

***MASTERCRAFT
BOAT HOLDINGS INC.***

MCFT INVESTOR DAY

SEPTEMBER 17, 2019

MasterCraft


CREST


NauticStar[®]
BOATS


AVIARA

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MANAGEMENT PRESENTERS

TERRY MCNEW | PRESIDENT & CEO

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

TIM OXLEY | CFO

- 29 years in the industry
- 16 years at Brunswick
- 13 years with MasterCraft
- Certified Public Accountant

MANAGEMENT TEAM



TERRY MCNEW
PRESIDENT AND CEO

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



TIM OXLEY
CFO

- 29 years in the industry
- 16 years at Brunswick Corp.
- 13 years with MasterCraft
- Certified Public Accountant



JAY POVLIN
PRESIDENT, NAUTICSTAR

- 27 years in the industry
- 6 years with NauticStar & MasterCraft
- Numerous senior leadership positions at Brunswick Corp.



PATRICK MAY
PRESIDENT, CREST

- 10 years in the industry
- 10 years with Crest



DAVE EKERN
VP OF OPERATIONS

- 14 years in the industry
- 9 years with MasterCraft



GEORGE STEINBARGER
VP OF BUSINESS DEVELOPMENT

- 8 years in the industry
- 1 year with MasterCraft

AT A GLANCE

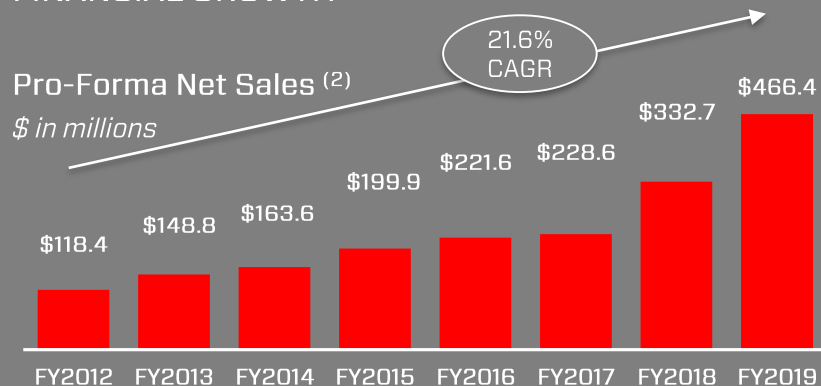
MASTERCRAFT BOAT HOLDINGS, INC.

- 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 ~\$11.4 billion in retail sales⁽¹⁾
- Global distribution network at MasterCraft 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

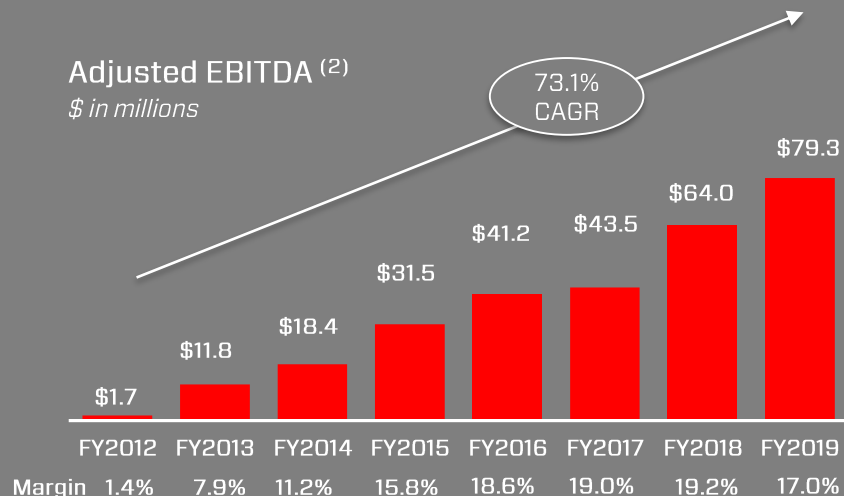
Pro-Forma Net Sales ⁽²⁾

\$ in millions



Adjusted EBITDA ⁽²⁾

\$ in millions



**MASTERCRAFT
BOAT HOLDINGS INC.**

1)
2)

Source: NMMA - 2018.

2018 financial results include full year for MasterCraft Boat Company and nine months for NauticStar. Results do not include Crest. 2019 results include full year for MasterCraft Boat Company and NauticStar with nine months of Crest.

INVESTMENT 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 (Ski Wake, Pontoon, Saltwater Fish & 30'-40' Runabouts)
03. Industry-leading product design and innovation
04. Highly efficient product development and manufacturing
05. Strong, complementary dealer networks
06. Highly experienced, cycle-tested management team leading an engaged workforce
07. Robust financial position to support growth
08. Track-record of growth, both organic and through strategic acquisitions

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.

