

Malibu Boats, Inc.
Fourth Quarter Fiscal 2020

Earnings Results
August 27, 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 statements in this press release regarding our expectations for fiscal year 2021, demand for our products; and our ability to deliver long-term 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: 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 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 structure, 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".

4th Quarter Financial Commentary

- Delivered results ahead of expectations and gained significant market share
- Net sales are down 39.1% year-over-year to $118.7 million
  - Despite average of ~5 weeks of lost production across all brands
- Net sales per unit increased 8.6%
  - Driven by mix of larger more expensive models
- Maintained adjusted EBITDA margin of 13.1%, driven by superior execution

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

- Marine industry has experienced significant tailwinds as a result of COVID-19
  - Large increase in first-time and returning boaters has helped drive increased demand as consumers look for a way to stay active while social distancing and spending time with family
  - Strong retail demand has carried into July and August
- Dealer inventory levels are historically low
  - Channel inventories will likely not be caught up until FY22

Expected Domestic Market Growth CY20[(1)]

Malibu/Axis market up HSD%

Cobalt addressable market up LSD%

Pursuit addressable market up LSD%

Market Share [(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, important 24' - 29' segment is over 35% market share

Pursuit positioned to gain share over a long period with new plant online

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

Key Takeaways

- Delivered significant market share gains and outperformed the industry during the fourth quarter
- Immediately returned to pre-shutdown daily production rates to meet accelerated demand; only one of a very few that could do that
- Moved up launch of our new model year 2021 product line to introduce the freshest products
- Strategic planning, operational excellence and supply chain management differentiates Malibu, supporting mid-teens adjusted EBITDA margins in a normal down-cycle
- Production capacity expansion initiatives at Cobalt and Pursuit facilities are both now up and running
- Our financial position is very strong
- Malibu's premium product portfolio, vertical integration strategy and innovation initiatives have it well-positioned to drive further market share gains and deliver long-term value to shareholders in any operating environment



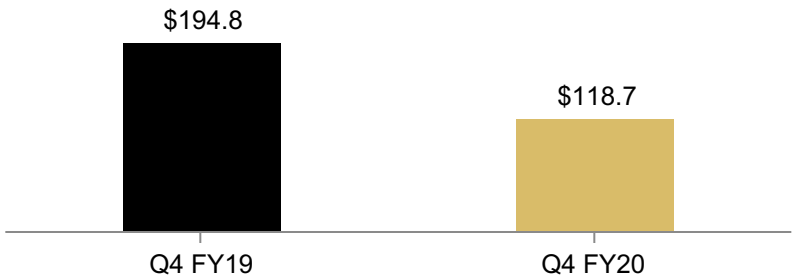
Wayne Wilson

Chief Financial Officer

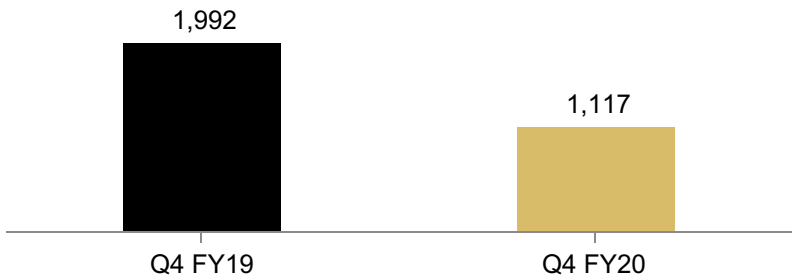
MALIBU BOATS, INC.

4th Quarter Fiscal 2020 Comparable Results

Net Sales



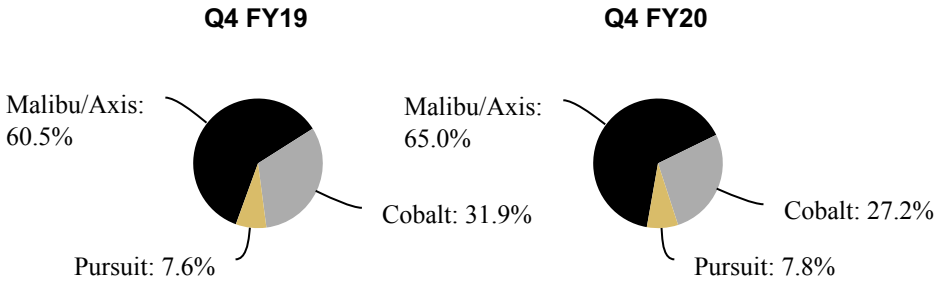
Volume



Net Sales Per Unit



Mix Comparison



4th Quarter Fiscal 2020 Comparable Results

Gross Margin



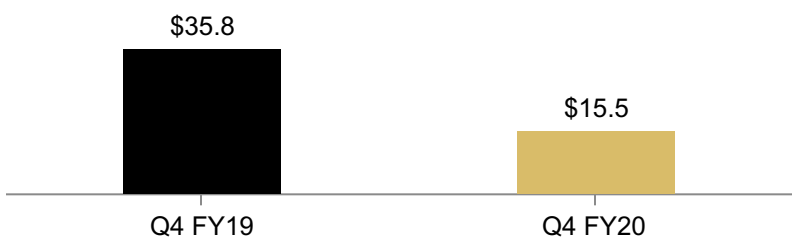
Gross Profit



Adj. EBITDA Margin (1)



