UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended: April 2, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________ to ______________________

Commission File Number 001-37502

MCBC HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**06-1571747**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*

100 Cherokee Cove Drive, Vonore, TN 37885
(Address of Principal Executive Office) (Zip Code)

(423) 884-2221
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☑ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☑
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☑		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

☐ Yes ☑ No

As of May 8, 2017, there were 18,638,509 shares of the Registrant's common stock, par value $0.01 per share, issued and outstanding.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains certain “forward-looking statements” within the meaning of the federal securities laws. We use words such as “could,” “may,” “might,” “will,” “expect,” “likely,” “believe,” “continue,” “anticipate,” “estimate,” “intend,” “plan,” “project” and other similar expressions to identify some but not all forward-looking statements and include statements in this quarterly report on Form 10-Q concerning our pipeline of new models; our ability to continue our operating momentum, capture additional market share and deliver continued growth; expectations regarding driving margin expansion, sales increases and organic growth; our fiscal 2017 outlook and key growth initiatives. Forward-looking statements involve estimates and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements.

The forward-looking statements contained in this quarterly report on Form 10-Q are based on assumptions that we have made in light of our industry experience and our perceptions of historical trends, current conditions, expected future developments and other important factors we believe are appropriate under the circumstances. As you read and consider this quarterly report on Form 10-Q, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (many of which are beyond our control) and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many important factors could affect our actual operating and financial performance and cause our performance to differ materially from the performance anticipated in the forward-looking statements, including but not limited to the following: general economic conditions, demand for our products, changes in consumer preferences, competition within our industry, our reliance on our network of independent dealers, our ability to manage our manufacturing levels and our large fixed cost base, the successful introduction of our new products, and the other important factors described under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2016, filed with the Securities and Exchange Commission (the “SEC”) on September 9, 2016. Should one or more of these risks or uncertainties materialize, or should any of these assumptions prove incorrect, our actual operating and financial performance may vary in material respects from the performance projected in these forward-looking statements.

Further, any forward-looking statement speaks only as of the date on which it is made, and except as required by law, we undertake no obligation to update any forward-looking statement contained in this quarterly report on Form 10-Q to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New important factors that could cause our business not to develop as we expect emerge from time to time, and it is not possible for us to predict all of them.

MCBC HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	April 2, 2017	March 27, 2016	April 2, 2017	March 27, 2016
NET SALES	$ 58,486	$ 57,030	$ 170,309	$ 168,214
COST OF SALES	43,561	41,188	123,289	121,168
GROSS PROFIT	14,925	15,842	47,020	47,046
OPERATING EXPENSES:				
Selling and marketing	2,678	2,210	7,176	7,569
General and administrative	7,939	6,064	16,808	24,998
Amortization of intangible assets	26	55	80	166
Total operating expenses	10,643	8,329	24,064	32,733
OPERATING INCOME	4,282	7,513	22,956	14,313
OTHER EXPENSE:				
Interest expense	561	82	1,684	1,090
Change in common stock warrant fair value	—	(27)	—	3,374
INCOME BEFORE INCOME TAX EXPENSE	3,721	7,458	21,272	9,849
INCOME TAX EXPENSE	1,480	2,564	8,017	4,408
NET INCOME	$ 2,241	$ 4,894	$ 13,255	$ 5,441
EARNINGS PER COMMON SHARE:				
Basic	$ 0.12	$ 0.26	$ 0.71	$ 0.31
Diluted	$ 0.12	$ 0.26	$ 0.71	$ 0.30
WEIGHTED AVERAGE SHARES USED FOR COMPUTATION OF:				
Basic earnings per share	18,593,296	18,574,887	18,592,680	17,612,492
Diluted earnings per share	18,625,904	18,779,557	18,607,862	18,143,176

The notes form an integral part of the condensed consolidated financial statements.

MCBC HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share and per share data)

	April 2, 2017	June 30, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,567	$ 73
Accounts receivable — net of allowances of $122 and $65, respectively	6,666	2,966
Income tax receivable	1,264	5
Inventories	11,886	13,268
Prepaid expenses and other current assets	2,367	1,780
Total current assets	34,750	18,092
Property, plant and equipment — net	13,179	13,826
Intangible assets — net	16,670	16,750
Goodwill	29,593	29,593
Deferred debt issuance costs — net	511	601
Deferred income taxes	224	3,501
Other	80	170
Total assets	$ 95,007	$ 82,533
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 13,771	$ 13,112
Income tax payable	412	1,108
Accrued expenses and other current liabilities	27,378	22,276
Current portion of long term debt, net of unamortized debt issuance costs	4,778	7,885
Total current liabilities	46,339	44,381
Long term debt, net of unamortized debt issuance costs	40,757	44,342
Unrecognized tax positions	2,653	2,189
Total liabilities	89,749	90,912
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY (DEFICIT):		
Common stock, $.01 par value per share — authorized, 100,000,000 shares; issued and outstanding, 18,638,509 shares at April 2, 2017 and 18,591,808 shares at June 30, 2016	186	186
Additional paid-in capital	112,757	112,375
Accumulated deficit	(107,685)	(120,940)
Total stockholders' equity (deficit)	5,258	(8,379)
Total liabilities and stockholders' equity (deficit)	$ 95,007	$ 82,533

The notes form an integral part of the condensed consolidated financial statements.

MCBC HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
(Dollars in thousands, except share and per share data)

	Common Stock		Additional Paid-in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance at June 30, 2016	18,591,808	$ 186	$ 112,375	$ (120,940)	$ (8,379)
Equity-based compensation activity	46,701	—	831	—	831
Offering costs	—	—	(449)	—	(449)
Net income	—	—	—	13,255	13,255
Balance at April 2, 2017	18,638,509	$ 186	$ 112,757	$ (107,685)	$ 5,258

The notes form an integral part of the condensed consolidated financial statements.

MCBC HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands, except share and per share data)

	Nine Months Ended	
	April 2, 2017	**March 27, 2016**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 13,255	$ 5,441
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,442	2,545
Inventory obsolescence reserve	243	301
Deferred issuance costs	274	60
Stock-based compensation	520	13,539
Loss on extinguishment of debt	—	716
Change in common stock warrant fair value	—	3,374
Unrecognized tax benefits	464	1,743
Accrued litigation costs	3,111	—
Deferred income taxes	3,277	(3,618)
Net provision of doubtful accounts	57	50
Changes in operating assets and liabilities:		
Accounts receivable	(3,757)	(1,722)
Inventories	1,139	(611)
Prepaid expenses and other current assets	(497)	(132)
Income tax receivable	(1,259)	(59)
Accounts payable	659	(1,673)
Income tax payable	(696)	775
Accrued expenses and other current liabilities	1,990	1,837
Net cash provided by operating activities	21,222	22,566
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,715)	(2,426)
Net cash used in investing activities	(1,715)	(2,426)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	—	91,071
Payments of costs directly associated with offerings	(449)	(7,202)
Excess tax benefits	312	—
Principal payments on long-term debt	(3,750)	(71,250)
Payments on revolving line of credit	(3,126)	(8,189)
Repurchase and retirement of common stock	—	(4,166)
Net cash provided by (used in) financing activities	(7,013)	264
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,494	20,404
CASH AND CASH EQUIVALENTS — BEGINNING OF PERIOD	73	1,167
CASH AND CASH EQUIVALENTS — END OF PERIOD	$ 12,567	$ 21,571
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments for interest	$ 1,399	$ 360
Cash payments for income taxes	$ 5,923	$ 5,517
SIGNIFICANT NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Issuance of shares of common stock warrants	$ —	$ 12,304

The notes form an integral part of the condensed consolidated financial statements.