ACQUISITIONS

Capture additional market share from existing and adjacent boating categories, through disciplined, strategic M&A opportunities

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

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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

OUR PROGRESSION

Growing and diversifying since IPO in 2015

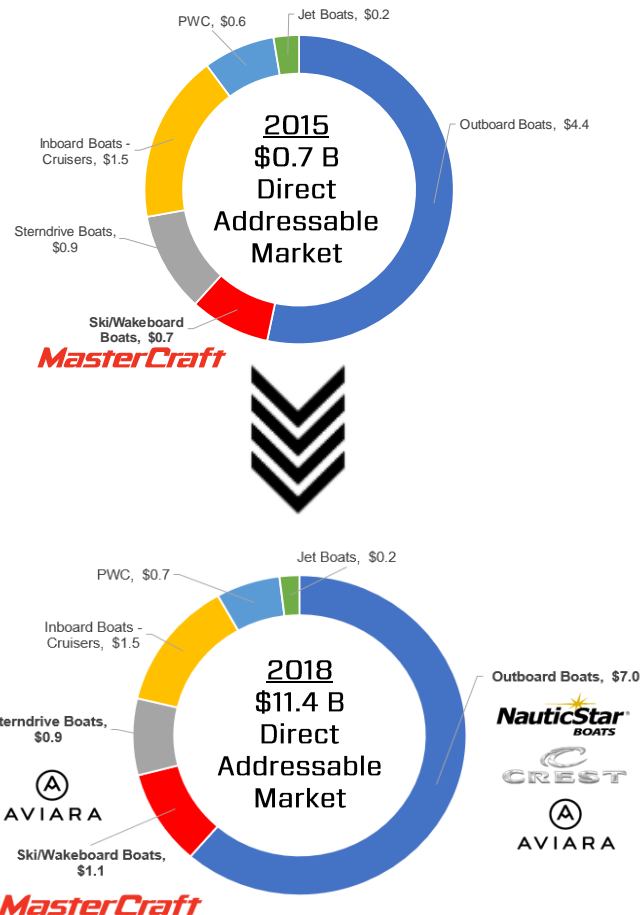
- From single site with one brand to three sites with four brands today
- From 475 employees to nearly 1,200 as of June 30, 2019
- Direct addressable market from ~\$0.7 billion to ~\$11.4 billion in retail sales today
- Net Sales from \$214.4 million to \$466.4 million in 2019
- Adjusted EBITDA from \$31.5 million to \$79.3 million in 2019

A Clear path forward

- Cycle-tested management team with 60+ years of combined industry experience at the C-suite level
- Continued focus on integration and margin expansion of previous acquisitions
- Operational excellence initiatives across all brands
- Highly-variable cost structure – 90%+ of COGS are variable
- Fortress balance sheet
- Growth through future organic means and acquisitions
- Creation of long-term value for shareholders

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BOAT HOLDINGS INC.**

1) Source: NMMA - 2018.



MACROECONOMIC & BOATING INDUSTRY OUTLOOK

Macroeconomic indicators still strong...

- Positive GDP growth, albeit more moderate
- Continued low unemployment
- Positive consumer confidence

Boating industry still growing...

- Record levels of rainfall and cold weather into early selling season impacted FY19 retail
- Ski Wake segment continues to lead the way
- Pontoon segment contracted slightly
- Deck & Saltwater fish segment slowing down, with small boats (<25') declining at retail, and larger boats (>24') growing at retail

...But risks remain

- Global slowdown fears
- Potential trade war
- Consumer confidence decreasing
- 2020 Presidential election uncertainty

...But at a more moderate rate

- Expect retail growth to be positive in FY20
- Elevated inventory levels likely to drive increased promotional activity, which will drive retail in the near-term
- FY20 retail off to a good start, with July and August retail up Y/Y at MasterCraft
- Continued economic, political, dealer and consumer uncertainty gives us pause for next 12-18 months



MasterCraft

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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

SKI WAKE MARKET SHARE UPDATE⁽¹⁾

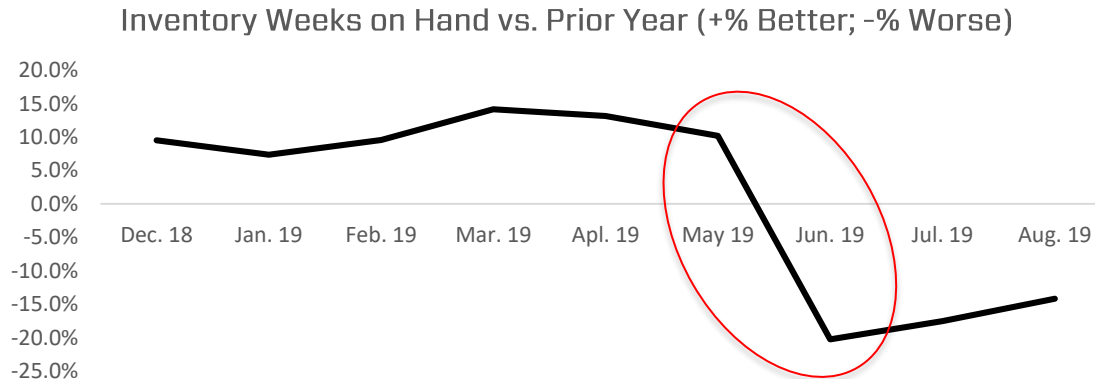
- MasterCraft is #1 in market share by brand; #3 by manufacturer
- Top four manufacturers control 87.5% of the total market
- Over past 12-months, total Ski Wake segment up 4.4% Y/Y
- MasterCraft took 0.4% of share, with units up 6.5%, during that period
- Emphasis has been, and will continue to be, profitable, sustainable market share growth

