

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

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2016

Commission file number: 001-36290



MALIBU BOATS, INC.

(Exact Name of Registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

5075 Kimberly Way
Loudon, Tennessee 37774
*(Address of principal executive offices,
including zip code)*
(865) 458-5478
*(Registrant's telephone number,
including area code)*

46-4024640
*(I.R.S. Employer
Identification No.)*

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

(Do not check if a smaller reporting company)

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 January 31, 2017:	17,831,256 shares
Class B Common Stock, par value \$0.01, outstanding as of January 31, 2017:	20 shares

TABLE OF CONTENTS

	<u>Page</u>	
<u>PART I</u>	<u>FINANCIAL INFORMATION</u>	<u>2</u>
<u>Item 1.</u>	<u>Financial Statements</u>	<u>2</u>
	<u>Condensed Consolidated Statements of Operations and Comprehensive Income (Unaudited)</u>	<u>2</u>
	<u>Condensed Consolidated Balance Sheets (Unaudited)</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Stockholders' Equity (Unaudited)</u>	<u>4</u>
	<u>Condensed Consolidated Statements of Cash Flows (Unaudited)</u>	<u>5</u>
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>18</u>
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>31</u>
<u>Item 4.</u>	<u>Controls and Procedures</u>	<u>31</u>
<u>PART II</u>	<u>OTHER INFORMATION</u>	<u>32</u>
<u>Item 1.</u>	<u>Legal Proceedings</u>	<u>32</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>32</u>
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>32</u>
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	<u>33</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>33</u>
<u>Item 5.</u>	<u>Other Information</u>	<u>33</u>
<u>Item 6.</u>	<u>Exhibits</u>	<u>33</u>
<u>SIGNATURES</u>		<u>35</u>

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 December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Net sales	\$ 67,661	\$ 60,506	\$ 129,682	\$ 117,746
Cost of sales	49,848	44,627	96,046	87,157
Gross profit	17,813	15,879	33,636	30,589
Operating expenses:				
Selling and marketing	2,150	2,162	4,573	4,424
General and administrative	3,453	4,193	9,517	8,819
Amortization	549	545	1,099	1,092
Operating income	11,661	8,979	18,447	16,254
Other (expense) income:				
Other	58	17	75	24
Interest expense	(37)	(362)	(467)	(1,678)
Other income (expense)	21	(345)	(392)	(1,654)
Income before provision for income taxes	11,682	8,634	18,055	14,600
Provision for income taxes	3,945	2,916	6,092	4,902
Net income	7,737	5,718	11,963	9,698
Net income attributable to non-controlling interest	836	614	1,282	1,036
Net income attributable to Malibu Boats, Inc.	\$ 6,901	\$ 5,104	\$ 10,681	\$ 8,662
Comprehensive income:				
Net income	\$ 7,737	\$ 5,718	\$ 11,963	\$ 9,698
Other comprehensive income (loss), net of tax:				
Change in cumulative translation adjustment	(846)	608	(489)	(649)
Other comprehensive income (loss), net of tax	(846)	608	(489)	(649)
Comprehensive income, net of tax	6,891	6,326	11,474	9,049
Less: comprehensive income attributable to non-controlling interest, net of tax	746	679	1,230	968
Comprehensive income attributable to Malibu Boats, Inc., net of tax	\$ 6,145	\$ 5,647	\$ 10,244	\$ 8,081
Weighted average shares outstanding used in computing net income per share:				
Basic	17,786,122	17,986,517	17,760,256	17,964,300
Diluted	17,842,138	18,022,288	17,817,842	18,018,615
Net income available to Class A Common Stock per share:				
Basic	\$ 0.39	\$ 0.28	\$ 0.60	\$ 0.48
Diluted	\$ 0.39	\$ 0.28	\$ 0.60	\$ 0.48

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 data)

	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Assets		
Current assets		
Cash	\$ 25,909	\$ 25,921
Trade receivables, net	8,110	14,690
Inventories, net	23,412	20,431
Prepaid expenses and other current assets	2,227	2,707
Income tax receivable	36	965
Total current assets	<u>59,694</u>	<u>64,714</u>
Property and equipment, net	21,665	17,813
Goodwill	12,253	12,470
Other intangible assets, net	10,516	11,703
Deferred tax assets	111,622	113,798
Other assets	30	32
Total assets	<u>\$ 215,780</u>	<u>\$ 220,530</u>
Liabilities		
Current liabilities		
Current maturities of long-term debt	\$ —	\$ 8,000
Accounts payable	14,242	16,158
Accrued expenses	19,972	19,055
Income taxes and tax distribution payable	1,254	427
Payable pursuant to tax receivable agreement, current portion	4,189	4,189
Total current liabilities	<u>39,657</u>	<u>47,829</u>
Deferred tax liabilities	621	685
Payable pursuant to tax receivable agreement, less current portion	89,896	89,561
Long-term debt, less current maturities	55,092	63,086
Other long-term liabilities	302	1,136
Total liabilities	<u>185,568</u>	<u>202,297</u>
Commitments and contingencies (See Note 13)		
Stockholders' Equity		
Class A Common Stock, par value \$0.01 per share, 100,000,000 shares authorized; 17,831,256 shares issued and outstanding as of December 31, 2016; 17,690,874 issued and outstanding as of June 30, 2016	178	176
Class B Common Stock, par value \$0.01 per share, 25,000,000 shares authorized; 20 shares issued and outstanding as of December 31, 2016; 23 shares issued and outstanding as of June 30, 2016	—	—
Preferred Stock, par value \$0.01 per share; 25,000,000 shares authorized; no shares issued and outstanding as of December 31, 2016 and June 30, 2016	—	—
Additional paid in capital	46,168	44,151
Accumulated other comprehensive loss	(2,960)	(2,471)
Accumulated deficit	(17,659)	(28,302)
Total stockholders' equity attributable to Malibu Boats, Inc.	<u>25,727</u>	<u>13,554</u>
Non-controlling interest	4,485	4,679
Total stockholders' equity	<u>30,212</u>	<u>18,233</u>
Total liabilities and stockholders' equity	<u>\$ 215,780</u>	<u>\$ 220,530</u>

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 Deficit	Non-controlling Interest in LLC	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance at June 30, 2016	17,690	\$ 176	23	\$ —	\$ 44,151	\$ (2,471)	\$ (28,302)	\$ 4,679	\$ 18,233
Net income	—	—	—	—	—	—	10,681	1,282	11,963
Stock based compensation, net of withholding taxes on vested equity awards	89	1	—	—	578	—	—	—	579
Issuances of equity for services	6	—	—	—	626	—	—	—	626
Increase in payable pursuant to the tax receivable agreement	—	—	—	—	(335)	—	—	—	(335)
Increase in deferred tax asset from step-up in tax basis	—	—	—	—	383	—	—	—	383
Exchange of LLC Units for Class A Common Stock	46	1	—	—	765	—	—	(765)	1
Cancellation of Class B Common Stock	—	—	(3)	—	—	—	—	—	—
Distributions to LLC Unit holders	—	—	—	—	—	—	(38)	(711)	(749)
Foreign currency translation adjustment	—	—	—	—	—	(489)	—	—	(489)
Balance at December 31, 2016	17,831	\$ 178	20	\$ —	\$ 46,168	\$ (2,960)	\$ (17,659)	\$ 4,485	\$ 30,212

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)

	Six Months Ended December 31,	
	2016	2015
Operating activities:		
Net income	\$ 11,963	\$ 9,698
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash compensation expense	745	1,005
Depreciation	1,994	1,616
Amortization of intangible assets	1,099	1,092
Gain on sale-leaseback transaction	(6)	(5)
Amortization of deferred financing costs	123	124
Change in fair value of interest rate swap	(825)	175
Deferred income taxes	2,474	1,601
Non-cash litigation payable	(1,330)	—
Gain on sale of equipment	(16)	—
Change in operating assets and liabilities:		
Trade receivables	6,570	320
Inventories	(3,140)	(4,090)
Prepaid expenses and other assets	977	(1,081)
Accounts payable	(2,364)	3,484
Income taxes receivable and payable	1,630	(558)
Accrued expenses and other liabilities	2,353	190
Net cash provided by operating activities	22,247	13,571
Investing activities:		
Purchases of property and equipment	(5,443)	(3,531)
Proceeds from sale or disposal of property, plant and equipment	16	—
Net cash used in investing activities	(5,427)	(3,531)
Financing activities:		
Principal payments on long-term borrowings	(16,117)	(3,000)
Cash paid for withholding taxes on vested restricted stock	(167)	—
Distributions to LLC Unit holders	(621)	(489)
Net cash used in financing activities	(16,905)	(3,489)
Effect of exchange rate changes on cash	73	(21)
Changes in cash	(12)	6,530
Cash—Beginning of period	25,921	8,387
Cash—End of period	\$ 25,909	\$ 14,917
Supplemental cash flow information:		
Cash paid for interest	\$ 1,162	\$ 1,400
Cash paid for income taxes	1,650	4,396
Non-cash investing and financing activities:		
Establishment of deferred tax assets from step-up in tax basis	383	142
Establishment of amounts payable under tax receivable agreements	335	118
Exchange of LLC Units by LLC Unit holders for Class A common stock	765	39
Tax distributions payable to non-controlling LLC Unit holders	469	389
Equity issued to directors for services	626	626
Capital expenditures in accounts payable	415	338

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 (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”). See Note 2. Malibu Boats Holdings, LLC was formed in 2006 with the acquisition by an investor group, including affiliates of Black Canyon Capital LLC, Horizon Holdings, LLC and then-current management. The LLC is engaged in the design, engineering, manufacturing and marketing of innovative, high-quality, performance sports boats that are sold through a world-wide network of independent dealers. On October 23, 2014, the Company acquired all the outstanding shares of Malibu Boats Pty. Ltd. (the “Licensee”), Malibu’s Australian licensee manufacturer with exclusive distributions rights in Australia and New Zealand markets. As a result of the acquisition, the Company also consolidates the financial results of the Licensee. The Company reports its results of operations under two reportable segments called U.S. and Australia based on their respective manufacturing footprints. Each segment participates in the manufacturing, distribution, marketing and sale of performance sport boats. The U.S. operating segment primarily serves markets in North America, South America, Europe, and Asia while the Australia operating segment principally serves the Australian and New Zealand markets.

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 Boats, Inc. and subsidiaries for the year ended June 30, 2016 included in the Company’s Annual Report on Form 10-K. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements reflect all adjustments considered necessary to present fairly the Company’s financial position at December 31, 2016 and the results of its operations and its cash flows for the six month periods ended December 31, 2016 and December 31, 2015. Operating results for the six months ended December 31, 2016 are not necessarily indicative of the results that may be expected for the full year ending June 30, 2017. Certain reclassifications have been made to the prior period presentation to conform to the current period presentation. 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 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 May 2014, the FASB and International Accounting Standards Board jointly issued a final standard on revenue recognition which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This standard will supersede most current revenue recognition guidance. Under the new standard, entities are required to identify the contract with a customer; identify the separate performance obligations in the contract; determine the transaction price; allocate the transaction price to the separate performance obligations in the contract; and recognize the appropriate amount of revenue when (or as) the entity satisfies each performance obligation. Accounting Standards Update (“ASU”) 2014-09 will now become effective for fiscal years beginning after December 15, 2017. In August 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, to extend the mandatory effective date by one year. Entities have the option of using either the retrospective or cumulative effect transition method. The Company is currently evaluating the approach it will use to apply the new standard and the impact that the adoption of the new standard will have on the Company’s consolidated financial statements.

Table of Contents

In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. This ASU changes the measurement principle for inventories valued under the FIFO or weighted-average methods from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined by the FASB as estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. This ASU does not change the measurement principles for inventories valued under the last-in, first-out ("LIFO") method. This amendment is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years and should be applied prospectively with earlier application permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact of adopting this ASU, but does not expect it will have a material impact.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This guidance establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently assessing the potential impact of this ASU on its consolidated financial statements and footnote disclosures.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This ASU is effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years with early adoption permitted. This guidance provides specific classification of how certain cash receipts and cash payments are presented in the statement of cash flows. The ASU should be applied using a retrospective transition method. If it is impracticable to apply the amendments retrospectively for some of the cash flow issues, the amendments for those issues should then be applied prospectively at the earliest date practicable. The Company is currently assessing the potential impact of this ASU on its presentation of the consolidated statement of cash flows.

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. Non-controlling Interest

The non-controlling interest on the unaudited condensed consolidated statement of operations and comprehensive income represents the portion of earnings or loss attributable to the economic interest in the Company's subsidiary, Malibu Boats Holdings, LLC, held by the non-controlling LLC Unit holders. Non-controlling interest on the unaudited 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 Malibu Boats Holdings, LLC is summarized as follows:

	As of December 31, 2016		As of June 30, 2016	
	Units	Ownership %	Units	Ownership %
Non-controlling LLC Unit holders ownership in Malibu Boats Holdings, LLC	1,359,302	7.1%	1,404,923	7.4%
Malibu Boats, Inc. ownership in Malibu Boats Holdings, LLC	17,831,256	92.9%	17,690,874	92.6%
	<u>19,190,558</u>	<u>100.0%</u>	<u>19,095,797</u>	<u>100.0%</u>

The changes in the balance of the Company's non-controlling interest are as follows:

Balance of non-controlling interest as of June 30, 2016	\$	4,679
Allocation of income to non-controlling LLC Unit holders for period		1,282
Distributions paid and payable to non-controlling LLC Unit holders for period		(711)
Reallocation of non-controlling ownership interests in exchange for Class A Common Stock		(765)
Balance of non-controlling interest as of December 31, 2016	<u>\$</u>	<u>4,485</u>

Issuance of Additional LLC Units

Under the first amended and restated limited liability 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

[Table of Contents](#)

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 shall 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 six months ended December 31, 2016, the Company caused the LLC to issue a total of 146,255 LLC Units to the Company in connection with (i) the Company's issuance of Class A Common Stock to a non-employee director for his services, (ii) 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"), (iii) the issuance of restricted Class A Common Stock granted under the Incentive Plan and (iv) the issuance of Class A Common Stock to various LLC Unit holders for exchanges of their LLC Units. During the six months ended December 31, 2016, 5,873 LLC Units were canceled in connection with the vesting of share-based equity awards to satisfy employee tax withholding requirements and the retirement of 5,873 treasury shares in accordance with the LLC Agreement.

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), Malibu Boats Holdings, 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 is available for such purposes. As of December 31, 2016 and 2015, tax distributions payable to non-controlling LLC Unit holders were \$469 and \$389, respectively. During the six months ended December 31, 2016 and 2015, tax distributions paid to the non-controlling LLC Unit holders were \$583 and \$268, 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.

3. Inventories

Inventories, net consisted of the following:

	As of December 31, 2016	As of June 30, 2016
Raw materials	\$ 16,499	\$ 14,858
Work in progress	2,329	1,250
Finished goods	4,584	4,323
Total inventories	<u>\$ 23,412</u>	<u>\$ 20,431</u>

4. Property and Equipment

Property and equipment, net consisted of the following:

	As of December 31, 2016	As of June 30, 2016
Land	\$ 367	\$ 254
Building and leasehold improvements	10,150	7,168
Machinery and equipment	21,339	20,035
Furniture and fixtures	2,833	2,765
Construction in process	1,715	356
	<u>36,404</u>	<u>30,578</u>
Less: Accumulated depreciation	<u>(14,739)</u>	<u>(12,765)</u>
Property and equipment, net	<u>\$ 21,665</u>	<u>\$ 17,813</u>

Table of Contents

Depreciation expense was \$1,026 and \$841 for the three months ended December 31, 2016 and 2015 and \$1,994 and \$1,616 for the six months ended December 31, 2016 and 2015, respectively, substantially all of which was recorded in cost of goods sold.

5. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill for the six months ended December 31, 2016 were as follows:

Goodwill as of June 30, 2016	\$	12,470
Effect of foreign currency changes on goodwill		(217)
Goodwill as of December 31, 2016	\$	<u>12,253</u>

The components of other intangible assets were as follows:

	As of December 31, 2016	As of June 30, 2016	Estimated Useful Life (in years)	Weighted Average Remaining Useful Life (in years)
Reacquired franchise rights	\$ 1,296	\$ 1,339	5	2.8
Dealer relationships	29,697	29,773	8-15	12.8
Patent	1,386	1,386	12	1.6
Trade name	24,667	24,667	15	4.7
Non-compete agreement	50	52	10	7.8
Backlog	90	93	0.3	0.0
Total	<u>57,186</u>	<u>57,310</u>		
Less: Accumulated amortization	<u>(46,670)</u>	<u>(45,607)</u>		
Total other intangible assets, net	<u>\$ 10,516</u>	<u>\$ 11,703</u>		

Amortization expense recognized on all amortizable intangibles was \$549 and \$545 for the three months ended December 31, 2016 and 2015, respectively and \$1,099 and \$1,092 for the six months ended December 31, 2016 and 2015, respectively.

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

Fiscal years ending June 30:

Remainder of 2017	\$	1,089
2018		2,178
2019		2,072
2020		1,884
2021		1,803
Thereafter		1,490
	\$	<u>10,516</u>

6. Product Warranties

Effective for model year 2016, the Company began providing a limited warranty for a period up to five years for both Malibu and Axis brand boats. For model years prior to 2016, the Company provided a limited warranty for a period of up to three years and two years for its Malibu and Axis brands, respectively. The Company's standard warranties require the Company or its dealers to repair or replace defective products during such warranty period at no cost to the consumer. The Company estimates the costs that may be incurred under its basic limited warranty and records as a liability in the amount of such costs at the time the product revenue is recognized. 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 by brand on a quarterly basis and adjusts the amounts as necessary. The Company utilizes historical claims trends and analytical tools to assist in determining the appropriate warranty liability.

[Table of Contents](#)

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

	Three Months Ended		Six Months Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Beginning balance	\$ 8,733	\$ 7,180	\$ 8,083	\$ 6,610
Add: Warranty expense	1,772	948	3,641	2,543
Less: Warranty claims paid	(1,301)	(952)	(2,520)	(1,977)
Ending balance	\$ 9,204	\$ 7,176	\$ 9,204	\$ 7,176

7. Financing

Outstanding debt consisted of the following:

	As of December 31, 2016	As of June 30, 2016
Term loan	\$ 55,883	\$ 72,000
Less unamortized debt issuance costs	(791)	(914)
Total debt	55,092	71,086
Less current maturities	—	(8,000)
Long term debt less current maturities	\$ 55,092	\$ 63,086

Long-Term Debt

Amended and Restated Line of Credit and Term Loan. On April 2, 2015, Malibu Boats, LLC (the "Borrower"), a wholly owned subsidiary of the LLC, entered into a credit agreement with a syndicate of banks led by SunTrust Bank that included a revolving credit facility and term loan (the "Amended and Restated Credit Agreement"). The obligations of Malibu Boats LLC under the Amended and Restated Credit Agreement are currently guaranteed by its parent, the LLC, and its subsidiaries, Malibu Boats Domestic International Sales Corp. and Malibu Australian Acquisition Corp. Malibu Boats, Inc. is not a party to the Amended and Restated Credit Agreement. The lending arrangements are required to be guaranteed by the LLC and the present and future domestic subsidiaries of Malibu Boats, LLC and are secured by substantially all of the assets of the LLC, Malibu Boats, LLC and Malibu Boats Domestic International Sales Corp., and those of any future domestic subsidiary pursuant to a security agreement. The revolving credit facility and term loan mature on April 2, 2020.

The Amended and Restated Credit Agreement is comprised of a \$ 25,000 revolving commitment, none of which was outstanding as of December 31, 2016, and a \$ 80,000 term loan, which was subject to quarterly installments of \$ 1,500 per quarter until March 31, 2016. The quarterly installments are now \$ 2,000 per quarter until March 31, 2019 and \$ 2,500 per quarter thereafter. Borrowings under the Amended and Restated Credit Agreement bear interest at a rate equal to either, at the Borrower's option, (i) the highest of the prime rate, the Federal Funds Rate plus 0.5 %, or one-month LIBOR plus 1.00 % (the "Base Rate") or (ii) LIBOR, in each case plus an applicable margin ranging from 1.00 % to 1.75 % with respect to Base Rate borrowings and 2.00 % to 2.75 % with respect to LIBOR borrowings. The applicable margin will be based upon the consolidated leverage ratio of the LLC and its subsidiaries calculated on a consolidated basis. The Borrower will also be required to pay a commitment fee for the unused portion of the revolving credit facility, which will range from 0.25 % to 0.40 % per annum, depending on the LLC's and its subsidiaries' consolidated leverage ratio. The weighted average interest rate on the term loan was 3.03% for the six month period ended December 31, 2016.

The Company also has a swingline line of credit from SunTrust Bank in the principal amount of up to \$ 5,000 due on or before April 2, 2020. Any amounts drawn under the swingline line of credit reduce the capacity under the revolving credit facility. As of December 31, 2016, the Company had no outstanding balance under the swingline facility. Under the Amended and Restated Credit Agreement, the Company also has the ability to issue letters of credit up to \$ 5,000. This letter of credit availability may be reduced by borrowings under the revolving line of credit. The Company's access to these letters of credit expires April 2, 2020 with the expiration of access to the revolving commitment. As of December 31, 2016, the Company had issued letters of credit for \$100.

The Amended and Restated Credit Agreement permits prepayment without any penalties. It also requires prepayments from the net cash proceeds received by the Borrower or any guarantors from certain asset sales and recovery events, subject to certain reinvestment rights, and from excess cash flow, subject to the terms and conditions of the Amended and Restated Credit

Table of Contents

Agreement. It 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 Amended and Restated Credit Agreement requires compliance with certain financial covenants that the Company believes are usual for facilities and transactions of this type, including a minimum ratio of EBITDA to fixed charges and a maximum ratio of total debt to EBITDA. The Amended and Restated Credit Agreement also contains certain restrictive covenants, which, among other things, place limits on the LLC's activities and those of its subsidiaries, the incurrence of additional indebtedness and additional liens on property and limit the future payment of dividends or distributions. For example, the Amended and Restated Credit Agreement generally prohibits the LLC, Malibu Boats, LLC, and Malibu Domestic International Sales Corp. from paying dividends or making distributions, including to Malibu Boats, Inc. The Amended and Restated Credit Agreement permits, however, distributions based on a member's allocated taxable income, distributions to fund payments that are required under the tax receivable agreement, payments pursuant to stock option and other benefit plans up to \$ 2,000 in any fiscal year, dividends and distributions within the loan parties and dividends payable solely in interests of classes of securities. In addition, the LLC may make dividends and distributions of up to \$15,000 in connection with the Company's stock repurchase program and up to \$ 6,000 in any fiscal year for any reason, in each case, subject to compliance with other financial covenants. The credit agreement specifies permitted liens, permitted investments and permitted debt. Affirmative covenants governing the timing of monthly, quarterly and annual financial reporting are also included in the credit agreement.

