Malibu Boats, Inc.
Form 424B4
July 10, 2014
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Filed Pursuant to Rule 424(b)(4)
Registration No. 333-197095 and 333-197332

PROSPECTUS

4,800,000 Shares

MALIBU BOATS, INC.

Class A Common Stock

This is a public offering of 4,800,000 shares of Class A Common Stock of Malibu Boats, Inc. Malibu Boats, Inc. is a holding company that holds an interest in, and is the sole managing member of, Malibu Boats Holdings, LLC.

We are selling 3,833,641 shares of our Class A Common Stock and the selling stockholders identified in this prospectus are offering 966,359 shares of our Class A Common Stock. We intend to use all of the net proceeds from this offering to purchase equity interests in Malibu Boats Holdings, LLC from certain members of the LLC. We will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders. Our Class A Common Stock is listed on the Nasdaq Global Select Market under the symbol MBUU. The last reported sale price of our Class A Common Stock on July 9, 2014 was $19.22 per share.

Immediately following this offering, the holders of our Class A Common Stock will collectively own 100% of the economic interest in Malibu Boats, Inc., which will own approximately 66.4% of the economic interest in Malibu Boats Holdings, LLC. Immediately following this offering, the holders of our Class A Common Stock will collectively have approximately 66.4% of the voting power of Malibu Boats, Inc., and holders of our Class B Common Stock will collectively have approximately 33.6% of the voting power of Malibu Boats, Inc.

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act and, as such, have elected to comply with certain reduced public company reporting requirements.

Investing in our Class A Common Stock involves a high degree of risk. See Risk Factors beginning on page 22.

	Per Share	Total

Public offering price	$ 18.50	$ 88,800,000
Underwriting discounts and commissions (1)	$ 0.925	$ 4,440,000
Proceeds to us, before expenses	$ 17.575	$ 67,376,241
Proceeds to selling stockholders, before expenses	$ 17.575	$ 16,983,759

(1) See Underwriting for a description of the compensation payable to the underwriters.

We and the selling stockholders have granted the underwriters an option for a period of 30 days to purchase up to 538,252 additional shares of Class A Common Stock from us and 181,748 additional shares of Class A Common Stock from the selling stockholders to cover over-allotments.

Neither the Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A Common Stock to purchasers on or about July 15, 2014.

RAYMOND JAMES **WELLS FARGO SECURITIES**

SUNTRUST ROBINSON HUMPHREY **BMO CAPITAL MARKETS**

The date of this prospectus is July 9, 2014.

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You should rely only on the information contained in this prospectus and any free writing prospectus prepared by us or on our behalf in connection with this offering. We have not, the selling stockholders have not and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, the selling stockholders are not and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only. Our business, financial condition, results of operations and prospects may have changed since that date.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the Class A Common Stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to that jurisdiction.

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Unless otherwise expressly indicated or the context otherwise requires:

- we use the terms Malibu Boats, the Company, we, us, our or similar references to refer (1) prior to the consummation of the initial public offering, or IPO, to Malibu Boats Holdings, LLC, or the LLC, and its consolidated subsidiaries and (2) after the initial public offering, to Malibu Boats, Inc. and its consolidated subsidiaries;

- we refer to the owners of membership interests in the LLC immediately prior to the consummation of the initial public offering, collectively, as our pre-IPO owners ;

- we refer to owners of membership interests in the LLC, collectively, as our LLC members ;

- we refer to The Canyon Value Realization Master Fund, L.P. and BC-MB GP as the selling stockholders ;

- references to fiscal year refer to the fiscal year of Malibu Boats, which ends on June 30. Fiscal years 2012 and 2013 for the LLC ended on June 30, 2012 and 2013, respectively. Fiscal year 2014 will end on June 30, 2014;

- we use the term performance sport boat category to refer to our industry category, primarily consisting of fiberglass boats equipped with inboard propulsion and ranging from 19 feet to 26 feet in length, which we believe most closely corresponds to (1) the inboard ski/wakeboard category, as defined and tracked by the National Marine Manufacturers Association, or NMMA, and (2) the inboard skiboat category, as defined and tracked by Statistical Surveys, Inc., or SSI; and

- references to certain market and industry data presented in this prospectus are determined as follows: (1) U.S. boat sales and unit volume for the overall powerboat industry and any powerboat category during any calendar year are based on retail boat market data from the NMMA; (2) U.S. market share and unit volume for the overall powerboat industry and any powerboat category during any fiscal year ended June 30 or any calendar year ended December 31 are based on comparable same-state retail boat registration data from SSI, as reported by the 50 states for which data was available as of the date of this prospectus; and (3) market share among U.S. manufacturers of exports to international markets of boats in any powerboat category for any period is based on data from the Port Import Export Reporting Service, available through March 31, 2014, and excludes such data for Australia and New Zealand.

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PROSPECTUS SUMMARY

This summary highlights the information contained elsewhere in this prospectus, and is qualified in its entirety by reference to the more detailed information and financial statements appearing elsewhere in this prospectus. Because this is only a summary, it does not contain all of the information that may be important to you. We include a glossary of some of the terms used in this prospectus as Appendix A. Before investing in our Class A Common Stock, par value $0.01 per share, or Class A Common Stock, you should read this entire prospectus, including the information set forth under the heading Risk Factors and the financial statements and the notes thereto. On February 5, 2014, we completed our Recapitalization and IPO. See History and Formation Transactions.

Our Company

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. Since inception in 1982, we believe 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 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. Retail prices of our Malibu boats typically range from $55,000 to $120,000. 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. Retail prices of our Axis boats typically range from $40,000 to $85,000.

All of our boats are built and tested at our corporate headquarters near Knoxville, Tennessee. Our boats are constructed of fiberglass, equipped with inboard propulsion systems and available in a range of sizes and hull designs. We employ experienced product development and engineering teams that enable us to offer a range of models across each of our brands while consistently introducing innovative features in our product offerings. Our engineering team closely collaborates with our manufacturing personnel in order to improve product quality and process efficiencies. The results of this collaboration are reflected in our receipt of numerous industry awards, including the Watersports Industry Association s Innovation of the Year in 2010 and 2013.

We offer our boats for sale through an extensive network of independent dealers in North America and throughout the world. As of March 31, 2014, our distribution channel consisted of 118 independent dealers in North America operating in 142 locations and 52 independent dealer locations across 36 countries outside of North America. Our boats are the exclusive performance sport boats offered by the majority of our dealers. Additionally, we offer our boats through an

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exclusive licensee in Australia that is one of the largest performance sport boat manufacturers in that country. Our dealer base is an important part of our consumers experience, our marketing efforts and our brands. We devote significant time and resources to find, develop and improve the performance of our dealers and believe our dealer network gives us a distinct competitive advantage.

We have experienced significant growth in net sales and profitability over the last several years. For our fiscal year ended June 30, 2013, net sales, adjusted EBITDA and net income (loss) were $167.0 million, $31.8 million and $18.0 million, respectively, compared to $140.9 million, $19.9 million and $11.1 million, respectively, for fiscal year 2012 and $100.0 million, $7.9 million and approximately $(543,000), respectively, for fiscal year 2011. For the nine months ended March 31, 2014, our net sales and adjusted EBITDA were $137.5 million and $26.9 million, an increase of 16.5% and 26.9%, respectively, compared to the nine months ended March 31, 2013 and net income for the nine months ended March 31, 2014 was $9.4 million, a decrease of 2.0% compared to the nine months ended March 31, 2013. The decrease in net income for the nine months ended March 31, 2014 compared to the nine months ended March 31, 2013 was largely attributable to one time charges in connection with our IPO. For the definition of adjusted EBITDA and a reconciliation to net income, see GAAP Reconciliation of Non-GAAP Financial Measures.

Our Strengths

#1 Market Share Position in Performance Sport Boat Category. We held the number one market share position, based on unit volume, in the United States among manufacturers of performance sport boats for 2010, 2011, 2012 and 2013. We have grown our U.S. market share from 23.1% in 2008, the year prior to the arrival of our current Chief Executive Officer and Chief Financial Officer, to 32.8% in 2013. The following table reflects our U.S. market share in the performance sport boat category compared to the market share of our competitors for the periods shown:

	U.S. Market Share in Performance Sport Boat Category					
Manufacturer/Brand(s)	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Malibu Boats/Malibu and Axis	23.1%	23.4%	24.2%	28.7%	30.6%	32.8%
MasterCraft Boat Company, LLC/MasterCraft	23.8	24.7	23.4	24.3	21.9	20.0
Correct Craft, Inc./Nautique	15.2	13.9	16.0	14.8	14.7	15.8
Skier s Choice, Inc./Supra and Moomba	16.6	15.6	16.5	15.5	14.6	12.6
All others	21.3	22.4	19.9	16.7	18.2	18.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

In addition, our 33% market share of performance sport boat exports to international markets for the 12 months ended March 31, 2014 was the second highest among U.S. manufacturers.

Performance Sport Boat Category Taking Share. As the recovery in the general economy and overall powerboat industry has continued, the performance sport boat category in which we participate has experienced one of the highest growth rates. New unit sales of performance sport boats in the United States increased by 13% from 2011 to 2012, while new unit sales of all other powerboats in the United States increased 10% over the same period. This trend continued in 2013, as new unit sales of performance sport boats and all other powerboats in the United States

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increased by 11% and 2%, respectively, during the year ended December 31, 2013. We believe this is largely attributable to increased innovation in the features, designs and layouts of performance sport boats, which has improved the performance, functionality and versatility of these boats versus other recreational powerboats, particularly the larger category of sterndrive boats. We believe that we have been at the forefront of product innovation and will continue to appeal to a broader consumer base that values our boats not only for water sports, but also for general recreational boating and leisure activities. We believe that our market-leading position within our expanding category will create continued growth opportunities for us.

Poised to Take Advantage of the Performance Sport Boat Market Recovery. With our leading and growing market share in our category, we believe that we are well-positioned to take advantage of the ongoing recovery in the powerboat market. While the performance sport boat category grew 11% in 2013, new unit sales remained significantly below historical peaks. As illustrated in the chart below, the 6,100 new units sold in 2013, which is the most recent year for which information is available, were 48% below the average annual new unit sales volume of 11,714 observed between 2001 and 2007 and 53% below the 13,100 new units sold in 2006. While there is no guarantee that the market will continue to grow or return to historical sales levels, we believe we are in the early stages of a recovery that presents significant opportunity for growth.

Even if the performance sport boat market does not reach previous peak levels, we believe that our #1 market share position in a category that is growing faster than the overall powerboat industry, our investments in the Company during and subsequent to the economic downturn, and our innovative product offering should drive superior performance.

Industry-leading Product Design and Innovation. We believe that our innovation in the design of new boat models and new features has been a key to our success, helping us increase our market share within our category and generally broaden the appeal of our products among recreational boaters. As a result of the features we have introduced, we believe that our boats are used for an increasingly wide range of activities and are increasingly easier to use, while maintaining the high

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performance characteristics that consumers expect. Additionally, by introducing new boat models in a range of price points, sizes, bow and hull designs, and optional performance features, we have enhanced consumers ability to select a boat suited to their individual preferences. Our commitment to, and consistency in, developing new boat models and introducing new features are reflected in several notable achievements, including:

- release of our patented Surf Gate technology in 2012, which allows users to surf on either side of the boat s wake, generates a better quality surf wave and was the Watersports Industry Association s Innovation of the Year in 2013;

- launch of the Axis brand of boats in 2009, designed from the ground up to be an entry-level product, which has already captured a 6.4% share of the U.S. market in our category as of December 31, 2013;

- introduction of the patented Power Wedge in 2006, which gives boaters the ability to customize the size and shape of the boat s wake with the push of a button; and

- a strong new product lineup for model year 2015 that includes the redesign of the Malibu Wakesetter VLX and the Axis A22. In addition, on our model year 2015 Malibu products, we will offer an enhanced touchscreen dash, an improved Power Wedge and an optional, all machined aluminum G4 tower.

Strong Dealer Network. We have worked diligently with our dealers to develop the strongest distribution network in the performance sport boat category. We believe that our distribution network of 142 North American dealer locations and 52 international dealer locations allows us to distribute our products more broadly and effectively than our competitors. For fiscal year 2013, our dealers held the #1 market share position for the performance sport boat category in 75 of 133 U.S. markets. We have nominal dealer concentration, with our largest dealer responsible for less than 6.0% of our unit volume for fiscal year 2013 and the nine months ended March 31, 2014 and our top ten dealers representing 36.1% and 32.6% of our unit volume for fiscal year 2013 and the nine months ended March 31, 2014, respectively. We continually review our geographic coverage to identify opportunities for expansion and improvement, and have added 35 new North American dealer locations in the past five years to address previously underserved markets. In addition, we have strengthened our dealer network by replacing 37 dealer locations in the past five years, 19 of which were converted from selling one of our competitor s products.

Highly Recognized Brands. We believe our Malibu and Axis brands are widely recognized in the powerboat industry, which helps us reach a growing number of target consumers. For over 30 years, our Malibu brand has generated a loyal following of recreational boaters and water sports enthusiasts who value the brand s premium performance and features. Our Axis brand has grown rapidly as consumers have been drawn to its more affordable price point and available optional features. We believe that the appeal of our high performance and innovative products with athletes and enthusiasts contributes to our brand awareness with dealers and with consumers. We are able to build on this brand recognition and support through a series of marketing initiatives coordinated with our dealers or executed directly by us. Many of our marketing efforts are conducted on a grass-roots level domestically and internationally. Key grass-roots initiatives include: production and distribution of water sports videos; online and social marketing; on-the-water events; athlete, tournament and water sport facility sponsorships; and participation and product placement at important industry events. Additionally, our boats, their innovative features, our sponsored athletes and our dealers all frequently win industry awards, which we believe further boosts our brand recognition and reputation for excellence. We believe our marketing strategies and accomplishments enhance our profile in the industry, strengthen our credibility with consumers and dealers and increase the appeal of our brands.

Compelling Margins and Cash Flow. Our adjusted EBITDA margin was 19.0% and 19.6% for fiscal year 2013 and the nine months ended March 31, 2014, respectively. For the definition of adjusted EBITDA margin and a reconciliation to net income, see GAAP Reconciliation of Non-GAAP Financial Measures. In recent years, we have implemented a number of initiatives to reduce our cost base and improve the efficiency of our manufacturing process. Re-engineering the manufacturing process in our Tennessee facility has reduced labor hours per boat produced, and close collaboration between our product development and manufacturing teams has improved production throughput and product quality. Further, vertical integration of tower and tower accessory production has allowed us to increase incremental margin per boat sold. As a result of these and other initiatives, adjusted EBITDA for fiscal year 2013 grew 59.9% on net sales growth of 18.5% as compared to fiscal year 2012 and for the nine months ended March 31, 2014 grew 26.9% on net sales growth of 16.5% as compared to nine months ended March 31, 2013. Our low capital expenditure requirements and a highly efficient working capital cycle allowed us to generate significant excess cash flow in fiscal years 2012 and 2013 and the nine months ended March 31, 2014. We believe our strong cash flow increases our financial stability and provides us with more flexibility to invest in growth initiatives.

Highly Experienced Management Team. Our experienced management team has demonstrated its ability to identify, create and integrate new product innovations, improve financial performance, optimize operations, enhance our distribution model and recruit top industry talent. Our Chief Executive Officer, Jack Springer, joined Malibu Boats in 2009 and has assembled an executive team with strong, complementary talents and experience. This team has led a workforce that we believe has produced superior results, including market share gains, sales growth and profitability improvement in each year since 2009.

Our Strategy

We intend to capitalize on the ongoing recovery in the powerboat market through the following strategies:

Continue to Develop New and Innovative Products in Our Core Markets. We intend to continue developing and introducing new and innovative products both new boat models to better address a broader range of consumers and new features to deliver better performance, functionality, convenience, comfort and safety to our consumers. We believe that new products and features are important to the growth of our market share, the continued expansion of our category and our ability to maintain attractive margins.

Our product development strategy consists of a two-pronged approach. First, we seek to introduce new boat models to target unaddressed or underserved segments of the performance sport boat category, while also updating and refreshing our existing boat models regularly. For example, we introduced Axis-branded boats starting in 2009 to address the entry-level segment of our category, and we launched the Malibu Wakesetter MXZ product line in 2012 to enter the premium picklefork bow design segment of our market. Second, we seek to develop and integrate innovative new features into our boats, such as Surf Gate, Malibu Touch Command and Power Wedge. For the 2014 model year, which began on July 1, 2013, we redesigned the Wakesetter 23LSV model and expanded our product offerings, including the introduction of two new models under the Axis brand, doubling the number of models offered under the Axis brand. In addition, Surf Gate was added as an available feature on our Axis boats. We intend to continue

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releasing new products and features multiple times during the year, which we believe enhances our reputation as a leading-edge boat manufacturer and provides us with a competitive advantage.

Capture Additional Share from Adjacent Boating Categories. Our culture of innovation has enabled us to expand the market for our products by attracting consumers from other categories, most notably from the sterndrive category. As illustrated by the chart below, the new unit sales volume of performance sport boats steadily increased from 2001 through 2013 as a percentage of the total new unit sales volume of performance sports boats and sterndrive boats. While there is no guarantee that this trend will continue in the future, we believe our market-leading position and broad offering of boat models and features will continue to attract consumers to our performance sport boats.

U.S. Performance Sport Boats Percentage of Total New Unit Sales Volume for Performance Sport Boats and Sterndrive Boats

We intend to continue to enhance the performance, comfort and versatility of our products in order to further target crossover consumers seeking high-performance powerboats for general recreational activity. For example, we believe that one of our newest boat models, the Wakesetter 24 MXZ, appeals to a broader range of recreational boaters by offering the performance benefits of our products, including superior drivability and water sports versatility, while also providing greater seating capacity, a roomy, plush interior and extensive storage space to allow an increased number of family and friends to spend time together on the water.

Further Strengthen Our Dealer Network. Our goal is to achieve and maintain leading market share in each of the markets in which we operate. We continually assess our distribution network and take the actions necessary to achieve our goal. We intend to strengthen our current footprint by selectively recruiting market-leading dealers who currently sell our competitors products. In addition, we plan to continue expanding our dealer network in certain geographic areas to increase consumer access and service in markets where it makes strategic sense. In the past five years, we have added 35 new dealer locations in the United States and Canada to provide incremental geographic coverage. We believe our targeted initiatives to enhance and grow our dealer network will increase unit sales in the future.

