
Malibu
BOATS INC.
Malibu Boats, Inc.
First Quarter Fiscal 2021
Earnings Results
November 6, 2020
Four Iconic Brands, One Great Company
Malibu
EXIS
COBALT BOATS
PURSUIT

FORWARD LOOKING STATEMENTS

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 presentation regarding our expectations for fiscal year 2021; the expected pace of introduction and demand for our products; and our ability to deliver 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 & DEFINITION OF NON-GAAP FINANCIAL MEASURE

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 and non-cash compensation expense. 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.

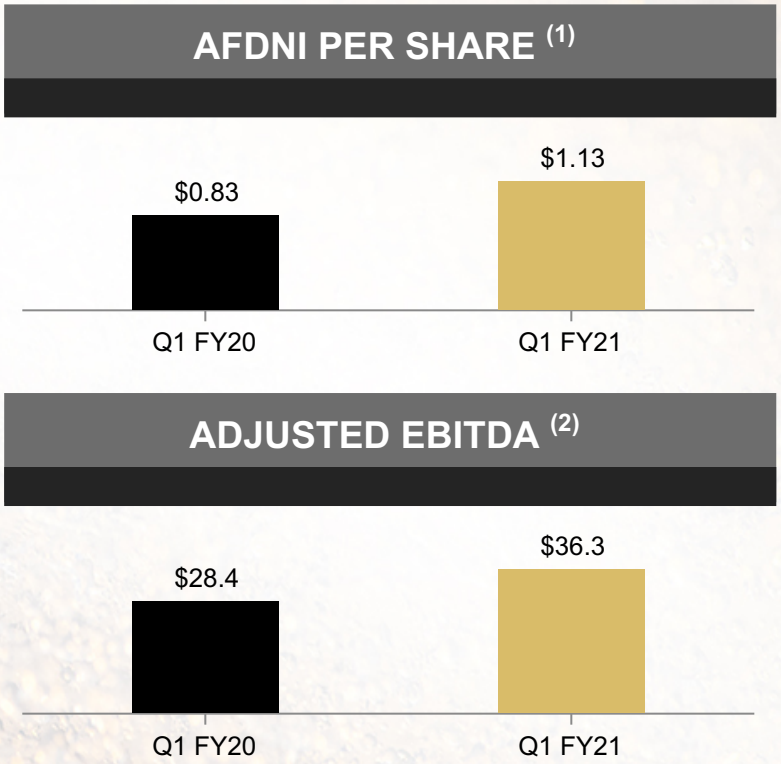
We define Adjusted Fully Distributed Net Income as net income attributable to Malibu Boats, Inc. (i) excluding income tax expense, (ii) excluding the effect of non-recurring or non-cash items, (iii) assuming the exchange of all LLC units into shares of Class A Common Stock, which results in the elimination 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 presentation, 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".



THREE MONTHS ENDED FISCAL Q1 2021

- Delivered strong results that exceeded expectations and delivered market share gains
- Net sales are up 5.2% year-over-year to $181.0 million
  - Supported by strong demand, an efficient production restart, operational excellence and vertical integration initiatives
- Net sales per unit increased 11.1%
  - Mix of larger models
  - Larger % of customer ordered boats driving feature uptake
- Adjusted EBITDA margin up 360bps Y/Y to 20.1%



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.

Malibu EXIS COBALT BOATS PURSUIT

KEY TAKEAWAYS



Positioned to sustain long-term competitive advantages resulting in market share gains and increased profitability

- Outperformed the industry and drove market share gains in the first quarter as a result of our strategic and operational expertise
- New consumers and lifelong enthusiasts continued to drive demand to historic levels
- Saw a strong market at retail, with margin growth driven by consumer desire for larger boats, features and options
- Product development continuing at record pace, with new Malibu, Cobalt and Pursuit models to be released throughout the fiscal year
- Production capacity expansion initiative at Pursuit is bearing fruit
- 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

MARKET COMMENTARY

- Marine industry has experienced significant tailwinds as a result of COVID-19
- First-time boaters and lifelong enthusiasts continue to drive demand to levels beyond what we had anticipated for the fall, carrying over into September and October
- Industry has seen supply chain constraints with dealer inventory at historically low levels
- Channel inventories will likely not be caught up until FY2022

