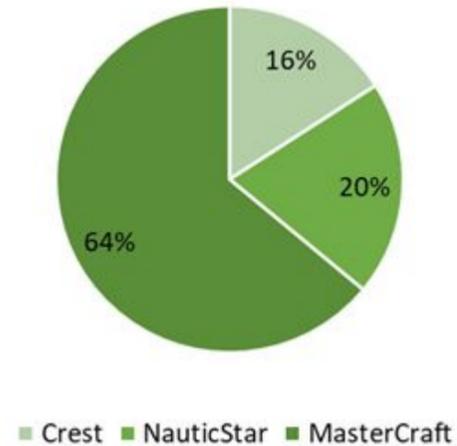


Company Overview

Figure 1. FY19E Revenue by Segments



MasterCraft Boat Holdings, Inc is a world-renowned innovator, designer, manufacturer, and marketer of premium performance sport boats and outboard boats, with a leading market position in the U.S., a strong international presence, and dealers in 46 countries around the world. The Company also leases a parts warehouse in the United Kingdom to expedite service. Mastercraft's portfolio of brands consist of MasterCraft (Performance Sports Boats), Nauticstar (Fiberglass Outboard Boats), Crest (Pontoon Boats).

(US\$ M)	FY17A	FY18A	FY19E	FY20E
Revenue	228.6	332.7	446.4	496.9
Gr Rate (%)	3.2	45.5	34.2	11.3
Gross Profit	63.5	90.4	123.5	139.4
Margin (%)	27.8	27.2	27.6	28
EBITDA	36.7	61.1	68.3	82.3
Margin (%)	16.1	18.4	15.3	16.6
Net Income	23.2	40.3	44.5	54.7
Margin (%)	10.1	12.1	10	11
EPS	1.24	2.15	2.38	2.93
P/E Ratio	18.9	10.9	9.8	8

Investment Thesis

- Strategic acquisitions continue to drive growth.** The acquisition of Crest Marine allows the company to enter the pontoon boat category with a highly prominent brand. The pontoon category has displayed a compound annual growth rate (CAGR) of retail unit sales of 10.9% from 2011-2017, while Crest Marine's business own CAGR during this same period was an impressive 23%. Crest Marine generated \$66 million in sales in calendar 2017, and management expects this figure to rise to \$90 million in calendar 2018.
- Foray into the Luxury Day Boat Market.** The company will officially debut Aviara at the Miami Boat Show in mid February with their first model, the AV32. Aviara is a complementary premium focused brand that will keep existing MasterCraft Boat Holdings owners in the family even as their boating preferences evolve over time.
- Gross margins to continue to increase at NauticStar.** Over the past six months, NauticStar has introduced three new models and undertook a major restructuring of NauticStar's manufacturing facility. Management expects to see gradual gross margin increases throughout the remainder of fiscal 2019 as the company ramps production back up and realize the benefits of the improved operating efficiencies as well as higher ASPs and higher margins from these larger boats.

12M Industry Outlook

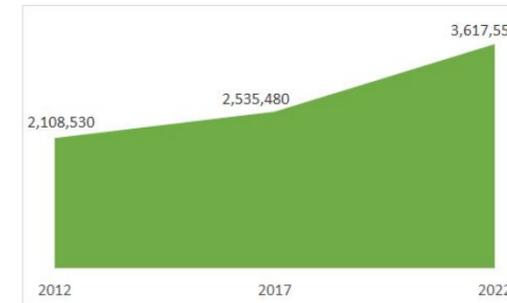


Figure 2. Growth of High Net Worth Individuals (Source: Knight Frank)

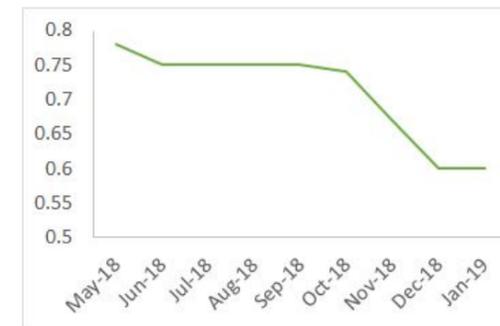


Figure 3. US Gasoline Prices/litre (Source: tradingeconomics.com)

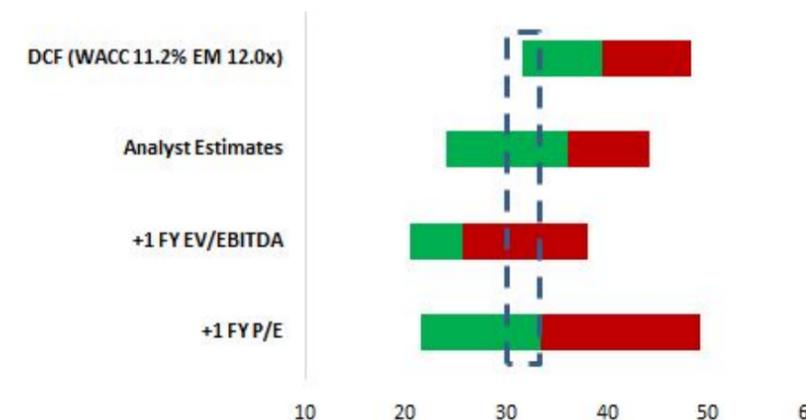
1. Booming recreational boat market in North America: The recreational boat market is growing at by 4% yoy from 2017-2018, expecting to reach revenues of over \$50 billion by 2023. In addition, registrations of new powerboats were up 4.4% on a rolling 12-month year-over-year (R12M YoY) basis. Increasing popularity of marine and coastal tourism activities.

2. Consumer sentiment is supported by strong economic outlook: The US and Canadian economy remains strong, with GDP and wages continuing to rise and unemployment remaining at record lows. In addition, US gasoline prices has decreased 23% since May 2018 to US\$0.6/liter, lowering the cost of boating.

3. Rising demand for luxury boats with expanding in consumer base: The increase in number of High Net Worth Individuals in North America has resulted in a surge in expenditure on leisure activities, thus leading to a boost in demand for recreational boats.

Valuations

Figure 4. Valuation Summary



Our 12 month price target from date of coverage is US\$31, assuming an exit multiple of 12x. This is in line with MasterCraft's aggressive approach towards product and sales expansion in luxury boat space. Free cash flow to firm is expected to grow between 2-10% year-on-year for the next 5 years based on the higher growth rate provide by the acquired units slowly regressing to the industry average. Cost as a percentage of revenue is likely to remain flat and margins are expected to remain relatively unchanged as compared to previous years.

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