


# Malibu Boats, Inc.
## Fourth Quarter Fiscal 2018 Earnings Results
## September 6th, 2018

OUR MISSION: AT MALIBU BOATS WE CREATE THE ULTIMATE ON THE WATER LIFESTYLE.

# Safe Harbor Statement

This presentation includes forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). Forward-looking statements can be identified by such words and phrases as “believes,” “anticipates,” “expects,” “intends,” “estimates,” “may,” “will,” “should,” “continue” and similar expressions, comparable terminology or the negative thereof, and includes the statement in this press release regarding the expected timing for the closing of the acquisition of the Pursuit division (“Pursuit”) from S2 Yachts, Inc.; the anticipated benefit to our business from the addition of Pursuit; our anticipated strategy after closing the acquisition; the expected strategies to mitigate the impact of the global trade environment; and the expected strength of the economy and our continuing performance.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including, but not limited to: the satisfaction of the closing conditions to the acquisition of Pursuit and conditions for borrowing under our revolving credit facility; general industry, economic and business 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; the success of our engines integration strategy; and other factors affecting us detailed from time to time in our filings with the Securities and Exchange Commission. Many of these risks and uncertainties are outside our control, and there may be other risks and uncertainties which we do not currently anticipate because they relate to events and depend on circumstances that may or may not occur in the future. Although we believe that the expectations reflected in any forward-looking statements are based on reasonable assumptions at the time made, we can give no assurance that our expectations will be achieved. Undue reliance should not be placed on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation (and we expressly disclaim any obligation) to update or supplement any forward-looking statements that may become untrue because of subsequent events, whether because of new information, future events, changes in assumptions or otherwise. Comparison of results for current and prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

# Use and Definition of Non-GAAP Financial Measures

This presentation includes the following financial measures defined as non-GAAP financial measures by the SEC: Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Fully Distributed Net Income and Adjusted Fully Distributed Net Income per Share. These measures have limitations as analytical tools and should not be considered as an alternative to, or more meaningful than, net income as determined in accordance with GAAP or as an indicator of our liquidity. Our presentation of these non-GAAP financial measures should also not be construed as an inference that our results will be unaffected by unusual or non-recurring items. Our computations of these non-GAAP financial measures may not be comparable to other similarly titled measures of other companies.

We define Adjusted EBITDA as net income before interest expense, income taxes, depreciation, amortization and non-cash, non-recurring or non-operating expenses, including certain professional fees, litigation related expenses, acquisition and integration related expenses, non-cash compensation expense, expenses related to our engine development initiative and adjustments to our tax receivable agreement liability. We define Adjusted EBITDA Margin as Adjusted EBITDA divided by net sales. Adjusted EBITDA and Adjusted EBITDA Margin are not measures of net income as determined by GAAP. Management believes Adjusted EBITDA and Adjusted EBITDA Margin allow investors to evaluate our operating performance and compare our results of operations from period to period on a consistent basis by excluding items that management does not believe are indicative of core operating performance. Management uses Adjusted EBITDA to assist in highlighting trends in our operating results without regard to our financing methods, capital structures, and non-recurring or non-operating expenses. We exclude the items listed above from net income in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures, the methods by which assets were acquired and other factors.

Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company’s financial performance, such as a company’s cost of capital and tax structure, as well as the historical costs of depreciable assets.

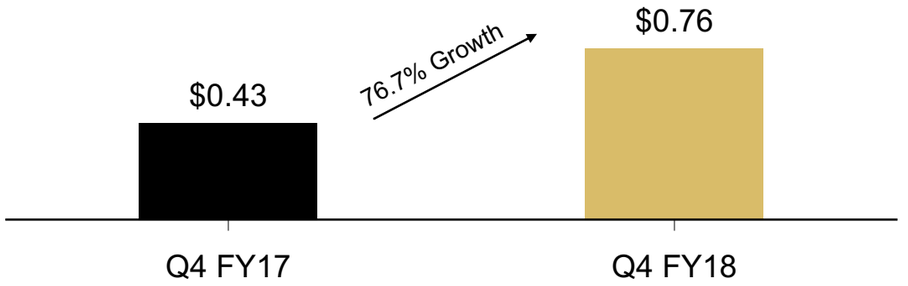
We define Adjusted Fully Distributed Net Income as net income attributable to Malibu Boats, Inc. (i) excluding income tax expense, (ii) excluding the effect of non-recurring or non-cash items, (iii) assuming the exchange of all LLC units into shares of Class A Common Stock, which results in the elimination of non-controlling interest in Malibu Boats Holdings, LLC (the "LLC"), and (iv) reflecting an adjustment for income tax expense on fully distributed net income before income taxes at our estimated effective income tax rate. Adjusted Fully Distributed Net Income is a non-GAAP financial measure because it represents net income attributable to Malibu Boats, Inc., before non-recurring or non-cash items and the effects of non-controlling interests in the LLC. We use Adjusted Fully Distributed 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 measures alone. We believe Adjusted Fully Distributed 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 or non-recurring items, and eliminates the variability of non-controlling interest as a result of member owner exchanges of LLC units into shares of Class A Common Stock. In addition, because Adjusted Fully Distributed Net Income is susceptible to varying calculations, the Adjusted Fully Distributed Net Income measures, as presented in this release, may differ from and may, therefore, not be comparable to similarly titled measures used by other companies.