BY BRAND	MARKET SHARE	Y/Y UNIT GROWTH (%)	Y/Y MARKET SHARE CHANGE
MasterCraft	21.7%	6.5%	0.4%
Malibu	20.4%	0.4%	(0.8)%
Nautique	17.1%	7.7%	0.5%
Axis	10.4%	(4.7)%	(1.0)%
Moomba	7.7%	6.0%	0.1%
Tige	6.4%	3.7%	0.0%
All Others	16.2%	9.8%	0.8%
Total	n/a	4.4%	n/a

BY MANUFACTURER ⁽²⁾	MARKET SHARE	Y/Y UNIT GROWTH (%)	Y/Y MARKET SHARE CHANGE
Malibu Boats	30.9%	(1.4)%	(1.8)%
Correct Craft	23.0%	9.0%	1.0%
MasterCraft	21.7%	6.5%	0.4%
Skier's Choice	12.0%	11.8%	0.8%

DEALER PIPELINE – WHAT HAPPENED IN Q4?

- Driven by adverse weather late in the fiscal 4th quarter, MasterCraft's dealer inventory health deteriorated quickly
- As the chart below demonstrates, MasterCraft's Inventory Weeks on Hand went from averaging 10%+ better vs. prior year levels to finishing the year ~20% worse vs. prior year, all in a single month
- Inventory situation has improved in July & August, but channel will take some time to right-size given selling season is essentially over
- Improving the dealer channel now will allow us to resume growth heading into FY21 and beyond



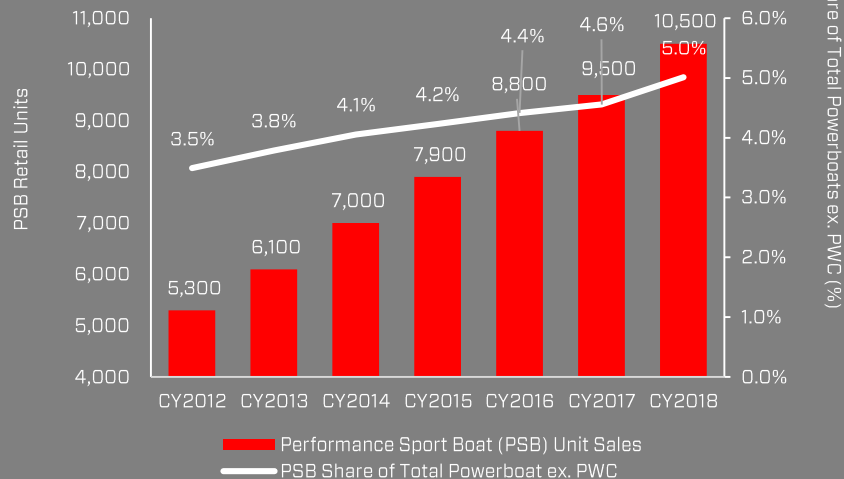
ATTRACTIVE PSB SEGMENT DYNAMICS CONTINUE TO DRIVE DEMAND

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

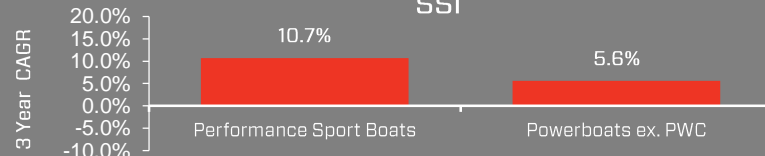
- During CY 2018, PSB retail units sold continued to grow and capture market share from the overall powerboat industry
- New unit sales of PSBs in the U.S. increased at a CAGR of 10.7% from 2014 to 2018; new unit sales of all other powerboat units grew at a CAGR of 5.6% over the same period
- Despite strong growth in recent years, new PSB units sold in 2018 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 - 2018 New Unit Sales CAGR - Source: SSI



BEST-IN-CLASS PRODUCT DESIGN AND INNOVATION

- Others like to talk about their innovation – we let others do the talking for us

8 NMMA INNOVATION AWARDS IN 10 YEARS

6 YEARS IN A ROW



- No other competitor in the Ski Wake segment has won the NMMA's Innovation Award more than once

BEST-IN-CLASS PRODUCT DESIGN AND INNOVATION

- Our in-house design and engineering teams lead the Ski Wake segment in bringing new innovation to market, evidenced by our segment-leading patent portfolio
- Currently have 35 issued patents and 17 pending applications
- In the last 5 years, MasterCraft has been awarded 27 total patents, more than double the next closest competitor

COMPANY	TOTAL PATENTS	UTILITY PATENT	DESIGN PATENT
MasterCraft	27	20	7
Malibu Boats	13	13	0
Correct Craft	10	10	0
Skier's Choice	10	10	0
Tige	4	4	0



