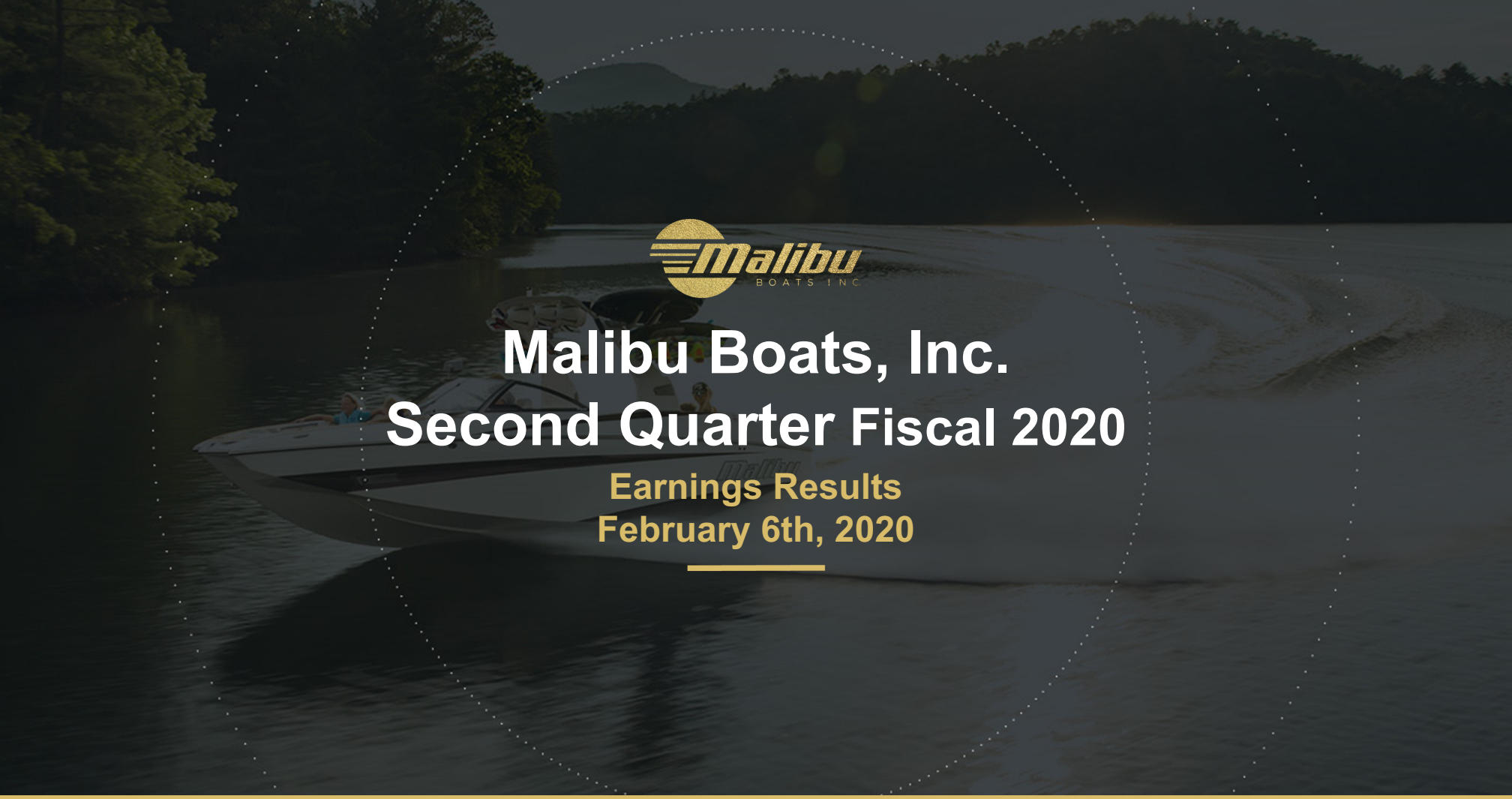


Malibu Boats, Inc.
Second Quarter Fiscal 2020

Earnings Results
February 6th, 2020

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 statements in this press release regarding the expected momentum of our model year 2020 products, our expectation that we will extend our leadership positions in the Cobalt and Pursuit markets and our ability to provide consistent profitable growth and increasing value to our shareholders.

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: general industry, economic and business conditions; our ability to grow our business through acquisitions and integrate such acquisitions to fully realize their expected benefits; our reliance on our network of independent dealers and increasing competition for dealers; our large fixed cost base; intense competition within our industry; increased consumer preference for used boats or the supply of new boats by competitors in excess of demand; the successful introduction of new products; our ability to execute our manufacturing strategy successfully; 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, acquisition and integration related expenses, non-cash compensation expense, expenses related to our engine development initiative and expenses related to interruption to our engine supply during the labor strike by UAW against General Motors. 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.