A reconciliation of our net income as determined in accordance with GAAP to Adjusted EBITDA and Adjusted EBITDA Margin, and of our net income attributable to Malibu Boats, Inc. to Adjusted Fully Distributed Net Income is provided under "Reconciliation of Non-GAAP Financial Measures".

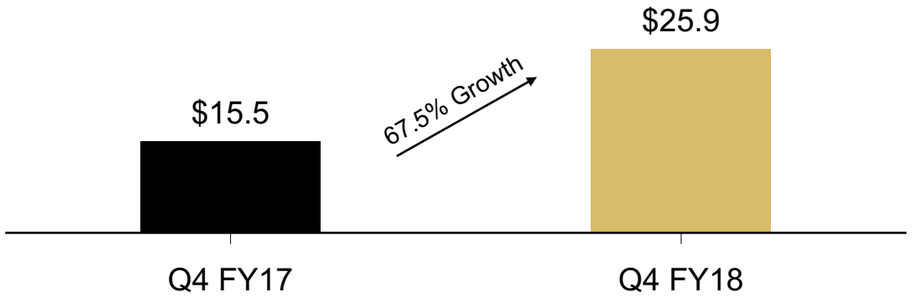
# 4th Quarter Financial Highlights

- Record 4th quarter net sales, gross profit, Adjusted EBITDA, and AFDNI per share
- Net sales are up 84.6% year-over-year
- Net sales per unit increased 8.5%
  - Inclusion of Cobalt
  - Y/Y price increases
  - New and larger model mix
  - Optional features
- Gross profit increased 67.4% and gross margin is 24.2%

## AFDNI Per Share(1)




## Adjusted EBITDA(2)




1. See Appendix for a reconciliation of Net Income to Adjusted Fully Distributed Net Income.
2. See Appendix for a reconciliation of Non-GAAP Adjusted EBITDA to Net Income.

**Jack Springer**

**Chief Executive Officer**

**MALIBU BOATS, INC.**



# Market Commentary

- Retail Momentum
  - Healthy growth
  - Consistent results across the country
  - Dealer sentiment near all-time high
  - Seeing the impact of strong consumer confidence and higher disposable income
- Dealer inventory levels are healthy
  - Malibu down meaningfully year over year
  - Cobalt inventory is consistent with historical years
- Continued leadership in ski/wake and sterndrive segments

## Domestic Market Growth[1]

CY18 ski/wake expected up ~7% CY18

Cobalt addressable market up ~5%

## Market Share[1]

Malibu #1 in Premium, Entry and Total performance sport boats segments

Cobalt leading share in 20'-40' fiberglass, sterndrive segment, outpacing addressable market growth

1. Source: Statistical Surveys, Inc. (“SSI”).

# Key Takeaways

- Malibu operating and financial performance has been excellent producing strong results

- The marine environment provides attractive opportunities
  - Performance Sports Boats continues to grow mid to high single digits
  - Cobalt is taking share in a growing sterndrive/outboard addressable market
  - Dealer inventory levels are near optimal
  - International markets are burdened by tariff environment but we believe most of the impact can be offset
  - Outboard saltwater boats are one of the largest and fastest growing markets in marine

- Malibu is setup to capitalize on the growing marine market
  - Leading market share positions
  - Diverse product offering driven by industry leading innovation and product development
  - Ingrained operational excellence focus with opportunities to drive incremental improvement into the future
  - Cobalt opportunity is better than we expected and outboard offerings are just beginning to see results with more models coming
  - Pursuit acquisition provides numerous opportunities to leverage our operational and design expertise along with expanding distribution over time to enhance shareholder value