Domestic Market Expected Growth CY20[1]

- Malibu/Axis market up LDD %
- Cobalt addressable market up MSD%
- Pursuit addressable market up LSD%

Market Share

- 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 share in addressable markets
- Pursuit gained market share against key, premium brand competitive set

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

NEW PRODUCT INTRODUCTIONS



Malibu Wakesetter 23 LSV



Malibu M220



Malibu fast-fill ballast system



Cobalt R6, R6 O/B and R8



Pursuit S428

COBALT & PURSUIT FACILITY EXPANSION



- Expansion of our cruiser plant and small boat plant is complete
- The third and last phase of our plant improvement is now underway, which will be the expansion and modernization of our gelcoat and lamination departments
- When complete, this will finalize our capability of building more products with even better quality, while further driving operational efficiencies
- The increased production capability will be realized in the 2nd half of FY2021



- New Pursuit large boat plant is up and running, where we are manufacturing the new S 378 and other larger models over 32 feet
- This expansion helps us to increase our capacity, improve margins and enhance our distribution as well, further increasing the brand's value
- The new plant and additional capacity it creates will allow us to grow Pursuit's market, product and geographic position in the saltwater outboard segment over time

Malibu EXIS COBALT BOATS PURSUIT

OPERATIONAL EXCELLENCE & VERTICAL INTEGRATION



OPERATIONAL EXCELLENCE

- Culture centered on superior employees building the highest quality products in the most efficient manner
- Provides an unmatched value to our dealers and customers
- Vertical integration supports operational excellence
- Allows us to encounter and overcome operating issues out of our control quickly
- Implementing the same strategy at Cobalt and ultimately Pursuit
- Drives margin expansion over the long-term



VERTICAL INTEGRATION

- Vertical integration strategy is a competitive differentiator across all brands, driving overall growth and profitability
- Allows us to control a greater portion of our supply chain, quality and input costs
- Like Malibu and Axis, our flooring will debut at Cobalt in FY 2021
- 2-3 additional vertical integration projects are always in the works
- More opportunities to generate new synergies across brands in FY 2021 and beyond

Malibu AXIS COBALT BOATS PURSUIT

MALIBU'S GROWTH STRATEGY









Malibu Boats · XIS · Cobalt Boats · Pursuit

1ST QUARTER FISCAL 2021 COMPARABLE RESULTS

NET SALES



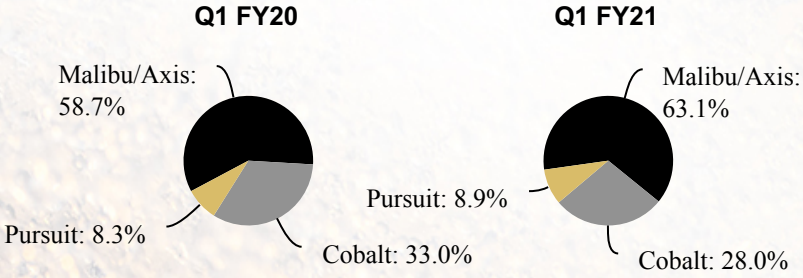
VOLUME



NET SALES PER UNIT



MIX COMPARISON



1ST QUARTER FISCAL 2021 COMPARABLE RESULTS

GROSS MARGIN



GROSS PROFIT



ADJ EBITDA MARGIN (1)



ADJ. EBITDA (1)



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

Malibu Boats · EXIS · COBALT BOATS · PURSUIT

FY21 FULL YEAR OUTLOOK

METRIC	TARGET
Consolidated Net Sales	Up ~20%
Adjusted EBITDA Margin	Approaching ~20%

LONG-TERM FINANCIAL TARGETS

METRIC	TARGET
Annual Net Sales Growth	~10%
Adjusted EBITDA Margin %	>20%
Long-term EPS Annual Growth	>15%

APPENDIX

RECONCILIATION OF NET INCOME TO NON-GAAP ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

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 September 30,	
	2020	2019
Net income	$ 22,038	$ 16,682
Provision for income taxes	6,367	4,844
Interest expense	556	1,167
Depreciation	3,486	3,097
Amortization	1,524	1,584
Professional fees [1]	1,565	335
Stock-based compensation expense [2]	811	677
Adjusted EBITDA	$ 36,347	$ 28,386
Adjusted EBITDA Margin	20.1 %	16.5 %

RECONCILIATION OF NET INCOME TO NON-GAAP ADJUSTED EBITDA AND ADJUSTED EBITDA MARGIN

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

(2) 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.