AVIARA

INTRODUCTION TO AVIARA

- De novo luxury recreational day boat brand focused on models 30' - 40' in length
- Manufactured in MasterCraft's award-winning Vonore, TN facility; minimal investment required to launch new brand
- Distribution partnership with MarineMax, the nation's largest recreational boat and yacht retailer
- European styling with exceptional on-water performance
- First model, the AV32, started shipping in July 2019
- Next two models, the AV36 & AV40, will begin production in 2H FY20
- Aviara will be a brand within the MasterCraft reporting segment



MARKET OPPORTUNITY⁽¹⁾

- Aviara will fill a whitespace in the MasterCraft-family product portfolio
- The 30' – 40' outboard and sterndrive runabout segment represented more than 760 units for the 12-months rolling June 2019
- The segment grew 17.9% during that period, and has grown at a 5-year CAGR of 12.4% since 2014
- Top three competitors in the segment own more than 75% of the market
- Significant opportunity for Aviara to become a meaningful player in the segment over the next few years

BY BRAND	MARKET SHARE	R12 JUNE 2019 UNITS	Y/Y UNIT GROWTH (%)
Sea Ray	42.9%	327	19.8%
Cobalt	19.9%	152	26.7%
Regal	12.8%	98	66.1%
Chaparral	7.1%	54	(16.9)%
Four Winns	5.8%	44	25.7%
Chris-Craft	4.6%	35	(5.4)%
Monterey	3.5%	27	(3.6)%
Rinker	2.4%	18	0.0%
Crownline	0.9%	7	(36.4)%
Larson	0.1%	1	n/a
Total	100%	763	17.9%



AVIARA

AV32
Outboard




AVIARA

AV32
Sterndrive



CREST MARINE

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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%

PONTOON MARKET SHARE UPDATE⁽¹⁾

- Crest is #8 in market share
- Top 12 manufacturers control nearly 80% of the total market
- Highly fragmented segment with more than 100 manufacturers
- Over past 12-months, total pontoon segment declined 1.1% Y/Y
- Crest took 0.3% of share, with units up 9.1%, during that period
- Emphasis will be to add points of distribution to grow market share
- Believe Crest will be a top five market share player in next few years

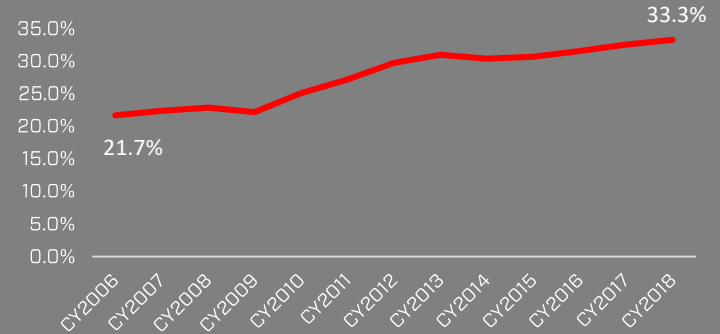
By Brand	Market Share	Y/Y Unit Growth (%)	Y/Y Market Share Change
Bennington	18.5%	3.9%	0.9%
Tracker	18.4%	4.0%	0.9%
Avalon/Tahoe Pontoons	6.8%	6.5%	0.5%
Godfrey	6.1%	(9.5)%	(0.6)%
Forest River Marine	5.7%	(9.8)%	(0.5)%
Sylvan	5.3%	(5.3)%	(0.2)%
Harris	4.6%	(5.0)%	(0.2)%
Crest	3.6%	9.1%	0.3%
Qwest-Gillgetter	2.7%	(3.7)%	(0.1)%
Manitou	2.6%	(7.0)%	(0.2)%
Starcraft	2.6%	7.7%	0.2%
Misty Harbor	2.5%	(8.5)%	(0.2)%
All others	20.4%	(5.1)%	(0.9)%
Total	n/a	(1.1)%	n/a

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 2018, pontoon segment grew annual retail sales at a CAGR of 10.3%
- During that time, Crest more than doubled the pontoon segments annual retail growth, growing at a CAGR of nearly 21%

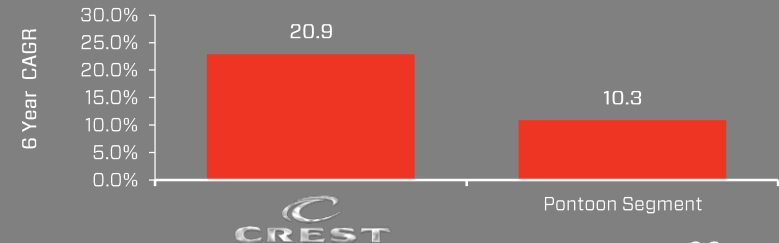
PONTOON INCREASING SHARE

U.S. Pontoon Retail Market Share of Total Outboard Retail - Source: NMMA



CREST OUTPACING INDUSTRY GROWTH

2011 - 2018 New Unit Sales CAGR - Source: SSI



OPERATIONAL IMPROVEMENT INITIATIVES UNDERWAY

- Synchronous Flow Manufacturing
 - Converted Affordable Luxury production from batch manufacturing to synchronous flow assembly lines
 - Phase 2 is to improve operating efficiencies in Extreme Luxury production
- Warehouse / MRP / Kitting
 - Built new warehouse to reduce WIP and improve material control
 - Developed station kits to deliver inventory to production lines on a JIT-basis
- Product Development
 - Rationalizing product portfolio to reduce number of models and SKU's used in production
 - Leveraging MasterCraft's best-in-class engineering resources to drive improved new product development and innovation
- Investments in workforce
 - Improvement made to-date have reduced employee work week from 6-days/wk to 4-days/wk





