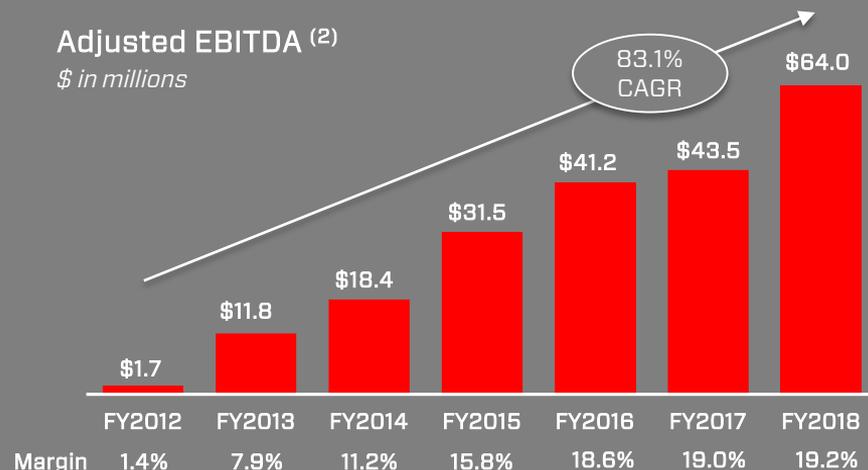
Pro-Forma Net Sales ⁽²⁾

\$ in millions



Adjusted EBITDA ⁽²⁾

\$ in millions



¹⁾ Source: NMMA - 2017.

²⁾ 2018 financial results include full year for MasterCraft Boat Company and nine months for NauticStar.

COMPANY HIGHLIGHTS

01. Growing stable of diversified brands synonymous with quality, innovation and performance
02. Leading market share positions in four of the fastest growing segments of the powerboating industry (PSB, Pontoon, Fiberglass Outboards & 30'-40' runabout segment)
03. Industry-leading product design and innovation
04. Highly efficient product development and manufacturing
05. Strong, complementary dealer networks
06. Highly experienced management teams leading an engaged workforce
07. Strong financial position to support growth
08. Track-record of growth, both organic and through strategic acquisitions

**HIGHLY-VISIBLE
AVENUES FOR EARNINGS
GROWTH AND SUSTAINABLE
COMPETITIVE ADVANTAGES**

HIGHLY VISIBLE AVENUES FOR GROWTH

GOAL:

**DRIVE SUSTAINABLE,
PROFITABLE GROWTH
THROUGH FOUR KEY
STRATEGIES**

01. PRODUCT DEVELOPMENT & INNOVATION

Driving sales through new and innovative product designs and options

02. STRENGTHENING DEALER NETWORK

Relentless focus on having the best dealer for each respective brand in every market

03. MARGIN EXPANSION

Utilize best-in-class operational excellence to drive margin expansion initiatives

04. MARKET SHARE

Capture additional market share from existing and adjacent boating categories, both organically & through M&A

DIVERSIFIED PORTFOLIO OF LEADING BRANDS

SERVING THE FASTEST GROWING SEGMENTS

MasterCraft

01.
PERFORMANCE SPORT BOATS

Iconic brand recognized as the premier brand in the PSB segment, focused on high performance, relentless innovation and the highest quality

**MASTERCRAFT
BOAT HOLDINGS INC.**

NauticStar[®]
BOATS

02.
FIBERGLASS OUTBOARD BOATS

Fresh, innovative brand focused on delivering the ultimate experience to professional and sport fisherman, recreational and pleasure boating enthusiasts

CREST

03.
PONTOON BOATS

High-quality pontoon brand delivering luxury, style and performance without compromise

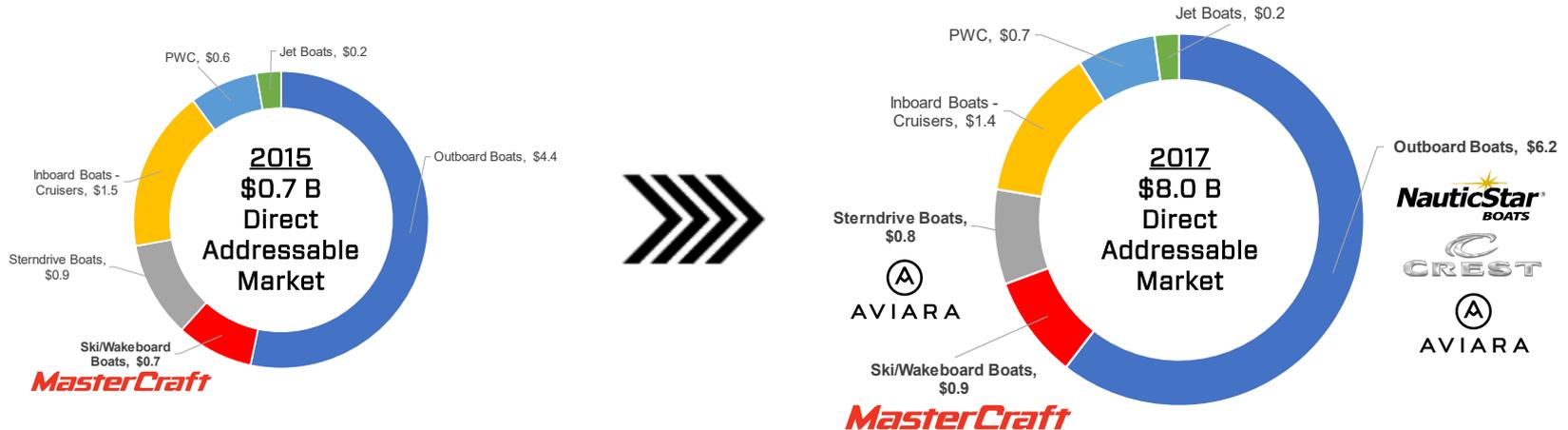
AVIARA

04.
LUXURY DAY BOATS

De novo brand that creates an elevated open water experience by fusing progressive European style and effortless comfort with American engineering