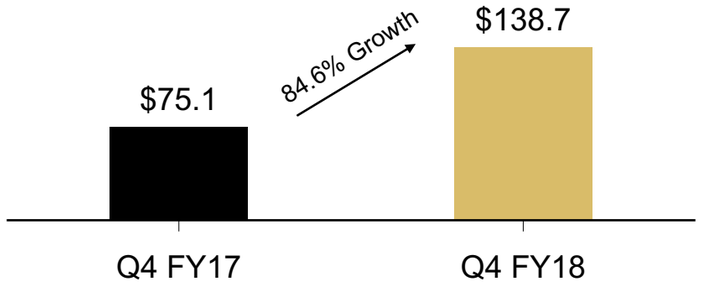

**Wayne Wilson**

**Chief Financial Officer**

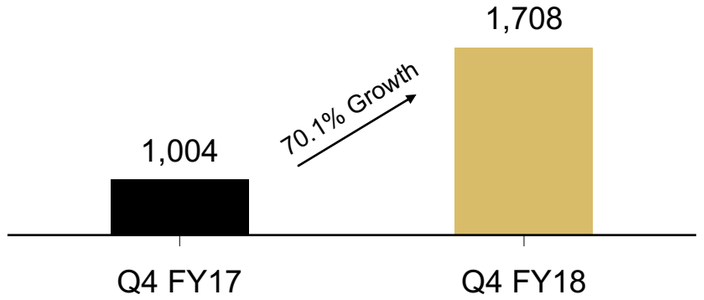
**MALIBU BOATS, INC.**

# 4th Quarter Fiscal 2018 Comparable Results

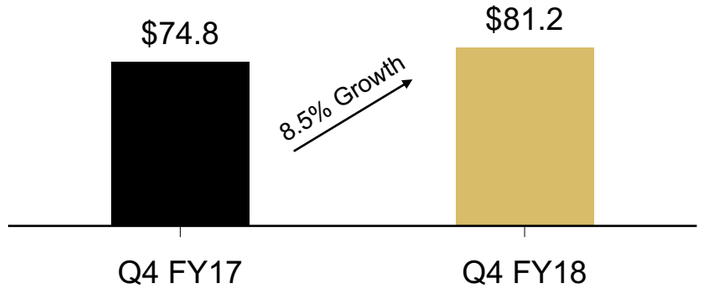
## Net Sales




## Volume




## Net Sales Per Unit

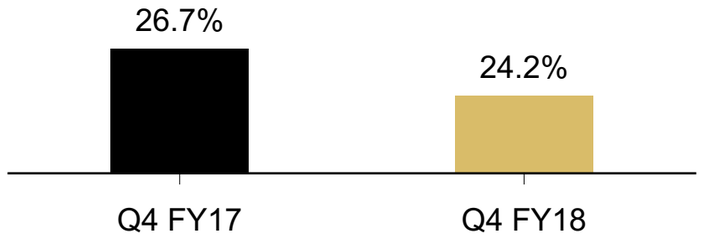



## Net Sales per Unit Components

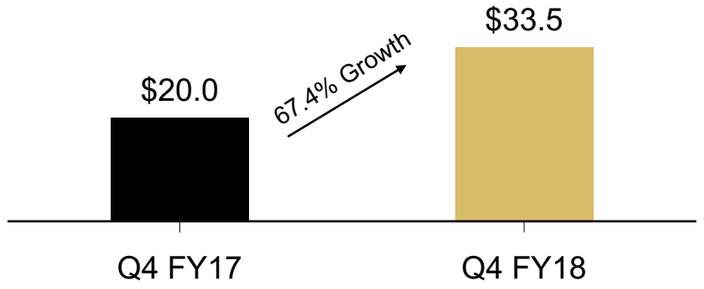
- The Inclusion of Cobalt
- Year-over-year price increases
- Mix of larger models including Malibu 23 LSV, Axis A24
- Optional Features