Accelerate International Expansion. Based on our U.S. leadership position, brand recognition, diverse, innovative product offering and distribution strengths, we believe that we are well-positioned to increase our international sales. Our 33% market share of performance sport boat

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exports to international markets for the 12 months ended March 31, 2014 was the second highest among U.S. manufacturers. Our unit sales outside of North America, however, represented less than 5.0% of our total sales volume in fiscal year 2013. We believe we will increase our international sales both by promoting our products in developed markets where we have a well-established dealer base, such as Western Europe, and by penetrating new and emerging markets where we expect rising consumer incomes to increase demand for recreational products, such as Asia and South America, although there is no guarantee that our efforts will be successful or that international sales will increase.

Our Market Opportunity

During 2013, retail sales of new powerboats in the United States totaled $6.5 billion. Of the powerboat categories defined and tracked by the NMMA, our core market corresponds most directly to the inboard ski/wakeboard category, which we refer to as the performance sport boat category. We believe our addressable market also includes similar and adjacent powerboat categories identified by the NMMA, including sterndrive boats, outboard boats and jet boats. For 2013, retail sales of new performance sport boats, sterndrive boats, outboard boats and jet boats in the United States were $470 million, $895 million, $3.0 billion and $113 million, respectively. As a result, we believe the total addressable market for our products in the United States alone is over $4 billion.

We believe we are well-positioned to benefit from several trends underway in our addressable market, including:

- improving macroeconomic environment driving increased consumer demand for boats;
- improved dealer inventory positions; and
- increasing ages of used boats driving new boat sales.

For more information, see Business Our Market Opportunity.

Recent Developments

On February 5, 2014, we completed our initial public offering of 8,214,285 shares of Class A Common Stock at a price to the public of $14.00 per share, raising net proceeds of $99.5 million after underwriting discounts and commissions but before expenses. Of the shares of Class A Common Stock sold to the public, 7,642,996 shares were issued and sold by us and 571,289 shares were sold by selling stockholders. This included 899,252 shares issued and sold by us and 172,175 shares sold by selling stockholders pursuant to the over-allotment option granted to the underwriters, which was exercised prior to the completion of the IPO.

We used $69.8 million of the net proceeds from the IPO to purchase newly issued units of Malibu Boats Holdings, LLC, or LLC Units, from Malibu Boats Holdings, LLC, or the LLC, and caused the LLC to use these proceeds (i) to pay down all of the amounts owed under the LLC s credit facilities and term loans in an amount equal to $63.4 million, (ii) to pay Malibu Boats Investor, LLC, an affiliate of the LLC, a fee of $3.8 million upon the consummation of the IPO in connection with the termination of the LLC s management agreement, and (iii) for general corporate purposes with the remaining approximately $2.7 million. We used all of the remaining net proceeds from the initial public offering, or $29.8 million, to purchase LLC Units from the pre-

IPO owners of the LLC at a purchase price equal to the initial public offering price per share of Class A Common Stock in the IPO, after deducting underwriting discounts and commissions.

On June 2, 2014, we entered into a letter of intent to acquire all of the equity interests of our licensee in Australia. The Australian license business is operated by Malibu Boats Pty Ltd. and includes distribution rights in the Australia and New Zealand markets as well as a manufacturing facility in Albury, Australia. For the twelve months ended June 30, 2014, Malibu Boats Pty Ltd. sold approximately 300 units. The proposed acquisition is expected to close in the first half of fiscal year 2015 subject to negotiation and execution of definitive documentation. The letter of intent is not binding on either party and the proposed acquisition is subject to completion of our due diligence review and the successful negotiation and execution of definitive agreements for the proposed acquisition. There is no assurance we will be able to enter into definitive agreements or consummate the transactions on the terms described herein, if at all.

We believe that unit volume will be approximately 799 units for the three months ended June 30, 2014, net sales will be between approximately \$52.5 million and \$53.0 million for the three months ended June 30, 2014 and gross profit will be between approximately \$14.0 million and \$14.5 million for the three months ended June 30, 2014.

The estimates above are preliminary and may change. We have provided a range for certain preliminary results described above primarily because our financial closing procedures for the quarter ended June 30, 2014 are not yet complete. There can be no assurance that our final results for this period will not differ from these estimates, including as a result of year-end closing and audit procedures or review adjustments and any such changes could be material. In addition, these preliminary results of operations for the quarter ended June 30, 2014, are not necessarily indicative of the results to be achieved for any future period. McGladrey LLP has not audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, McGladrey LLP does not express an opinion or any other form of assurance with respect thereto.

As a result of the foregoing considerations, investors are cautioned not to place undue reliance on this preliminary financial information. There are material limitations with making estimates of our results prior to the completion of our and our auditors normal audit procedures for such periods. See Special Note Regarding Forward-looking Statements, Management s Discussion and Analysis of Financial Condition and Results of Operations, Summary Historical Consolidated Financial Data, Selected Consolidated Financial Data and our consolidated financial statements and the related notes thereto included elsewhere in this prospectus.

Our Structure

Malibu Boats, Inc. is a Delaware corporation and is a holding company that owns only an interest in the LLC. Malibu Boats, Inc. is the sole managing member of the LLC, operates and controls all of the LLC s business and affairs and consolidates the financial results of the LLC and its subsidiaries. The LLC has a single class of LLC Units and the limited liability company agreement of the LLC provides that the conduct, control and management of the LLC is vested exclusively in Malibu Boats, Inc., as sole managing member. The other members of the LLC do not have the right to remove the sole managing member for any reason.

In connection with our IPO, we and the pre-IPO owners of the LLC entered into an exchange agreement under which (subject to the terms of the exchange agreement) each pre-IPO owner of the LLC (and certain permitted transferees thereof) generally has a right to exchange its LLC Units for

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shares of our Class A Common Stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications or, at our option, except in the event of a change in control, for a cash payment equal to the market value of the Class A Common Stock. For more information, see Certain Relationships and Related Party Transactions Exchange Agreement.

Holders of our Class A Common Stock and our Class B Common Stock have voting power over Malibu Boats, Inc., the sole managing member of the LLC, at a level that is consistent with their overall equity ownership of our business. One share of Class B Common Stock is issued to each holder of LLC Units for nominal consideration. Each share of Class B Common Stock provides its owner with no economic rights but entitles the holder to one vote on matters presented to stockholders of Malibu Boats, Inc. for each LLC Unit held by such holder, as described in Description of Capital Stock Common Stock Voting Rights. Holders of our Class A Common Stock and Class B Common Stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law.

As of June 30, 2014, after giving effect to this offering:

- 14,897,842 shares of Class A Common Stock will be outstanding, representing 66.4% of the combined voting interest in us (or 15,436,094 shares, representing 68.8% of the combined voting interest in us, if the underwriters exercise in full their option to purchase additional shares of Class A Common Stock from us and the selling stockholders);

- 43 shares of Class B Common Stock will be outstanding, representing 33.6% of the combined voting interest in us (or 31.2% of the combined voting interest in us, if the underwriters exercise in full their option to purchase additional shares of Class A Common Stock from us and the selling stockholders);

- 14,897,842 LLC Units will be held by Malibu Boats, Inc., representing 66.4% of the economic interest in the LLC (or 15,436,094 LLC Units, representing 68.8% of the economic interest in the LLC, if the underwriters exercise in full their option to purchase additional shares of Class A Common Stock from us and the selling stockholders); and

- 7,540,096 LLC Units will be held by members of the LLC other than Malibu Boats, Inc., representing 33.6% of the economic interest in the LLC (or 7,001,844 LLC Units, representing 31.2% of the economic interest in the LLC, if the underwriters exercise in full their option to purchase additional shares of Class A Common Stock from us and the selling stockholders).

In connection with our IPO, we entered into a voting agreement with certain affiliates. Under the voting agreement, Black Canyon Management LLC is entitled to nominate to our board of directors a number of designees equal to (1) 20% of the total number of directors comprising our board of directors at such time as long as Black Canyon Management LLC and its affiliates and Jack D. Springer, Wayne R. Wilson and Ritchie L. Anderson, our Chief Executive Officer, Chief Financial Officer and Chief Operating Officer, respectively, together beneficially own 15% or more of the voting power of the shares of Class A Common Stock and Class B Common Stock entitled to vote generally in the election of directors, voting together as a single class, and (2) 10% of the total number of directors comprising the board of directors at such time as long as Black Canyon Management LLC and its affiliates and Messrs. Springer, Wilson and Anderson together beneficially own more than 5% but less than 15% of the voting power of the shares of Class A Common Stock and Class B Common Stock entitled to vote generally in the election of directors, voting together as a single class. For purposes of calculating the number of directors that Black Canyon Management LLC is entitled to nominate pursuant to this formula, any fractional amounts

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will be rounded up to the nearest whole number and the calculation will be made on a pro forma basis, taking into account any increase in the size of the board of directors (e.g., one and one-third ($1\,^{1}/_{3}$) directors equates to two directors). In addition, Black Canyon Management LLC has the right to remove and replace its director-designees at any time and for any reason and to nominate any individual(s) to fill any such vacancies. Messrs. Springer, Wilson and Anderson are required to vote any of their LLC Units in favor of the director or directors nominated by Black Canyon Management LLC. After this offering, Black Canyon Management LLC and its affiliates and Messrs. Springer, Wilson and Anderson together will beneficially own 23.9% of the voting power of the shares of Class A Common Stock and Class B Common Stock.

The limited liability company agreement of the LLC provides that it may be amended, supplemented, waived or modified by the written consent of Malibu Boats, Inc., as managing member of the LLC, in its sole discretion without the approval of any other holder of LLC Units, except that no amendment may materially and adversely affect the rights of a holder of LLC Units, other than on a pro rata basis with other holders of LLC Units, without the consent of such holder (unless more than one holder is so affected, then the consent for a majority of such affected holders is required). In addition, pursuant to the limited liability company agreement of the LLC, Malibu Boats, Inc. has the right to require all members to exchange their LLC Units for Class A Common Stock in accordance with the terms of the exchange agreement, subject to the consent of Black Canyon Management LLC and the holders of a majority of outstanding LLC Units other than those held by Malibu Boats, Inc.

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The diagram below depicts our current organizational structure. The percentages give effect to this offering and the purchase by us of LLC Units and assume all the shares offered hereby are sold, excluding the over-allotment:

In connection with our initial public offering, Malibu Boats, Inc. entered into a tax receivable agreement with the pre-IPO owners of the LLC that provides for the payment from time to time by Malibu Boats, Inc. to the pre-IPO owners (or their permitted assignees) of 85% of the amount of the benefits, if any, that Malibu Boats, Inc. is deemed to realize as a result of (1) increases in tax basis resulting from the purchases or exchanges of LLC Units and (2) certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. The actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including the timing of the purchases or exchanges, the price of shares of our Class A Common Stock at the time of the purchase or exchange, the extent to which such purchases or exchanges are taxable, and the amount and timing of our income. For more information, see Certain Relationships and Related Party Transactions Tax Receivable Agreement.

Emerging Growth Company Status

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act, or the JOBS Act. We have taken, and for as long as we are an emerging growth company, we may continue to 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.

Under the JOBS Act, we will remain an emerging growth company until the earliest of:

- the last day of the fiscal year during which we have total annual gross revenue of $1 billion or more;
- the last day of the fiscal year following the fifth anniversary of the closing of the IPO;
- the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt; and
- the date on which we are deemed to be a large accelerated filer under the Exchange Act (we will qualify as a large accelerated filer as of the first day of the first fiscal year after we have (1) more than $700 million in outstanding common equity held by our non-affiliates and (2) been public for at least 12 months; the value of our outstanding common equity will be measured each year on the last day of our second fiscal quarter).

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 of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. Pursuant to Section 107 of the JOBS Act, we opted 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.

Summary of Risk Factors

Our business is subject to risks, as discussed more fully in the section entitled Risk Factors beginning on page 22. You should carefully consider all of the risks discussed in the Risk Factors section before investing in our Class A Common Stock. In particular, the following factors may have an adverse effect on our business, which could cause a decrease in the price of our Class A Common Stock and result in a loss of all or a portion of your investment:

- general economic conditions, particularly in the United States, affect our industry, demand for our products, and our business and results of operations;
- our annual and quarterly financial results are subject to significant fluctuations depending on various factors, many of which are beyond our control;
- we depend on our network of independent dealers, face increasing competition for dealers and have little control over their activities;
- our success depends, in part, upon the financial health of our dealers and their continued access to financing;

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- we may be required to repurchase inventory of certain dealers;
- if we fail to manage our manufacturing levels while still addressing the seasonal retail pattern for our products, our business and margins may suffer;
- we have a large fixed cost base that will affect our profitability if our sales decrease;
- our industry is characterized by intense competition, which affects our sales and profits;
- our sales may be adversely impacted by increased consumer preference for used boats or the supply of new boats by competitors in excess of demand; and
- our sales and profitability depend, in part, on the successful introduction of new products.

Corporate and Other Information

Malibu Boats, Inc. was formed as a Delaware corporation on November 1, 2013. Our principal executive offices are located at 5075 Kimberly Way, Loudon, Tennessee 37774. Our telephone number is (865) 458-5478. Our website address is www.malibuboats.com. The reference to our website is an inactive textual reference only, and the information that can be accessed through our website is not part of this prospectus, and investors should not rely on any such information in deciding whether to purchase our Class A Common Stock.

This prospectus includes our trademarks, such as Surf Gate and Wakesetter, which are protected under applicable intellectual property laws and are the property of Malibu Boats. This prospectus also contains trademarks, service marks, trade names and copyrights of other companies, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and trade names.

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THE OFFERING

Class A Common Stock offered by us	3,833,641 shares.
Class A Common Stock offered by selling stockholders	966,359 shares.
Overallotment option offered by us and selling stockholders	720,000 shares (538,252 additional shares of Class A Common Stock from us and 181,748 additional shares of Class A Common Stock from the selling stockholders).
Class A Common Stock to be outstanding after the offering	14,897,842 shares (or 22,437,938 shares if all outstanding LLC Units held by our LLC members were exchanged for newly-issued shares of Class A Common Stock on a one-for-one basis).
Class B Common Stock outstanding after the offering	43 shares, or one share for every holder of LLC Units.
Use of proceeds	We estimate that the net proceeds to us from this offering, after deducting underwriting discounts and commissions, will be approximately $67.4 million (or $76.8 million if the underwriters exercise in full their option to purchase additional shares of Class A Common Stock). We estimate that the total expenses of the offering payable by us, excluding the underwriting discount, will be approximately $0.7 million.
	Malibu Boats, Inc. intends to use all of the net proceeds from this offering to purchase LLC Units from the LLC members at a purchase price per unit equal to the public offering price per share of Class A Common Stock in this offering, after deducting underwriting discounts and commissions.
	We will not receive any of the proceeds from the sale of shares of Class A Common Stock offered by the selling stockholders.
Voting rights	Holders of our Class A Common Stock and our Class B Common Stock have voting power over Malibu Boats, Inc., the sole managing member of the LLC, at a level that is consistent with their overall equity ownership of our business. Each share of our Class A Common Stock entitles its holder to one vote on all matters to be voted on by stockholders generally.
	Each LLC member holds one share of Class B Common Stock. The shares of Class B Common Stock have no

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	economic rights but entitle the holder to a number of votes on matters presented to stockholders of Malibu Boats, Inc. that is equal to the aggregate number of LLC Units held by such holder. See Description of Capital Stock Common Stock Voting Rights.
	Holders of our Class A Common Stock and Class B Common Stock vote together as a single class on all matters presented to our stockholders for their vote or approval, except as otherwise required by applicable law.
	We have entered into a voting agreement with certain affiliates. Under the voting agreement, Black Canyon Management LLC is entitled to nominate to our board of directors up to 20% of the total number of directors comprising our board of directors. See Certain Relationships and Related Party Transactions Voting Agreement.
Exchange rights of holders of LLC Units	Prior to the closing of our initial public offering, we entered into an exchange agreement with the pre-IPO owners of the LLC so that they generally have a right (subject to the terms of the exchange agreement) to exchange their LLC Units for shares of our Class A Common Stock on a one-for-one basis, subject to customary conversion rate adjustments for stock splits, stock dividends and reclassifications, or, at our option, except in the event of a change in control, for a cash payment equal to the market value of the Class A Common Stock.
Risk factors	Investing in our Class A Common Stock involves a high degree of risk. Before buying any shares, you should read the discussion of material risks of investing in our Class A Common Stock in Risk Factors beginning on page 22.
Nasdaq symbol	MBUU

In this prospectus, unless otherwise indicated, the number of shares of Class A Common Stock outstanding and the other information based thereon does not reflect:

- 538,252 shares of Class A Common Stock issuable upon exercise of the underwriters option to purchase additional shares of Class A Common Stock from us;
- 11,373,737 shares of Class A Common Stock issuable upon exchange of 11,373,737 LLC Units as of June 30, 2014; and
- 1,700,000 shares of Class A Common Stock available for future grant or subject to outstanding awards under our Long-Term Incentive Plan, or the Incentive Plan.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The summary historical consolidated financial data and other data of the LLC and Malibu Boats, Inc., as the case may be, below should be read together with History and Formation Transactions Organizational Structure, Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes, all included elsewhere in this prospectus.

We have derived the consolidated statement of income data for the fiscal years ended June 30, 2011, 2012 and 2013 and our consolidated balance sheet data as of June 30, 2011, 2012 and 2013 from our audited consolidated financial statements and related notes included elsewhere in this prospectus for the LLC. We have derived the condensed consolidated statement of income data for the nine months ended March 31, 2013 for the LLC and March 31, 2014 for us and our condensed consolidated balance sheet data as of March 31, 2014 from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. Data from the consolidated statement of income and balance sheet for the fiscal years ended June 30, 2011, 2012, and 2013 and as of and for the nine months ended March 31, 2013 reflects information as presented by the LLC for the period prior to the Recapitalization and IPO on February 5, 2014, while data as of and for the nine months ended March 31, 2014, reflects information as presented by us for the period after the Recapitalization and IPO on February 5, 2014. Certain of the measures set forth below are not measures recognized under generally accepted accounting principles in the United States, or GAAP. For a discussion of management s reasons for presenting such data and a reconciliation to comparable financial measures calculated in accordance with GAAP, see GAAP Reconciliation of Non-GAAP Financial Measures. Our historical results are not necessarily indicative of the results that may be expected in the future.