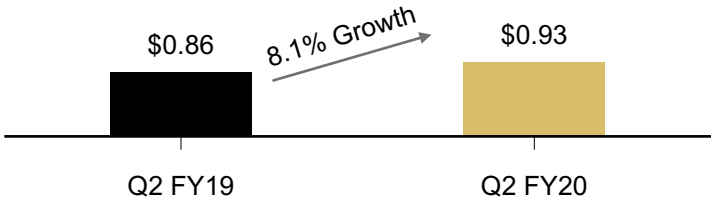
We define Adjusted Fully Distributed Net Income as net income attributable to Malibu Boats, Inc. (i) excluding income tax expense, (ii) excluding the effect of non-recurring or non-cash items, (iii) assuming the exchange of all LLC units into shares of Class A Common Stock, which results in the elimination 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 the numerator and denominator for our net income available to Class A Common Stock per share to Adjusted Fully Distributed Net Income per share of Class A Common Stock is provided under "Reconciliation of Non-GAAP Financial Measures".

2nd Quarter Financial Commentary

- Outstanding performance driven by best-in-class operational execution
- Net sales are up 8.6% year-over-year to $180.1 million
- Net sales per unit increased 6.0%
  - Y/Y price increases
  - Mix of larger models
- Gross profit increased 4.1% and gross margin is 22.1%

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
  - Dealer and customer sentiment is positive
  - Healthy retail growth in Q4
  - Preliminary results from early boat shows are strong
- Dealer inventory levels are attractively positioned for MY20 product leading into the peak selling season
- Continued leadership in ski/wake and sterndrive segments

Domestic Market Growth(1)

Malibu/Axis market up MSD%

Cobalt addressable market up LSD%

Pursuit addressable market up LSD to MSD%

Market Share(1)

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

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

Pursuit positive trend against key, premium brand competitive set

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

Key Takeaways

- FY Q2 2020 was an outstanding quarter for Malibu
- Superior operational execution enabled Malibu to successfully overcome headwinds from the UAW strike
- New product development and operational excellence initiatives have enabled Malibu to outperform and set it apart from the competition
- Channel inventories are healthy and right on top of historical comfort levels
- Preliminary boat show results, supported by the strength of the U.S. consumer, reinforces management's belief that Malibu's markets remain attractive
- Malibu's unparalleled track record of strategic M&A, operational agility and excellence, and strong organic growth positions the business well for continued growth, increasing profitability and long-term value creation for our shareholders



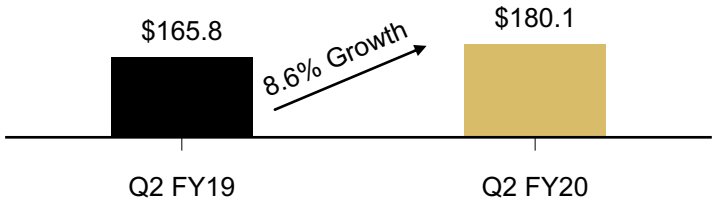
Wayne Wilson

Chief Financial Officer

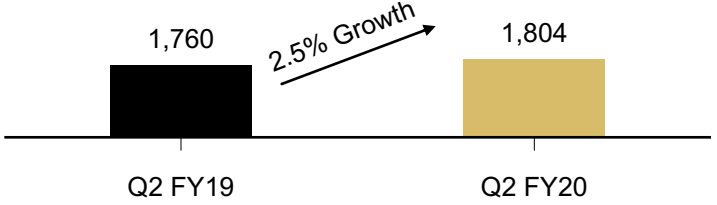
MALIBU BOATS, INC.