In connection with the Amended and Restated Credit Agreement, the Company capitalized \$ 1,224 in deferred financing costs. These costs are being amortized over the term of the Amended and Restated Credit Agreement into interest expense using the effective interest method and presented as a direct offset to the total debt outstanding as of December 31, 2016 .

On August 4, 2016, in accordance with the Amended and Restated Credit Agreement, the Company exercised its option to prepay \$ 15,000 of its outstanding term loan and elected to apply this prepayment to principal installments through June 30, 2018. On October 28, 2016, the Company paid \$1,117 of long term debt due to the consolidated excess cash flow prepayment requirement under the terms of its Amended and Restated Credit Agreement.

Covenant Compliance

As of December 31, 2016 , the Company is in full compliance with the terms of the Amended and Restated Credit Agreement, including all related covenants.

Interest Rate Swap

On July 1, 2015, the Company entered into a five year floating to fixed interest rate swap with an effective start date of July 1, 2015. The swap is based on a one-month LIBOR rate versus a 1.52 % fixed rate on a notional value of \$ 39,250 , which under terms of the Amended and Restated Credit Agreement is equal to 50% of the outstanding balance of the term loan at the time of the swap arrangement. Under ASC Topic 815, *Derivatives and Hedging*, all derivative instruments are recorded on the consolidated balance sheets at fair value as either short term or long term assets or liabilities based on their anticipated settlement date. Refer to Fair Value Measurements in Note 9. The Company has elected not to designate its interest rate swap as a hedge; therefore, changes in the fair value of the derivative instrument are being recognized in earnings in the Company's unaudited condensed consolidated statements of operations and comprehensive income. During the three months ended December 31, 2016 and 2015, the Company recorded a gain of \$580 and \$382 , respectively, and during the six months ended December 31, 2016 and 2015, the Company recorded a gain of \$825 and a loss of \$175 , respectively, for the change in fair value of the interest rate swap, which is included in interest expense in the unaudited condensed consolidated statements of operations and comprehensive income. As of December 31, 2016 and June 30, 2016 the fair value of the swap liability included in other long-term liabilities on our unaudited condensed consolidated balance sheets was \$38 and \$863 , respectively.

8. 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 will be 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.

[Table of Contents](#)

The following table reflects the changes to the Company's Tax Receivable Agreement liability:

	December 31, 2016	June 30, 2016
Beginning balance	\$ 93,750	\$ 96,470
Additions to tax receivable agreement:		
Exchange of LLC Units for Class A Common Stock	335	111
Payments under tax receivable agreement	—	(2,831)
	94,085	93,750
Less current portion under tax receivable agreement	(4,189)	(4,189)
Ending balance	\$ 89,896	\$ 89,561

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.

As of December 31, 2016 and June 30, 2016, the Company had recorded deferred tax assets of \$111,444 and \$111,060, respectively, associated with basis differences in assets upon acquiring an interest in Malibu Boats Holdings, 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 on March 15, 2017.

9. Fair Value Measurements

In determining the fair value of certain assets and liabilities, the Company employs a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. As defined in ASC Topic 820, *Fair Value Measurements and Disclosures*, fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price). Financial assets and financial liabilities recorded on the consolidated balance sheets at fair value are categorized based on the reliability of inputs to the valuation techniques as follows:

- Level 1—Financial assets and financial liabilities whose values are based on unadjusted quoted prices in active markets for identical assets.
- Level 2—Financial assets and financial liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; or valuation models whose inputs are observable, directly or indirectly, for substantially the full term of the asset or liability.
- Level 3—Financial assets and financial liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect the Company's estimates of the assumptions that market participants would use in valuing the financial assets and financial liabilities.

The hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

[Table of Contents](#)

Assets and liabilities that had recurring fair value measurements were as follows:

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2016:				
Interest rate swap not designated as cash flow hedge	\$ 38	\$ —	\$ 38	\$ —
Total liabilities at fair value	\$ 38	\$ —	\$ 38	\$ —
As of June 30, 2016:				
Interest rate swap not designated as cash flow hedge	\$ 863	\$ —	\$ 863	\$ —
Total liabilities at fair value	\$ 863	\$ —	\$ 863	\$ —

Fair value measurements for the Company's interest rate swap are classified under Level 2 because such measurements are based on significant other observable inputs. There were no transfers of assets or liabilities between Level 1 and Level 2 as of December 31, 2016 or June 30, 2016.

The Company's nonfinancial assets and liabilities that have nonrecurring fair value measurements include property, plant and equipment, goodwill and intangibles.

In assessing the need for goodwill impairment, management relies on a number of factors, including operating results, business plans, economic projections, anticipated future cash flows, transactions and marketplace data. Accordingly, these fair value measurements fall in Level 3 of the fair value hierarchy. The Company generally uses projected cash flows, discounted as necessary, to estimate the fair values of property, plant and equipment and intangibles using key inputs such as management's projections of cash flows on a held-and-used basis (if applicable), management's projections of cash flows upon disposition and discount rates. Accordingly, these fair value measurements fall in Level 3 of the fair value hierarchy. These assets and certain liabilities are measured at fair value on a nonrecurring basis as part of the Company's impairment assessments and as circumstances require.

10. Income Taxes

Malibu Boats, Inc. 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.

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 December 31, 2016 and June 30, 2016, the Company maintained a valuation allowance of \$9,730 and \$9,700, 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. The increase in the valuation allowance is due to the exchanges of LLC Units into Class A common stock by certain LLC Unit holders during the six months ended December 31, 2016.

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 adjustments to accruals for tax uncertainties, are recognized in the quarter in which the related event occurs. For the three months ended December 31, 2016 and 2015, the Company's effective tax rate was 33.8%. For the six months ended December 31, 2016 and 2015, the Company's effective tax rate was 33.8% and 33.6%, respectively. The principal differences in the Company's effective tax rate with comparable historical periods presented and the statutory federal income tax rate of 35% relate to the impact of the non-controlling interests in the LLC, which is a pass-through entity for U.S. federal tax purposes, and state taxes. The Company's effective tax rate for the three and six months ended December 31, 2016 and 2015 also reflects the

[Table of Contents](#)

impact of the Company's share of the LLC's permanent items such as non-deductible stock compensation expense attributable to profits interests. Additionally, the Company's effective tax rate for the three and six months ended December 31, 2016 and 2015 includes the benefit of deductions under Section 199 of the Internal Revenue Code.

11. Stock-Based Compensation

On January 6, 2014, the Company's Board of Directors adopted the Incentive Plan. The Incentive Plan, which became effective on January 1, 2014, 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 December 31, 2016, 1,227,128 shares remain available for future issuance under the Incentive Plan.

On November 6, 2015, the Company granted 130,564 restricted stock units and restricted stock awards to certain key employees. The grant date fair value of these awards was \$1,994 based on a stock price of \$15.27 per share on the date of grant. Under the terms of the agreements, approximately 12% of the awards vested immediately on the grant date, approximately 38% vest in substantially equal annual installments over a three or four year period, and the remaining 50% of the awards vest in tranches based on the achievement of annual or cumulative performance targets. Compensation costs associated with performance based awards are recognized over the requisite service period based on probability of achievement in accordance with ASC Topic 718, *Compensation—Stock Compensation*. On September 14, 2016, 18,863 restricted stock units and restricted stock awards vested based on a stock price of \$14.10 for the achievement of the Company's annual performance target.

On November 4, 2016, the Company granted 130,500 restricted stock units and restricted stock awards to certain key employees. The grant date fair value of these awards was \$2,039 based on a stock price of \$ 15.62 per share on the date of grant. Under the terms of the agreements, approximately 63% of the awards vest in substantially equal annual installments over a four year period, and the remaining 37% of the awards vest in tranches based on the achievement of annual performance targets. Compensation costs associated with performance based awards are recognized over the requisite service period based on probability of achievement in accordance with ASC Topic 718, *Compensation—Stock Compensation*. Readers should refer to Note 14 to the fiscal 2016 audited consolidated financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2016, for additional information related to the Company's other awards and the Incentive Plan.

The following is a summary of the changes in non-vested restricted stock units and restricted stock awards for the six months ended December 31, 2016 :

	Number of Restricted Stock Units and Restricted Stock Awards Outstanding	Weighted Average Grant Date Fair Value
Total Non-vested Restricted Stock Units as of June 30, 2016	140,908	\$ 16.17
Granted	166,169	15.47
Vested	(68,310)	(15.08)
Forfeited	(975)	(20.18)
Total Non-vested Restricted Stock Units as of December 31, 2016	237,792	\$ 15.98

Stock compensation expense attributable to the Company's share-based equity awards was \$280 and \$665 for the three months ended December 31, 2016 and 2015, respectively, and \$745 and \$1,005 for the six months ended December 31, 2016 and 2015, respectively. Stock compensation expense attributed to share-based equity awards issued under the Incentive Plan and under the previously existing LLC Agreement 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 condensed consolidated statement of operations and comprehensive income. The cash flow effects resulting from share-based awards were reflected as noncash operating activities. As of December 31, 2016 and June 30, 2016, unrecognized compensation cost related to nonvested, share-based compensation was \$3,405 and \$2,131, respectively. As of December 31, 2016, the weighted average years outstanding for unvested awards under the Incentive Plan was 3.0. All awards under the previously existing LLC Agreement were fully vested as of December 31, 2016. During the six months ended December 31, 2016, the Company withheld approximately 11,833 shares at an aggregate cost of approximately \$167, as permitted by the applicable equity award agreements, to satisfy employee tax withholding requirements for employee share-based equity awards that have vested and were issued. Awards vesting during the six months ended December 31, 2016 include 35,669 fully vested restricted stock units issued to non-employee directors for their services as directors for the Company.

12. Net Earnings Per Share

Basic net earnings per share of Class A Common Stock is computed by dividing net earnings 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 earnings 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 stockholders. The portion of consideration paid in Class A Common Stock related to the acquisition of Malibu Boats Pty. Ltd. that is subject to a time-based restriction is also included in the denominator.

Diluted net earnings per share of Class A Common Stock is computed similarly to basic net earnings 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 are considered common stock equivalents for this purpose. The number of additional shares of Class A Common Stock related to these common stock equivalents is calculated using the treasury stock method.

Basic and diluted net earnings per share of Class A Common Stock for the three and six months ended December 31, 2016 and 2015 have been computed as follows (in thousands, except share and per share amounts):

	Three Months Ended		Six Months Ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Basic:				
Net income attributable to Malibu Boats, Inc.	\$ 6,901	\$ 5,104	\$ 10,681	\$ 8,662
Shares used in computing basic net income per share:				
Weighted-average Class A Common Stock	17,648,208	17,891,875	17,634,530	17,880,640
Weighted-average participating restricted stock units convertible into Class A Common Stock	137,914	94,642	125,726	83,660
Basic weighted-average shares outstanding	17,786,122	17,986,517	17,760,256	17,964,300
Basic net income per share	\$ 0.39	\$ 0.28	\$ 0.60	\$ 0.48
Diluted:				
Net income attributable to Malibu Boats, Inc.	\$ 6,901	\$ 5,104	\$ 10,681	\$ 8,662
Shares used in computing diluted net income per share:				
Basic weighted-average shares outstanding	17,786,122	17,986,517	17,760,256	17,964,300
Restricted stock units granted to employees	56,016	35,771	57,586	54,315
Diluted weighted-average shares outstanding ¹	17,842,138	18,022,288	17,817,842	18,018,615
Diluted net income per share	\$ 0.39	\$ 0.28	\$ 0.60	\$ 0.48

¹ The Company excluded 1,423,049 and 1,417,473 potentially dilutive shares from the calculation of diluted net income per share for the three and six months ended December 31, 2016 and 2015, respectively, as these shares would have been antidilutive.

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 earnings per share of Class B Common Stock has not been presented.

13. 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 for sales generated from both the U.S. and Australia operating segments. 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 and related statement of operations account accordingly. This potential loss reserve is presented in accrued expenses in the accompanying

Table of Contents

unaudited 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.

Repurchases and subsequent sales are recorded as a revenue transaction. The net difference between the original repurchase price and the resale price is recorded against the loss reserve and presented in cost of sales in the accompanying unaudited condensed consolidated statement of operations and comprehensive income. No units were repurchased during the three or six months ended December 31, 2016. During the fiscal year ended June 30, 2016, the Company agreed to repurchase three units from the lender of two of its former dealers. Other than these repurchase commitments, the Company has not repurchased another unit from lenders since July 1, 2010. Accordingly, the Company did not carry a reserve for repurchases as of December 31, 2016 or June 30, 2016, respectively.

Contingencies

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 a reasonable estimate 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 under "Legal Proceedings," management does not believe there are any pending claims (asserted or unasserted) at December 31, 2016 (unaudited) or June 30, 2016 that may have a material adverse impact on the Company's financial condition, results of operations or cash flows.

Legal Proceedings

On June 29, 2015, the Company filed suit against MasterCraft Boat Company, LLC, or "MasterCraft," in the U.S. District Court for the Eastern District of Tennessee, seeking monetary and injunctive relief. The Company's complaint alleged MasterCraft's infringement of a utility patent related to wake surfing technology (U.S. Patent No. 8,578,873). On December 11, 2015, the Court issued a scheduling order setting deadlines for discovery and other events in the litigation, leading up to a trial beginning on May 1, 2017. The parties are currently engaged in fact discovery, claim construction proceedings, and various motion practice. The Company intends to vigorously pursue this litigation to enforce its rights in its patented technology and believes that MasterCraft's counterclaims are without merit.

On February 16, 2016, the Company filed a second suit against MasterCraft in the U.S. District Court for the Eastern District of Tennessee, seeking monetary and injunctive relief. The Company's complaint alleges MasterCraft's infringement of another utility patent related to wake surfing technology (U.S. Patent No. 9,260,161). On June 7, 2016, the Court issued a scheduling order setting deadlines for discovery and other events in the litigation, leading up to a trial beginning on October 30, 2017. The parties are currently engaged in fact discovery, claim construction proceedings, and various motion practice. The Company intends to vigorously pursue this litigation to enforce its rights in its patented technology and believes that MasterCraft's threatened counterclaims are without merit.

On May 18, 2016, MasterCraft filed two petitions with the U.S. Patent and Trademark Office, or "PTO," requesting institution of Inter Partes Review, or "IPR," of the Company's U.S. Pat. No. 8,578,873, the patent at issue in the first Tennessee lawsuit. On August 23, 2016, the Company filed its preliminary responses to the IPR petitions. On November 16, 2016, the PTO declined to institute IPR in response to either of the two petitions.

On September 26, 2016, MasterCraft filed a request with the PTO for Ex Parte Reexamination of the Company's U.S. Pat. No. 9,260,161, the patent at issue in the second Tennessee lawsuit. The PTO has not yet acted on this request for ex parte reexamination. The Company intends to oppose the rejection of any patent claims by the PTO made in response to the request for ex parte reexamination.

On September 30, 2015, Great Wakes Boating, Inc. filed suit against the Company, Sunny Marine, LLC, Norris Companies a/k/a Norris Docks, LLC, Wayne Wilson, Scott Davenport and certain former employees of the Company and other individuals, in the Chancery Court for Anderson County, Tennessee seeking monetary and injunctive relief. The suit alleged inducement to breach contract, misrepresentation, promissory estoppel, violations of the Tennessee Uniform Trade Secrets Act

[Table of Contents](#)

and civil conspiracy by the Company and Messrs. Wilson, and Davenport. Great Wakes voluntarily dismissed its lawsuit without prejudice against all parties on June 22, 2016. If the claims are revived by Great Wakes, the Company believes the claims are without merit and plans to vigorously defend any lawsuit.

On April 22, 2014, Marine Power Holding, LLC ("Marine Power"), a former supplier of engines to the Company, initiated a lawsuit against the Company in the U.S. District Court for the Eastern District of Tennessee seeking monetary damages. On July 10, 2015, the Company filed an Answer and Counterclaim in the lawsuit filed by Marine Power. The Company denied any liability arising from the causes of action alleged by Marine Power. The lawsuit proceeded to trial on August 8, 2016 and on August 18, 2016, a judgment was rendered by the jury against the Company in the litigation with Marine Power resulting in the Company taking a charge of \$3,268 during the three months ended June, 30, 2016. The Company subsequently prevailed on post-judgment motions and, on December 15, 2016, the court amended the judgment in the lawsuit for monetary damages to \$1,938. Accordingly, the Company reduced the amount accrued for possible loss in connection with the litigation to the amount in the amended judgment as it represents the best estimate of the Company's loss at this time. On December 23, 2016, Marine Power filed a notice of appeal contesting the court's decision to reduce the amount of the original judgment. The Company has appealed the amended judgment and other rulings of the court and intends to vigorously defend its rights as it relates to the lawsuit, as it continues to believe that Marine Power's case is without merit.

On August 26, 2016, Wizard Lake Marine Inc. and Wizard Lake Marine (B.C.) Inc., collectively "Wizard Lake", a former dealer of the Company's, initiated a lawsuit against the Company in the Court of Queen's Bench of Alberta, Canada seeking monetary damages. The suit alleged breach of contract, wrongful termination, misrepresentation, breach of duty of good faith, and intentional interference. Wizard Lake is asking for damages of \$8,717. The Company denies any liability arising from the causes of action alleged by Wizard Lake and plans to vigorously defend the lawsuit.

14. Segment Information

The following tables present financial information for the Company's reportable segments for the three and six months ended December 31, 2016 and 2015, respectively, and the Company's financial position at December 31, 2016 and June 30, 2016, respectively:

	Three Months Ended December 31, 2016				Six Months Ended December 31, 2016			
	U.S.	Australia	Eliminations	Total	U.S.	Australia	Eliminations	Total
Net sales	\$ 63,672	\$ 6,173	\$ (2,184)	\$ 67,661	\$ 122,440	\$ 11,668	\$ (4,426)	\$ 129,682
Affiliate (or intersegment) sales	2,184	—	(2,184)	—	4,426	—	(4,426)	—
Net sales to external customers	61,488	6,173	—	67,661	118,014	11,668	—	129,682
Income (loss) before provision for income taxes	11,215	455	12	11,682	17,276	839	(60)	18,055

	Three Months Ended December 30, 2015				Six Months Ended December 31, 2015			
	U.S.	Australia	Eliminations	Total	U.S.	Australia	Eliminations	Total
Net sales	\$ 57,006	\$ 5,393	\$ (1,893)	\$ 60,506	\$ 110,901	\$ 10,163	\$ (3,318)	\$ 117,746
Affiliate (or intersegment) sales	1,893	—	(1,893)	—	3,318	—	(3,318)	—
Net sales to external customers	55,113	5,393	—	60,506	107,583	10,163	—	117,746
Income before provision for income taxes	8,670	59	(95)	8,634	14,459	117	24	14,600

Assets	As of December 31, 2016		As of June 30, 2016	
U.S.		\$ 216,037	\$	220,817
Australia		17,916		17,130
Eliminations		(18,173)		(17,417)
Total assets		\$ 215,780	\$	220,530

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

Some of the information in this Quarterly Report on Form 10-Q includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts included in this Form 10-Q, including, without limitation, certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations", may constitute forward-looking statements. In some cases you can identify these "forward-looking statements" by words like "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of those words and other comparable words. Any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results to vary materially from our future results, performance or achievements, or those of our industry, expressed or implied in such forward-looking statements. Such factors include, among others, general industry, economic and business conditions, demand for our products, changes in consumer preferences, competition within our industry, our reliance on our network of independent dealers, our ability to manage our manufacturing levels and our large fixed cost base, and the successful introduction of our new products, as well as other factors affecting us discussed under the heading "Item 1A-Risk Factors" appearing in the Company's Annual Report on Form 10-K for the year ended June 30, 2016, filed with the Securities and Exchange Commission ("SEC") on September 9, 2016 ("Form 10-K") and under the heading "Part II. Item 1A-Risk Factors" appearing in this Quarterly Report on Form 10-Q for the quarter ended December 31, 2016. Many of these risks and uncertainties are outside our control, and there may be other risks and uncertainties which we do not currently anticipate because they relate to events and depend on circumstances that may or may not occur in the future. We do not intend and undertake no obligation to update any forward-looking information to reflect actual results or future events or circumstances.

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

Overview

We are a leading designer, manufacturer and marketer of performance sport boats, having the #1 market share position in the United States since 2010. Our boats are used for water sports, including water skiing, wakeboarding and wake surfing, as well as general recreational boating. We earn revenue and generate profits from the sale of our high performance boats under two brands—Malibu and Axis. Our flagship Malibu brand boats offer our latest innovations in performance, comfort and convenience, and are designed for consumers seeking a premium boating experience. Our Axis brand of boats is designed to appeal to consumers who desire a more affordable product but still demand high performance, functional simplicity and the option to upgrade key features.

Since our inception in 1982, we have been a consistent innovator in the powerboat industry, designing products that appeal to an expanding range of recreational boaters and water sports enthusiasts whose passion for boating and water sports is a key aspect of their lifestyle. We continue to focus on innovation and invest in product development to expand the market for our products by introducing consumers to new and exciting recreational activities. We believe that our boats are increasingly versatile, allowing consumers to use them for a wide range of activities that enhance the experience of a day on the water with family and friends. While there is no guarantee that we will achieve market share growth in the future, we believe that the performance, quality, value and multi-purpose features of our boats position us to achieve our goal of increasing our market share in the expanding recreational boating market.

We offer our boats for sale through an extensive network of independent dealers in North America, Australia, and throughout the rest of the world. Our boats are the exclusive performance sport boats offered by the majority of our dealers.

On a consolidated basis, net sales increased 11.8% , gross profit increased 12.2% , net income increased 35.3% and adjusted EBITDA increased 22.0% for the three months ended December 31, 2016 as compared to the three months ended December 31, 2015 . For the six months ended December 31, 2016 as compared to the six months ended December 31, 2015 , net sales increased 10.1% , gross profit increased 10.0% , net income increased 23.4% and adjusted EBITDA increased 13.9% . For the three months ended December 31, 2016 as compared to the three months ended December 31, 2015 , net sales at our U.S. operations increased 11.6% , gross profit increased 8.8% , net income increased 30.9% and adjusted EBITDA increased 18.7% . The increase in net income in the second quarter of fiscal 2017 was mainly due to an increase in net sales attributable to

Table of Contents

higher volumes, year over year price increases, a mix shift to new, higher priced models, and lower discounts offset by higher rebate expense. The increase in net income was also attributable to a decrease in operating expenses in the second quarter of fiscal 2017 primarily related to a decrease in our Marine Power Holding, LLC ("Marine Power") litigation judgment following our appeal of the verdict and the court ruling decreasing the judgment amount and lower interest expense attributable to a change in the fair value of our interest rate swap. For the six months ended December 31, 2016 as compared to the six months ended December 31, 2015, net sales at our U.S. operations increased 9.7%, gross profit increased 8.2%, net income increased 18.4% and adjusted EBITDA increased 10.5%. The increase in net income for the first six months of fiscal 2017 was mainly due to an increase in net sales attributable to higher volumes, increased demand for optional features, year over year price increases and a mix shift to new, higher priced models. The increase in net income was also attributable to a decrease in operating expenses due to a decrease in our Marine Power litigation judgment following our appeal of the verdict and the court ruling decreasing the judgment amount and lower interest expense attributable to a change in the fair value of our interest rate swap, partially offset by higher operating expenses related to ongoing legal matters. For the definition of adjusted EBITDA and a reconciliation to net income, see "GAAP Reconciliation of Non-GAAP Financial Measures."

