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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 001-36290

MALIBU BOATS, INC.

(Exact Name of Registrant as specified in its charter)

Delaware	**5075 Kimberly Way, Loudon, Tennessee 37774**	**46-4024640**
(State or other jurisdiction of incorporation or organization)	*(Address of principal executive offices, including zip code)*	*(I.R.S. Employer Identification No.)*

(865) 458-5478
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Class A Common Stock, par value $0.01	MBUU	Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer,"

"smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

Class A Common Stock, par value $0.01, outstanding as of November 2, 2022:	20,345,317 shares
Class B Common Stock, par value $0.01, outstanding as of November 2, 2022:	10 shares

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. All statements other than statements of historical facts contained in this Form 10-Q are forward-looking statements, including statements regarding the effects of the COVID-19 pandemic on us; demand for our products and expected industry trends, our business strategy and plans, our prospective products or products under development, our vertical integration initiatives, our acquisition strategy and management's objectives for future operations. In particular, many of the statements under the heading "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" constitute forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue," the negative of these terms, or by other similar expressions that convey uncertainty of future events or outcomes to identify these forward-looking statements. These statements are only predictions, involving known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Such factors include, but are not limited to: general industry, economic and business conditions; our large fixed cost base; increases in the cost of, or unavailability of, raw materials, component parts and transportation costs; disruptions in our suppliers' operations; our reliance on third-party suppliers for raw materials and components and any interruption of our informal supply arrangements; our reliance on certain suppliers for our engines and outboard motors; our ability to meet our manufacturing workforce needs; exposure to workers' compensation claims and other workplace liabilities; our ability to grow our business through acquisitions and integrate such acquisitions to fully realize their expected benefits; our growth strategy which may require us to secure significant additional capital; our ability to protect our intellectual property; disruptions to our network and information systems; our success at developing and implementing a new enterprise resource planning system; risks inherent in operating in foreign jurisdictions; the effects of the COVID-19 pandemic on us; a natural disaster, global pandemic or other disruption at our manufacturing facilities; increases in income tax rates or changes in income tax laws; our dependence on key personnel; our ability to enhance existing products and market new or enhanced products; the continued strength of our brands; the seasonality of our business; intense competition within our industry; increased consumer preference for used boats or the supply of new boats by competitors in excess of demand; competition with other activities for consumers' scarce leisure time; changes in currency exchange rates; inflation and increases in interest rates; an increase in energy and fuel costs; our reliance on our network of independent dealers and increasing competition for dealers; the financial health of our dealers and their continued access to financing; our obligation to repurchase inventory of certain dealers; our exposure to claims for product liability and warranty claims; changes to U.S. trade policy, tariffs and import/export regulations; any failure to comply with laws and regulations including environmental, workplace safety and other regulatory requirements; our holding company structure; covenants in our credit agreement governing our revolving credit facility which may limit our operating flexibility; our variable rate indebtedness which subjects us to interest rate risk; our obligation to make certain payments under a tax receivables agreement; and any failure to maintain effective internal control over financial reporting or disclosure controls or procedures. We discuss many of these factors, risks and uncertainties in greater detail under the heading "Item 1A. Risk Factors" in our Form 10-K for the year ended June 30, 2022, filed with the Securities and Exchange Commission on August 25, 2022, as such disclosures may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission, including subsequent annual reports on Form 10-K and quarterly reports on Form 10-Q.

You should not rely on forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Actual results may differ materially from those suggested by the forward-looking statements for various reasons. Except as required by law, we assume no obligation to update forward-looking statements for any reason after the date of this Form 10-Q to conform these statements to actual results or to changes in our expectations.

Part I - Financial Information

Item 1. Financial Statements

MALIBU BOATS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)
(In thousands, except share and per share data)

	Three Months Ended September 30,	
	2022	**2021**
Net sales	$ 302,211	$ 253,497
Cost of sales	227,606	193,745
Gross profit	74,605	59,752
Operating expenses:		
Selling and marketing	5,186	5,117
General and administrative	19,220	16,091
Amortization	1,716	1,856
Operating income	48,483	36,688
Other expense, net:		
Other expense (income), net	70	(13)
Interest expense	1,285	684
Other expense, net	1,355	671
Income before provision for income taxes	47,128	36,017
Provision for income taxes	11,023	8,084
Net income	36,105	27,933
Net income attributable to non-controlling interest	1,222	989
Net income attributable to Malibu Boats, Inc.	$ 34,883	$ 26,944
Comprehensive income:		
Net income	$ 36,105	$ 27,933
Other comprehensive loss:		
Change in cumulative translation adjustment	(1,436)	(835)
Other comprehensive loss	(1,436)	(835)
Comprehensive income	34,669	27,098
Less: comprehensive income attributable to non-controlling interest	1,173	959
Comprehensive income attributable to Malibu Boats, Inc.	$ 33,496	$ 26,139
Weighted-average shares outstanding used in computing net income per share:		
Basic	20,459,849	20,849,981
Diluted	20,632,727	21,132,902
Net income available to Class A Common Stock per share:		
Basic	$ 1.70	$ 1.29
Diluted	$ 1.69	$ 1.28

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements (Unaudited).

MALIBU BOATS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)
(In thousands, except share and per share data)

	September 30, 2022	June 30, 2022
Assets		
Current assets		
Cash	$ 43,051	$ 83,744
Trade receivables, net	46,416	51,598
Inventories, net	182,366	157,002
Prepaid expenses and other current assets	9,604	6,155
Total current assets	281,437	298,499
Property, plant and equipment, net	178,236	170,718
Goodwill	100,413	100,804
Other intangible assets, net	226,522	228,304
Deferred tax assets	41,543	42,314
Other assets	10,166	10,687
Total assets	$ 838,317	$ 851,326
Liabilities		
Current liabilities		
Current maturities of long-term obligations	$ —	$ 1,563
Accounts payable	52,043	44,368
Accrued expenses	81,618	87,742
Income taxes and tax distribution payable	9,918	1,670
Payable pursuant to tax receivable agreement, current portion	3,958	3,958
Total current liabilities	147,537	139,301
Deferred tax liabilities	27,345	26,965
Other liabilities	11,317	11,855
Payable pursuant to tax receivable agreement, less current portion	41,583	41,583
Long-term debt	70,095	118,054
Total liabilities	297,877	337,758
Commitments and contingencies (See Note 15)		
Stockholders' Equity		
Class A Common Stock, par value $0.01 per share, 100,000,000 shares authorized; 20,345,317 shares issued and outstanding as of September 30, 2022; 20,501,081 issued and outstanding as of June 30, 2022	202	203
Class B Common Stock, par value $0.01 per share, 25,000,000 shares authorized; 10 shares issued and outstanding as of September 30, 2022; 10 shares issued and outstanding as of June 30, 2022	—	—
Preferred Stock, par value $0.01 per share; 25,000,000 shares authorized; no shares issued and outstanding as of September 30, 2022 and June 30, 2022	—	—
Additional paid in capital	78,237	85,294
Accumulated other comprehensive loss	(4,943)	(3,507)
Accumulated earnings	456,067	421,184
Total stockholders' equity attributable to Malibu Boats, Inc.	529,563	503,174
Non-controlling interest	10,877	10,394
Total stockholders' equity	540,440	513,568
Total liabilities and stockholders' equity	$ 838,317	$ 851,326

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements (Unaudited).

MALIBU BOATS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Stockholders' Equity (Unaudited)
(In thousands, except number of Class B shares)

	Class A Common Stock		Class B Common Stock		Additional Paid In Capital	Accumulated Other Comprehensive Loss	Accumulated Earnings	Non-controlling Interest in LLC	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance at June 30, 2022	20,501	$ 203	10	$ —	$ 85,294	$ (3,507)	$ 421,184	$ 10,394	$ 513,568
Net income	—	—	—	—	—	—	34,883	1,222	36,105
Stock based compensation, net of withholding taxes on vested equity awards	(12)	—	—	—	743	—	—	—	743
Issuances of equity for services	—	—	—	—	67	—	—	—	67
Repurchase and retirement of common stock	(144)	(1)	—	—	(7,867)	—	—	—	(7,868)
Distributions to LLC Unit holders	—	—	—	—	—	—	—	(696)	(696)
Foreign currency translation adjustment	—	—	—	—	—	(1,436)	—	(43)	(1,479)
Balance at September 30, 2022	20,345	$ 202	10	$ —	$ 78,237	$ (4,943)	$ 456,067	$ 10,877	$ 540,440

	Class A Common Stock		Class B Common Stock		Additional Paid In Capital	Accumulated Other Comprehensive Loss	Accumulated Earnings	Non-controlling Interest in LLC	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance at June 30, 2021	20,847	$ 207	10	$ —	$ 111,308	$ (1,639)	$ 263,552	$ 7,726	$ 381,154
Net income	—	—	—	—	—	—	26,944	989	27,933
Stock based compensation, net of withholding taxes on vested equity awards	(7)	—	—	—	728	—	—	—	728
Issuances of equity for services	—	—	—	—	58	—	—	—	58
Distributions to LLC Unit holders	—	—	—	—	—	—	—	(558)	(558)
Foreign currency translation adjustment	—	—	—	—	—	(835)	—	(24)	(859)
Balance at September 30, 2021	20,840	$ 207	10	$ —	$ 112,094	$ (2,474)	$ 290,496	$ 8,133	$ 408,456

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements (Unaudited).

MALIBU BOATS, INC. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)
(In thousands)

	Three Months Ended September 30,	
	2022	**2021**
Operating activities:		
Net income	$ 36,105	$ 27,933
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash compensation expense	1,635	1,258
Non-cash compensation to directors	290	218
Depreciation	5,296	4,918
Amortization	1,716	1,856
Deferred income taxes	1,137	660
Other items, net	617	502
Change in operating assets and liabilities:		
Trade receivables	5,153	8,608
Inventories	(25,714)	(22,209)
Prepaid expenses and other assets	(3,784)	(4,677)
Accounts payable	7,154	5,518
Income taxes payable	8,846	5,399
Accrued expenses	(6,195)	(5,778)
Other liabilities	(567)	(520)
Net cash provided by operating activities	31,689	23,686
Investing activities:		
Purchases of property, plant and equipment	(12,362)	(13,892)
Net cash used in investing activities	(12,362)	(13,892)
Financing activities:		
Proceeds from revolving credit facility	121,700	—
Principal payments on long-term borrowings	(23,125)	(313)
Payments on revolving credit facility	(147,000)	(20,000)
Payment of deferred financing costs	(1,362)	—
Cash paid for withholding taxes on vested restricted stock	(871)	(516)
Distributions to LLC Unit holders	(1,045)	(687)
Repurchase and retirement of common stock	(7,868)	—
Net cash used in financing activities	(59,571)	(21,516)
Effect of exchange rate changes on cash	(449)	(257)
Changes in cash	(40,693)	(11,979)
Cash—Beginning of period	83,744	41,479
Cash—End of period	$ 43,051	$ 29,500
Supplemental cash flow information:		
Cash paid for interest	$ 1,056	$ 535
Cash paid for income taxes	760	2,024

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements (Unaudited).

MALIBU BOATS, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements
(Dollars in thousands, except per unit and per share data)

1. Organization, Basis of Presentation, and Summary of Significant Accounting Policies

Organization

Malibu Boats, Inc. (together with its subsidiaries, the “Company” or "Malibu"), a Delaware corporation formed on November 1, 2013, is the sole managing member of Malibu Boats Holdings, LLC, a Delaware limited liability company (the "LLC"). The Company operates and controls all of the LLC's business and affairs and, therefore, pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification (“ASC”) Topic 810, *Consolidation,* consolidates the financial results of the LLC and its subsidiaries, and records a non-controlling interest for the economic interest in the Company held by the non-controlling holders of units in the LLC ("LLC Units"). The LLC was formed in 2006. The LLC, through its wholly owned subsidiary, Malibu Boats, LLC, (“Boats LLC”), is engaged in the design, engineering, manufacturing and marketing of innovative, high-quality, recreational powerboats that are sold through a world-wide network of independent dealers. The Company sells its boats under eight brands -- Malibu, Axis, Pursuit, Maverick, Cobia, Pathfinder, Hewes and Cobalt brands. The Company reports its results of operations under three reportable segments -- Malibu, Saltwater Fishing and Cobalt.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim condensed financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and disclosures of results of operations, financial position and changes in cash flow in conformity with GAAP for complete financial statements. Such statements should be read in conjunction with the audited consolidated financial statements and notes thereto of Malibu and subsidiaries for the year ended June 30, 2022, included in the Company's Annual Report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Units and shares are presented as whole numbers while all dollar amounts are presented in thousands, unless otherwise noted.