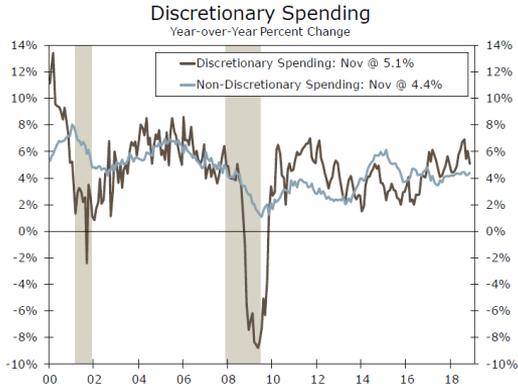
ADDRESSABLE MARKET EXPANSION⁽¹⁾

- Since our IPO in July of 2015, we have expanded our direct addressable market by +11x through two strategic acquisitions and the start-up of a new brand
- Market expansion focused on the fastest growing segments of the powerboat industry
- Current product portfolio serving nearly 78% of total retail sales \$'s

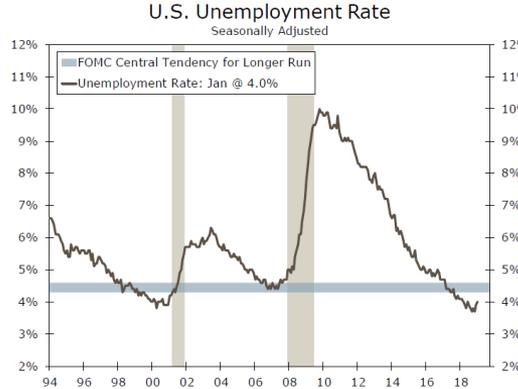


ATTRACTIVE MACRO DYNAMICS...

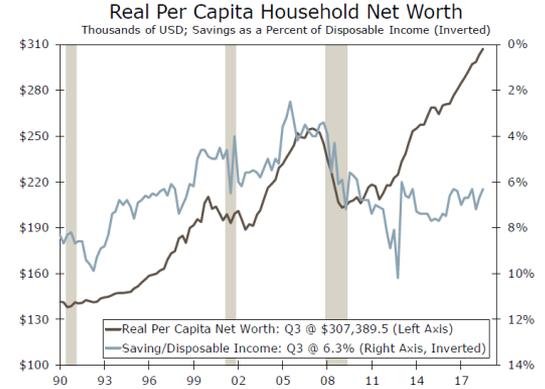
- Favorable macro tailwinds suggest a continued runway for future growth
- U.S. Real GDP forecasted to grow near 2.5% in 2019 - above expansion average



Consumer spending on discretionary purchases has picked up⁽¹⁾



Unemployment rate at lowest levels in ten years⁽²⁾

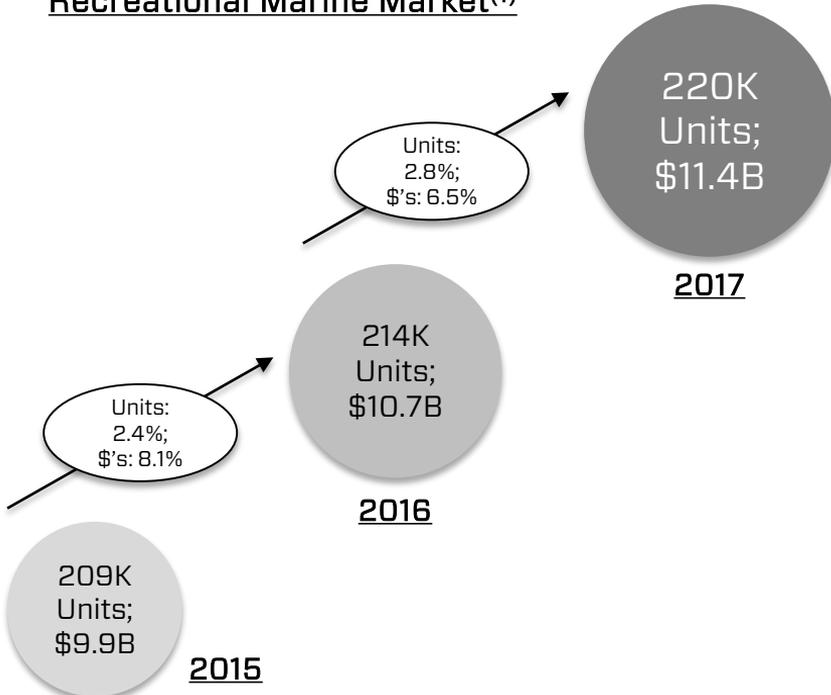


Rise in household wealth leading to high savings/disposable income levels⁽³⁾

1) Source: U.S. Department of Commerce and Wells Fargo Securities.
 2) Source: U.S. Department of Commerce, Federal Reserve Board and Wells Fargo Securities.
 3) Source: U.S. Department of Labor and Wells Fargo Securities.

...DRIVING NEW BOAT DEMAND

Recreational Marine Market⁽¹⁾



Addressable Market Estimated CY2019 Unit Growth

| BRAND | SEGMENT ⁽²⁾ | CY 2019 UNIT GROWTH EST. |
|---|------------------------|--------------------------|
| <i>MasterCraft</i> | Ski/Wake | +8% |
|  | Pontoon | +5% |
|  | Saltwater Fish | +5% |
|  AVIARA | Runabout | Flat |

MANAGEMENT TEAM



TERRY MCNEW
PRESIDENT AND CEO

- 30 years in the industry
- Executive roles at both Brunswick Corp. and Correct Craft
- 6 years with MasterCraft
- Six Sigma Black Belt certification



TIM OXLEY
CFO

- 28 years in the industry
- 16 years at Brunswick Corp.
- 12 years with MasterCraft
- Certified Public Accountant



JAY POVLIN
VP OF SALES AND MARKETING

- 26 years in the industry
- 5 years with MasterCraft
- Numerous senior leadership positions at Brunswick Corp.