NauticStar[®]
BOATS

**MASTERCRAFT
BOAT HOLDINGS INC.**

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



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

Bay



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

DECK & SALTWATER FISH MARKET SHARE UPDATE⁽¹⁾

- NauticStar is #6 in market share
- Top 11 manufacturers control ~52% of the total market
- Highly fragmented segment with more than 200 manufacturers
- Over past 12-months, total deck & saltwater fish segment declined 2.3% Y/Y
- NauticStar lost 0.1% of share during that period
- As we transition to larger boats, NauticStar will give up share in the overall segment, but ASP's and profitability will increase
- Emphasis will be to add points of distribution to grow offset market share loses

By Brand	Market Share	Y/Y Unit Growth (%)	Y/Y Market Share Change
Boston Whaler	6.9%	(0.8)%	0.1%
Carolina Skiff	6.6%	(6.5)%	(0.3)%
Robalo	6.0%	2.6%	0.3%
Sea Hunt Boats	5.7%	(4.0)%	(0.1)%
Key West	5.2%	(5.4)%	(0.2)%
Nautic Star	5.1%	(4.6)%	(0.1)%
Hurricane	3.9%	(5.0)%	(0.1)%
Mako	3.8%	(1.6)%	0.0%
Sportsman	3.7%	(11.7)%	(0.4)%
Tidewater	3.4%	8.8%	0.3%
Grady-White	3.1%	4.7%	0.2%
All others	47.9%	(1.8)%	(2.3)%
Total	n/a	-2.3%	n/a

SHIFTING SEGMENT DYNAMICS DRIVING PRODUCT DEVELOPMENT STRATEGY

- As the chart on the right demonstrates, boat greater than 25' in length are outperforming the overall segment
- When NauticStar was acquired in 2017, ~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 two new models in FY2019 larger than 24' to specifically target this growing segment
 - 32 XS Offshore - started shipping late Q4 FY18
 - 251 Hybrid - started shipping in 2H FY18

DECK & SALTWATER OB 13 - 50' SEGMENT	% OF SEGMENT	Y/Y Unit Growth (%)
13 - 24'	73%	(5.9)%
25 - 50'	27%	9.1%
Total	100%	(2.3)%



32XS Offshore

OPERATIONAL IMPROVEMENT INITIATIVES UNDERWAY

- Mold replacement project
 - ~\$3mm in FY20 budget to replace old tooling on tired models
 - Will reduce re-work, over-time, internal defects, and ultimately result in lower warranty costs
- Portfolio rationalization
 - New product development cycle plan in place aimed at reducing the number of models in production
 - Will improve production efficiency by eliminating complexity that comes from too many models
 - Will drive higher margins by model, as well
- Investments in workforce
 - Implemented wage increases for direct labor
 - Have seen a 30% reduction in turnover since wage increase implemented
 - Have seen decreasing over-time as well, driven by less turnover



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

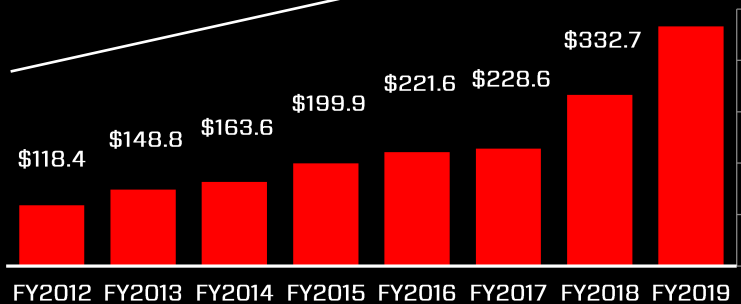
***MASTERCRAFT
BOAT HOLDINGS INC.***
KEY FINANCIAL INFO

STRONG COMBINED FINANCIAL PERFORMANCE

Pro-Forma Net Sales (2)

\$ in millions

21.6%
CAGR

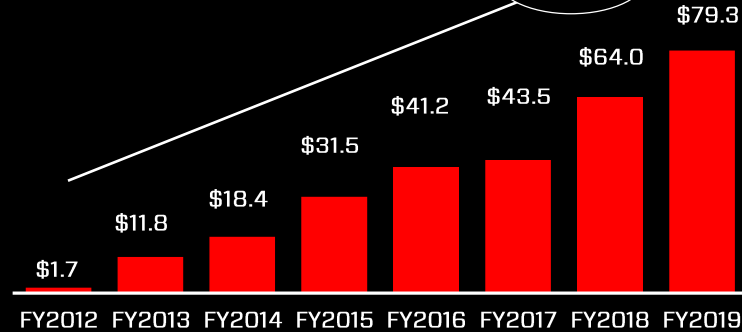


Growth	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
	-	26%	10%	22%	11%	3%	46%	40%

Adjusted EBITDA (2)

