

Malibu Boats, Inc.
Third Quarter Fiscal 2020

Earnings Results
May 7th, 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 our ability to navigate, withstand and progress through the environment created by the COVID-19 pandemic, preserve our margins and bolster our leadership position in marine.

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 effects of the COVID-19 pandemic on us; 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, expenses related to interruption to our engine supply during the labor strike by United Auto Workers' ("UAW") against General Motors 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 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".

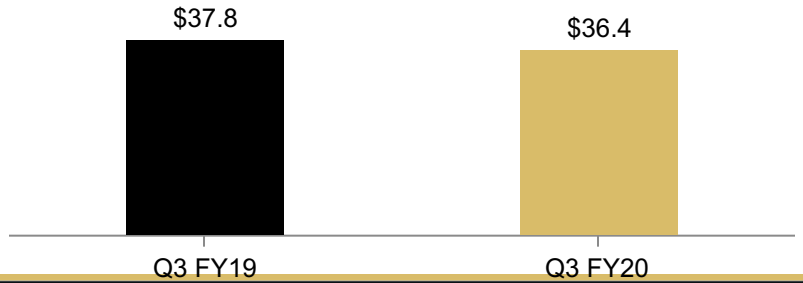
3rd Quarter Financial Commentary

- Delivered strong performance despite substantial headwinds from the impact of COVID-19
- Net sales are down 8.8% year-over-year to $182.3 million
  - 1 week of lost production
- Net sales per unit increased 6.3%
  - Y/Y price increases
  - Mix of larger models
  - Mix of Pursuit models
- Impressive margin performance
  - Gross margin up 20bps Y/Y excluding UAW strike impact of $0.9 million
  - Adjusted EBITDA margin up 110bps Y/Y to 20.0%

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

- March and April impacted meaningfully by COVID-19
  - Shock occurred in late March to early April and have seen stability and improvement since
- Broad geographic variability in performance
- Delivery of custom order, retail sold units continuing as expected
- Limited wholesale shipments keeping dealer inventory healthy

Domestic Market Growth CY19(1)

Malibu/Axis market up MSD%

Cobalt addressable market up LSD%

Pursuit addressable market up LSD%

Market Share CY19(1)

Malibu #1 in Premium, Entry and Total performance sport boats segments, nearly 1/3 of the total market

Cobalt leading share in 20'-40' fiberglass, sterndrive segment and gained significant market share in addressable markets

Pursuit gained market share against key, premium brand competitive set

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

Key Takeaways

- Delivered strong margin performance year-over-year despite facing substantial headwinds related to COVID-19
- Mobilized quickly to the rapidly evolving environment, temporarily suspending production at all facilities to prioritize the health and safety of employees
- Have resumed full production at all facilities due to retail demand
- Maintained entire workforce including benefits during shutdown
- Large cash position, limited net leverage
- Variable cost structure and vertical integration enables Malibu to maintain margins
- Focus on producing retail sold units increases velocity of seasonal dealer destocking
- Our core strategy, centered around operational excellence, vertical integration and new product innovation, enables Malibu to navigate through this unprecedented environment and emerge as an even stronger company



Wayne Wilson

Chief Financial Officer

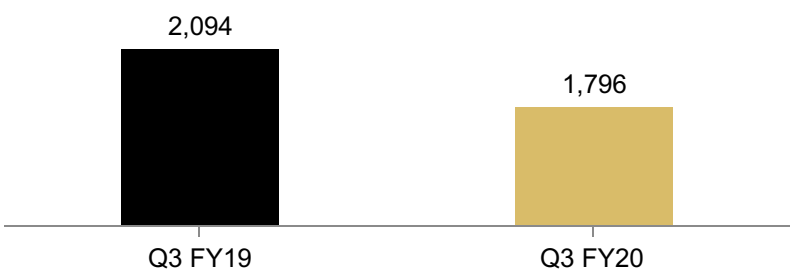
MALIBU BOATS, INC.

