WESTPEAK RESEARCH ASSOCIATION

Marine Products Corporation (NYSE:MPX)

Consumer Discretionary – Boat Building

"Even keeled through steady waters"

March 02, 2018

Marine Products Corporation (NYSE:MPX) is a fiberglass powerboat manufacturer based in Atlanta, Georgia. The company owns and operates two subsidiaries: Chaparral boats and Robalo boats. Chaparral manufactures sterndrive, outboard, and jet boats and Robalo manufactures outboard sport fishing boats.

Thesis

We believe that Marine Products' recent growth will continue as they improve their model mix, and build market share in different segments of the powerboat industry. They have proven their ability to succeed despite the lack of industry growth in their main sterndrive segment, and their Robalo outboard models as well as Chaparral Vortex models have all seen increased growth in 2017. The company will produce strong returns in the future, and reinforced by the recent U.S. corporate tax changes, the top-line growth the company will experience will be able to create stable earnings growth. Although MPX has solid fundamentals, but the company is fairly valued right now.

Drivers

The main drivers for the company include its strong dividend growth, the top-line growth through increased market share, and margin expansion through efficiency in plant assets. The company has grown their quarterly dividend from $0.03 per share to $0.07 per share from 2013 to 2017 and has announced a 2018 Q1 dividend increase of 43%. Revenue growth has consistently grown through stronger products and efficiency in operations has collaboratively increased revenue and margins.

Valuation

Through our discounted cash flow analysis and comparable company analysis, we believe that Marine Products is fairly valued. We determined a target share price of $14 representing a downside of approximately -5%.

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Equity Research	Canada
Price Target	**USD$ 14.00**
Rating	Hold
Share Price (Mar. 02 Close)	USD$ 14.72
Total Return	-4.5%

Key Statistics	
52 Week H/L	$16.98/$10.02
Market Capitalization	$510.4M
Average Daily Trading Volume	32.8K
Net Debt	$10.3MM
Enterprise Value	$500.1M
Diluted Shares Outstanding	34.7M
Free Float	21.5%
Dividend Yield	2.80%

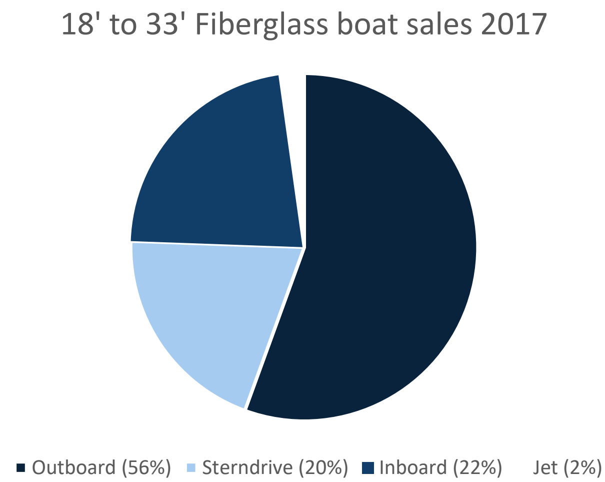
WestPeak's Forecast	2018E	2019E	2020E
Revenue	$304M	$343M	$381M
EBITDA	$37.0M	$43.6M	$50.2M
Net Income	$27.9M	$33.1M	$38.3M
EPS	$0.80	$0.95	$1.10
P/E	19.1x	16.0x	13.3x
EV/EBITDA	14.1x	11.9x	10.0x

1-Year Price Performance

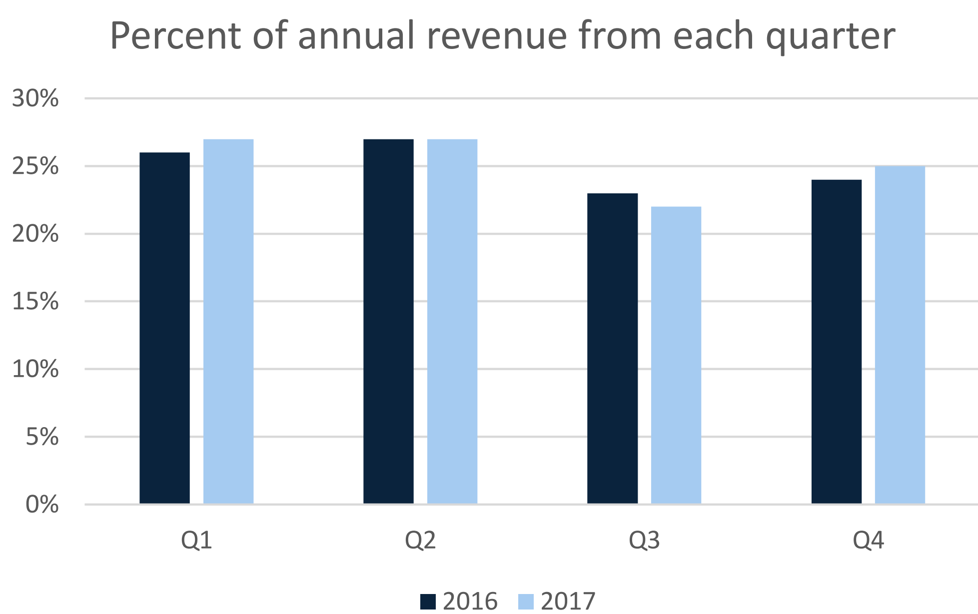
Business Overview/Fundamentals

Business Summary

Marine Products Corporation (Marine Products) is a recreational fiberglass powerboat manufacturer headquartered in Atlanta, Georgia. Marine Products owns two subsidiary companies: Chaparral and Robalo. Chaparral offers sterndrive, outboard, and jet pleasure boats whilst Robalo offers outboard sport fishing boats. The company operates five different manufacturing plants and sells its products to a dealer network comprised of 161 American dealers and 92 international dealers. Many of the dealers have been operating with Marine Products for several years, and the company has developed strong relationships with these dealers. The seasonal nature of the business makes for high revenues in the first and second quarter of the calendar year, and less sales later in the year. This is due to the spike in the demand in Spring and Summer seasons when weather conditions favour boating use. The company is a leading manufacturer of fiberglass powerboats, notably the largest manufacturer of sterndrive powerboats length 18’ to 33’ in length. Although the powerboat market share that Marine Products holds is small, they’ve positioned themselves well in the smaller sterndrive market. Moving forward the company will focus on leveraging the brand they’ve developed to grow their product line in different powerboat segments.