DAVE EKERN
VP OF OPERATIONS

- 13 years in the industry
- 9 years with MasterCraft



GEORGE STEINBARGER
VP OF BUSINESS DEVELOPMENT

- 7 years in the industry
- 1 year with MasterCraft



MIKE SCHMIDT
CIO

- 25 years in the industry
- 12 years at Brunswick Corp.
- 1 year with MasterCraft



CHARLENE HAMPTON
VP OF HUMAN RESOURCES

- 26 years in HR
- 7 years with MasterCraft



TIM SCHIEK
PRESIDENT, NAUTICSTAR

- 22 years in the industry
- 20 years at Brunswick Corp.
- 2 years with NauticStar



PATRICK MAY
PRESIDENT, CREST

- 9 years in the industry
- 9 years with Crest



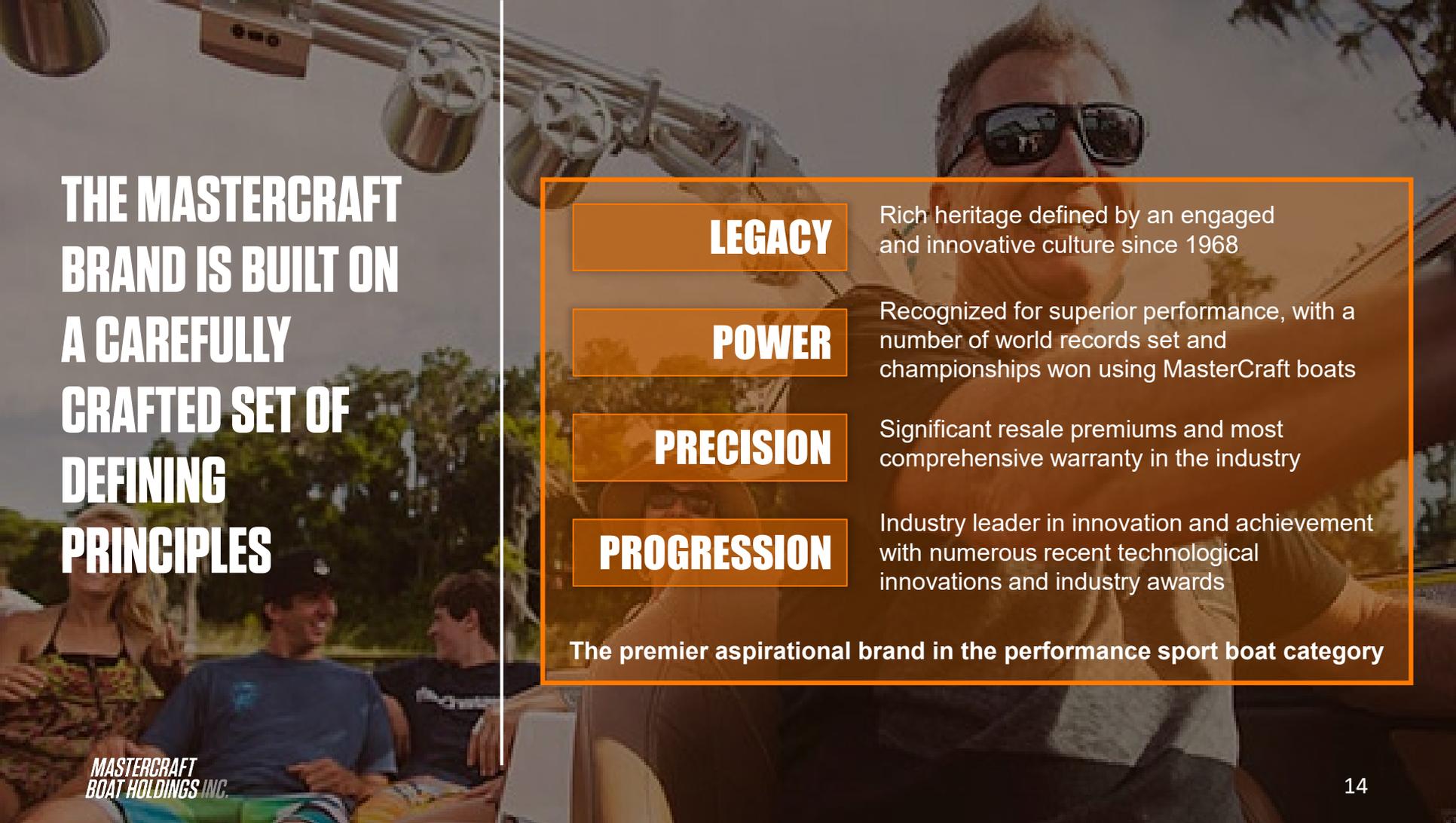
MasterCraft

**MASTERCRAFT
BOAT HOLDINGS INC.**

INTRODUCTION TO MASTERCRAFT

- Global, premium, performance-based lifestyle brand
- Leading U.S. market share in the performance sport boat segment
- Highly-engineered performance sport boats used for water skiing, wakeboarding and wake surfing, as well as general recreational boating
- Relentless focus on innovation with 40 patents issued and pending, and several notable recent achievements and upcoming releases
- The strongest dealer network in the performance sport boat category with 95 North American dealers with 158 locations and 45 international dealers with 76 locations
- Attractive customer demographics with exceptional customer loyalty





THE MASTERCRAFT BRAND IS BUILT ON A CAREFULLY CRAFTED SET OF DEFINING PRINCIPLES

LEGACY

Rich heritage defined by an engaged and innovative culture since 1968

POWER

Recognized for superior performance, with a number of world records set and championships won using MasterCraft boats

PRECISION

Significant resale premiums and most comprehensive warranty in the industry

PROGRESSION

Industry leader in innovation and achievement with numerous recent technological innovations and industry awards

The premier aspirational brand in the performance sport boat category

MASTERCRAFT BOAT HOLDINGS INC.

CREATING A CULTURE OF OPERATIONAL EXCELLENCE

- Between our four brands, MasterCraft Boat Holdings employs a highly skilled workforce of approximately 1,100 employees in Vonore, Tennessee, Owosso, Michigan and Amory, Mississippi
- Culture of continuous operational improvement, with nearly 20,000 employee suggestions implemented to improve our manufacturing efficiency in each of the past three years
- Our MasterCraft facility in Tennessee was recognized by Industry Week as the winner of its North America cross-industry 2015 Best Manufacturing Plant Award



*MASTERCRAFT
BOAT HOLDINGS INC.*

HIGHLY ENGAGED WORKFORCE

BEST-IN-CLASS PRODUCT DESIGN AND INNOVATION

ACHIEVEMENTS THROUGH INNOVATION

8 NMMA INNOVATION AWARDS
IN 10 YEARS

6 YEARS IN
A ROW



23 ISSUED AND **17** PENDING PATENTS



PLANNING

MasterCraft employs a Strategic Portfolio Management Team of cross-functional leaders to maintain a 5-year product and innovation pipeline:

- Identify products and innovations that will drive demand, volume and margin
- **2 year** forward product and innovation pipeline known,
- **3-5 year** forward pipeline outlined

DEVELOPMENT

MasterCraft utilizes a disciplined product development process and advanced technologies to develop the highest performing, most innovative and highest quality hulls and product features in the industry:

- Disciplined stage-gate product development process
- Independent innovation development
- Computer aided design
- Electronic wave analysis
- Finite element analysis (FEA)
- Design failure mode effect and analysis
- Design validation plan and report

EXECUTION

MasterCraft utilizes cross-functional teams and tools such as design for manufacturing, common product architecture and value add/value engineering which results in:

- Decreased product development timeline
- Shorter innovation launch cycle
- Lower development costs
- Increased speed to market
- Higher quality

LAUNCH

MasterCraft releases 3 new models annually to:

- Drive demand and brand excitement
- Maintain and grow market share
- Command higher price points
- Grow margins

PRODUCT PORTFOLIO ATTRACTING WIDE CUSTOMER BASE

NXT Series



Entry level series designed to appeal to a younger demographic and broader customer base in an effort to move more people into the MasterCraft brand

- Retail Price Range: \$50K - \$75K
- Lengths: 20 - 22'
- Models: 2
- Maximum Persons: 11-14
- Maximum Power: 365 hp

XT Series



Appeal to a range of recreational activities by optimizing key wake characteristics to provide best-in-class wakeboarding and wake surfing performance and recreational water skiing performance

- Retail Price Range: \$80K - \$125K
- Lengths: 20 -25'
- Models: 5
- Maximum Persons: 11-18
- Maximum Power: 522 hp

XSeries



Appeal to a range of recreational and advanced riders by optimizing key wake characteristics to provide best-in-class wakeboarding and wake surfing performance and recreational water skiing performance

- Retail Price Range: \$70K - \$175K
- Lengths: 22 - 26'
- Models: 3
- Maximum Persons: 11-18
- Maximum Power: 522 hp

Star Series

ProStar



Engineered to offer superior water ski performance by minimizing wake height to create a nearly flat surface required for world-class water skiing

- Retail Price Range: \$60K - \$75K
- Length: 20'
- Models: 1
- Maximum Persons: 7
- Maximum Power: 430 hp

XStar



Engineered to offer superior wakeboard performance with a hull designed for large, powerful clean wakes for advanced wakeboarders

- Retail Price Range: \$155K - \$200K
- Length: 23'
- Models: 1
- Maximum Persons: 16
- Maximum Power: 522 hp

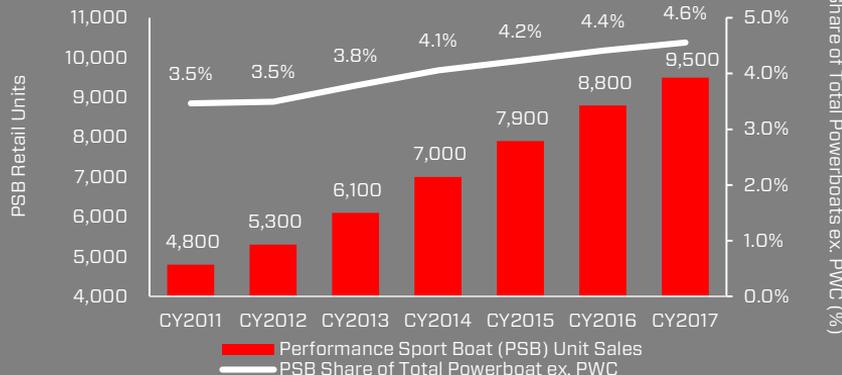
ATTRACTIVE PSB SEGMENT DYNAMICS DRIVING DEMAND

Favorable segment tailwinds suggest **long runway for future growth**

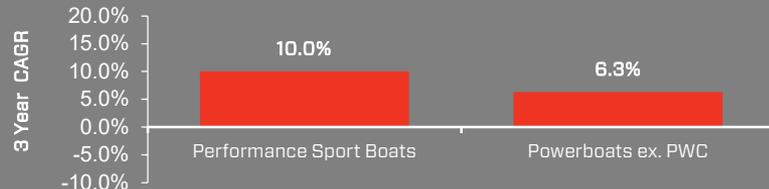
- Innovation continues to drive growth, especially in wake surfing
- During CY 2017, PSB retail units sold continued to grow and capture market share from the overall powerboat industry
- New unit sales of PSBs in the U.S. increased at a CAGR of 10.0% from 2014 to 2017; new unit sales of all other powerboat units grew at a CAGR of 6.3% over the same period
- Despite strong growth in recent years, new PSB units sold in 2017 remained more than 30% below 2006 levels

PSB INCREASING SHARE

U.S. Performance Sport Boat (PSB) Retail Units and PSB Share of Total Powerboat Units ex. PWC - Source: NMMA



2014 - 2017 New Unit Sales CAGR - Source: SSI



LEADING MARKET SHARE POSITION

Just starting to realize benefits of many recent initiatives that management has executed

MARKET SHARE KEY

MasterCraft

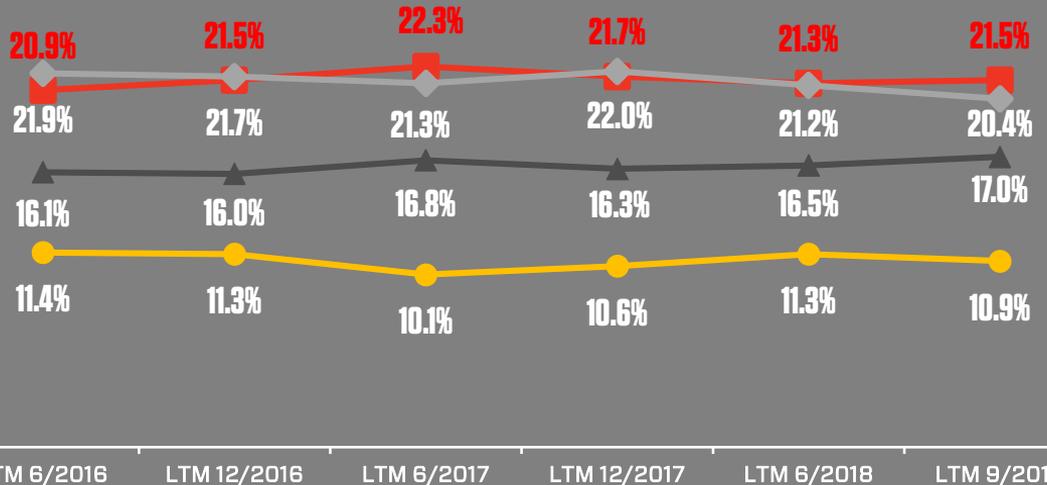


NAUTIQUE



**MASTERCRAFT
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ROLLING LTM BRAND MARKET SHARE THROUGH SEPT 2018 ⁽¹⁾



- YTD December FY 2019 internal warranty registrations up high 20% year-over-year – highest in MasterCraft’s history
- Dealer pipeline at optimal levels heading into the selling season with dealer sentiment positive as they continue to express an optimistic outlook on the future
- Emphasis has been, and will continue to be, about profitable, sustainable market share growth

¹⁾ Source: SS; Axis is an independent brand within Malibu Boats.