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 (i) Malibu Boats Holdings, LLC, or the LLC, and its consolidated subsidiaries prior to the recapitalization transactions completed immediately prior to the closing of the IPO (the "Recapitalization") and the initial public offering of shares of Class A Common Stock, par value \$0.01 per share ("Class A Common Stock") of Malibu Boats, Inc. (the "IPO"), and (ii) Malibu Boats, Inc. and its consolidated subsidiaries after the Recapitalization and IPO, which were completed on February 5, 2014.

Recent Developments

On November 14, 2016, our indirect, wholly owned subsidiary, Malibu Boats, LLC, entered into an engine supply agreement with General Motors LLC ("General Motors") for the supply of engines to us for use in our performance sport boats beginning as early as model year 2019 through model year 2023. We will be solely responsible for integrating the engines for marine use. We intend to continue to purchase engines from our two current suppliers for at least model years 2017 and 2018. The entry into the engine supply agreement is a further step in our vertical integration strategy, which saw us integrate the manufacturing of our own trailers with model year 2016 boats. We adopted this strategy in order to more directly control product path (design, innovation, calibration and integration) of our largest dollar procured part, to differentiate our product from our competitors, and to increase our ability to respond to ongoing changes in the marketplace.

The engine supply agreement with General Motors is scheduled to expire on November 14, 2023. General Motors may terminate the engine supply agreement due to market conditions with at least eighteen (18) months' advanced written notice, and either party may terminate the engine supply agreement as a result of a change of control of us with at least eighteen (18) months' advanced written notice. Either party may also terminate the engine supply agreement due to breach of the other party upon written notice and after providing 60 days to cure any breach. General Motors may also suspend engine deliveries to us in the event of a force majeure, as defined in the engine supply agreement. General Motors will provide up to a one year warranty on the engines supplied to us and we will agree to indemnify General Motors for claims and costs arising from or relating to the engines resulting from our actions.

Outlook

Although industry-wide retail boat sales remain lower than they were in 2007, prior to the financial crisis, sales volumes expanded during fiscal years 2015 and 2016. According to Statistical Surveys, Inc., domestic retail registrations of performance sport boats increased approximately 10% in 2015, 16% in 2014, and 12% in 2013 for the 50 reporting states. We believe domestic retail demand growth has continued at a low double digit percent for calendar year 2016. We expect the growing demand for our product to continue, but there are numerous variables that have the potential to impact our volumes. For example, we believe the substantial decrease in the price of oil has resulted in some reduced demand for our boats in the southwest region. Further, international demand has been diminished by the broad strength of the U.S. dollar where our product prices have increased along with the U.S. dollar, weakening commodity prices in commodity driven economies, and a general weakening in the international economy. The U.S. dollar appreciation and weakening commodity prices is significantly impacting the Canadian market, an important market for us. Demand remains weak in other areas of the world, notably South America, South Africa and Europe. To date, growth in our domestic market has offset significantly diminished demand from the international market (other than Australia). The market for performance sport boats may also be challenged by other general economic conditions, which affects the retail consumer appetite for our product, the availability of credit to our dealers and retail consumers, and overall consumer confidence potentially impacting demand for our products. While numerous risks persist, we currently believe our market will continue to grow at a healthy rate in 2017, albeit at a potentially lower rate than it has in the recent past.

[Table of Contents](#)

Since 2008, we have increased our market share among manufacturers of performance sport boats due to new product development, improved distribution, new models, and innovative features. As the market for our product has recovered our competitors have become more aggressive in their product introductions, increased their distribution and began competing with our patented Surf Gate system. This competitive environment continued in 2015 and our share was up only slightly. However, given recent strong new product introductions and strong retail registration trends, we believe we will increase our domestic market share meaningfully during calendar year 2016 and we have the potential to increase our market share to its highest level in our company's history. For model year 2017 which began on July 1, 2016, we unveiled the all-new Malibu Wakesetter 22 MXZ, the Wakesetter 24 MXZ and Wakesetter 21 VLX and, in November of 2016, we launched the new Malibu Response Txi. The Malibu Wakesetter 21 VLX is designed to be a premium product with an accessible nationally advertised price while the new Malibu MXZ models are an important renewal of our commitment to the premium picklefork category. In addition, on our model year 2017 products, we made enhancements to available features, including new stereos on all models with sound zone technology and a complete redesign of dashboards on all Axis models. We continue to maintain a strong lead over our nearest competitor in terms of market position and believe that we are well positioned to maintain our industry leading position given our strong dealer network and new product pipeline. In addition, we continue to be the market share leader in both the premium and value-oriented product sub-categories.

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 and our ability to offer dealer financing and incentives. 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 sales* —consists of sales of boats to our dealer network. In addition, nearly all of our boat sales include optional feature upgrades purchased by the consumer, such as Surf Gate, which increase the average selling price of our boats;
 - *Trailers, parts and accessories sales*— consists of sales of boat trailers and replacement and aftermarket boat parts and accessories to our dealer network; and
 - *Royalty income* —consists of royalties attributable to license agreements with various boat manufacturers.
- Net sales are net of:
 - *Sales returns* —primarily 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, free flooring and discounts* —incentives, including rebates and free flooring, we provide to our dealers based on sales of eligible products. If a dealer meets its annual commitment volume as well as other terms of the rebate program, the dealer is entitled to a specified rebate. We implemented a new rebate program for model year 2017. Under the new program, if a dealer meets certain monthly and quarterly criteria based on the dealer's volume commitment, the dealer may be eligible for a specified rebate. Our dealers that take delivery of current model year boats in the offseason, typically July through April in the U.S., are 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."

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

Table of Contents

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, and general and administrative 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 engines vertical integration initiative.

Other Income (Expense), Net

Other income (expense), net consists of interest expense and other income or expense, net. Interest expense consists of interest charged on our term loan, interest on our interest rate swap arrangement and change in the fair value of our interest rate swap we entered into on July 1, 2015, and amortization of deferred financing costs on our amended and restated credit agreement.

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. The provision for income taxes reflects an estimated effective income tax rate attributable to Malibu Boats, Inc.'s share of income. Our provision for income taxes for the six months ended December 31, 2016 reflects a reported effective tax rate of 33.8% , which differs from the statutory federal income tax rate of 35% primarily due to the impact of the non-controlling interest and state income taxes attributable to the LLC, as well as the benefit of deductions under Section 199 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). Our effective tax rate also reflects the impact of the Company's share of the LLC's permanent items such as stock compensation expense attributable to profits interests.

Net Income Attributable to Non-controlling Interest

As of December 31, 2016 , we had a 92.9% 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 LLC members.

Results of Operations

The table below sets forth our 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 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.

[Table of Contents](#)

	Three Months Ended December 31,				Six Months Ended December 31,			
	2016		2015		2016		2015	
	\$	% Revenue	\$	% Revenue	\$	% Revenue	\$	% Revenue
Net sales	67,661	100.0 %	60,506	100.0 %	129,682	100.0 %	117,746	100.0 %
Cost of sales	49,848	73.7 %	44,627	73.8 %	96,046	74.1 %	87,157	74.0 %
Gross profit	17,813	26.3 %	15,879	26.2 %	33,636	25.9 %	30,589	26.0 %
Operating expenses:								
Selling and marketing	2,150	3.2 %	2,162	3.6 %	4,573	3.5 %	4,424	3.8 %
General and administrative	3,453	5.1 %	4,193	6.9 %	9,517	7.3 %	8,819	7.5 %
Amortization	549	0.8 %	545	0.9 %	1,099	0.8 %	1,092	0.9 %
Operating income	11,661	17.2 %	8,979	14.8 %	18,447	14.2 %	16,254	13.8 %
Other income (expense):								
Other	58	0.1 %	17	— %	75	0.1 %	24	— %
Interest expense	(37)	(0.1)%	(362)	(0.6)%	(467)	(0.4)%	(1,678)	(1.4)%
Other income (expense)	21	— %	(345)	(0.6)%	(392)	(0.3)%	(1,654)	(1.4)%
Income before provision for income taxes	11,682	17.3 %	8,634	14.3 %	18,055	13.9 %	14,600	12.4 %
Provision for income taxes	3,945	5.8 %	2,916	4.8 %	6,092	4.7 %	4,902	4.2 %
Net income	7,737	11.4 %	5,718	9.5 %	11,963	9.2 %	9,698	8.2 %
Net income attributable to non-controlling interest	836	1.2 %	614	1.0 %	1,282	1.0 %	1,036	0.9 %
Net income attributable to Malibu Boats, Inc.	6,901	10.2 %	5,104	8.4 %	10,681	8.2 %	8,662	7.4 %

	Three Months Ended December 31,				Six Months Ended December 31,			
	2016		2015		2016		2015	
	Unit Volumes	% Total	Unit Volumes	% Total	Unit Volumes	% Total	Unit Volumes	% Total
<i>Volume by Segment</i>								
U.S.	841	91.0 %	786	90.7 %	1,597	90.9 %	1,532	90.5 %
Australia	83	9.0 %	81	9.3 %	160	9.1 %	160	9.5 %
Total units	924		867		1,757		1,692	
<i>Volume by Brand</i>								
Malibu	664	71.9 %	591	68.2 %	1,241	70.6 %	1,125	66.5 %
Axis	260	28.1 %	276	31.8 %	516	29.4 %	567	33.5 %
Total units	924		867		1,757		1,692	

Net sales per unit	\$	73,226	\$	69,787	\$	73,809	\$	69,590
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Comparison of the Three Months Ended December 31, 2016 to the Three Months Ended December 31, 2015

Net Sales

Net sales for the three months ended December 31, 2016 increased \$7.2 million , or 11.8% , to \$67.7 million as compared to the three months ended December 31, 2015 . Included in net sales for the three months ended December 31, 2016 and December 31, 2015 were net sales of \$6.2 million and \$5.4 million , respectively, attributable to our Australian business. Unit volume for the three months ended December 31, 2016 increased 57 units, or 6.6% , to 924 units as compared to the three months ended December 31, 2015 driven by demand for our new models such as the Malibu Wakesetter 22 and 24 MXZ. Net sales per unit increased 4.9% to \$73,226 per unit for the three months ended December 31, 2016 compared to the three months

Table of Contents

ended December 31, 2015 , primarily driven by a mix shift to Malibu, including our newer models, which carry a higher average selling price than our Axis brand, year over year price increases, and lower discount activity, offset by increased rebate expense associated with our new rebate program for model year 2017.

Cost of Sales

Cost of sales for the three months ended December 31, 2016 increased \$5.2 million , or 11.7% , to \$49.8 million as compared to the three months ended December 31, 2015 . The increase in cost of sales was driven primarily by increased volumes and higher material content per unit associated with the mix shift to Malibu. Included in cost of sales were \$0.1 million in costs related to our engines vertical integration initiative.

Gross Profit

Gross profit for the three months ended December 31, 2016 increased \$1.9 million , or 12.2% , to \$17.8 million compared to the three months ended December 31, 2015 . The increase in gross profit was due mainly to higher volumes. Gross margin for the three months ended December 31, 2016 increased 10 basis points from 26.2% to 26.3% over the same period in the prior fiscal year. The increase in gross margin was driven primarily by mix of new models, year over year price increases, less discounting, partially offset by higher rebate expense attributable to our new rebate program and warranty expense related to our expanded warranty period of coverage.

Operating Expenses

Selling and marketing expenses for the three month period ended December 31, 2016 were \$2.2 million, slightly lower than selling and marketing expenses for the three months ended December 31, 2015 . As a percentage of sales, selling and marketing expenses decreased 40 basis points to 3.2% over the same period. General and administrative expenses for the three months ended December 31, 2016 decreased \$0.7 million , or 17.6% , to \$3.5 million as compared to the three months ended December 31, 2015 , largely due to a decrease in the Marine Power litigation judgment following our appeal of the verdict and court ruling amending the judgment from \$3.3 million to \$1.9 million in December 2016. We had initially taken a charge relating to the original judgment for \$3.3 million during the three months ended June 30, 2016. Excluding the change in the Marine Power litigation judgment, general and administrative expenses increased \$0.6 million mainly due to increased legal expenses in connection with our on-going litigation matters as well as product development activities in connection with our engines vertical integration initiative, offset by lower stock compensation expense associated, in part, with share-based equity awards granted in the second quarter of fiscal 2016.

Other Income (Expense), Net

Other income (expense), net for the three month period ended December 31, 2016 decreased \$0.4 million as compared to the three months ended December 31, 2015 . The decrease in other income (expense), net is mostly related to the change in the fair value of our interest rate swap we entered into on July 1, 2015 as well as lower interest expense on our term loan which has a lower average principal balance for the three month period ended December 31, 2016 as compared to the three months ended December 31, 2015 .

Provision for Income Taxes

Our provision for income taxes for the three months ended December 31, 2016 increased \$1.0 million , to \$3.9 million compared to the three months ended December 31, 2015 . The increase in our provision for income taxes is a result of an increase in pre-tax income for the three months ended December 31, 2016 . For the three months ended December 31, 2016 and 2015, our reported effective tax rate was 33.8% . The reported effective tax rate differs from the statutory federal income tax rate of 35% primarily due to the impact of the non-controlling interest and state income taxes attributable to the LLC on our share of the LLC's income and also includes the benefit of deductions under Section 199 of the Internal Revenue Code.

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 condensed consolidated statements of operations and comprehensive income is computed by multiplying pre-tax income for the three month period ended December 31, 2016 by the percentage ownership in the LLC not directly attributable to us. For the three months ended December 31, 2016 and 2015, the weighted average non-controlling interest attributable to ownership interests in the LLC not directly attributable to us was 7.2% .

Comparison of the Six Months Ended December 31, 2016 to the Six Months Ended December 31, 2015

Net Sales

Table of Contents

Net sales for the six months ended December 31, 2016 increased \$11.9 million , or 10.1% , to \$129.7 million as compared to the six months ended December 31, 2015 . Included in net sales for the six months ended December 31, 2016 and December 31, 2015 were net sales of \$11.7 million and \$10.2 million , respectively, attributable to our Australian business. Unit volume for the six months ended December 31, 2016 increased 65 units, or 3.8% , to 1,757 units as compared to the six months ended December 31, 2015 due to a demand-driven increase in our daily production rate, demand for new models, and demand for optional features. Net sales per unit increased 6.1% to \$73,809 per unit for the six months ended December 31, 2016 compared to the six months ended December 31, 2015 , primarily driven by year over year price increases, a mix shift from Axis to Malibu, which carry a higher average selling price than our Axis brand, and lower discount activity, offset by higher rebate expense associated with our new rebate program for model year 2017.

Cost of Sales

Cost of sales for the six months ended December 31, 2016 increased \$8.9 million , or 10.2% , to \$96.0 million as compared to the six months ended December 31, 2015 . The increase in cost of sales was primarily driven by increased volumes, higher material content and labor hours driven by the mix shift to Malibu from Axis as well as higher warranty expense attributable to an increasing population of units sold with five years of warranty since we expanded warranty coverage from three to five years at the beginning of fiscal 2016. Included in cost of sales were \$0.1 million in costs related to our engines vertical integration initiative.

Gross Profit

Gross profit for the six months ended December 31, 2016 increased \$3.0 million , or 10.0% , to \$33.6 million compared to the six months ended December 31, 2015 . The increase in gross profit resulted primarily from higher volumes. Gross margin for the six months ended December 31, 2016 decreased 10 basis points to 25.9% from 26.0% over the same period in prior year due primarily to additional labor and warranty and higher material content in units sold, partially offset by year over year price increases.

Operating Expenses

Selling and marketing expenses for the six month period ended December 31, 2016 increased \$0.1 million , or 3.4% , to \$4.6 million compared to the six months ended December 31, 2015 , due primarily to increased payroll, commissions, and related costs attributable to additional headcount and timing of marketing events. General and administrative expenses for the six months ended December 31, 2016 increased \$0.7 million , or 7.9% , to \$9.5 million as compared to the six months ended December 31, 2015 , which included a decrease in the Marine Power litigation judgment following our appeal of the verdict and court ruling amending the judgment from \$3.3 million to \$1.9 million in December 2016. We had initially taken a charge relating to the original judgment for \$3.3 million during the three months ended June 30, 2016. Excluding the change in the Marine Power litigation judgment, general and administrative expenses increased \$2.0 million mainly due to increased legal expenses in connection with our on-going litigation matters as well as product development activities in connection with our engines vertical integration initiative, offset by lower stock compensation expense associated, in part, with share-based equity awards granted in the second quarter of fiscal 2016.

Other Income (Expense), Net

Other income (expense), net for the six month period ended December 31, 2016 decreased \$1.3 million as compared to the six months ended December 31, 2015 . The decrease in other income (expense), net is mostly related to the change in the fair value of our interest rate swap we entered into on July 1, 2015 and lower interest expense on our term loan which had a lower average principal balance during the six month period ended December 31, 2016 as compared to the six months ended December 31, 2015 , primarily as a result of a principal payment of \$15.0 million in August 2016.

Provision for Income Taxes

Our provision for income taxes for the six months ended December 31, 2016 increased \$1.2 million , to \$6.1 million compared to the six months ended December 31, 2015 . The increase in our provision for income taxes reflects an increase in our reported effective tax rate which was 33.8% for the six months ended December 31, 2016 compared to 33.6% over the same period in the prior fiscal year. The reported effective tax rate differs from the statutory federal income tax rate of 35% primarily due to the impact of the non-controlling interest and state income taxes attributable to the LLC on our share of the LLC's income and also includes the benefit of deductions under Section 199 of the Internal Revenue Code.

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 condensed consolidated statements of operations and comprehensive income is

[Table of Contents](#)

computed by multiplying pre-tax income for the six month period ended December 31, 2016 by the percentage ownership in the LLC not directly attributable to us. For the six months ended December 31, 2016 and 2015, the weighted average non-controlling interest attributable to ownership interests in the LLC not directly attributable to us was 7.3% and 7.2% , 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 earnings before interest expense, income taxes, depreciation, amortization and non-cash, non-recurring or non-operating expenses, including certain professional fees, acquisition and integration related expenses, non-cash compensation expense, and certain product development costs. 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 are useful because they allow management to evaluate our operating performance and compare the results of our operations from period to period and against our peers 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 adjusted EBITDA margin for the periods indicated (dollars in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Net income	\$ 7,737	\$ 5,718	\$ 11,963	\$ 9,698
Provision for income taxes	3,945	2,916	6,092	4,902
Interest expense	37	362	467	1,678
Depreciation	1,026	841	1,994	1,616
Amortization	549	545	1,099	1,092
Professional fees ¹	917	48	1,986	218
Marine Power litigation judgment ²	(1,330)	—	(1,330)	—
Acquisition and integration related expenses ³	—	71	—	401
Stock based compensation expense ⁴	280	665	745	1,005
Engine development ⁵	460	—	460	—
Adjusted EBITDA	\$ 13,621	\$ 11,166	\$ 23,476	\$ 20,610
Adjusted EBITDA Margin	20.1%	18.5%	18.1%	17.5%

Table of Contents

- (1) Represents legal and advisory fees related to our litigation with MasterCraft Boat Company, LLC. For more information about the legal proceedings, refer to Note 13 of our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report.
- (2) Represents the reduction in a one-time charge related to a judgment rendered against us in connection with a lawsuit by Marine Power where the court amended the judgment to \$1.9 million. Please see Note 13 of our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report
- (3) Represents legal and advisory fees as well as integration related costs incurred in connection with certain acquisition activities.
- (4) Represents equity-based incentives awarded to key employees under the Malibu Boats, Inc. Long-Term Incentive Plan and profit interests issued under the previously existing limited liability company agreement of the LLC. For more information, see Note 11 to our unaudited condensed consolidated financial statements.
- (5) Represents costs incurred in connection with our vertical integration of engines including product development costs and supplier transition performance incentives.

Adjusted Fully Distributed Net Income

We define Adjusted Fully Distributed Net Income as net income attributable to Malibu (i) excluding income tax expense, (ii) excluding the effect of non-recurring or non-cash items, (iii) assuming the exchange of all units in the LLC ("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 (assuming no income attributable to non-controlling interests) 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 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.

[Table of Contents](#)

The table that follows shows the reconciliation of net income attributable to Malibu Boats, Inc. to Adjusted Fully Distributed Net Income for the periods presented (in thousands except share and per share data):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Net income attributable to Malibu Boats, Inc.	\$ 6,901	\$ 5,104	\$ 10,681	\$ 8,662
Provision for income taxes	3,945	2,916	6,092	4,902
Professional fees ¹	917	48	1,986	218
Acquisition and integration related expenses ²	—	71	—	401
Fair market value adjustment for interest rate swap ³	(580)	(382)	(825)	175
Stock based compensation expense ⁴	280	665	745	1,005
Marine Power litigation judgment ⁵	(1,330)	—	(1,330)	—
Engine development ⁶	460	—	460	—
Net income attributable to non-controlling interest ⁷	836	614	1,282	1,036
Fully distributed net income before income taxes	11,429	9,036	19,091	16,399
Income tax expense on fully distributed income before income taxes ⁸	4,057	3,208	6,777	5,822
Adjusted fully distributed net income	\$ 7,372	\$ 5,828	\$ 12,314	\$ 10,577

Adjusted Fully Distributed Net Income per share of Class A Common Stock ⁹:

Basic	\$ 0.38	\$ 0.30	\$ 0.64	\$ 0.55
Diluted	\$ 0.38	\$ 0.30	\$ 0.64	\$ 0.55

Weighted average shares of Class A Common Stock outstanding used in computing Adjusted Fully Distributed Net Income ¹⁰:

Basic	19,302,718	19,391,440	19,262,111	19,372,675
Diluted	19,302,718	19,391,440	19,262,111	19,372,675

- (1) Represents legal and advisory fees related to our litigation with MasterCraft Boat Company, LLC. For more information about the legal proceedings, refer to Note 13 of our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report.
- (2) Represents legal and advisory fees as well as integration related costs incurred in connection with certain acquisition activities.
- (3) Represents the change in the fair value of our interest rate swap entered into on July 1, 2015.
- (4) Represents equity-based incentives awarded to certain of our employees under the Malibu Boats, Inc. Long-Term Incentive Plan and profit interests issued under the previously existing limited liability company agreement of the LLC. See Note 11 to our unaudited condensed consolidated financial statements.
- (5) Represents the reduction in a one-time charge related to a judgment rendered against us in connection with a lawsuit by Marine Power where the court amended the judgment to \$1.9 million. Please see Note 13 of our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report
- (6) Represents costs incurred in connection with our vertical integration of engines including product development costs and supplier transition performance incentives.
- (7) 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.
- (8) Reflects income tax expense at an estimated normalized annual effective income tax rate of 35.5% of income before income taxes for the three and six months ended December 31, 2016 and 2015, assuming the conversion of all LLC Units into shares of Class A Common Stock. The estimated normalized annual effective income tax rate is based on the federal statutory rate plus a blended state rate adjusted for deductions under Section 199 of the Internal Revenue Code of 1986, as amended, state taxes attributable to the LLC, and foreign income taxes attributable to our Australian based subsidiary.
- (9) Adjusted fully distributed net income divided by the shares of Class A Common Stock outstanding in (10) below.
- (10) Represents the weighted average shares outstanding during the applicable period calculated as (i) the weighted average shares outstanding during the applicable period of Class A Common Stock, (ii) 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 and (iii) the weighted average fully vested restricted stock units outstanding during the applicable period that were convertible into Class A Common Stock and granted to directors for their services.