MCBC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

1. ORGANIZATION AND NATURE OF BUSINESS

MCBC Holdings, Inc. (the "Company") was formed on January 28, 2000, as a Delaware holding company that operates primarily through its wholly owned subsidiaries, MasterCraft Boat Company, LLC; MasterCraft Services, Inc.; MasterCraft Parts, Ltd.; and MasterCraft International Sales Administration, Inc. The Company and its subsidiaries collectively are referred to herein as the "Company".

The Company is a designer and manufacturer of premium inboard tournament ski boats and luxury performance V-drive runabouts under the MasterCraft brand. The Company also leases a parts warehouse in the United Kingdom to expedite service, primarily to dealers and customers in Europe.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Company's fiscal year begins July 1 and ends June 30, with the interim quarterly reporting periods consisting of 13 weeks. Therefore, the quarter end will not always coincide with the date of the end of the calendar month.

The information furnished in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of the results of operations and statements of financial position for the interim periods presented. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the applicable rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for financial information have been condensed or omitted pursuant to such rules and regulations. The June 30, 2016 condensed consolidated balance sheet data was derived from the audited financial statements but does not include all disclosures required by U.S. GAAP for complete financial statements. However, management believes that the disclosures in these condensed consolidated financial statements are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2016.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the Company's audited consolidated financial statements for the year ended June 30, 2016 and, in the opinion of management, reflect all adjustments considered necessary to present fairly the Company's financial position as of April 2, 2017 and results of its operations, and its cash flows for the nine months ended April 2, 2017 and March 27, 2016 and statement of shareholders' equity for the nine months ended April 2, 2017. All adjustments are of a normal recurring nature. Our interim operating results for the nine months ended April 2, 2017 and March 27, 2016 are not necessarily indicative of the results to be expected in future operating quarters.

There have been no changes in the Company's significant accounting policies or critical accounting estimates for the nine months ended April 2, 2017 as compared with the significant accounting policies described in the Company's audited consolidated financial statements for the financial year ended June 30, 2016.

MCBC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

Secondary Offerings — In December 2016, the Company completed two secondary offerings for a total of 2,995,000 shares of its common stock held by certain entities associated with Wayzata Investment Partners (collectively, the "Selling Stockholders"). The public offering price for the first offering consisting of 1,495,000 shares was $13.35 per share which included 195,000 shares sold by the Selling Stockholders pursuant to the over-allotment option granted to the underwriter, which was exercised concurrently with the closing of the secondary offering. The public offering price for the second offering consisting of 1,500,000 shares was $13.45 per share. The Company received no proceeds from the secondary offerings. The Company incurred $181 for offering expenses during December 2016, which are reflected as a reduction to paid-in capital. Wayzata Investment Partners has now divested of all outstanding shares of our common stock. Acquired in connection with our initial public offering

Follow-on Offering — In September 2016, the Company completed a follow-on offering of 4,600,000 shares of its common stock held by the Selling Stockholders at a public offering price of $10.25 per share. This included 600,000 shares sold by the Selling Stockholders pursuant to the over-allotment option granted to the underwriters, which was exercised concurrently with the closing of the follow-on offering. The Company received no proceeds from the follow-on offering. The Company paid $254 for offering expenses incurred during September 2016, which are reflected as a reduction to paid-in capital.

Recently Issued Accounting Standards — In July 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2015-11, *Simplifying the Measurement of Inventory*. This ASU changes the measurement principle for inventories valued under the First-In, First-Out ("FIFO") or weighted-average methods from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined by the FASB as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption permitted. The Company is currently evaluating the impact this new guidance, but does not expect it will have a material impact.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact this new guidance is expected to have on its financial position or results of operations and related disclosures.

In March 2016, the FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This guidance identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This ASU is effective for annual reporting periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption permitted. The Company is currently evaluating the impact this new guidance, but does not expect it will have a material impact.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 addresses how certain cash receipts and cash payments are presented and classified in the statement of cash flows under *Topic 230, Statement of Cash Flow*, and other Topics. ASU 2016-15 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2017. The Company does not expect the adoption of this guidance to have a material impact on its consolidated financial statements.

In May 2014, the FASB and International Accounting Standards Board jointly issued *ASU 2014-09, Revenue from Contracts with Customers (Topic 606)*, which includes new principles-based accounting guidance for revenue recognition that will supersede virtually all existing revenue guidance. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To achieve the core principle, the guidance establishes the following five steps: 1) identify the contract(s) with a customer, 2) identify the performance obligation in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance also details the accounting treatment for costs to obtain or fulfill a contract. Lastly, disclosure requirements have been enhanced to provide sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. In July 2015, the FASB announced that the implementation date would be delayed by one year. During 2016, the FASB issued certain amendments to clarify and improve the implementation of the guidance in ASU 2014-09. The effective date and transition requirements for these amendments and ASU 2014-09 are now for annual and interim periods beginning after December 15, 2017. The Company will adopt this guidance for our fiscal year beginning July 1, 2018. The Company is currently evaluating the impact this new guidance is expected to have on our financial position or results of operations and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04*, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* This guidance eliminates Step 2 from the goodwill impairment test. Instead, an entity should recognize an impairment charge for the amount by which the carrying value exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to that reporting unit. ASU 2017-04 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2019. The Company is currently evaluating the effect that the adoption of this new guidance is expected to have on our financial position or results of operations and related disclosures.