AVIARA

INTRODUCTION TO AVIARA

- De novo luxury recreational day boat brand focused on models 30' - 40' in length
- Provides additional portfolio diversification in a fast growing segment - keeps consumers in the MasterCraft Boat Holdings' family of brands
- First model, the AV32, debuted at the 2019 Miami International Boat Show in February
- Designed with European styling and American engineering
- Manufactured in MasterCraft's award-winning Vonore, TN facility; minimal investment required to launch new brand
- Exclusive distribution partnership with MarineMax, the nation's largest recreational boat and yacht retailer
- Sales expected to begin in FY2020
- Aviara will be a division within the MasterCraft reportable segment

**MASTERCRAFT
BOAT HOLDINGS INC.**



MARKET OPPORTUNITY

- Aviaira will fill a whitespace in the MasterCraft-family product portfolio
- Two propulsion types - outboard and sterndrive - combined for more than 180k retail units and \$7 billion in retail sales in 2017⁽¹⁾
- The 30' - 40' outboard and sterndrive runabout segment has grown at a CAGR of 10.4% since 2010⁽²⁾, outpacing the broader powerboat industry
- Competitors in the 30' - 40' outboard and sterndrive runabout segment consist of Sea Ray, Cobalt, Chaparral, Regal, and Monterey, amongst others





AVIARA

AV32
Outboard



AVIARA

AV32
Sterndrive



CREST MARINE

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BOAT HOLDINGS INC.*

CREST ACQUISITION

- On September 10, 2018 announced the acquisition of Crest Marine LLC, a leading manufacturer of high-quality pontoon boats
- Closed transaction on October 1, 2018 for a purchase price of \$80.0 million (~\$70.0 million NPV of tax benefits); Accretive to earnings in first year
- Deal creates the only boat manufacturer with dedicated brands serving the three fastest growing segments of the boating industry
- Further adds to MasterCraft Boat Holdings' product diversity while gaining a deeper presence in the outboard propulsion category of the powerboat industry
- At closing, net leverage of 2.1x PF Adj. EBITDA; 1.6x PF Adj. EBITDA as of December 2018



ABOUT CREST

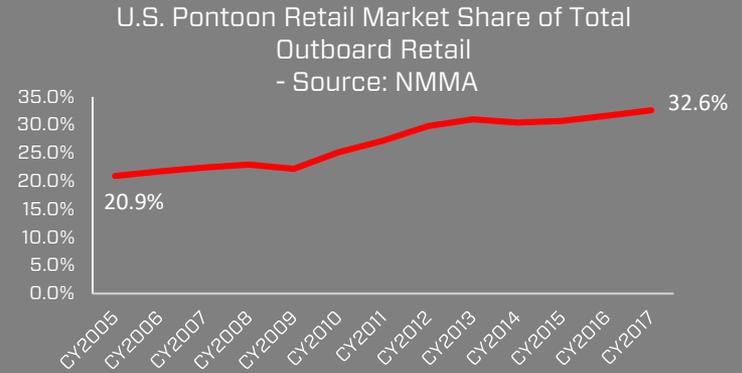
- Founded in 1957, located in Owosso, Michigan
- Reputation for innovation and quality with a loyal network of dealers and customers
- Established network of 134 North American dealer locations - have added 10 locations since acquisition
- Operates out of a ~150,000 square-foot manufacturing facility
- Vertically integrated business model differentiates Crest from other pontoon boat manufacturers



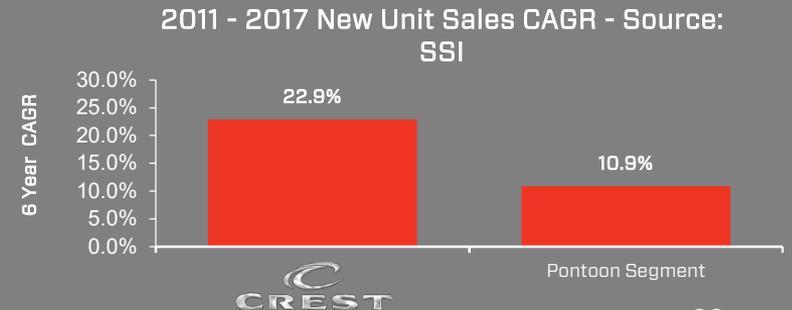
PONTOON SEGMENT & CREST TAKING SHARE

- Pontoons have been taking share from the broader outboard boating category over the past 12 years
- Innovation, quality and affordability have been key drivers to this growth
- Crest's focus on quality and innovation differentiate the company from its peers
- From 2011 to 2017, pontoon segment grew annual retail sales at a CAGR of 10.9%
- During that time, Crest more than doubled the pontoon segments annual retail growth, growing at a CAGR of nearly 23%

PONTOON INCREASING SHARE



CREST OUTPACING INDUSTRY GROWTH



BROAD PRODUCT OFFERING

- Crest has developed a broad product offering ranging from affordable to extreme luxury that continues to grow with new introductions
- Opportunity to leverage MasterCraft's proven product development and engineering processes to accelerate and improve upon Crest's new product development strategy

AFFORDABLE LUXURY



▪ **Retail Price Range:** \$20K - \$45K

▪ **Lengths:** 20 - 22'

▪ **Models:** 4

▪ **% of 2017 Sales:** ~70%

LUXURY



▪ **Retail Price Range:** \$40K - \$55K

▪ **Lengths:** 20 - 25'

▪ **Models:** 3

▪ **% of 2017 Sales:** ~20%

EXTREME LUXURY



▪ **Retail Price Range:** \$60K - \$140K

▪ **Lengths:** 20 - 26'