# 4th Quarter Fiscal 2018 Comparable Results

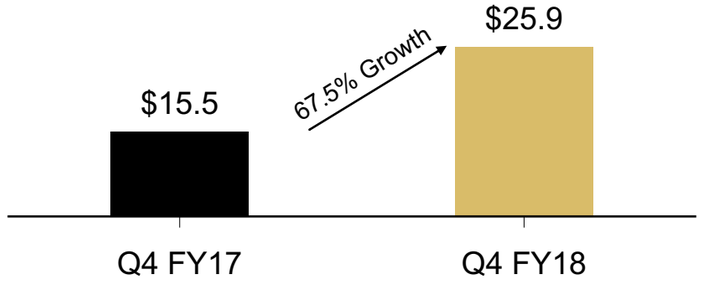
## Gross Margin



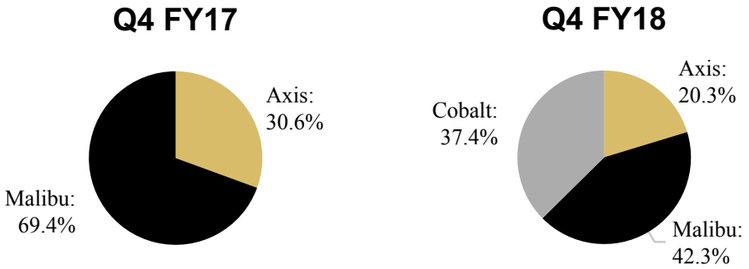

## Gross Profit




## Adjusted EBITDA(1)



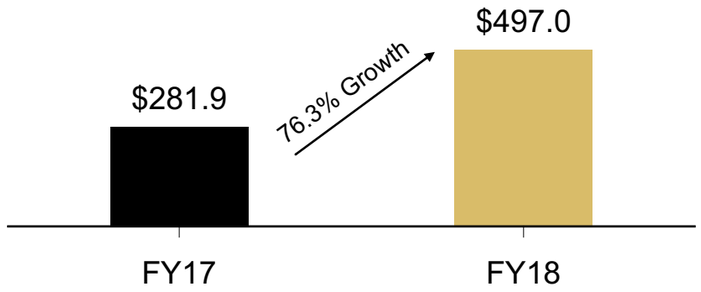

## Mix Comparison



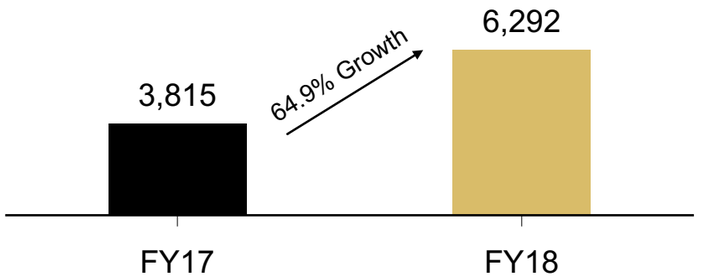

1. See Appendix for a reconciliation of Non-GAAP Adjusted EBITDA to Net Income.

# Fiscal Year 2018 Comparable Results

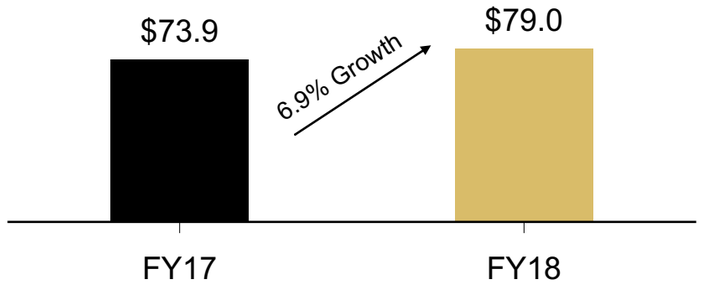
## Net Sales




## Volume




## Net Sales Per Unit

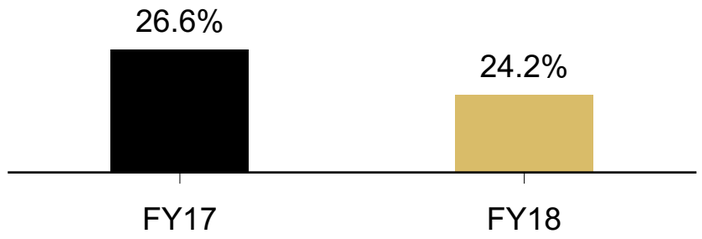



## Net Sales per Unit Components

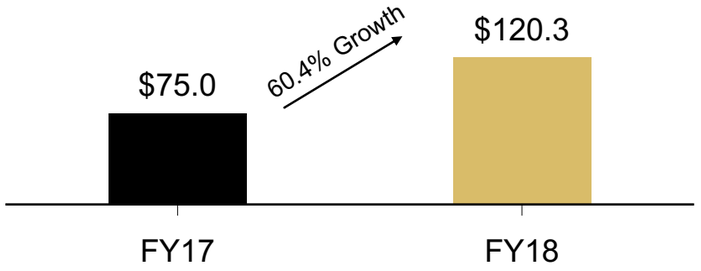
- Year-over-year price increases
- Mix of larger models including Malibu 23 LSV, Axis A24
- Optional Features