	Fiscal Year Ended June 30,			Nine Months Ended March 31,	
	2011	2012	2013	2013	2014
	(Dollars in thousands)				
Consolidated statement of income data (1):					
Net sales	$ 99,984	$ 140,892	$ 167,012	$ 118,039	$ 137,535
Cost of sales	83,730	110,849	123,412	88,376	101,417
Gross profit	16,254	30,043	43,600	29,663	36,118
Operating expenses:					
Selling and marketing	3,621	4,071	4,937	3,794	4,454
General and administrative	6,194	8,307	14,177	11,302	15,322
Amortization	5,178	5,178	5,178	3,883	3,883
Operating income	1,261	12,487	19,308	10,684	12,459
Other expense, net	(1,804)	(1,381)	(1,324)	(1,077)	(2,971)
Net (loss) income before provision for income taxes	(543)	11,106	17,984	9,607	9,488
Provision for income taxes					76
Net (loss) income	(543)	11,106	17,984	9,607	9,412
Net (loss) income attributable to non-controlling interest	(543)	11,106	17,984	9,607	9,782
Net loss attributable to Malibu Boats, Inc.	$	$	$	$	$ (370)

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	Fiscal Year Ended June 30, 2011	2012	2013	Nine Months Ended March 31, 2013	2014
	(Dollars in thousands)				
Weighted average shares outstanding used in computing net loss per share:					
Basic					11,054,830
Diluted					22,028,476
Net loss available to Class A Common Stock per share (2):					
Basic					$ (0.03)
Diluted					$ (0.04)
Consolidated balance sheet data:					
Total assets	$ 60,033	$ 64,725	$ 65,927	$ 64,267	$ 80,625
Total liabilities	45,566	39,280	45,913	50,244	40,487
Total members /stockholders equity	14,467	25,445	20,014	14,023	40,138
Additional financial and other data:					
Unit volume	1,860	2,482	2,672	1,917	2,111
Gross margin	16.3%	21.3%	26.1%	25.1%	26.3%
Adjusted EBITDA (3)	$ 7,918	$ 19,863	$ 31,758	$ 21,220	$ 26,928
Adjusted EBITDA margin (3)	7.9%	14.1%	19.0%	18.0%	19.6%
Adjusted Fully Distributed Net (Loss) Income per share of Class A Common Stock (4):					
Basic	$ 0.00	$ 0.34	$ 0.67	$ 0.42	$ 0.53
Diluted	0.00	0.34	0.67	0.42	0.53

(1) For the period after the IPO on February 5, 2014, the non-controlling interest represents the portion of earnings or loss attributable to the economic interest held by the non-controlling LLC Unit holders, which was 50.7% as of March 31, 2014. Since all of the earnings prior to and up to February 5, 2014 were entirely allocable to the LLC unit holders, we updated our historical presentation to attribute these earnings to the non-controlling interest accordingly.

(2) As noted above, all earnings prior and up to February 5, 2014, the date of completion of the IPO, were entirely allocable to the non-controlling interest. As a result, earnings per share information attributable to these historical periods is not comparable to earnings per share information attributable to the Company after the IPO and, as such, has been omitted.

(3) Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures. For definitions of adjusted EBITDA and adjusted EBITDA margin and a reconciliation of each to net income, see GAAP Reconciliation of Non-GAAP Financial Measures.

(4) Adjusted Fully Distributed Net (Loss) Income per share of Class A Common Stock is a non-GAAP financial measure. For the definition of Adjusted Fully Distributed Net (Loss) Income per share of Class A Common Stock and a reconciliation to net income, see GAAP Reconciliation of Non-GAAP Financial Measures.

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.

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We define adjusted EBITDA as earnings before interest expense, income taxes, depreciation, amortization and non-cash, non-recurring and non-operating expenses, including severance and relocation, management fees and expenses, certain professional fees and non-cash compensation expense. We define adjusted EBITDA margin as adjusted EBITDA divided by net sales. Adjusted EBITDA and adjusted EBITDA margin are not measures of net (loss) 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 and non-operating expenses. We exclude the items listed above from net (loss) 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 (loss) 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 (loss) income as determined in accordance with GAAP to adjusted EBITDA and adjusted EBITDA margin for the periods indicated:

	Fiscal Year Ended June 30,			Nine Months Ended March 31,	
	2011	2012	2013	2013	2014
	(Dollars in thousands)				
Consolidated statement of income data:					
Net (loss) income	$ (543)	$ 11,106	$ 17,984	$ 9,607	$ 9,412
Provision for income taxes					76
Interest expense	1,815	1,433	1,334	1,085	2,980
Depreciation and amortization	6,000	6,072	6,268	4,720	5,010
Severance and relocation (1)	112	181	192	192	
Management fees and expenses (2)	27	87	2,896	2,860	4,584
Professional fees (3)	389	852	2,957	2,661	1,503
Stock based compensation expense (4)	118	132	127	95	2,141
Strategic and financial restructuring expenses (5)					1,222
Adjusted EBITDA	$ 7,918	$ 19,863	$ 31,758	$ 21,220	$ 26,928
Adjusted EBITDA margin	7.9%	14.1%	19.0%	18.0%	19.6%

(1) Represents one-time employment related expenses, including a severance payment to a former executive, and costs to relocate certain departments from California to our Tennessee facility.

(2) Represents management fees and out-of-pocket expenses paid pursuant to our management agreement with Malibu Boats Investor, LLC, an affiliate, which was terminated upon the closing of the IPO. Upon termination of the agreement, we paid a one time termination fee of $3.8 million. For more information about the management fees, see Certain Relationships and Related Party Transactions Management Agreement.

(3) Represents legal and advisory fees related to our refinancing activities and legal expenses related to our litigation with Pacific Coast Marine Windshields Ltd. and Nautique Boat Company, Inc. For more information about this litigation, see Business Legal Proceedings.

(4) Represents equity-based incentives awarded to certain of our employees including a $1.8 million stock compensation charge as a result of the modification of certain profits interest awards previously granted in 2012 under the first amended and restated limited liability company agreement of the LLC, as amended, in connection with our IPO.

(5) Represents legal, accounting and other expenses directly related to the Recapitalization and IPO.

Adjusted Fully Distributed Net Income

We define Adjusted Fully Distributed Net Income as net (loss) income attributable to Malibu Boats, Inc. (i) excluding income tax expense, (ii) excluding the effect of non-recurring and non-cash items, (iii) assuming the exchange of all LLC Units into shares of Class A Common Stock, which results in the elimination of non-controlling interest in the LLC, and (iv) reflecting an adjustment for income tax expense on fully distributed net income before income taxes at our estimated effective income tax rate. Adjusted Fully Distributed Net Income is a non-GAAP financial measure because it represents net income attributable to Malibu Boats, Inc. before non-recurring or non-cash items and the effects of non-controlling interests in the LLC.

We use Adjusted Fully Distributed Net Income to facilitate a comparison of our operating performance on a consistent basis from period to period that, when viewed in combination with our results prepared in accordance with GAAP, provides a more complete understanding of factors and trends affecting our business than GAAP measures alone.

We believe Adjusted Fully Distributed Net Income assists our board of directors, management and investors in comparing our net income on a consistent basis from period to period because it removes non-cash (stock-based compensation) and non-recurring items (strategic and financial restructuring expenses), and eliminates the variability of non-controlling interest as a result of member owner exchanges of LLC Units into shares of Class A Common Stock.

In addition, because Adjusted Fully Distributed Net Income are susceptible to varying calculations, the Adjusted Fully Distributed Net Income measures, as presented in this prospectus, may differ from and may, therefore, not be comparable to similarly titled measures used by other companies.

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The following table sets forth a reconciliation of net loss attributable to stockholders of Malibu Boats, Inc. to Adjusted Fully Distributed Net Income for the periods indicated:

	Fiscal Year Ended June 30,			Nine Months Ended March 31,	
	2011	2012	2013	2013	2014
	(Dollars in thousands, except share data)				
Net loss income attributable to members and stockholders	$	$	$	$	$ (370)
Provision for income taxes					76
Stock based compensation expense	118	132	127	95	2,141
Management fees and expenses	27	87	2,896	2,860	4,584
Professional fees	389	852	2,957	2,661	1,503
Strategic and financial restructuring expenses					1,222
Net (loss) income attributable to non-controlling interest (1)	(543)	11,106	17,984	9,607	9,782
Fully distributed net (loss) income before income taxes	(9)	12,177	23,964	15,223	18,938
Income tax (benefit) expense on fully distributed (loss) income before income taxes (2)	(3)	4,579	9,010	5,728	7,126
Adjusted Fully Distributed Net (Loss) Income	$ (6)	$ 7,598	$ 14,954	$ 9,495	$ 11,812
Adjusted Fully Distributed Net (Loss) Income per share of Class A Common Stock (3):					
Basic	$ 0.00	$ 0.34	$ 0.67	$ 0.42	$ 0.53
Diluted	$ 0.00	$ 0.34	$ 0.67	$ 0.42	$ 0.53
Weighted Average shares of Class A Common Stock outstanding used in computing Adjusted Fully Distributed Net (Loss) Income (4):					
Basic	22,428,567	22,428,567	22,428,567	22,428,567	22,428,567
Diluted	22,428,567	22,428,567	22,428,567	22,428,567	22,428,567

(1) 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. (Loss) earnings prior and up to our IPO on February 5, 2014 were entirely allocable to members of the LLC, as such we updated our historical presentation to attribute these (losses) earnings to the non-controlling interest LLC unit holders.

(2) Reflects income tax expense at an estimated annual effective income tax rate of 37.6% of income before income taxes assuming the conversion of all LLC Units into shares of Class A Common Stock and the tax impact of excluding strategic and financial restructuring expenses. The estimated 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, and state taxes attributable to the LLC.

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(3) Represents adjusted fully distributed net (loss) income divided by the weighted average shares of Class A Common Stock outstanding in (4) below.

(4) Represents the total number of shares of Class A Common Stock outstanding as of March 31, 2014 including all 11,373,737 remaining LLC Units as if they were exchanged on a one-for-one basis for our Class A Common Stock. For periods prior to our Recapitalization, represents the number of shares of Class A Common Stock assuming all LLC Units outstanding at the end of such period were exchanged on a one-for-one basis for our Class A Common Stock and no other shares of Class A Common Stock were outstanding as of such date.

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RISK FACTORS

Investing in our Class A Common Stock involves a high degree of risk. You should carefully consider the following risk factors, as well as other information in this prospectus, before deciding whether to invest in shares of our Class A Common Stock. The occurrence of any of the events described below could harm our business, financial condition, results of operations and growth prospects. In such an event, the trading price of our Class A Common Stock may decline and you may lose all or part of your investment.

Risks Related to Our Business

General economic conditions, particularly in the United States, affect our industry, demand for our products, and our business and results of operations.

General economic conditions continue to be challenging as the economy recovers from the effects of the financial crisis that led to the last recession in the United States. Demand for new performance sport boats has been significantly influenced by weak economic conditions, low consumer confidence and high unemployment and increased market volatility worldwide, especially in the United States. In times of economic uncertainty and contraction, consumers tend to have less discretionary income and to defer or avoid expenditures for discretionary items, such as our products. Sales of our products are highly sensitive to personal discretionary spending levels, and our success depends on general economic conditions and overall consumer confidence and personal income levels. Any deterioration in general economic conditions that diminishes consumer confidence or discretionary income may reduce our sales and adversely affect our business, financial condition and results of operations. We cannot predict the duration or strength of an economic recovery, either in the United States or in the specific markets where we sell our products.

Consumers often finance purchases of our products. Although consumer credit markets have improved, consumer credit market conditions continue to influence demand, especially for boats, and may continue to do so. There continue to be fewer lenders, tighter underwriting and loan approval criteria and greater down payment requirements than in the past. If credit conditions worsen, and adversely affect the ability of consumers to finance potential purchases at acceptable terms and interest rates, it could result in a decrease in the sales of our products.

Our annual and quarterly financial results are subject to significant fluctuations depending on various factors, many of which are beyond our control.

Our sales and operating results can vary significantly from quarter to quarter and year to year depending on various factors, many of which are beyond our control. These factors include, but are not limited to:

- seasonal consumer demand for our products;
- discretionary spending habits;
- changes in pricing in, or the availability of supply in, the used powerboat market;
- variations in the timing and volume of our sales;
- the timing of our expenditures in anticipation of future sales;
- sales promotions by us and our competitors;

changes in competitive and economic conditions generally;

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- consumer preferences and competition for consumers leisure time;
- impact of unfavorable weather conditions;
- changes in the cost or availability of our labor; and
- increased fuel prices.

As a result, our results of operations may decline quickly and significantly in response to changes in order patterns or rapid decreases in demand for our products. We anticipate that fluctuations in operating results will continue in the future.

We depend on our network of independent dealers, face increasing competition for dealers and have little control over their activities.

Substantially all of our sales are derived from our network of independent dealers. We have agreements with the dealers in our network that typically provide for one-year terms, although some agreements have a term of up to three years. For fiscal year 2013 and nine months ended March 31, 2014, our top ten dealers accounted for 36.1% and 32.6%, respectively, of our total units sold. The loss of a significant number of these dealers could have a material adverse effect on our financial condition and results of operations. The number of dealers supporting our products and the quality of their marketing and servicing efforts are essential to our ability to generate sales. Competition for dealers among performance sport boat manufacturers continues to increase based on the quality, price, value and availability of the manufacturer s products, the manufacturer s attention to customer service and the marketing support that the manufacturer provides to the dealers. We face intense competition from other performance sport boat manufacturers in attracting and retaining dealers, and we cannot assure you that we will be able to attract or retain relationships with qualified and successful dealers. We cannot assure you that we will be able to maintain or improve our relationship with our dealers or our market share position. A substantial deterioration in the number of dealers or quality of our network of dealers would have a material adverse effect on our business, financial condition and results of operations.

Our success depends, in part, upon the financial health of our dealers and their continued access to financing.

Because we sell nearly all of our products through dealers, their financial health is critical to our success. Our business, financial condition and results of operations may be adversely affected if the financial health of the dealers that sell our products suffers. Their financial health may suffer for a variety of reasons, including a downturn in general economic conditions, rising interest rates, higher rents, increased labor costs and taxes, compliance with regulations and personal financial issues.

In addition, our dealers require adequate liquidity to finance their operations, including purchases of our products. Dealers are subject to numerous risks and uncertainties that could unfavorably affect their liquidity positions, including, among other things, continued access to adequate financing sources on a timely basis on reasonable terms. These sources of financing are vital to our ability to sell products through our distribution network. Access to floor plan financing generally facilitates our dealers ability to purchase boats from us, and their financed purchases reduce our working capital requirements. If floor plan financing were not available to our dealers, our sales and our working capital levels would be adversely affected. The availability and terms of financing offered by our dealers floor plan financing providers will continue to be influenced by:

- their ability to access certain capital markets and to fund their operations in a cost-effective manner;

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- the performance of their overall credit portfolios;
- their willingness to accept the risks associated with lending to dealers; and
- the overall creditworthiness of those dealers.

We may be required to repurchase inventory of certain dealers.

Many of our dealers have floor plan financing arrangements with third-party finance companies that enable the dealers to purchase our products. In connection with these agreements, we may have an obligation to repurchase our products from a finance company under certain circumstances, and we may not have any control over the timing or amount of any repurchase obligation nor have access to capital on terms acceptable to us to satisfy any repurchase obligation. This obligation is triggered if a dealer defaults on its debt obligations to a finance company, the finance company repossesses the boat and the boat is returned to us. Our obligation to repurchase a repossessed boat for the unpaid balance of our original invoice price for the boat is subject to reduction or limitation based on the age and condition of the boat at the time of repurchase, and in certain cases by an aggregate cap on repurchase obligations associated with a particular floor financing program. If we were obligated to repurchase a significant number of units under any repurchase agreement, our business, operating results and financial condition could be adversely affected.

If we fail to manage our manufacturing levels while still addressing the seasonal retail pattern for our products, our business and margins may suffer.

The seasonality of retail demand for our products, together with our goal of balancing production throughout the year, requires us to manage our manufacturing and allocate our products to our dealer network to address anticipated retail demand. Our dealers must manage seasonal changes in consumer demand and inventory. If our dealers reduce their inventories in response to weakness in retail demand, we could be required to reduce our production, resulting in lower rates of absorption of fixed costs in our manufacturing and, therefore, lower margins. As a result, we must balance the economies of level production with the seasonal retail sales pattern experienced by our dealers. Failure to adjust manufacturing levels adequately may have a material adverse effect on our financial condition and results of operations.

We have a large fixed cost base that will affect our profitability if our sales decrease.

The fixed cost levels of operating a powerboat manufacturer can put pressure on profit margins when sales and production decline. Our profitability depends, in part, on our ability to spread fixed costs over a sufficiently large number of products sold and shipped, and if we make a decision to reduce our rate of production, gross or net margins could be negatively affected. Consequently, decreased demand or the need to reduce production can lower our ability to absorb fixed costs and materially impact our financial condition or results of operations.

Our industry is characterized by intense competition, which affects our sales and profits.

The performance sport boat category, and the powerboat industry as a whole, is highly competitive for consumers and dealers. We also compete against consumer demand for used boats. Competition affects our ability to succeed in both the markets we currently serve and new markets that we may enter in the future. Competition is based primarily on brand name, price, product selection and product performance. We compete with several large manufacturers that may have greater financial, marketing and other resources than we do and who are represented by dealers in

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the markets in which we now operate and into which we plan to expand. We also compete with a variety of small, independent manufacturers. We cannot assure you that we will not face greater competition from existing large or small manufacturers or that we will be able to compete successfully with new competitors. Our failure to compete effectively with our current and future competitors would adversely affect our business, financial condition and results of operations.

Our sales may be adversely impacted by increased consumer preference for used boats or the supply of new boats by competitors in excess of demand.