[Table of Contents](#)**Liquidity and Capital Resources**

Our primary sources of funds have been cash provided by operating activities and borrowings under our credit agreement. Our primary use of funds has been for repayments under our debt arrangements, capital investments and cash distributions to members of the LLC. The following table summarizes the cash flows from operating, investing and financing activities (dollars in thousands):

	Six Months Ended December 31,	
	2016	2015
Total cash provided by (used in):		
Operating activities	\$ 22,247	\$ 13,571
Investing activities	(5,427)	(3,531)
Financing activities	(16,905)	(3,489)
Impact of currency exchange rates on cash balances	73	(21)
(Decrease) increase in cash	\$ (12)	\$ 6,530

Comparison of the Six Months Ended December 31, 2016 to the Six Months Ended December 31, 2015

Operating Activities

Net cash provided by operating activities was \$22.2 million for the six months ended December 31, 2016 compared to net cash provided by operating activities of \$13.6 million for the six months ended December 31, 2015, an increase of \$8.6 million. The increase in cash provided by operating activities was due to increased net income and an increase in working capital driven by the timing of collections from accounts receivable and payments for accrued expenses offset by an increase in payments made for accounts payable.

Investing Activities

Net cash used for investing activities was \$5.4 million for the six months ended December 31, 2016 compared to \$3.5 million for the six months ended December 31, 2015, an increase of \$1.9 million. The increase in cash used for investing activities was primarily due to the purchase of an additional facility in Loudon, Tennessee for our vertical integration initiatives and capital outlays for manufacturing infrastructure and expansion activities, molds, and equipment.

Financing Activities

Net cash used in financing activities increased \$13.4 million to \$16.9 million for the six months ended December 31, 2016 compared to \$3.5 million for the six months ended December 31, 2015, primarily due to a principal payment of \$15.0 million on our outstanding term loan in August 2016. For the six months ended December 31, 2015 we made principal payments of \$3.0 million on the term loan and tax distributions to LLC unit holders.

Loans and Commitments

Table of Contents

Our indirect subsidiary, Malibu Boats, LLC, as borrower (the "Borrower"), has lending arrangements with several financial institutions pursuant to a credit agreement with a syndicate of banks led by SunTrust Bank (the "Amended and Restated Credit Agreement"). Borrowings under the Amended and Restated 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 London Interbank Offered Rate ("LIBOR") plus 1% (the "Base Rate") or (ii) LIBOR, in each case plus an applicable margin ranging from 1.00% to 1.75% with respect to Base Rate borrowings and 2.00% to 2.75% with respect to LIBOR borrowings. The applicable margin will be based upon the consolidated leverage ratio of the LLC and its subsidiaries calculated on a consolidated basis. Malibu Boats, LLC will also be required to pay a commitment fee for the unused portion of the revolving credit facility, which will range from 0.25% to 0.40% per annum, depending on the LLC's and its subsidiaries' consolidated leverage ratio. Malibu Boats, Inc. is not a party to the Amended and Restated Credit Agreement. The obligations of the Borrower under the credit agreement are guaranteed by its parent, the LLC, and, subject to certain exceptions, the present and future domestic subsidiaries of the Borrower, including Malibu Boats Domestic International Sales Corp. and Malibu Australian Acquisition Corp., and all such obligations are secured by substantially all of the assets of the LLC, the Borrower and such subsidiary guarantors pursuant to a security agreement, by and among the Borrower, the LLC, the subsidiary guarantors, and SunTrust Bank, as administrative agent, dated April 2, 2015 (the "Security Agreement"), and other collateral documents. The revolving credit facility and term loan mature on April 2, 2020. As of December 31, 2016, the Amended and Restated Credit Agreement included the following facilities:

- *Revolving Credit Facility* . Malibu Boats, LLC has access to a revolving credit facility from a bank syndicate led by SunTrust Bank with available borrowings of \$25.0 million due on or before April 2, 2020. As of December 31, 2016, no amounts were outstanding under the revolving credit facility.
- *Swingline Credit Facility* . Malibu Boats, LLC received a swingline line of credit from SunTrust Bank in the principal amount of up to \$5.0 million due on or before April 2, 2020. Any amounts drawn under the swingline line of credit reduce the capacity under the revolving credit facility. As of December 31, 2016, no amounts were outstanding under the swingline facility.
- *Letter of Credit Facility* . Malibu Boats, LLC has the ability to request the issuance of letters of credit by SunTrust Bank in the principal amount of up to \$5.0 million. The principal amounts of any issued but undrawn letters of credit and any amounts drawn under issued letters of credit that have not been reimbursed reduce the availability under the revolving credit facility. As of December 31, 2016, \$0.1 million was issued and undrawn under the letter of credit facility.
- *Term Loans* . Malibu Boats, LLC received a term loan from each of the banks in the syndicate in the aggregate principal amount of \$80.0 million due on or before April 2, 2020. On August 4, 2016, in accordance with the Amended and Restated Credit Agreement, we elected to prepay \$15.0 million of the term loan. As of December 31, 2016, we had a total of \$55.9 million outstanding under the term loans.

Subject to the terms of the credit agreement, Malibu Boats, LLC has the option to request the lenders to increase the aggregate amount under the revolving credit facility and the term loan facility up to an additional \$50.0 million; however, the lenders are not obligated to do so.

The Amended and Restated Credit Agreement permits prepayment of the new term loan facility without any penalties. The term loan facility under the Amended and Restated Credit Agreement was subject to quarterly installments of \$1.5 million per quarter until March 31, 2016. The quarterly installments are now \$2.0 million per quarter until March 31, 2019, and \$2.5 million per quarter thereafter. We elected to apply our \$15.0 million prepayment in August 2016 to principal installments through June 30, 2018. The Amended and Restated Credit Agreement also requires prepayments from the net cash proceeds received by the Borrower or any guarantors from certain asset sales and recovery events, subject to certain reinvestment rights, and from excess cash flow, subject to the terms and conditions of the Amended and Restated Credit Agreement. On October 28, 2016, we paid \$1.1 million of our outstanding term loan related to the consolidated excess cash flow prepayment requirement under the terms of our Amended and Restated Credit Agreement.

The Amended and Restated 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 Amended and Restated Credit Agreement also requires compliance with certain customary financial covenants, including a minimum ratio of EBITDA to fixed charges and a maximum ratio of total debt to EBITDA. The Amended and Restated Credit Agreement contains certain restrictive covenants, which, among other things, place limits on certain activities of the loan parties under the Amended and Restated Credit Agreement, such as the incurrence of additional indebtedness and additional liens on property and limits the future payment of dividends or distributions. For example, the Amended and Restated Credit Agreement generally prohibits the LLC, the Borrower and the subsidiary guarantors from paying dividends or making distributions, including to the Company. The Amended and Restated Credit Agreement permits, however, distributions based on a member's allocated taxable income, distributions to fund payments that are required under the tax receivable

Table of Contents

agreement, payments pursuant to stock option and other benefit plans up to \$2.0 million in any fiscal year, dividends and distributions within the loan parties and dividends payable solely in interests of classes of securities. In addition, the LLC may make dividends and distributions of up to \$15.0 million in connection with our stock repurchase program and up to \$6.0 million in any fiscal year for any reason, in each case, subject to compliance with other financial covenants. The credit agreement specifies permitted liens, permitted investments and permitted debt. Affirmative covenants governing the timing of monthly, quarterly and annual financial reporting are also included in the credit agreement.

Future Liquidity Needs

Management believes that our existing cash, borrowing capacity under our revolving credit facility and cash flows from operations will be sufficient to meet our anticipated cash needs for the next 12 months. Our future capital requirements will depend on many factors, including the general economic environment in which we operate and our ability to generate cash flow from operations. Factors impacting our cash flow from operations include, but are not limited to, our growth rate and the timing and extent of operating expenses.

With respect to our engine vertical integration strategy, we expect a total investment through expenditures, working capital, and capital expenses of approximately \$18.0 million over the next three years, which we intend to finance with cash from operations and our revolving credit facility.

We estimate that approximately \$4.2 million will be currently due under the tax receivable agreement within the next 12 months. In accordance with the tax receivable agreement, the first payment is anticipated to occur approximately 75 days after filing the federal tax return which is due March 15, 2017. Management expects minimal effect on our future liquidity and capital resources.

Capital Resources

Management expects our capital expenditures for fiscal year 2017 will be significantly higher than our 2016 capital expenditures primarily due to our investment in our engine vertical integration, including the purchase of an adjacent facility for the project. In addition, capital expenditures for fiscal year 2017 are expected to consist primarily of the finishing of our ongoing projects, new tooling, and expenditures to increase production capacity to accommodate future growth.

Stock Repurchase Program

On February 1, 2016, our Board of Directors authorized a stock repurchase program to allow for repurchase of up to \$15.0 million of our Class A Common Stock and the LLC's LLC Units (the "Repurchase Program") for the period from February 8, 2016 to February 8, 2017. During the six months ended December 31, 2016 we purchased no additional shares under the repurchase program. We are currently considering whether to commence a new stock repurchase program.

Contractual Obligations and Commitments

Since June 30, 2016, we repaid \$15.0 million on our outstanding term loan in August 2016 and \$1.1 million in October 2016, resulting in \$55.9 million outstanding under our term loan as of December 31, 2016. All other changes to our contractual obligations during the six months ended December 31, 2016 were completed in the normal course of business and are not considered material.

Off Balance Sheet Arrangements

In connection with our dealers' wholesale floor plan financing of boats, we have entered into repurchase agreements with various lending institutions. The repurchase commitment is on an individual unit basis with a term from the date it is financed by the lending institution through payment date by the dealer, generally not exceeding two and a half years. Such agreements are customary in the industry and our exposure to loss under such agreements is limited by the resale value of the inventory which is required to be repurchased. Refer to Note 13 of our unaudited condensed consolidated financial statements for further information on repurchase commitments.

Seasonality

Our dealers experience seasonality in their business. Retail demand for boats is seasonal, with a significant majority of sales occurring during peak boating season, which coincides with our first and fourth fiscal quarters. In order to minimize the impact of this seasonality on our business, we manage our manufacturing processes and structure dealer incentives to tie our annual volume rebates program to consistent ordering patterns, encouraging dealers to purchase our products throughout the year. In this regard, we may offer free flooring incentives to dealers from the beginning of our model year through April 30 of each year. Further, in the event that a dealer does not consistently order units throughout the year, such dealer's rebate is

[Table of Contents](#)

materially reduced. We may offer off-season retail promotions to our dealers in seasonally slow months, during and ahead of boat shows, to encourage retail demand.

Emerging Growth Company

We are an “emerging growth company,” as defined in the JOBS Act. For as long as we are an “emerging growth company,” we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not “emerging growth companies,” including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding stockholder advisory “say-on-pay” votes on executive compensation and stockholder advisory votes on golden parachute compensation.

The JOBS Act also provides that an “emerging growth company” can utilize the extended transition period provided in Section 7(a)(2)(B) of the Securities Act, for complying with new or revised accounting standards. Pursuant to Section 107 of the JOBS Act, we have chosen to “opt out” of such extended transition period and, as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for companies that are not “emerging growth companies.” Under the JOBS Act, our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

We will continue to be an emerging growth company until the earliest to occur of (i) the last day of the fiscal year during which we had total annual gross revenues of at least \$1 billion (as indexed for inflation), (ii) the last day of the fiscal year following the fifth anniversary of the closing of the IPO, (iii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt or (iv) the date on which we are deemed to be a “large accelerated filer,” as defined under the Exchange Act. Accordingly, we could remain an “emerging growth company” until as late as June 30, 2019.

Critical Accounting Policies

As of December 31, 2016, there were no significant changes in or 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, 2016.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Refer to our Annual Report on Form 10-K for the year ended June 30, 2016, 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, 2016.

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 December 31, 2016.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2016 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 13 of our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report.

Item 1A. Risk Factors

Except as described below with respect to our new engine integration strategy, 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, 2016.

Our engine integration strategy will require significant cash expenditures and we may not be able to execute our strategy successfully, which could cause our profitability to suffer.

We entered an engine supply agreement with General Motors LLC for the supply of engines to us for use in our performance sports boats beginning as early as model year 2019 through model year 2023. Unlike our current strategy that purchases engines prepared for marine use, we will be solely responsible for integrating the engines purchased from General Motor for marine use. We adopted this strategy in order to more directly control product path (design, innovation, calibration and integration) of our largest dollar procured part, to differentiate our product from our competitors, and to increase our ability to respond to ongoing changes in the marketplace.

This strategy will require significant additional capital. We recently purchased an additional facility adjacent to our current manufacturing facility. We expect a total investment through expenditures, working capital, and capital expenses of approximately \$18.0 million over the next three years, which we intend to finance with cash from operations and our revolving credit facility. In addition, this strategy will increase the fixed costs of our operations. And, because the integration of engines into our manufacturing process is new to us, we must be successful in continuous improvement efforts, which depend on the involvement of management, production employees and suppliers. If we are not successful in our engine integration strategy, it could adversely impact the profitability of our products and our ability to deliver desirable products to our consumers.

As a result of our engine integration strategy, we will rely solely on General Motors LLC for the supply of our engines, which we will then integrate for marine use.

The availability and cost of engines used in the manufacture of our boats are critical. For fiscal years 2016 and 2015, we purchased approximately 60% and 62%, respectively, of the engines for our boats from a single supplier. These engines were prepared for marine use as purchased. Starting as soon as model year 2019, we will begin purchasing engines solely from General Motors LLC and we will prepare the engines for marine use. If we are required to replace General Motors for any reason, it could cause a decrease in products available for sale or an increase in our cost of sales, either of which could adversely affect our business, financial condition and results of operations.

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

On December 16, 2016, in connection with the exchange of limited liability company interests of the LLC by a certain member of the LLC, the Company issued a total of 8,344 shares of its Class A Common Stock, par value \$0.01 per share for nominal consideration to the member in reliance on the exemption under Section 4(a)(2) of the Securities Act.

On December 13, 2016, in connection with the exchange of limited liability company interests of the LLC by a certain member of the LLC, the Company issued a total of 4,798 shares of its Class A Common Stock, par value \$0.01 per share for nominal consideration to the member in reliance on the exemption under Section 4(a)(2) of the Securities Act. At the same time, one share of Class B Common Stock held by the member was canceled in connection with the exchange.

On November 30, 2016, in connection with the exchange of limited liability company interests of the LLC by a certain member of the LLC, the Company issued a total of 9,479 shares of its Class A Common Stock, par value \$0.01 per share for nominal consideration to the member in reliance on the exemption under Section 4(a)(2) of the Securities Act. At the same time, one share of Class B Common Stock held by the member was canceled in connection with the exchange.

On October 31, 2016, in connection with the exchange of limited liability company interests of the LLC by a certain member of the LLC, the Company issued a total of 23,000 shares of its Class A Common Stock, par value \$0.01 per share for nominal consideration to the member in reliance on the exemption under Section 4(a)(2) of the Securities Act. At the same time, one share of Class B Common Stock held by the member was canceled in connection with the exchange.

[Table of Contents](#)

The table below sets forth the information with respect to purchases made by or on behalf of Malibu Boats, Inc. of its own stock during the quarter ended December 31, 2016.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program ⁽¹⁾
				(Dollars in millions)
October	—	\$ —	—	\$ 11.0
November	2,474 ⁽²⁾	\$ 15.62	—	\$ 11.0
December	—	\$ —	—	\$ 11.0

(1) On February 1, 2016 our board of directors authorized our Repurchase Program for the repurchase of up to \$15.0 million of Class A Common Stock and the LLC's LLC Units for the period from February 8, 2016 to February 8, 2017. The Repurchase Program was publicly announced on February 4, 2016.

(2) Represents shares of Class A Common Stock repurchased from an employee to satisfy tax withholding obligations incurred in connection with the vesting of restricted stock.

The credit agreement governing our credit facility generally prohibits the LLC and our other subsidiaries from paying dividends or making distributions to us. However, our credit agreement currently permits the LLC to make dividends and distributions of up to \$15.0 million in connection with our Repurchase Program and \$6.0 million in any fiscal year for any reason, in each case, subject to compliance with other financial covenants.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits filed as part of this Quarterly Report are listed in the exhibit index immediately preceding such exhibits, which exhibit index is incorporated herein by reference.

Table of Contents

<u>Exhibit No.</u>	<u>Description</u>
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	Form of Class A Common Stock Certificate ¹
4.2	Form of Class B Common Stock Certificate ¹
4.3	Exchange Agreement, dated as of February 5, 2014, by and among Malibu Boats, Inc. and the Members of Malibu Boats Holdings, LLC ²
4.4	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
10.1	Engine Supply Agreement dated November 14, 2016 between Malibu Boats, LLC and General Motors LLC +
10.2	Third Amendment dated December 28, 2016, to the Amended and Restated Credit Agreement, by and among Malibu Boats, LLC, Malibu Boats Holdings, LLC, SunTrust Bank, as administrative agent, dated April 2, 2015.
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.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

(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.

+ Portions of this exhibit have been omitted pursuant to a confidential treatment request. Omitted information has been filed separately with the SEC.

SIGNATURE

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.

February 1, 2017

**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)

SUPPLY AGREEMENT

between

Malibu Boats, LLC

and

General Motors LLC

Index

1	DEFINITIONS AND INTERPRETATION	3
2	SUPPLY AND PURCHASE	5
3	MANUFACTURE	7
4	AFTERSALES	7
5	FORECAST AND ORDERING PROCEDURE	7
6	TITLE AND RISK OF LOSS; LABELING, PACKAGING AND DELIVERY/SHIPPING	8
7	PRICING	9
8	PAYMENT	9
9	ENGINE CHANGES	9
10	EXPORT CONTROL LAWS	10
11	WARRANTIES; LIMITATION OF LIABILITY	10
12	CLAIMS	11
13	FIELD ACTIONS; PRODUCT LIABILITY; INDEMNIFICATION AND INSURANCE	12
14	FORCE MAJEURE	15
15	TERM AND TERMINATION	15
16	TRADEMARKS, INTELLECTUAL PROPERTY RIGHTS	16
17	CONFIDENTIALITY	16
18	NOTICES	18
19	AMENDMENTS	18
20	ASSIGNMENT; CHANGE OF CONTROL TERMINATION	18
21	SEVERABILITY	19
22	NO IMPLIED WAIVERS	19
23	NO AGENCY	20
24	GOVERNMENT APPROVALS	20
25	SET OFF	20
26	ENTIRE AGREEMENT	20
27	GOVERNING LAW, JURISDICTION; DISPUTE RESOLUTION	21
28	COUNTERPARTS	21
EXHIBIT 2.1 - LIST OF ENGINES AND SPECIFICATIONS		
EXHIBIT 2.2 - PRICING PACKAGE		
EXHIBIT 7.1 - PRICING		
EXHIBIT 9.2 - NOTICE OF CHANGE PROCESS		
EXHIBIT 18 - NOTICES		

SUPPLY AGREEMENT

THIS SUPPLY AGREEMENT (“*Agreement*”) is made and entered into as of November 14, 2016 between **Malibu Boats, LLC**, a Delaware limited liability company (“*Buyer*”), and **General Motors LLC**, a Delaware limited liability company (“*Seller*”), each of Buyer and Seller referred to individually as a “*Party*,” and collectively as the “*Parties*”.

PREMISE

- A. Seller is engaged in the business of, among other things, designing, developing, manufacturing, assembling, marketing and selling motor vehicles and other products such as engines and related components, parts and/or accessories;
- B. Buyer is engaged in the business of, among other things, manufacturing and selling performance sport boats (“Boats”); and
- C. Buyer desires to purchase from Seller, and Seller desires to manufacture and sell to Buyer, Engines for use in Buyer’s Boats.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the Parties agree as follows:

AGREEMENT

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

“**Affiliate**” of a Party means a Person directly or indirectly controlling or controlled by or under direct common control with the Party. For purpose of this definition, “control” means the direct or indirect ownership of at least twenty percent (20%) of the voting rights (or their equivalent) of an entity or the rights to exercise management control.

“**Agreement**” has the meaning set forth in the Introduction to this Agreement.

“**Boats**” has the meaning set forth in the Introduction to this Agreement.

“**Buyer**” means Malibu Boats, LLC.

“**Cancellation Notice**” has the meaning set forth in Section 2.6.

“**CCA**” has the meaning set forth in Section 4.

“**Confidential Information**” has the meaning set forth in Section 17.1.

“ **Claims** ” has the meaning set forth in Section 13.7.

“ **Discloser** ” has the meaning set forth in Section 17.1.

“ **EAR** ” has the meaning set forth in Section 10.

“ **Engines** ” means the engines more particularly described in **Exhibit 2.1** , and as may be changed from time to time according to the NOC Process.

“ **Event of Force Majeure** ” has the meaning set forth in Section 14.1.

“ **Export Control Laws** ” has the meaning set forth in Section 10.

“ **Field Action** ” means any recall, quality improvement, or service campaign to address a quality issue that is systemic or common to a substantial number of Engines.

“ **Field Issue** ” means a systemic Engine quality issue that may result in a Field Action.

“ **GM** ” means General Motors Company, a Delaware corporation and its successors.

“ **Incoterms** ” means the Incoterms published by the International Chamber of Commerce, 2010 Edition.