Principles of Consolidation

The accompanying unaudited interim condensed consolidated financial statements include the operations and accounts of the Company and all subsidiaries thereof. All intercompany balances and transactions have been eliminated upon consolidation.

Recent Accounting Pronouncements

In March 2020, the FASB issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of Effects of Reference Rate Reform on Financial Reporting,* which provides practical expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The elective amendments provide expedients to contract modification, affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by this guidance apply only to contracts, hedging relationships, and other transactions that reference the London interbank offered rate (“LIBOR”) or another reference rate expected to be discontinued as a result of reference rate reform. This guidance is not applicable to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. The guidance can be applied immediately through December 31, 2022. The Company will adopt this standard when LIBOR is discontinued and does not expect a material impact to its financial condition, results of operations or disclosures based on the current debt portfolio and capital structure.

There are no other new accounting pronouncements that are expected to have a significant impact on the Company's consolidated financial statements and related disclosures.

2. Revenue Recognition

The following tables disaggregate the Company's revenue by major product type and geography:

	Three Months Ended September 30, 2022			
	Malibu	Saltwater Fishing	Cobalt	Consolidated
Revenue by product:				
Boat and trailer sales	$ 140,163	$ 91,893	$ 63,630	$ 295,686
Part and other sales	5,005	340	1,180	6,525
Total revenue	$ 145,168	$ 92,233	$ 64,810	$ 302,211
Revenue by geography:				
North America	$ 130,650	$ 88,941	$ 62,281	$ 281,872
International	14,518	3,292	2,529	20,339
Total revenue	$ 145,168	$ 92,233	$ 64,810	$ 302,211

	Three Months Ended September 30, 2021			
	Malibu	Saltwater Fishing	Cobalt	Consolidated
Revenue by product:				
Boat and trailer sales	$ 113,611	$ 76,409	$ 57,833	$ 247,853
Part and other sales	4,641	318	685	5,644
Total revenue	$ 118,252	$ 76,727	$ 58,518	$ 253,497
Revenue by geography:				
North America	$ 103,219	$ 73,712	$ 54,639	$ 231,570
International	15,033	3,015	3,879	21,927
Total revenue	$ 118,252	$ 76,727	$ 58,518	$ 253,497

Boat and Trailer Sales

Consists of sales of boats and trailers to the Company's dealer network, net of sales returns, discounts, rebates and free flooring incentives. Boat and trailer sales also includes optional boat features. Sales returns consist of boats returned by dealers under the Company's warranty program. Rebates, free flooring and discounts are incentives that the Company provides to its dealers based on sales of eligible products.

Part and Other Sales

Consists primarily of parts and accessories sales, royalty income and clothing sales. Parts and accessories sales include replacement and aftermarket boat parts and accessories sold to the Company's dealer network. Royalty income is earned from license agreements with various boat manufacturers, including Nautique, Chaparral, Mastercraft, and Tige related to the use of the Company's intellectual property.

3. Non-controlling Interest

The non-controlling interest on the unaudited interim condensed consolidated statements of operations and comprehensive income represents the portion of earnings or loss attributable to the economic interest in the Company's subsidiary, the LLC, held by the non-controlling LLC Unit holders. Non-controlling interest on the unaudited interim condensed consolidated balance sheets represents the portion of net assets of the Company attributable to the non-controlling LLC Unit holders, based

on the portion of the LLC Units owned by such Unit holders. The ownership of the LLC is summarized as follows:

	As of September 30, 2022		As of June 30, 2022	
	Units	Ownership %	Units	Ownership %
Non-controlling LLC Unit holders ownership in Malibu Boats Holdings, LLC	600,919	2.9 %	600,919	2.8 %
Malibu Boats, Inc. ownership in Malibu Boats Holdings, LLC	20,345,317	97.1 %	20,501,081	97.2 %
	20,946,236	100.0 %	21,102,000	100.0 %

Issuance of Additional LLC Units

Under the first amended and restated limited liability company agreement of the LLC, as amended (the "LLC Agreement"), the Company is required to cause the LLC to issue additional LLC Units to the Company when the Company issues additional shares of Class A Common Stock. Other than in connection with the issuance of Class A Common Stock in connection with an equity incentive program, the Company must contribute to the LLC net proceeds and property, if any, received by the Company with respect to the issuance of such additional shares of Class A Common Stock. The Company must cause the LLC to issue a number of LLC Units equal to the number of shares of Class A Common Stock issued such that, at all times, the number of LLC Units held by the Company equals the number of outstanding shares of Class A Common Stock. During the three months ended September 30, 2022, the Company caused the LLC to issue a total of 1,546 LLC Units to the Company in connection with the issuance of Class A Common Stock for the vesting of awards granted under the Malibu Boats, Inc. Long-Term Incentive Plan (the "Incentive Plan"). During the three months ended September 30, 2022, 13,551 LLC Units were canceled in connection with the vesting of share-based equity awards to satisfy employee tax withholding requirements and the retirement of 13,551 treasury shares in accordance with the LLC Agreement. Also during the three months ended September 30, 2022, 143,759 LLC Units were redeemed and canceled by the LLC in connection with the purchase and retirement of 143,759 treasury shares under the Company's stock repurchase program.

Distributions and Other Payments to Non-controlling Unit Holders

Distributions for Taxes

As a limited liability company (treated as a partnership for income tax purposes), the LLC does not incur significant federal, state or local income taxes, as these taxes are primarily the obligations of its members. As authorized by the LLC Agreement, the LLC is required to distribute cash, to the extent that the LLC has cash available, on a pro rata basis, to its members to the extent necessary to cover the members' tax liabilities, if any, with respect to their share of LLC earnings. The LLC makes such tax distributions to its members based on an estimated tax rate and projections of taxable income. If the actual taxable income of the LLC multiplied by the estimated tax rate exceeds the tax distributions made in a calendar year, the LLC may make true-up distributions to its members, if cash or borrowings are available for such purposes. As of September 30, 2022 and June 30, 2022, tax distributions payable to non-controlling LLC Unit holders were $696 and $1,045, respectively. During the three months ended September 30, 2022 and 2021, tax distributions paid to the non-controlling LLC Unit holders were $1,045 and $687, respectively.

Other Distributions

Pursuant to the LLC Agreement, the Company has the right to determine when distributions will be made to LLC members and the amount of any such distributions. If the Company authorizes a distribution, such distribution will be made to the members of the LLC (including the Company) pro rata in accordance with the percentages of their respective LLC Units.

4. Inventories

Inventories, net consisted of the following:

	As of September 30, 2022	As of June 30, 2022
Raw materials	$ 148,997	$ 129,233
Work in progress	25,119	20,929
Finished goods	8,250	6,840
Total inventories	$ 182,366	$ 157,002

5. Property, Plant and Equipment

Property, plant and equipment, net consisted of the following:

	As of September 30, 2022	As of June 30, 2022
Land	$ 4,905	$ 4,905
Building and leasehold improvements	84,283	81,030
Machinery and equipment	84,205	82,469
Furniture and fixtures	10,997	10,805
Construction in process	60,411	52,852
	244,801	232,061
Less: Accumulated depreciation	(66,565)	(61,343)
Property, plant and equipment, net	$ 178,236	$ 170,718

Depreciation expense was $5,296 and $4,918 for the three months ended September 30, 2022 and 2021, respectively, substantially all of which was recorded in cost of sales.

6. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the three months ended September 30, 2022 were as follows:

	Malibu	Saltwater Fishing	Cobalt	Consolidated
Goodwill as of June 30, 2022	$ 12,299	$ 68,714	$ 19,791	$ 100,804
Effect of foreign currency changes on goodwill	(391)	—	—	(391)
Goodwill as of September 30, 2022	$ 11,908	$ 68,714	$ 19,791	$ 100,413

The components of other intangible assets were as follows:

	As of September 30, 2022	As of June 30, 2022	Estimated Useful Life (in years)	Weighted-Average Remaining Useful Life (in years)
Definite-lived intangibles:				
Dealer relationships	$ 131,668	$ 131,806	15-20	16.4
Patent	2,600	2,600	15	9.8
Trade name	100	100	15	7.7
Non-compete agreement	45	48	10	2.1
Total	134,413	134,554		
Less: Accumulated amortization	(26,091)	(24,450)		
Total definite-lived intangible assets, net	108,322	110,104		
Indefinite-lived intangible:				
Trade name	118,200	118,200		
Total other intangible assets, net	$ 226,522	$ 228,304		

Amortization expense recognized on all amortizable intangibles was $1,716 and $1,856 for the three months ended September 30, 2022 and 2021, respectively.

The estimated future amortization of definite-lived intangible assets is as follows:

Fiscal years ending June 30:	Amount
Remainder of 2023	$ 5,088
2024	6,802
2025	6,799
2026	6,798
2027	6,798
2028 and thereafter	76,037
	$ 108,322

7. Accrued Expenses

Accrued expenses consisted of the following:

	As of September 30, 2022	As of June 30, 2022
Warranties	$ 39,399	$ 38,673
Dealer incentives	11,008	16,357
Accrued compensation	18,260	21,076
Current operating lease liabilities	2,148	2,121
Accrued legal and professional fees	2,410	1,939
Customer deposits	5,056	4,851
Other accrued expenses	3,337	2,725
Total accrued expenses	$ 81,618	$ 87,742

8. Product Warranties

Malibu and Axis brand boats have a limited warranty for a period up to five years. Cobalt brand boats have (1) a structural warranty of up to ten years which covers the hull, deck joints, bulkheads, floor, transom, stringers, and motor mount and (2) a five year bow-to-stern warranty on all components manufactured or purchased (excluding hull and deck structural components), including canvas and upholstery. Gelcoat is covered up to three years for Cobalt and one year for Malibu and Axis. Pursuit brand boats have (1) a limited warranty for a period of up to five years on structural components such as the hull, deck and defects in the gelcoat surface of the hull bottom and (2) a bow-to-stern warranty of two years (excluding hull and deck structural components). Maverick, Pathfinder and Hewes brand boats have (1) a limited warranty for a period of up to five years on structural components such as the hull, deck and defects in the gelcoat surface of the hull bottom and (2) a bow-to-stern warranty of one year (excluding hull and deck structural components). Cobia brand boats have (1) a limited warranty for a period of up to ten years on structural components such as the hull, deck and defects in the gelcoat surface of the hull bottom and (2) a bow-to-stern warranty of three years (excluding hull and deck structural components). For each boat brand, there are certain materials, components or parts of the boat that are not covered by the Company's warranty and certain components or parts that are separately warranted by the manufacturer or supplier (such as the engine). Engines that the Company manufactures for Malibu and Axis models have a limited warranty of up to five years or five-hundred hours.

The Company's standard warranties require it or its dealers to repair or replace defective products during the warranty period at no cost to the consumer. The Company estimates warranty costs it expects to incur and records a liability for such costs at the time the product revenue is recognized. The Company utilizes historical claims trends and analytical tools to develop the estimate of its warranty obligation on a per boat basis, by brand and warranty year. Factors that affect the Company's warranty liability include the number of units sold, historical and anticipated rates of warranty claims and cost per claim. The Company assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary. Beginning in model year 2016, the Company increased the term of its limited warranty for Malibu brand boats from three years to five years and for Axis brand boats from two years to five years. Beginning in model year 2018, the Company increased the term of its bow-to-stern warranty for Cobalt brand boats from three years to five years. As a result of these changes, all of the Company's Malibu, Axis and Cobalt brand boats with historical claims experience that are no longer covered under warranty had warranty terms shorter than the current warranty term of five years. Accordingly, the Company has limited historical claims

experience for warranty years four and five, and as such, these estimates give rise to a higher level of estimation uncertainty. Future warranty claims may differ from the Company's estimate of the warranty liability, which could lead to changes in the Company's warranty liability in future periods.