During the economic downturn, we observed a shift in consumer demand toward purchasing more used boats, primarily because prices for used boats are typically lower than retail prices for new boats. If this were to continue or occur again, it could have the effect of reducing demand among retail purchasers for our new boats. Also, while we have taken steps designed to balance production volumes for our boats with demand, our competitors could choose to reduce the price of their products, which could have the effect of reducing demand for our new boats. Reduced demand for new boats could lead to reduced sales by us, which could adversely affect our business, results of operations or financial condition.

Our sales and profitability depend, in part, on the successful introduction of new products.

Market acceptance of our products depends on our technological innovation and our ability to implement technology in our boats. Our sales and profitability may be adversely affected by difficulties or delays in product development, such as an inability to develop viable or innovative new products. Our failure to introduce new technologies and product offerings that our markets desire could adversely affect our business, financial condition and results of operations. Also, we have been able to achieve higher margins in part as a result of the introduction of new features or enhancements to our existing boat models. If we fail to introduce new features or those we introduce fail to gain market acceptance, our margins may suffer.

In addition, some of our direct competitors and indirect competitors may have significantly more resources to develop and patent new technologies. It is possible that our competitors will develop and patent equivalent or superior technologies and other products that compete with ours. They may assert these patents against us and we may be required to license these patents on unfavorable terms or cease using the technology covered by these patents, either of which would harm our competitive position and may materially adversely affect our business.

We also cannot be certain that our products or technologies have not infringed or will not infringe the proprietary rights of others. Any such infringement could cause third parties, including our competitors, to bring claims against us, resulting in significant costs and potential damages.

We compete with a variety of other activities for consumers scarce leisure time.

Our boats are used for recreational and sport purposes, and demand for our boats may be adversely affected by competition from other activities that occupy consumers leisure time and by changes in consumer life style, usage pattern or taste. Similarly, an overall decrease in consumer leisure time may reduce consumers willingness to purchase and enjoy our products.

Our success depends upon the continued strength of our brands and the value of our brands and sales of our products could be diminished if we, the athletes who use our products or the sports and activities in which our products are used, are associated with negative publicity.

We believe that our brands are significant contributors to the success of our business and that maintaining and enhancing our brands are important to expanding our consumer and dealer base.

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Failure to continue to protect our brands may adversely affect our business, financial condition and results of operations.

Negative publicity, including that resulting from severe injuries or death occurring in the sports and activities in which our products are used, could negatively affect our reputation and result in restrictions, recalls or bans on the use of our products. Further, actions taken by athletes associated with our products that harm the reputations of those athletes could also harm our brand image and adversely affect our financial condition. If the popularity of the sports and activities for which we design, manufacture and sell products were to decrease as a result of these risks or any negative publicity, sales of our products could decrease, which could have an adverse effect on our net revenue, profitability and operating results. In addition, if we become exposed to additional claims and litigation relating to the use of our products, our reputation may be adversely affected by such claims, whether or not successful, including by generating potential negative publicity about our products, which could adversely impact our business and financial condition.

We may not be able to execute our manufacturing strategy successfully, which could cause the profitability of our products to suffer.

Our manufacturing strategy is designed to improve product quality and increase productivity, while reducing costs and increasing flexibility to respond to ongoing changes in the marketplace. To implement this strategy, we must be successful in our continuous improvement efforts, which depend on the involvement of management, production employees and suppliers. Any inability to achieve these objectives could adversely impact the profitability of our products and our ability to deliver desirable products to our consumers.

Our ability to meet our manufacturing workforce needs is crucial to our results of operations and future sales and profitability.

We rely on the existence of an available hourly workforce to manufacture our boats. We cannot assure you that we will be able to attract and retain qualified employees to meet current or future manufacturing needs at a reasonable cost, or at all. Although none of our employees is currently covered by collective bargaining agreements, we cannot assure you that our employees will not elect to be represented by labor unions in the future. Additionally, competition for qualified employees could require us to pay higher wages to attract a sufficient number of employees. Significant increases in manufacturing workforce costs could materially adversely affect our business, financial condition or results of operations.

We rely on third-party suppliers and may be unable to obtain adequate raw materials and components.

We depend on third-party suppliers to provide components and raw materials essential to the construction of our boats. Historically, we have not entered into long-term agreements with our suppliers, but have developed 90-day forecast models with our major suppliers to minimize disruptions in our supply chain. While we believe that our relationships with our current suppliers are sufficient to provide the materials necessary to meet present production demand, we cannot assure you that these relationships will continue or that the quantity or quality of materials available from these suppliers will be sufficient to meet our future needs, irrespective of whether we successfully implement our growth strategy. In particular, the availability and cost of engines used in the manufacture of our boats are critical. For fiscal year 2013 and the nine months ended March 31, 2014, we purchased nearly 100% and approximately 90%, respectively, of the engines for our boats from a single supplier. If we are required to replace this supplier or the supplier of any other key components or raw materials, it could cause a decrease in products available for sale

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or an increase in the cost of goods sold, either of which could adversely affect our business, financial condition and results of operations.

We depend upon key personnel and we may not be able to retain them nor to attract, assimilate and retain highly qualified employees in the future.

Our future success will depend in significant part upon the continued service of our senior management team and our continuing ability to attract, assimilate and retain highly qualified and skilled managerial, product development, manufacturing, marketing and other personnel. The loss of the services of any members of our senior management or other key personnel or the inability to hire or retained qualified personnel in the future could adversely affect our business, financial condition and results of operations.

We may attempt to grow our business through acquisitions or strategic alliances and new partnerships, which we may not be successful in completing or integrating.

We may in the future explore acquisitions and strategic alliances that will enable us to acquire complementary skills and capabilities, offer new products, expand our consumer base, enter new product categories or geographic markets and obtain other competitive advantages. We cannot assure you, however, that we will identify acquisition candidates or strategic partners that are suitable to our business, obtain financing on satisfactory terms, complete acquisitions or strategic alliances or successfully integrate acquired operations into our existing operations. Once integrated, acquired operations may not achieve anticipated levels of sales or profitability, or otherwise perform as expected. Acquisitions also involve special risks, including risks associated with unanticipated challenges, liabilities and contingencies, and diversion of management attention and resources from our existing operations.

Our reliance upon patents, trademark laws and contractual provisions to protect our proprietary rights may not be sufficient to protect our intellectual property from others who may sell similar products and may lead to costly litigation. We are currently, and may be in the future, party to lawsuits and other intellectual property rights claims that are expensive and time-consuming.

We hold patents and trademarks relating to various aspects of our products and believe that proprietary technical know-how is important to our business. Proprietary rights relating to our products are protected from unauthorized use by third parties only to the extent that they are covered by valid and enforceable patents or trademarks or are maintained in confidence as trade secrets. We cannot be certain that we will be issued any patents from any pending or future patent applications owned by or licensed to us or that the claims allowed under any issued patents will be sufficiently broad to protect our technology. In the absence of enforceable patent or trademark protection, we may be vulnerable to competitors who attempt to copy our products, gain access to our trade secrets and know-how or diminish our brand through unauthorized use of our trademarks, all of which could adversely affect our business.

In addition, others may initiate litigation or other proceedings to challenge the validity of our patents, or allege that we infringe their patents, or they may use their resources to design comparable products that do not infringe our patents. We may incur substantial costs if our competitors initiate litigation to challenge the validity of our patents, or allege that we infringe their patents, or if we initiate any proceedings to protect our proprietary rights. Further, we may need to engage in future litigation to enforce intellectual property rights to protect trade secrets or to determine the validity and scope of proprietary rights of others. If the outcome of any such litigation is unfavorable to us, our business, financial condition and results of operations could be adversely affected.

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We are currently a party to a first legal proceeding and a second unrelated legal proceeding arising from intellectual property matters. We are a plaintiff in a Tennessee lawsuit alleging infringement by a competitor of our patent rights in certain wake surfing technology. We also are a defendant in a lawsuit alleging patent infringement and related claims in connection with windshields installed in our boats that we purchased from a third-party supplier. For more information, see Business Legal Proceedings. Although we do not believe that either of these lawsuits will have a material adverse effect on our business, financial condition or results of operations, we cannot predict their outcome, and an unfavorable outcome could have an adverse impact on our business, financial condition or results of operation. Regardless of the outcome of such litigation or similar litigation in the future, it could significantly increase our costs and divert management s attention from operation of our business, which could adversely affect our financial condition and results of operations.

Product liability, warranty and recall claims may materially affect our financial condition and damage our reputation.

We are engaged in a business that exposes us to claims for product liability and warranty claims in the event our products actually or allegedly fail to perform as expected or the use of our products results, or is alleged to result, in property damage, personal injury or death. Although we maintain product and general liability insurance of the types and in the amounts that we believe are customary for the industry, we are not fully insured against all such potential claims. We may experience legal claims in excess of our insurance coverage or claims that are not covered by insurance, either of which could adversely affect our business, financial condition and results of operations. Adverse determination of material product liability and warranty claims made against us could have a material adverse effect on our financial condition and harm our reputation. In addition, if any of our products are, or are alleged to be, defective, we may be required to participate in a recall of that product if the defect or alleged defect relates to safety. These and other claims we face could be costly to us and require substantial management attention.

Our international markets require significant management attention, expose us to difficulties presented by international economic, political, legal and business factors, and may not be successful or produce desired levels of sales and profitability.

We currently sell our products throughout the world. Our total sales outside North America (including licensing royalties from our Australian licensee) were less than 10% of our total revenue for fiscal year 2013 and the nine months ended March 31, 2014. International markets have, and will continue to be, a focus for sales growth. We believe many opportunities exist in the international markets, and over time we intend for international sales to comprise a larger percentage of our total revenue. Several factors, including weakened international economic conditions, could adversely affect such growth. The expansion of our existing international operations and entry into additional international markets require significant management attention. Some of the countries in which we market and our distributors or licensee sell our products are to some degree subject to political, economic or social instability. Our international operations expose us and our representatives, agents and distributors to risks inherent in operating in foreign jurisdictions. These risks include, but are not limited to:

- increased costs of customizing products for foreign countries;
- unfamiliarity with local demographics, consumer preferences and discretionary spending patterns;

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- the imposition of additional foreign governmental controls or regulations, including rules relating to environmental, health and safety matters and regulations and other laws applicable to publicly-traded companies, such as the Foreign Corrupt Practices Act, or the FCPA;

- new or enhanced trade restrictions and restrictions on the activities of foreign agents, representatives and distributors;

- the imposition of increases in costly and lengthy import and export licensing and other compliance requirements, customs duties and tariffs, license obligations and other non-tariff barriers to trade;

- the relative strength of the U.S. dollar compared to local currency, making our products less price-competitive relative to products manufactured outside of the United States;

- laws and business practices favoring local companies;

- longer payment cycles and difficulties in enforcing agreements and collecting receivables through certain foreign legal systems; and

- difficulties in enforcing or defending intellectual property rights.

Our international operations may not produce desired levels of total sales, or one or more of the foregoing factors may harm our business, financial condition or results of operations.

An increase in energy costs may adversely affect our business, financial condition and results of operations.

Higher energy costs result in increases in operating expenses at our manufacturing facility and in the expense of shipping products to our dealers. In addition, increases in energy costs may adversely affect the pricing and availability of petroleum-based raw materials, such as resins and foams, that are used in our products. Also, higher fuel prices may have an adverse effect on demand for our boats, as they increase the cost of ownership and operation.

We are subject to U.S. and other anti-corruption laws, trade controls, economic sanctions and similar laws and regulations, including those in the jurisdictions where we operate. Our failure to comply with these laws and regulations could subject us to civil, criminal and administrative penalties and harm our reputation.

Doing business on a worldwide basis requires us to comply with the laws and regulations of various foreign jurisdictions. These laws and regulations place restrictions on our operations, trade practices, partners and investment decisions. In particular, our operations are subject to U.S. and foreign anti-corruption and trade control laws and regulations, such as the FCPA, export controls and economic sanctions programs, including those administered by the U.S. Treasury Department s Office of Foreign Assets Control, or the OFAC. As a result of doing business in foreign countries and with foreign partners, we are exposed to a heightened risk of violating anti-corruption and trade control laws and sanctions regulations.

The FCPA prohibits us from providing anything of value to foreign officials for the purposes of obtaining or retaining business or securing any improper business advantage. It also requires us to keep books and records that accurately and fairly reflect our transactions.

Economic sanctions programs restrict our business dealings with certain sanctioned countries, persons and entities. In addition, because we act through dealers and distributors, we face the risk that our dealers, distributors or consumers might further distribute our products to a sanctioned person or entity, or an ultimate end-user in a sanctioned country, which might subject us to an investigation concerning compliance with OFAC or other sanctions regulations.

Violations of anti-corruption and trade control laws and sanctions regulations are punishable by civil penalties, including fines, denial of export privileges, injunctions, asset seizures, debarment from government contracts and revocations or restrictions of licenses, as well as criminal fines and imprisonment. We cannot assure you that all of our local, strategic or joint partners will comply with these laws and regulations, in which case we could be held liable for actions taken inside or outside of the United States, even though our partners may not be subject to these laws. Such a violation could materially and adversely affect our reputation, business, results of operations and financial condition. Our continued international expansion, including in developing countries, and our development of new partnerships and joint venture relationships worldwide, could increase the risk of FCPA or OFAC violations in the future.

If we are unable to comply with environmental and other regulatory requirements, our business may be exposed to material liability or fines.

Our operations are subject to extensive regulation, including product safety, environmental and health and safety requirements, under various federal, state, local and foreign statutes, ordinances and regulations. While we believe that we are in material compliance with all applicable federal, state, local and foreign regulatory requirements, we cannot assure you that we will be able to continue to comply with applicable regulatory requirements. The failure to comply with applicable regulatory requirements could cause us to incur significant fines or penalties or could materially increase the cost of operations. In addition, legal requirements are constantly evolving, and changes in laws, regulations or policies, or changes in interpretations of the foregoing, could also increase our costs or create liabilities where none exists today.

As with boat construction in general, our manufacturing processes involve the use, handling, storage and contracting for recycling or disposal of hazardous substances and wastes. The failure to manage or dispose of such hazardous substances and wastes properly could expose us to material liability or fines. Also, the components to our boats may become subject to more stringent environmental regulations. For example, boat engines may be subject to more stringent emissions standards, which could increase the cost of our engines and our products, which, in turn, may reduce consumer demand for our products.

A natural disaster or other disruption at our manufacturing facilities could adversely affect our business, financial condition and results of operations.

We rely on the continuous operation of manufacturing facilities in Tennessee and California. Any natural disaster or other serious disruption to our facilities due to fire, flood, earthquake or any other unforeseen circumstances could adversely affect our business, financial condition and results of operations. The occurrence of any disruption at our manufacturing facilities may have an adverse effect on our productivity and profitability, during and after the period of the disruption. These disruptions may also cause personal injury and loss of life, severe damage to or destruction of property and equipment and environmental damage. Although we maintain property, casualty and business interruption insurance of the types and in the amounts that we believe are customary for the industry, we are not fully insured against all potential natural disasters or other disruptions to our manufacturing facilities.

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Increases in income tax rates or changes in income tax laws or enforcement could have a material adverse impact on our financial results.

Changes in domestic and international tax legislation could expose us to additional tax liability. Although we monitor changes in tax laws and work to mitigate the impact of proposed changes, such changes may negatively impact our financial results. In addition, any increase in individual income tax rates, such as those implemented at the beginning of 2013, would negatively affect our potential consumers discretionary income and could decrease the demand for our products.

Our credit facilities contain covenants which may limit our operating flexibility; failure to comply with covenants may restrict our access to these.

In the past, we have relied upon our existing credit facilities to provide us with adequate liquidity to operate our business. The availability of borrowing amounts under our credit facilities are dependent upon compliance with the debt covenants set forth in our credit agreement. Violation of those covenants, whether as a result of operating losses or otherwise, could result in our lenders restricting or terminating our borrowing ability under our credit facilities. If our lenders reduce or terminate our access to amounts under our credit facilities, we may not have sufficient capital to fund our working capital and other needs and we may need to secure additional capital or financing to fund our operations or to repay outstanding debt under our credit facilities. We cannot assure you that we will be successful in ensuring our availability to amounts under our credit facilities or in connection with raising additional capital and that any amount, if raised, will be sufficient to meet our cash needs or on terms as favorable as have historically been available to us. If we are not able to maintain our borrowing availability under our credit facilities or raise additional capital when needed, our business and operations will be materially and adversely affected.

Risks Related to Our Organizational Structure

Our only material asset is our interest in the LLC, and we are accordingly dependent upon distributions from the LLC to pay taxes, make payments under the tax receivable agreement or pay dividends.

Malibu Boats, Inc. is a holding company and has no material assets other than our ownership of LLC Units. Malibu Boats, Inc. has no independent means of generating revenue. We intend to cause the LLC to make distributions to its unit holders in an amount sufficient to cover all applicable taxes at assumed tax rates, payments under the tax receivable agreement and dividends, if any, declared by us. To the extent that we need funds, and the LLC is restricted from making such distributions under applicable law or regulation or under the terms of its financing arrangements, or is otherwise unable to provide such funds, it could materially adversely affect our liquidity and financial condition. For example, our credit agreement generally prohibits the LLC, Malibu Boats, LLC and Malibu Domestic International Sales Corp. from paying dividends or making distributions. Our 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 million in any fiscal year, dividends and distributions within the loan parties and dividends payable solely in interests of classes of securities. In addition, after June 30, 2014, the LLC may make dividends and distributions of up to $4,000,000 in any fiscal year, subject to compliance with other financial covenants.

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We will be required to pay the pre-IPO owners (or any permitted assignees) for certain tax benefits we may claim arising in connection with this offering and related transactions, and the amounts we may pay could be significant.

Malibu Boats, Inc. intends to use a portion of the proceeds from this offering to purchase LLC Units from the LLC members. We entered into a tax receivable agreement with the pre-IPO owners that provides for the payment by us to the pre-IPO owners (or any permitted assignees) of 85% of the tax benefits, if any, that we are deemed to realize as a result of (1) the increases in tax basis resulting from our purchases or exchanges of LLC Units and (2) certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement. For more information, see Certain Relationships and Related Party Transactions Tax Receivable Agreement.