MCBC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

3. INVENTORIES

Inventories consisted of the following:

	April 2, 2017	June 30, 2016
Raw materials and supplies	$ 6,732	$ 5,420
Work in process	1,528	2,196
Finished goods	4,201	5,984
Obsolescence reserve	(575)	(332)
Total inventories	$ 11,886	$ 13,268

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	April 2, 2017	June 30, 2016
Prepaid photo shoot	$ 449	$ 650
Insurance	1,104	591
Trade show deposits	5	133
Other	809	406
Total prepaid expenses and other current assets	$ 2,367	$ 1,780

5. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	April 2, 2017	June 30, 2016
Warranty	$ 12,093	$ 11,392
Self-insurance	932	809
Compensation and related accruals	2,160	1,706
Inventory repurchase contingent obligation	995	742
Interest	1,297	1,178
Dealer incentives	4,206	4,336
Other	5,695	2,113
Total accrued expenses and other current liabilities	$ 27,378	$ 22,276

The following table provides a roll forward of the accrued warranty liability:

Beginning balance - June 30, 2016	$ 11,392
Provisions	3,553
Payments made	(2,227)
Adjustments to preexisting warranties	(625)
Ending balance - April 2, 2017	$ 12,093

(Dollars in thousands, except share and per share data)

6. FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 — Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 — Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

When determining the fair value measurements for assets or liabilities required or permitted to be recorded at and/or marked to fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Company looks to active and observable markets to price identical assets. When identical assets are not traded in active markets, the Company looks to market observable data for similar assets.

The following tables summarize the basis used to measure certain financial assets and liabilities at fair value on a recurring basis in the consolidated balance sheets:

	April 2, 2017		
	Level 1	**Level 2**	**Level 3**
Asset — interest rate cap	$ —	$ 98	$ —

There were no financial assets or liabilities subject to fair value measurements at June 30, 2016. The interest rate cap is valued utilizing pricing models taking into account inputs such as interest rates and notional amounts. Fair value measurements for the Company's interest rate cap are classified under Level 2 because such measurements are based on significant other observable inputs. There were no transfers of assets or liabilities between Level 1 and Level 2 during the nine months ended April 2, 2017.

7. LONG-TERM DEBT

Long-term debt outstanding is as follows:

	April 2, 2017	**June 30, 2016**
Revolving credit facility	$ —	$ 3,126
Senior secured term loan	46,250	50,000

MCBC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

Debt issuance costs on term loan	(715)	(899)
Total debt	45,535	52,227
Less current portion of long-term debt	5,000	8,126
Less current portion of debt issuance costs on term loan	(222)	(241)
Long-term debt — less current portion	$ 40,757	$ 44,342

In May 2016, the Company entered into a Second Amended and Restated Credit and Guaranty Agreement with Fifth Third Bank, as the agent and letter of credit issuer, and the lenders party thereto (the “Amended Credit Agreement”). The Amended Credit Agreement provided the Company with an $80,000 senior secured credit facility, consisting of a $50,000 term loan (the “Term Loan”) and a $30,000 revolving credit facility (the “Revolving Credit Facility”) and matures on May 26, 2021.

As of April 2, 2017, the Company had no borrowings outstanding on its Revolving Credit Facility and $3,126 in borrowings outstanding as of June 30, 2016. Availability under the Revolving Credit Facility is reduced by letters of credit. There were specified letters of credit outstanding of $250 at April 2, 2017 and June 30, 2016. As of April 2, 2017 and June 30, 2016, availability under the Revolving Credit Facility was $29,750 and $26,624, respectively, and unamortized deferred financing costs were $511 and $601, respectively.

As of April 2, 2017 and June 30, 2016, the Company's total unamortized deferred financing costs were $1,226 and $1,500 respectively. These costs are being amortized over the term of the Amended Credit Agreement. As of April 2, 2017 the Company was in compliance with all of its debt covenants under its Term Loan and Revolving Credit Facility.

8. INCOME TAXES

The Company’s provision for income taxes as a percentage of pretax earnings (“effective tax rate”) is based on a current estimate of the annual effective income tax rate adjusted to reflect the impact of discrete items. During the nine months ended April 2, 2017 the effective tax rate was 37.7%. The rate was higher than the federal statutory rate of 35% primarily due to the inclusion of the state tax rate in the overall effective rate.

9. COMMITMENTS AND CONTINGENCIES

In June 2015, Malibu Boats, LLC (“Malibu”) filed a complaint in the United States District Court for the Eastern District of Tennessee alleging that the Company’s Gen 2 Surf System and NXT Surf System infringe a Malibu patent relating to Malibu’s wake surf technology. The complaint sought treble damages in an unspecified amount, attorneys’ fees and an injunction against future infringement. In December 2016, the Company filed a motion with the court for summary judgment of noninfringement. The trial was scheduled for August 2017. Malibu filed a separate complaint alleging that the Company’s Gen 2 and NXT Surf Systems infringe another patent in February 2016. As with the previous complaint, Malibu sought damages and an injunction. In December 2016, the Company filed a motion with the court for summary judgment of invalidity. Trial in the second case was scheduled for October 2017. On May 2, 2017, the Company and Malibu entered into a Settlement Agreement (the “Settlement Agreement”) to settle the lawsuits filed by Malibu in the U.S. District Court for the Eastern District of Tennessee alleging infringement by MasterCraft of two of Malibu’s patents. Under the terms of the Settlement Agreement, the Company will make a one-time payment of $2,500 and has entered into

MCBC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

a license agreement for the payment of future royalties for boats sold by the Company using the licensed technology. The parties agreed to dismiss all claims in the patent litigation.

10. EARNINGS PER SHARE

The following table sets forth the computation of the Company's earnings per share:

	Three Months Ended		Nine Months Ended	
	April 2, 2017	March 27, 2016	April 2, 2017	March 27, 2016
Net income	$ 2,241	$ 4,894	$ 13,255	$ 5,441
Weighted average common shares — basic	18,593,296	18,574,887	18,592,680	17,612,492
Dilutive effect of assumed exercises of stock options	—	57,141	—	59,097
Dilutive effect of assumed restricted share awards\units	32,608	129,772	15,182	358,037
Dilutive effect of assumed exercises of common stock warrant	—	17,757	—	113,550
Weighted average outstanding shares — diluted	18,625,904	18,779,557	18,607,862	18,143,176
Basic earnings per share	$ 0.12	$ 0.26	$ 0.71	$ 0.31
Diluted earnings per share	$ 0.12	$ 0.26	$ 0.71	$ 0.30

For the three months ended April 2, 2017, the weighted average shares that were anti-dilutive, and therefore excluded from the computation of diluted earnings per share included options to purchase 122,640 shares of common stock. For the three months ended March 27, 2016, the weighted average shares that were anti-dilutive, and therefore excluded from the computation of diluted earnings per share included options to purchase 137,786 shares of common stock.

For the nine months ended April 2, 2017, the weighted average shares that were anti-dilutive, and therefore excluded from the computation of diluted earnings per share included 11,023 restricted stock awards and options to purchase 122,640 shares of common stock. For the nine months ended March 27, 2016, the weighted average shares that were anti-dilutive, and therefore excluded from the computation of diluted earnings per share included options to purchase 124,480 shares of common stock.