Changes in the Company's product warranty liability, which is included in accrued expenses on the unaudited interim condensed consolidated balance sheets, were as follows:

	Three Months Ended September 30,	
	2022	2021
Beginning balance	$ 38,673	$ 35,035
Add: Warranty expense	6,405	4,742
Less: Warranty claims paid	(5,679)	(4,080)
Ending balance	$ 39,399	$ 35,697

9. Financing

Outstanding debt consisted of the following:

	As of September 30, 2022	As of June 30, 2022
Term loans	$ —	$ 23,125
Revolving credit loan	71,700	97,000
Less unamortized debt issuance costs	(1,605)	(508)
Total debt	70,095	119,617
Less current maturities	—	1,563
Long-term debt less current maturities	$ 70,095	$ 118,054

Long-Term Debt

As of September 30, 2022, the Company had a revolving credit facility with borrowing capacity of up to $350,000. As of September 30, 2022, the Company had $71,700 outstanding under its revolving credit facility and $1,529 in outstanding letters of credit, with $276,771 available for borrowing. The revolving credit facility matures on July 8, 2027.

On July 8, 2022, Boats LLC entered into a Third Amended and Restated Credit Agreement (the "Credit Agreement") that amended and restated its second amended and restated credit agreement dated as of June 28, 2017 (the "Prior Credit Agreement"). The Credit Agreement increased the borrowing capacity of the revolving credit facility from $170,000 to $350,000. Boats LLC has the option to request that lenders increase the amount available under the revolving credit facility by, or obtain incremental term loans of, up to $200,000, subject to the terms of the Credit Agreement and only if existing or new lenders choose to provide additional term or revolving commitments.

The obligations of Boats LLC under the Credit Agreement are guaranteed by the LLC, and, subject to certain exceptions, the present and future domestic subsidiaries of Boats LLC, and all such obligations are secured by substantially all of the assets of the LLC, Boats LLC and such subsidiary guarantors. Malibu Boats, Inc. is not a party to the Credit Agreement.

Borrowings under the Credit Agreement bear interest at a rate equal to either, at the Company's option, (i) the highest of the prime rate, the Federal Funds Rate (as defined in the Credit Agreement) plus 0.5%, or one-month Term SOFR (as defined in the Credit Agreement) plus 1% (the "Base Rate") or (ii) SOFR (as defined in the Credit Agreement), in each case plus an applicable margin ranging from 1.25% to 2.00% with respect to SOFR borrowings and 0.25% to 1.00% with respect to Base Rate borrowings. The applicable margin will be based upon the consolidated leverage ratio of the LLC and its subsidiaries. As of September 30, 2022, the interest rate on the Company's term loans and revolving credit facility was 4.23%. The Company is required to pay a commitment fee for any unused portion of the revolving credit facility which will range from 0.15% to 0.30% per annum, depending on the LLC's and its subsidiaries' consolidated leverage ratio.

The Credit Agreement contains certain customary representations and warranties, and notice requirements for the occurrence of specific events such as the occurrence of any event of default or pending or threatened litigation. The Credit Agreement also requires compliance with certain customary financial covenants consisting of a minimum ratio of EBITDA to

interest expense and a maximum ratio of total debt to EBITDA. The Credit Agreement contains certain customary restrictive covenants regarding indebtedness, liens, fundamental changes, investments, dividends and distributions, disposition of assets, transactions with affiliates, negative pledges, hedging transactions, certain prepayments of indebtedness, accounting changes and governmental regulation. For example, the Credit Agreement generally prohibits the LLC, Boats LLC and the subsidiary guarantors from paying dividends or making distributions, including to the Company. The credit facility permits, however, (i) distributions based on a member's allocated taxable income, (ii) distributions to fund payments that are required under the LLC's tax receivable agreement, (iii) purchase of stock or stock options of the LLC from former officers, directors or employees of loan parties or payments pursuant to stock option and other benefit plans up to $5,000 in any fiscal year, and (iv) repurchases of the Company's outstanding stock and LLC Units. In addition, the LLC may make unlimited dividends and distributions if its consolidated leverage ratio is 2.75 or less and certain other conditions are met, subject to compliance with certain financial covenants.

The Credit Agreement also contains customary events of default. If an event of default has occurred and continues beyond any applicable cure period, the administrative agent may (i) accelerate all outstanding obligations under the Credit Agreement or (ii) terminate the commitments, amongst other remedies. Additionally, the lenders are not obligated to fund any new borrowing under the Credit Agreement while an event of default is continuing.

Covenant Compliance

As of September 30, 2022, the Company was in compliance with the financial covenants contained in the Credit Agreement.

10. Leases

The Company leases certain manufacturing facilities, warehouses, office space, land, and equipment. The Company determines if a contract is a lease or contains an embedded lease at the inception of the agreement. Leases with an initial term of 12 months or less are not recorded on the unaudited interim condensed consolidated balance sheets. The Company does not separate non-lease components from the lease components to which they relate, and instead accounts for each separate lease and non-lease component associated with that lease component as a single lease component for all underlying asset classes. The Company's lease liabilities do not include future lease payments related to options to extend or terminate lease agreements as it is not reasonably certain those options will be exercised.

Other information concerning the Company's operating leases accounted for under ASC Topic 842, *Leases* is as follows:

	Classification	As of September 30, 2022	As of June 30, 2022
Assets			
Right-of-use assets	Other assets	$ 10,132	$ 10,659
Liabilities			
Current operating lease liabilities	Accrued expenses	$ 2,148	$ 2,121
Long-term operating lease liabilities	Other liabilities	9,481	10,062
Total lease liabilities		$ 11,629	$ 12,183

	Classification	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021
Operating lease costs [1]	Cost of sales	$ 667	$ 642
	Selling and marketing, and general and administrative	219	216
Sublease income	Other expense (income), net	10	10
Cash paid for amounts included in the measurement of operating lease liabilities	Cash flows from operating activities	623	628

[1] Includes short-term leases, which are insignificant, and are not included in the lease liability.

The lease liability for operating leases that contain variable escalating rental payments with scheduled increases that are based on the lesser of a stated percentage increase or the cumulative increase in an index, are determined using the stated percentage increase.

The weighted-average remaining lease term as of September 30, 2022 and 2021 was 5.31 years and 6.22 years, respectively. As of September 30, 2022 and 2021, the weighted-average discount rate determined based on the Company's incremental borrowing rate is 3.64% and 3.63%, respectively.

Future annual minimum lease payments for the following fiscal years as of September 30, 2022 are as follows:

	Amount
Remainder of 2023	$ 1,883
2024	2,559
2025	2,305
2026	2,255
2027	2,255
2028 and thereafter	1,505
Total	12,762
Less: imputed interest	(1,133)
Present value of lease liabilities	$ 11,629

11. Tax Receivable Agreement Liability

The Company has a Tax Receivable Agreement with the pre-IPO owners of the LLC that provides for the payment by the Company to the pre-IPO owners (or their permitted assignees) of 85% of the amount of the benefits, if any, that the Company is deemed to realize as a result of (i) increases in tax basis and (ii) certain other tax benefits related to the Company entering into the Tax Receivable Agreement, including those attributable to payments under the Tax Receivable Agreement. These contractual payment obligations are obligations of the Company and not of the LLC. The Company's Tax Receivable Agreement liability was determined on an undiscounted basis in accordance with ASC 450, *Contingencies*, since the contractual payment obligations were deemed to be probable and reasonably estimable.

For purposes of the Tax Receivable Agreement, the benefit deemed realized by the Company is computed by comparing the actual income tax liability of the Company (calculated with certain assumptions) to the amount of such taxes that the Company would have been required to pay had there been no increase to the tax basis of the assets of the LLC as a result of the purchases or exchanges, and had the Company not entered into the Tax Receivable Agreement.

The following table reflects the changes to the Company's tax receivable agreement liability:

	As of September 30, 2022	As of June 30, 2022
Beginning fiscal year balance	$ 45,541	$ 48,214
Additions (reductions) to tax receivable agreement:		
Adjustment for change in estimated tax rate	—	1,025
Payments under tax receivable agreement	—	(3,698)
	45,541	45,541
Less: current portion under tax receivable agreement	(3,958)	(3,958)
Ending balance	$ 41,583	$ 41,583

The Tax Receivable Agreement further provides that, upon certain mergers, asset sales or other forms of business combinations or other changes of control, the Company (or its successor) would owe to the pre-IPO owners of the LLC a lump-sum payment equal to the present value of all forecasted future payments that would have otherwise been made under the Tax Receivable Agreement that would be based on certain assumptions, including a deemed exchange of LLC Units and that the Company would have sufficient taxable income to fully utilize the deductions arising from the increased tax basis and other tax benefits related to entering into the Tax Receivable Agreement. The Company also is entitled to terminate the Tax Receivable Agreement, which, if terminated, would obligate the Company to make early termination payments to the pre-IPO owners of the LLC. In addition, a pre-IPO owner may elect to unilaterally terminate the Tax Receivable Agreement with respect to such pre-IPO owner, which would obligate the Company to pay to such existing owner certain payments for tax benefits received through the taxable year of the election.

When estimating the expected tax rate to use in order to determine the tax benefit expected to be recognized from the Company’s increased tax basis as a result of exchanges of LLC Units by the pre-IPO owners of the LLC, the Company continuously monitors changes in its overall tax posture, including changes resulting from new legislation and changes as a result of new jurisdictions in which the Company is subject to tax.

As of September 30, 2022 and June 30, 2022, the Company recorded deferred tax assets of $115,952 associated with basis differences in assets upon acquiring an interest in the LLC and pursuant to making an election under Section 754 of the Internal Revenue Code of 1986 (the "Internal Revenue Code"), as amended. The aggregate Tax Receivable Agreement liability represents 85% of the tax benefits that the Company expects to receive in connection with the Section 754 election. In accordance with the Tax Receivable Agreement, the next annual payment is anticipated approximately 75 days after filing the federal tax return due by April 15, 2023.

12. Income Taxes

The Company is taxed as a C corporation for U.S. income tax purposes and is therefore subject to both federal and state taxation at a corporate level. The LLC continues to operate in the United States as a partnership for U.S. federal income tax purposes. Maverick Boat Group is separately subject to U.S. federal and state income tax with respect to its net taxable income.

Income taxes are computed in accordance with ASC Topic 740, *Income Taxes*, and reflect the net tax effects of temporary differences between the financial reporting carrying amounts of assets and liabilities and the corresponding income tax amounts. The Company has deferred tax assets and liabilities and maintains valuation allowances where it is more likely than not that all or a portion of deferred tax assets will not be realized. To the extent the Company determines that it will not realize the benefit of some or all of its deferred tax assets, such deferred tax assets will be adjusted through the Company’s provision for income taxes in the period in which this determination is made.

As of September 30, 2022 and June 30, 2022, the Company maintained a total valuation allowance of $15,713 and $15,663, respectively, against deferred tax assets related to state net operating losses and future amortization deductions (with respect to the Section 754 election) that are reported in the Tennessee corporate tax return without offsetting income, which is taxable at the LLC. These also include a valuation allowance in the amount of $580 related to foreign tax credit carryforward that is not expected to be utilized in the future.

The Company’s consolidated interim effective tax rate is based upon expected annual income from operations, statutory tax rates and tax laws in the various jurisdictions in which the Company operates. Significant or unusual items, including those related to the change in U.S. tax law as well as other adjustments to accruals for tax uncertainties, are recognized in the quarter in which the related event occurs. On August 16, 2022, the Inflation Reduction Act of 2022 (the “Inflation Reduction Act”) was signed into law. The Inflation Reduction Act contains significant business tax provisions, including an excise tax on stock

buybacks (1% for transactions beginning January 1, 2023), increased funding for IRS tax enforcement, expanded energy incentives promoting clean energy investment, and a 15% corporate minimum tax on certain large corporations. The effects of the new legislation are recognized upon enactment. The Company did not recognize any significant impact to income tax expense for the three months ended September 30, 2022 relating to the Inflation Reduction Act.

For the three months ended September 30, 2022 and 2021, the Company's effective tax rate was 23.4% and 22.4%, respectively. For the three months ended September 30, 2022 and 2021, the Company's effective tax rate exceeded the statutory federal income tax rate of 21% primarily due to the impact of U.S. state taxes. For the three months ended September 30, 2022, this increase in tax rate was partially offset by a windfall benefit generated by certain stock-based compensation as well as the benefit of the foreign derived intangible income deduction. For the three months ended September 30, 2021, this increase in tax rate was partially offset by the benefits from the foreign derived intangible income deduction, the research and development tax credit, and the impact of non-controlling interests in the LLC.

13. Stock-Based Compensation

The Company adopted a long term incentive plan which became effective on January 1, 2014, and reserves for issuance up to 1,700,000 shares of Malibu Boats, Inc. Class A Common Stock for the Company’s employees, consultants, members of its board of directors and other independent contractors at the discretion of the compensation committee. Incentive stock awards authorized under the Incentive Plan include unrestricted shares of Class A Common Stock, stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent awards and performance awards. As of September 30, 2022, 492,959 shares remain available for future issuance under the long term incentive plan.