We expect that the payments that we may make under the tax receivable agreement may be substantial. It is possible that future transactions or events could increase or decrease the actual tax benefits realized and the corresponding tax receivable agreement payments. There may be a material negative effect on our liquidity if distributions to us by the LLC are not sufficient to permit us to make payments under the tax receivable agreement after we have paid taxes. For example, we may have an obligation to make tax receivable agreement payments for a certain amount while receiving distributions from the LLC in a lesser amount, which would negatively affect our liquidity. The payments under the tax receivable agreement are not conditioned upon the pre-IPO owners (or any permitted assignees) continued ownership of us.

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

In certain cases, payments under the tax receivable agreement to the pre-IPO owners (or any permitted assignees) may be accelerated or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the tax receivable agreement.

The tax receivable agreement provides that, in the event that we exercise our right to early termination of the tax receivable agreement, or in the event of a change in control or a material breach by us of our obligations under the tax receivable agreement, the tax receivable agreement will terminate, and we will be required to make 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, which lump-sum payment would be based on certain assumptions, including those relating to our future taxable income. The change in control payment and termination payments to the pre-IPO owners (or any permitted assignees) could be substantial and could exceed the actual tax benefits that we receive as a result of acquiring the LLC Units because the amounts of such payments would be calculated assuming that we would have been able to use the potential tax benefits each year for the remainder of the amortization periods applicable to the basis increases, and that tax rates applicable to us would be the same as they were in the year of the termination. In these situations, our obligations under the tax receivable agreement could have a substantial negative impact on our liquidity. There can be no assurance that we will be able to finance our obligations under the tax receivable agreement.

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Payments under the tax receivable agreement will be based on the tax reporting positions that we determine. Although we are not aware of any issue that would cause the Internal Revenue Service, or the IRS, to challenge a tax basis increase, Malibu Boats, Inc. will not be reimbursed for any payments previously made under the tax receivable agreement. As a result, in certain circumstances, payments could be made under the tax receivable agreement in excess of the benefits that Malibu Boats, Inc. actually realizes in respect of (1) the increases in tax basis resulting from our purchases or exchanges of LLC Units and (2) certain other tax benefits related to our entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement.

We have entered into a voting agreement with Black Canyon Management LLC, which provides it with rights to nominate a number of designees to our board of directors.

In connection with our IPO, we entered into a voting agreement with certain affiliates. Under the voting agreement, Black Canyon Management LLC is entitled to nominate to our board of directors a number of designees equal to (1) 20% of the total number of directors comprising our board of directors at such time as long as Black Canyon Management LLC and its affiliates and Messrs. Springer, Wilson and Anderson together beneficially own 15% or more of the voting power of the shares of Class A Common Stock and Class B Common Stock entitled to vote generally in the election of directors, voting together as a single class, and (2) 10% of the total number of directors comprising the board of directors at such time as long as Black Canyon Management LLC and its affiliates and Messrs. Springer, Wilson and Anderson together beneficially own more than 5% but less than 15% of the voting power of the shares of Class A Common Stock and Class B Common Stock entitled to vote generally in the election of directors, voting together as a single class. In addition, Black Canyon Management LLC has the right to remove and replace its director-designees at any time and for any reason and to nominate any individuals to fill any such vacancies. Messrs. Springer, Wilson and Anderson will be required to vote any of their LLC Units in favor of the director or directors nominated by Black Canyon Management LLC. Although affiliates of Black Canyon Management LLC are selling shares of Class A Common Stock in this offering and selling LLC Units to Malibu Boats, Inc., Black Canyon Management LLC and its affiliates will continue to own at least 21.4% of the voting power (or 19.3% if the underwriters exercise in full their option to purchase additional shares of Class A Common Stock from us and the selling stockholders) of the shares of Class A Common Stock and Class B Common Stock, voting together as a single class. It is possible that the interests of Black Canyon Management LLC may in some circumstances conflict with our interests and the interests of our other stockholders.

Affiliates of Black Canyon Capital LLC have certain consent rights that could limit your ability to influence the outcome of key transactions, including a sale of Malibu Boats, Inc.

The amended and restated limited liability company agreement of the LLC provides that Malibu Boats, Inc., as managing member of the LLC, has the right to require all members to exchange their LLC Units for Class A Common Stock in accordance with the terms of the exchange agreement, subject to the consent of Black Canyon Management LLC and the holders of a majority of outstanding LLC Units other than those held by Malibu Boats, Inc. This consent right could impede the ability of Malibu Boats, Inc. to take certain actions that might benefit its stockholders, including a sale of Malibu Boats, Inc. The interests of Black Canyon Management LLC may conflict with or differ from our interests and the interests of our other stockholders.

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The consent of Black Canyon Management LLC will be required for certain amendments to the limited liability company agreement of the LLC.

The limited liability company agreement of the LLC provides that, for so long as affiliates of Black Canyon Capital LLC own at least 5% of the LLC Units outstanding, the consent of Black Canyon Management LLC will be required for any amendment to the agreement that would:

- reduce the rights of a holder of LLC Units to receive tax distributions, except on a pro rata basis with other holders of LLC Units;
- preclude or limit the rights of any member to exercise its rights under the exchange agreement;
- require any member to make a capital contribution;
- materially increase the obligations of any member under the limited liability company agreement; or
- result in the LLC being treated as a corporation for tax purposes.

After the offering, Black Canyon Capital LLC and its affiliates will own 21.4% of the voting power of the shares of Class A Common Stock and Class B Common Stock. The interests of Black Canyon Management LLC or Horizon Holdings, LLC, as the case may be, may conflict with or differ from our interests and the interests of our other stockholders.

Risks Related to Our Offering

All of the proceeds from this offering will be used to purchase LLC Units from the LLC members, including our employees and members of our senior management.

We intend to use all of the net proceeds from this offering to purchase LLC Units from the LLC members, including our employees and members of our senior management. We will not retain any of the proceeds used to purchase LLC Units from the LLC members.

Our stock price may be volatile and you may be unable to sell your shares at or above the offering price.

The market price of our Class A Common Stock could be subject to wide fluctuations in response to the many risk factors listed in this section, and others beyond our control, including:

- general economic, market and industry conditions;
- actual or anticipated fluctuations in our financial condition and results of operations;
- addition or loss of consumers or dealers;
- actual or anticipated changes in our rate of growth relative to our competitors;
- additions or departures of key personnel;

failure to introduce new products, or for those products to achieve market acceptance;

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- disputes or other developments related to proprietary rights, including patents, litigation matters and our ability to obtain intellectual property protection for our technologies;

- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;

- fluctuations in the valuation of companies perceived by investors to be comparable to us;

- changes in applicable laws or regulations;

- issuance of new or updated research or reports by securities analysts;

- sales of our Class A Common Stock by us or our stockholders;

- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares; and

- the expiration of contractual lock-up agreements with our executive officers, directors and stockholders.

Further, the stock markets may experience extreme price and volume fluctuations that can affect the market prices of equity securities. These fluctuations can be unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, could harm the market price of our Class A Common Stock.

If the market price of our Class A Common Stock after this offering does not exceed the offering price, you may not realize any return on your investment in us and may lose some or all of your investment. In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management s attention from other business concerns, which could harm our business.

If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our share price and trading volume could decline.

The trading market for our Class A Common Stock will depend on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish research or reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

Future sales of our Class A Common Stock in the public market could cause our share price to fall.

Sales of a substantial number of shares of our Class A Common Stock in the public market after this offering, or the perception that these sales might occur, could depress the market price of our Class A Common Stock and could impair our ability to raise capital through the sale of additional equity securities. Upon the closing of this offering, we will have 14,897,842 shares of Class A Common Stock outstanding, assuming no exercise of the underwriters option to purchase additional shares.

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All of the Class A Common Stock sold in this offering will be freely tradable without restrictions or further registration under the Securities Act. Assuming the sale of all shares of Class A Common Stock in this offering, excluding the shares subject to the over-allotment option, 1,883,557 shares of Class A Common Stock outstanding after this offering will be restricted as a result of securities laws, lock-up agreements or other contractual restrictions that restrict transfers for at least 90 days after the date of this prospectus, subject to certain extensions.

Our governing documents and Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.

Our certificate of incorporation and bylaws contain certain provisions that could delay or prevent a change in control. These provisions could also make it more difficult for stockholders to elect directors and take other corporate actions. These provisions include, without limitation:

- a classified board structure;
- a requirement that stockholders must provide advance notice to propose nominations or have other business considered at a meeting of stockholders;
- supermajority stockholder approval to amend our bylaws or certain provisions in our certificate of incorporation; and
- authorization of blank check preferred stock.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding Class A Common Stock, from engaging in certain business combinations without the approval of substantially all of our stockholders for a certain period of time.

These and other provisions in our certificate of incorporation, bylaws and under Delaware law could discourage potential takeover attempts, reduce the price that investors might be willing to pay for shares of our Class A Common Stock in the future and result in the market price being lower than it would be without these provisions. For more information, see Description of Capital Stock Anti-Takeover Provisions in this prospectus.

We currently do not intend to pay dividends on our Class A Common Stock and, consequently, your only opportunity to achieve a return on your investment is if the price of our Class A Common Stock appreciates.

We currently do not plan to declare or pay dividends on shares of our Class A Common Stock in the foreseeable future. Further, because we are a holding company, our ability to pay dividends depends on our receipt of cash distributions from the LLC and the LLC also relies on its subsidiaries for receipt of cash for distributions. This may further restrict our ability to pay dividends as a result of the laws of the jurisdiction of organization of the LLC and its subsidiaries, agreements of the LLC or its subsidiaries or covenants under our, the LLC s or its subsidiaries existing or future indebtedness. For example, our credit agreement generally prohibits the LLC, Malibu Boats, LLC and Malibu Domestic International Sales Corp. from paying dividends or making distributions. Our 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, dividends and distributions within the loan parties and dividends payable solely in interests of classes of securities. In addition, after June 30, 2014, the LLC may make dividends and distributions of up to $4,000,000 in any fiscal year, subject to compliance with other financial covenants. Consequently, your only opportunity to achieve a return on the shares you purchase in this offering will be if the market price of our Class A Common Stock appreciates and you sell your shares at a profit. We cannot assure you that the price of our Class A Common Stock in the market after this offering will ever exceed the price that you pay.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A Common Stock less attractive to investors.

We are an emerging growth company as defined in the JOBS Act. We have taken, and for as long as we continue to be an emerging growth company, we may choose to take, advantage of certain exemptions from various reporting requirements applicable to other public companies but not to emerging public companies, which includes, among other things:

- exemption from the auditor attestation requirements under Section 404 of the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements;
- exemption from the requirements of holding non-binding stockholder votes on executive compensation arrangement; and
- exemption from any public rules requiring mandatory audit firm rotation and auditor discussion and analysis and, unless the SEC otherwise determines, any future audit rules that may be adopted by the Public Company Accounting Oversight Board.

We could be an emerging growth company until the last day of the fiscal year following the fifth anniversary after our initial public offering or until the earliest of (1) the last day of the fiscal year in which we have annual gross revenue of $1 billion or more, (2) the date on which we have, during the previous three-year period, issued more than $1 billion in non-convertible debt or (3) the date on which we are deemed to be a large accelerated filer under the federal securities laws. We will qualify as a large accelerated filer as of the first day of the first fiscal year after we have (a) more than $700 million in outstanding common equity held by our non-affiliates and (b) been public for at least 12 months. The value of our outstanding common equity will be measured each year on the last day of our second fiscal quarter.

Under the JOBS Act, emerging growth companies are also permitted to elect to delay adoption of new or revised accounting standards until companies that are not subject to periodic reporting obligations are required to comply, if such accounting standards apply to non-reporting companies. We have made an irrevocable decision to opt out of this extended transition period for complying with new or revised accounting standards.

We cannot predict if investors will find our Class A Common Stock less attractive if we rely on these exemptions. If some investors find our Class A Common Stock less attractive as a result, there may be less active trading market for our Class A Common Stock and our stock price may be more volatile.

We will incur significant increased costs as a result of being a new public company, and our management will be required to devote substantial time to comply with the laws and regulations affecting public companies, particularly after we are no longer an emerging growth company.

We became a public company on January 30, 2014. As a public company, particularly after we cease to qualify as an emerging growth company, we will incur significant legal, accounting and

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other expenses that we did not incur as a private company, including costs associated with public company reporting and corporate governance requirements, in order to comply with the rules and regulations imposed by the Sarbanes-Oxley Act, as well as rules implemented by the SEC and Nasdaq. Our management and other personnel will need to devote a substantial amount of time to these compliance initiatives and our legal and accounting compliance costs will increase. It is likely that we will need to hire additional staff in the areas of investor relations, legal and accounting as we continue to operate as a public company. We also believe these new rules and regulations make it more difficult and expensive for us to obtain director and liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified individuals to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur in the future or the timing of such costs.

For example, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls over financial reporting and disclosure controls and procedures. In particular, as a public company, we will be required to perform system and process evaluations and testing of our internal control over financial reporting to allow management and our independent registered public accounting firm to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. As described elsewhere in this prospectus, as an emerging growth company, we will not need to comply with the auditor attestation provisions of Section 404 for several years. Our testing, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal control over financial reporting that are deemed to be material weaknesses. Our compliance with Section 404 will require that we incur substantial accounting expense and management time on compliance-related issues. Moreover, if we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause our stock price to decline.

When the available exemptions under the JOBS Act, as described elsewhere in this prospectus, cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical facts contained in this prospectus are forward-looking statements, including statements regarding our future financial position, sources of revenue, demand for our products, our strengths, business strategy and plans, prospective products or products under development, costs, timing and likelihood of success, gross margins, non-GAAP financial measures and management s objectives for future operations. In particular, many of the statements under the headings Prospectus Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business constitute forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, potential, continue, the negative of these terms, or by other simi that convey uncertainty of future events or outcomes to identify these forward-looking statements. These statements are only predictions, involving known and unknown risks, uncertainties and other factors that may cause our or our industry s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. We discuss many of these factors, risks and uncertainties in greater detail under the heading Risk Factors and elsewhere in this prospectus. These factors expressly qualify forward-looking statements attributable to us or persons acting on our behalf.

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

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USE OF PROCEEDS

We estimate that the net proceeds to us from the sale by us of our Class A Common Stock in this offering will be approximately $67.4 million (or $76.8 million if the underwriters exercise in full their option to purchase additional shares of Class A Common Stock), and after deducting underwriting discounts and commissions. We estimate that the total expenses of the offering payable by us, excluding the underwriting discount, will be approximately $0.7 million.

We intend to use all of the net proceeds from this offering to purchase LLC Units from the LLC members at a purchase price per unit equal to the public offering price per share of Class A Common Stock in this offering, after deducting underwriting discounts and commissions. For more information regarding the beneficial ownership of LLC Units after this offering, see Principal and Selling Stockholders. We will not retain any of the proceeds used to purchase LLC Units from the LLC members.

The selling stockholders may offer up to 966,359 shares of Class A Common Stock in the offering (or 1,148,107 shares of Class A Common Stock if the underwriters exercise in full their option to purchase additional shares of Class A Common Stock from us and the selling stockholders). We will not receive any proceeds from the sale of shares by the selling stockholders. We will, however, bear the costs, other than underwriting discounts and commissions, associated with the sale of shares by the selling stockholders. For more information, see Principal and Selling Stockholders.

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PRICE RANGE OF CLASS A COMMON STOCK

Our Class A Common Stock has been listed on the Nasdaq Global Select Market under the symbol MBUU since January 31, 2014. Prior to that date, there was no public trading market for our Class A Common Stock. The following table sets forth, for the periods indicated, the high and low sales prices of our Class A Common Stock as reported by the Nasdaq Global Select Market:

	High	Low
Third Quarter of Fiscal 2014 (from January 31, 2014)	$ 24.90	$ 16.67
Fourth Quarter of Fiscal 2014	$ 23.49	$ 18.39
First Quarter of Fiscal 2015 (through July 9, 2014)	$ 20.94	$ 17.14

On July 9, 2014, the last reported sale price on the Nasdaq Global Select Market of our Class A Common Stock was $19.22 per share. As of July 9, 2014, we had approximately 3 holders of record of our Class A Common Stock and 43 holders of record of our Class B Common Stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

DIVIDEND POLICY

Malibu Boats, Inc. has never declared or paid any cash dividends on its capital stock. We currently anticipate that we will retain all of our future earnings for use in the expansion and operation of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable law and will depend on our financial condition, results of operations, capital requirements, general business conditions and other factors that our board of directors may deem relevant. In addition, our credit facility restricts our ability to pay dividends on our capital stock in certain cases.

Malibu Boats, Inc. is a holding company and has no material assets other than its ownership of LLC Units. We intend to cause the LLC to make distributions to us in an amount sufficient to cover cash dividends, if any, declared by us. If the LLC makes such distributions to Malibu Boats, Inc., the other holders of LLC Units will be entitled to receive equivalent distributions on a pro rata basis.

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CAPITALIZATION

The table below sets forth our capitalization as of March 31, 2014:

- on a historical basis; and
- on an as adjusted basis, giving effect to the application of the proceeds from this offering as described in Use of Proceeds.

You should read this table together with History and Formation Transactions, Use of Proceeds, Selected Consolidated Financial Data and Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes appearing elsewhere in this prospectus.

	As of March 31, 2014	
	Actual	As Adjusted
	(Unaudited) (In thousands, except share data)	
Cash (1)	$ 5,321	$ 4,621
Total debt, including current maturities (2)	14	14
Total stockholders equity:		
Class A Common Stock, par value $0.01 per share, 100,000,000 shares authorized; 11,054,830 shares issued and outstanding, actual, and 14,888,471 shares issued and outstanding, as adjusted	110	149
Class B Common Stock, par value $0.01 per share, 25,000,000 shares authorized; 34 shares issued and outstanding (3)		
Preferred Stock, par value $0.01 per share; 25,000,000 shares authorized; no shares issued and outstanding		
Additional paid-in capital (4)	22,720	33,808
Accumulated deficit (5)	(370)	(970)
Total stockholders equity attributable to Malibu Boats, Inc.	22,460	32,987
Non-controlling interest (6)	17,678	11,715
Total stockholders equity	40,138	44,702
Total capitalization	$ 40,152	$ 44,716

(1) All of the net proceeds we receive from this offering will be used to purchase LLC Units from LLC members. The as adjusted cash does not reflect the increase in tax receivables payable of $29.8 million as a result of our purchase of the LLC units to be paid in accordance with the tax receivable agreement. See Certain Relationships and Related Party Transactions Tax Receivable Agreement. As a result of the purchase of the LLC Units, our deferred tax asset will increase by approximately $35.1 million and we will recognize an increase to our payable pursuant to the tax receivable agreement of $29.8 million.