# Fiscal Year 2018 Comparable Results

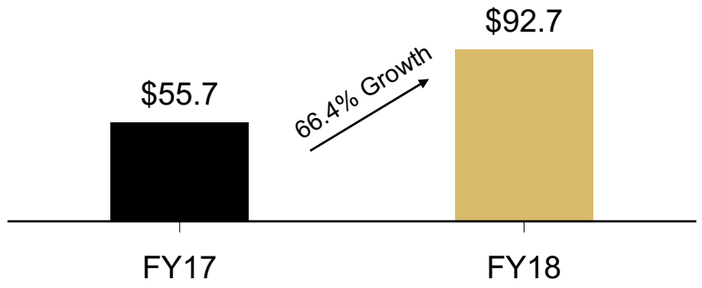
## Gross Margin



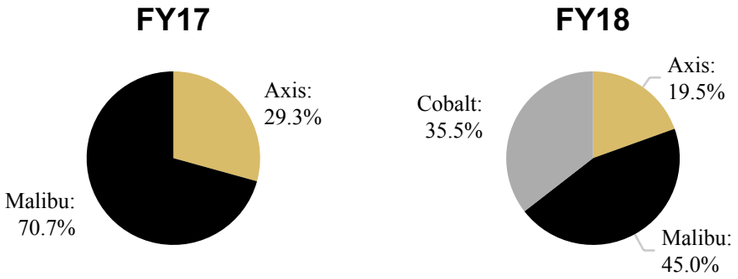

## Gross Profit




## Adjusted EBITDA(1)




## Mix Comparison




1. See Appendix for a reconciliation of Non-GAAP Adjusted EBITDA to Net Income .

# Pursuit Acquisition

| | |
|---|---|
| Purchase Price Multiple | ~6.5x June 2018 TTM EBITDA |
| Expected Close | Q2 Fiscal 2019 |
| Annual Unit Volume | ~550 units |
| Net Sales per Unit | ~$225K |
| Gross Margin % | Low 20s |
| Depreciation % of Net Sales | <2% |
| Annual EPS Accretion | >$.35 per share, excluding amortization and purchase accounting adjustments |

# FY19 Full Year Outlook

| Metric | Target |
|---|---|
| Unit Volume | Increase in mid-single digits |
| Net Sales | Approaching high-single digit growth |
| Gross Margin % | Modest Increase |
| Acquisition, Integration and Engine Expense | ~$6 million |
| Adjusted EBITDA Margin | Modest Increase |
| Capital Expenditures | ~$15 million |

1. See Appendix for a reconciliation of Non-GAAP Adjusted EBITDA to Net Income.
2. Fiscal Year 2019 Outlook does not include any contribution from the Pursuit Boats acquisition that we expect to close in the fiscal 2019 second quarter.

# Appendix



# Reconciliation of Net Income to Non-GAAP Adjusted EBITDA and Adjusted EBITDA Margin (Unaudited):

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

| | Three Months Ended June 30, | | Fiscal Year Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net income | $ 13,343 | $ 10,266 | $ 30,969 | $ 31,075 |
| Provision for income taxes [1] | 1,873 | 7,696 | 58,418 | 17,593 |
| Interest expense | 1,249 | 676 | 5,385 | 1,559 |
| Depreciation | 2,554 | 1,506 | 7,656 | 4,550 |
| Amortization | 1,295 | 549 | 5,198 | 2,198 |
| Professional fees and litigation settlement[2] | | (2,107) | 26 | 1,038 |
| Marine Power litigation judgment [3] | — | 237 | — | (1,093) |
| Acquisition and integration related expenses [4] | 578 | 3,056 | 2,859 | 3,056 |
| Stock-based compensation expense [5] | 563 | 326 | 1,973 | 1,396 |
| Engine development [6] | 1,385 | 1,399 | 4,871 | 2,489 |
| Adjustments to tax receivable agreement liability [7] | 3,065 | (8,140) | (24,637) | (8,140) |
| Adjusted EBITDA | $ 25,905 | $ 15,464 | $ 92,718 | $ 55,721 |
| Adjusted EBITDA margin | 18.7% | 20.6% | 18.7% | 19.8% |

# Reconciliation of Net Income to Non-GAAP Adjusted EBITDA and Adjusted EBITDA Margin (Unaudited):

(1) Provision for income taxes for fiscal year 2018 reflects the impact of the Tax Cuts and Jobs Act of 2017 (the "Tax Act") adopted in December 2017, which among other items, lowered the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018. For fiscal year 2018, we recorded a non-cash adjustment to income tax expense of $44.5 million for the remeasurement of deferred taxes on the enactment date and the deferred tax impact related to the reduction in the tax receivables agreement liability.