The following is a summary of the changes in the Company's stock options for the three months ended September 30, 2022:

	Shares	Weighted-Average Exercise Price/Share
Total outstanding options as of June 30, 2022	49,223	$ 40.46
Options granted	—	—
Options exercised	—	—
Outstanding options as of September 30, 2022	49,223	40.46
Exercisable as of September 30, 2022	44,230	$ 40.79

The following is a summary of the changes in non-vested restricted stock units and restricted stock awards for the three months ended September 30, 2022:

	Number of Restricted Stock Units and Restricted Stock Awards Outstanding	Weighted-Average Grant Date Fair Value
Total Non-vested Restricted Stock Units and Restricted Stock Awards as of June 30, 2022	369,649	$ 55.75
Granted	1,271	52.71
Vested	(41,243)	41.21
Forfeited	(957)	54.19
Total Non-vested Restricted Stock Units and Restricted Stock Awards as of September 30, 2022	328,720	$ 57.56

Stock compensation expense attributable to the Company's share-based equity awards was $1,635 and $1,258 for the three months ended September 30, 2022 and 2021, respectively. Stock compensation expense attributed to share-based equity awards issued under the Incentive Plan is recognized on a straight-line basis over the terms of the respective awards and is included in general and administrative expense in the Company's unaudited interim condensed consolidated statements of operations and comprehensive income. Awards vesting during the three months ended September 30, 2022 include 1,271 fully vested restricted stock units issued to non-employee directors for their service as directors for the Company.

14. Net Earnings Per Share

Basic net income per share of Class A Common Stock is computed by dividing net income attributable to the Company's earnings by the weighted-average number of shares of Class A Common Stock outstanding during the period. The weighted-average number of shares of Class A Common Stock outstanding used in computing basic net income per share includes fully vested restricted stock units awarded to directors that are entitled to participate in distributions to common stockholders through receipt of additional units of equivalent value to the dividends paid to Class A Common Stock holders.

Diluted net income per share of Class A Common Stock is computed similarly to basic net income per share except the weighted-average shares outstanding are increased to include additional shares from the assumed exercise of any common stock equivalents using the treasury method, if dilutive. The Company's LLC Units and non-qualified stock options are considered common stock equivalents for this purpose. The number of additional shares of Class A Common Stock related to these common stock equivalents and stock options are calculated using the treasury stock method.

Stock awards with a performance condition that are based on the attainment of a specified amount of earnings are only included in the computation of diluted earnings per share to the extent that the performance condition would be achieved based on the current amount of earnings, and only if the effect would be dilutive.

Stock awards with a market condition that are based on the performance of the Company's stock price in relation to a market index over a specified time period are only included in the computation of diluted earnings per share to the extent that the shares would be issued based on the current market price of the Company's stock in relation to the market index, and only if the effect would be dilutive.

Basic and diluted net income per share of Class A Common Stock has been computed as follows (in thousands, except share and per share amounts):

	Three Months Ended September 30,	
	2022	2021
Basic:		
Net income attributable to Malibu Boats, Inc.	$ 34,883	$ 26,944
Shares used in computing basic net income per share:		
Weighted-average Class A Common Stock	20,215,758	20,620,623
Weighted-average participating restricted stock units convertible into Class A Common Stock	244,091	229,358
Basic weighted-average shares outstanding	20,459,849	20,849,981
Basic net income per share	$ 1.70	$ 1.29
Diluted:		
Net income attributable to Malibu Boats, Inc.	$ 34,883	$ 26,944
Shares used in computing diluted net income per share:		
Basic weighted-average shares outstanding	20,459,849	20,849,981
Restricted stock units granted to employees	90,924	140,674
Stock options granted to employees	14,767	87,557
Market performance awards granted to employees	67,187	54,690
Diluted weighted-average shares outstanding [1]	20,632,727	21,132,902
Diluted net income per share	$ 1.69	$ 1.28

[1] The Company excluded 628,436 and 607,042 potentially dilutive shares from the calculation of diluted net income per share for the three months ended September 30, 2022 and 2021, respectively.

The shares of Class B Common Stock do not share in the earnings or losses of Malibu Boats, Inc. and are therefore not included in the calculation. Accordingly, basic and diluted net income per share of Class B Common Stock have not been presented.

15. Commitments and Contingencies

Repurchase Commitments

In connection with its dealers' wholesale floor plan financing of boats, the Company has entered into repurchase agreements with various lending institutions. The reserve methodology used to record an estimated expense and loss reserve in each accounting period is based upon an analysis of likely repurchases based on current field inventory and likelihood of repurchase. Subsequent to the inception of the repurchase commitment, the Company evaluates the likelihood of repurchase and adjusts the estimated loss reserve accordingly. When a potential loss reserve is recorded, it is presented in accrued liabilities in the accompanying unaudited interim condensed consolidated balance sheets. If the Company were obligated to repurchase a significant number of units under any repurchase agreement, its business, operating results and financial condition could be adversely affected. The total amount financed under the floor financing programs with repurchase obligations was $214,147 and $183,953 as of September 30, 2022 and June 30, 2022, respectively.

Repurchases and subsequent sales are recorded as a revenue transaction. The net difference between the repurchase price and the resale price is recorded against the loss reserve and presented in cost of sales in the accompanying unaudited interim condensed consolidated statements of operations and comprehensive income. During the three months ended September 30, 2022 and 2021, there were no repurchases and as of September 30, 2022, the Company has not been notified about any probable repossessions. Therefore, the Company did not carry a reserve for repurchases as of September 30, 2022 consistent with June 30, 2022.

The Company has collateralized receivables financing arrangements with a third-party floor plan financing provider for European dealers. Under terms of these arrangements, the Company transfers the right to collect a trade receivable to the financing provider in exchange for cash but agrees to repurchase the receivable if the dealer defaults. Since the transfer of the receivable to the financing provider does not meet the conditions for a sale under ASC Topic 860*, Transfers and Servicing*, the Company continues to report the transferred trade receivable in other current assets with an offsetting balance recorded as a secured obligation in accrued expenses in the Company's unaudited interim condensed consolidated balance sheets. As of September 30, 2022 and June 30, 2022, the Company had no financing receivables recorded in other current assets and accrued expenses related to these arrangements.

Contingencies

Product Liability

The Company is engaged in a business that exposes it to claims for product liability and warranty claims in the event the Company's products actually or allegedly fail to perform as expected or the use of the Company's products results, or is alleged to result, in property damage, personal injury or death. Although the Company maintains product and general liability insurance of the types and in the amounts that the Company believes are customary for the industry, the Company is not fully insured against all such potential claims. The Company may have the ability to refer claims to its suppliers and their insurers to pay the costs associated with any claims arising from the suppliers' products. The Company's insurance covers such claims that are not adequately covered by a supplier's insurance and provides for excess secondary coverage above the limits provided by the Company's suppliers.

The Company may experience legal claims in excess of its insurance coverage or claims that are not covered by insurance, either of which could adversely affect its business, financial condition and results of operations. Adverse determination of material product liability and warranty claims made against the Company could have a material adverse effect on its financial condition and harm its reputation. In addition, if any of the Company's products are, or are alleged to be, defective, the Company may be required to participate in a recall of that product if the defect or alleged defect relates to safety. These and other claims that the Company faces could be costly to the Company and require substantial management attention. Refer to Note 8 for discussion of warranty claims. The Company insures against product liability claims and except as disclosed below, believes there are no product liability claims as of September 30, 2022 that will have a material adverse impact on the Company's results of operations, financial condition or cash flows.

Litigation

Certain conditions may exist which could result in a loss, but which will only be resolved when future events occur. The Company, in consultation with its legal counsel, assesses such contingent liabilities, and such assessments inherently involve an exercise of judgment. If the assessment of a contingency indicates that it is probable that a loss has been incurred, the Company accrues for such contingent loss when it can be reasonably estimated. If the assessment indicates that a potentially material loss contingency is not probable but reasonably estimable, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed. If the assessment of a

contingency deemed to be both probable and reasonably estimable involves a range of possible losses, the amount within the range that appears at the time to be a better estimate than any other amount within the range would be accrued. When no amount within the range is a better estimate than any other amount, the minimum amount in the range is accrued even though the minimum amount in the range is not necessarily the amount of loss that will be ultimately determined. Estimates of potential legal fees and other directly related costs associated with contingencies are not accrued but rather are expensed as incurred. Except as disclosed below, management does not believe there are any pending claims (asserted or unasserted) as of September 30, 2022 that would have a material adverse impact on the Company's results of operations, financial condition or cash flows.

Legal Proceedings

Batchelder Matters

The Company and its indirect subsidiary Boats LLC are defendants in the product liability case Batchelder et al. v. Malibu Boats, LLC, f/k/a Malibu Boats, Inc.; Malibu Boats West, Inc., et. al., Superior Court of Rabun County, Georgia, Civil Action Case No. 2016-CV-0114-C (the "Batchelder I Matter"), brought by, among others, Stephan Paul Batchelder and Margaret Mary Batchelder as Administrators of the Estate of Ryan Paul Batchelder, deceased (“Batchelder I Plaintiffs”). The Batchelder I Plaintiffs also sued the manufacturer of the boat at issue in the case, Malibu Boats West, Inc. (“West”). West is not, and has never been, a subsidiary of the Company but was a separate legal entity whose assets were purchased by Boats LLC in 2006. The case involves a personal injury accident in 2014 involving a 2000 model year boat that was manufactured by West. On August 28, 2021, the jury rejected the Batchelder I Plaintiffs’ design defect claims and found that the driver of the boat was 75% at fault for the accident. Notwithstanding those findings, the jury found that Boats LLC and West negligently failed to warn of a hazard posed by the boat and that such failure was a proximate cause of the death of the decedent. The jury also found that Boats LLC is a legal successor of, and responsible for the liabilities of, West. The jury awarded compensatory damages of $80,000 and apportioned 15% of such damages to Boats LLC and 10% of such damages to West. In addition, the jury awarded $80,000 of punitive damages against Boats LLC and $40,000 of punitive damages against West. Based on the jury’s finding of successor liability, the trial court entered judgment for the full amount of the verdict against Boats LLC, with a potential maximum liability to Boats LLC of $140,000, plus post-judgment interest at a rate of 6.25% per annum.

The Batchelder I Plaintiffs also filed motions, after the judgment, seeking orders requiring Boats LLC to pay pre-judgment interest and a portion of their attorney fees. They claimed they are owed attorneys' fees of approximately $56,000. The Company opposed both motions, arguing that the Batchelder I Plaintiffs have no right either to pre-judgment interest or to reimbursement of their attorneys’ fees, and in the alternative that the amount of attorneys’ fees sought was unreasonable. The trial court denied the Batchelder I Plaintiffs’ motion for prejudgment interest and held that ruling on the Batchelder I Plaintiffs’ motion for attorneys’ fees would be premature, indicating that it would decide whether the Batchelder I Plaintiffs have the right to attorneys’ fees, and if so what amount is reasonable, if still necessary upon the resolution of the Company’s post-trial motions and any related appeals. The Batchelder I Plaintiffs have appealed the trial court’s order denying their motion for prejudgment interest, which amount totals approximately $8,000.

On July 17, 2022, the trial court denied Boats LLC’s post-trial motions. Boats LLC has since filed a notice of appeal. Pending resolution of the appeals process, the payment of any damages in this matter is stayed. Based on the current status of the process, the Company believes a loss is reasonably possible and that the potential range of loss could be from $0 to $140,000, plus post-judgment interest at 6.25% per annum. The Company may also be required to pay prejudgment interest of approximately $8,000, if the Batchelder I Plaintiffs are successful on their appeal for such interest, and an award of reasonable attorneys' fees to the Batchelder I Plaintiffs, which the Batchelder I Plaintiffs claim should be approximately $56,000. As noted above, the trial court postponed any ruling on the Batchelder I Plaintiffs' contested motion for attorneys' fees pending the resolution of the Company's post-trial motions and any related appeals. While the Company and Boats LLC maintain product liability insurance applicable to this case, such insurance coverage may be limited to $26,000. Further, while Boats LLC has other claims that it may decide to pursue with respect to this matter, the Company cannot provide any assurance that it will pursue those claims or be successful if it does. The Company did not carry a reserve for loss as of September 30, 2022.