▪ **Models:** 3

▪ **% of 2017 Sales:** ~10%



NauticStar[®]
BOATS

**MASTERCRAFT
BOAT HOLDINGS INC.**

NAUTICSTAR ACQUISITION

- On October 2nd, 2017 announced the acquisition of Nautic Star, LLC, a leading manufacturer of 18'-28' LOA, high-quality bay boats, deck boats and offshore center console boats
- Purchase price of \$80.5 million; Accretive to earnings in first year
- Gain presence in the salt water fishing and general recreation segment – one of the fastest growing segments in the powerboat industry
- Further adds to MasterCraft Boat Holdings' product diversity while gaining a deeper presence in the outboard propulsion category of the powerboat industry
- At closing, levered up to 2.1x PF Adj. EBITDA; Paid down nearly \$40 million of debt within 9-months



ABOUT NAUTICSTAR

- Founded in 2002, located in Amory, Mississippi
- Reputation for reliability, quality and consistency with a loyal network of dealers and customers including professional and sport fisherman, and recreational and pleasure boating enthusiast
- Established network of 94 North American dealer locations and 1 international dealer - up from 77 at time of purchase
- Operates out of a 200,000 square-foot manufacturing facility



SHIFTING SEGMENT DYNAMICS DRIVING PRODUCT DEVELOPMENT STRATEGY

- Fiberglass saltwater outboard segment is one of the largest and fastest growing segments in the powerboat industry
- Segment seeing a shift in retail demand from smaller boats (<24') to larger boats (>24')
- Historically, ~70% of NauticStar's unit sales were derived from models less than 24'
- Strategically pivoting NauticStar's portfolio to larger boats - i.e. >24' - over the course of the next few years
- Have introduced three new models in FY2019 - 3x more than the brand has ever introduced in a given model year
 - 32 XS Offshore - debuted in Miami in February 2019
 - 251 Hybrid - debuted in September 2018
 - 195 Bay Boat - August 2018
- Major operational changes needed to accommodate future product up to 39' completed



32XS Offshore



251 Hybrid

DIVERSE PRODUCT PORTFOLIO

- NauticStar has developed a broad product offering ranging from offshore, deck and bay boats of various sizes and price ranges
- Actively leveraging MasterCraft's proven product development and engineering processes to pivot NauticStar's product development strategy to larger models (i.e., >24')

OFFSHORE



- Retail Price Range: \$25K - \$215K
- Lengths: 19 - 32'
- Models: 10
- % of 2017 Sales: ~37%

DECK BOATS



- Retail Price Range: \$25K - \$55K
- Lengths: 19 - 24'
- Models: 5
- % of 2017 Sales: ~25%

BAY BOATS



- Retail Price Range: \$25K - \$90K
- Lengths: 19 - 26'
- Models: 13
- % of 2017 Sales: ~38%

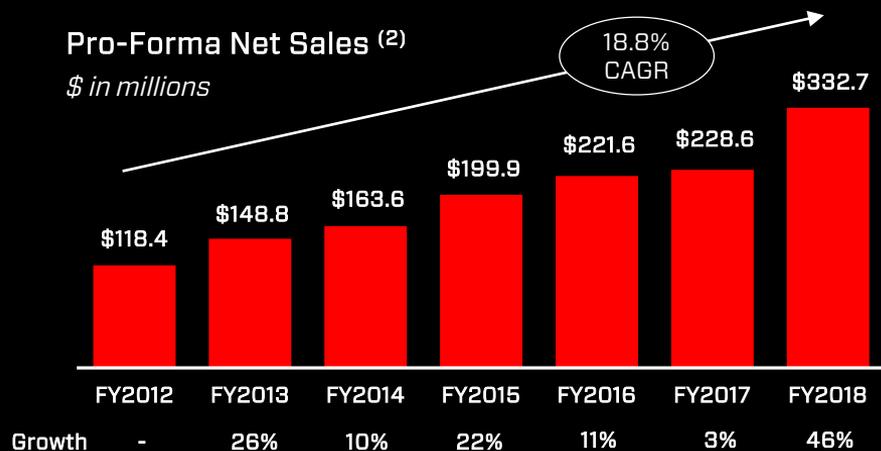
A person in a wetsuit is in the water next to a Mastercraft boat. The scene is set at sunset, with a warm, golden glow. The boat's name, "Mastercraft", is visible on its side. The overall mood is serene and adventurous.

***MASTERCRAFT
BOAT HOLDINGS INC.***
KEY FINANCIAL INFO

STRONG COMBINED FINANCIAL PERFORMANCE

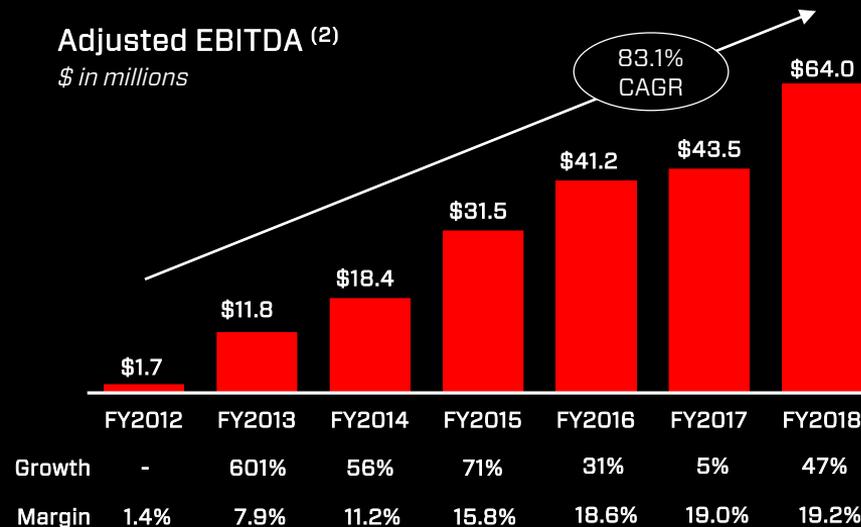
Pro-Forma Net Sales (2)