(2) We have a revolving credit facility with available borrowing capacity of $10.0 million. We had no amounts outstanding under our revolving credit facility as of March 31, 2014. We previously had a $65.0 million aggregate principal amount term loan. We repaid the $63.4 million outstanding under the term loan in full on February 5, 2014 with the proceeds from our initial public offering of Class A Common Stock.

(3) As of June 30, 2014, there were 43 shares of Class B Common Stock issued and outstanding.

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(4) As adjusted additional paid-in capital reflects (i) the issuance of Class A common stock in this offering, (ii) the net effect of adjustments to reflect the impact on deferred tax assets related to the difference in the historical tax basis in the LLC as compared to its GAAP carrying value, (iii) adjustments that give effect to the tax receivable agreement as described in Certain Relationships and Related Party Transactions Tax Receivable Agreement , (iv) the portion of additional paid-in capital including these items attributable to our non-controlling interest in the LLC after giving effect to this offering and (v) adjustments for estimated costs and expenses directly attributable to this offering.

(5) As adjusted accumulated earnings reflects the portion of additional paid-in capital including these items attributable to our non-controlling interest in the LLC after giving effect to this offering as well as estimated costs and expenses other than underwriting discounts and commissions, payable by us in connection with this offering.

(6) As adjusted non-controlling interest reflects the net effect of adjustments on additional paid-in capital and accumulated earnings multiplied by the percentage ownership not directly attributable to Malibu Boats, Inc. after giving effect to this offering, or 33.6% (assuming the underwriters do not exercise their option to purchase an additional 538,252 shares of Class A Common Stock from us).

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SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data of the LLC and Malibu Boats, Inc., as the case may be, below should be read together with History and Formation Transactions Organizational Structure, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes, all included elsewhere in this prospectus.

We have derived the consolidated statement of income data for the fiscal years ended June 30, 2011, 2012 and 2013 and our consolidated balance sheet data as of June 30, 2011, 2012 and 2013 from our audited consolidated financial statements and related notes included elsewhere in this prospectus for the LLC. We have derived the condensed consolidated statement of income data for the nine months ended March 31, 2013 for the LLC and March 31, 2014 for us and our condensed consolidated balance sheet data as of March 31, 2014 from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. Data from the consolidated statement of income and balance sheet for the fiscal years ended June 30, 2011, 2012, and 2013 and as of and for the nine months ended March 31, 2013 reflects information presented by the LLC for the period prior to the Recapitalization and IPO on February 5, 2014, (while data as of and for the nine months ended March 31, 2013 and 2014, and as of March 31, 2013 and 2014, reflects information as presented by us for the period after the Recapitalization and IPO on February 5, 2014. Certain of the measures set forth below are not measures recognized under GAAP. For a discussion of management s reasons for presenting such data and a reconciliation to comparable financial measures calculated in accordance with GAAP, see GAAP Reconciliation of Non-GAAP Financial Measures. Our historical results are not necessarily indicative of the results that may be expected in the future. Additionally, our results of operations for the interim period ended March 31, 2014 are not necessarily indicative of the results to be obtained for the full fiscal year.

	Fiscal Year Ended June 30,			Nine Months Ended March 31,	
	2011	**2012**	**2013**	**2013**	**2014**
			(Dollars in thousands)		
Consolidated statement of income data (1):					
Net sales	$ 99,984	$ 140,892	$ 167,012	$ 118,039	$ 137,535
Cost of sales	83,730	110,849	123,412	88,376	101,417
Gross profit	16,254	30,043	43,600	29,663	36,118
Operating expenses:					
Selling and marketing	3,621	4,071	4,937	3,794	4,454
General and administrative	6,194	8,307	14,177	11,302	15,322
Amortization	5,178	5,178	5,178	3,883	3,883
Operating income	1,261	12,487	19,308	10,684	12,459
Other expense, net	(1,804)	(1,381)	(1,324)	(1,077)	(2,971)
Net (loss) income before provision for income taxes	(543)	11,106	17,984	9,607	9,488
Provision for income taxes					76
Net (loss) income	(543)	11,106	17,984	9,607	9,412
Net (loss) income attributable to non-controlling interest	(543)	11,106	17,984	9,607	9,782
Net loss attributable to Malibu Boats, Inc.	$	$	$	$	$ (370)

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	Fiscal Year Ended June 30, 2011	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2013	Nine Months Ended March 31, 2013	Nine Months Ended March 31, 2014
	(Dollars in thousands)				
Weighted average shares outstanding used in computing net loss per share:					
Basic					11,054,830
Diluted					22,028,476
Net loss available to Class A Common Stock per share (2):					
Basic					$ (0.03)
Diluted					$ (0.04)
Consolidated balance sheet data:					
Total assets	$ 60,033	$ 64,725	$ 65,927	$ 64,267	$ 80,625
Total liabilities	45,566	39,280	45,913	50,244	40,487
Total members /stockholders equity	14,467	25,445	20,014	14,023	40,138
Additional financial and other data:					
Unit volume	1,860	2,482	2,672	1,917	2,111
Gross margin	16.3%	21.3%	26.1%	25.1%	26.3%
Adjusted EBITDA (3)	$ 7,918	$ 19,863	$ 31,758	$ 21,220	$ 26,928
Adjusted EBITDA margin (3)	7.9%	14.1%	19.0%	18.0%	19.6%
Adjusted Fully Distributed Net (Loss) Income per share of Class A Common Stock (4):					
Basic	$ 0.00	$ 0.34	$ 0.67	$ 0.42	$ 0.53
Diluted	$ 0.00	$ 0.34	$ 0.67	0.42	0.53

(1) For the period after the IPO on February 5, 2014, the non-controlling interest represents the portion of earnings or loss attributable to the economic interest held by the non-controlling LLC Unit holders, which was 50.7% as of March 31, 2014. Since all of the earnings prior to and up to February 5, 2014 were entirely allocable to the LLC unit holders, we updated our historical presentation to attribute these earnings to the non-controlling interest accordingly.

(2) As noted above, all earnings prior and up to February 5, 2014, the date of completion of the IPO, were entirely allocable to the non-controlling interest. As a result, earnings per share information attributable to these historical periods is not comparable to earnings per share information attributable to the Company after the IPO and, as such, has been omitted.

(3) Adjusted EBITDA and adjusted EBITDA margin are non-GAAP financial measures. For definitions of adjusted EBITDA and adjusted EBITDA margin and a reconciliation of each to net income, see GAAP Reconciliation of Non-GAAP Financial Measures.

(4) Adjusted Fully Distributed Net (Loss) Income per share of Class A Common Stock is a non-GAAP financial measure. For the definition of Adjusted Fully Distributed Net (Loss) Income per share of Class A Common Stock and a reconciliation to net income, see GAAP Reconciliation of Non-GAAP Financial Measures.

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.

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We define adjusted EBITDA as earnings before interest expense, income taxes, depreciation, amortization and non-cash, non-recurring and non-operating expenses, including severance and relocation, management fees and expenses, certain professional fees and non-cash compensation expense. We define adjusted EBITDA margin as adjusted EBITDA divided by net sales. Adjusted EBITDA and adjusted EBITDA margin are not measures of net (loss) 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 and non-operating expenses. We exclude the items listed above from net (loss) 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 (loss) 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 (loss) income as determined in accordance with GAAP to adjusted EBITDA and adjusted EBITDA margin for the periods indicated:

	Fiscal Year Ended June 30,			Nine Months Ended March 31,	
	2011	2012	2013	2013	2014
			(Dollars in thousands)		
Consolidated statement of income data:					
Net (loss) income	$ (543)	$ 11,106	$ 17,984	$ 9,607	$ 9,412
Provision for income taxes					76
Interest expense	1,815	1,433	1,334	1,085	2,980
Depreciation and amortization	6,000	6,072	6,268	4,720	5,010
Severance and relocation (1)	112	181	192	192	
Management fees and expenses (2)	27	87	2,896	2,860	4,584
Professional fees (3)	389	852	2,957	2,661	1,503
Stock based compensation expense (4)	118	132	127	95	2,141
Strategic and financial restructuring expenses (5)					1,222
Adjusted EBITDA	$ 7,918	$ 19,863	$ 31,758	$ 21,220	$ 26,928
Adjusted EBITDA margin	7.9%	14.1%	19.0%	18.0%	19.6%

(1) Represents one-time employment related expenses, including a severance payment to a former executive, and costs to relocate certain departments from California to our Tennessee facility.

(2) Represents management fees and out-of-pocket expenses paid pursuant to our management agreement with Malibu Boats Investor, LLC, an affiliate, which was terminated upon the closing of the IPO. Upon termination of the agreement, we paid a one time termination fee of $3.8 million. For more information about the management fees, see Certain Relationships and Related Party Transactions Management Agreement.

(3) Represents legal and advisory fees related to our refinancing activities and legal expenses related to our litigation with Pacific Coast Marine Windshields Ltd. and Nautique Boat Company, Inc. For more information about this litigation, see Business Legal Proceedings.

(4) Represents equity-based incentives awarded to certain of our employees including a $1.8 million stock compensation charge as a result of the modification of certain profits interest awards previously granted in 2012 under the first amended and restated limited liability company agreement of the LLC, as amended, in connection with our IPO.

(5) Represents legal, accounting and other expenses directly related to the Recapitalization and IPO.

Adjusted Fully Distributed Net Income

We define Adjusted Fully Distributed Net Income as net (loss) income attributable to Malibu Boats, Inc. (i) excluding income tax expense, (ii) excluding the effect of non-recurring and non-cash items, (iii) assuming the exchange of all LLC Units into shares of Class A Common Stock, which results in the elimination of non-controlling interest in the LLC, and (iv) reflecting an adjustment for income tax expense on fully distributed net income before income taxes at our estimated effective income tax rate. Adjusted Fully Distributed Net Income is a non-GAAP financial measure because it represents net income attributable to Malibu Boats, Inc. before non-recurring or non-cash items and the effects of non-controlling interests in the LLC.

We use Adjusted Fully Distributed Net Income to facilitate a comparison of our operating performance on a consistent basis from period to period that, when viewed in combination with our results prepared in accordance with GAAP, provides a more complete understanding of factors and trends affecting our business than GAAP measures alone.

We believe Adjusted Fully Distributed Net Income assists our board of directors, management and investors in comparing our net income on a consistent basis from period to period because it removes non-cash (stock-based compensation) and non-recurring items (strategic and financial restructuring expenses), and eliminates the variability of non-controlling interest as a result of member owner exchanges of LLC Units into shares of Class A Common Stock.

In addition, because Adjusted Fully Distributed Net Income are susceptible to varying calculations, the Adjusted Fully Distributed Net Income measures, as presented in this prospectus, may differ from and may, therefore, not be comparable to similarly titled measures used by other companies.

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The following table sets forth a reconciliation of net loss attributable to the stockholders of Malibu Boats, Inc. to Adjusted Fully Distributed Net Income for the periods indicated:

	Fiscal Year Ended June 30,			Nine Months Ended March 31,	
	2011	2012	2013	2013	2014
	(Dollars in thousands, except share data)				
Net loss attributable to members and stockholders	$	$	$	$	$ (370)
Provision for income taxes					76
Stock based compensation expense	118	132	127	95	2,141
Management fees and expenses	27	87	2,896	2,860	4,584
Professional fees	389	852	2,957	2,661	1,503
Strategic and financial restructuring expenses					1,222
Net (loss) income attributable to non-controlling interest (1)	(543)	11,106	17,984	9,607	9,782
Fully distributed net (loss) income before income taxes	(9)	12,177	23,964	15,223	18,938
Income tax (benefit) expense on fully distributed (loss) income before income taxes (2)	(3)	4,579	9,010	5,728	7,126
Adjusted Fully Distributed Net (Loss) Income	$ (6)	$ 7,598	$ 14,954	$ 9,495	$ 11,812
Adjusted Fully Distributed Net (Loss) Income per share of Class A Common Stock (3):					
Basic	$ 0.00	$ 0.34	$ 0.67	$ 0.42	$ 0.53
Diluted	$ 0.00	$ 0.34	$ 0.67	$ 0.42	$ 0.53
Weighted Average shares of Class A Common Stock outstanding used in computing Adjusted Fully Distributed Net (Loss) Income (4):					
Basic	22,428,567	22,428,567	22,428,567	22,428,567	22,428,567
Diluted	22,428,567	22,428,567	22,428,567	22,428,567	22,428,567

(1) 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. (Loss) earnings prior and up to our IPO on February 5, 2014 were entirely allocable to members of the LLC, as such we updated our historical presentation to attribute these (losses) earnings to the non-controlling interest LLC unit holders.

(2) Reflects income tax expense at an estimated annual effective income tax rate of 37.6% of income before income taxes assuming the conversion of all LLC Units into shares of Class A Common Stock and the tax impact of excluding strategic and financial restructuring expenses. The estimated 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, and state taxes attributable to the LLC.

(3) Represents adjusted fully distributed net (loss) income divided by the weighted average shares of Class A Common Stock outstanding in (4) below.

(4) Represents the total number of shares of Class A Common Stock outstanding as of March 31, 2014 including all 11,373,737 remaining LLC Units as if they were exchanged on a one-for-one basis for our Class A Common Stock. For periods prior to our Recapitalization, represents the number of shares of Class A Common Stock assuming all LLC Units outstanding at the end of such period were exchanged on a one-for-one basis for our Class A Common Stock and no other shares of Class A Common Stock were outstanding as of such date.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus. This discussion and other parts of this prospectus contain forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Our actual results may differ materially from those currently anticipated and expressed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled Risk Factors included elsewhere in this prospectus.

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 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 continued 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 and throughout the world. As of March 31, 2014, our distribution channel consisted of 118 independent dealers in North America operating 142 locations and 52 independent dealer locations across 36 countries outside of North America. Our boats are the exclusive performance sport boats offered by the majority of our dealers. Additionally, we offer our boats through an exclusive licensee in Australia that is one of the largest performance sport boat manufacturer in that country. Our dealer base is an important part of our consumers experience, our marketing efforts and our brands. We devote significant time and resources to find, develop and improve the performance of our dealers and believe our dealer network gives us a distinct competitive advantage.

We have undergone significant growth since we were founded in 1982 and began building custom ski boats in a small shop in Merced, California. In 2006, we were acquired by an investor group, including affiliates of Black Canyon Capital LLC, Horizon Holdings, LLC and then-current management. Beginning in 2009, under the leadership of new management, we implemented several measures designed to improve our cost structure, increase our operating leverage, enhance our product offerings and brands, and strengthen our dealer network. Jack Springer, our Chief

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Executive Officer, and Wayne Wilson, our Chief Financial Officer, helped lead us successfully through the volume declines experienced during the economic recession. Despite the downturn, we continued to build on our legacy of innovation and invested in product development and process improvements. For example, we:

- introduced the Axis brand in 2009 for consumers seeking a performance sport boat at a more affordable price;
- acquired Titan Wake Accessories in 2009 in order to bring tower manufacturing in-house, and subsequently designed and introduced the G3 Tower;
- released the first picklefork bow design under the Malibu brand in 2012 to fill a specific gap within our product portfolio, quickly followed by two additional Malibu picklefork models;
- enhanced our manufacturing efficiencies through process improvements and product engineering, including moving from batch to continuous flow manufacturing; and
- introduced our patented Surf Gate technology in 2012, which allows users to surf on either side of the boat s wake, generates a better quality surf wave and was the Watersports Industry Association s Innovation of the Year in 2013.

In addition, we initiated a disciplined process of reviewing, assessing and expanding our dealer network. We grew our dealer network in North America by 35 dealer locations from 2009 to 2014 and also improved the overall performance of our dealers. During this period, we initiated a more disciplined approach of monitoring dealer inventory levels relative to market demand in order to align annual production levels more closely with annual retail sales levels at our dealers. As a result of these collective initiatives, we have a rationalized cost base with a high growth product portfolio that achieved fiscal year 2013 net sales, adjusted EBITDA and net income (loss) of $167.0 million, $31.8 million and $18.0 million, respectively, compared to $140.9 million, $19.9 million and $11.1 million, respectively, for fiscal year 2012 and $100.0 million, $7.9 million and approximately $(543,000), respectively, for fiscal year 2011. For the nine months ended March 31, 2014, our net sales and adjusted EBITDA were $137.5 million and $26.9 million, an increase of 16.5% and 26.9%, respectively, compared to the nine months ended March 31, 2013 and net income for the nine months ended March 31, 2014 was $9.4 million, a decrease of 2.0% compared to the nine months ended March 31, 2013. The decrease in net income for the nine months ended March 31, 2014 compared to the nine months ended March 31, 2013 was largely attributable to one time charges in connection with our IPO. For the definition of adjusted EBITDA and a reconciliation to net income, see Selected Consolidated Financial Data 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 Holdings, LLC, or the LLC, and its consolidated subsidiaries prior to the Recapitalization and IPO of Malibu Boats, Inc. s Class A Common Stock as described under History and Formation Transactions Organizational Structure and (ii) Malibu Boats, Inc. and its consolidated subsidiaries after the Recapitalization and IPO, which were completed on February 5, 2014.