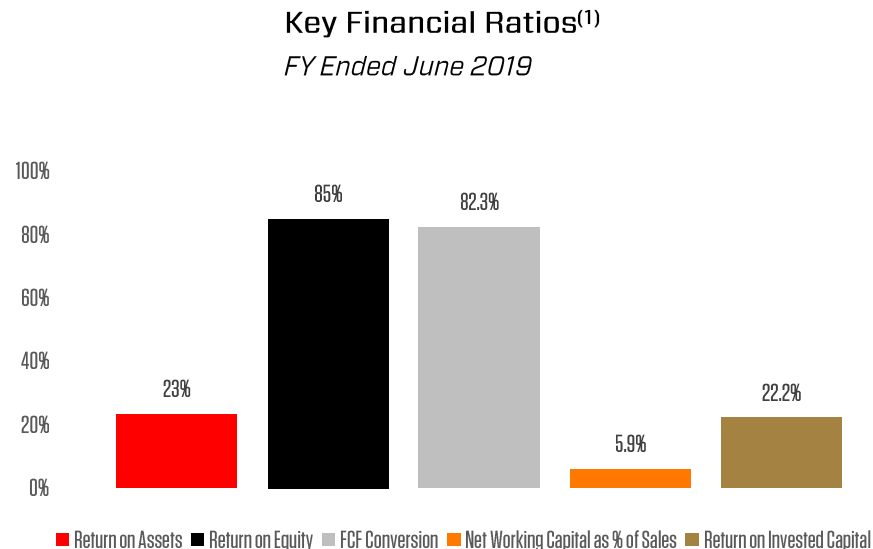
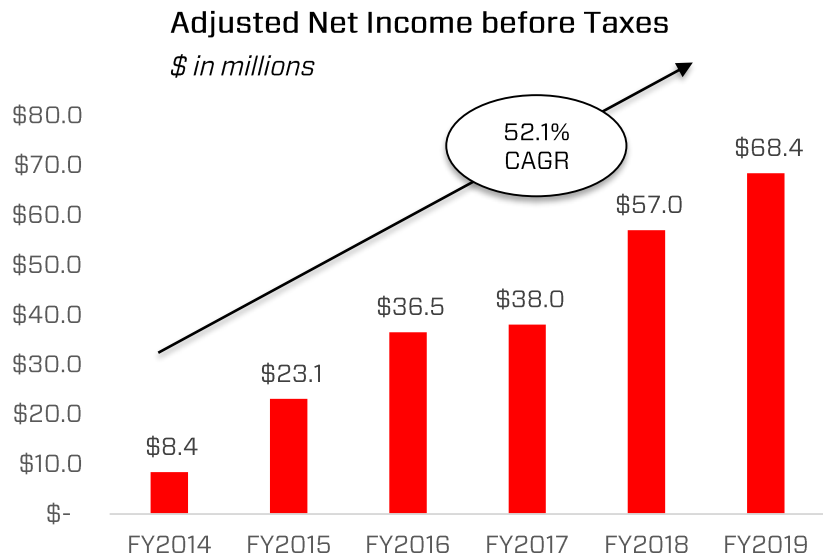
\$ in millions

73.1%
CAGR



Growth	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
	-	594%	56%	71%	31%	6%	47%	24%
Margin	1.4%	7.9%	11.2%	15.8%	18.6%	19.0%	19.2%	17.0%

SHAREHOLDER RETURNS DRIVEN BY STRONG EARNINGS GROWTH & BEST-IN-CLASS FINANCIAL METRICS



REVIEW OF FISCAL 2020 GUIDANCE

- FY20 guidance assumes volume reductions at MasterCraft and Crest to allow for healthy dealer inventory levels heading into 2020 selling season
- Closely monitoring NauticStar's saltwater fish segment, and will adjust volumes as needed to ensure we keep a healthy dealer channel
- Contribution from Aviara in first partial year of production estimated at \$10 - \$15 million; gross margins at Aviara expected to be slightly accretive to MasterCraft segment's gross margins

METRIC	FY 2020
Net Sales Growth	Down low-single digit percent
Adjusted EBITDA Margin	Down 50 – 100 basis points
Adjusted EPS Growth	Down high-single digit percent

CAPITAL ALLOCATION STRATEGY

- Near-term capital allocation strategy focused on EXECUTION, GROWTH and DELEVERING – Acquisitions less of a focus, for now

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
- Focus on high ROI initiatives
- Strategic acquisitions, albeit less of a focus in the near-term

02.

PAY DOWN DEBT

- Conservatively levered today
- 2.1x net leverage at closing of Crest acquisition
- 1.3x net leverage as of June 2019
- Target between 0.5x – 1.0x net leverage by June 2020

WELL-POSITIONED FOR NEXT DOWNTURN

- To be clear, we do not see an economic recession in the near-term
- Next downturn will not be the Great Recession, due to several factors:
 1. Current cycle has been slow and steady – should prevent large dip
 2. Boat OEM's have been more disciplined with dealer inventory since 2008/2009
 3. Dealers that survived last downturn are more disciplined and financially stable
 4. Floor-plan financing companies requiring curtailments sooner
- MCFT well-positioned to outperform the industry through all economic cycles:
 - Cycle-tested management team with 170+ years combined industry experience
 - CEO and CFO alone have combined 60+ years of direct industry experience
 - Understand better than most how to navigate downturn in boating industry
 - Highly-variable cost structure
 - 90%+ of COGS on a consolidated basis is variable in nature
 - Provides flexibility in maintaining margins in declining environments
 - Fortress balance sheet
 - Pro forma net debt to adjusted EBITDA of 1.3x as of June 2019
 - Anticipate net leverage levels between 0.5x – 1.0x by June 2020
 - Relentless focus on maintaining healthy dealer pipelines

Q&A



MASTERCRAFT BOAT HOLDINGS INC.