“ **Indemnified Party** ” has the meaning set forth in Section 13.7.

“ **Intellectual Property** ” means any letters patent, patented articles, patent applications, designs, industrial designs, copyrights and copyrightable works, inventions whether or not capable of protection by patent or registration, techniques, technical data and know-how, whether registered or unregistered and including applications, registrations and renewals in connection thereunder for the grant of any such assets or rights of the foregoing descriptions and all rights or forms of protection having equivalent or similar effect.

“ **ITAR** ” has the meaning set forth in Section 10.

“ **Items** ” has the meaning set forth in Section 10.

“ **NOC Process** ” has the meaning set forth in Section 9.2.

“ **Party** ” or “ **Parties** ” means individually or collectively the Seller and/or Buyer.

“ **Person** ” means an individual, corporation, limited liability company, partnership, limited partnership, syndicate, person, trust, association, or entity; or government, political subdivision, agency, or instrumentality of a government.

“**Pricing Package**” means the document issued annually by Seller and prepared for Buyer that sets forth pricing (which pricing shall be subject to **Exhibit 7.1**), forecast, shipping, payment, etc. requirements applicable to the Engines to be purchased by Buyer for that calendar year. A representative Pricing Package is attached hereto as **Exhibit 2.2**.

“ **Recipient** ” has the meaning set forth in Section 17.1.

“ **Seller** ” means General Motors LLC.

“ **Service Parts** ” means the components or parts that Buyer may purchase from time to time for the purpose of servicing or repairing the Engines.

“ **Term** ” has the meaning set forth in Section 15.1.

1.2 Interpretations

In this Agreement, except to the extent that the context otherwise requires:

- (a) when a reference is made in this Agreement to a Section or Exhibit, such reference is to a Section of, or an Exhibit to, this Agreement unless otherwise indicated;
- (b) the table of contents and headings for this Agreement are for reference purposes only and do not affect in any way the meaning or interpretation of this Agreement;
- (c) whenever the words “include”, “includes” or “including” are used in this Agreement, they are deemed to be followed by the words “without limitation”;
- (d) the words “hereof”, “herein” and “hereunder” and words of similar import, when used in this Agreement, refer to this Agreement as a whole and not to any particular provision of this Agreement;
- (e) all terms defined in this Agreement have the defined meanings when used in any certificate or other document made or delivered pursuant hereto, unless otherwise defined therein;
- (f) the definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms;
- (g) any law defined or referred to herein or in any Agreement or instrument that is referred to herein means such Law or statute as from time to time amended, modified, or supplemented, including by succession of comparable successor Laws;
- (h) references to a Person are also to its permitted successors and assigns; and
- (i) the use of “or” is not intended to be exclusive unless expressly indicated otherwise.

2. **SUPPLY AND PURCHASE**

- 2.1 During the Term and subject to the terms and conditions of this Agreement, Seller will sell to Buyer the Engines as described in **Exhibit 2.1** , as may be amended from time-to-time, only for use in the Buyer’s Boats. Buyer agrees to submit Purchase Orders, as provided in Section 5.3 of this Agreement, for purchases of Engines and, so long as the Buyer is not in breach of

this Agreement, Seller agrees to accept such Purchase Orders and deliver Engines pursuant to such Purchase Orders.

- 2.2 The operational and communication requirements between the Parties for the supply and purchase of the Engines will be set forth in an annual Pricing Package (commencing with the Pricing Package for Model Year 2019) and, from year-to-year will become part of this Agreement. A representative Pricing Package is attached hereto as **Exhibit 2.2** and each annual Pricing Package for Model Years 2020 to 2023 must be in substantially the same form as the representative Pricing Package attached hereto, unless otherwise noted in this Agreement or mutually agreed in writing by Buyer and Seller. References to dates in **Exhibit 2.2** are for illustrative purposes only. Each Pricing Package will be fixed for the applicable model year and will govern until the Pricing Package for the following model year becomes effective. Each Pricing Package will reflect the terms agreed to in **Exhibit 7.1**, *****. In the event of any inconsistencies, variances or disagreements between this Agreement and the applicable Pricing Package, this Agreement shall govern and the terms of this Agreement shall supersede any terms of the applicable Pricing Package.
- 2.3 It is anticipated that the annual volume of Engines to be supplied and purchased under this Contract will not exceed 7,000 units per year. Should Purchaser request to purchase units in addition to 7,000 per year, the Parties will separately discuss potential capacity increases.
- 2.4 The Engines will meet the specifications as attached in **Exhibit 2.1**.
- 2.5 Buyer will be responsible for the integration of Engines into marine applications; and Seller will have no responsibility or liability with respect to the integration of the Engines into the Buyer's Boats.
- 2.6 Seller reserves the right, in its sole discretion, to cancel production of the Engines to be supplied to Buyer under this Agreement based on market conditions. In the event that Seller cancels production of Engines pursuant to this Section 2.6, Seller will provide at least eighteen (18) months advance written notice (the "**Cancellation Notice**") to Buyer. This Agreement will terminate eighteen (18) months after Seller delivers the Cancellation Notice to Buyer. During this eighteen (18) month period between the delivery of the Cancellation Notice to Buyer and the termination of this Agreement, the Parties will continue to perform their obligations in the ordinary course as required under this Agreement and will work in good faith to take reasonable actions to allow for a mutually agreeable transition upon the termination of this Agreement which could include opportunities for Buyer to bank Engines for Buyer's purchase (i.e., to purchase additional Engines during such eighteen (18) month period in excess to any previously projected purchases); provided, however, any such banking would need to comprehend the allocation of Engines to Buyer on a *pro rata* basis based on Buyer's prior purchases.

***** CONFIDENTIAL TREATMENT: MALIBU BOATS, INC. HAS REQUESTED THAT THE OMITTED PORTIONS OF THIS DOCUMENT, WHICH ARE INDICATED BY *****, BE AFFORDED CONFIDENTIAL TREATMENT. MALIBU BOATS, INC. HAS SEPARATELY FILED THE OMITTED PORTIONS OF THE DOCUMENT WITH THE SECURITIES AND EXCHANGE COMMISSION.

3. MANUFACTURE

- 3.1 The Engines will be manufactured using Seller's manufacturing system, validation requirements, and quality systems. Notwithstanding the foregoing, any obligations with respect to warranty, quality, disruption of supply, and damages will be in accordance with the specific terms of this Agreement.
- 3.2 Seller will perform quality control of the Engines in accordance with its then-current quality control procedures. The Parties will work together on details surrounding quality assurance aimed at improving overall quality.
- 3.3 Seller will be solely responsible for determining manufacturing location and providing the floor space, equipment, personnel, and working capital required to manufacture the Engines. In case of a planned change of the manufacturing location Seller will provide Buyer reasonably advanced notice and execution thereof will be managed through the NOC Process.
- 3.4 Seller may, upon reasonable notice to Buyer, subcontract its manufacturing and assembly requirements for the Engines. Seller will remain responsible for its obligations under this Agreement.
- 3.5 Unless otherwise agreed in writing, Buyer will not become the owner of any production equipment or tooling used in the manufacture of the Engines.

4. AFTERSALES

If applicable, the purchase of Service Parts and Customer Care and Aftersales (" CCA ") engineering services shall be governed by a separate Aftersales Supply/ Service Agreement between the Parties and/or their Affiliates.

5. FORECAST AND ORDERING PROCEDURE

- 5.1 The Parties will follow the forecast and ordering requirements for the Engines as set forth in the annual Pricing Package. No later than (6) six months prior to the start of production of each applicable model year, Buyer will provide Seller an estimated, non-binding forecast for the upcoming and remaining model years under this Agreement. Buyer will provide Seller forecast updates in accordance with the Pricing Package.
- 5.2 Buyer and Seller's manufacturing facility sourcing the Engines will establish respective single points of contact for scheduling communication and coordination for the manufacture and delivery of the Engines.
- 5.3 Seller and Buyer will use manual or electronic Purchase Orders to communicate with respect to the Engines, including ship-based schedules, order forecast information and shipping notification (unless an alternative process as agreed by the Parties is in place).
- 5.4 No pre-printed or standardized terms and conditions of purchase or sale used by Buyer or Seller will be applicable, unless specifically and expressly agreed to in writing by the Parties

with a specific reference to this Agreement and the Parties' intent to modify this Agreement. In case of any conflict between the terms of a purchase order and the terms of this Agreement, the terms of this Agreement will prevail.

6. TITLE AND RISK OF LOSS; LABELING, PACKAGING AND DELIVERY/SHIPPING

- 6.1 Except as provided herein or otherwise agreed in writing, all deliveries under this Agreement will be FCA (as defined in Incoterms 2010 as published by the International Chamber of Commerce) Seller's manufacturing location. Title to the Engines will pass to Buyer and responsibility of Seller for loss or damage to the Engines will cease upon FCA delivery.
- 6.2 Seller will prepare packing specifications for the Engines. Such packing will be suitable for transportation, loading and unloading so as to prevent the Engines from rust condition and damage for delivery to Buyer. Seller will be the owner of all packaging (including returnable racks and containers) unless otherwise agreed by the Parties.
- 6.3 Periodically Buyer and Seller will cooperate to schedule and implement an inventory of all containers. Buyer is responsible for any damage or loss related to packaging incurred while the packaging is in the possession of the Buyer or its carrier or any of its other service providers.
- 6.4 If returnable racks and containers are used, Buyer is responsible for all freight and any other costs to return racks and containers to the location Seller delivered them to the Buyer and to manage the returned racks and containers of Seller consistent with Seller's schedules for production of the Engines.
- 6.5 The Party responsible for container procurement will be responsible for repair and replacement of damaged or lost containers and racks; however, the responsible Party will be reimbursed by the other Party when the damage or loss occurred when in the possession or control of such other Party or any of its service providers. Buyer will bear any cost of maintaining the racks and containers in good condition.
- 6.6 If Buyer cannot return the containers or racks to Seller within a reasonable time period after shipment of the Engines, Buyer will notify Seller of such delay, the cause and corrective actions, and the estimated date of return, and will be responsible for any related costs, including, but not limited to, storage fee, incurred by Seller due to the delay.
- 6.7 Labeling of containers will be in accordance with GM 1724 Shipping & Parts Identification Standard (A,B,C), such standard being available on GM Supply Power, unless otherwise agreed upon by the Parties. Any unique labeling requirements driven by local regulations must be followed after review by the Parties. If the local regulations requiring unique labeling are a result of requirements attributable solely to Buyer, Buyer will be responsible for all related costs to provide labels that deviate from, or in addition to, the GM Standard. Otherwise, the costs of any unique labeling will be borne equally by both Parties.

6.8 Labeling of product (for example engine engraving or bar code identification or emission parts type number identification for certification) will be in accordance with the GM 1738 Global Transport Label Standard unless otherwise agreed by the Parties. The Parties will agree on the best method for implementing any unique labeling requirements. If the local regulations requiring unique labeling are a result of requirements attributable solely to Buyer, then any additional costs will be met at Buyer's expense and will be agreed by the Parties. Otherwise, the costs of any unique labeling will be borne equally by both Parties.

7. PRICING

7.1 Buyer will pay the Engine prices specified in **Exhibit 7.1** . Pricing will be communicated to Buyer annually in the Pricing Package.

7.2 Prices will be exclusive of any applicable sales or other similar tax, if any, that is required by law to be added to the sales price.

8. PAYMENT

8.1 Buyer will pay for the Engines in US dollars. Net 25 prox terms will apply, which means that payment is to be made by the 25th day of the month following the month of shipment; provided, if the 25th day is a public holiday or weekend, payment must be made on the next business day. One invoice and one delivery note will be issued for each shipment of Engines. Payment terms and trade credit limit are subject to Buyer meeting Seller's regular credit standards.

8.2 Banking information and applicable contact information will be as set forth in the Pricing Package.

9. ENGINE CHANGES

9.1 Except for the warranties set forth in Article 11, the Parties agree that the Engines are supplied as-is and Seller will be under no obligation to make any changes to the Engines for Buyer. Buyer is buying the Engines as-manufactured by Seller.

9.2 Any component changes to the Engine from Seller will be communicated to Buyer in accordance with the Notice of Change Process (" **NOC Process** ") set forth in **Exhibit 9.2**.

9.3 Breakpoints for any requested change will be coordinated between the Parties, including appropriate consideration of the impact on inventory and scrapping cost.

9.4 In the event Seller discontinues the manufacture or production of Engine dress parts, Seller shall provide Buyer with prompt written notice of such decision, and will provide Buyer with the opportunity to effect a one-time or all-time purchase of a reasonable quantity of such Engine dress parts.

10. EXPORT CONTROL LAWS

The products, services and/or technical data (collectively “Items”) delivered under this Agreement may be subject to the export control laws and regulations of the U.S. and other applicable jurisdictions (collectively “**Export Control Laws**”), including, but not limited to, the International Traffic in Arms Regulations (“**ITAR**”) or the Export Administration Regulations (“**EAR**”). The Parties shall comply with all applicable Export Control Laws and shall not export, re-export or transfer Items without first obtaining all required licenses and approvals.

Buyer shall provide written notification of appropriate classifications (e.g. ECCN or ITAR Category) prior to transferring any commodities, materials, software or technology specifically listed in the U.S. Munitions List of the ITAR or the Commerce Control List of the EAR (“Controlled Item”) to Seller, including but not limited to ITAR-controlled diagrams or specifications, at which point Seller shall have an opportunity to accept or reject the delivery of the Controlled Item. In addition, Buyer shall notify Seller of any post-sale modifications to Engines that may cause Engines to become Controlled Items, and shall provide Seller the appropriate classifications for these Controlled Items, including a CCATS or CJ where applicable. Licenses or other authorizations required for the export of goods or services will be the responsibility of Buyer.

Compliance with these Export Control Laws includes, but is not limited to, abiding by U.S. sanctions, embargoes and prohibitions on transactions with restricted parties, countries and regions. This includes, but is not limited to, the prohibition on the transfer of commodities, materials, software and technology (i.e., all Items) subject to this Agreement to, or procurement from, U.S. sanctioned countries and regions, currently Iran, Syria, North Korea, Sudan, Cuba and the Crimea region of Ukraine, unless such transactions are permissible under applicable U.S. laws and regulations .

11. WARRANTIES; LIMITATION OF LIABILITY

- 11.1 Seller warrants that the Engines sold under this Agreement will (a) be free from defects in materials or workmanship; (b) comply with the applicable Engine specifications set forth in **Exhibit 2.1** , for each Engine purchased hereunder; and (c) be free and clear of any liens or encumbrances. This warranty period for each Engine commences when Buyer takes ownership and ends on the earlier of (i) when the such Engine successfully passes through the Buyer’s final quality inspection or (ii) one year after Buyer takes ownership of the Engines. Buyer’s exclusive remedies for breach of warranty are those outlined in Article 12. The warranty will not apply to any Engines that were (i) improperly integrated into the marine applications of engines by or on behalf of Buyer, (ii) damaged through misuse, negligence, accident, or improper handling, maintenance, or application after delivery to Buyer under this Agreement, (iii) lost or damaged during transportation from place of delivery to Buyer’s manufacturing facility, or (iv) repaired or altered by or on behalf of Buyer without Seller's prior written consent.

- 11.2 EXCEPT AS OTHERWISE PROVIDED EXPRESSLY IN THIS AGREEMENT OR IN THE PRICING PACKAGE, THERE ARE NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND SELLER WILL NOT BE LIABLE TO BUYER ON ANY CLAIM OF NEGLIGENCE OR MANUFACTURER'S STRICT LIABILITY ON ENGINES OR PARTS THEREOF SOLD TO BUYER EXCEPT IN CASE OF SELLER WILLFUL MISCONDUCT. EXCEPT AS OTHERWISE SET FORTH HEREIN, SELLER ASSUMES NO OBLIGATIONS OR LIABILITIES, AND SELLER HAS AUTHORIZED NO OTHER PERSON OR PARTY TO ASSUME FOR IT ANY OBLIGATIONS OR LIABILITIES, IN CONNECTION WITH SUCH ENGINES OR PARTS THEREOF.
- 11.3 EXCEPT IN THE CASE OF INTENTIONAL MISCONDUCT, IN NO EVENT, WHETHER AS A RESULT OF BREACH OF AGREEMENT OR WARRANTY, ALLEGED NEGLIGENCE OR OTHERWISE, WILL EITHER PARTY BE LIABLE FOR INDIRECT OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO LOSS OF PROFITS OR REVENUE, LOSS OF USE OF ENGINES OR OTHER EQUIP-MENT, COSTS OF SUBSTITUTE EQUIPMENT OR PARTS, DOWNTIME COSTS, OR CLAIMS OF CUSTOMERS OF BUYER FOR SUCH DAMAGES.

12. CLAIMS

- 12.1 Buyer will submit to Seller a claim in writing for any Engines that (i) have been incorrectly included by Seller in a shipment to Buyer, (ii) have been omitted by Seller from a shipment to Buyer as a result of a short delivery or (iii) fail to meet the standards set forth in Section 11.1.
- 12.2 Claims under Sections 12.1(i) and 12.1(ii) must be submitted to Seller within forty-five (45) days of Buyer taking ownership of the Engines. Claims under Section 12.1(iii) must be submitted to Seller within one year of Buyer taking ownership of the Engines. Any claim not submitted within the periods stated above is barred from any remedy, except that if the submission of a claim is delayed due to an event of Force Majeure, the period of submitting such claim is extended for the duration of such event of Force Majeure.
- 12.3 To the extent that Seller accepts a particular claim, Seller will authorize repair, replacement, or provide credit to Buyer's account for such defective, short shipped, wrongly shipped or damaged Engines. Seller's only obligation under this Agreement is to provide a credit or repair or replace the part(s), at Seller's reasonably exercised option and expense, including the cost of the Engines or parts and transportation, including freight, insurance, and customs duty to the warehouse designated by Buyer.
- 12.4 If Seller reasonably decides to authorize the repair of the Engines by Buyer, then (i) Seller's quality standard for such parts will apply, and (ii) repair rates at currency per hour and labor times will be mutually agreed upon before commencement of the repair work. Rework by Buyer on defective Engines will be carried out in accordance with the following procedure:

- (a) Seller gives official rework authorization (by model) to Buyer, and Buyer will perform or assign the third parties to perform the rework subject to the authorization;
- (b) Seller provides the instruction and any necessary training of Buyer's technicians for rework;
- (c) Seller provides the list of necessary repair parts; and
- (d) Seller gives a clear definition of the scope of rework to be carried out by Buyer (including which parts are authorized).

12.5 If Seller reasonably decides to replace defective Engines or component parts, then Seller will be responsible only for the cost of the Engines or parts and transportation, including insurance, freight and customs duty to the warehouse designated by Buyer.

12.6 Buyer will contact its assigned Powertrain Regional Quality Manager to report and resolve problems.

12.7 In case the non-conformance to the warranty set out in Section 11.1 originates from a part or component supplied by a supplier of Seller, Buyer will provide Seller with reasonably requested assistance and support, including any documents, information, witnesses, technical experts and any other support which may assist Seller to pursue a claim for compensation against the supplier.

13. FIELD ACTIONS; PRODUCT LIABILITY; INDEMNIFICATION AND INSURANCE

13.1 The Parties recognize that, as a result of integration of the Engines into marine applications, for which Buyer will be solely responsible as well as other issues, the Engines may perform differently in a marine environment than in other vehicles and applications. As a result, a Field Issue may exist on Engines used in some applications that may not exist in other applications. Each Party will have the right, at its sole discretion, to institute any Field Action investigation and Buyer will have the right, at its sole discretion, to institute any Field Action in relation to the Engines it purchases under this Agreement that are incorporated into the marine application of Engines. The Parties agree to put into place internal policies, procedures and practices for the investigation and resolution of Engine quality issues that could lead to a Field Action. If a Party elects to institute a Field Action investigation which may lead to a Field Action decision, then the instituting Party will notify the other Party as soon as possible prior to instituting any Field Action, but not less than three business days prior to that Party's anticipated Field Action decision.

13.2 The Parties agree to cooperate with respect to any Field Action investigation, including, but not limited to, exchanging relevant field and other information, at the discretion of the Parties acting in good faith. Notwithstanding this Section 13.2, either Party can require the Parties to enter into a confidentiality agreement before sharing such field and other information.

- 13.3 Buyer will be responsible for all costs associated with any Field Action initiated by Buyer that results solely from the integration of Engines into marine applications. Seller will be responsible for all costs associated with any Field Action initiated by Buyer or Seller that results solely from Seller's failure to cause the Engines to be free from defects in materials or workmanship.
- 13.4 Buyer will be responsible for the defense and all costs of product liability claims and litigation involving or brought against either Party resulting solely from the Buyer's integration of Engines into marine applications, whether based on negligence, strict liability or any other legal theory for (i) damage to property (ii) personal injury or (iii) death, except to the extent that such product liability claims and litigation relate solely to Seller's failure to cause the Engines to be free from defects in materials or workmanship.
- 13.5 With respect to any actual, potential, or threatened claim described in Section 13.4 above, the Parties hereby agree to (i) communicate and cooperate with each other and, if required, with the appropriate insurance carrier, to the fullest extent reasonably possible in investigating the facts and circumstances surrounding the claim and in litigating the matter; (ii) refrain to the fullest extent reasonably possible from taking positions adverse to the interests of each other; and (iii) not, except in enforcement of any rights under this Agreement, institute any claim, action or proceeding, whether by cross claim, third party claim, interpleader or otherwise, against each other.
- 13.6 With respect to field product quality issues, the Parties agree to work together to resolve the quality issues.
- 13.7 Buyer will defend, indemnify and hold harmless Seller and its Affiliates, directors, officers, employees and agents (collectively, the "Indemnified Party") from and against any and all suits, actions, claims, judgments, debts, obligations or rights of action of any nature or description, (other than product liability and recall claims, which shall be governed by Sections 13.1 to 13.6, inclusive) (collectively, "Claims") and all costs, including attorneys' fees, incurred by Seller and its Affiliates in connection therewith, arising out of or relating to the Engines resulting from Buyer's actions, including Buyer's integration of Engines into the marine applications and Buyer's promotion, marketing, distribution, sale and servicing of Engines; provided, however, this Section 13.7 will not apply to Claims to the extent resulting solely from Seller's failure to cause the Engines to be free from defects in materials or workmanship. Seller will notify Buyer of any such Claim, promptly in writing upon receiving notice or being informed of the existence thereof. Upon such notice from the Seller, Buyer will promptly take such action as may be necessary to protect and defend, at its sole discretion and in its sole control, the Indemnified Party against such Claim, and will indemnify the Indemnified Party against any loss, costs or expenses incurred in connection therewith. Buyer shall not be liable for any settlement of any such Claim effected without its written consent.

IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER FOR PUNITIVE, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES, LOSSES OR EXPENSES, INCLUDING, BUT NOT LIMITED TO, LOST PROFITS OR BUSINESS OPPORTUNITY UNDER THIS AGREEMENT.

13.8 Buyer will obtain and maintain pursuant to the terms of this Agreement, at its sole expense, the following types of insurance coverage, with minimum limits as set forth below:

- (a) Commercial General Liability covering liability arising from premises, operations, independent contractors, products-completed operations, personal and advertising injury, and contractual liability - \$10,000,000 each occurrence.
- (b) Commercial Product Liability insurance - \$10,000,000 each occurrence.
- (c) Business Automobile Liability covering all owned, hired, and non-owned vehicles - \$5,000,000 each occurrence, including all statutory coverages for all states of operation.
- (d) Workers Compensation - statutory limits for all states of operation.
- (e) Employers Liability - \$1,000,000 each employee for bodily injury by accident and \$1,000,000 each employee for bodily injury by disease.

If any coverage is written on a Claims-made basis, the retroactive date, if any, must precede the commencement of the performance of this Agreement. In addition, Buyer will purchase an extended reporting period if the retroactive date is advanced or if the policy is canceled or not renewed and not replaced by another claims-made policy with the same (or an earlier) retroactive date either during the term of the Agreement or within 3 years after completion of the Agreement.

All policies of insurance procured by Buyer herein will be written as primary policies, not contributing with nor in excess of coverage that Seller may carry. If Buyer's liability policies do not contain the standard separation of insured's provision, or a substantially similar clause, they must be endorsed to provide cross-liability coverage.

Buyer will provide Seller with a certificate of insurance evidencing compliance with the insurance requirements set forth above. Certificate(s) will provide that Seller will be named an additional insured on all liability policies (except Workers' Compensation and Employers Liability). The certificate(s) will provide that Seller will receive thirty (30) days' prior written notice from the insurer of any termination or material reduction in the amount or scope of coverage.

Such certificates must be in a form acceptable to, and underwritten by insurance company(ies) reasonably satisfactory to Seller. By requiring insurance herein, Seller does not represent that coverage and limits will necessarily be adequate to protect Buyer. The purchase of appropriate insurance coverage by Buyer or the furnishing of certificate(s) of insurance will not release Buyer from its respective obligations or liabilities under this Agreement.

14. FORCE MAJEURE

- 14.1 An “ *Event of Force Majeure* ” means, with respect to any Party, any event beyond the reasonable control of such Party that prevents or materially delays or impairs the ability of such Party to perform its obligations under this Agreement, including (i) any act of God, natural disaster, or war, (ii) any strike, lockout, or labor dispute at the plant of such Party or its relevant suppliers, (iii) any shortage of electrical power at the facilities of such Party or its relevant suppliers which materially affects the production of Engines or Service Parts or (iv) any act or omission of any government authority (including failure to approve Agreements within a commercially reasonable time period), which materially affects the production of Engines or Service Parts.
- 14.2 If one Party is wholly or partially prevented from performing its responsibilities stipulated in this Agreement by reason of an Event of Force Majeure, it will (i) notify the other Party in writing as soon as reasonably practicable after the occurrence of such Event of Force Majeure, (ii) during the duration of an event of Force Majeure the Parties will use reasonable efforts to mitigate damages, to the extent possible and (iii) the affected party will take appropriate means to minimize or remove the effects of the Event of Force Majeure and, within the shortest practicable time, attempt to resume performance of the obligation affected by the Event of Force Majeure. If an Event of Force Majeure occurs, the affected party will not be obligated to perform the affected obligations during such period and the other Party will not be obligated to pay for any services or Engines not delivered.
- 14.3 In case of an Event of Force Majeure, the allocation of Engines in short supply during the time of such Event of Force Majeure, or the allocation of capacity as production recovers from the Event of Force Majeure, will be the subject of good faith negotiations between the Parties, and could include temporary arrangements for Buyer to purchase comparable Product from another party while the Force Majeure continues.

15. TERM AND TERMINATION

- 15.1 This Agreement will have an Effective Date of November 14, 2016, and will continue in force for a term of seven (7) years (the “ **Term** ”), unless otherwise noted herein.
- 15.2 Either Party may terminate this Agreement in the event of the happening of a material breach by the other Party of performance of such other Party’s material obligations under this Agreement, which breach has not been remedied or waived within sixty (60) days following receipt by such other Party of written notification of the breach. For the avoidance of doubt, undisputed payment obligations will be considered to be material obligations under this Agreement.
- 15.3 Either Party may terminate this Agreement immediately if (a) the other Party voluntarily enters into bankruptcy or similar proceedings, or (b) the other party involuntarily enters into bankruptcy or similar proceedings and such involuntary proceedings are not vacated or nullified within fifteen (15) days after being instituted.

- 15.4 Termination of this Agreement will not affect any liability, which (i) has arisen prior to such termination, or (ii) may arise after such termination, based on transactions made prior to such termination, or any obligations which are to survive termination as noted herein. Upon any termination of this Agreement by Seller pursuant to Section 15.2 because of Buyer's breach of this Agreement or Section 15.3 because of Buyer's bankruptcy or similar proceeding, Buyer shall be responsible to pay the reasonable, documented direct costs incurred by Seller solely as a result of its production of Engines pursuant to this Agreement.
- 15.5 Seller shall fulfill all orders of Buyer which were placed by Buyer and accepted by Seller prior to the notice of termination, unless such termination is by Seller in accordance with Section 15.2 due to Buyer's failure to pay undisputed amounts due from Buyer to Seller pursuant to this Agreement, or Buyer's bankruptcy or similar proceeding under Section 15.3.

16. TRADEMARKS, INTELLECTUAL PROPERTY RIGHTS

- 16.1 Except as may be provided in a separate written agreement, neither Seller nor Buyer will use or authorize the use of any trademarks or trade names or other distinctive marks or signs owned by the other or its Affiliates or any mark, name, word, or sign which so nearly resembles any of the foregoing marks, names, words, or signs as to be likely to cause confusion or mistake or to deceive the public.
- 16.2 Buyer is aware, understands and fully accepts that, through this Agreement, it will not acquire any Intellectual Property rights in the Engines. Seller is aware, understands and fully accepts that, through this Agreement, it will not acquire any Intellectual Property rights in the Buyer's integration of Engines into marine applications.

17. CONFIDENTIALITY

- 17.1 "**Confidential Information**" means the technical and business related information that is non-public, confidential and/or proprietary in nature, which is disclosed during the Term of this Agreement by one Party or its Affiliates (the "**Discloser**") to the other Party or its Affiliates (the "**Recipient**"); provided such information is (i) in written or other tangible form (including digital medium) and (ii) marked to identify it as the Discloser's Confidential Information. Information that is disclosed orally or visually will be considered Confidential Information if it is identified as confidential at the time of disclosure, summarized with particularity in writing, marked as confidential or its equivalent, and delivered to the Recipient within fifteen (15) days. Notwithstanding the foregoing, Confidential Information does not include information disclosed pursuant to or in connection with this Agreement which (i) is or becomes generally available to the public other than as a result of a disclosure by the Recipient in violation of the terms hereof; (ii) is or becomes available to the Recipient on a non-confidential basis from a rightfully possessing and disclosing source other than the Discloser; (iii) was possessed or known by the Recipient prior to the disclosure thereof to the Recipient by the Discloser; or (iv) was or is developed by or for the Recipient without reference to the Confidential Information.

- 17.2 Recipient may not, without the prior written consent of the Discloser, disclose or divulge or cause or permit to be disclosed or divulged the Confidential Information received from the Discloser to any third party except as specifically set forth in this Agreement. All Confidential Information must be protected by the Recipient against unauthorized disclosure using the same standard of care with respect to such Confidential Information as the Recipient uses with its own confidential information of similar kind and character, but not less than reasonable care.
- 17.3 The confidentiality obligations contained in this Agreement shall survive termination or expiration of this Agreement and shall expire and be of no further force or effect two (2) years after the termination or expiration of this Agreement.
- 17.4 The Recipient will limit its internal dissemination of the Discloser's Confidential Information to only those individuals having a need to know such Confidential Information in order for the Recipient to carry out the activities contemplated by this Agreement. Confidential Information may be disclosed by the Recipient to its Affiliate, on a need to know basis, provided (a) such Affiliate is needed to assist the Party in carrying out the Project and (b) such Affiliate agrees to be bound by the terms of this Agreement or a non-disclosure agreement having similar confidentiality obligations. The Recipient will be responsible for any breach of such terms and conditions by the Affiliate.
- 17.5 Upon the termination or expiration of this Agreement, the Recipient must discontinue, and cause its Affiliates to discontinue, the use of all of the Confidential Information. Nothing in this Agreement will be interpreted as precluding an employee of one of the Parties or its Affiliate from making use of his/her general knowledge in connection with other projects being performed on behalf of his/her employer, even if such general knowledge has been furthered by his/her having access to the Confidential Information exchanged under this Agreement.
- 17.6 No licenses or rights to Intellectual Property, whether implied or otherwise, are granted by this Agreement.
- 17.7 The Discloser makes no express or implied representation or warranty as to the accuracy, reliability or completeness of the Confidential Information and expressly disclaims all liability that may be based on the Confidential Information, including any errors or omissions.
- 17.8 If the Recipient is required by law, rule, regulation, or legal or regulatory process (including court order or other lawful governmental or regulatory action) to disclose any Confidential Information the Recipient must: (a) promptly notify the Discloser so that the Discloser may seek a remedy, if a remedy is available; (b) provide only the Confidential Information that is legally required; and (c) exercise reasonable efforts to obtain assurance that the Confidential Information will not be further disclosed. For avoidance of doubt, it is understood that the existence of this Agreement and its material terms must be publicly disclosed by Buyer pursuant to federal securities laws and the Buyer may need to file this

Agreement as an exhibit with its periodic filings required under the Securities Exchange Act of 1934, as amended.

- 17.9 All Confidential Information disclosed by a Party will remain the property of that Party. At any time, upon written request of the Discloser, the Recipient will promptly return or destroy Confidential Information and all copies thereof. Upon termination or expiration of this Agreement, all tangible Confidential Information will be returned or destroyed, at the option of the Discloser, and upon written request of the Discloser, the Recipient will certify in writing that it has returned or destroyed all such Confidential Information. Notwithstanding the foregoing, Recipient will be entitled to keep one or more archival copies of Confidential Information (whether physical or electronic) in its records if required to comply with legal, professional, compliance and regulatory standards or requirements, or such archival copies were created as a result of automatic electronic back-up procedures. Any Confidential Information that is not returned or destroyed shall remain subject to the confidentiality obligations set forth in this Agreement.
- 17.10 As of the date of this Agreement, this Section 17 shall replace in its entirety the Non-Disclosure Agreement, dated April 26, 2016, by and between GM Global Technology Operations LLC and Malibu Boats LLC.

18. NOTICES

Any notice required to be given by either Party to the other in connection with this Agreement will be made in writing and will be sent by prepaid registered mail to such Party's address set forth in **Exhibit 18**. Notices pertaining to matters other than termination or modification of this Agreement may instead be transmitted by means of facsimile.

19. AMENDMENTS

Any amendment or modification to this Agreement must be made in writing and signed by an authorized representative of the Parties. This applies also to amendments to this Article 19.

20. ASSIGNMENT; CHANGE OF CONTROL TERMINATION

- 20.1 No Party may assign its rights or interests under this Agreement or delegate its duties hereunder without the prior written consent of the other Party; provided, however, that any Party may assign its rights or interests under this Agreement or delegate its duties hereunder to its Controlled Affiliates without the prior written consent of the other Party. "Controlled Affiliates", for purposes of this Article 20, is defined as (i) in the case of Seller, any corporation, association or other business entity (including a partnership, joint venture, limited liability company or similar entity) of which Seller (or its successors and assigns) beneficially owns more than 50% of the total voting power of such entity and (ii) in the case of Buyer, any corporation, association or other business entity (including a partnership, joint venture, limited liability company or similar entity) of which Malibu Boats, Inc., a Delaware corporation (or

any of its successors or assigns), beneficially owns more than 50% of the total voting power of such entity.

20.2 Any purported assignment or transfer of this Agreement by a Party in violation of this Section 20 shall entitle the other Party to terminate this Agreement upon thirty (30) days written notice, subject to a final accounting for good sold and received.

20.3 Upon a Change of Control of Buyer, either Party shall be entitled to terminate this Agreement upon written notice to the other Party that such Party intends to terminate this Agreement on the date that is eighteen (18) months from the date of the Change of Control, subject to a final accounting for goods sold and received; provided, that upon the Buyer providing written notice to the Seller of a potential or completed Change of Control of Buyer, each Party must provide written notice to the other Party to terminate this Agreement within thirty (30) days of the Seller receiving notice of a potential or completed Change of Control of Buyer by notifying the other Party in writing of its intent to terminate this Agreement on the date that is eighteen (18) months from the date of the Change of Control, it being understood that if no written notice of termination is provided by either Party within such thirty (30) day period, this Agreement shall continue in accordance with its terms and neither Party shall have the right to terminate under this Section 20.3 after such thirty (30) day period expires. "Change of Control", for purposes of this Article 20, is defined as any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act of 1934) becoming the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act of 1934), directly or indirectly, or more than 50% of the total voting power of Buyer.

20.4 This Section 20 does not apply to assignments to successors in interest, upon which this Agreement shall be binding.

21. SEVERABILITY

Invalidity of any provision of this Agreement will not affect any other provision and, in the event of a judicial finding of such invalidity, this Agreement will remain in force in all other respects. The Parties will in good faith attempt to agree a valid substitute clause that will preserve as near as possible the original intent of this Agreement; in the absence of such agreement Delaware law will apply as substitute for the invalid provision.

22. NO IMPLIED WAIVERS

Failure of Buyer or Seller at any time to require performance by the other of any provision hereof will in no way affect the full right to require such performance at any time thereafter. Waiver by either Buyer or Seller of a breach of any obligation hereunder will not constitute a waiver of any succeeding breach of the same obligation itself. Failure of either Buyer or Seller to exercise any of its rights provided under this Agreement will not constitute a waiver of such right.

23. NO AGENCY

- 23.1 Nothing in this Agreement will give rise to an agency or partner relationship or otherwise create any rights in either Party to act as a legal representative of the other Party for any purpose. Neither is granted any express or implied right or authority to assume or to create any obligation on behalf of or in the name of the other or its Affiliates, or to bind them in any manner whatsoever.
- 23.2 Unless otherwise agreed herein, Buyer and Seller will each be solely responsible for any and all expenditures, obligations or responsibilities made, incurred or assumed by it in preparation for performance or in the performance of its obligations under this Agreement.

24. GOVERNMENT APPROVALS

- 24.1 The Parties will cooperate in securing any government approvals or permits required to effect the transactions contemplated by this Agreement.
- 24.2 Unless otherwise agreed by the Parties, Seller will be responsible for securing any licenses or permits and paying any duties or fees required to export Engines from their country of manufacture. Buyer will be responsible for securing any licenses or permits and paying any duties or fees required to import Engines into the country of Buyer or to import Engines into any other country or jurisdiction. Failure of Buyer to fulfill any such responsibility will not relieve Buyer of any obligations to Seller in connection with any such Engines purchased by Buyer.
- 24.3 Buyer will present this Agreement to appropriate government agencies for registration, if required. Buyer will pay all costs and expenses incidental to such presentation, and to the preparation, execution and stamping, if any of this Agreement.

25. SET OFF

Either Party will not be entitled to set off any claims against any claims of the other Party resulting from this Agreement unless by means of a final and binding judgment of court or arbitration panel.

26. ENTIRE AGREEMENT

- 26.1 There are no other agreements or understandings, either oral or written, between the Parties affecting this Agreement or relating to the supply of the Engines, except as otherwise specifically provided or referred to in this Agreement. For the purpose of clarification, it is expressly agreed that no general terms and conditions will apply to the sale of the Engines hereunder.
- 26.2 Except as otherwise provided in this Agreement, no agreement between the Parties which is at variance with any of the provisions of this Agreement or which imposes definite obligations upon either Party not specifically imposed by this Agreement or which is intended to be effective or performed following the expiration or other termination of this Agreement and

imposes obligations or extends the time for performance thereof other than as provided in this Agreement will be binding upon either Party unless it is in writing and is executed by a duly authorized representative of each of the Parties.

27. GOVERNING LAW, JURISDICTION; DISPUTE RESOLUTION

- 27.1 This Agreement, including, but not limited to, its validity, interpretation, performance, effects, derivatives and consequences, is governed by the laws of the State of Delaware, USA, without reference to the conflict of laws principles thereof. Each Party consents, for purposes of enforcing this Agreement, to personal jurisdiction, service of process and venue in any state or federal court within the State of Delaware having jurisdiction over the subject matter. Both Parties acknowledge that the United Nations Convention on Agreements for the International Sale of Goods does not apply to the transaction contemplated under this Agreement.
- 27.2 EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY PROCEEDINGS RELATING TO THIS AGREEMENT.
- 27.3 Before the filing of any claim in any court (except in cases where a Party is threatened with irreparable harm and seeks injunctive relief), a Party will serve on the other (a) written notice of the claim, specifying the exact amount claimed and the provision of this Agreement or other authority for the claim; and (b) a copy of all supporting documents.

Within 10 business days after service, the Responding Party will serve on the serving Party (a) a written response, setting out its position and specifying the provision of this Agreement relied on; and (b) a copy of all supporting documents.

Within 10 days after service of the response, the Parties will meet to discuss resolution of the claim. Each Party may bring up to three people to this negotiation, at least one of whom is an executive who is not involved in the performance of this Agreement. The written claim notice and response and the documents produced, but not the subsequent discussion, are admissible in any court proceeding.

28. COUNTERPARTS

This Agreement may be executed simultaneously in counterparts (and may be delivered by facsimile), each of which will be deemed an original, but all of which together will constitute a single agreement.

IN WITNESS WHEREOF , this Agreement has been executed on behalf of the Parties by their duly authorized representatives.

General Motors LLC

By: /s/ E.T. Turvey

Name: E.T. Turvey

Title: Global VP GM CCA

Date: November 14, 2016

Malibu Boats, LLC

By: /s/ Jack Springer

Name: Jack Springer

Title: CEO

Date: November 14, 2016

Exhibit 2.1

List of Engines and Specifications

***** **CONFIDENTIAL TREATMENT: MALIBU BOATS, INC. HAS REQUESTED THAT THE OMITTED PORTIONS OF THIS DOCUMENT, WHICH ARE INDICATED BY *****, BE AFFORDED CONFIDENTIAL TREATMENT. MALIBU BOATS, INC. HAS SEPARATELY FILED THE OMITTED PORTIONS OF THE DOCUMENT WITH THE SECURITIES AND EXCHANGE COMMISSION.**

Exhibit 2.2 - Pricing Package

(Attached)

General Motors LLC

**2019 MODEL YEAR
SAMPLE PRICING PACKAGE**

OEM Sales and Marketing

April XX, 2018



GM and the GM logo are registered trademarks of General Motors LLC. All rights reserved.

OEM Sales - April 1st Pricing Package



General Motors LLC
Mail code : 483-720-250
777 Joslyn Ave
Pontiac, MI 48340
U.S.A.

April XX, 2018

Malibu Boats, LLC
Loudon, TN

Dear CUSTOMER:

General Motors LLC is pleased to furnish the attached price quotation for the 2019 Model Year. All prices are effective with shipments of 2019 MY engine codes and are subject to the terms and conditions appearing herein and in the Supply Agreement between the parties dated _____.

Model Year estimated start-of-production dates are as follows:

<u>Plant</u>	<u>Engine</u>	<u>Start-of-Production</u>
<i>St. Catharines (Canada)</i>	*****	<i>June XX, 2018</i>
<i>CCA</i>		<i>June XX, 2018</i>

2018 MY engine orders placed within allowable lead times and built prior to June XX, 2018 will be honored and invoiced at 2018 MY prices with documented confirmation of shipping schedule from the plant.

***** CONFIDENTIAL TREATMENT: MALIBU BOATS, INC. HAS REQUESTED THAT THE OMITTED PORTIONS OF THIS DOCUMENT, WHICH ARE INDICATED BY *****, BE AFFORDED CONFIDENTIAL TREATMENT. MALIBU BOATS, INC. HAS SEPARATELY FILED THE OMITTED PORTIONS OF THE DOCUMENT WITH THE SECURITIES AND EXCHANGE COMMISSION.

This pricing package also includes the following:

- 2019 MY Engine Dress Component Pricing

All prices are for shipment by rack. Additional charges apply for shipment by crate. Crate prices for engine plant are listed as follows:

Plant	Engines	Crate Description	Crate Price
TBD			

The customer is responsible for returning empty engine racks and all other returnable dunnage, free of refuse, to the engine plant or designated vendor on a prepaid basis. Failure to return shipping racks will result in a \$750 charge per engine rack.

Racks are limited in supply and should not be retained by customers for long term storage. Please consider engine crating for your long term storage needs. Racks must be returned to GM within 30 days of shipment where possible to ensure continuous supply.

Payment Terms (assuming credit terms are approved by GM):

NET 25TH PROXIMO –

Payment of invoices dated the 1st through the end of the month are due on the 25th of the following month.

U.S products remittance method as shown below:

###

All correspondence regarding remittance should be directed to:

Nyoka Tinglin, ACS Manager for GM
(859) 233-6115
nyoka.tinglin@xerox.com

All correspondence concerning this quotation should be directed to OEM Sales at the address below.

General Motors LLC
OEM Sales
777 Joslyn Ave.
Pontiac, MI 48340
Mail Code: 483-720-250

Purchase orders should be directed to the appropriate shipping plant as shown on each attached price list.

All PO's must contain the following information where appropriate:

- Title of Document as "Purchase Order"
- Issuing Company Name and Address
- PO Number
- PO Issue Date
- Name, Contact Info, and Signature of Person Authorizing PO
- Issued to Company Name (GM), Address, Contact Info
- For Parts Ordered: Description, GM Part number, RPO Code, Suffix, Customer PN if applicable, Unit Price, Number of Units Ordered, and Extended Price
- Incoterms of Sale (FCA w/ Point of Transfer of Ownership Specified)
- Payment Terms
- Bill To Advice (To Where Invoice Should be Sent)
- Requested Delivery Timing
- Method of Transportation and Contact Information for Customer-Designated Freight Forwarder
- Address, Contact Info for Ultimate Delivery Destination
- Reference to Any Separate Agreements Governing Terms & Conditions of PO
- Any Special Instructions
- As previously noted in the OEM Engineering Notice of Change #10DS6CUSTOMER XX -014 (dated 22SE09), EPA regulations (40 CFR Part 1068) require General Motors (and other Primary Engine Manufacturers) to adhere to new requirements for receiving and processing orders for "non-road" and stationary engines. Among the requirements, as stated in the NoC, are that GM can only ship engines upon receipt of a written request from the Secondary Engine Manufacturer (SEM) which: (A) Has applied for or obtained a Certificate of Conformity OR (B) Qualifies and has received APPROVAL for an EPA Exemption. OEM must provide the name and certified engine family on each Purchase Order.