Source: Company Filing



Source: Company Filings

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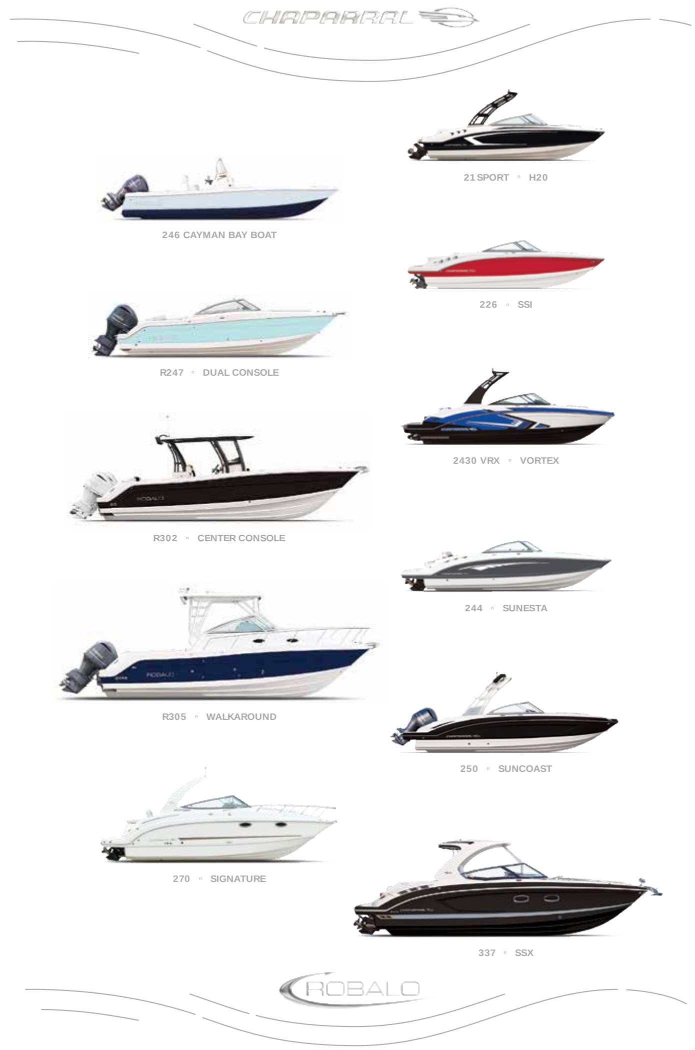
Chaparral Products

H2O Sport Series

As one of its most innovative lines, the Chaparral H2O series is Chaparral's least expensive model that is marketed to young families. The product has both sterndrive and outboard models and its 21-foot model was one of its strongest performing models in 2016.



Source: Company Website

SSI Wide Tech

SSI Wide Tech models are in the range of 21 to 24 feet. Chaparral uses its patented Wide Tech bow design to provide extra space. The boat is marketed as an affordable entry-level to mid-range pleasure boat that handles like a runabout.

Vortex Jet Boats

The Vortex Jet Boats targets young first-time boat owners. This is the company's first jet boat, and with its strong unit sales in 2016 and 2017, and management is confident that this will be a strong addition to its product line. Management has expressed that the boat has received favorable consumer reception, and it will continue to gain more market share in the jet boats segment of the powerboat industry.

Sunesta Sport Boats

The Sunesta Sport Boats are some of the company's priciest sterndrive models and ranges from 22 to 28 feet in length. This was the first Chaparral model that used the Wide Tech bow technology and the 2018 models are available with Surf Series options.

Suncoast Outboard Sport Deck

This outboard model has been a strong growth area for Chaparral sales. Management believes that along with the Vortex Jet Boats, the Suncoast Outboard Sport Deck will expand the company's customer base outside of sterndrive models. Consumer reception of the Suncoast model has been favorable.

SSX Luxury Sport Boats

The SSX luxury sport boats were introduced in 2017 and represent the company's high-end models. The boat is marketed as a high-value runabout for family groups.

Signature Cruisers

This sterndrive model is marketed to experienced boat owners through different trade magazines and boat show exhibitions. There are three different of the Signature Cruiser model from length 27 to 33 feet.

Robalo Products

Robalo Cayman Bay Boats

This outboard-powered sport fishing boat is meant for freshwater lakes or coastal saltwater use. This boat is marketed to fishermen and families looking for fishing and cruising features.

Robalo Dual Consoles

This largest Robalo model at 31 feet in length was introduced in 2017. This is a performance fishing boat as well as a family cruiser. The Dual Consoles is one of the company's models that will allow it to push into a larger market share in the outboard boats segment.

Robalo Center Consoles

The Center Console was the first boat Robalo manufactured. This boat is designed for experienced fisherman that are looking for a strong hull to combat many conditions. This product offers inexpensive smaller models as well as models designed for more seating capacity.

Robalo Walkarounds

Robalo offers two walkaround outboard-powered sport fishing boats. These models offer cabins for overnight use. The boat is marketed to experienced fishermen and families looking for fishing features and overnight accommodations.

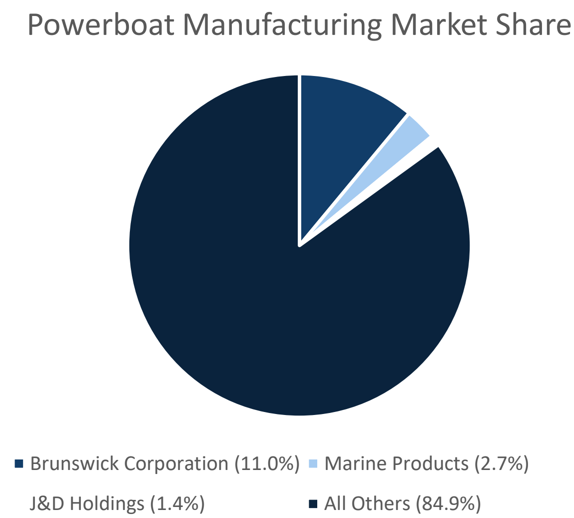
Industry Analysis

Fragmentation of the boat-building industry

Currently Brunswick Corporation (BC) is the largest manufacturer in the boat-building industry with approximately 11% market share in the United States. Besides BC, the industry has no large manufacturers and Marine Products is one of the notable boat manufacturers with an approximate 3% market share. Other manufacturers are comprised of many small companies that often manufacture from one location.