RECONCILIATION OF NET INCOME ATTRIBUTABLE TO CLASS A COMMON STOCK TO ADJUSTED FULLY DISTRIBUTED NET INCOME OF CLASS A COMMON STOCK (UNAUDITED):

The following table sets forth a reconciliation of net income attributable to Malibu Boats, Inc. to Adjusted Fully Distributed Net Income for the periods presented (dollars in thousands, except per share data):

	Three Months Ended September 30,	
	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.	$ 21,093	$ 15,859
Provision for income taxes	6,367	4,844
Professional fees [1]	1,565	335
Acquisition and integration related expenses [2]	1,073	1,073
Fair market value adjustment for interest rate swap [3]	—	38
Stock-based compensation expense [4]	811	677
Net income attributable to non-controlling interest [5]	945	823
Fully distributed net income before income taxes	31,854	23,649
Income tax expense on fully distributed income before income taxes [6]	7,518	5,558
Adjusted fully distributed net income	$ 24,336	$ 18,091

RECONCILIATION OF NET INCOME ATTRIBUTABLE TO CLASS A COMMON STOCK TO ADJUSTED FULLY DISTRIBUTED NET INCOME OF CLASS A COMMON STOCK (UNAUDITED):

The following table sets forth a reconciliation of net income attributable to Malibu Boats, Inc. to Adjusted Fully Distributed Net Income for the periods presented (dollars in thousands, except per share data):

	Three Months Ended September 30,	
	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:	20,651,929	20,830,121
Adjustments to weighted average shares of Class A Common Stock:		
Weighted-average LLC units held by non-controlling unit holders [7]	714,261	830,152
Weighted-average unvested restricted stock awards issued to management [8]	179,048	126,516
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:	21,545,238	21,786,789

RECONCILIATION OF NET INCOME ATTRIBUTABLE TO CLASS A COMMON STOCK TO ADJUSTED FULLY DISTRIBUTED NET INCOME OF CLASS A COMMON STOCK (UNAUDITED):

The following table sets forth a reconciliation of net income attributable to Malibu Boats, Inc. to Adjusted Fully Distributed Net Income for the periods presented (dollars in thousands, except per share data):

	Three Months Ended September 30,	
	2020	2019
Net income available to Class A Common Stock per share	$ 1.02	$ 0.76
Impact of adjustments:		
Provision for income taxes	0.31	0.23
Professional fees [1]	0.08	0.02
Acquisition and integration related expenses [2]	0.05	0.05
Fair market value adjustment for interest rate swap [3]	—	—
Stock-based compensation expense [4]	0.04	0.03
Net income attributable to non-controlling interest [5]	0.05	0.04
Fully distributed net income per share before income taxes	1.55	1.13
Impact of income tax expense on fully distributed income before income taxes [6]	(0.36)	(0.27)
Impact of increased share count [9]	(0.06)	(0.03)
Stock	$ 1.13	$ 0.83

RECONCILIATION OF NET INCOME ATTRIBUTABLE TO CLASS A COMMON STOCK TO ADJUSTED FULLY DISTRIBUTED NET INCOME OF CLASS A COMMON STOCK (UNAUDITED):

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

(2) For the three months ended September 30, 2020 and 2019, represents amortization of intangibles acquired in connection with the acquisition of Pursuit and 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) 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.

(6) Reflects income tax expense at an estimated normalized annual effective income tax rate of 23.6% and 23.5% of income before income taxes for the three month periods ended September 30, 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 2021 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.

(7) 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.

(8) 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.

(9) 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.