\$ in millions

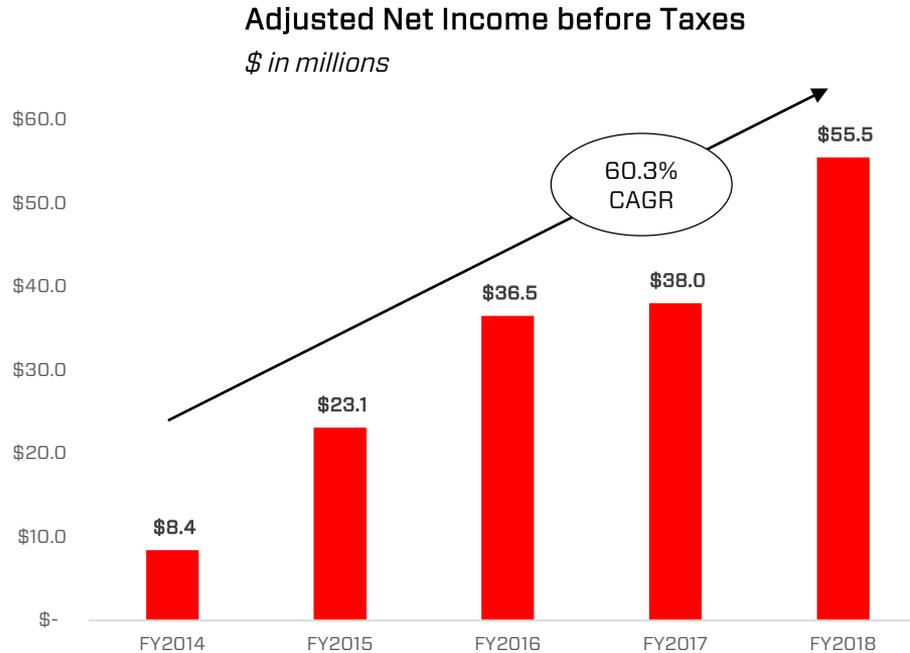


Adjusted EBITDA (2)

\$ in millions



SHAREHOLDER RETURNS DRIVEN BY STRONG EARNINGS GROWTH



REVISED FISCAL 2019 GUIDANCE

- Updated guidance to reflect an improved outlook at Crest

| METRIC | FY 2019 |
|------------------------|-----------------------|
| Net Sales Growth | Low 40% range |
| Adjusted EBITDA Margin | Mid-to-high 16% range |
| Adjusted EPS Growth | Low 30% range |

Note: See appendix for reconciliation of non-GAAP Adjusted EBITDA to Adjusted Net Income.

CAPITAL ALLOCATION STRATEGY

- Near-term capital allocation strategy focused on GROWTH and DELEVERING

01.

INVESTMENTS IN GROWTH

- Product development & innovation are key drivers of new boat demand
 - Aviara brand launch
 - All new models - each year, at every brand
 - New options / innovation
- Vertical integration initiatives
- Operational improvements across all brands
- Strategic acquisitions
- Focus on high ROI initiatives

02.

PAY DOWN DEBT

- Conservatively levered today
- 2.1x net leverage at closing of Crest acquisition
- 1.6x net leverage as of December 2018
- Expect to be between 1.0x – 1.3x net leverage by June 2019

WRAP UP

01. Growing stable of diversified brands synonymous with quality, innovation and performance
02. Leading market share positions in four of the fastest growing segments of the powerboating industry (PSB, Pontoon, Fiberglass Outboards & 30'-40' runabout segment)
03. Industry-leading product design and innovation
04. Highly efficient product development and manufacturing
05. Strong, complementary dealer networks
06. Highly experienced management teams leading an engaged workforce
07. Strong financial position to support growth
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**HIGHLY-VISIBLE
AVENUES FOR EARNINGS
GROWTH AND SUSTAINABLE
COMPETITIVE ADVANTAGES**

MASTERCRAFT
BOAT HOLDINGS INC.
APPENDIX



ADJUSTED EBITDA RECONCILIATION

| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|---|---------------|---------------|---------------|---------------|---------------|
| Net Income | \$19.9 | \$5.5 | \$10.2 | \$19.6 | \$39.7 |
| Income Tax Expense (Benefit) ⁽¹⁾ | (11.4) | 6.6 | 8.3 | 11.7 | 12.9 |
| Interest Expense | 7.5 | 5.2 | 1.3 | 2.2 | 3.5 |
| Depreciation and Amortization | 2.5 | 3.3 | 3.4 | 3.2 | 5.1 |
| EBITDA | \$18.5 | \$20.6 | \$23.2 | \$36.7 | \$61.1 |
| Change in Common Stock Warrant Fair Value ⁽²⁾ | 2.5 | 6.6 | 3.4 | 0.0 | 0.0 |
| Transaction Expenses ⁽³⁾ | 0.0 | 7.1 | 0.5 | 0.1 | 1.7 |
| Litigation charge ⁽⁴⁾ | 0.0 | 0.5 | 1.6 | 6.0 | 0.0 |
| Inventory Step-up Adjustment – Acquisition Related ⁽⁵⁾ | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 |
| Litigation settlement ⁽⁶⁾ | 0.0 | 0.0 | (1.2) | 0.0 | 0.0 |
| Warranty Adjustment ⁽⁷⁾ | 0.0 | 0.0 | 0.0 | 0.0 | (1.0) |
| New brand and product development costs ⁽⁸⁾ | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 |
| Hydra-Sports ⁽⁹⁾ | (2.6) | (3.3) | 0.0 | 0.0 | 0.0 |
| Stock-based compensation | 0.0 | 0.0 | 13.7 | 0.7 | 1.9 |
| Adjusted EBITDA | \$18.4 | \$31.5 | \$41.2 | \$43.5 | \$64.0 |

1) Fiscal 2014 income tax benefit primarily represents the reversal of a valuation allowance for deferred tax assets.

2) Represents non-cash expense related to increases in the fair market value of the restructuring warrant.

3) Represents fees and expenses related to our initial public offering, payment of a special cash dividend in June 2016, expenses associated with recapitalization activities completed in March 2015, secondary offering in September 2016, and our follow-on offering in December 2016. Also includes amount paid for the NauticStar, LLC acquisition which occurred on October 2nd 2017.

4) Represents legal and advisory fees related to our litigation with Malibu Boats, LLC, which includes settling the Malibu patent case and settlement of a litigation matter for fiscal 2015.

5) Represents post-acquisition adjustment to cost of goods sold for the fair value step up of inventory acquired, all of which was sold during the second quarter of fiscal 2018.

6) Represents receipt of a one-time payment to settle certain litigation matters.

7) Represents an out-of-period adjustment to correct an immaterial error related to our warranty accrual calculation identified during the fiscal year ended June 30, 2018. See Note 3 to our audited consolidated financial statements included elsewhere in this Form 10-K for more information.

8) Represents startup costs associated with a completely new boat brand in a segment of the market neither MasterCraft nor NauticStar serves.