11. STOCK-BASED COMPENSATION

During fiscal year ended June 30, 2015 the Company adopted the Amended and Restated MCBC Holdings, Inc. 2015 Incentive Award Plan ("2015 Plan") in order to facilitate the grant of cash and equity incentives to non-employee directors, employees, and consultants of the Company and certain of its affiliates and to enable the Company and certain of its affiliates to obtain and retain the services of these individuals, which is essential to our long-term success. In July 2015, the Board amended and restated the Company's 2015 Plan which became effective just prior to the closing of the Company's initial public offering to increase the shares available for issuance under the 2015 Plan.

In August 2016, the Company granted to certain employees 28,391 shares of restricted stock awards ("RSAs") under the 2015 Plan at a per share fair value of $11.85, which is the market value of the Company's common stock on the grant date. The RSAs will vest in three equal annual installments. In addition, the Company granted 10,770 RSAs under the 2015 Plan to certain non-employee directors for their annual equity award at a per share fair value of $11.85. In December 2016, the Company granted 5,572 RSAs under the 2015 Plan to its two new non-employee directors for their pro-rata portion of their annual equity award at a per share fair value of $13.47. In January 2017, the Company granted 1,968 RSAs under the

MCBC HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share data)

2015 Plan to its new non-employee directors for the pro-rata portion of their annual equity award at a per share fair value of $14.63. During the nine months ended April 2, 2017, the Company recognized $222 in stock-based compensation expense from these restricted stock awards.

In August 2016, the Company granted 42,587 performance stock units (“PSUs”) under its 2015 Plan to certain employees at a per share fair value of $11.85, which is the market value of the Company’s common stock on the grant date. The awards will be earned based upon the Company’s obtainment of certain performance criteria over a three-year period. The performance period for the awards are a three-year period commencing July 1, 2016 and ending June 30, 2019. Following the determination of the Company’s achievement with respect to the performance criteria, the amount of shares awarded will be subject to adjustment based upon the application of a total shareholder return (“TSR”) modifier. The Company recognized $107 in stock-based compensation expense from these PSUs during the nine months ended April 2, 2017.

In July 2015, the Company granted 137,786 non-qualified stock options (“NSOs”) to certain employees at an option price equal to the $15.00 per share of the Company’s common stock, which was the initial public offering price, which will vest in 25% increments annually on each of the first four anniversaries of the grant date. In June 2016, the Company reduced the exercise price of these options by $4.30 per share, which was the amount of the special cash dividend paid in June 2016. Therefore, the exercise price of the options is now $10.70 per share. The other terms of the options remained unchanged. During the three months ended March 27, 2016, there were 15,146 stock options forfeited. We estimated the grant date fair value of stock options using the Black-Scholes pricing model assuming a risk-free interest rate of 1.93%, an expected term of 6.25 years, no dividend yield and a volatility rate of 56.7%. The Company recognized from these NSOs $191 and $177 in stock-based compensation expense during the nine months ended April 2, 2017 and March 27, 2016, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read together with the unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q. In addition, the statements in this discussion and analysis regarding industry outlook, our expectations regarding the performance of our business, anticipated financial results, liquidity and the other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Cautionary Note Regarding Forward-Looking Statements" above and in "Risk Factors" set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2016. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Overview

We are a world-renowned innovator, designer, manufacturer, and marketer of premium recreational sport boats, with a leading market position in the U.S., a strong international presence, and dealers around the world. Our boats are used for water skiing, wakeboarding, and wake surfing, as well as general recreational boating. Our robust product portfolio of performance sport boats are manufactured to the highest standards of quality, performance, and styling.

We sell our boats through an extensive network of independent dealers in North America and internationally. We partner with 98 North American dealers with 157 locations and 41 international dealers with 68 locations throughout the rest of the world. For the nine months ended April 2, 2017, 90.7% of our net sales were generated from North America and 9.3% of our net sales were generated from outside of North America.

Outlook

Our sales are impacted by general economic conditions, which affect the demand for our products, the demand for optional features, the availability of credit for our dealers and retail consumers, and overall consumer confidence. While the performance sport boat category has grown in recent years, new unit sales remain significantly below historical peaks. While there is no guarantee that our market will continue to grow, we believe that increased consumer demand and limited used boat inventory present a long runway for future growth.

We believe our sales have grown as dealers and customers continue to recognize the superior quality, performance, styling, and value proposition of our recently released boats. Our entire product portfolio has been renewed in the last four years, giving us the newest overall product offering in the performance sport boat category. We believe these factors strongly position us for growth in the coming periods. We believe our broad offering of boat models and features will continue to attract customers from our competitors, particularly in the performance sport boat and sterndrive categories, and will drive increased unit volume and market share gains. Our revamped manufacturing and product development processes have led to operational efficiencies which we expect will continue to drive significant margin expansion.

Recent Transactions

Secondary Offerings

In December 2016, we completed two secondary offerings for a total of 2,995,000 shares of common stock held by certain entities associated with Wayzata Investment Partners (collectively, the "Selling Stockholders"). The public offering price for the first offering consisting of 1,495,000 shares was $13.35 per share which included 195,000 shares sold by the Selling

Stockholders pursuant to the over-allotment option granted to the underwriter, which was exercised concurrently with the closing of the secondary offering. The public offering price for the second offering consisting of 1,500,000 shares was $13.45 per share. We received no proceeds from the secondary offerings. We incurred $0.2 million for offering expenses during December 2016, which are reflected as a reduction to paid-in capital. Wayzata Investment Partners has now divested of all outstanding shares of our common stock acquired in connection with our initial public offering.

Follow-on Offering

In September 2016, we completed a follow-on offering of 4,600,000 shares of common stock held by certain entities associated with the Selling Stockholders at a public offering price of $10.25 per share. This included 600,000 shares sold by the Selling Stockholders pursuant to the over-allotment option granted to the underwriters, which was exercised concurrently with the closing of the follow-on offering. We received no proceeds from the follow-on offering. We paid $0.3 million for offering expenses incurred during September 2016, which are reflected as a reduction to paid-in capital.

Seasonality and Other Factors That Affect Our Business

Our operating results are subject to annual and seasonal fluctuations resulting from a variety of factors, including:

- seasonal variations in retail demand for boats, with a significant majority of sales occurring during peak boating season, which we attempt to manage by providing incentive programs and floor plan subsidies to encourage dealer purchases throughout the year, which may include offering off-season retail promotions to our dealers in seasonally slow months, during and ahead of boat shows, to encourage retail demand;

- product mix, which is driven by boat model mix and higher option order rates; while product mix does not significantly affect margins, sales of larger boats and boats with optional content produce higher absolute profits;

- inclement weather, which can affect production at our manufacturing facility as well as consumer demand;

- competition from other performance sports boat manufacturers;

- general economic conditions; and

- foreign currency exchange rates.