The Company is also a defendant in a related product liability case, Stephan Paul Batchelder and Margaret Mary Batchelder, as Natural Guardians of Josh Patrick Batchelder, a minor; Darin Batchelder, individually, and as Natural Guardian of Zach Batchelder, a minor; and Kayla Batchelder (the “Batchelder II Plaintiffs”) v. Malibu Boats, LLC v. Dennis Michael Ficarra; State Court of Rabun County, Civil Action File No. 2022-CV-0034. The complaint was filed on February 9, 2022 as a purported renewal of earlier claims by the Batchelder II Plaintiffs that were dismissed without prejudice. The case involves claims by the Batchelder II Plaintiffs of their own alleged bodily injury and emotional distress stemming from the same accident involving the alleged swamping of the boat manufactured and sold by West that is the subject of the Batchelder I Matter. As noted above, West is not, and has never been, a subsidiary of the Company but was a separate legal entity whose assets were purchased by the Company in 2006. Four Batchelder II Plaintiffs (including three children) seek damages for

personal injury and punitive damages, alleging that the accident was caused by a design defect and a failure to warn. The Batchelder II Plaintiffs were all dismissed without prejudice from the Batchelder I Matter shortly before the trial for the Batchelder I Matter, however, and thus the new complaint is a renewal action of the original complaint. The Company believes that the allegations in this case are unfounded and denies that there was a design defect or a duty to warn, that the Batchelder II Plaintiffs suffered the alleged injuries, or that any defect in the boat or failure to warn was a legal cause of the alleged injuries. The Company also contends that the incident was caused by the negligence of the driver of the boat and has filed a Third-Party Complaint against the driver, Dennis Ficarra, based on his negligence. The Company is unable to provide any reasonable evaluation of the likelihood that a loss will be incurred or any reasonable estimate of the range of possible loss.

16. Segment Reporting

The Company has three reportable segments, Malibu, Saltwater Fishing and Cobalt. The Malibu segment participates in the manufacturing, distribution, marketing and sale of Malibu and Axis performance sports boats throughout the world. The Saltwater Fishing segment participates in the manufacturing, distribution, marketing and sale throughout the world of Pursuit boats and the Maverick Boat Group brand boats (Maverick, Cobia, Pathfinder and Hewes). The Cobalt segment participates in the manufacturing, distribution, marketing and sale of Cobalt boats throughout the world.

There is no country outside of the United States from which the Company (a) derived net sales equal to 10% of total net sales for the three months ended September 30, 2022, or (b) attributed assets equal to 10% of total assets as of September 30, 2022. Net sales are attributed to countries based on the location of the dealer. The following tables present financial information for the Company's reportable segments for the three months ended September 30, 2022 and 2021, respectively, and the Company's financial position at September 30, 2022 and June 30, 2022, respectively:

	Three Months Ended September 30, 2022			
	Malibu	Saltwater Fishing	Cobalt	Consolidated
Net sales	$ 145,168	$ 92,233	$ 64,810	$ 302,211
Income before provision for income taxes	$ 27,916	$ 10,260	$ 8,952	$ 47,128

	Three Months Ended September 30, 2021			
	Malibu	Saltwater Fishing	Cobalt	Consolidated
Net sales	$ 118,252	$ 76,727	$ 58,518	$ 253,497
Income before provision for income taxes	$ 21,109	$ 6,992	$ 7,916	$ 36,017

	As of September 30, 2022	As of June 30, 2022
Assets		
Malibu	$ 231,782	$ 264,551
Saltwater Fishing	398,374	384,684
Cobalt	208,161	202,091
Total assets	$ 838,317	$ 851,326

17. Subsequent Events

On November 3, 2022, the Company's Board of Directors authorized a stock repurchase program to allow for the repurchase of up to $100,000 of its Class A Common Stock and the LLC's LLC Units (the "2022 Repurchase Program") for the period from November 8, 2022 to November 8, 2023. The Company intends to fund repurchases under the 2022 Repurchase Program from cash on hand.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements and notes thereto included herein.

Malibu Boats, Inc. is a Delaware corporation with its principal offices in Loudon, Tennessee. We use the terms "Malibu," the "Company," "we," "us," "our" or similar references to refer to Malibu Boats, Inc., its subsidiary, Malibu Boats Holdings, LLC, or the LLC, and its subsidiary Malibu Boats, LLC, or Boats, LLC and its consolidated subsidiaries, including Cobalt Boats, LLC, PB Holdco, LLC, through which we acquired the assets of Pursuit, and MBG Holdco, Inc., through which we acquired all of the outstanding stock of Maverick Boat Group, Inc.

Overview

We are a leading designer, manufacturer and marketer of a diverse range of recreational powerboats, including performance sport boats, sterndrive and outboard boats. Our product portfolio of premium brands are used for a broad range of recreational boating activities including, among others, water sports, general recreational boating and fishing. Our passion for consistent innovation, which has led to propriety technology such as Surf Gate, has allowed us to expand the market for our products by introducing consumers to new and exciting recreational activities. We design products that appeal to an expanding range of recreational boaters and water sports enthusiasts whose passion for boating and water sports is a key component of their active lifestyle and provide consumers with a better customer-inspired experience. With performance, quality, value and multi-purpose features, our product portfolio has us well positioned to broaden our addressable market and achieve our goal of increasing our market share in the expanding recreational boating industry.

We currently sell our boats under eight brands as shown in the table below, and we report our results of operations under three reportable segments (Malibu, Saltwater Fishing and Cobalt). See Note 16 to our unaudited interim condensed consolidated financial statements for more information about our reporting segments.

		% of Total Revenues	
Segment	**Brands**	**Three Months Ended September 30, 2022**	**Fiscal year ended June 30, 2022**
Malibu	Malibu Axis	48.0%	50.0%
Saltwater Fishing	Pursuit Maverick Cobia Pathfinder Hewes	30.5%	28.1%
Cobalt	Cobalt	21.5%	21.9%

Our Malibu segment participates in the manufacturing, distribution, marketing and sale throughout the world of Malibu and Axis performance sports boats. Our flagship Malibu boats offer our latest innovations in performance, comfort and convenience, and are designed for consumers seeking a premium performance sport boat experience. We are the market leader in the United States in the performance sport boat category through our Malibu and Axis Wake Research boat brands. Our Axis boats appeal to consumers who desire a more affordable performance sport boat product but still demand high performance, functional simplicity and the option to upgrade key features. Retail prices of our Malibu and Axis boats typically range from $70,000 to $225,000.

Our Saltwater Fishing segment participates in the manufacturing, distribution, marketing and sale throughout the world of Pursuit boats and the Maverick Boat Group family of boats (Maverick, Cobia, Pathfinder and Hewes). Our Pursuit boats expand our product offerings into the saltwater outboard fishing market and include center console, dual console and offshore models. In December 2020, we acquired Maverick Boat Group and added Maverick, Cobia, Pathfinder and Hewes to our brands. Our Maverick Boat Group family of boats are highly complementary to Pursuit, expanding our saltwater outboard offerings with a strong focus in length segments under 30 feet. We are among the market leaders in the fiberglass outboard fishing boat category with the brands in our Saltwater Fishing segment. Retail prices for our Saltwater Fishing boats typically range from $45,000 to $1,300,000.

Our Cobalt segment participates in the manufacturing, distribution, marketing and sale throughout the world of Cobalt boats. Our Cobalt boats consist of mid to large-sized luxury cruisers and bowriders that we believe offer the ultimate experience in comfort, performance and quality. We are the market leader in the United States in the 20’ - 40’ segment of the sterndrive boat category through our Cobalt brand. Retail prices for our Cobalt boats typically range from $65,000 to $525,000.

We sell our boats through a dealer network that we believe is the strongest in the recreational powerboat category. As of July 1, 2022, our worldwide distribution channel consisted of over 400 dealer locations globally. Our dealer base is an important part of our consumers’ experience, our marketing efforts and our brands. We devote significant time and resources to find, develop and improve the performance of our dealers and believe our dealer network gives us a distinct competitive advantage.

Since fiscal year 2020, our operations have been impacted by a variety of external factors, including COVID-19 and supply chain disruptions that we believe were driven by numerous factors, such as labor shortages, ongoing domestic logistical constraints, West Coast port challenges and rising prices for our suppliers, in part due to inflationary pressures. Such supply chain disruptions along with increased costs for raw materials, parts and components, shipping and labor, are having industry-wide impacts affecting us and our suppliers, dealers and customers. We have implemented various initiatives during the time period to combat these factors including plant shut-downs, constrained production levels and surcharges.

Dealer inventories were lower than historical levels throughout fiscal years 2021 and 2022, as a result of an increase in retail sales during fiscal year 2021, constrained production in the first half of fiscal year 2021, and our lower wholesale shipment levels during the second half of fiscal year 2020. Fiscal year 2022 retail demand continued at a strong pace, albeit at lower levels than the record fiscal year 2021 levels, in spite of limited inventory. During fiscal year 2022, year-over-year increases in wholesale production and decreases in retail demand levels relative to fiscal year 2021 combined to increase inventory levels modestly at our Malibu and Cobalt segment dealers by the end of the fiscal year. Dealer inventories continue to be well below historical levels and a full recovery to historical inventory levels will depend on the ability of our supply chain to provide materials to us timely and the level of retail demand during the upcoming year.

The future impact of ongoing supply chain disruptions on our financial condition and results of operations may result in further constrained production and increased costs and will depend on a number of factors, including factors that we may not be able to forecast at this time. See the risk factors around COVID-19 impact, supply chain disruptions and increases in costs under Part I. Item 1A on our Form 10- K for the year ended June 30, 2022.

On a consolidated basis, we achieved first quarter fiscal 2023 net sales, gross profit, net income and adjusted EBITDA of $302.2 million, $74.6 million, $36.1 million and $57.1 million, respectively, compared to $253.5 million, $59.8 million, $27.9 million and $44.7 million, respectively, for the first quarter of fiscal 2022. For the first quarter of fiscal 2023, net sales increased 19.2%, gross profit increased 24.9%, net income increased 29.3% and adjusted EBITDA increased 27.6% as compared to the first quarter of fiscal 2022. For the definition of adjusted EBITDA and a reconciliation to net income, see “GAAP Reconciliation of Non-GAAP Financial Measures.”

Outlook

During the COVID-19 pandemic, domestic retail demand for recreational powerboats increased to the highest levels seen by the industry in decades as consumers turned to boating as a form of outdoor, socially-distanced, recreation. Retail registration activity in the recreational powerboat market, however, began declining meaningfully in the second half of calendar year 2021 as a result of limited available inventory due to the strong sales activity during the pandemic and supply chain disruptions that began impacting production levels. During the first half of calendar year 2022, retail registration activity continued to decline at a lower year-over-year rate and supply chain challenges continued to delay production levels. The double digit declines in retail registration activity in the recreational powerboat market during the first half of calendar year 2022 were also impacted by the increased retail demand in the first half of calendar year 2021, resulting in an abnormally high comparative period.

We and our dealers have experienced similar impacts in retail demand, supply chain disruption and resulting low inventory levels as the industry. The combination of strong retail market activity through calendar year 2020 and into early calendar year 2021 and supply chain disruptions experienced in calendar year 2021 and continuing through calendar year 2022 depleted inventory levels at our dealers below pre-COVID levels. Operational challenges and supply chain constraints delayed our ability to add to depleted inventory levels throughout fiscal year 2022 and into the first quarter of fiscal year 2023. Some of the operational challenges and supply chain disruptions we have experienced include labor shortages, domestic logistical constraints, West Coast port challenges and rising prices for our suppliers, in part due to inflationary pressures. The duration of these challenges is unknown, and they may meaningfully impact our ability to restock our dealers' inventories in a timely manner.

We believe supply chain disruptions will continue to challenge our production output through at least the remainder of fiscal year 2023. However, retail activity at our dealers was strong during much of fiscal year 2022 and, but for a lack of inventory, may have been higher. As a result, we expect continued wholesale demand to restock our dealer inventories through the end of fiscal year 2023 and potentially beyond. The primary drivers for our restocking timing will be the retail demand of our products and our ability to increase production in light of ongoing supply chain challenges. We believe that retail registration activity during the first half of fiscal year 2023 will show a decline in registrations compared to the first half of fiscal year 2022, while still being above pre-pandemic levels. We also expect our current lower dealer inventory levels will support our wholesale shipments and financial performance in the first half of fiscal year 2023 and retail demand and supply chain logistics will be the key drivers of the speed of inventory restocking that will drive our wholesale production in the second half of fiscal year 2023.