(2) Represents legal and advisory fees related to our litigation with MasterCraft Boat Company, LLC ("MasterCraft") offset by the settlement received from them in connection with the Mastercraft Settlement and License Agreement entered into on May 2, 2017.

(3) Represents a reduction of a charge recorded in fiscal year 2016 related to a judgment rendered against us in connection with a lawsuit by Marine Power Holding, LLC (“Marine Power”), a former engine supplier, to $2.2 million, the amount ultimately settled and paid in the fourth quarter of fiscal year 2017.

(4) Represents legal, professional, and advisory fees incurred in connection with our acquisition of Cobalt, which was completed on July 6, 2017, and our agreement to acquire Pursuit, which agreement we signed on August 21, 2018. Integration related expenses for fiscal year 2018 include post-acquisition adjustments to cost of goods sold of $1.5 million for the fair value step up of inventory acquired, most of which was sold during the first quarter of fiscal year 2018.

(5) Represents equity-based incentives awarded to certain of our employees under the Malibu Boats, Inc. Long-Term Incentive Plan and profit interests issued under the previously existing limited liability company agreement of the LLC.

(6) Represents costs incurred in connection with our vertical integration of engines including product development costs and supplier transition performance incentives.

(7) For fiscal year 2018, we recognized other income as a result of a decrease in our estimated tax receivable agreement liability. The reduction in our tax receivable agreement liability resulted from the adoption of the Tax Act, which decreased the estimated tax rate used in computing our future tax obligations and, in turn, decreased the future tax benefit we expect to realize related to increased tax basis from previous sales and exchanges of LLC Units by our pre-IPO owners.

# Reconciliation of Non-GAAP Adjusted Fully Distributed Net Income (Unaudited):

The following table shows the reconciliation of the numerator and denominator for net income available to Class A Common Stock per share to Adjusted Fully Distributed Net Income per Share of Class A Common Stock for the periods presented (in thousands except share and per share data):

| | Three Months Ended June 30, | | Fiscal Year Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Reconciliation of numerator for net income available to Class A Common Stock per share to Adjusted Fully Distributed Net Income per Share of Class A Common Stock:** | | | | |
| Net income attributable to Malibu Boats, Inc. | $ 12,439 | $ 9,664 | $ 27,613 | $ 28,358 |
| Provision for income taxes [1] | 1,873 | 7,696 | 58,418 | 17,593 |
| Professional fees and litigation settlements [2] | — | (2,107) | 26 | 1,038 |
| Marine Power litigation judgment [3] | — | 237 | — | (1,093) |
| Acquisition and integration related expenses [4] | 1,326 | 3,056 | 5,719 | 3,056 |
| Fair market value adjustment for interest rate swap [5] | (29) | 29 | (369) | (912) |
| Stock-based compensation expense [6] | 563 | 326 | 1,973 | 1,396 |
| Engine development [7] | 1,385 | 1,399 | 4,871 | 2,489 |
| Adjustments to tax receivable agreement liability [8] | 3,065 | (8,140) | (24,637) | (8,140) |
| Net income attributable to non-controlling interest [9] | 904 | 602 | 3,356 | 2,717 |
| Fully distributed net income before income taxes | 21,526 | 12,762 | 76,970 | 46,502 |
| Income tax expense on fully distributed income before income taxes [10] | 4,994 | 4,531 | 20,908 | 16,508 |
| Adjusted fully distributed net income | 16,532 | 8,231 | $ 56,062 | $ 29,994 |

| | Three Months Ended June 30, | | Fiscal Year Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Reconciliation of denominator for net income available to Class A Common Stock per share to Adjusted Fully Distributed Net Income per Share of Class A Common Stock:** | | | | |
| Weighted average shares outstanding of Class A Common Stock used for basic net income per share: | 20,569,669 | 17,945,998 | 20,189,879 | 17,844,774 |
| Adjustments to weighted average shares of Class A Common Stock: | | | | |
| Weighted-average LLC units held by non-controlling unit holders [11] | 1,058,421 | 1,260,627 | 1,138,917 | 1,338,907 |
| Weighted-average unvested restricted stock awards issued to management [12] | 137,146 | 134,744 | 132,673 | 112,859 |
| Adjusted weighted average shares of Class A Common Stock outstanding used in computing Adjusted Fully Distributed Net Income per Share of Class A Common Stock: | 21,765,236 | 19,341,369 | 21,461,469 | 19,296,540 |