MasterCraft


CREST


NauticStar®
BOATS


AVIARA

MASTERCRAFT
BOAT HOLDINGS INC.
APPENDIX



ADJUSTED EBITDA RECONCILIATION

- The following table sets forth a reconciliation of net income as determined in accordance with GAAP to adjusted EBITDA for the periods indicated:

METRIC	FY 2019 Q4	FY 2018 Q4
Net income	\$(10,062)	\$13,144
Income tax expense (benefit)	(3,160)	4,847
Interest expense, net	1,684	947
Depreciation & amortization	2,337	1,421
EBITDA	\$(9,201)	\$20,359
Goodwill and other intangible asset impairment ⁽¹⁾	31,000	-
Transaction expense ⁽²⁾	333	11
Warranty adjustment ⁽³⁾	-	(1,033)
New brand startup costs ⁽⁴⁾	1,140	204
Stock-based compensation	519	305
Adjusted EBITDA	\$23,791	\$19,846
Adjusted EBITDA margin	19.4%	20.8%

1) Represents a non-cash charge recorded in the NauticStar segment for a \$28.0 million impairment of goodwill and a \$3.0 million impairment of trade name.

2) Represents fees, expenses and integration costs associated with our acquisitions of NauticStar and Crest.

3) 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.

4) Represents startup costs associated with Avlara - a completely new boat brand in a segment of the market neither MasterCraft, NauticStar nor Crest serves.

ADJUSTED EBITDA RECONCILIATION

- The following table sets forth a reconciliation of net income as determined in accordance with GAAP to adjusted EBITDA for the periods indicated:

METRIC	FY 2019	FY 2018
Net income	\$21,354	\$39,653
Income tax expense	5,392	12,856
Interest expense	6,513	3,474
Depreciation & amortization	7,787	5,086
EBITDA	\$41,046	\$61,069
Goodwill and other intangible asset impairment ⁽¹⁾	31,000	-
Transaction expense ⁽²⁾	2,377	1,744
Inventory step-up adjustment – acquisition related ⁽³⁾	382	501
Warranty adjustment ⁽⁴⁾	-	(1,033)
New brand startup costs ⁽⁵⁾	2,840	561
Stock-based compensation	1,678	1,186
Adjusted EBITDA	\$79,323	\$64,028
Adjusted EBITDA margin	17.0%	19.2%

1) Represents a non-cash charge recorded in the NauticStar segment for a \$28.0 million impairment of goodwill and a \$3.0 million impairment of trade name.

2) Represents fees, expenses and integration costs associated with our acquisitions of NauticStar and Crest.

3) Represents post-acquisition adjustment to cost of goods sold for the fair value step up of inventory acquired all of which was sold during respective fiscal years.

4) 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.

5) Represents startup costs associated with Avlara - a completely new boat brand in a segment of the market neither MasterCraft, NauticStar nor Crest serves.

ADJUSTED NET INCOME RECONCILIATION

- The following table sets forth a reconciliation of net income as determined in accordance with GAAP to adjusted net income for the periods indicated:

METRIC	FY 2019 Q4	FY 2018 Q4
Net income	\$(10,062)	\$13,144
Income tax expense (benefit)	(3,160)	4,847
Goodwill and other intangible asset impairment ⁽¹⁾	31,000	-
Transaction expense ⁽²⁾	333	11
Warranty adjustment ⁽³⁾	-	(1,033)
New brand startup costs ⁽⁴⁾	1,140	204
Amortization of acquisition intangibles	962	493
Stock-based compensation	519	305
Adjusted net income before income taxes	\$20,772	\$17,971
Adjusted income tax expense ⁽⁵⁾	4,665	5,212
Adjusted net income	\$16,067	\$12,759
Pro-forma adjusted net income per common share		
Basic	\$0.86	\$0.68
Diluted	\$0.85	\$0.68
Pro-forma weighted average shares used for the computation of:		
Basic adjusted net income per share	18,710,233	18,639,028
Diluted adjusted net income per share	18,851,352	18,807,100

- 1) Represents a non-cash charge recorded in the NauticStar segment for a \$28.0 million impairment of goodwill and a \$3.0 million impairment of trade name.
- 2) Represents fees, expenses and integration costs associated with our acquisitions of NauticStar and Crest.
- 3) 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.
- 4) Represents startup costs associated with Avlara - a completely new boat brand in a segment of the market neither MasterCraft, NauticStar nor Crest serves.
- 5) Reflects income tax expense at an estimated annual effective tax rate of 22.5% for the current period and 29% for the prior-year period.