9) Represents the operating income attributable to the operations of our Hydra-Sports business and the related manufacturing agreement, adjusted to exclude depreciation and amortization related to Hydra-Sports. We previously divested the Hydra-Sports business in June 2012, but continued to manufacture Hydra-Sports boats for the purchaser of the business pursuant to an agreement that expired on June 30, 2016 (and which was not renewed). This adjustment was calculated by identifying the applicable cost of sales and operating expenses directly attributable to the Hydra-Sports business for such period, excluding any corporate overhead or other shared costs.

ADJUSTED NET INCOME RECONCILIATION

| | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
|---|---------------|---------------|---------------|---------------|---------------|
| Net Income | \$19.9 | \$5.5 | \$10.2 | \$19.6 | \$39.7 |
| Income Tax Expense (Benefit) ⁽¹⁾ | (11.4) | 6.6 | 8.3 | 11.7 | 12.9 |
| Change in Common Stock Warrant Fair Value ⁽²⁾ | 2.5 | 6.6 | 3.4 | 0.0 | 0.0 |
| Transaction Expenses ⁽³⁾ | 0.0 | 7.1 | 0.5 | 0.1 | 1.7 |
| Litigation charge ⁽⁴⁾ | 0.0 | 0.5 | 1.6 | 5.9 | 0.0 |
| Inventory Step-up Adjustment – Acquisition related ⁽⁵⁾ | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 |
| Litigation settlement ⁽⁶⁾ | 0.0 | 0.0 | (1.2) | 0.0 | 0.0 |
| Warranty adjustment ⁽⁷⁾ | 0.0 | 0.0 | 0.0 | 0.0 | (1.0) |
| New brand and product development costs ⁽⁸⁾ | 0.0 | 0.0 | 0.0 | 0.0 | 0.6 |
| Hydra-Sports ⁽⁹⁾ | (2.6) | (3.3) | 0.0 | 0.0 | 0.0 |
| Stock-based compensation | 0.0 | 0.0 | 13.7 | 0.7 | 1.2 |
| Adjusted net income before income taxes | \$8.4 | \$23.1 | \$36.5 | \$38.0 | \$55.5 |
| Adjusted income tax expense ⁽¹⁰⁾ | 3.0 | 8.3 | 13.1 | 13.7 | 16.1 |
| Adjusted net income | \$5.4 | \$14.8 | \$23.4 | \$24.3 | \$39.4 |
| Pro-Forma adjusted net income per common share: | | | | | |
| Basic | \$0.31 | \$0.86 | \$1.28 | \$1.31 | \$2.11 |
| Diluted | \$0.30 | \$0.79 | \$1.24 | \$1.30 | \$2.09 |
| Pro-forma weighted average shares used for the computation of: | | | | | |
| Basic adjusted net income per share ⁽¹¹⁾ | 17,210,429 | 17,210,429 | 18,283,755 | 18,597,357 | 18,625,769 |
| Diluted adjusted net income per share ⁽¹²⁾ | 18,142,423 | 18,822,858 | 18,772,373 | 18,711,089 | 18,800,236 |

¹⁾ Fiscal 2014 income tax benefit primarily represents the reversal of a valuation allowance for deferred tax assets.

²⁾ Represents non-cash expense related to increases in the fair market value of the restructuring warrant.

³⁾ Represents fees and expenses related to our initial public offering, payment of a special cash dividend in June 2016, expenses associated with recapitalization activities completed in March 2015, secondary offering in September 2016, and our follow-on offering in December 2016. Also includes amount paid for the NauticStar, LLC acquisition which occurred on October 2nd 2017.

⁴⁾ Represents legal and advisory fees related to our litigation with Malibu Boats, LLC, which includes settling the Malibu patent case and settlement of a litigation matter for fiscal 2016.

⁵⁾ Represents post-acquisition adjustment to cost of goods sold for the fair value step up of inventory acquired, all of which was sold during the second quarter of fiscal 2018.

⁶⁾ Represents receipt of a one-time payment to settle certain litigation matters.

⁷⁾ Represents an out-of-period adjustment to correct an immaterial error related to our warranty accrual calculation identified during the fiscal year ended June 30, 2018. See Note 3 to our audited consolidated financial statements included elsewhere in this Form 10-K for more information.

⁸⁾ Represents startup costs associated with a completely new boat brand in a segment of the market neither MasterCraft nor NauticStar serves.

⁹⁾ Represents the operating income attributable to the operations of our Hydra-Sports business and the related manufacturing agreement, adjusted to exclude depreciation and amortization related to Hydra-Sports. We previously divested the Hydra-Sports business, but continued to manufacture Hydra-Sports boats for the purchaser of the business pursuant to an agreement that expired on June 30, 2015 (and which was not renewed). This adjustment was calculated by identifying the applicable cost of sales and operating expenses directly attributable to the Hydra-Sports business for such period, excluding any corporate overhead or other shared costs.

¹⁰⁾ Reflects income tax expense at an estimated normalized annual effective income tax rate of 29.0 for FY18 and 36.0 percent for all prior periods presented.

¹¹⁾ The weighted average shares used for computation of pro forma diluted earnings per common share gives effect to the 58,807 shares of restricted stock awards, the 64,542 performance stock units granted under the 2015 Incentive Award Plan and 55,253 shares for the dilutive effect of stock options. The average of the prior quarters is used for computation of the fiscal year ended periods.

BALANCE SHEET

| | JUNE 30, 2017 | JUNE 30, 2018 |
|--|-----------------|------------------|
| Assets: | | |
| Cash | \$4,038 | \$7,909 |
| Accounts receivable | 3,500 | 5,515 |
| Inventories, net | 11,676 | 20,467 |
| Other current assets | 2,438 | 3,295 |
| Property, plant & equipment | 14,827 | 22,265 |
| Intangible assets, net | 16,643 | 51,046 |
| Goodwill | 29,593 | 65,792 |
| Other | 606 | 635 |
| Total Assets | \$83,321 | \$176,924 |
| Liabilities | | |
| Accounts payable | \$11,008 | \$17,266 |
| Accrued expenses and other current liabilities | 22,190 | 28,571 |
| Total debt, net of unamortized debt issuance costs | 34,477 | 75,156 |
| Unrecognized tax positions and deferred income taxes | 3,885 | 3,409 |
| Total Liabilities | 71,560 | 124,402 |
| Shareholders' Equity | 11,761 | 52,522 |
| Total Liabilities and Shareholders' Equity | \$83,321 | \$176,924 |

MASTERCRAFT BOAT HOLDINGS INC.

MasterCraft


CREST


NauticStar®
BOATS


AVIARA