We aim to increase our market share across the boating categories in which we compete through new product development, improved distribution, new models, and innovative features. Our industry however is highly competitive, and our competitors have become more aggressive in their product introductions, expanded their distribution capabilities, and launched surf systems competitive with our patented Surf Gate system. Further, our ability to increase inventory levels at our dealers will be important to maintain and grow our market share across our brands. We believe our new product pipeline, strong dealer network and ability to increase production will allow us to maintain and potentially expand our leading market position in performance sports boats. We also believe that our track record of expanding our market share with our Malibu and Axis brands is directly transferable to our Cobalt, Pursuit and Maverick Boat Group brands. While Cobalt, Pursuit and the Maverick Boat Group brands are market leaders in certain areas, we believe that enhancing new product development combined with diligent management of the Cobalt, Pursuit and Maverick Boat Group dealer networks will position us to meaningfully improve our share of the sterndrive and outboard markets over time. We have seen the impact of this strategy at Cobalt already as we have gained market share with the introduction of ten new products in the last twenty-four months. Our new product development efforts at Pursuit have begun to take shape and influence market share. We have begun the processes to improve product development efforts at Maverick Boat Group but those initiatives will take time and our ability to influence the number of near-term model introductions will be limited.

As discussed above, our financial results and operations have been, and will continue to be, impacted by events outside of our control. For example, we have experienced elevated raw material, components and transportation costs, partly due to inflationary pressures, and we anticipate those costs to remain at elevated levels for the remainder of calendar year 2022 and likely beyond. To combat this, we implemented surcharges across all brands in fiscal year 2022 that were made permanent price increases at the beginning of fiscal year 2023, while working aggressively to minimize incremental price increases to lessen any volume impact associated with increased prices. Numerous other variables also have the potential to impact our volumes, both positively and negatively. For instance, increasing interest rates that we are currently experiencing could reduce retail consumer appetite for our product or reduce the appetite or availability for credit for our dealers and retail consumers. Further, we believe a substantial increase or decrease in the price of oil, strength or weakness of the U.S. dollar and tariffs can result in greater or reduced demand for our boats in certain markets. Consumer confidence, expanded or eroded, is a variable that can also impact demand for our products in both directions. Other challenges that could impact demand for recreational powerboats include, fuel costs, a meaningful reduction in the value of global or domestic equity markets, the continued acceptance of our new products in the recreational boating market, our ability to compete in the competitive power boating industry, and the costs of labor and certain of our raw materials and key components. An additional variable that could affect our volumes is weather related events. For example, we recently shut down production in all of our Florida facilities as a precaution during Hurricane Ian that made landfall in Florida at the end of September. The downtime impacted the number of boats that we were able to ship at the end of the first quarter of fiscal year 2023. Our facilities were ultimately not meaningfully impacted by the hurricane, and we were able to restart production and shipments in the second fiscal quarter as we normally would. Retail demand may also be negatively impacted in the second half of calendar year 2022 as a result of rising gas prices, increasing interest rates and continuing concerns over inflation, all of which are outside of our control.

Factors Affecting Our Results of Operations

We believe that our results of operations and our growth prospects are affected by a number of factors, such as the economic environment and consumer demand for our products, our ability to develop new products and innovate, our product mix, our ability to manage manufacturing costs, sales cycles and inventory levels, the strength of our dealer network, our ability to offer dealer financing and incentives and our vertical integration efforts. We discuss each of these factors in more detail under the heading “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations--Factors Affecting Our Results of Operations” in our Form 10-K for the year ended June 30, 2022. While we do not have control of all factors affecting our results from operations, we work diligently to influence and manage those factors which we can impact to enhance our results of operations.

Components of Results of Operations

Net Sales

We generate revenue from the sale of boats to our dealers. The substantial majority of our net sales are derived from the sale of boats, including optional features included at the time of the initial wholesale purchase of the boat. Net sales consists of the following:

- Gross sales from:
  - *Boat and trailer sales*—consists of sales of boats and trailers to our dealer network. Nearly all of our boat sales include optional feature upgrades purchased by the consumer, which increase the average selling price of our boats; and
  - *Parts and other sales*—consists of sales of replacement and aftermarket boat parts and accessories to our dealer network; and consists of royalty income earned from license agreements with various boat manufacturers, including Nautique, Chaparral, Mastercraft, and Tige related to the use of our intellectual property.
- Net sales are net of:
  - *Sales returns*—consists primarily of contractual repurchases of boats either repossessed by the floor plan financing provider from the dealer or returned by the dealer under our warranty program; and
  - *Rebates and free flooring*—consists of incentives, rebates and free flooring, we provide to our dealers based on sales of eligible products. For our Malibu and Cobalt segments, if a domestic dealer meets its monthly or quarterly commitment volume, as well as other terms of the dealer performance program, the dealer is entitled to a specified rebate. For our Saltwater Fishing segment, if a dealer meets its quarterly or annual retail volume goals, the dealer is entitled to a specific rebate applied to their wholesale volume purchased. For Malibu, Cobalt and select Saltwater Fishing models, our dealers that take delivery of current model year boats in the offseason, typically July through April in the U.S., are also entitled to have us pay the interest to floor the boat until the earlier of (1) the sale of the unit or (2) a date near the end of the current model year, which incentive we refer to as “free flooring.” From time to time, we may extend the flooring program to eligible models beyond the offseason period.

Cost of Sales

Our cost of sales includes all of the costs to manufacture our products, including raw materials, components, supplies, direct labor and factory overhead. For components and accessories manufactured by third-party vendors, such costs represent the amounts invoiced by the vendors. Shipping costs and depreciation expense related to manufacturing equipment and facilities are also included in cost of sales. Warranty costs associated with the repair or replacement of our boats under warranty are also included in cost of sales.

Operating Expenses

Our operating expenses include selling and marketing, general and administrative costs and amortization costs. Each of these items includes personnel and related expenses, supplies, non-manufacturing overhead, third-party professional fees and various other operating expenses. Further, selling and marketing expenditures include the cost of advertising and various promotional sales incentive programs. General and administrative expenses include, among other things, salaries, benefits and other personnel related expenses for employees engaged in product development, engineering, finance, information technology, human resources and executive management. Other costs include outside legal and accounting fees, investor relations, risk management (insurance) and other administrative costs. General and administrative expenses also include product development expenses associated with our vertical integration initiative and acquisition or integration related expenses. Amortization expenses are associated with the amortization of intangibles.

Other Expense (Income), Net

Other expense (income), net consists of interest expense and other income or expense, net. Interest expense consists of interest charged under our outstanding debt and amortization of deferred financing costs on our credit facilities. Other income or expense includes adjustments to our tax receivable agreement liability and sublease income.

Income Taxes

Malibu Boats, Inc. is subject to U.S. federal and state income tax in multiple jurisdictions with respect to our allocable share of any net taxable income of the LLC. The LLC is a pass-through entity for federal purposes but incurs income tax in certain state jurisdictions. Maverick Boat Group is separately subject to U.S. federal and state income tax with respect to its net taxable income.

Net Income Attributable to Non-controlling Interest

As of each of September 30, 2022 and 2021, we had a 97.1% and a 97.2%, respectively, controlling economic interest and 100% voting interest in the LLC and, therefore, we consolidate the LLC's operating results for financial statement purposes. Net income attributable to non-controlling interest represents the portion of net income attributable to the non-controlling LLC members.

Results of Operations

The table below sets forth our unaudited interim consolidated results of operations, expressed in thousands (except unit volume and net sales per unit) and as a percentage of net sales, for the periods presented. Our unaudited interim consolidated financial results for these periods are not necessarily indicative of the consolidated financial results that we will achieve in future periods. Certain totals for the table below will not sum to exactly 100% due to rounding.

	Three Months Ended September 30,			
	2022		2021	
	$	% Revenue	$	% Revenue
Net sales	302,211	100.0 %	253,497	100.0 %
Cost of sales	227,606	75.3 %	193,745	76.4 %
Gross profit	74,605	24.7 %	59,752	23.6 %
Operating expenses:				
Selling and marketing	5,186	1.7 %	5,117	2.0 %
General and administrative	19,220	6.4 %	16,091	6.4 %
Amortization	1,716	0.6 %	1,856	0.7 %
Operating income	48,483	16.0 %	36,688	14.5 %
Other expense, net:				
Other expense (income), net	70	— %	(13)	— %
Interest expense	1,285	0.4 %	684	0.3 %
Other expense, net	1,355	0.4 %	671	0.3 %
Income before provision for income taxes	47,128	15.6 %	36,017	14.2 %
Provision for income taxes	11,023	3.7 %	8,084	3.2 %
Net income	36,105	11.9 %	27,933	11.0 %
Net income attributable to non-controlling interest	1,222	0.4 %	989	0.4 %
Net income attributable to Malibu Boats, Inc.	34,883	11.5 %	26,944	10.6 %

	Three Months Ended September 30,			
	2022		2021	
	Unit Volumes	% Total	Unit Volumes	% Total
Volume by Segment				
Malibu	1,218	54.4 %	1,059	52.3 %
Saltwater Fishing	548	24.5 %	485	24.0 %
Cobalt	471	21.1 %	480	23.7 %
Total units	2,237	100.0 %	2,024	100.0 %
Net sales per unit	$ 135,097		$ 125,246	

Comparison of the Three Months Ended September 30, 2022 to the Three Months Ended September 30, 2021

Net Sales

Net sales for the three months ended September 30, 2022 increased $48.7 million, or 19.2%, to $302.2 million as compared to the three months ended September 30, 2021. The increase in net sales was driven primarily by increased unit volumes in our Malibu and Saltwater Fishing segments and inflation-driven year-over-year price increases. We recognized an increase in net sales across all three segments and increase in volumes at our Malibu and Saltwater Fishing segments during the three months

ended September 30, 2022. Unit volume for the three months ended September 30, 2022, increased 213 units, or 10.5%, to 2,237 units as compared to the three months ended September 30, 2021. Our unit volume increased primarily due to strong demand at our Malibu and Saltwater Fishing segments.

Net sales attributable to our Malibu segment increased $26.9 million, or 22.8%, to $145.2 million for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. Unit volumes attributable to our Malibu segment increased 159 units for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The increase in net sales was driven primarily by increased volume and inflation-driven year-over-year price increases.

Net sales attributable to our Saltwater Fishing segment increased $15.5 million, or 20.2%, to $92.2 million, for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. Unit volume increased 63 units for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase in net sales was driven primarily by inflation-driven year-over-year price increases and increased volume.

Net sales attributable to our Cobalt segment increased $6.3 million, or 10.8%, to $64.8 million for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. Unit volumes attributable to Cobalt decreased 9 units for the three months ended September 30, 2022 compared to the three months ended September 30, 2021. The increase in net sales was driven by inflation-driven year-over-year price increases and a favorable model mix, partially offset by a decrease in volumes.

Overall consolidated net sales per unit increased 7.9% to $135,097 per unit for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. Net sales per unit for our Malibu segment increased 6.7% to $119,186 per unit for the three months ended September 30, 2022, compared to the three months ended September 30, 2021, driven by inflation-driven year-over-year price increases. Net sales per unit for our Saltwater Fishing segment increased 6.4% to $168,308 per unit for the three months ended September 30, 2022 driven by inflation-driven year-over-year price increases. Net sales per unit for our Cobalt segment increased 12.9% to $137,601 per unit for the three months ended September 30, 2022, compared to the three months ended September 30, 2021, driven by inflation-driven year-over-year price increases and a favorable model mix.

Cost of Sales

Cost of sales for the three months ended September 30, 2022 increased $33.9 million, or 17.5%, to $227.6 million as compared to the three months ended September 30, 2021. The increase in cost of sales was driven by increased prices due to supply chain disruptions and inflationary pressures that have impacted prices on parts and components. In the Malibu segment, higher per unit material and labor costs contributed $14.9 million to the increase in cost of sales and were driven by increased prices due to supply chain disruptions and inflationary pressures. Within our Saltwater Fishing segment, higher per unit material and labor costs contributed $9.8 million to the increase in cost of sales and were driven by increased prices due to supply chain disruptions and inflationary pressures. In the Cobalt segment, higher per unit material and labor costs contributed $4.0 million to the increase in cost of sales and were driven by increased prices due to supply chain disruptions and inflationary pressures and by an increased mix of products that corresponded with higher net sales per unit.