Engine illustrations, horsepower and torque curves, and other technical information are available at our website: <http://www.gmpowertrain.com>. Simply click on the blue menu located on the top of the page.

Please contact your Customer Manager, Mark DuCharme (mark.ducharme@gm.com; 810-845-9581), if you have any questions or concerns.

Sincerely,

Lothar Schroeder
NA OEM Sales Manager
General Motors LLC

ENGINE PRICING PACKAGE
2019 Model Year –

Engine “A”

<i>2019 MY Part Number</i>	<i>2019 MY Suffix Code</i>	<i>2018 MY Part Number</i>	Price

FOB –GM Dock - INCOTERMS 2010

(cost of returning racks to GM Dock, will be absorbed by the customers).

Customers will retrieve engines as soon as they arrive at the GM dock or no later than the requested due date. When product arrives at the GM dock,

GM will prepare and date a shipper. The date of this shipper is the date when ownership and all related responsibilities for the product transfers to the customer. GM will bear the cost of warehousing products for a minimal holding period not to exceed 10 business days. Customer will be charged a \$1.00 per engine warehousing fee per day for each engine remaining beyond this ten (10) day period.

Firm orders must be received

a minimum of (X) weeks prior to the requested customer pick up date at the warehouse. Any schedule reduction to firm orders subsequent to the aforementioned (X) weeks period may involve customer payment of penalty charges. Purchase orders for should be forwarded to the following address:

GM -TBD

Primary Contact	E-mail	Phone	Comments
TBD			
Secondary Contact			

2019 MY Engine Schedule

Lead Times by Plant

This schedule represents required lead times by engine family for your scheduling purpose

Engine: Required Schedule Lead Times

“A” (X) weeks



Dress Part Ordering and Pricing

Order Process:

- Orders must be communicated to customer service representative by:
E-Mail

Electronically Transmitted (EDI)

- Purchase orders for engine dress component should be forwarded to the following address:

General Motors LLC
OEM Sales & Engine Dress
Attn: Griselle Rodriguez
Phone: 905-644-1902
Email: griselle.rodriguez@gm.com

- Orders need to include the following information:

Purchase Order Number
GM Part Number
Description
Quantity
Recommended Ship Date
Shipping Address
Names and Phone Number of the Order Representative

- Orders are accepted in STANDARD PACK QUANTITIES ONLY. (as noted on the price list).
- Orders for Engine Dress Components require NINE WEEKS LEAD-TIME. LONGER LEAD TIME components are specified on price listing. This allows GM suppliers time to manufacture components, packaging to ship. We utilize a just in time inventory system. This results in little or no inventory at our packaging location.

Suppliers receive electronically transmitted order requirements when the order is placed, with a fixed time allowed to build. Exceptions to the build time require a request sent by e-mail or by a personal phone call to customer service representative, and an agreement by supplier. This can only be done on an exception basis. Due to production restraints and raw material requirements most suppliers cannot adjust their schedules.

- All Freight Cost is incurred by the customer. The customer selects the mode of transportation (truck carrier of choice or Federal Express)
GM has the capability to expedite at the customer expense.
Note: UPS cannot be used due to secondary account requirements.



Material Requirements:

- **GM is committed to the timely delivery of all orders provided with sufficient lead time.**
- **Short lead-time orders cause instability in GM, and with the suppliers. In order to supply material to customer the lead-time needs to be adhered to.**
- **No adjustments can be made on open orders within the three weeks prior to shipping.**
- **Current updates (on part numbers supersession's, revisions on standard package quantities, and price adjustments) will be communicated to you by the Customer Service Representative.**

Please amend orders to reflect the most current information.

- **Purchased engine dress component parts shipped to OEM Marine and Industrial customers from GM OEM Sales and Engine Dress in returnable dunnage/containers must be returned to our supplier at the customer's expense (prepaid terms). Dunnage Return Process with dunnage/container ship to addresses can be obtained from customer service representative.**
- **GM will work with the customer to provide them with Standard UN/EDIFACT transaction sets only to facilitate customer orders, controlling inventory, receiving, shipping and managing logistics.**
- **GM will provide NAFTA Certificates of Origin and Country of Origin Affidavits upon request.**

Emergency Orders :

- **In case of an emergency orders, we will do our best to ship as soon as possible.**
- **If an existing order is on the schedule, that order will be filled to meet the emergency situation.**
- **A new order must be submitted (with the proper lead-time) to replace the emergency order.**
- **All other emergency orders will be filled as soon as the material is received and packaged.**
- **Expedited freight cost is the responsibility of the customer. The customer selects the mode of transportation, and supplies GM with their account**



Dress Part Warranty Policy

General Motors LLC will provide a limited factory warranty for “as shipped” quality issues on all dress parts purchased through GM Global Supply Chain (GSC).

When a quality issue occurs please notify your customer service representative.

Unauthorized material will be returned at the customer expense.

See attached return procedure .



Returning Material:

- **Contact your Customer Service Representative to inquire about the return of non-conforming product for exchange or credit.**
- **The return material authorization (RMA) period is limited to two years (24 months) from the invoice date of shipment.**
- **The Customer Service Representative will issue a return authorization number (RMA) after receiving authorization from GM quality manager.**
- **Material is to be returned to:**
 - GM OEM Sales & Engine Dress 51006**
 - C/O Feblo International LLC**
 - 34450 Industrial Road**
 - Livonia, MI 48150**
 - Attention: CUSTOMER RETURNS**
 - Return Authorization Number: _____**
- **Tag each piece (or container if the same condition exists) with the following information:**
 - 1. Part Number**
 - 2. Return Authorization Number (RMA)**
 - 3. Reason for Return**
 - 4. Quantity**
 - 5. Original Purchase Order Number**
- **Credit will be issued to customer after the material is received at the above return address.**

It takes one billing cycle for the credit to appear on statement.



ENGINE DRESS COMPONENTS PRICES
EFFECTIVE 06-01-xx THROUGH 05-31-xx
GMNA OEM SALES (KG)

Scheduler: Griselle Rodriguez 905-644-1902

Dress Part Color Code Key Definitions:

Current: Parts in this category are currently in use on GM's automotive operations and OEM supply is confirmed for the 2019 MY.

Soon to be Past Model: Parts in this category have come to the end of automotive production life; there is no guarantee on behalf of GM that these parts will continue to be produced through a specified time frame. These parts are currently available for sale through GSC (Griselle Rodriguez), and we will make available for sale for as long as possible until otherwise notified by the supply source of tooling issues or production cancellation.

Part#	Description	Parts Family	2019 MY Price	Std Pack	Lead Time	Long Lead
12097982	WIRE ASM-MARINE IGNITION - 13 week lead time	3.0L		200	13 wks	•
01115491	COIL ASM-IGN 181 EST - 9 week lead no exceptions	3.0L		216	9 wks	
14096660	GASKET-CYLINDER HEAD	3.0L Marine		100	9 wks	
3754587	GASKET	4.3L Gen 1e		750	9 wks	
12550025	GASKET-EXH MANIF	4.3L Gen 1e		300	9 wks	
12575288	INDICATOR ASM Replaced 10179270	4.3L Gen 1e		400	9 wks	
12597888	GASKET-EXH MANIF-Replaces 12551292	4.3L Gen 1e		600	9 wks	
12657094	GASKET-EXHAUST MANIFOLD	4.3L Gen 1e		72	9 wks	
12639313	FLYWHEEL ASM	4.3L Gen 1e (also others)		60	13 wks	•
12573336	CAP ASM OIL FIL	4.3L Gen 1e (and big block)		350	9 wks	
12573337	CAP ASM-OIL FIL Replaced 10243772	4.3L Gen 1e (and big block)		350	9 wks	
10183719	OUTLET-WAT	7.4L		96	9 wks	
12639648	Shield- STRTR HT	C/K and Van		30	9 wks	
24250609	TRANSMISSION ASM-AUTO	C/K and Van		6	9 wks	
25828247	Mount	C/K Truck		120	9 wks	
3952301	ADAPTER ASM-OIL FLTR	Gen 1e		112	9 wks	

10096197	CLAMP-IGN TIMER DISTRIBUTOR replaces 10108442	Gen 1e		470	9 wks	
12561347	GASKET-INT MANIF Replaced #12550034	Gen 1e		164	9 wks	
03853870	FITTING CONNECTOR (OIL FILTER)	Gen 1e		200	9 wks	
12555714	GASKET-CR/SHF RR OIL SEAL HSG	Gen 1e 5.7L		1500	9 wks	
12557583	BEARING-CLUTCH PILOT - 13 week leadtime	Gen 1e 5.7L		150	13 wks	•
12558251	OIL PICKUP ASM	Gen 1e 5.7L		25	9 wks	
10046089	GASKET-VLV RKR ARM CVR	Gen 1e V8		120	9 wks	
10108676	GASKET-OIL PAN	Gen 1e V8		240	9 wks	
93441568	GASKET-INTAKE Replaced 12561347	Gen 1e V8		164	9 wks	
94672691	HVS DIST ASM V8 Replaced 93441558 - 9 week lead no exceptions	Gen 1e V8		200	9 wks	
94673097	MANIFOLD ASM INT (Shipped in Returnable Dunnage)	Gen 1e V8		24	11 wks	•
14096654	GASKET-CYLINDER HEAD-Replaces 12558165 & 12558166	Gen 1e V8 - Marine		100	9 wks	
10349964	ENGINE MOUNT LEFT	Gen IV		80	9 wks	
10349965	ENGINE MOUNT RIGHT	Gen IV		80	9 wks	
12554522	BRACKET ASM-P/S PUMP (Shipped in Returnable Dunnage)	Gen IV		105	9 wks	
12561680	FLYWHEEL - 10 week lead time	Gen IV		50	10 wks	•
12580069	Dipstick, Extended 4.8L/6.0L	Gen IV		250	9 wks	
12580352	BRACKET ASM-IGN COIL (Shipped in Returnable Dunnage)	Gen IV		80	13 wks	•
12588400	SHIELD-STRTR HT	Gen IV		30	9 wks	
12617944	GSKT - EXH MANIFOLD (MULTI-LAYER STEEL) - 19 week lead time	Gen IV		225	19 wks	•
12629992	Throttle	Gen IV		108	9 wks	
12637686	Cover ASM-VLV RKR ARM	Gen IV		42	9 wks	
12612427	VALVE EXHA	Gen IV 6.0L with HD Heads		3744	23 wks	•
12622674	COVER ASM-INT MANIF FRONT (BEAUTY COVER w/CADILLAC LOGO)	Gen IV LSA - Cadillac		32	9 wks	
12626332	COVER ASM-INT	Gen IV LSA - Cadillac		24	9 wks	
12578550	BRACKET-GEN & DRV BELT TENSr	Gen IV-LSA		264	9 wks	
12593036	FLYWHEEL (8-BOLT ATTACH & WIDE RING GEAR - COMMON w/LST) 17 week lead time	Gen IV-LSA		72	17 wks	•
12606031	PULLEY ASM-SPCHG BELT IDLER	Gen IV-LSA		14	28 wks	•
12606500	BRACKET-SPCHG BELT TENSr	Gen IV-LSA		432	9 wks	
12606501	BRACKET-SPCHG BELT IDLER PUL	Gen IV-LSA		20	9 wks	
12622033	GASKET-CYL HD	Gen IV-LSA		30	20 wks	•

12622452	TENSIONER ASM-SPCHG BELT	Gen IV-LSA		10	23 wks	•
12637617	STARTER ASM (Shipped in Returnable Dunnage)	Gen IV-LSA		160	9 wks	
12636227	BELT SPCHG replaces 12628026	Gen IV-LSA		30	9 wks	
11588751	Bolt	GEN V		200	9 wks	
11561936	Stud	GEN V		350	14 wks	•
11570516	Bolt	GEN V		250	9 wks	
11588714	BOLT/SCREW-UPR INT MANIF CVR	GEN V		1500	9 wks	
11588722	BOLT/SCREW-A/TRNS	GEN V		900	9 wks	
11588757	Bolt	GEN V		80	9 wks	
11610448	Alternator Bracket	GEN V		315	9 wks	
11611266	Bolt	GEN V		120	9 wks	
11611384	BOLT/SCREW	GEN V		100	9 wks	
12608814	Coolant Sensor	GEN V		180	9 wks	
12619161	Coil	GEN V		44	12 wks	•
12622441	SPARK PLUG ASM (Shipped in Returnable Dunnage)	GEN V		100	9 wks	
12623095	Knock Sensor	GEN V		105	10 wks	•
12626059	TENSIONER ASM DRV BELT (Shipped in Returnable Dunnage)	GEN V		576	9 wks	
12626075	PULLEY ASM-BELT IDLER (Shipped in Returnable Dunnage)	GEN V		576	11 wks	•
12626076	Belt - Truck Acc Drive	GEN V		50	11 wks	•
12626078	Bracket , Gen & Drv Belt Tensr	GEN V		75	19 wks	•
12629519	Idler Pulley	GEN V		1176	9 wks	
12633447	Spark plug wire	GEN V		3240	12 wks	•
12635397	Oil Pressure Sensor	GEN V		420	9 wks	
12637351	BRACKET ASM-GEN	GEN V		75	15 wks	•
12640390	Knock Sensor Shield	GEN V		180	9 wks	
12644228	MAP Sensor	GEN V		600	9 wks	
12655055	STARTER ASM	GEN V		120	17 wks	•
12657093	GASKET-EXHAUST MANIFOLD	GEN V		72	19 wks	•
12659516	SENSOR ASM OXY - Replaces 12637679 (Shipped in Returnable Dunnage)	GEN V		100	11 wks	•
12665555	MODULE ASM ENG MEFI 7	GEN V		12	9 wks	
838653	BOLT/SCREW-CLU PRESS PLT	MISC-MULTIPLE USAGE		900	9 wks	

9440024	BOLT-HEX HD	MISC-MULTIPLE USAGE	325	9 wks	
10224557	STUD	MISC-MULTIPLE USAGE	200	9 wks	
11514516	NUT METRIC HEX FLG replaces 11507053	MISC-MULTIPLE USAGE	4500	9 wks	
11514597	NUT-M10, FLG	MISC-MULTIPLE USAGE	1350	9 wks	
11516704	BOLT-HV HS FLG HD SCREW GEN	MISC-MULTIPLE USAGE	200	9 wks	
11561797	BOLT/SCREW-START MOT-Replaces 12561387	MISC-MULTIPLE USAGE	150	9 wks	
11569956	BOLT-SPECIAL	MISC-MULTIPLE USAGE	600	9 wks	
11588724	BOLT/SCREW-ENG OIL CLR MTG PLT	MISC-MULTIPLE USAGE	750	9 wks	
11588727	BOLT/SCREW-SPCHG BELT IDLER PUL BRKT	MISC-MULTIPLE USAGE	500	9 wks	
11588740	BOLT HVY HX ACORN FLG HD M10 X 35MM	MISC-MULTIPLE USAGE	300	9 wks	
11588741	BOLT/SCREW-DRV BELT TENSr	MISC-MULTIPLE USAGE	280	9 wks	
11588742	BOLT/SCREW-SPCHG BELT TENSr BRKT	MISC-MULTIPLE USAGE	260	9 wks	
11588743	BOLT M10 X 50 FLD HD	MISC-MULTIPLE USAGE	325	9 wks	
11588744	BOLT/SCREW-GEN	MISC-MULTIPLE USAGE	240	9 wks	
11588749	BOLT/SCREW-SPCHG BELT TENSr BRKT	MISC-MULTIPLE USAGE	170	9 wks	
11588752	BOLT/SCREW-SPCHG BELT TENSr	MISC-MULTIPLE USAGE	200	9 wks	
11588754	BOLT-HVY HX ACORN FLG HD	MISC-MULTIPLE USAGE	150	9 wks	
11589264	Exhaust Stud	MISC-MULTIPLE USAGE	600	9 wks	
11610633	BOLT/SCREW M10 1.5X120MM STARTER BOLT	MISC-MULTIPLE USAGE	135	9 wks	
12550027	BOLT/SCREW-INT MANIF	MISC-MULTIPLE USAGE	780	9 wks	
12552096	BOLT/SCREW-W/PMP	MISC-MULTIPLE USAGE	450	9 wks	
12553332	BOLTS, FLYWHEEL	MISC-MULTIPLE USAGE	500	9 wks	
12555610	STUD SPECIAL M10 X 132	MISC-MULTIPLE USAGE	150	9 wks	
12555948	SUPPORT-SPLG WIRE	MISC-MULTIPLE USAGE	140	9 wks	
12568387	SPARK PLUG	MISC-MULTIPLE USAGE	4800	15 wks	•
12570125	SENSOR ASM - KNOCK (Shipped in Returnable Dunnage)	MISC-MULTIPLE USAGE	105	9 wks	
12574309	SENSOR ASM-ENG OIL PRESS	MISC-MULTIPLE USAGE	280	9 wks	
12580771	PULLEY	MISC-MULTIPLE USAGE	30	9 wks	
12580773	IDLER PULLEY	MISC-MULTIPLE USAGE	30	9 wks	
12589321	SENSOR-O2	MISC-MULTIPLE USAGE	100	9 wks	
12596851	SENSOR ASM-CRK/SHF POSN-Replaced 12562910	MISC-MULTIPLE USAGE	198	9 wks	

12605677	PULLEY P/S PMP	MISC-MULTIPLE USAGE	240	9 wks	
12609457	O2 Sensor	MISC-MULTIPLE USAGE	100	9 wks	
12621649	OIL PRESS SENSOR ASM-ENG	MISC-MULTIPLE USAGE	280	9 wks	
12622308	O2 Sensor	MISC-MULTIPLE USAGE	100	9 wks	
12628025	TENSIONER ASM	MISC-MULTIPLE USAGE	18	23 wks	•
12642442	MODULE ASM ENG MEFI 6	MISC-MULTIPLE USAGE	12	9 wks	
12647429	Wash Coated Substrate	MISC-MULTIPLE USAGE	270	14 wks	•
12649040	MODULE ASM ENG MEFI 6A	MISC-MULTIPLE USAGE	12	9 wks	
12654117	MODULE ASM ENG CONT MEFI 6B	MISC-MULTIPLE USAGE	12	9 wks	
13500745	SENSOR ASM-FUEL PRESS	MISC-MULTIPLE USAGE	180	9 wks	
14037732	BOLT, not same as 12338064	MISC-MULTIPLE USAGE	180	9 wks	
15032594	Exhaust Nut	MISC-MULTIPLE USAGE	1200	9 wks	
15326386	SENSOR ASM-ENG COOL TEMP Replaced 12146312 -10 week lead time	MISC-MULTIPLE USAGE	300	10 wks	•
20756715	PUMP ASM P/S Replaces 15909825	MISC-MULTIPLE USAGE	63	9 wks	
20880829	Air Conditioner compressor	MISC-MULTIPLE USAGE	1	9 wks	
23150508	Alternator	MISC-MULTIPLE USAGE	126	9 wks	
09442916	SCREW ASM-CR/CA	MISC-MULTIPLE USAGE	2750	9 wks	

GENERAL MOTORS LLC

OEM Sales

777 Joslyn Ave.

M/C 483-720-250

Pontiac, Michigan 48340-2925

Addendum No. 1

DRESS PARTS TERMS AND CONDITIONS OF PRICE QUOTATION

1. The issuance, receipt, or acceptance of this quotation shall not impose any obligations on any party. A binding agreement for the sale and purchase of any products or parts herein quoted shall arise only upon General Motors LLC written acknowledgment of a purchase order submitted pursuant to this quotation to the appropriate plant.
2. The terms and conditions of this quotation shall be considered to be a part of any purchase order issued by you and shall supersede and control any other or different terms and conditions of such purchase order regardless of any provision to the contrary contained therein. GM's ACKNOWLEDGMENT OF YOUR PURCHASE ORDER IS NOT, AND IS NOT DEEMED TO BE, ACCEPTANCE OF ANY PROVISION THEREOF WHICH IS INCONSISTENT WITH, OR MODIFIED, ANY OF THE TERMS AND CONDITIONS OF THIS QUOTATION. Notwithstanding the foregoing, in accordance with Section 2.2 of the Supply Agreement, dated November 10, 2016, between General Motors LLC and Malibu Boats, LLC (the "Supply Agreement"), in the event of any inconsistencies, variances or disagreements between the Supply Agreement and this quotation, the Supply Agreement shall govern and the terms of the Supply Agreement shall supersede any terms of this quotation.
3. Factory warranty / Factory Quality terms are described in addendum No.2 for Marine customers.
4. GM requires that the OEM assume responsibility, and OEMs issuance of a purchase order shall be deemed to be acceptance of responsibility, for providing required service, warranty repairs and special policy adjustments and/or campaign inspections and/or corrections on all products to which this quotation is applicable.
5. The components quoted herein are generally understood to be used solely in the OEM's first installation including repair and not resold without adding value.
6. OEM assumes and shall have sole responsibility for the application of the engines in end-products produced by, or for OEM, and in supplying products to OEM pursuant to this price quotation. GM does not, thereby, certify or approve the design or implementation of any specific application by OEM. GM is not responsible for failures due to misapplication.
7. GM reserves the right, at any time, to alter or change the design of any component or part, and shall have no obligation to make any such alterations or changes on components or parts previously sold.
8. GM reserves the right to increase or decrease the dress part prices quoted or change or withdraw this quotation at any time with or without notice. The price quotations do not include any Federal, State, or Local taxes measured by the selling price of any article and the amount of any such tax shall be added to the prices quoted. Federal Excise Taxes are not applicable if purchaser provides GM with proper tax exemption certificates.
9. Payment terms shown reflect financial position at the time of quotation. Applicable terms and credit limits are to be established at time of initial shipment. GM reserves the right to periodically review the financial condition of the customer, and accordingly, maintain or revise the terms or credit limits previously established.
10. GM reserves the right to withhold shipments to customers with past-due invoices, or debits to OEM's account, regardless of any remaining credit.
11. Upon failure of the customer to meet the agreed-upon open account terms provided, GM reserves the right to assess, at its discretion, a late payment charge equal to 1-1/2 percent per month on the past-due balance owed the Corporation. However, in the event that applicable Federal or State law sets a maximum rate for late payment fees which is less than 1-1/2 per cent per month, the late payment charges assessed there under shall be set at the maximum rate permitted by law.