Adjusted EBITDA (1)



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

Fiscal 2020 Comparable Results

Net Sales



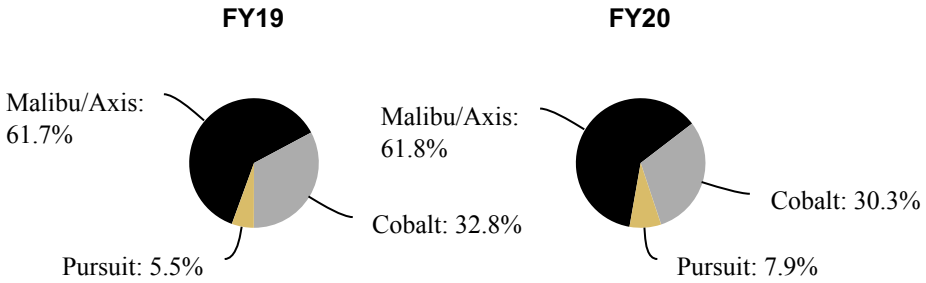
Volume



Net Sales Per Unit

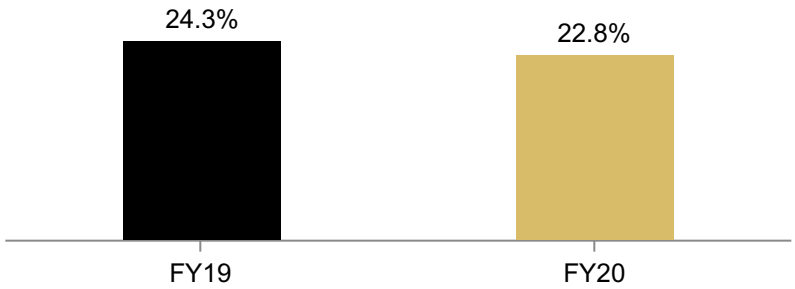


Mix Comparison

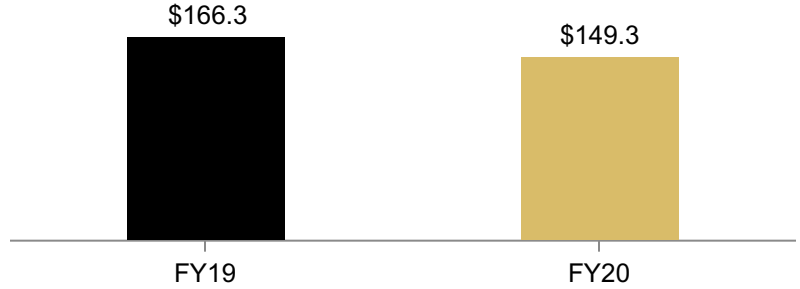


Fiscal 2020 Comparable Results

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 June 30, 2020		Fiscal Year Ended June 30,	
	2020	2019	2020	2019
Net income	$ 6,510	$ 20,485	$ 64,656	$ 69,701
Income tax provision[1]	2,204	7,073	19,076	22,096
Interest expense	824	1,699	3,888	6,464
Depreciation	3,209	2,902	12,249	10,004
Amortization	1,509	1,575	6,131	5,956
Professional fees and litigation settlements [2]	513	167	1,013	739
Acquisition and integration related expenses [3]	—	285	—	5,245
Stock-based compensation expense [4]	736	741	3,042	2,607
UAW strike impact [5]	—	$ —	$ 2,564	$ —
Engine development [6]	—	315	—	3,186
Adjustments to tax receivable agreement liability [7]	(22)	604	(1,672)	(103)
Adjusted EBITDA	$ 15,483	$ 35,846	$ 110,947	$ 125,895
Adjusted EBITDA margin	13.1 %	18.4 %	17.0 %	18.4 %

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

(1) Provision for income taxes for the three-month periods ended June 30, 2020 and 2019 and fiscal years 2020 and 2019 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.

(2) For the three months and fiscal years ended June 30, 2020 and 2019, represents legal and advisory fees related to our litigation with Skier's Choice, Inc.

(3) For the three months and fiscal year ended June 30, 2019, represents integration costs and legal, professional and advisory fees incurred in connection with our acquisition of Pursuit on October 15, 2018. Integration related expenses for fiscal year 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 year 2019.