2nd Quarter Fiscal 2020 Comparable Results

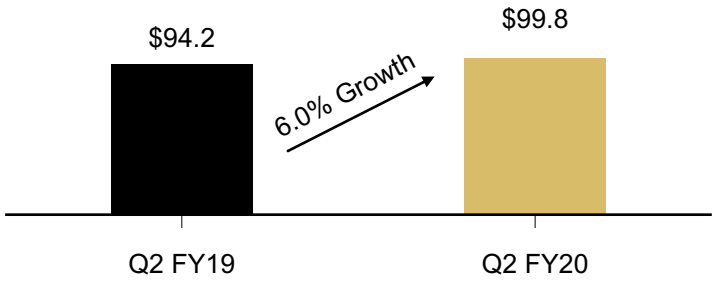
Net Sales



Volume



Net Sales Per Unit

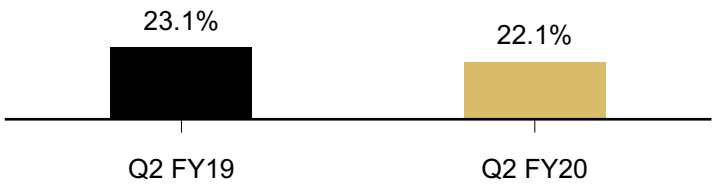


Net Sales per Unit Components

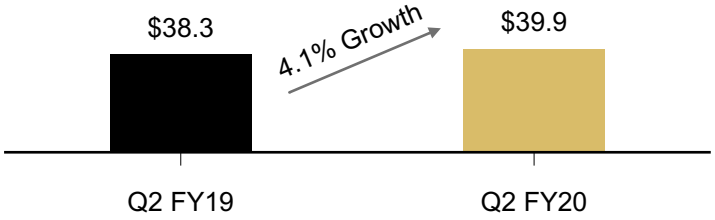
- Year-over-year price increases
- Mix of larger boats

2nd Quarter Fiscal 2020 Comparable Results

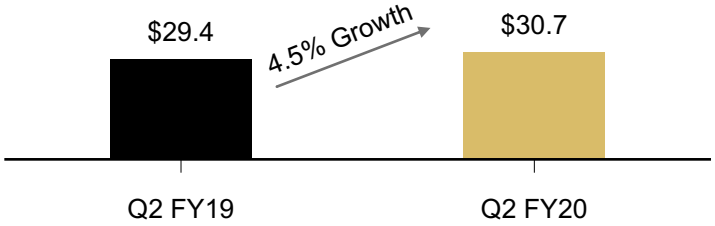
Gross Margin



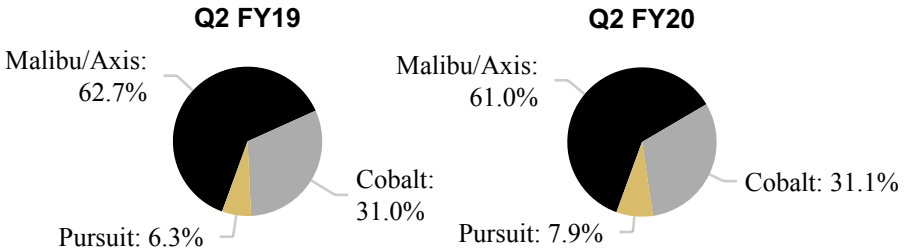
Gross Profit



Adjusted EBITDA(1)



Mix Comparison



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

Full Year Outlook

Metric	Target
Unit Volume	Malibu/Cobalt - approaching flat Pursuit - up slightly over 40%
Consolidated Net Sales	High-single digit % growth
Gross Margin %	Up slightly, excluding UAW strike impact
Adjusted EBITDA Margin	Approaching flat, excluding UAW strike impact
Capital Expenditures	$40-45 million
UAW Strike Impact	Less than $3 million

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 December 31,	
	2019	2018
Net income	$ 17,598	$ 14,998
Provision for income taxes [1]	5,041	4,119
Interest expense	957	1,844
Depreciation	3,005	2,495
Amortization	1,537	1,538
Professional fees [2]	41	383
Acquisition and integration related expenses [3]	—	2,552
Stock-based compensation expense [4]	813	655
Engine development [5]	—	787
UAW strike impact [6]	1,687	—
Adjusted EBITDA	$ 30,679	$ 29,371
Adjusted EBITDA margin	17.0%	17.7%

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

(1) Provision for income taxes for the three months and six months ended December 31, 2019 reflects an increase to income tax expense of$0.9 million and $2.2 million, respectively, primarily due to increased consolidated earnings, driven by the Malibu segment.

(2) Represents legal and advisory fees related to our litigation with Skier's Choice, Inc.

(3) For the three months and six months ended December 31, 2018, represents legal and advisory fees incurred in connection with our acquisition of Pursuit on October 15, 2018 and integration costs related to our acquisitions of Pursuit and Cobalt. Integration related expenses for the three and six months ended December 31, 2018 include post-acquisition adjustments to cost of goods sold of $0.9 million for the fair value step up of Pursuit inventory acquired, most of which was sold during the second quarter of fiscal 2019.

(4) Represents equity-based incentives awarded to key 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.