Key Performance Measures

From time to time we use certain key performance measures in evaluating our business and results of operations and we may refer to one or more of these key performance measures in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These key performance measures include:

- *Unit volume* — We define unit volume as the number of our boats sold to our dealers during a period.

- *Net sales per unit* — We define net sales per unit as net sales divided by unit volume.

- *Gross margin* — We define gross margin as gross profit divided by net sales, expressed as a percentage.

- *Adjusted EBITDA* — We define Adjusted EBITDA as earnings before interest expense, income taxes, depreciation, and amortization, as further adjusted to eliminate certain non-cash charges and unusual items that we do not consider to be indicative of our ongoing operations. For a reconciliation of Adjusted EBITDA to net income, see “Non-GAAP Measures” below.

- *Adjusted net income* — We define Adjusted net income as net income excluding income taxes adjusted to eliminate certain non-cash charges and unusual items that we do not consider to be indicative of our ongoing operations and an adjustment for income tax expense at a normalized annual effective tax rate. For a reconciliation of Adjusted net income to net income, see “Non-GAAP Measures” below.

Components of Results of Operations

Net Sales

We generate sales from the sale of boats, trailers, and accessories to our dealers. The substantial majority of our net sales are derived from the sale of boats, including optional features included at the time of the initial wholesale purchase of the boat. Net sales consist of the following:

- Gross sales, which are derived from:
  - *Boat sales* — sales of boats to our dealer network. In addition, nearly all of our boat sales include optional feature upgrades, which increase the average selling price of our boats; and
  - *Trailers, parts and accessories, and other revenues* — sales of boat trailers, replacement and aftermarket boat parts and accessories, and transportation charges to our dealer network.
- Net of:
  - *Dealer programs and flooring subsidies* — incentives, including rebates and subsidized flooring, we provide to our dealers to drive volume and level dealer purchases throughout the year. If a dealer meets certain volume levels over the course of the year during certain defined periods, the dealer will be entitled to a specified rebate. These rebates change annually and may include volume and exclusivity incentives. Dealers who participate in our floor plan financing program may be entitled to have their flooring costs subsidized by us to promote dealer orders in the offseason.

Cost of Sales

Our cost of sales includes all of the costs to manufacture our products, including raw materials, components, supplies, direct labor, and factory overhead. For components and accessories manufactured by third-party vendors, our costs are the amounts invoiced to us by the vendors. Cost of sales includes shipping and handling costs, depreciation expense related to manufacturing equipment and facilities, and warranty costs associated with the repair or replacement of our boats under warranty.

Operating Expenses

Our operating expenses include selling and marketing costs, general and administrative costs, impairment losses and amortization costs. These items include personnel and related expenses, non-manufacturing overhead, and various other operating expenses. Further, selling and marketing expenditures include the cost of advertising and marketing materials. General and administrative expenses include, among other things, salaries, benefits, and other personnel related expenses for employees engaged in product development, engineering, finance, information technology, human resources, and executive management. Other costs include outside legal and accounting fees, investor relations, risk management (insurance), and other administrative costs.

Other Expense

Other expense includes interest expense and change in common stock warrant fair value. Interest expense consists of interest charged under our credit facilities, including deferred financing fees and debt issuance costs written off in connection with the pay down of amounts owed on our credit facilities.

Income Tax Expense

Our accounting for income tax expense reflects management's assessment of future tax assets and liabilities based on assumptions and estimates for timing, likelihood of realization, and tax laws existing at the time of evaluation. We record a valuation allowance, when appropriate, to reduce deferred tax assets to an amount that is more likely than not to be realized.

Results of Operations

The table below sets forth our results of operations for the periods presented. Our financial results for these periods are not necessarily indicative of the financial results that we will achieve in future periods.

	Three Months Ended		Nine Months Ended	
	April 2, 2017	March 27, 2016	April 2, 2017	March 27, 2016
	(Unaudited) (Dollars in thousands)			
Consolidated statement of operations:				
Net sales	$ 58,486	$ 57,030	$ 170,309	$ 168,214
Cost of sales	43,561	41,188	123,289	121,168
Gross profit	14,925	15,842	47,020	47,046
Operating expenses:				
Selling and marketing	2,678	2,210	7,176	7,569
General and administrative	7,939	6,064	16,808	24,998
Amortization of intangible assets	26	55	80	166
Total operating expenses	10,643	8,329	24,064	32,733
Operating income	4,282	7,513	22,956	14,313
Other expense:				
Interest expense	561	82	1,684	1,090
Change in common stock warrant fair value	—	(27)	—	3,374
Income before income tax expense	3,721	7,458	21,272	9,849
Income tax expense	1,480	2,564	8,017	4,408
Net income	$ 2,241	$ 4,894	$ 13,255	$ 5,441
Additional financial and other data:				
Unit volume:				
MasterCraft	741	701	2,090	2,079
Net sales	$ 58,486	$ 57,030	$ 170,309	$ 168,214
Net sales per unit	$ 79	$ 81	$ 81	$ 81
Gross margin	25.5 %	27.8 %	27.6 %	28.0 %

Three months ended April 2, 2017 Compared to Three months ended March 27, 2016

Net Sales. Net sales for the three months ended April 2, 2017, increased 2.6%, or $1.5 million to $58.5 million compared to $57.0 million for the three months ended March 27, 2016. The increase was primarily due to an increase in unit sales volume of 40 units, or 5.7% and favorable pricing and product mix, partially offset by the rebates associated with exceptionally high retail demand from our winter sales program.

Cost of Sales. Our cost of sales increased $2.4 million, or 5.8%, to $43.6 million for the three months ended April 2, 2017 compared to $41.2 million for the three months ended March 27, 2016. The increase in cost of sales resulted primarily from a 5.7% increase in total unit volume. Our cost of sales per unit was flat for the three months ended April 2, 2017 when compared to the three months ended March 27, 2016.

Gross Profit. For the three months ended April 2, 2017, our gross profit decreased $0.9 million, or 5.8%, to $14.9 million compared to $15.8 million for the three months ended March 27, 2016. Gross margin decreased to 25.5% for the three months ended April 2, 2017 compared to 27.8% for the three months ended March 27, 2016. The decrease in gross profit and gross margin resulted primarily from rebates associated with increased retail demand from our winter sales program partially offset by price increases, favorable product mix and sales of higher content option packages.