Recapitalization and Initial Public Offering

On February 5, 2014, immediately prior to the closing of our initial public offering of Class A Common Stock, a new single class of LLC Units of the LLC was allocated among the pre-IPO owners of the LLC in exchange for their prior membership interests of the LLC pursuant to the distribution provisions of the former limited liability company agreement of the LLC based upon the liquidation value of the LLC, assuming it was liquidated at the time of our initial public offering with a value implied by the initial public offering price of the shares of Class A Common Stock sold in the initial public offering. Immediately prior to the closing of our initial public offering, 17,071,424 LLC Units were issued and outstanding. In addition, 34 shares of Class B Common Stock were issued, one to each existing LLC Unit holder. Further, on February 4, 2014, two holders of membership interests in the LLC merged with and into two newly formed subsidiaries of Malibu Boats, Inc. As a result of these mergers, the sole stockholders of each of the two merging entities received shares of Class A Common Stock in exchange for shares of capital stock of the merging entities. Also, we redeemed for nominal consideration the initial 100 shares of Class A Common Stock issued to our initial stockholder in connection with our formation. We refer to the foregoing transactions as the Recapitalization.

On February 5, 2014, we completed our initial public offering, or IPO, of 8,214,285 shares of Class A Common Stock at a price to the public of $14.00 per share, of which 7,642,996 shares were issued and sold by us and 571,289 shares were sold by selling stockholders. This included 899,252 shares issued and sold by us and 172,175 shares sold by selling stockholders pursuant to the over-allotment option granted to the underwriters, which was exercised concurrently with the closing of the IPO. The aggregate gross proceeds from the IPO were $115.0 million. Of these proceeds, we received $99.5 million and the selling stockholders received $7.4 million, after deducting $8.1 million in underwriting discounts and commissions. With the proceeds we received, $69.8 million was used to purchase newly issued LLC Units from the LLC, which the LLC then used (i) to pay down all of the amounts owed under the LLC s credit facilities and term loans in the amount of $63.4 million, (ii) to pay Malibu Boats Investor, LLC, an affiliate of the LLC, a fee of $3.8 million in connection with the termination of the LLC s management agreement upon consummation of the IPO, and (iii) for general corporate purposes in the remaining amount of approximately $2.7 million. In connection with the repayment of the LLC s credit facilities and term loans, debt issuance costs associated with the term loans were written off to interest expense. The balance of the net proceeds of approximately $29.8 million was used to purchase LLC Units directly from the existing holders of LLC Units.

We incurred strategic and financial restructuring expenses in connection with the Recapitalization and IPO of approximately $1.2 million through the fiscal third quarter of 2014. We may incur additional strategic and financial restructuring expenses in the fiscal fourth quarter of 2014. In addition, we anticipate future ongoing incremental expenses associated with being a public company to approximate between $2.0 million and $3.0 million on an annual basis, excluding compensation expense related to the long-term incentive plan established in connection with the Recapitalization and IPO.

Outlook

Although industry-wide retail boat sales remain lower than they were in 2007, prior to the financial crisis, sales volumes expanded during fiscal 2013, and we expect this trend to continue into fiscal 2014. According to SSI, as of December 2013, domestic retail registrations of performance sport boats for 50 reporting states increased 11% over calendar year 2012. This followed domestic performance sport boat registration growth of approximately 13% in 2012 as compared to 2011. As of March 31, 2014, domestic retail registrations of performance sport boats

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for 22 reporting states increased 12% compared to the same period in 2013, according to SSI. While performance sport boat and overall boat industry sales in the U.S. for the three months ended March 31, 2014 likely have been negatively affected by colder weather in much of the country, we expect the favorable demand environment for our product to continue, with long-term prospects depending on the strength of the broader economic recovery.

Since 2008, we have increased our market share among manufacturers of performance sport boats annually due to new product development, redesigned models, and innovative features. For the 2014 model year which began on July 1, 2013, we redesigned the Wakesetter 23LSV model and expanded our product offerings, including the introduction of two new models under the Axis brand doubling the number of models offered. In addition, Surf Gate was added as an available feature on our Axis boats. We expect these new and redesigned models and feature offerings, combined with our recognized brand names and dealer base, to position us for further growth within our industry.

As with other boat manufacturers in our industry, we face broader challenges that could impact demand. These include higher interest rates reducing retail consumer appetite for our product, consumer confidence, the availability of credit to our dealers and consumers, fuel costs, the continued acceptance of our new products in the recreational boating market, our ability to compete in the competitive power boating industry, and the costs of labor and certain of our raw materials and key components.

Factors Affecting Our Results of Operations

We believe that our results of operations and our growth prospects are affected by a number of factors, which we discuss below.

Economic Environment and Consumer Demand

Our product sales are impacted by general economic conditions, which affect the demand for our products, the demand for optional features, the availability of credit for our dealers and retail consumers, and overall consumer confidence. Consumer spending, especially purchases of discretionary items, tends to decline during recessionary periods and tends to increase during expansionary periods. The recreational boating industry was adversely affected by the economic downturn, and is now beginning to recover. IBISWorld projects U.S. powerboat manufacturer sales will grow at a compound annual growth rate, or CAGR, of 6.5% between 2012 and 2017. In recent years, the performance sport boat category has grown faster than the overall powerboat market. In 2012, domestic sales of new performance sport boats increased by 13% compared to 2011, while new unit sales of all other powerboats grew 10% over the same period. More recently, new unit sales of performance sport boats increased 11% for 2013 compared to the same period in 2012, while new unit sales of all other powerboats increased 2% over the same period. While there is no guarantee that our market will continue to grow, we expect to benefit from the recovery in the boating industry and from improved consumer confidence levels.

New Product Development and Innovation

Our long-term revenue prospects are based in part on our ability to develop new products and technological enhancements that meet the demands of existing and new consumers. Developing and introducing new boat models and features that deliver improved performance and convenience is essential to leveraging the value of our Malibu and Axis brands. By introducing new boat models, we are able to appeal to a new and broader range of consumers and focus on underserved or adjacent segments of the broader powerboat category. We introduced nine new

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boat models since the beginning of model year 2011. We believe we also are able to capture additional value from the sale of each boat through the introduction of new features, which we believe permits us to raise average selling prices and enhances our margins. We allocate most of our product development costs to new model and feature designs, usually with a specific consumer base and market in mind. We use industry data to analyze our markets and evaluate revenue potential from each major project we undertake. Our product development cycle, or the time from initial concept to volume production, can be up to two years. As a result, our development costs, which may be significant, may not be offset by corresponding new sales during the same periods. Once new designs and technologies become available to our consumers, we typically realize revenue from these products from one year up to 15 years. We may not, however, realize our revenue expectations from each innovation. We believe our close communication with our consumers, dealers and sponsored athletes regarding their future product desires enhances the efficiency of our product development expenditures.

Product Mix

Historically, we have been successful in leveraging our robust product offering and features to enhance our sales growth and gross margins. Our product mix, as it relates to our brands, types of boats and features, not only makes our offerings attractive to consumers but also helps drive higher sales and margins. Typically, we are able to realize higher sales and margins when we sell larger boats compared to our smaller boats, our premium Malibu brand compared to our entry-level Axis brand and our boats that are fully-equipped with optional features. We will strive to continue to develop new features and models and maintain an attractive product mix that optimizes sales growth and margins.

Our Ability to Manage Manufacturing Costs, Sales Cycles and Inventory Levels

Our results of operations are affected by our ability to manage our manufacturing costs effectively and to respond to changing sales cycles. Our product costs vary based on the costs of supplies and raw materials, as well as labor costs. We have implemented various initiatives to reduce our cost base and improve the efficiency of our manufacturing process. For example, we re-engineered the manufacturing process in our Tennessee facility to reduce labor hours per boat produced and the amount of re-work required. We continuously monitor and review our manufacturing processes to identify improvements and create additional efficiencies. We rely on our insights into the market gleaned from dealer inventory levels, industry reports about anticipated demand for our products in the upcoming sales cycle and our own estimates and assumptions in formulating our manufacturing plan for the following fiscal year. Throughout our consumer sales cycle, which reaches its peak from March through August each year, we adjust our manufacturing activities in order to adapt to variability in demand.

Dealer Network, Dealer Financing and Incentives

We rely on our dealer network to distribute and sell our products. We believe we have developed the strongest distribution network in the performance sport boat category. To improve and expand our network and compete effectively for dealers, we regularly monitor and assess the performance of our dealers and evaluate dealer locations and geographic coverage in order to identify potential market opportunities. As a result of management s strategic initiatives, we have sold an increasing number of units to dealers in new territories in the United States and Canada not previously covered prior to 2009. We intend to continue to add dealers in new territories in the United States as well as internationally, which we believe will result in increased unit sales.

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Our dealers are exposed to seasonal variations in consumer demand for boats. As discussed above under Our Ability to Manage Manufacturing Costs, Sales Cycles and Inventory Levels, we address anticipated demand for our products and manage our manufacturing in order to mitigate seasonal variations. We also use our dealer incentive programs to encourage dealers to order in the off-season by providing floor plan financing relief, which typically permits dealers to take delivery of current model year boats between July 1 and April 30 on an interest-free basis for a specified period. We also offer our dealers other incentives, including rebates, seasonal discounts, promotional co-op arrangements and other allowances. We facilitate floor plan financing programs for many of our dealers by entering into repurchase agreements with certain third-party lenders, which enable our dealers, under certain circumstances, to establish lines of credit with the third-party lenders to purchase inventory. Under these floor plan financing programs, a dealer draws on the floor plan facility upon the purchase of our boats and the lender pays the invoice price of the boats. Since July 1, 2010, we have not repurchased any units from lenders. We will continue to review and refine our dealer incentive offerings and monitor any exposures arising under these arrangements.

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 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 sales of boat trailers and replacement and aftermarket boat parts and accessories to our dealer network and Australian licensee; and

Royalty income licensing fees and royalties that we earn as a result of our contractual relationship with our Australian licensee, which has the exclusive right to manufacture and distribute our products in Australia and New Zealand.

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. Our dealers that take delivery of current model year boats in the offseason, typically July through April, 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. For more information, see Business Dealer Management.

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Cost of Sales

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

Operating Expenses

Our operating expenses include selling and marketing, 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.

Other Expense, Net

Other expense, net consists of interest expense and other income or expense, net. Interest expense consists of interest charged under our credit agreement, debt issuance costs written off in connection with the pay down of all the amounts owed on the credit facilities and term loan, and settlement of our interest rate swap.

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 after the IPO on February 5, 2014. 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 after the completion of the IPO. Our provision for income taxes reflects a reported effective tax rate of 0.8%, 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. Our effective tax rate also reflects the impact of state taxes and our share of the LLC s permanent items such as stock compensation expense attributable to profits interests and the domestic production activities deduction.

Net Income (Loss) Attributable to Non-controlling Interest

In connection with the Recapitalization and IPO, we obtained a 49.3% controlling economic and 100% voting interest in the LLC and, therefore, we consolidate the LLC s operating results for financial statement purposes. Net income (loss) attributable to non-controlling interest represents the portion of net income (loss) attributable to the LLC members.

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Results of Operations

The table below sets forth our results of operations for the periods presented. Our financial results for these periods are not necessarily indicative of the financial results that we will achieve in future periods. Data from the consolidated statement of income and balance sheet for the fiscal years ended June 30, 2011, 2012, and 2013 and as of and for the nine months ended March 31, 2013 reflects information presented by the LLC for the period prior to the Recapitalization and IPO on February 5, 2014, while data as of and for the nine months ended March 31, 2014, reflects information as presented by us for the period after the Recapitalization and IPO on February 5, 2014.

	Fiscal Year Ended June 30,			Nine Months Ended March 31,	
	2011	2012	2013	2013	2014
	(Dollars in thousands)				
Consolidated statement of income data (1):					
Net sales	$ 99,984	$ 140,892	$ 167,012	$ 118,039	$ 137,535
Cost of sales	83,730	110,849	123,412	88,376	101,417
Gross profit	16,254	30,043	43,600	29,663	36,118
Operating expenses:					
Selling and marketing	3,621	4,071	4,937	3,794	4,454
General and administrative	6,194	8,307	14,177	11,302	15,322
Amortization	5,178	5,178	5,178	3,883	3,883
Operating income	1,261	12,487	19,308	10,684	12,459
Other expense, net	(1,804)	(1,381)	(1,324)	(1,077)	(2,971)
Net (loss) income before provision for income taxes	(543)	11,106	17,984	9,607	9,488
Provision for income taxes					76
Net (loss) income	(543)	11,106	17,984	9,607	9,412
Non-controlling interest	(543)	11,106	17,984	9,607	9,782
Net loss attributable to Malibu Boats, Inc.	$	$	$	$	$ (370)
Other data:					
Unit volume	1,860	2,482	2,672	1,917	2,111

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The following table sets forth our gross profit as well as our operating and other income and expenses and other information for the periods presented, expressed as a percentage of net sales. Certain totals for the table below will not sum to exactly 100% due to rounding.

	Fiscal Year Ended June 30,			Nine Months Ended March 31,	
	2011	2012	2013	2013	2014
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	83.7	78.7	73.9	74.9	73.7
Gross profit	16.3	21.3	26.1	25.1	26.3
Operating expenses:					
Selling and marketing	3.6	2.9	3.0	3.2	3.2
General and administrative	6.2	5.9	8.5	9.6	11.1
Amortization	5.2	3.7	3.1	3.3	2.8
Operating income	1.3	8.8	11.5	9.1	9.1
Other expense, net	(1.8)	(1.0)	(0.8)	(0.9)	(2.2)
Net (loss) income before provision for income taxes	(0.5)	7.8	10.7	8.1	6.9
Provision for income taxes					0.1
Net (loss) income	(0.5)	7.8	10.7	8.1	6.8
Non-controlling interest (1)	(0.5)	7.8	10.7	8.1	7.1
Net loss attributable to Malibu Boats, Inc.	%	%	%	%	(0.3)%

(1) For the period after the IPO on February 5, 2014, the non-controlling interest represents the portion of earnings or loss attributable to the economic interest held by the non-controlling LLC Unit holders, which was 50.7% as of March 31, 2014. Since all of the earnings prior to and up to February 5, 2014 were entirely allocable to the LLC unit holders, we updated our historical presentation to attribute these earnings to the non-controlling interest accordingly.

Comparison of the Nine Months Ended March 31, 2014 to the Nine Months Ended March 31, 2013

Net Sales. Our net sales for the nine months ended March 31, 2014 were $137.5 million, reflecting an increase of $19.5 million, or 16.5%, compared to the same period in 2013. Unit volume for the nine months ended March 31, 2014 was 2,111 units, a 10.1% increase compared to the same period in 2013. The volume increase for the nine months ended March 31, 2014 was attributable to strong, continued consumer demand for our boats, bolstered by the introduction of our new models and features. Net sales price per unit increased approximately 5.8% for the nine months ended March 31, 2014 compared to the same period in 2013, primarily because of increased sales prices on new boat models and increased sales of larger boats, including the Wakesetter 23 LSV, remodeled in fiscal year 2014, and Axis A24, introduced early in fiscal year 2014, as well as increased sales of our Surf Gate system, which became available on the Axis brand during July 2013.

Cost of Sales. Our cost of sales increased 14.8% to $101.4 million for the nine months ended March 31, 2014 compared to the nine months ended March 31, 2013. The increase in cost of sales resulted primarily from the 10.1% increase in unit volume and higher material cost per unit.

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Gross Profit. For the nine months ended March 31, 2014, our gross profit increased 21.8%, to $36.1 million compared to the same period during 2013. Gross profit, as a percentage of net sales, increased 1.2% to 26.3% for the nine months ended March 31, 2014 compared to the same period in 2013. These increases resulted primarily from production efficiencies on increased volumes, higher average selling prices driven by price increases and increased sales of larger boats and optional features and product cost reduction efforts.

Operating Expenses. Selling and marketing expense increased $0.7 million for the nine months ended March 31, 2014 compared to the nine months ended March 31, 2013 primarily because of increased marketing costs associated with increased sales volumes. General and administrative expense increased $4.0 million for the nine months ended March 31, 2014 compared to the nine months ended March 31, 2013, largely attributable to increased headcount and one time charges such as the termination of the management agreement, stock compensation charges attributable to the modification of awards granted in 2012, and additional professional fees associated with our Recapitalization and IPO. In light of the economic downturn, Malibu Boats Investor, LLC agreed to eliminate its management fees for the period from July 1, 2008 through December 31, 2012, in order to preserve our cash. Subsequently, we amended the management agreement to make a management fee payment in the amount of $2.1 million during the nine months ended March 31, 2013.

Other Expense, Net. Interest expense increased $1.9 million for the nine months ended March 31, 2014 compared to the nine months ended March 31, 2013. This increase was driven by deferred financing costs written off in connection with the pay down of our term loan as part of the Recapitalization and IPO transactions as well as higher debt balances associated with our July 2013 refinancing prior to the pay down of our term loan.

Provision for 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 after the IPO on February 5, 2014. 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 after the completion of the IPO. Our provision for income taxes was $0.1 million for the nine months ended March 31, 2014 reflecting a reported effective tax rate of 0.8%, 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. Our effective tax rate also reflects the impact of state taxes and our share of the LLC s permanent items such as stock compensation expense attributable to profits interests and the domestic production activities deduction.

Non-controlling interest. Non-controlling interest represents the ownership interests of the other members of the LLC after the Recapitalization and IPO. The non-controlling interest was 50.7% immediately following the IPO. The amount of non-controlling interest is computed by multiplying pre-tax income during the period by the percentage ownership in the LLC not directly attributable to us, or 50.7%. All of the pre-tax income for the nine months ended March 31, 2013 was attributed to the non-controlling interest.

Comparison of the Fiscal Year Ended June 30, 2013 to the Fiscal Year Ended June 30, 2012

Net Sales. Our net sales for fiscal year 2013 were $167.0 million, an increase of $26.1 million, or 18.5%, compared to fiscal year 2012. Unit volume for fiscal year 2013 was 2,672, an 8% increase compared to fiscal year 2012. The volume increase was attributable to increased consumer demand for our products. Net sales per unit increased approximately 10% for fiscal year 2013 compared to fiscal year 2012, primarily because of increased sales prices on new boat models

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and the introduction of two new boat models during fiscal year 2013, including our most expensive model, the Wakesetter 24 MXZ, as well as the introduction of our Surf Gate system as an option for consumers of our Malibu boats beginning in fiscal year 2013.

Cost of Sales. For fiscal year 2013, our cost of sales increased 11.3% to $123.4 million compared to fiscal year 2012. The increase in cost of sales resulted primarily from the 8% increase in unit volume and a richer mix of products sold with additional features, offset somewhat by continued realization of labor efficiencies.