# Reconciliation of Non-GAAP Adjusted Fully Distributed Net Income (Unaudited):

The following table shows the reconciliation of net income available to Class A Common Stock per share to Adjusted Fully Distributed Net Income per Share of Class A Common Stock for the periods presented (certain totals for table below will not sum exactly due to rounding):

| | Three Months Ended June 30, | | Fiscal Year Ended June 30, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net income available to Class A Common Stock per share | $ 0.60 | $ 0.54 | $ 1.37 | $ 1.59 |
| Impact of adjustments: | | | | |
| Provision for income taxes [1] | 0.09 | 0.43 | 2.89 | 0.99 |
| Professional fees and litigation settlements [2] | — | (0.12) | — | 0.06 |
| Marine Power litigation judgment [3] | — | 0.01 | — | (0.06) |
| Acquisition and integration related expenses [4] | 0.06 | 0.17 | 0.28 | 0.17 |
| Fair market value adjustment for interest rate swap [5] | — | — | (0.02) | (0.05) |
| Stock-based compensation expense [6] | 0.03 | 0.02 | 0.10 | 0.08 |
| Engine development [7] | 0.07 | 0.08 | 0.24 | 0.14 |
| Adjustment to tax receivable agreement liability [8] | 0.15 | (0.45) | (1.22) | (0.46) |
| Net income attributable to non-controlling interest [9] | 0.04 | 0.03 | 0.17 | 0.15 |
| Fully distributed net income per share before income taxes | 1.04 | 0.71 | 3.81 | 2.61 |
| Impact of income tax expense on fully distributed income before income taxes [10] | (0.24) | (0.26) | (1.04) | (0.92) |
| Impact of increased share count [13] | (0.04) | (0.02) | $ (0.17) | $ (0.13) |
| Adjusted Fully Distributed Net Income per Share of Class A Common Stock | $ 0.76 | $ 0.43 | $ 2.60 | $ 1.56 |

# Reconciliation of Non-GAAP Adjusted Fully Distributed Net Income (Unaudited):

(1) Provision for income taxes for fiscal year 2018 reflects the impact of the Tax Act adopted in December 2017, which among other items, lowered the U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018. For fiscal year 2018, we recorded a non-cash adjustment to income tax expense of $44.5 million for the remeasurement of deferred taxes on the enactment date and the deferred tax impact related to the reduction in the tax receivables agreement liability.

(2) Represents legal and advisory fees related to our litigation with MasterCraft offset by the settlement received from them in connection with the Mastercraft Settlement and License Agreement entered into on May 2, 2017.

(3) Represents a reduction of a charge recorded in fiscal year 2016 related to a judgment rendered against us in connection with a lawsuit by Marine Power, a former engine supplier, to $2.2 million, the amount ultimately settled and paid in the fourth quarter of fiscal year 2017.

(4) Represents legal, professional, and advisory fees incurred in connection with our acquisition of Cobalt, which was completed on July 6, 2017, and our agreement to acquire Pursuit, which agreement we signed on August 21, 2018. Integration related expenses for fiscal year 2018 include post-acquisition adjustments to cost of goods sold of $1.5 million for the fair value step up of inventory acquired, most of which was sold during the first quarter of fiscal year 2018 and $3.0 million of amortization on intangibles acquired.

(5) Represents the change in the fair value of our interest rate swap entered into on July 1, 2015.

(6) Represents equity-based incentives awarded to certain of our employees under the Malibu Boats, Inc. Long-Term Incentive Plan and profit interests issued under the previously existing limited liability company agreement of the LLC.

(7) Represents costs incurred in connection with our vertical integration of engines including product development costs and supplier transition performance incentives.

(8) For fiscal year 2018, we recognized other income as a result of a decrease in our estimated tax receivable agreement liability. The reduction in our tax receivable agreement liability resulted from the adoption of the Tax Act, which decreased the estimated tax rate used in computing our future tax obligations and, in turn, decreased the future tax benefit we expect to realize related to increased tax basis from previous sales and exchanges of LLC Units by our pre-IPO owners.