Input Prices

Marine Products has formed a group with 14 independent boat manufacturers called the American Boatbuilders Association (ABA). These peers combine their purchasing power on large inputs including: engines, fiberglass and resin. These three inputs represent the bulk of the input costs of manufacturing. This cost advantage is significant considering that the largest player, BC, is not only a powerboat manufacturer but an engine manufacturer as well. Therefore, this Association is crucial for Marine Products and its peers to prevent BC from having a large cost advantage through vertical integration. The ABA will allow Marine Products and its peers to remain competitive in its input costs and may be able to use that advantage to gain market share from smaller manufacturers.

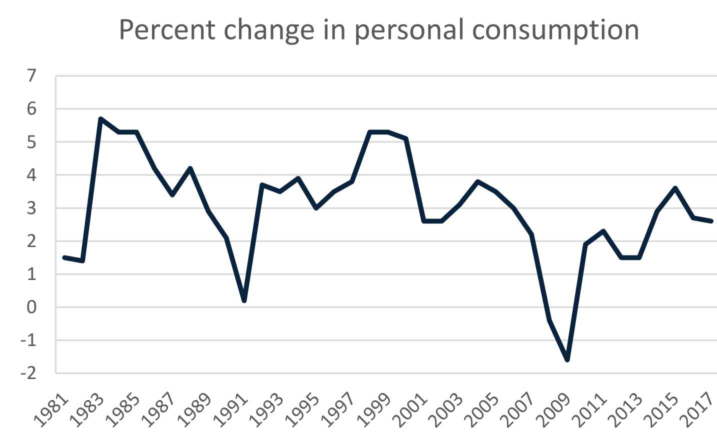


Source: IBISWorld

Key Indicators

Consumer Spending

Since Marine Products faces discretionary demand, consumer spending has a large impact on the sales of boats. From Q1-Q317, there was y/y growth of 10.6%, 13.1% and 0.8%, respectively, in personal expenditure of recreational goods and vehicles. Since 2013, aggregate consumption has grown strongly with a compounded annual growth of 2.9%, and we believe that this can be expected to continue as wage rates begin to grow, creating more disposable income. A potential offset to the rise in expenditure will result from inflationary pressure that is likely to increase in the next year.



Source: IBISWorld

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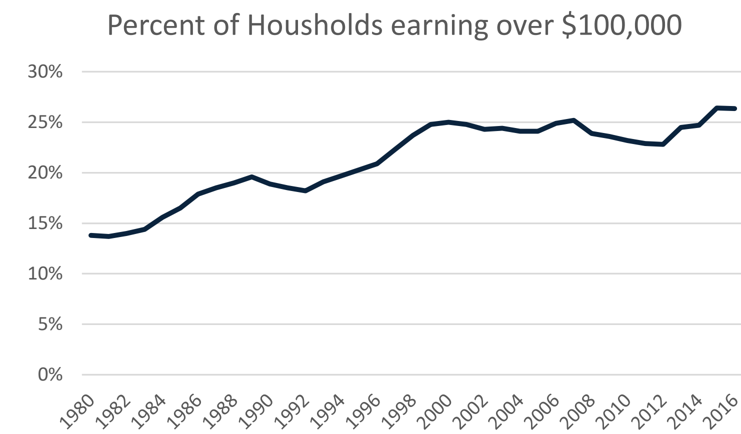
Households earning over $100,000

As Marine Products powerboats are predominantly marketed towards high-earning individuals, the growth of U.S. households earning over $100,000 is a strong indicator of the growth of Marine Products' targetable market. Forecasts from IBISworld predict an increase to 28% of households earning more than $100,000 due to accelerated economic growth and a decrease in unemployment levels. Additionally, the new U.S. tax bill brings tax cuts for the highest tax bracket, and as Marine Products' revenues are shifting to a model mix of their more expensive models, the tax cut's increase for this segment's disposable income will create a positive driver for Marine Products' top line growth.