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Addendum No. 2

Factory Warranty / Factory Quality

General Motors LLC will provide a limited factory warranty for “as shipped” quality issues on all dress parts purchased through GM Global Supply Chain (GSC). The terms of the warranty for OEM Marine engines are set forth in Section 11 of the Supply Agreement, dated __, 2016, between General Motors LLC and Malibu Boats, LLC. The factory warranty period commences when OEM takes ownership and ends when the products successfully pass through the OEM’s final quality inspection.

General Motors conducts annual Global Manufacturing System Built in Quality Assessments to ensure each Manufacturing Site meets the intent of all relevant Automotive Quality Requirements, including ISO/TS, AIAG and General Motors Customer Specific Requirements.

Engine Repair/Returns

GM will support a customer authorized **repair** of an engine with exchanged componentry at no cost to the customer.

All engine **Returns** require a GM authorized Return Material Authorization (RMA). For those RMA eligible engine returns that require removal of OEM value added content (includes perishables) GM will authorize a standard \$100 per engine amount to cover the allowable costs expended by the OEM except that:

- Engines and GM designated dress parts must have a GM-issued “Return Material Authorization” (RMA) before return shipment to a GM or supplier location.
- **The OEM customer is responsible for engine return shipping costs .**
- The acceptance of a **Returned** product and/or the issuing of an RMA will not automatically generate a replacement product for the OEM customer. A **replacement product** and the \$100 per instance value added removal fee (if applicable) will only be issued based upon findings or confirmation from GM that the problem condition resulted from GM materials and/or workmanship.
- At this time no Brazilian sourced engines will be returned to the source for evaluation. In those instances where the plant accepts responsibility for the defect and supports it with an RMA the customer may receive credit thru customer manager authorization. The disposition of the product will be handled on a case by case basis.

Contact Douglas Christian (douglas.christian@gm.com) for a GM authorized Return Material Authorization (RMA).

General Motors LLC
OEM Sales
MEMORANDUM OF UNDERSTANDING

This memorandum of understanding serves as official notice to all General Motors LLC approved OEM customers of the following roles and responsibilities as they relate to providing GM components.

- If the component purchased from GM is not installed in a final product such as a motor vehicle, watercraft, lift truck, generator etc., the OEM must “ADD VALUE” to the GM product prior to resale.
-
- Note: For engines, "added value" is generally referred to as fuel, spark, accessory drive, coolant, paint, etc. Typically transmissions are installed in the OEM's final product and do not fall under the "added value" provision. Transmissions may not be purchased for the sole purpose of resale to a third party.
- In order to secure and maintain OEM customer status, the following requirements must be met:
 - All OEM customers must have GM approved engineering capability, or have access to engineering resources.
 - All OEM customers must have (or have access to) an established service network capable of diagnosing and repairing the GM products purchased. OEM customers must also have an established method or network to distribute service parts to their repair locations.
 - All OEM customers must assume responsibility for application validation, and maintain records of all validation engineering activity. GM maintains the right to review validation engineering documentation.
 - In certain instances, GM may require OEM engine customers to provide a list of customers and their final applications (products) that use GM engines.
 - OEM customers agree to provide the GM OEM Sales Group with volume forecasts semi-annually, or as requested by their customer manager.
 - Where possible, it is preferred that the OEM customer has one centralized location responsible for all ordering and billing functions.
 - OEM Customer must serialize number all GM engines for service and warranty purposes (if applicable) and maintain accurate records indicating such. Transmissions are typically supplied to the OEM customer with a tag containing a serial number and build date.
 - When ordering engines, transmissions, or parts, the OEM customer must use the GM part number on their purchase order and any other correspondence. The OEM's part number may also be included.
 - GM will not provide engineering support for any customer considering the use of GM engines and/or transmissions for On-Highway applications. As a purchase condition, customer must demonstrate product capability & development for final application to the satisfaction of GM.

Exhibit 7.1 – Pricing

Engine Desc	Malibu Ref PN	Pricing (see note below)					FOB Point
		2019 MY	2020 MY	2021 MY	2022 MY	2023 MY	
*****	*****	*****	*****	*****	*****	*****	St. Catherines, ONT, Canada
*****	*****	*****	*****	*****	*****	*****	St. Catherines, ONT, Canada
*****	*****	*****	*****	*****	*****	*****	Export Corp, Brighton, MI
*****	*****	*****	*****	*****	*****	*****	Export Corp, Brighton, MI

- FOB Point: FCA – INCOTERMS 2010 - St. Catharines, Ontario (*****); Brighton, MI (*****)
- Terms: Net 25th Proximo - Payment of invoices dated the 1st through the end of the month are due on the 25th of the following month. U.S. Dollars.
- Packaging: Returnable
- Customer responsible for returnable packaging freight to FOB point
- Returnable packaging must be returned to GM within 30 days of shipment where possible to ensure continuous supply.
- Aluminum Fluctuation – ***** will be subject to adjustment due to aluminum price fluctuation of more than 5%. Adjustments to the agreed prices will be yearly based on changes to the AL LME-NASAAC Cash Settlement Price
- Samples requested prior to GM MY SOP:
 - If requested after GM Pilot Stage (typically 3-6 months prior to MY SOP): Production price
 - If requested prior to GM Pilot Stage: TBD

***** **CONFIDENTIAL TREATMENT: MALIBU BOATS, INC. HAS REQUESTED THAT THE OMITTED PORTIONS OF THIS DOCUMENT, WHICH ARE INDICATED BY ***** , BE AFFORDED CONFIDENTIAL TREATMENT. MALIBU BOATS, INC. HAS SEPARATELY FILED THE OMITTED PORTIONS OF THE DOCUMENT WITH THE SECURITIES AND EXCHANGE COMMISSION.**

Exhibit 9.2- Notice of Change Process

OEM Notice of Change (NoC) Overview and Process

Purpose

Notify customers of upcoming changes to OEM products that could affect OEM customer application.

NoC MUST be issued for:

- Any interface item (“customer use” feature) that is changing (fit/form/function rule)
- Appearance change – even though fit/form/function may not be impacted, if customer will see a physical difference which may raise questions, we’d inform via NoC (i.e. new paint color/coating etc.)
- Internal changes that could impact performance (power/torque), service (including torque specs), emissions, QRD, calibration, etc.
- Major architectural changes to base engine (ex: going to PM rods, etc.)

NoC not required for (but is optional at OEM AE discretion):

- Internal changes that do not affect any of the above criteria
- Sourcing changes (which may affect piece cost)
- Product discontinuation or new product introduction (this is an OEM Sales Group Responsibility via different communication protocol)
- NoC is not to be utilized in place of a Service Bulletin (i.e. field action)
- Pilot/SOP dates (unless OEM’s previously notified of dates and we change them)

Miscellaneous Notes:

Goal is to provide sufficient info to OEM’s to understand and address the changes in a timely manner.

Sending Protocol:

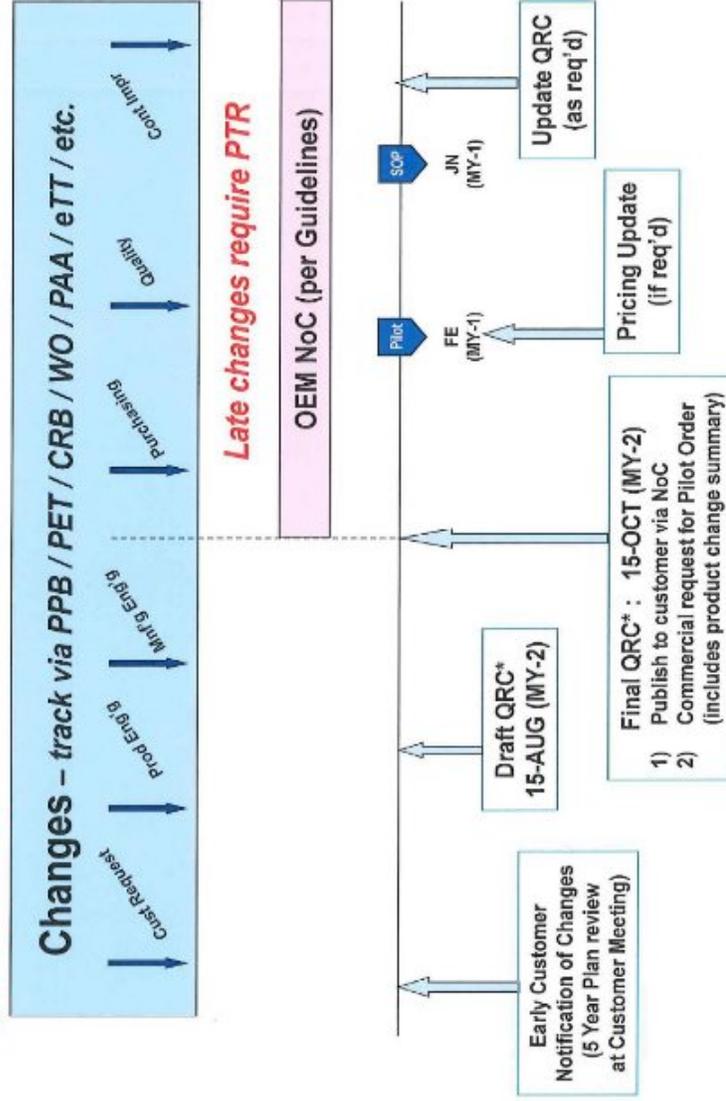
NoC Coordinator assigns change number and forwards to the affected customer list. Non user customers may be deleted for a particular NoC (ex: only MEFI customers receive MEFI NoC)

OEM NoC Process

- 1) Application Engineer (AE) is the initiator and creates Initial Draft NoC.
NOTE: If Service Parts are referenced or impacted, NoC Draft is to be created with support of CCA Service Engineering Supervisor.
- 2) Initiator has option to have “cross review” with other AE’s, then forwards final draft to OEM EGM for approval (and cc to OEM Program Manager for 7 Year Plan impact)
- 3) OEM EGM to review/approve.
 - If revision required, return to initiator for updates and return to step #1
 - If approved – forward approval to NoC Coordinator.
- 4) NoC Coordinator assigns NoC Number, Issue Date and loads final version to website.
- 5) NoC Coordinator sends NoC to appropriate customer base (Marine vs. On-Highway)

Exhibit 9.2-2

Quick Reference Card / NoC Interaction to Product Change *Updated 30JL08*



* Document changes via engine assy BOM compare to previous year P/N



OEM NOTICE OF CHANGE

CHANGE NUMBER: *Number assigned by NoC Coordinator*

CHANGE TITLE: *AE to create this reference title*

DATE OF NOTICE: *15MR09 (note DDMMYY format)*

PRODUCT DESCRIPTION: *Model Year and Product*

CODES AFFECTED: *Suffix/Manufacturing codes, etc.*

EFFECTIVE DATES: *Date (and/or breakpoint info)*

CHANGE DESCRIPTION:

AE to complete this section. Reference NoC Guidelines published to web. Key items to incorporate include:

Reason for change (if applicable)

 – QRD, Supplier, Performance, Customer request, etc.

Describe in detail what is changing (include P/N as appropriate)

 Current product and new product – focus on key differences (features)

 How the customer can identify change (P/N, shape, color, etc.)

Specify how change may affect OEM customer product

 Performance (torque/power), emissions, customer interface, etc.

Include photos/drawings/sketches/charts whatever

Include info as to when math models and/or parts will be available for evaluation (if req'd)

If Service Parts (Customer Care & Aftersales) is involved, confirm NoC content

with the CCA Engine Service & Parts Engineering Supervisor prior to submission to

OEM EGM for approval.

The author has the option to revise document font size as required

For further information, please contact

John Doe – OEM Engineering

(248) 857-xxxx

john.doe @ gm.com

Exhibit 18

Notices

If to Seller:

General Motors LLC
GM Powertrain
Mail Code: 483-720-250
777 Joslyn Avenue
Pontiac, Michigan, 48340
Facsimile: (248) 857-4926
Attention: Manager NA OEM Sales

With a copy to:

General Motors LLC
Legal Staff
Transactions Group
Mail Code: 482-C23-D24
300 Renaissance Center
Detroit, MI 48265-3000
Facsimile: (313) 665-4960
Attention: Practice Area Manager

If to Buyer :

Malibu Boats, LLC
5075 Kimberly Way
Loudon, Tennessee 37774
Attention: Chief Financial Officer

THIRD AMENDMENT TO CREDIT AGREEMENT

This THIRD AMENDMENT TO CREDIT AGREEMENT, dated as of December 28, 2016 (this “Agreement”), is entered into by and among Malibu Boats, LLC, a Delaware limited liability company (the “Borrower”), Malibu Boats Holdings, LLC, a Delaware limited liability company (the “Parent”), certain Subsidiaries of the Parent as guarantors (the “Guarantors”), the several banks and other financial institutions and lenders party thereto (the “Lenders”), and SunTrust Bank, in its capacity as administrative agent for the Lenders (the “Administrative Agent”), as issuing bank (the “Issuing Bank”) and as swingline lender (the “Swingline Lender”). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Credit Agreement (as defined below).

RECITALS

A. The Loan Parties, the Lenders, the Swingline Lender, the Issuing Bank and the Administrative Agent have entered into that certain Amended and Restated Credit Agreement dated as of April 2, 2015 (as amended or otherwise modified from time to time, the “Credit Agreement”).

B. The Borrower has requested that the Administrative Agent and the Lenders agree to amend certain provisions of the Credit Agreement.

C. The Administrative Agent and the Lenders have agreed to do so, subject to the terms and conditions hereof.

AGREEMENT

NOW, THEREFORE, in consideration of these premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendments to Credit Agreement.

(a) The following definitions are added to Section 1.1 of the Credit Agreement in the appropriate alphabetical order:

“Foreign Customer Finance Program Obligations” shall mean inventory repurchase and customer finance program recourse and other obligations, including any obligation of any Loan Party or any Subsidiary to repurchase products of the Loan Parties and such Subsidiaries or to purchase receivables created in connection with the sale of products or related services of any Loan Party and its Subsidiaries to dealers and other customers located outside the United States under any customer finance program, in each case incurred in the ordinary course of business, it being understood that the transactions contemplated by the Foreign Master Financing Agreement shall constitute Foreign Customer Finance Program Obligations.

“Foreign Customer Finance Program Transaction” shall mean the customer finance program contemplated by the Foreign Master Financing Agreement.

“Foreign Master Financing Agreement” shall mean the Master Financing Umbrella Agreement (Pan-European) to be entered into by and between Borrower and Wells Fargo Bank, National Association or one or more of its Affiliates and any of their respective successors or assigns, and all financing schedules, credit requests, deeds and other letters, agreements or documents entered into in connection therewith, as amended, restated, modified or supplemented from time to time or any successor agreement.

(b) The definition of “Guarantee” in Section 1.1 of the Credit Agreement is amended by adding the following phrase at the end of the proviso in the first sentence of such definition: “or Foreign Customer Finance Program Obligations.”

(c) The definition of “Indebtedness” in Section 1.1 of the Credit Agreement is amended by adding the following phrase at the end of the third sentence of such definition: “or Foreign Customer Finance Program Obligations.”

(d) Section 7.2(o) is amended and restated as follows:

“(o) Liens arising out of conditional sale, title retention, consignment or similar arrangements for sale of goods entered into by the Borrower in the ordinary course of business, including Liens arising out of a Foreign Customer Finance Program Transaction on the receivables, inventory and other assets or interests subject thereby.”

(e) Section 7.4 of the Credit Agreement is amended by deleting “and” at the end of Section 7.4(n), redesignating Section 7.4(o) as Section 7.4(p) and adding the following as Section 7.4(o):

“(o) Investments acquired as a result of a Foreign Customer Finance Program Transaction and other Investments arising in connection with the compromise, settlement or collection of such Investments in the ordinary course of business; and”

(f) Section 7.6 of the Credit Agreement is amended by deleting “and” at the end of Section 7.6 (i), redesignating Section 7.6(j) as Section 7.6(k) and adding the following Section 7.6(j):

“(j) Dispositions of receivables, inventory and other property in the ordinary course of business in connection with a Foreign Customer Finance Program Transaction; and”

(g) Section 7.8 of the Credit Agreement is amended by deleting the “and” at the end of clause (iii) thereof and adding the following as clause (v) thereof:

“, and (v) the foregoing shall not apply to any Foreign Customer Finance Program Transaction; provided such restrictions apply solely to the receivables, inventory and other assets or interests subject thereto.”

2. Effectiveness. This Agreement shall become effective upon receipt by the Administrative Agent of counterparts of this Agreement executed by the Loan Parties, the Lenders and the Administrative Agent.

3. Incorporation of Agreement. Except as specifically modified herein, the terms of the Loan Documents shall remain in full force and effect. The execution, delivery and effectiveness of this Agreement shall not operate as a waiver of any right, power or remedy of the Administrative Agent under the Loan Documents, or constitute a waiver or amendment of any provision of the Loan Documents.

4. Representations of the Loan Parties. Each of the Loan Parties represents and warrants to the Administrative Agent and the Lenders as follows:

(a) No Default or Event of Default exists under the Loan Documents on and as of the date hereof nor will result from this Agreement.

(b) It has taken all necessary entity action to authorize the execution, delivery and performance of this Agreement and any other documents delivered by it in connection herewith.

(c) This Agreement and each other document delivered by it in connection herewith has been duly executed and delivered by such Person and constitutes such Person’s legal, valid and binding obligation, enforceable in accordance with its terms, except as such enforceability may be subject to (i) bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium or similar laws affecting creditors’ rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(d) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by such Person of this Agreement other than the Required Lenders.

(e) The execution and delivery of this Agreement or any other document delivered by it in connection herewith does not (i) violate, contravene or conflict with any provision of its organizational documents or (ii) violate, contravene or conflict with any material Requirement of Law applicable to it or any of its Subsidiaries.

(f) After giving effect to this Agreement, the representations and warranties of the Loan Parties contained in the Loan Documents are true, accurate and complete in all material respects on and as of the date hereof to the same extent as though made on and as of such date except to the extent such representations and warranties specifically relate to an earlier date.

5. Loan Party Reaffirmation. Each Loan Party hereby (a) acknowledges and consents to all of the terms and conditions of this Agreement, (b) affirms all of its obligations under the Loan Documents to which it is a party and (c) agrees that this Agreement and all documents executed in connection herewith do not operate to reduce or discharge such Loan Party's obligations under the Loan Documents.

6. Further Assurances. Each of the parties hereto agrees to execute and deliver, or to cause to be executed and delivered, all such instruments as may reasonably be requested to effectuate the intent and purposes, and to carry out the terms, of this Agreement.

7. No Third Party Beneficiaries. This Agreement and the rights and benefits hereof shall inure to the benefit of each of the parties hereto and their respective successors and assigns. No other Person shall have or be entitled to assert rights or benefits under this Agreement.

8. Governing Law; Jurisdiction; Consent to Service of Process; Waiver of Jury Trial. The governing law, jurisdiction, consent to service of process and waiver of jury trial provisions set forth in Sections 11.5 and 11.6 of the Credit Agreement are hereby incorporated by reference, *mutatis mutandis*.

9. Entirety. This Agreement and the other Loan Documents embody the entire agreement between the parties and supersede all prior agreements and understandings, if any, relating to the subject matter hereof. This Agreement and the other Loan Documents represent the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreements of the parties.

10. Expenses. Upon demand therefor, the Loan Parties shall pay all reasonable out-of-pocket expenses incurred by the Administrative Agent and the Lenders (including without limitation the reasonable fees and out-of-pocket expenses of counsel) in connection with or related to the negotiation, drafting, and execution of this Agreement and the transactions contemplated hereby.

11. Miscellaneous

(a) This Agreement shall be binding on and shall inure to the benefit of the Loan Parties, the Administrative Agent, the Issuing Bank, the Swingline Lender, the Lenders and their respective successors and permitted assigns. It is the intent of the undersigned Lenders that any third party acquiring any such Lender's rights and obligations under the Credit Agreement shall, with respect to such Lender's portion of the Loan, be subject to, and bound by, the terms and conditions of this Agreement. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of the Loan Parties, the Administrative Agent, the Issuing Bank and the Lenders with respect to the transactions contemplated hereby and there shall be no third party beneficiaries of any of the terms and provisions of this Agreement.

(b) Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

(c) Wherever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited

by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

(d) Except as otherwise expressly provided in this Agreement, if any provision contained in this Agreement is in conflict with, or inconsistent with, any provision in the Loan Documents, the provision contained in this Agreement shall govern and control.

(e) This Agreement may be executed in any number of separate counterparts, each of which shall collectively and separately constitute one agreement. Delivery of an executed counterpart of this Agreement by telecopy or other electronic means shall be effective as an original.

[Signature pages follow.]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

BORROWER:

MALIBU BOATS, LLC,
as the Borrower

By: /s/ Wayne Wilson
Name: Wayne Wilson
Title: CFO

PARENT:

MALIBU BOATS HOLDINGS, LLC,
as the Parent and a Guarantor

By: /s/ Wayne Wilson
Name: Wayne Wilson
Title: CFO

GUARANTORS:

MALIBU AUSTRALIAN ACQUISITION CORP.

By: /s/ Wayne Wilson
Name: Wayne Wilson
Title: CFO

ADMINISTRATIVE AGENT:

SUNTRUST BANK,
as Administrative Agent, Issuing Bank and Swingline Lender and as a Lender

By /s/ Tesha Winslow
Name: Tesha Winslow
Title: Director

LENDERS:

FIRST TENNESSEE BANK, N.A.,
as a Lender

/s/ R. Andrew Beam
Name: R. Andrew Beam
Title: Senior Vice President

MUFG UNION BANK, N.A.,
as a Lender

/s/ Maria Iarriccio

Name: Maria Iarriccio

Title: Director

UNITED COMMUNITY BANK,
as a Lender

/s/ Charles D. Chamberlain

Name: Charles D. Chamberlain

Title: Senior Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as a Lender

/s/ Brian Young _____
Name: Brian Young
Title: Vice President

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 December 31, 2016 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: February 1, 2017

/s/ Jack Springer

Jack Springer

Chief Executive Officer

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 December 31, 2016 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: February 1, 2017

/s/ Wayne Wilson

Wayne Wilson

Chief Financial Officer

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

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

In connection with the Quarterly Report of Malibu Boats, Inc. (“Malibu”) on Form 10-Q for the fiscal quarter ended December 31, 2016 (the “Report”), Jack Springer, chief executive officer, and Wayne Wilson, chief financial officer, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Malibu.

Dated: February 1, 2017

/s/ Jack Springer

Jack Springer
Chief Executive Officer

Dated: February 1, 2017

/s/ Wayne Wilson

Wayne Wilson
Chief Financial Officer

* A signed original of this written statement required by Section 906 has been provided to Malibu Boats, Inc. and will be retained by Malibu Boats, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.