Gross Profit

Gross profit for the three months ended September 30, 2022 increased $14.9 million, or 24.9%, to $74.6 million compared to the three months ended September 30, 2021. The increase in gross profit was driven primarily by higher sales revenue partially offset by the increased cost of sales for the reasons noted above. Gross margin for the three months ended September 30, 2022 increased 110 basis points from 23.6% to 24.7% driven primarily by improved materials and labor margins.

Operating Expenses

Selling and marketing expenses for the three months ended September 30, 2022 increased $0.1 million, or 1.3% to $5.2 million compared to the three months ended September 30, 2021. The increase was driven primarily by increased travel expenses slightly offset by decreased promotional events. As a percentage of sales, selling and marketing expenses decreased 30 basis points to 1.7% for the three months ended September 30, 2022 compared to 2.0% for the three months ended September 30, 2021. General and administrative expenses for the three months ended September 30, 2022 increased $3.1 million, or 19.4%, to $19.2 million as compared to the three months ended September 30, 2021 driven primarily by an increase in compensation and personnel-related expenses, an increase in professional fees and an increase in travel expenses. As a percentage of sales, general and administrative expenses remained flat at 6.4% for the three months ended September 30, 2022. Amortization expense for the three months ended September 30, 2022 decreased $0.1 million, or 7.5% to $1.7 million

compared to the three months ended September 30, 2021 due to a decrease of amortization expense related to fully amortized intangibles.

Other Expense (Income), Net

Other expense (income), net for the three months ended September 30, 2022 increased by $0.7 million, or 101.9% to $1.4 million, compared to the three months ended September 30, 2021. The increase in other expense (income) resulted primarily from increased interest expense due to higher average interest rate during the three months ended September 30, 2022 compared to the three months ended September 30, 2021.

Provision for Income Taxes

Our provision for income taxes for the three months ended September 30, 2022, increased $2.9 million, or 36.4%, to $11.0 million compared to the three months ended September 30, 2021. The increase primarily resulted from increased pre-tax earnings and increased state taxes. For the three months ended September 30, 2022 and 2021, our effective tax rate of 23.4% and 22.4%, respectively, exceeded the statutory federal income tax rate of 21% primarily due to the impact of U.S. state taxes. For the three months ended September 30, 2022, this increase in tax rate was partially offset by a windfall benefit generated by certain stock-based compensation as well as the benefit of the foreign derived intangible income deduction. For the three months ended September 30, 2021, this increase in tax rate was partially offset by the benefits from the foreign derived intangible income deduction, the research and development tax credit, and the impact of non-controlling interests in the LLC.

Non-controlling Interest

Non-controlling interest represents the ownership interests of the members of the LLC other than us and the amount recorded as non-controlling interest in our unaudited interim condensed consolidated statements of operations and comprehensive income is computed by multiplying pre-tax income for the applicable period, by the percentage ownership in the LLC not directly attributable to us. For the three months ended September 30, 2022 and 2021, the weighted-average non-controlling interest attributable to ownership interests in the LLC not directly attributable to us was 2.9% and 2.8%, respectively.

GAAP Reconciliation of Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures that are used by management as well as by investors, commercial bankers, industry analysts and other users of our financial statements.

We define adjusted EBITDA as net income before interest expense, income taxes, depreciation, amortization and non-cash, non-recurring or non-operating expenses, including 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 the Company's 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 our 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. Adjusted EBITDA has limitations as an analytical tool 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. 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. Our presentation of adjusted EBITDA and adjusted EBITDA margin should not be construed as an inference that our results will be unaffected by unusual or non-recurring items. Our computations of adjusted EBITDA and adjusted EBITDA margin may not be comparable to other similarly titled measures of other companies.

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

	Three Months Ended September 30,	
	2022	2021
Net income	$ 36,105	$ 27,933
Provision for income taxes	11,023	8,084
Interest expense	1,285	684
Depreciation	5,296	4,918
Amortization	1,716	1,856
Stock-based compensation expense [1]	1,635	1,258
Adjusted EBITDA	$ 57,060	$ 44,733
Net Sales	$ 302,211	$ 253,497
Net Income Margin [2]	11.9 %	11.0 %
Adjusted EBITDA Margin [2]	18.9 %	17.6 %

(1) 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. See Note 13 to our unaudited interim condensed consolidated financial statements included elsewhere in this Quarterly Report.

(2) We calculate net income margin as net income divided by net sales and we define adjusted EBITDA margin as adjusted EBITDA divided by net sales.

Adjusted Fully Distributed Net Income

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 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 Quarterly Report, may differ from and may, therefore, not be comparable to similarly titled measures used by other companies.

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 September 30,	
	2022	2021
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.	$ 34,883	$ 26,944
Provision for income taxes	11,023	8,084
Acquisition related expenses [1]	1,677	1,677
Stock-based compensation expense [2]	1,635	1,258
Net income attributable to non-controlling interest [3]	1,222	989
Fully distributed net income before income taxes	50,440	38,952
Income tax expense on fully distributed income before income taxes [4]	12,276	9,271
Adjusted fully distributed net income	$ 38,164	$ 29,681

	Three Months Ended September 30,	
	2022	2021
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:	20,459,849	20,849,981
Adjustments to weighted-average shares of Class A Common Stock:		
Weighted-average LLC Units held by non-controlling unit holders [5]	600,919	600,919
Weighted-average unvested restricted stock awards issued to management [6]	254,781	224,165
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:	21,315,549	21,675,065

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 September 30,	
	2022	2021
Net income available to Class A Common Stock per share	$ 1.70	$ 1.29
Impact of adjustments:		
Provision for income taxes	0.54	0.39
Acquisition related expenses [1]	0.08	0.08
Stock-based compensation expense [2]	0.08	0.06
Net income attributable to non-controlling interest [3]	0.06	0.05
Fully distributed net income per share before income taxes	2.46	1.87
Impact of income tax expense on fully distributed income before income taxes [4]	(0.60)	(0.44)
Impact of increased share count [7]	(0.07)	(0.06)
Adjusted Fully Distributed Net Income per Share of Class A Common Stock	$ 1.79	$ 1.37

(1) For the three months ended September 30, 2022 and 2021, represents amortization of intangibles acquired in connection with the acquisitions of Maverick Boat Group, Pursuit and Cobalt.

(2) 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. See Note 13 to our unaudited interim condensed consolidated financial statements included elsewhere in this Quarterly Report.

(3) 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.

(4) Reflects income tax expense at an estimated normalized annual effective income tax rate of 24.3% and 23.8% of income before income taxes for the three months ended September 30, 2022 and 2021, 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 2023 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.

(5) 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.

(6) 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.

(7) 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.

Liquidity and Capital Resources

Overview and Primary Sources of Cash

Our primary uses of cash have been for funding working capital and capital investments, repayments under our debt arrangements, acquisitions, cash distributions to members of the LLC, cash payments under our tax receivable agreement and stock repurchases under our stock repurchase program. For both the short term and the long term, our sources of cash to meet these needs have primarily been operating cash flows, borrowings under our revolving credit facility and short and long-term debt financings from banks and financial institutions. We believe that our cash on hand, cash generated by operating activities and funds available under our revolving credit facility will be sufficient to finance our operating activities for at least the next twelve months and beyond.

Material Cash Requirements

Capital Expenditures. For fiscal year 2022, we incurred approximately $55.1 million in capital expenditures related to the expansion of our Florida facility used for Maverick Boats Group as well as new models, capacity enhancements and vertical integration initiatives. We expect capital expenditures between $65.0 million and $70.0 million for fiscal year 2023 primarily for investments in new models, capacity enhancements and vertical integration initiatives. Other investment opportunities, such as potential strategic acquisitions, may require additional funding.

Principal and Interest Payments. On July 8, 2022, we entered into a Third Amended and Restated Credit Agreement (the “Credit Agreement”). The Credit Agreement provides us with a revolving credit facility in an aggregate principal amount of up to $350.0 million. As of September 30, 2022, we had $71.7 million outstanding under our revolving credit facility and $1.5 million in outstanding letters of credit, with $276.8 million available for borrowing. The revolving credit facility matures on July 8, 2027. Assuming no additional repayments or borrowings on our revolving credit facility after September 30, 2022, our interest payments would be approximately $3.1 million within the next 12 months based on the interest rate at September 30, 2022 of 4.23%. See below under “Revolving Credit Facility” for additional information regarding our revolving credit facility, including the interest rate applicable to any borrowing under such facility.

Tax Receivable Agreement. We entered into a tax receivable agreement with our pre-IPO owners at the time of our initial public offering. Under the tax receivables agreement, we pay the pre-IPO owners (or any permitted assignees) 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax or franchise tax that we actually realize, or in some circumstances are deemed to realize, as a result of an expected increase in our share of tax basis in LLC’s tangible and intangible assets, including increases attributable to payments made under the tax receivable agreement. These obligations will not be paid if we do not realize cash tax savings. We estimate that approximately $4.0 million will be due under the tax receivable agreement within the next 12 months. In accordance with the tax receivable agreement, the next payment is anticipated to occur approximately 75 days after filing the federal tax return which is due on April 15, 2023.

Operating Lease Obligations. Lease commitments consist principally of leases for our manufacturing facilities. Our expected operating lease payments due within the next 12 months are $2.5 million and our total committed lease payments are $12.8 million as of September 30, 2022. Additional information regarding our operating leases is available in Note 10 of our unaudited interim condensed consolidated financial statements included elsewhere in this Quarterly Report.

Purchase Obligations. In the ordinary course of business, we enter into purchase orders from a variety of suppliers, primarily for raw materials, in order to manage our various operating needs. The orders are expected to be purchased throughout fiscal year 2023. We or the vendor can generally terminate the purchase orders at any time. These purchase orders do not contain any termination payments or other penalties if cancelled. As of September 30, 2022, we had purchase orders in the amount of $128.6 million due within the next 12 months.

Stock Repurchase Program. On November 3, 2021, our Board of Directors authorized a stock repurchase program to allow for the repurchase of up to $70.0 million of our Class A Common Stock and the LLC's LLC Units (the “2021 Repurchase Program”) for the period from November 8, 2021 to November 8, 2022. During the three months ended September 30, 2022, we repurchased 143,759 shares of Class A Common Stock for $7.9 million in cash including related fees and expenses. As of September 30, 2022, $27.5 million was available to repurchase shares of Class A Common Stock and LLC Units under the 2021 Repurchase Program. On November 3, 2022, our Board of Directors authorized a stock repurchase program to allow for the repurchase of up to $100.0 million of our Class A Common Stock and the LLC's LLC Units (the “2022 Repurchase Program”) for the period from November 8, 2022 to November 8, 2023. We may repurchase shares of our common stock at any time or from time to time, without prior notice, subject to market conditions and other considerations. We have no obligation to repurchase any shares of our common stock under the share repurchase program. We intend to fund repurchases under the 2022 Repurchase Program from cash on hand.

Our future capital requirements beyond the next 12 months will depend on many factors, including the general economic environment in which we operate and our ability to generate cash flow from operations, which are more uncertain as a result of inflation, increasing interest rates, increasing fuel prices, ongoing supply chain disruptions and the continuing impact of COVID-19. Our liquidity needs during this uncertain time will depend on multiple factors, including our ability to continue operations and production of boats, the performance of our dealers and suppliers, the impact of the general economy on our dealers, suppliers and retail customers, the availability of sufficient amounts of financing, and our operating performance. In addition, as noted elsewhere, a jury recently found that our subsidiary, Malibu Boats, LLC, and another entity that was the manufacturer of the boat at issue, Malibu Boats West, Inc., negligently failed to warn of a hazard posed by the boat and that such failure was a proximate cause of the death of a passenger in the boat. Based on the jury's finding of successor liability, the trial court entered judgment for the full amount of the verdict against Malibu Boats, LLC, with a potential maximum liability to Malibu Boats, LLC of $140.0 million, plus post-judgment interest at a rate of 6.25% per annum. Malibu Boats, LLC may also be required to pay prejudgment interest of approximately $8.0 million, if the Batchelder I Plaintiffs are successful on their appeal for such interest, and an award of reasonable attorneys' fees to the plaintiffs, which the plaintiffs claim should be approximately $56.0 million. The trial court postponed any ruling on the plaintiffs' contested motion for attorneys' fees pending the resolution of our post-trial motions and related appeals. On July 17, 2022, the trial court denied the post-trial motions of Malibu Boats, LLC, and we have since filed a notice of appeal. Pending resolution of the appeals process, the payment of any damages in this matter is stayed. While we maintain product liability insurance applicable to this case, such insurance coverage may be limited to $26.0 million. Further, while we have other claims that we may decide to pursue with respect to this matter, we cannot provide any assurance that we will pursue those claims or be successful if we do. If the outcome of the case is ultimately unfavorable to us after appeal, we would need to pay for any final judgment in excess of the amount paid by our insurance providers.