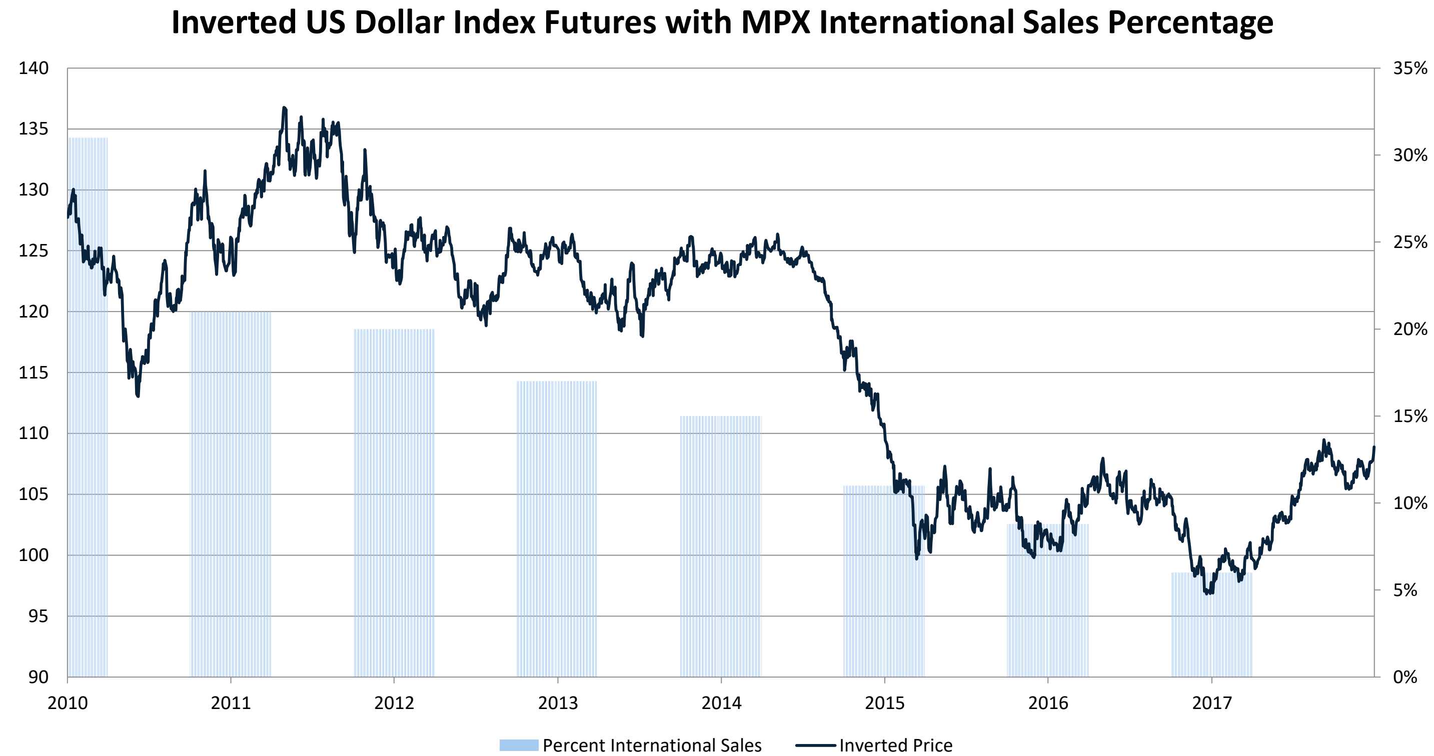
Source: IBISWorld

Corporate Tax Changes

With the introduction of the H.R.1 United States tax bill, Marine Products will see a significant reduction in its effective tax rate. Since the firm is not levered, the company has no tax shield advantage that is provided by outstanding debt. With the recent reduction in the corporate tax rate, the savings of a tax shield becomes less attractive and Marine Products gained a larger relative payment reduction because they carry no debt. In comparison to its peer group, Marine Products' competitors hold a median Debt/Enterprise Value of 7%, bringing a relatively smaller advantage to the corporate tax changes.

U.S. Dollar Performance

Marine Products' international sales have seen a decline from 30.5% of total sales to 6.3% of total sales from 2010 to 2017 respectively. These sales levels follow the appreciation of the U.S. dollar during, and with its ascent, exports become more expensive, making it more difficult to sell products internationally. While recent intrigue over Treasury secretary Steven Mnuchin statement which indicates "a weaker dollar is good for us as it relates to trade opportunities" sparked short term change, the strength of the currency has made it difficult for companies such as Marine Products to get their products outside of US borders.



Source: Investing.com, Company Filings

Catalysts

Improving model mix

Marine Products' increase in margins and top-line growth have come from a favourable increase in the model mix that is generating the most revenues. Management has recognized that a large portion of their revenue growth comes from selling a model mix consistent of the higher margin products. These tend to be the larger powerboats that Marine Products manufactures, such as the Chaparral SSX, Chaparral Surf Series and Robalo Explorer models. As sales continue to shift towards more profitable models, we expect Marine Products to see continued expansion in its margins (from 2013 to 2017, gross margin increased from 18% to 22%). Management does not provide a breakdown of the margins for each product line.

Source: Company Website

As the strongest sterndrive manufacturer in powerboats length 18' to 33', Marine Products' outboard and jet models' growth will allow the company to attract more market share in different powerboat segments. Marine Products' market share for its sterndrive category is ~17%, which is a strong number for the fragmented industry. Additionally, Chaparral's Vortex model holds the #2 position for its category while Robalo is ranked #4 in the outboard sport fishing category.

Acquiring smaller boat manufacturers

Management has expressed the desire to acquire smaller boat manufacturers due to the fragmentation of the boat building industry and the benefits of economies of scale through inorganic growth. If the current bull market growth begins to slow and smaller boat builders begin t struggle, Marine Products may have the opportunity to acquire these smaller manufacturers at an attractive price. Given no specific indications of the size of acquisition nor the timing, we decided to exclude the impact of any acquisitons in our valuation. However, we believe additional bolt-on acquisitons would be accretive for MPX.

Capital Allocation

Marine Products has growth their quarterly dividend payout from $0.03 per share to $0.07 per share from February 2013 to December 2017 respectively. In 2017, management also declared a special dividend of $0.05 in addition to the $0.07 that shareholders received for the 2017 year. Throughout the 2016 and 2017 fiscal year Marine Products saw a decrease in their Common Stock of 325,000 and 29,000 respectively. We can expect that the company will likely forego increase capital expenditure and instead look to returning capital to shareholders, increasing the value of the stock in the short term. The risk incurred through increase plant assets could be significant to the company in the event of recession, and is likely a motive towards their hesitation in reinvesting back in the company. The company has already announced an increase of 43% in their quarterly dividend for Q1 of 2018, and these dividends and repurchases will hep bring the price of the stock closer to intrinsic value. Although management could pursue an acquisition strategy, going forward we expect that they will likely continue their historical trend of returning capital to shareholders.

Management Team

Richard A. Hubbell – President and CEO

Richard Hubbell has been CEO of Marine Products since it was spinoff in 2001 from RPC after the acquisition of Robalo. He has also been the CEO of RPC since 2003. These two CEO positions he holds could become an issue for Marine Products if in the future his focus cannot be split between the two businesses. Richard Hubbell stock compensation represented 22% of his total compensation in 2016, a decrease from 46% in 2013.

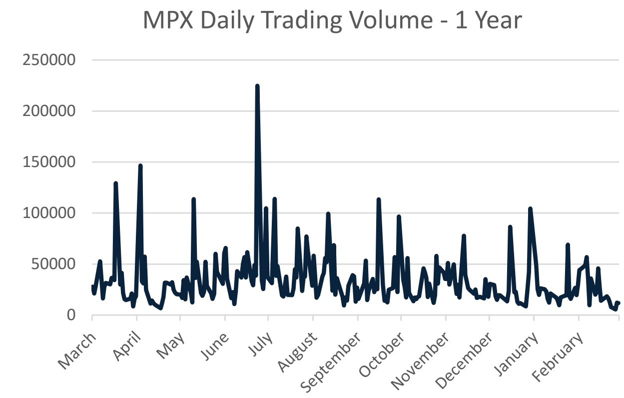
Ben M. Palmer – Vice President, CFO and Treasurer

Ben Palmer has been VP, CFO and Treasurer of Marine Products since the spinoff from RPC in 2001. Palmer has also served the same roles at RPC since 1996. Similar to Richard Hubbell, there could be a future conflict if Palmer sacrifices attention to Marine Products due to time allocation struggles. Ben Palmer's stock compensation as a percentage of his total compensation in 2016 was 31%, a decrease from 52% in 2013.

Shareholder Base, Liquidity, Market Depth

Liquidity

Over the last twelve months, the average trading volume was approximately 33,000, which may present some liquidity risk. However, given a market cap of $500MM, we do not believe it to be a large concern.