3rd Quarter Fiscal 2020 Comparable Results

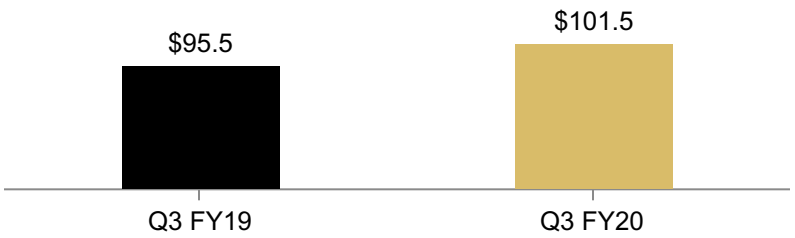
Net Sales



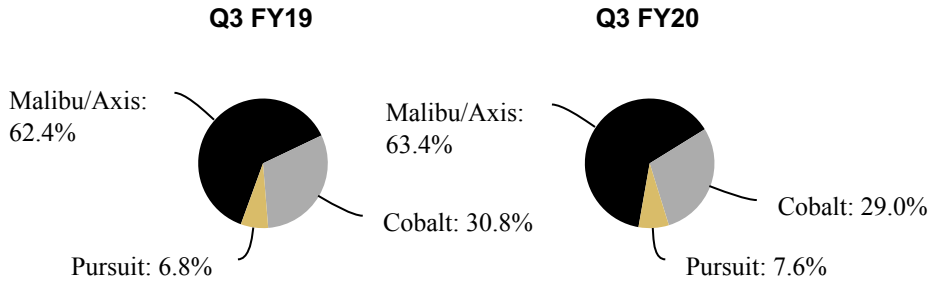
Volume



Net Sales Per Unit



Mix Comparison



3rd Quarter Fiscal 2020 Comparable Results

Gross Margin



Gross Profit



Adj. EBITDA Margin(1)



Adjusted EBITDA(1)



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

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 March 31,	
	2020	2019
Net income	$ 23,866	$ 22,203
Provision for income taxes	6,987	7,321
Interest expense	940	1,750
Depreciation	2,938	2,744
Amortization	1,501	1,563
Professional fees [1]	124	189
Acquisition and integration related expenses [2]	—	1,051
Stock-based compensation expense [3]	816	735
Engine development [4]	—	932
UAW strike impact [5]	877	$ —
Adjustments to tax receivable agreement liability [6]	(1,650)	(707)
Adjusted EBITDA	$ 36,399	$ 37,781
Adjusted EBITDA margin	20.0 %	18.9 %

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

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

(2) For the three months and nine months ended March 31, 2019, 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 nine months ended March 31, 2019 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.

(3) 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.

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

(5) For the three and nine months ended March 31, 2020, 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.

(6) For the three and nine months ended March 31, 2020 and March 31, 2019 we recognized other income from an adjustment in our tax receivable agreement liability as a result of a decrease in the estimated tax rate used in computing our future tax obligations and in turn, a decrease in the future tax benefit we expect to pay under our tax receivable agreement with 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 March 31,	
	2020	2019
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.	$ 22,778	$ 21,099
Provision for income taxes	6,987	7,321
Professional fees [1]	124	189
Acquisition and integration related expenses [2]	1,053	2,217
Fair market value adjustment for interest rate swap [3]	10	93
Stock-based compensation expense [4]	816	735
Engine development [5]	—	932
UAW strike impact [6]	877	—
Adjustments to tax receivable agreement liability [7]	(1,650)	(707)
Net income attributable to non-controlling interest [8]	1,088	1,104
Fully distributed net income before income taxes	32,083	32,983
Income tax expense on fully distributed income before income taxes [9]	7,539	7,949
Adjusted fully distributed net income	24,544	25,034

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

	Three Months Ended March 31,	
	2020	2019
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:	20,630,741	20,901,547
Adjustments to weighted average shares of Class A Common Stock:		
Weighted-average LLC units held by non-controlling unit holders [10]	805,822	838,496
Weighted-average unvested restricted stock awards issued to management [11]	181,015	132,549
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:	21,617,578	21,872,592

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 March 31,	
	2020	2019
Net income available to Class A Common Stock per share	$ 1.11	$ 1.01
Impact of adjustments:		
Provision for income taxes	0.34	0.35
Professional fees [1]	—	0.01
Acquisition and integration related expenses [2]	0.05	0.11
Fair market value adjustment for interest rate swap [3]	—	—
Stock-based compensation expense [4]	0.04	0.04
Engine development [5]	—	0.05
UAW strike impact [6]	0.04	—
Adjustment to tax receivable agreement liability [7]	(0.08)	(0.03)
Net income attributable to non-controlling interest [8]	0.05	0.05
Fully distributed net income per share before income taxes	1.55	1.59
Impact of income tax expense on fully distributed income before income taxes [9]	(0.37)	(0.38)
Impact of increased share count [12]	(0.05)	(0.06)
Adjusted Fully Distributed Net Income per Share of Class A Common Stock	$ 1.13	$ 1.15

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

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

(2) For the three months and nine months ended March 31, 2020, represents amortization of intangibles acquired in connection with the acquisition of Pursuit and Cobalt. For the three and nine months ended March 31, 2019, 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 nine months ended March 31, 2019 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 nine months ended March 31, 2019, integration related expenses includes $0.4 million and $0.8 million respectively, 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 nine months ended March 31, 2019, integration related expenses includes $0.7 million and $2.2 million, respectively, in amortization associated with our fair value step up of intangibles acquired in connection with the acquisition of Cobalt.

(3) Represents the change in the fair value of our interest rate swap entered into on July 1, 2015. The swap matured on March 31, 2020.

(4) 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.

(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 nine months ended March 31, 2020, 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.

(7) For the three and nine months ended March 31, 2020 and March 31, 2019 we recognized other income from an adjustment in our tax receivable agreement liability as a result of a decrease in the estimated tax rate used in computing our future tax obligations and in turn, a decrease in the future tax benefit we expect to pay under our tax receivable agreement with pre-IPO owners.

(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 nine months ended March 31, 2020 and 2019, 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.