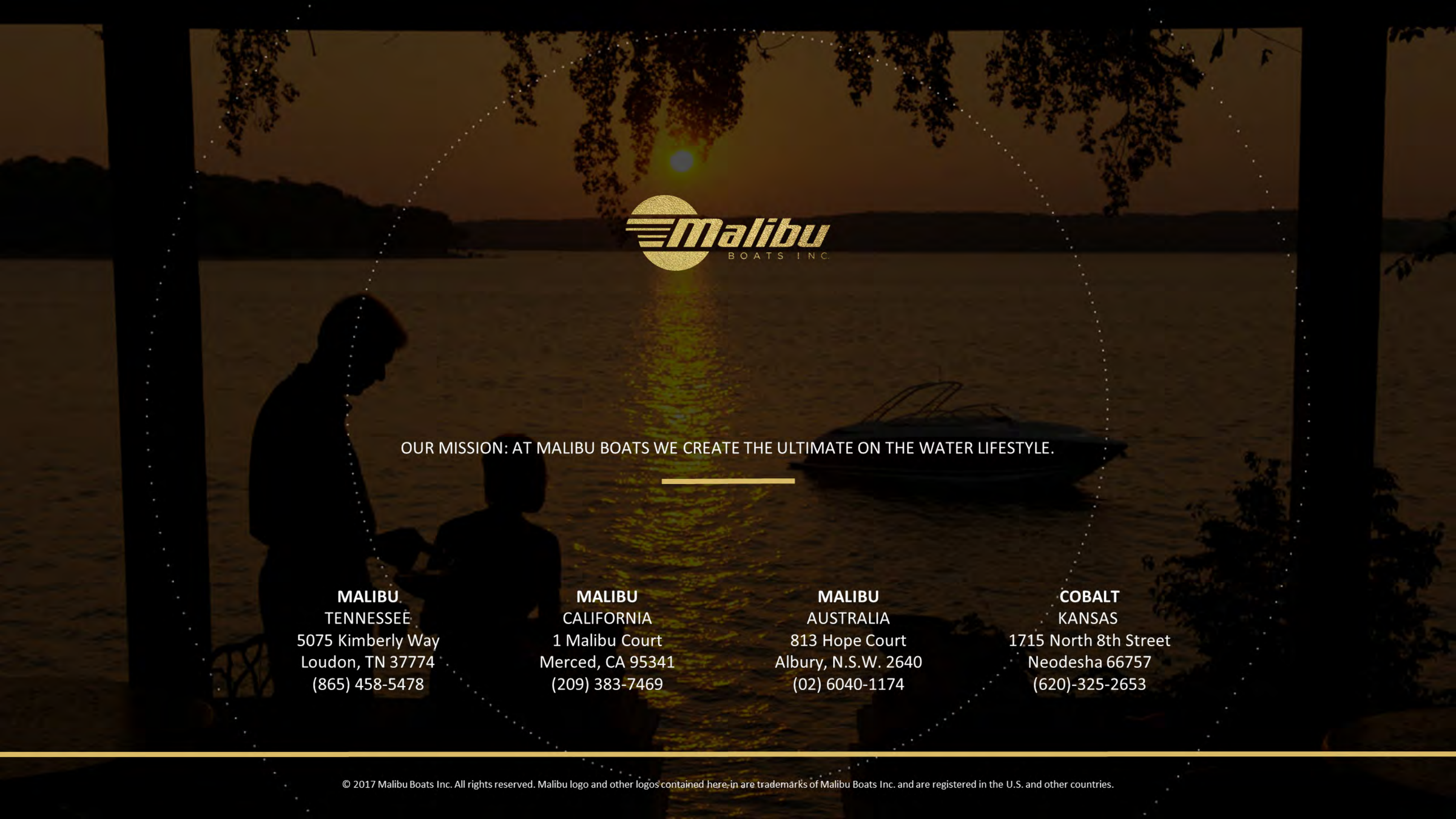
(9) Reflects the elimination of the non-controlling interest in the LLC as if all LLC members had fully exchanged their LLC Units for shares of Class A Common Stock.

(10) Reflects income tax expense at an estimated normalized annual effective income tax rate of 28% of income before income taxes for the fiscal year ended June 30, 2018 and 35.5% for the fiscal year ended June 30, 2017, assuming the conversion of all LLC Units into shares of Class A Common Stock. The estimated normalized annual effective income tax rate is based on the federal statutory rate plus a blended state rate adjusted for deductions under Section 199 of the Internal Revenue Code of 1986, as amended, state taxes attributable to the LLC, and foreign income taxes attributable to our Australian based subsidiary.

(11) Represents the weighted average shares outstanding of LLC Units held by non-controlling interests assuming they were exchanged into Class A Common Stock on a one-for-one basis.

(12) Represents the weighted average unvested restricted stock awards included in outstanding shares during the applicable period that were convertible into Class A Common Stock and granted to members of management.

(13) Reflects impact of increased share counts assuming the exchange of all weighted average shares outstanding of LLC Units into shares of Class A Common Stock and the conversion of all weighted average unvested restricted stock awards included in outstanding shares granted to members of management.



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