Source: Yahoo Finance

Shareholder Base

The insider interest outside of RFA management is 13%, and the notable shareholders from management are Randall Rollins, Marine Products' chairman, CEO Richard Hubell, and Gary Rollins who works as an inside director. Each own just over 3% of shares outstanding. RFA Management Company which is managed passively by the Rollins family (Gary and Randall Rollins) owns 65% of shares outstanding. Of the remaining 22% held by the public and institutions, the largest position is held by GAMCO investors which owns 4% of shares outstanding.

Valuation

Comparable Company Criteria

For the Comparable Company Analysis, we chose to select companies that demonstrated similar operations to Marine Products, are impacted by similar economic drivers, and are similar in size. This drew us to selecting many other powerboat and boat manufacturers in the U.S., as well as one in Europe. Many of these companies have a market capitalization close to Marine Products (~$500MM). These companies are all affected by discretionary spending and should follow similar performance to Marine Products relative to the macroeconomic environment of the industry. Additionally, we chose consumer discretionary companies that were in similar industries to boating that demonstrated seasonality, are similar in size, and are dependent on discretionary demand.

Comparable Company Analysis

Malibu Boats (NASDAQ:MBUU)

Malibu boats is a recreational powerboat manufacturer based in Delaware. Malibu Boats produces sport, sterndrive, and outboard boats in both their U.S. and Australia segments. They have a similar equity value to Marine Products, and are a larger player in the outboard market.

MCBC Holdings (NYSE:MCFT)

MCB Holdings owns Mastercraft, a company that builds recreational inboard boats that are designed for different water sports as well as recreational boating. Similar to Marine Products, Mastercraft is a mature boating company focused on product quality with a strong dealer network.

MarineMax (NYSE:HZO)

Marine Max is the largest recreational boat and yacht retailer in the United States. Their success is dependent of the boating industry as whole, and they are a retailer for many of Marine Products' competitors.

Johnson Outdoors (NASDAQ:JOUT)

Johnson Outdoors is a global manufacturer of branded outdoor recreation products including, boating, hiking, and camping products. Their seasonality is similar to Marine Products', with most of their revenues generated from sales during the summer season.

Callaway Golf (NYSE:ELY)

Callaway Golf is a California based manufacturer and distributor of gold equipment and accessories. Their seasonality is consistent with Marine Products', and their performance is heavily tied to economic conditions due to the discretionary nature of golf.

Brunswick Corporation (NYSE:BC)

Brunswick Corporation is a global leader in designing, manufacturing, and marketing of marine engines, boats, fitness equipment and active recreation products. Brunswick Corporation has a market share of 11% in the boat building industry and represents the largest manufacturer of recreational powerboats.

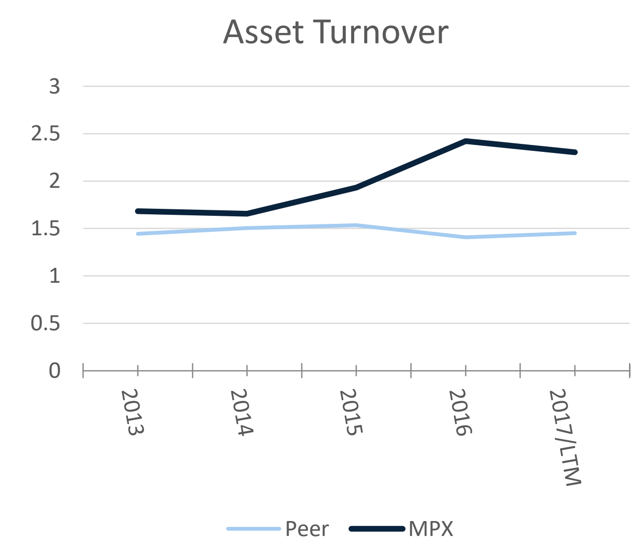
Beneteau (EPA:BEN)

Beneteau is a France based manufacturer and distributor of recreational boats and constructor of mobile leisure homes. Their boat segment produces luxury yachts and recreational boats.

Discounted Cash Flow Analysis

Revenue Growth

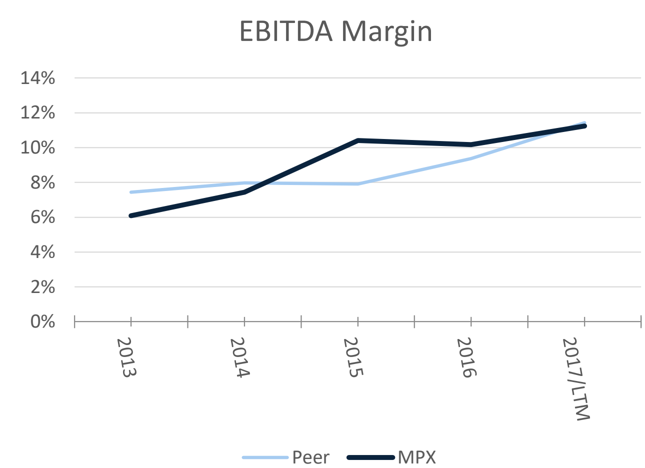
Top-line growth has been strong in previous years with 16.6% and 10.8% growth in 2016 and 2017, respectively. Moving forward, we expect that the company's increase in market share and improved model mix will translate to a growth of 15% for the fiscal 2018 year before gradually decreasing to 11% by 2022. The decline will likely come from the decrease in marginal growth in revenue yielded through the improved model mix because we believe that this isn't a sustainable driver. Furthermore, the company's recent use of its assets has shown the ability of the company to grow revenue without building on its balance sheet. Demonstrated below, Marine Products has recently beaten the consistent peer median asset turnover notably in the 2016 and 2017 years to increase the efficiency of its operations. On top of their current strategy, we believe that the possibility that Marine Products looks towards inorganic growth could be significant in building revenue growth, reinforcing our growth projections.



Source: company filings

Cost of Goods Sold

The company has expressed that reducing cost of goods sold is a priority and can be expected to be realized through a stronger model mix that will allow COGS as a percentage of revenue to decrease as these models allow revenues to grow without incurring an equally large cost increase. The company has managed to keep an EBITDA margin consistent with that of its competitors, and we expect that this increase will continue as the focused focus on improving facility utilization.