The following table summarizes the cash flows from operating, investing and financing activities (dollars in thousands):

	Three Months Ended September 30,	
	2022	2021
Total cash provided by (used in):		
Operating activities	$ 31,689	$ 23,686
Investing activities	(12,362)	(13,892)
Financing activities	(59,571)	(21,516)
Impact of currency exchange rates on cash balances	(449)	(257)
Decrease in cash	$ (40,693)	$ (11,979)

Operating Activities

Net cash provided by operating activities was $31.7 million for the three months ended September 30, 2022, compared to $23.7 million for the three months ended September 30, 2021, an increase of $8.0 million. The increase in cash provided by operating activities primarily resulted from an increase of $9.5 million in net income (after consideration of non-cash items included in net income, primarily related to depreciation, amortization, deferred tax assets and non-cash compensation) offset by a net decrease in operating assets and liabilities of $1.5 million related to the timing of collections of accounts receivables, payments for accruals and payables, and purchases of inventory.

Investing Activities

Net cash used in investing activities was $12.4 million for the three months ended September 30, 2022, and $13.9 million for the three months ended September 30, 2021. Net cash used for investing activities for the three months ended September 30, 2022 was primarily related to decreased capital expenditures compared to the three months ended September 30, 2021.

Financing Activities

Net cash used in financing activities was $59.6 million for the three months ended September 30, 2022, compared to net cash used in financing activities of $21.5 million for the three months ended September 30, 2021, a change of $38.1 million. During the three months ended September 30, 2022, we repaid $23.1 million on our term loans and repaid $147.0 million of borrowings under our revolving credit facility and repurchased $7.9 million of our Class A Common Stock under our 2021 Repurchase Program. We also paid $0.9 million on taxes for shares withheld upon the vesting of restricted stock awards, paid $1.0 million in distributions to LLC Unit holders and paid $1.4 million in deferred financing costs. We received proceeds of $121.7 million under our amended revolving credit facility noted below. During the three months ended September 30, 2021, we repaid $20.0 million of borrowings under our revolving credit facility, we repaid $0.3 million on our term loan, paid $0.5

million on taxes for shares withheld upon the vesting of restricted stock awards and paid $0.7 million in distributions to LLC Unit holders.

Revolving Credit Facility

We have a revolving credit facility in an aggregate principal amount of up to $350.0 million with a maturity date of July 8, 2027. As of September 30, 2022, we had $71.7 million outstanding under our revolving credit facility and $1.5 million in outstanding letters of credit, with $276.8 million available for borrowing.

On July 8, 2022, we entered into our Credit Agreement with Truist Bank, as the administrative agent, swingline lender and issuing bank, that amended and restated our Prior Credit Agreement. The Credit Agreement increased the borrowing capacity of the revolving credit facility from $170.0 million to $350.0 million. We have the option to request that lenders increase the amount available under the revolving credit facility by, or obtain incremental term loans of, up to $200.0 million, subject to the terms of the Credit Agreement and only if existing or new lenders choose to provide additional term or revolving commitments.

Our indirect subsidiary, Malibu Boats, LLC is the borrower under the Credit Agreement and its obligations are guaranteed by the LLC and, subject to certain exceptions, the present and future domestic subsidiaries of Malibu Boats, LLC, and all such obligations are secured by substantially all of the assets of the LLC, Malibu Boats, LLC and such subsidiary guarantors. Malibu Boats, Inc. is not a party to the Credit Agreement.

All borrowings under the Credit Agreement bear interest at a rate equal to either, at our option, (i) the highest of the prime rate, the Federal Funds Rate plus 0.5%, or one-month Term SOFR plus 1% (the “Base Rate”) or (ii) SOFR, in each case plus an applicable margin ranging from 1.25% to 2.00% with respect to SOFR borrowings and 0.25% to 1.00% with respect to Base Rate borrowings. The applicable margin will be based upon the consolidated leverage ratio of the LLC and its subsidiaries. We are required to pay a commitment fee for the unused portion of the revolving credit facility, which will range from 0.15% to 0.30% per annum, depending on the LLC’s and its subsidiaries’ consolidated leverage ratio.

The Credit Agreement contains certain customary representations and warranties, and notice requirements for the occurrence of specific events such as the occurrence of any event of default or pending or threatened litigation. The Credit Agreement also requires compliance with certain customary financial covenants consisting of a minimum ratio of EBITDA to interest expense and a maximum ratio of total debt to EBITDA. The Credit Agreement contains restrictive covenants regarding indebtedness, liens, fundamental changes, investments, dividends and distributions, disposition of assets, transactions with affiliates, negative pledges, hedging transactions, certain prepayments of indebtedness, accounting changes and governmental regulation.

The Credit Agreement also contains customary events of default. If an event of default has occurred and continues beyond any applicable cure period, the administrative agent may (i) accelerate all outstanding obligations under the Credit Agreement or (ii) terminate the commitments, amongst other remedies. Additionally, the lenders are not obligated to fund any new borrowing under the Credit Agreement while an event of default is continuing.

Repurchase Commitments

Our dealers have arrangements with certain finance companies to provide secured floor plan financing for the purchase of our boats. These arrangements indirectly provide liquidity to us by financing dealer purchases of our products, thereby minimizing the use of our working capital in the form of accounts receivable. A majority of our sales are financed under similar arrangements, pursuant to which we receive payment within a few days of shipment of the product. We have agreed to repurchase products repossessed by the finance companies if a dealer defaults on its debt obligations to a finance company and the boat is returned to us, subject to certain limitations. Our financial exposure under these agreements is limited to the difference between the amounts unpaid by the dealer with respect to the repossessed product plus costs of repossession and the amount received on the resale of the repossessed product. During the three months ended September 30, 2022 and 2021, we did not repurchase any boats under our repurchase agreements. An adverse change in retail sales could require us to repurchase repossessed units upon an event of default by any of our dealers, subject to the annual limitation.

Potential Impact of LIBOR Transition

Malibu Boats, Inc. is required to make a good faith effort to ensure that it has sufficient cash available to make any required payments under the tax receivable agreement. The limited liability company agreement of the LLC requires the LLC to make “tax distributions” which, in the ordinary course, will be sufficient to pay the actual tax liability of Malibu Boats, Inc. and to fund required payments under the tax receivable agreement. If for any reason the LLC is not able to make a tax distribution in an amount that is sufficient to make any required payment under the tax receivable agreement or we otherwise lack sufficient funds, interest would accrue on any unpaid amounts at LIBOR, plus 500 basis points until they are paid. Recent actions taken

by the Chief Executive of the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, indicate that the continuation of U.S. LIBOR on the current basis cannot and will not be guaranteed after June 30, 2023. Moreover, it is possible that U.S. LIBOR will be discontinued or modified prior to June 30, 2023. Our tax receivable agreement, however, does not provide for an alternative reference rate to LIBOR and, while we do not currently anticipate failing to pay any amounts owed under our tax receivable agreement, it is unclear how we would determine interest on any such amounts should we fail to pay as required under our tax receivable agreement.

Critical Accounting Policies

As of September 30, 2022, there were no other significant changes in the application of our critical accounting policies or estimation procedures from those presented in our Annual Report on Form 10-K for the fiscal year ended June 30, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to our Annual Report on Form 10-K for the year ended June 30, 2022, for a complete discussion on the Company's market risk. There have been no material changes in market risk from those disclosed in the Company's Form 10-K for the year ended June 30, 2022.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act) that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the period covered by this Quarterly Report, we carried out an evaluation under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures. Based upon this evaluation, our chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of September 30, 2022.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

The discussion of legal matters under the section entitled "Legal Proceedings" is incorporated by reference from Note 15 of our unaudited interim condensed consolidated financial statements included elsewhere in this Quarterly Report.

Item 1A. Risk Factors

During the quarter ended September 30, 2022, there were no material changes to the risk factors discussed in Part I, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended June 30, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Repurchase of Class A Common Stock

This table provides information with respect to purchases by us of shares of our Class A Common Stock under our Repurchase Program during the quarter ended September 30, 2022 (in thousands except share and per share data).

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan (1)
July 1, 2022 through July 31, 2022	—	$ —	—	$ 35,359
August 1, 2022 through August 31, 2022	—	—	—	35,359
September 1, 2022 through September 30, 2022	143,759	54.74	698,754	27,490
Total	143,759	$ 54.74	698,754	$ 27,490

(1) On November 3, 2021, our Board of Directors authorized a stock repurchase program to allow for the repurchase of up to $70.0 million of our Class A Common Stock and the LLC's LLC Units for the period from November 8, 2021 to November 8, 2022. The Repurchase Program was publicly announced on November 4, 2021. Upon repurchase, the shares were classified as treasury stock and then subsequently retired. In accordance with the terms of the LLC's limited liability company agreement, an equal number of LLC Units were also canceled. As of September 30, 2022, we may repurchase up to an additional $27.5 million in shares of Class A Common Stock and LLC Units under this program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
3.1	Certificate of Incorporation of Malibu Boats, Inc. [1]
3.2	Bylaws of Malibu Boats, Inc. [1]
3.3	Certificate of Formation of Malibu Boats Holdings, LLC [1]
3.4	First Amended and Restated Limited Liability Company Agreement of Malibu Boats Holdings, LLC, dated as of February 5, 2014 [2]
3.4.1	First Amendment, dated as of February 5, 2014, to First Amended and Restated Limited Liability Company Agreement of Malibu Boats Holdings, LLC [3]
3.4.2	Second Amendment, dated as of June 27, 2014, to First Amended and Restated Limited Liability Company Agreement of Malibu Boats Holdings, LLC [4]
4.1	Description of Class A Common Stock [5]
4.2	Form of Class A Common Stock Certificate [1]
4.3	Form of Class B Common Stock Certificate [1]
4.4	Exchange Agreement, dated as of February 5, 2014, by and among Malibu Boats, Inc. and Affiliates of Black Canyon Capital LLC and Horizon Holdings, LLC [2]
4.5	Exchange Agreement, dated as of February 5, 2014, by and among Malibu Boats, Inc. and the Members of Malibu Boats Holdings, LLC [2]
4.6	Tax Receivable Agreement, dated as of February 5, 2014, by and among Malibu Boats, Inc., Malibu Boats Holdings, LLC and the Other Members of Malibu Boats Holdings, LLC [2]
31.1	Certificate of the Chief Executive Officer of Malibu Boats, Inc. pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of the Chief Financial Officer of Malibu Boats, Inc. pursuant to Rule 13a-14 or 15d-14 of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of the Chief Executive Officer and Chief Financial Officer of Malibu Boats, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 were formatted in Inline XBRL: (i) Condensed Consolidated Statements of Operations and Comprehensive Income, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Stockholders' Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, formatted in Inline XBRL (Included as Exhibit 101).

(1) Filed as an exhibit to Amendment No. 1 to the Company's registration statement on Form S-1 (Registration No. 333-192862) filed on January 8, 2014.

(2) Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 001-36290) filed on February 6, 2014.

(3) Filed as an exhibit to the Company's Quarterly Report on Form 10-Q/A (File No. 001-36290) filed on May 13, 2014.

(4) Filed as an exhibit to the Company's Current Report on Form 8-K (File No. 001-36290) filed on June 27, 2014.

(5) Filed as an exhibit to the Company's Annual Report on Form 10-K (File No. 001-36290) filed on August 26, 2021.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

November 4, 2022

MALIBU BOATS, INC.

By: /s/ Jack Springer

Jack Springer,
Chief Executive Officer

(Principal Executive Officer)

By: /s/ Wayne Wilson

Wayne Wilson,
Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jack Springer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2022 of Malibu Boats, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 4, 2022

/s/ Jack Springer

Jack Springer

Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934

AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Wayne Wilson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2022 of Malibu Boats, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 4, 2022

/s/ Wayne Wilson

Wayne Wilson
Chief Financial Officer

Exhibit 32

CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Jack Springer, Chief Executive Officer of Malibu Boats, Inc. (the "Company"), and Wayne Wilson, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2022, to which this Certification is attached as Exhibit 32 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 4th day of November, 2022.

/s/ Wayne R. Wilson	/s/ Jack D. Springer
Wayne R. Wilson	Jack D. Springer
Chief Financial Officer	Chief Executive Officer

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Malibu Boats, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.