Operating Expenses. Selling and marketing expense increased $0.5 million, or 21.2%, to $2.7 million for the three months ended April 2, 2017 compared to $2.2 million for the three months ended March 27, 2016. This increase resulted mainly from increases in selling and marketing expenditures tied to the timing of launch and promotion activity. General and administrative expense increased by $1.8 million, or 30.9%, to $7.9 million for the three months ended April 2, 2017 compared to $6.1 million for the three months ended March 27, 2016. This increase resulted mainly from an increase of $3.9 million for legal and advisory fees related to our litigation with Malibu Boats, which includes a $2.5 million charge to settle the Malibu patent case, partially offset by $1.1 million in reduced stock-based compensation cost. Operating expenses as a percentage of net sales was 18.2% during the three months ended April 2, 2017 compared to 14.6% for the three months ended March 27, 2016. This increase was the result of increase in selling and marketing expenses and general and administrative expenses described above.

Other Expense. Interest expense increased for the three months ended April 2, 2017 compared to the three months ended March 27, 2016. The increase is due to interest expense incurred on our Second Amended and Restated Credit and Guaranty Agreement entered into in May 2016.

Income Tax Expense. Our income tax expense was $1.5 million for the three months ended April 2, 2017, reflecting an effective tax rate of 39.8%. Our effective tax rate during the three months ended April 2, 2017 differs from the 35% statutory rate primarily due to the inclusion of the state tax rate in the overall effective rate.

Nine months ended April 2, 2017 Compared to Nine months ended March 27, 2016

Net Sales. Net sales for the nine months ended April 2, 2017, increased 1.2%, or $2.1 million to $170.3 million compared to $168.2 million for the nine months ended March 27, 2016. The increase was primarily due to an increase in our net sales per unit, which increased by 0.7% due primarily to price increases, as well as increased sales of higher content option packages, which was partially offset by rebates associated with exceptionally high retail demand from our winter sales program. The increase was also due to an increase unit volume of 11 units, or 0.5%.

Cost of Sales. Our cost of sales increased $2.1 million, or 1.7%, to $123.3 million for the nine months ended April 2, 2017 compared to $121.2 million for the nine months ended March 27, 2016. The increase in cost of sales resulted primarily from a 0.5% increase in total unit volume and an increase in our cost of sales per unit of 1.2% due primarily to increased sales of higher content option packages. This was partially offset by lower warranty costs.

Gross Profit. For the nine months ended April 2, 2017, our gross profit was flat at $47.0 million when compared to the nine months ended March 27, 2016. Gross margin stood at 27.6% for the nine months ended April 2, 2017 compared to 28.0% for the nine months ended March 27, 2016.

Operating Expenses. Selling and marketing expense decreased $0.4 million, or 5.2%, to $7.2 million for the nine months ended April 2, 2017 compared to $7.6 million for the nine months ended March 27, 2016. This decrease resulted mainly from reduced spending on the MasterCraft Throwdown event as well as reductions in selling and marketing expenditures tied to the timing of launch and promotion activity. General and administrative expense decreased by $8.2 million, or 32.8%, to $16.8 million for the nine months ended April 2, 2017 compared to $25.0 million for the nine months ended March 27, 2016. This decrease resulted mainly from $13.0 million in reduced stock-based compensation cost partially offset by an increase of $5.2 million in legal and advisory fees related to our litigation with Malibu Boats, which includes a $2.5 million charge to settle the Malibu patent case. Operating expenses as a percentage of net sales was 14.1% during the nine months ended April 2, 2017 compared to 19.5% for the nine months ended March 27, 2016. This decrease was the result of the decrease in general and administrative expenses and selling and marketing expenses described above.

Other Expense. Interest expense increased for the nine months ended April 2, 2017 compared to the nine months ended March 27, 2016. The increase is due to interest expense incurred on our Second Amended and Restated Credit and Guaranty Agreement entered into in May 2016, partially offset by the write-off of deferred financing costs related to the debt extinguishment that occurred following our initial public offering in the nine months ended March 27, 2016. Change in common stock warrant fair value for the nine months ended April 2, 2017 decreased $3.4 million compared to the nine months ended March 27, 2016, as all warrants were exercised during fiscal 2016.

Income Tax Expense. Our income tax expense was $8.0 million for the nine months ended April 2, 2017, reflecting an effective tax rate of 37.7%. Our effective tax rate during the nine months ended April 2, 2017 differs from the 35% statutory rate primarily due to the inclusion of the state tax rate in the overall effective rate. Our effective tax rate during the nine months ended March 27, 2016 differs from the statutory rate primarily due to the change in fair value of the common stock warrant.

Non-GAAP Measures

We define EBITDA as earnings before interest expense, income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA further adjusted to eliminate certain non-cash charges and unusual items that we do not consider to be indicative of our ongoing operations, including change in common stock warrant fair value, fees and expenses related to our initial public offering, secondary offerings and follow-on offering and our stock-based compensation expense. We define Adjusted net income as net income adjusted to eliminate certain non-cash charges and unusual items that we do not consider to be indicative of our ongoing operations, including change in common stock warrant fair value, fees and expenses related to our initial public offering, our secondary offerings, our follow-on offering, our stock-based compensation expense, and an adjustment for income tax expense at a normalized annual effective tax rate. We define Adjusted EBITDA margin as Adjusted EBITDA expressed as a percentage of sales. Adjusted EBITDA, Adjusted net income and Adjusted EBITDA margin are not measures of net income or operating income as determined under accounting principles generally accepted in the United States, which we refer to as GAAP. Adjusted EBITDA and Adjusted net income are not measures of performance in accordance with GAAP and should not be considered as an alternative to net income (loss) or operating cash flows determined in accordance with GAAP. Additionally, Adjusted EBITDA is not intended to be a measure of cash flow for management's discretionary use. We believe that the inclusion of EBITDA, Adjusted EBITDA, Adjusted EBITDA margin and Adjusted net income is appropriate to provide additional information to investors because securities analysts, noteholders and other investors use these non GAAP financial measures to assess our operating performance across periods on a consistent basis and to evaluate the relative risk of an investment in our securities. We use Adjusted net income to facilitate a comparison of our operating performance on a consistent basis from period to period that, when viewed in combination with our results prepared in accordance with GAAP, provides a more complete understanding of factors and trends affecting our business than GAAP alone measures. We believe Adjusted net income assists our board of directors, management and investors in comparing our net income on a consistent basis from period to period because it removes non-cash and non-recurring items. Adjusted EBITDA and Adjusted net income have limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- Adjusted EBITDA does not reflect our cash expenditures, or future requirements for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect our tax expense or any cash requirements to pay income taxes;

- Adjusted EBITDA does not reflect interest expense, or the cash requirements necessary to service interest payments on our indebtedness; and
- Adjusted net income and Adjusted EBITDA do not reflect the impact of earnings or charges resulting from matters we do not consider to be indicative of our ongoing operations, but may nonetheless have a material impact on our results of operations.

In addition, because not all companies use identical calculations, our presentation of Adjusted EBITDA and Adjusted net income may not be comparable to similarly titled measures of other companies, including companies in our industry.