ADJUSTED NET INCOME RECONCILIATION

- The following table sets forth a reconciliation of net income as determined in accordance with GAAP to adjusted net income for the periods indicated:

METRIC	FY 2019	FY 2018
Net income	\$21,354	\$39,653
Income tax expense	5,392	12,856
Goodwill and other intangible asset impairment ⁽¹⁾	31,000	-
Transaction expense ⁽²⁾	2,377	1,744
Inventory step-up adjustment – acquisition related ⁽³⁾	382	501
Warranty adjustment ⁽⁴⁾	-	(1,033)
New brand startup costs ⁽⁵⁾	2,840	561
Amortization of acquisition intangibles	3,385	1,490
Stock-based compensation	1,678	1,186
Adjusted net income before income taxes	\$68,408	\$56,958
Adjusted income tax expense ⁽⁶⁾	15,392	16,518
Adjusted net income	\$53,016	\$40,440
Pro-forma adjusted net income per common share		
Basic	\$2.84	\$2.17
Diluted	\$2.81	\$2.15
Pro-forma weighted average shares used for the computation of:		
Basic adjusted net income per share	18,653,892	18,619,793
Diluted adjusted net income per share	18,843,155	18,794,260

- 1) Represents a non-cash charge recorded in the NauticStar segment for a \$28.0 million impairment of goodwill and a \$3.0 million impairment of trade name.
- 2) Represents fees, expenses and integration costs associated with our acquisitions of NauticStar and Crest.
- 3) 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 respective fiscal years.
- 4) 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.
- 5) Represents startup costs associated with Avlara - a completely new boat brand in a segment of the market neither MasterCraft, NauticStar nor Crest serves.
- 6) Reflects income tax expense at an estimated annual effective tax rate of 22.5% for the current period and 29% for the prior-year period.

ADJUSTED NET INCOME PER SHARE RECONCILIATION

- The following table sets forth a reconciliation of net income per diluted share as determined in accordance with GAAP to adjusted net income per diluted share for the periods indicated:

METRIC	FY 2019 Q4	FY 2018 Q4
Net income per diluted share	\$(0.54)	\$0.70
Income tax expense (benefit)	(0.17)	0.26
Goodwill and intangible asset impairment ⁽¹⁾	1.65	-
Transaction expense ⁽²⁾	0.02	-
Warranty adjustment ⁽³⁾	-	(0.06)
New brand startup costs ⁽⁴⁾	0.06	0.01
Amortization of acquisition intangibles	0.05	0.03
Stock-based compensation	0.03	0.02
Adjusted net income per diluted share before income taxes	1.10	0.96
Adjusted income tax expense per diluted share ⁽⁵⁾	(0.25)	(0.28)
Adjusted net income per diluted pro-forma weighted average share	\$0.85	\$0.68

- 1) Represents a non-cash charge recorded in the NauticStar segment for a \$28.0 million impairment of goodwill and a \$3.0 million impairment of trade name.
- 2) Represents fees, expenses and integration costs associated with our acquisitions of NauticStar and Crest.
- 3) 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.
- 4) Represents startup costs associated with Avlara - a completely new boat brand in a segment of the market neither MasterCraft, NauticStar nor Crest serves.
- 5) Reflects income tax expense at an estimated annual effective tax rate of 22.5% for the current period and 29% for the prior-year period.

ADJUSTED NET INCOME PER SHARE RECONCILIATION

- The following table sets forth a reconciliation of net income per diluted share as determined in accordance with GAAP to adjusted net income per diluted share for the periods indicated:

METRIC	FY 2019	FY 2018
Net income per diluted share	\$1.14	\$2.12
Income tax expense	0.29	0.69
Goodwill and intangible asset impairment ⁽¹⁾	1.65	-
Transaction expense ⁽²⁾	0.13	0.09
Inventory step-up adjustment – acquisition related ⁽³⁾	0.02	0.03
Warranty adjustment ⁽⁴⁾	-	(0.06)
New brand startup costs ⁽⁵⁾	0.15	0.03
Amortization of acquisition intangibles	0.18	0.08
Stock-based compensation	0.09	0.06
Adjusted net income per diluted share before income taxes	3.65	3.04
Adjusted income tax expense per diluted share ⁽⁶⁾	(0.82)	(0.88)
Impact of increased share count ⁽⁷⁾	(0.02)	(0.01)
Adjusted net income per diluted pro-forma weighted average share	\$2.81	\$2.15

1) Represents a non-cash charge recorded in the NauticStar segment for a \$28.0 million impairment of goodwill and a \$3.0 million impairment of trade name.

2) Represents fees, expenses and integration costs associated with our acquisitions of NauticStar and Crest.

3) Represents post-acquisition adjustment to cost of goods sold for the fair value step up of inventory acquired all of which was sold during respective fiscal years.

4) 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.

5) Represents startup costs associated with Avlara - a completely new boat brand in a segment of the market neither MasterCraft, NauticStar nor Crest serves.

6) Reflects income tax expense at an estimated annual effective tax rate of 22.5% for the current period and 29% for the prior-year period.

7) Reflects the increase of share counts giving effect to the exchange of all restricted stock awards, the vesting of all performance stock units and for the dilutive effect of stock options included in outstanding shares.