Source: company filings

Dividend and Share Repurchases

With the recent increase in the company's repurchases and quarterly dividends, we continued to drive that increase in our model. We projected that the 43% increase in quarterly dividend announced for Q1 of 2018 will remain constant for the rest of the year, and see a 10% increase into 2019 and then holding that constant until 2022. This aggressive approach of increased dividends is likely won't continue in the long term as economic cycles affect earnings and is why we began to slow the recent growth in dividend expansion in our projections.

Capital Expenditure and Net Working Capital

In conjunction with the increase in dividends, we projected capital expenditure as a percent of property, plant, and equipment to remain constant at 15% until 2022. The company is likely choosing not to commit to spending much on plant assets in the case that a recession occurs. The company had to idle its plants in Valdosta, Georgia during the 2008-2009 recession, and have now favoured a safer approach of return capital to shareholders. Similarly, net working capital assumption were held constant with historicals. With increasing dealer inventories, a possible recession could create a credit risk, should these dealers struggle to maintain sales. Marine Products also has debt agreements with some of its dealers and if dealers become insolvent, that could be a sudden change to Marine Products' cash estimates. The company likely want to remain cautious with the net working capital to assure that a recession won't have a snowballing impact on operations.

Weighted Average Cost of Capital

Using the Capital Asset Pricing Model, we derived a weighted average cost of capital of 11.8%. We used a risk-free rate of 2.5%, which represents with the yield of a five-year United States treasury bill. The expected market return of 9.6% was taken from the average market of the S&P 500 index over the last ten years. We used a 1 year beta of 1.31 which was taken from Bloomberg to end up with a total cost of equity of 11.8%. Since the company carries no debt outstanding, the cost of equity of 11.8% is used for the WACC.

Recommendation

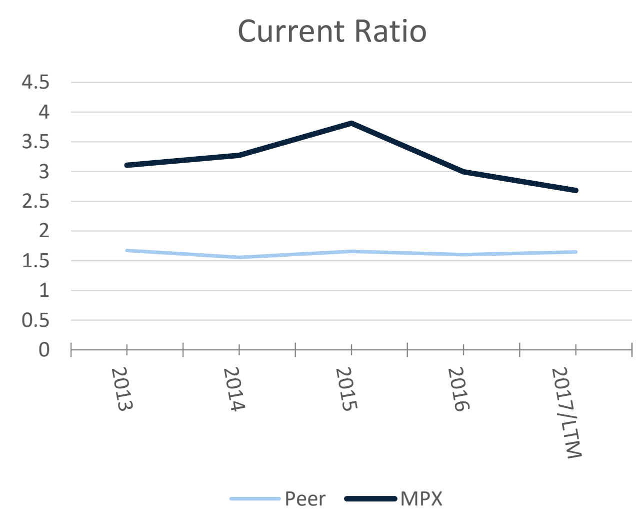
Marine Products has seen strong growth in its different products, and despite headwinds slowing the growth in sterndrive sales, Marine Products has outperformed the boatbuilding market with 10.4% growth in boat sales versus an industry average of 7.9% from 2013 to 2017. The company's outlook for 2018 looks favourable. With the H.R. 1 U.S. tax bill, a profitable product mix, and a growing market share in its operating segments, earnings are expected to continue increasing throughout 2018. Economic conditions play a large role in the company's success, and the company seems aware that with heavy investment into growth, there could be a large downside resulting from an economic downturn. Although strong growth may not be expected without a large investment in the business, we believe that Marine Products' operating excellence and strong consumer sentiments towards their Chaparral and Robalo products will help sustain the growth they have enjoyed in recent years. This upside however comes at a price. On a multiples basis, Marine Products trades at 13.2x NTM EV/EBITDA compared to its peer group of 9.1x. This premium comes from a favourable capital structure given market conditions, as well as the proven success through a heavy amount of sales coming from the low growth sterndrive powerboat segment.

Through a comparable company analysis (weighted 70%) using an exit multiple of 9.0x EV/EBITDA and a discounted cash flow analysis (30%), we came to a target share price of $14.00. We believe that the heavier weight to comparable reflects the difficulty is finding an accurate intrinsic value through the DCF. Due to the seasonality of the business and its dependence on economic performance we felt that the comparable company analysis would allow us to judge the company's strength through relative performance.

Risks

Economic Recession

source: company filings



As a company in the consumer discretionary sector, economic performance plays a significant impact on the performance of Marine Products. In comparison to its peers, Marine Products would be more favoured than some of its competitors in the event of a recession. The company's current ratio of 2.7 has sat well above its peer median for the last 5 years, and this financial flexibility would be a significant asset if sales began declining. The accommodation for this risk seems to be in the lack of capital expenditure increase with the company's growing cash flows from operations. Instead of reinvesting in the business, Marine Products is electing to return much of the capital it has earned to shareholders.

Adjusting Operations Due to a Lack of Sales

Marine Products operates five facilities, and it may experience large troubles in holding its operating margin if boat sales decrease. In 2008-2009, the company had to idle plants in one of its locations, and couldn't absorb the plants' fixed cost in its usual sales. If this were to be repeated in the future a similar event could hinder the business and its growth as the company looks to compress costs. We believe that a large reason why the company has neglected increasing their capital expenditures and is focused towards increasing shareholder returns is largely due to this risk.