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

	Three Months Ended		Nine Months Ended	
	April 2, 2017	March 27, 2016	April 2, 2017	March 27, 2016
	(Unaudited) (Dollars in thousands)			
Net income	$ 2,241	$ 4,894	$ 13,255	$ 5,441
Income tax expense	1,480	2,564	8,017	4,408
Interest expense	561	82	1,684	1,090
Depreciation and amortization	821	878	2,442	2,545
EBITDA	5,103	8,418	25,398	13,484
Change in common stock warrant fair value[(a)]	—	(27)	—	3,374
Transaction expense[(b)]	4	—	63	124
Litigation charge[(c)]	4,295	397	5,948	773
Stock-based compensation	215	1,310	520	13,539
Adjusted EBITDA	$ 9,617	$ 10,098	$ 31,929	$ 31,294
Adjusted EBITDA Margin[(d)]	16.4%	17.7%	18.7%	18.6%

(a) Represents non-cash expense related to changes in the fair market value of our common stock warrant.

(b) Represents fees and expenses associated with our secondary offering, follow-on offering and initial public offering.

(c) Represents legal and advisory fees related to our litigation with Malibu Boats, LLC, which includes settling the Malibu patent case.

(d) We define Adjusted EBITDA margin as Adjusted EBITDA expressed as a percentage of sales.

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

	Three Months Ended		Nine Months Ended	
	April 2, 2017	March 27, 2016	April 2, 2017	March 27, 2016
	(Unaudited)			
	(Dollars in thousands, except share and per share amounts)			
Net income	$ 2,241	$ 4,894	$ 13,255	$ 5,441
Income tax expense	1,480	2,564	8,017	4,408
Change in common stock warrant fair value[(a)]	—	(27)	—	3,374
Transaction expense[(b)]	4	—	63	124
Litigation charge[(c)]	4,295	397	5,948	773
Stock-based compensation	215	1,310	520	13,539
Adjusted net income before income taxes	8,235	9,138	27,803	27,659
Adjusted income tax expense[(d)]	2,965	3,290	10,009	9,957
Adjusted net income	$ 5,270	$ 5,848	$ 17,794	$ 17,702
Pro-forma Adjusted net income per common share				
Basic	0.28	0.32	0.96	0.97
Diluted	0.28	0.31	0.95	0.94
Pro-forma weighted average shares used for the computation of:				
Basic Adjusted net income per share[(e)]	18,593,296	18,546,346	18,593,296	18,181,071
Diluted Adjusted net income per share[(e)]	18,722,582	18,603,487	18,704,546	18,832,561

(a) Represents non-cash expense related to changes in the fair market value of our common stock warrant.

(b) Represents fees and expenses associated with our secondary offering, follow-on offering and initial public offering.

(c) Represents legal and advisory fees related to our litigation with Malibu Boats, LLC, which includes settling the Malibu patent case.

(d) Reflects income tax expense at an estimated normalized annual effective income tax rate of 36.0% for the periods presented.

(e) The weighted average shares used for computation of pro-forma diluted earnings per common share gives effect to the 45,213 shares of restricted stock awards, the 42,586 performance stock units granted under the 2015 Incentive Award Plan during the three months ended April 2, 2017 and 41,487 shares for the dilutive effect of stock options. The average of the prior quarters is used for computation of the nine month ended periods.

Liquidity and Capital Resources

Our primary liquidity and capital resource needs are to finance working capital and fund capital expenditures. Our principal source of funds is cash generated from operating activities. As of April 2, 2017, we had borrowing availability of $29.8 million under our revolving credit facility. We believe our cash from operations, along with borrowings under our revolving credit facility, will be sufficient to provide for our working capital and capital expenditures for at least the next 12 months. The following table summarizes the cash flows from operating, investing, and financing activities:

	Nine Months Ended	
	April 2, 2017	March 27, 2016
	(Unaudited)	
	(Dollars in thousands)	
Total cash provided by (used in):		
Operating activities	$ 21,222	$ 22,566
Investing activities	(1,715)	(2,426)
Financing activities	(7,013)	264
Net increase in cash	**$ 12,494**	**$ 20,404**

Operating Activities

Our net cash provided by operating activities decreased by $1.4 million, or 6.0%, for the nine months ended April 2, 2017 compared to the nine months ended March 27, 2016, to $21.2 million from $22.6 million. This decrease was primarily due to an increase in accounts receivable due to timing of sales activity and an increase in cash payments for income taxes partially offset by an increase in net income and a decrease in inventory.

Investing Activities

Net cash used in investing activities decreased $0.7 million, or 29.3%, for the nine months ended April 2, 2017 compared to the nine months ended March 27, 2016. This decrease was due to timing of our capital expenditures.

Financing Activities

Net cash used for financing activities was $7.0 million for the nine months ended April 2, 2017 compared to a source of cash provided by financing activity of $0.3 million for the nine months ended March 27, 2016. The cash used for financing activities for the nine months ended April 2, 2017 primarily related to payments of $3.8 million on our term loan and payments of $3.1 million made on our revolving credit facility.

Senior Secured Credit Facility. In May 2016, we entered into a Second Amended and Restated Credit and Guaranty Agreement (the “Amended Credit Agreement”) with Fifth Third Bank. The Amended Credit Agreement replaces our Amended and Restated Credit Agreement from March 2015. The Amended Credit Agreement provides us with an $80 million senior secured credit facility, consisting of a $50 million term loan and a $30 million revolving credit facility. We are required to make quarterly debt maturity payments on the term loan which will mature on May 26, 2021 at which time all remaining amounts outstanding thereunder will be due and payable. We used the proceeds from the term loan, cash on hand and our revolving credit facility to pay a $79.9 million cash dividend to common stockholders in June 2016.

As of April 2, 2017, the current net revolving line of credit availability was $29.8 million and we were in compliance with all financial covenants and no event of default had occurred.

Off-Balance Sheet Arrangements

As of April 2, 2017, we did not have any off-balance sheet financings.

Emerging Growth Company

We are an emerging growth company, as defined in the JOBS Act. For as long as we are an emerging growth company, we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding stockholder advisory "say-on-pay" votes on executive compensation and stockholder advisory votes on golden parachute compensation.

The JOBS Act also provides that an emerging growth company can utilize the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Pursuant to Section 107 of the JOBS Act, we have irrevocably chosen to opt out of such extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for companies that are not "emerging growth companies."

We will continue to be an emerging growth company until the earliest to occur of (i) the last day of fiscal year during which we had total annual gross revenues of at least $1 billion (as indexed for inflation), (ii) the last day of fiscal year following the fifth anniversary of the closing of the IPO, (iii) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt, or (iv) the date on which we are deemed to be a "large accelerated filer," as defined under the Exchange Act.