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

(7) For the three months ended June 30, 2020 and fiscal years 2020 and 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. The rate decrease was mainly offset by an increase to other expense for tax receivable agreement liability derived by future tax benefits from Tennessee net operating losses at Malibu Boats Inc. for the three months ended June 30, 2019.

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, 2020		Fiscal Year Ended June 30,	
	2020	2019	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.	$ 6,203	$ 19,412	$ 61,562	$ 66,066
Income tax provision[1]	2,204	7,073	19,076	22,096
Professional fees and litigation settlements [2]	513	167	1,013	739
Acquisition and integration related expenses [3]	1,062	1,491	4,262	9,506
Fair market value adjustment for interest rate swap [4]	—	125	68	350
Stock-based compensation expense [5]	736	741	3,042	2,607
Engine development [6]	—	315	—	3,186
UAW strike impact [7]	—	—	2,564	—
Adjustments to tax receivable agreement liability [8]	(22)	604	(1,672)	(103)
Net income attributable to non-controlling interest [9]	307	1,073	3,094	3,635
Fully distributed net income before income taxes	11,003	31,001	93,009	108,082
Income tax expense on fully distributed income before income taxes [10]	2,586	7,471	21,857	26,048
Adjusted fully distributed net income	8,417	23,530	71,152	82,034

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

	Three Months Ended June 30, 2020		Fiscal Year Ended June 30,	
	2020	2019	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:	20,598,897	20,912,045	20,662,750	20,832,445
Adjustments to weighted average shares of Class A Common Stock:				
Weighted-average LLC units held by non-controlling unit holders [11]	761,647	830,152	806,943	880,144
Weighted-average unvested restricted stock awards issued to management [12]	181,015	132,549	155,433	130,520
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:	21,541,559	21,874,746	21,625,126	21,843,109

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 June 30, 2020		Fiscal Year Ended June 30,	
	2020	2019	2020	2019
Net income available to Class A Common Stock per share	0.30	0.93	2.98	3.17
Impact of adjustments:				
Provision for income taxes [1]	0.10	0.34	0.92	1.06
Professional fees and litigation settlements [2]	0.03	0.01	0.05	0.04
Acquisition and integration related expenses [3]	0.06	0.07	0.21	0.46
Fair market value adjustment for interest rate swap [4]	—	0.01	—	0.02
Stock-based compensation expense [5]	0.04	0.04	0.15	0.13
Engine development [6]	—	0.01	—	0.15
UAW strike impact [7]	—	—	0.12	—
Adjustment to tax receivable agreement liability [8]	—	0.03	(0.08)	—
Net income attributable to non-controlling interest [9]	0.02	0.05	0.15	0.17
Fully distributed net income per share before income taxes	0.55	1.49	4.50	5.20
Impact of income tax expense on fully distributed income before income taxes [10]	(0.12)	(0.36)	(1.06)	(1.25)
Impact of increased share count [13]	(0.03)	(0.05)	(0.15)	(0.19)
Adjusted Fully Distributed Net Income per Share of Class A Common Stock	$ 0.40	$ 1.08	$ 3.29	$ 3.76

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

(1) Provision for income taxes for the three-month periods ended June 30, 2020 and 2019 and fiscal year 2020 and 2019 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.

(2) For the three months and fiscal years ended June 30, 2020 and 2019, represents legal and advisory fees related to our litigation with Skier's Choice, Inc.

(3) For the three months and fiscal year ended June 30, 2020, represents amortization of intangibles acquired in connection with the acquisition of Pursuit and Cobalt. For the three months and fiscal year ended June 30, 2019, represents integration costs and legal, professional, and advisory fees incurred in connection with our acquisition of Pursuit on October 15, 2018. Integration related expenses for the three months ended June 30, 2019 include $0.5 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 and $0.7 million in amortization associated with intangibles acquired in connection with the acquisition of Cobalt. Integration related expenses for fiscal year 2019 include post-acquisition adjustments to cost of goods sold of $0.9 million for the fair value step up of inventory acquired, most of which was sold during the second quarter of fiscal year 2019 and $1.3 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. In addition, for fiscal year 2019 integration related expenses includes $3.0 million in amortization associated with 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. The swap matured on March 31, 2020.

(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 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.

(8) For the three months ended June 30, 2020 and fiscal years 2020 and 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. The rate decrease was mainly offset by an increase to other expense for tax receivable agreement liability derived by future tax benefits from Tennessee net operating losses at Malibu Boats Inc. for the three months ended June 30, 2019.

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

(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 23.5% of income before taxes for fiscal year 2020 and 24.1% of income before taxes for fiscal year 2019, in each case 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. The estimated normalized annual effective income tax rate for fiscal year 2019 is based on the federal statutory rate plus a blended state rate adjusted for the research and development tax credit and foreign income taxes attributable to our Australian 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.