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

(6) For the three and six months ended December 31, 2019, represents costs incurred in connection with interruption to our engine supply during the UAW strike against General Motors. We purchase engines from General Motors LLC that we then prepare for marine use for our Malibu and Axis boats. During the UAW strike, General Motors suspended delivery of engine blocks to us and we incurred costs by entering into purchase agreements with two suppliers for additional engines to supplement our inventory of engine blocks for Malibu and Axis boats.

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 December 31,	
	2019	2018
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.	$ 16,722	$ 14,257
Provision for income taxes [1]	5,041	4,119
Professional fees [2]	41	383
Acquisition and integration related expenses [3]	1,074	3,688
Fair market value adjustment for interest rate swap [4]	20	129
Stock-based compensation expense [5]	813	655
Engine development [6]	—	787
UAW strike impact [7]	1,687	—
Net income attributable to non-controlling interest [8]	876	741
Fully distributed net income before income taxes	26,274	24,759
Income tax expense on fully distributed income before income taxes [9]	6,174	5,967
Adjusted fully distributed net income	20,100	18,792

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

	Three Months Ended December 31,	
	2019	**2018**
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:	20,591,241	20,875,243
Adjustments to weighted average shares of Class A Common Stock:		
Weighted-average LLC units held by non-controlling unit holders [10]	830,152	844,652
Weighted-average unvested restricted stock awards issued to management [11]	133,185	125,378
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:	21,554,578	21,845,273

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:

	Three Months Ended December 31,	
	2019	2018
Net income available to Class A Common Stock per share	$ 0.81	$ 0.68
Impact of adjustments:		
Provision for income taxes [1]	0.25	0.20
Professional fees [2]	—	0.02
Acquisition and integration related expenses [3]	0.05	0.18
Fair market value adjustment for interest rate swap [4]	—	0.01
Stock-based compensation expense [5]	0.04	0.03
Engine development [6]	—	0.04
UAW strike impact [7]	0.08	—
Net income attributable to non-controlling interest [8]	0.04	0.04
Fully distributed net income per share before income taxes	1.27	1.20
Impact of income tax expense on fully distributed income before income taxes [9]	(0.30)	(0.29)
Impact of increased share count [12]	(0.04)	(0.05)
Adjusted Fully Distributed Net Income per Share of Class A Common Stock	$ 0.93	$ 0.86

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

(1) Provision for income taxes for the three months and six months ended December 31, 2019 reflects an increase to income tax expense of $0.9 million and $2.2 million, respectively, primarily due to increased consolidated earnings, driven by the Malibu segment.

(2) Represents legal and advisory fees related to our litigation with Skier's Choice, Inc.

(3) For the three months and six months ended December 31, 2019, represents amortization of intangibles acquired in connection with the acquisition of Pursuit and Cobalt. For the three and six months ended December 31, 2018, represents legal and advisory fees incurred in connection with our acquisition of Pursuit on October 15, 2018 and integration costs related to our acquisitions of Pursuit and Cobalt. Integration related expenses for the three and six months ended December 31, 2018 include post-acquisition adjustments to cost of goods sold of $0.9 million for the fair value step up of inventory acquired at Pursuit, most of which was sold during the second quarter of fiscal 2019. In addition, for the three and six months ended December 31, 2018, integration related expenses includes $0.4 million in depreciation and amortization associated with our fair value step up of property, plant and equipment and intangibles acquired in connection with the acquisition of Pursuit. Also, for the three and six months ended December 31, 2018, integration related expenses includes $0.7 million and $1.5 million, respectively, in amortization associated with our fair value step up of intangibles acquired in connection with the acquisition of Cobalt.

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

(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 the three and six months ended December 31, 2019, represents costs incurred in connection with interruption to our engine supply during the UAW strike against General Motors. We purchase engines from General Motors LLC that we then prepare for marine use for our Malibu and Axis boats. During the UAW strike, General Motors suspended delivery of engine blocks to us and we incurred costs by entering into purchase agreements with two suppliers for additional engines to supplement our inventory of engine blocks for Malibu and Axis boats.

(8) 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.

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

(9) Reflects income tax expense at an estimated normalized annual effective income tax rate of 23.5% and 24.1% of income before income taxes for the three months and six months ended December 31, 2019 and 2018, respectively, assuming the conversion of all LLC Units into shares of Class A Common Stock. The estimated normalized annual effective income tax rate for fiscal year 2020 is based on the federal statutory rate plus a blended state rate adjusted for the research and development tax credit, the foreign derived intangible income deduction, and foreign income taxes attributable to our Australian subsidiary.

(10) 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.

(11) 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.

(12) 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.