Appendices

Exhibit 1: Valuation Summary

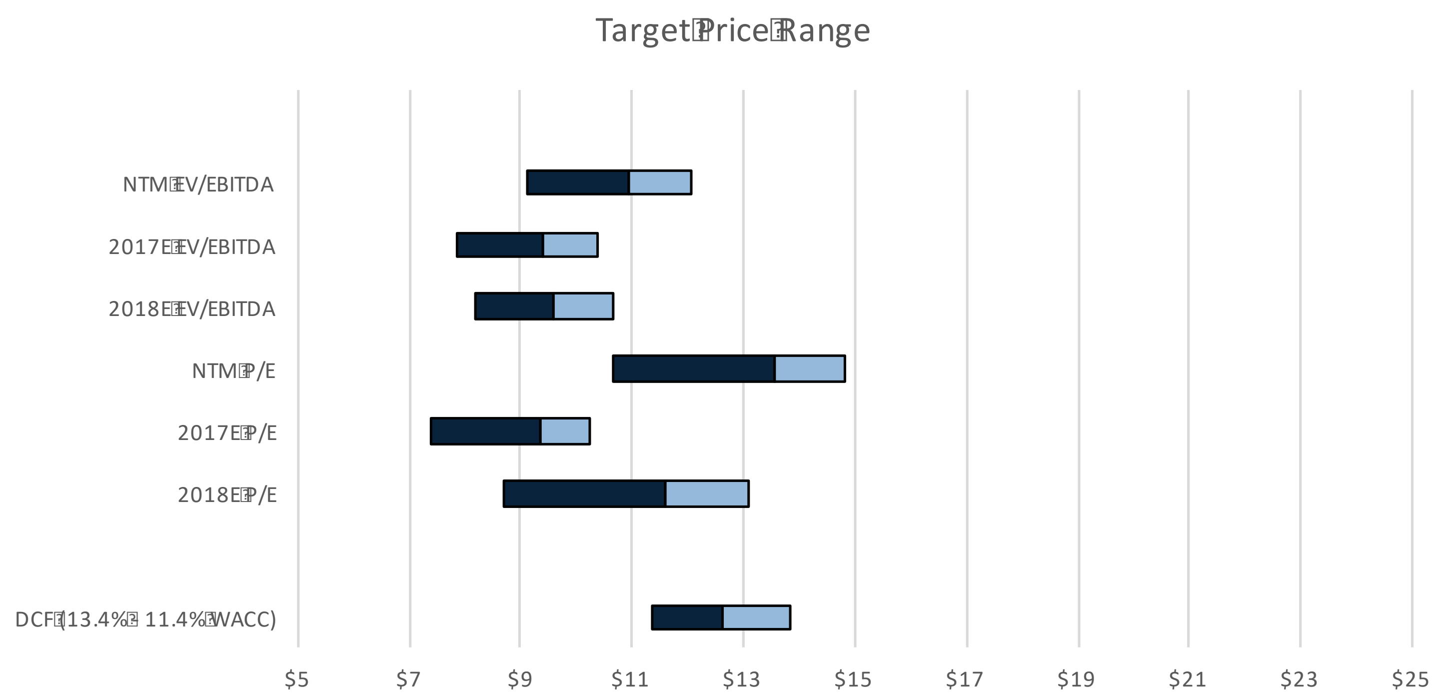


Exhibit 2: Operating Model Summary

Operating Model Summary

	Dec-13	Dec-14	Dec-15	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
	FY2013	FY2014	FY2015	FY2016	Q1-2017	Q2-2017	Q3-2017	Q4-2017	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Income Statement														
Revenue	168.3	171.1	207.1	241.3	71.0	71.5	59.2	65.59	267.3	303.5	342.9	380.7	418.7	460.6
COGS	137.8	137.7	162.2	189.5	55.8	54.5	44.6	50.84	205.7	232.2	260.6	287.4	314.0	340.8
Gross profit	30.5	33.4	44.8	51.8	15.3	17.0	14.6	14.7	61.6	71.2	82.3	93.3	104.7	119.8
EBITDA	10.2	12.7	21.6	24.4	7.3	9.5	7.8	7.9	32.3	37.0	43.6	50.2	57.4	67.7
Net income	7.5	8.9	14.3	16.7	5.3	6.1	4.6	3.4	19.3	28.3	33.9	40.0	46.6	55.8
Earnings per share	$ 0.20	$ 0.24	$ 0.39	$ 0.44	$ 0.15	$ 0.18	$ 0.13	$ 0.10	$ 0.55	$ 0.81	$ 0.97	$ 1.15	$ 1.34	$ 1.60
Cash Flow Statement	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow from operating activities	9.9	10.7	16.0	15.8	10.1	7.8	0.6	11.2	29.6	29.8	30.8	37.0	42.6	50.4
Cash used in investing activities	(0.3)	(4.2)	(2.5)	22.6	(2.2)	(7.3)	3.6	(0.6)	(6.5)	(2.2)	(2.2)	(2.3)	(2.4)	(2.5)
Cash from financing activities	(6.1)	(7.5)	(9.6)	(43.8)	(3.7)	(3.5)	(3.9)	(7.0)	(18.0)	(13.9)	(15.3)	(16.7)	(16.7)	(16.7)
Net change in cash	3.5	(1.0)	3.9	(5.4)	4.2	(3.0)	0.2	3.6	5.1	13.7	13.3	18.0	23.5	31.2
Balance Sheet	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets														
Total current assets	45.3	43.2	52.6	52.2	59.1	58.0	58.7	54.2	54.2	74.2	94.0	119.9	152.6	194.4
Total non-current assets	57.3	60.6	58.0	36.4	39.0	44.5	42.4	41.7	41.7	41.9	42.4	43.0	43.6	44.3
Total assets	102.6	103.8	110.7	88.5	98.1	102.5	101.1	95.9	95.9	116.1	136.4	162.9	196.2	238.6
Liabilities														
Total current liabilities	14.6	13.2	13.8	17.4	24.8	24.7	21.9	19.4	19.4	23.3	24.9	27.6	30.3	33.2
Total non-current liabilities	6.5	7.1	6.7	5.7	5.7	6.7	6.5	6.9	6.9	6.9	6.9	6.9	6.9	6.9
Total liabilities	21.1	20.3	20.5	23.1	30.5	31.4	28.4	26.3	26.3	30.2	31.8	34.5	37.2	40.1
Shareholders' equity														
Total shareholders' equity	81.5	83.5	90.2	65.4	67.6	71.1	72.7	69.6	69.6	88.1	106.7	129.9	159.8	198.9

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Exhibit 3: Comparable Company Analysis