Critical Accounting Policies

As of April 2, 2017, there were no significant changes in or changes in the application of our critical accounting policies or estimation procedures from those presented in our Annual Report on Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Refer to our Annual Report on Form 10-K for a complete discussion on the Company's market risk. There have been no material changes in market risk from those disclosed therein.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this Quarterly Report, we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures. Based upon this evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of April 2, 2017.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended April 2, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Legal Proceedings

In June 2015, Malibu Boats, LLC ("Malibu") filed a complaint in the United States District Court for the Eastern District of Tennessee alleging that the Company's Gen 2 Surf System and NXT Surf System infringe a Malibu patent relating to Malibu's wake surf technology. The complaint sought treble damages in an unspecified amount, attorneys' fees and an injunction against future infringement. In December 2016, the Company filed a motion with the court for summary judgment of noninfringement. The trial was scheduled for August 2017. Malibu filed a separate complaint alleging that the Company's Gen 2 and NXT Surf Systems infringe another patent in February 2016. As with the previous complaint, Malibu sought damages and an injunction. In December 2016, the Company filed a motion with the court for summary judgment of invalidity. Trial in the second case was scheduled for October 2017. On May 2, 2017, the Company and Malibu entered into a Settlement Agreement (the "Settlement Agreement") to settle the lawsuits filed by Malibu in the U.S. District Court for the Eastern District of Tennessee alleging infringement by MasterCraft of two of Malibu's patents. Under the terms of the Settlement Agreement, the Company will make a one-time payment of $2,500 and has entered into a license agreement for the payment of future royalties for boats sold by the Company using the licensed technology. The parties agreed to dismiss all claims in the patent litigation.

ITEM 1A. RISK FACTORS.

During the quarter ended April 2, 2017, there were no material changes to the risk factors disclosed in "Part I, Item 1A. Risk Factors" in our Annual Report filed on Form 10-K.

ITEM 2. UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

Exhibit No.	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of MCBC Holdings, Inc.	10-K	001-37502	3.1	9/18/15	
3.2	Amended and Restated By-laws of MCBC Holdings, Inc.	10-K	001-37502	3.2	9/18/15	
10.1	Registration Rights Agreement between MCBC Holdings, Inc. and Wayzata Opportunities Fund II, L.P.; Wayzata Opportunities Fund Offshore II, L.P. and Wayzata Recovery Fund, LLC, dated July 22, 2015	10-K	001-37502	10.2	9/18/15	
10.4†	MCBC Holdings, Inc. 2015 Incentive Award Plan	S-1/A	333-203815	10.4	7/15/15	
10.5†	Form of Restricted Stock Award Agreement and Grant Notice under 2015 Incentive Award Plan (employee)	S-1/A	333-203815	10.10	7/1/15	
10.6†	Form of Stock Option Agreement and Grant Notice under 2015 Incentive Award Plan (employee)	S-1/A	333-203815	10.12	7/7/15	
10.7†	Form of Restricted Stock Award Grant Notice under 2015 Incentive Award Plan (director)	S-1/A	333-203815	10.13	7/7/15	
10.8†	Senior Executive Incentive Bonus Plan	10-K	001-37502	10.8	9/18/15	
10.9†	Non-Employee Director Compensation Policy	S-1/A	333-203815	10.17	7/1/15	
10.11†	Employment Agreement between MasterCraft Boat Company and Terry McNew, dated July 26, 2012	S-1/A	333-203815	10.6	6/25/15	
10.12†	Employment Agreement between MCBC Holdings, Inc. and Terry McNew, effective as of July 1, 2015	S-1/A	333-203815	10.14	7/7/15	
10.13†	Employment Agreement between MCBC Holdings, Inc. and Timothy M. Oxley, effective as of July 1, 2015	S-1/A	333-203815	10.15	7/7/15	
10.14†	Employment Agreement between MCBC Holdings, Inc. and Shane Chittum, effective as of July 1, 2015	S-1/A	333-203815	10.16	7/7/15	
10.17†	Form of Indemnification Agreement for directors and officers	S-1/A	333-203815	10.9	7/7/15	
10.18	Amendment No. 1, dated as of February 18, 2016, to the Amended and Restated Credit and Guaranty Agreement among MasterCraft Boat Company, LLC, MasterCraft Services, Inc., MCBC Hydra Boats LLC, MasterCraft International Sales Administration, Inc. as borrowers and other credit parties, various lenders and Fifth Third Bank as the agent and L/C issuer and lender	8-K	001-37502	10.1	2/19/16	
10.19	Second Amended and Restated Credit and Guaranty Agreement, dated May 26, 2016, by and among MasterCraft Boat Company, LLC, MasterCraft Services, Inc., MCBC Hydra Boats LLC, MasterCraft International Sales Administration, Inc. as borrowers and other credit parties, various lenders and Fifth Third Bank as the agent and L/C issuer and lender	8-K	001-37502	10.1	5/27/16	
10.20	Amendment No. 1, dated as of August 19, 2016, to the Second Amended and Restated Credit and Guaranty Agreement, dated May 26, 2016, by and among MasterCraft Boat Company, LLC, MasterCraft Services, Inc., MCBC Hydra Boats LLC, MasterCraft International Sales Administration, Inc. as borrowers and other credit parties, various lenders and Fifth Third Bank as the agent and L/C issuer and lender	10-K	001-37502	10.20	9/8/16	

10.21†	Form of Performance Stock Unit Award Agreement under 2015 Incentive Award Plan	8-K	001-37502	10.1	8/26/16	
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer					*
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer					*
32.1	Section 1350 Certification of Chief Executive Officer					**
32.2	Section 1350 Certification of Chief Financial Officer					**
101.INS	XBRL Instance Document					*
101.SCH	XBRL Taxonomy Extension Schema Document					*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					*

† Indicates management contract or compensatory plan.

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ TERRY MCNEW Terry McNew	President and Chief Executive Officer (Principal Executive Officer) and Director	May 11, 2017
/s/ TIMOTHY M. OXLEY Timothy M. Oxley	Chief Financial Officer (Principal Financial and Accounting Officer), Treasurer and Secretary	May 11, 2017

Exhibit 31.1

CERTIFICATIONS

I, Terry McNew, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MCBC Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2017

/s/ Terry McNew
Terry McNew
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Timothy M. Oxley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MCBC Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2017

/s/ Timothy M. Oxley
Timothy M. Oxley
Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Terry McNew, Chief Executive Officer of MCBC Holdings, Inc. (the “Company”), hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended April 2, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 11, 2017

/s/ Terry McNew
Terry McNew
President and Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Timothy M. Oxley, Chief Financial Officer of MCBC Holdings, Inc. (the "Company"), hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended April 2, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 11, 2017

/s/ Timothy M. Oxley
Timothy M. Oxley
Chief Financial Officer, Treasurer and Secretary
(Principal Financial and Accounting Officer)