Comparable Company Analysis

Company	Ticker	Equity Value	Enterprise Value	Debt/EV	EV/EBITDA Multiple: NTM EV/EBITDA	2018E EV/EBITDA	2019E EV/EBITDA	P/E Multiple: NTM P/E	2018E P/E	2019E P/E
Malibu Boats	NASDAQ:MBUU	677.5	754.0	14%	9.1 x	9.1 x	8.4 x	14.9 x	14.9 x	12.7 x
MCBC Holdings	NYSE:MCFT	457.1	477.9	7%	8.5 x	8.5 x	7.4 x	13.4 x	13.4 x	10.9 x
MarineMax	NYSE:HZO	454.2	726.3	42%	11.3 x	11.3 x	10.2 x	14.4 x	14.4 x	12.5 x
Johnson Outdoors	NASDAQ:JOUT	625.9	547.6	0%	8.6 x	8.6 x	7.8 x	19.5 x	19.5 x	16.3 x
Callaway Golf	NYSE:ELY	1,489.3	1,501.2	6%	12.5 x	12.5 x	11.0 x	22.5 x	22.5 x	19.9 x
Brunswick Corporation	NYSE:BC	5,359.4	5,347.2	8%	8.1 x	8.1 x	7.5 x	13.3 x	13.3 x	12.0 x
Beneteau	EPA:BEN	1,815.9	1,708.0	6%	10.2 x	10.2 x	8.9 x	20.4 x	20.4 x	17.2 x
Marine Products Corp.	**NYSE:MPX**	**510.4**	**500.1**	**0%**	**13.2 x**	**15.4 x**	**13.5 x**	**18.4 x**	**26.6 x**	**18.4 x**
Median				**7%**	**9.1 x**	**9.1 x**	**8.4 x**	**14.9 x**	**14.9 x**	**12.7 x**
Mean				**12%**	**9.7 x**	**9.7 x**	**8.7 x**	**16.9 x**	**16.9 x**	**14.5 x**
High					**12.5 x**	**12.5 x**	**11.0 x**	**22.5 x**	**22.5 x**	**19.9 x**
Low					**8.1 x**	**8.1 x**	**7.4 x**	**13.3 x**	**13.3 x**	**10.9 x**

	EV/EBITDA Implied Price			P/E Implied Price		
Median	$ 10.23	$ 8.81	$ 9.24	$ 11.93	$ 8.25	$ 10.19
Mean	**$ 10.92**	**$ 9.40**	**$ 9.61**	**$ 13.55**	**$ 9.36**	**$ 11.62**
High	$ 13.91	$ 11.95	$ 12.01	$ 18.04	$ 12.47	$ 15.99
Low	$ 9.11	$ 7.85	$ 8.21	$ 10.68	$ 7.38	$ 8.72

Exhibit 4: Discounted Cash Flow Analysis

Discounted Cash Flow Analysis

	Dec-13	Dec-14	Dec-15	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22
	FY2013	FY2014	FY2015	FY2016	Q1-2017	Q2-2017	Q3-2017	Q4-2017	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022

WACC Calculations

Cost of Equity	
Risk-free rate	2.5%
Expected market return	9.6%
Market risk premium	7.1%
Beta	1.31
Cost of equity	**11.8%**

Cost of Debt	
Pre-tax cost of debt	0.0%
Effective tax rate	21.0%
Cost of debt	**0.0%**

WACC	
Market value of equity	512.9
Book value of debt	-
Total capitalization	512.9
Cost of equity	11.8%
Cost of debt	0.0%
WACC	**11.8%**

Free Cash Flow

	FY2013	FY2014	FY2015	FY2016	Q1-2017	Q2-2017	Q3-2017	Q4-2017	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
EBIT	9.5	12.0	20.6	23.1	6.9	8.7	6.7	7.5	29.8	35.3	41.9	48.5	55.6	65.9
Less: Tax expense	(2.0)	(2.5)	(4.3)	(4.8)	(1.4)	(1.8)	(1.4)	(1.6)	(6.2)	(7.4)	(8.8)	(10.2)	(11.7)	(13.8)
Add: Depreciation and amortization	0.7	0.7	1.0	1.4	0.4	0.7	1.1	0.4	2.6	1.6	1.6	1.7	1.8	1.8
Less: Capital expenditures	(0.5)	(0.5)	(3.9)	(1.9)	(0.3)	(0.6)	(0.6)	(0.9)	(2.4)	(2.2)	(2.2)	(2.3)	(2.4)	(2.5)
Less: Change in net working capital	(0.0)	(0.8)	(3.4)	(4.9)	3.6	0.5	(5.1)	5.1	4.2	0.3	(4.0)	(3.1)	(3.1)	(3.4)
Unlevered free cash flow	**7.7**	**8.9**	**10.0**	**12.7**	**9.1**	**7.6**	**0.7**	**10.6**	**27.9**	**27.6**	**28.6**	**34.7**	**40.2**	**48.0**
Discount factor					-	-	-	-	-	1.00	2.00	3.00	4.00	5.00
Present value of unlevered free cash flow					**-**	**-**	**-**	**-**	**-**	**25.4**	**22.9**	**24.8**	**25.8**	**27.5**

Discounted Cash Flow Valuations

Perpetuity Growth Method	
Perpetuity growth rate	2.0%
PV sum of unlevered FCF	126.3
PV of terminal value	280.8
Enterprise value	**407.1**
Add: Cash	10.3
Less: Debt	-
Less: Other EV adjustments	-
Equity value	**417.5**
Shares outstanding	34.8
Implied share price	**$ 11.98**

Current price	$ 14.72
Implied price	**$ 11.98**
Total return	**-18.6%**

Exit Multiple Method	
Terminal EV/EBITDA multiple	9.0 x
PV sum of unlevered FCF	126.3
PV of terminal value	349.1
Enterprise value	**475.5**
Add: Cash	10.3
Less: Debt	-
Less: Other EV adjustments	-
Equity value	**485.8**
Shares outstanding	34.8
Implied share price	**$ 13.94**

Current price	$ 14.72
Implied price	**$ 13.94**
Total return	**-5.3%**

Perpetuity Growth Rate	WACC 12.80%	12.30%	11.80%	11.30%	10.80%
1.00%	$ 10.21	$ 10.69	$ 11.22	$ 11.79	$ 12.43
1.50%	$ 10.49	$ 11.01	$ 11.57	$ 12.19	$ 12.88
2.00%	$ 10.80	$ 11.35	$ 11.96	$ 12.63	$ 13.39
2.50%	$ 11.14	$ 11.73	$ 12.39	$ 13.13	$ 13.95
3.00%	$ 11.52	$ 12.16	$ 12.87	$ 13.68	$ 14.59

Terminal EV/EBITDA Multiple	WACC 12.80%	12.30%	11.80%	11.30%	10.80%
7.0 x	$ 11.27	$ 11.49	$ 11.71	$ 11.93	$ 12.17
8.0 x	$ 12.34	$ 12.58	$ 12.82	$ 13.07	$ 13.33
9.0 x	$ 13.40	$ 13.66	$ 13.93	$ 14.21	$ 14.49
10.0 x	$ 14.47	$ 14.75	$ 15.05	$ 15.35	$ 15.66
11.0 x	$ 15.53	$ 15.84	$ 16.16	$ 16.49	$ 16.82

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