Gross Profit. For fiscal year 2013, our gross profit increased 45.1% to $43.6 million compared to fiscal year 2012. Our gross profit, as a percentage of net sales, increased 480 basis points to 26.1% for fiscal year 2013 compared to fiscal year 2012. These increases resulted primarily from continued production efficiencies on increased volumes, higher average selling prices driven by price increases and increased sales of new boat models and optional features, and continued product cost reductions.

Operating Expenses. Our operating expenses for fiscal year 2013 increased 38.4% to $24.3 million compared to fiscal year 2012. Operating expenses as a percentage of sales for fiscal year 2013 increased 200 basis points to 14.5% percent compared to fiscal year 2012. The increase in operating expenses for 2013 was primarily attributable to increased general and administrative expense, comprised of payments made pursuant to our management agreement with Malibu Boats Investor, LLC, which will be terminated upon the consummation of this offering, and increased legal expenditures related to ongoing litigation. In addition, dealer incentives and sales expenses increased during fiscal year 2013 compared to fiscal year 2012 as a result of increased sales.

Other Expense, Net. Interest expense decreased by $0.1 million to $1.3 million in fiscal year 2013 compared to $1.4 million in fiscal year 2012. This decrease was a result of lower interest rates on our borrowings. For more information about the 2012 refinancing of our credit facilities, see Liquidity and Capital Resources Comparison of the Fiscal Year Ended June 30, 2013 to the Fiscal Year Ended June 30, 2012 Financing Activities. We experienced a modest decrease in other income over these periods, driven by a reduction in interest income.

Comparison of the Fiscal Year Ended June 30, 2012 to the Fiscal Year Ended June 30, 2011

Net Sales. Our net sales for fiscal year 2012 were $140.9 million, an increase of $40.9 million, or 40.9%, compared to fiscal year 2011. Unit volume for fiscal year 2012 was 2,482, a 33% increase compared to fiscal year 2011. The volume increase was attributable to increased consumer demand for our products, including market growth and market share growth. Net sales per unit increased approximately 6% for fiscal year 2012 compared to fiscal year 2011, primarily because of increased sales prices on new boat models and the introduction of our Wakesetter 22 MXZ, a larger premium priced model.

Cost of Sales. For fiscal year 2012, our cost of sales increased 32.4% to $110.8 million compared to fiscal year 2011. The increase in cost of sales resulted primarily from the 33% increase in unit volume and a richer mix of products sold with additional features, offset somewhat by continued realization of labor efficiencies.

Gross Profit. For fiscal year 2012, our gross profit increased 84.8% to $30.0 million compared to fiscal year 2011. Our gross profit, as a percentage of net sales, increased 510 basis points to 21.3% for fiscal year 2012 compared to fiscal year 2011. These increases resulted largely from the impact of new operational management who was able to achieve a combination of increased labor efficiencies, driven by higher volume and line optimization strategies, and decreased materials costs, attributable to reduced waste from enhanced process controls, among other items.

Operating Expenses. Our operating expenses for fiscal year 2012 increased 17.1% to $17.6 million compared to fiscal year 2011. Operating expenses as a percentage of sales for fiscal year 2012 decreased 250 basis points to 12.5% compared to fiscal year 2011. The increase in operating expenses for 2012 was broad-based across both general and administrative and selling and marketing expenses, but was primarily driven by increased expenditures on personnel, travel, consulting services and professional fees, including those related to ongoing litigation.

Other Expense, Net. Interest expense decreased by $0.4 million to $1.4 million in fiscal year 2012 compared to $1.8 million in fiscal year 2011. This decrease was primarily a result of lower average borrowing balances under our former credit facility.

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 and non-operating expenses, including severance and relocation, management fees and expenses, certain professional fees and non-cash compensation expense. We define adjusted EBITDA margin as adjusted EBITDA divided by net sales. Adjusted EBITDA and adjusted EBITDA margin are not measures of net (loss) 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 and non-operating expenses. We exclude the items listed above from net (loss) 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 (loss) 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.

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

	Fiscal Year Ended June 30,			Nine Months Ended March 31,	
	2011	2012	2013	2013	2014
	(Dollars in thousands)				
Consolidated statement of income data:					
Net (loss) income	$ (543)	$ 11,106	$ 17,984	$ 9,607	$ 9,412
Provision for income taxes					76
Interest expense	1,815	1,433	1,334	1,085	2,980
Depreciation and amortization	6,000	6,072	6,268	4,720	5,010
Severance and relocation (1)	112	181	192	192	
Management fees and expenses (2)	27	87	2,896	2,860	4,584
Professional fees (3)	389	852	2,957	2,661	1,503
Stock based compensation expense (4)	118	132	127	95	2,141
Strategic and financial restructuring expenses (5)					1,222
Adjusted EBITDA	$ 7,918	$ 19,863	$ 31,758	$ 21,220	$ 26,928
Adjusted EBITDA margin	7.9%	14.1%	19.0%	18.0%	19.6%

(1) Represents one-time employment related expenses, including a severance payment to a former executive, and costs to relocate certain departments from California to our Tennessee facility.
(2) Represents management fees and out-of-pocket expenses paid pursuant to our management agreement with Malibu Boats Investor, LLC, an affiliate, which was terminated upon the closing of the IPO. Upon termination of the agreement, we paid a one time termination fee of $3.8 million. For more information about the management fees, see Certain Relationships and Related Party Transactions Management Agreement.
(3) Represents legal and advisory fees related to our refinancing activities and legal expenses related to our litigation with Pacific Coast Marine Windshields Ltd. and Nautique Boat Company, Inc. For more information about this litigation, see Business Legal Proceedings.
(4) Represents equity-based incentives awarded to certain of our employees including a $1.8 million stock compensation charge as a result of the modification of certain profits interest awards previously granted in 2012 under the first amended and restated limited liability company agreement of the LLC, as amended, in connection with our IPO.
(5) Represents legal, accounting and other expenses directly related to the Recapitalization and IPO.

Adjusted Fully Distributed Net Income

We define Adjusted Fully Distributed Net Income as net (loss) income attributable to Malibu Boats, Inc. (i) excluding income tax expense, (ii) excluding the effect of non-recurring and non-cash items, (iii) assuming the exchange of all LLC Units into shares of Class A Common Stock, which results in the elimination of non-controlling interest in the LLC, and (iv) reflecting an adjustment for income tax expense on fully distributed net income before income taxes at our estimated effective income tax rate. Adjusted Fully Distributed Net Income is a non-GAAP financial measure because it represents net income attributable to Malibu Boats, Inc. before non-recurring or non-cash items and the effects of non-controlling interests in the LLC.

We use Adjusted Fully Distributed Net Income to facilitate a comparison of our operating performance on a consistent basis from period to period that, when viewed in combination with our results prepared in accordance with GAAP, provides a more complete understanding of factors and trends affecting our business than GAAP measures alone.

We believe Adjusted Fully Distributed Net Income assists our board of directors, management and investors in comparing our net income on a consistent basis from period to period because it removes non-cash (stock-based compensation) and non-recurring items (strategic and financial restructuring expenses), and eliminates the variability of non-controlling interest as a result of member owner exchanges of LLC Units into shares of Class A Common Stock.

In addition, because Adjusted Fully Distributed Net Income are susceptible to varying calculations, the Adjusted Fully Distributed Net Income measures, as presented in this prospectus, may differ from and may, therefore, not be comparable to similarly titled measures used by other companies.

The following table sets forth a reconciliation of net (loss) income attributable to members of the LLC and stockholders of Malibu Boats, Inc. to Adjusted Fully Distributed Net Income for the periods indicated:

	Fiscal Year Ended June 30,			Nine Months Ended March 31,	
	2011	2012	2013	2013	2014
	(Dollars in thousands, except share data)				
Net (loss) income attributable to members and stockholders.	$	$	$	$	$ (370)
Provision for income taxes					76
Stock based compensation expense	118	132	127	95	2,141
Management fees and expenses	27	87	2,896	2,860	4,584
Professional fees	389	852	2,957	2,661	1,503
Strategic and financial restructuring expenses					1,222
Net income attributable to non-controlling interest (1)	(543)	11,106	17,984	9,607	9,782
Fully distributed net (loss) income before income taxes	(9)	12,177	23,964	15,223	18,938
Income tax (benefit) expense on fully distributed (loss) income before income taxes (2)	(3)	4,579	9,010	5,728	7,126
Adjusted Fully Distributed Net (Loss) Income	$ (6)	$ 7,598	$ 14,954	$ 9,495	$ 11,812
Adjusted Fully Distributed Net (Loss) Income per share of Class A Common Stock (3):					
Basic	$ 0.00	$ 0.34	$ 0.67	$ 0.42	$ 0.53
Diluted	$ 0.00	$ 0.34	$ 0.67	$ 0.42	$ 0.53
Weighted Average shares of Class A Common Stock outstanding used in computing Adjusted Fully Distributed Net (Loss) Income (4):					
Basic	22,428,567	22,428,567	22,428,567	22,428,567	22,428,567
Diluted	22,428,567	22,428,567	22,428,567	22,428,567	22,428,567

(1) 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. (Loss) earnings prior and up to our IPO on February 5, 2014 were entirely allocable to members of the LLC, as such we updated our historical presentation to attribute these (losses) earnings to the non-controlling interest LLC unit holders.

(2) Reflects income tax expense at an estimated annual effective income tax rate of 37.6% of income before income taxes assuming the conversion of all LLC Units into shares of Class A Common Stock and the tax impact of excluding strategic and financial restructuring expenses. The estimated 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, and state taxes attributable to the LLC.

(3) Represents adjusted fully distributed net (loss) income divided by the weighted average shares of Class A Common Stock outstanding in (4) below.

(4) Represents the total number of shares of Class A Common Stock outstanding as of March 31, 2014 including all 11,373,737 remaining LLC Units as if they were exchanged on a one-for-one basis for our Class A Common Stock. For periods prior to our Recapitalization, represents the number of shares of Class A Common Stock assuming all LLC Units outstanding at the end of such period were exchanged on a one-for-one basis for our Class A Common Stock and no other shares of Class A Common Stock were outstanding as of such date.

Quarterly Results of Operations

The table below sets forth our unaudited quarterly consolidated statements of income data for each of the eleven quarters through the period ended March 31, 2014. The unaudited quarterly consolidated statements of income data were prepared on a basis consistent with the audited consolidated financial statements included elsewhere in this prospectus. Quarterly information presented for the quarters through December 31, 2013 reflects information as presented by the LLC for periods prior to our IPO on February 5, 2014 while quarterly information for the quarter ended March 31, 2014 reflects information as presented by us after our IPO on February 5, 2014. Since earnings prior and up to February 5, 2014 were entirely allocable to members of the LLC, we updated our historical presentation to attribute these earnings to the non-controlling interest LLC unit holders. In the opinion of management, the quarterly financial information reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of this data. This information should be read in conjunction with the audited consolidated financial statements and related notes included elsewhere in this prospectus. The historical results presented below are not necessarily indicative of the results to be expected for any future period, and the results for any interim period may not necessarily indicative of the results of operations for a full year.

	Three Months Ended										
	Sept. 30, 2011	**Dec. 31, 2011**	**March 31, 2012**	**June 30, 2012**	**Sept. 30, 2012**	**Dec. 31, 2012**	**March 31, 2013**	**June 30, 2013**	**Sept. 30, 2013**	**Dec. 31, 2013**	**March 31, 2014**
Net sales	$ 31,984	$ 33,568	$ 36,263	$ 39,077	$ 33,159	$ 37,818	$ 47,062	$ 48,973	$ 43,304	$ 43,938	$ 50,293
Cost of sales	25,716	26,730	28,755	29,648	25,291	28,524	34,562	35,035	32,283	32,242	36,892
Gross profit	6,268	6,838	7,508	9,429	7,868	9,294	12,500	13,938	11,021	11,696	13,401
Operating expenses:											
Selling and marketing	1,864	1,059	682	466	1,076	1,194	1,523	1,144	1,432	1,510	1,512
General and administrative	1,672	1,675	2,247	2,713	4,512	2,641	4,150	2,875	1,955	3,068	10,299
Amortization	1,294	1,294	1,295	1,295	1,294	1,294	1,295	1,295	1,294	1,295	1,294
Total operating expenses	4,830	4,028	4,224	4,474	6,882	5,129	6,968	5,314	4,681	5,873	13,105
Operating income	1,438	2,810	3,284	4,955	986	4,165	5,532	8,624	6,340	5,823	296
Other expense, net	(372)	(352)	(301)	(356)	(347)	(398)	(332)	(248)	(1,161)	(603)	(1,207)
Net (loss) income before provision for income taxes	1,066	2,458	2,983	4,599	639	3,767	5,200	8,376	5,179	5,220	(911)
Provision for income taxes											76
Net (loss) income	1,066	2,458	2,983	4,599	639	3,767	5,200	8,376	5,179	5,220	(987)
Non-controlling interest	1,066	2,458	2,983	4,599	639	3,767	5,200	8,376	5,179	5,220	(617)
Net loss attributable to Malibu Boats, Inc.	$	$	$	$	$	$	$	$	$	$	$ (370)

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Liquidity and Capital Resources

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

	Fiscal Year Ended June 30,			Nine Months Ended March 31,	
	2011	2012	2013	2013	2014
			(In thousands)		
Total cash provided by (used in):					
Operating activities	$ 6,613	$ 15,495	$ 25,899	$ 17,357	$ 14,246
Investment activities	(1,302)	(2,651)	(2,878)	(1,334)	(3,828)
Financing activities	(6,154)	(7,132)	(21,861)	(16,894)	(21,054)
(Decrease) increase in cash	$ (843)	$ 5,712	$ 1,160	$ (871)	$ (10,636)

Comparison of the Nine Months Ended March 31, 2014 to the Nine Months Ended March 31, 2013

Operating Activities. Net cash from operating activities was $14.2 million for the nine months ended March 31, 2014 compared to $17.4 million for the same period in 2013, a decrease of $3.1 million. The decrease in cash from operating activities was primarily due to cash paid for one time operating expenses, including a $3.8 million termination payment in connection with the termination of our former management agreement and $2.8 million in IPO-related costs. This decrease was offset by an increase in cash receipts from boat sales to our dealer network of $16.8 million for the nine months ended March 31, 2014 as compared to the nine months ended March 31, 2013, driven mostly by a 10.1% higher unit sales volume over the same period. Additionally, average sales prices increased for the nine months ended March 31, 2014, compared to the same period in 2013, primarily attributable to increased sales prices on new boat models and increased sales of larger, higher margin boats, including the Wakesetter 23 LSV and Axis A24, as well as increased sales of our Surf Gate system, which became available on Axis models in July 2013. Cash payments to suppliers for purchase of raw material and other supplies used in the manufacturing process increased $14.6 million for the nine months ended March 31, 2014, compared to the same period in 2013, primarily attributable to increased production levels associated with higher volumes attributable to new models and options offered as well as increased consumption of materials driven by a mix of larger boats. Cash paid for interest increased $0.9 million attributable to our refinancing of the term loan.

Investing Activities. Net cash used for investing activities was $3.8 million for the nine months ended March 31, 2014 compared to $1.3 million for the same period in 2013, an increase of $2.5 million. Our cash used for investing activities for the nine months ended March 31, 2013 and March 31, 2014 primarily related to investments in new property and equipment, including boat molds, a new ventilation system, and construction on a loading facility at our Loudon, Tennessee plant.

Financing Activities. Net cash used for financing activities was $21.1 million for the nine months ended March 31, 2014 compared to $16.9 million for the nine months ended March 31, 2013, an increase of $4.2 million. During July 2013 we refinanced our term note for $65 million and subsequently used a portion of the proceeds to pay distributions to the LLC s unit holders.

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Distributions to our LLC Unit holders for the nine months ended March 31, 2014 were $64.6 million. In connection with our IPO in February 2014, we received net proceeds of $99.5 million and used approximately $29.8 million to purchase LLC Units directly from the existing holders of LLC Units. In addition, we used $69.8 million to purchase newly issued LLC Units from the LLC, which the LLC then used (i) to pay down all of the amounts owed under the LLC s credit facilities and term loans in the amount of $63.4 million, (ii) to pay Malibu Boats Investor, LLC, an affiliate of the LLC, a fee of $3.8 million in connection with the termination of the LLC s management agreement upon consummation of the IPO, and (iii) for general corporate purposes in the remaining amount of approximately $2.7 million.

Comparison of the Fiscal Year Ended June 30, 2013 to the Fiscal Year Ended June 30, 2012

Operating Activities. Net cash from operating activities was $25.9 million for the fiscal year ended June 30, 2013, compared to $15.5 million for the fiscal year ended June 30, 2012, an increase of $10.4 million. This increase was primarily driven by an increase in our cash receipts from sales of recreational and sports boats to our dealer network, which for the fiscal year ended June 30, 2013, increased by $29.6 million over receipts for the fiscal year ended June 30, 2012. The increase was driven by a 7.7% higher unit sales volume during the fiscal year ended June 30, 2013, compared to the same period in 2012. Additionally, average sales prices increased for the fiscal year ended June 30, 2013, compared to the same period in 2012, primarily attributable to increased sales prices on new boat models and the introduction of new premium-priced models, including the Wakesetter 24 MXZ and Wakesetter 20 MXZ, both of which were introduced in 2013. We also introduced our new Surf Gate system during the same period. Cash payments to suppliers for purchase of raw material and other supplies increased by $12.6 million for the fiscal year ended June 30, 2013, compared to the same period in 2012, primarily attributable to consumption of these items during the manufacturing process associated with higher production volumes, larger models and additional features. Cash paid for operating expenses increased $6.3 million during fiscal year ended June 30, 2013, as compared to the same period 2012. This increase was primarily attributable to payments of $2.8 million to our sponsor for management fees, including a one-time payment of $2.1 million, as well as professional fees related to our refinancing activities and legal expenses related to a dispute with a former supplier and increased selling and marketing expense to support higher unit sales volumes.

Investing Activities. Net cash used for investing activities was $2.9 million for fiscal year 2013 compared to $2.7 million for fiscal year 2012. Our cash used for investing activities for fiscal years 2012 and 2013 primarily related to the purchase of property and equipment.

Financing Activities. Net cash used for financing activities was $21.9 million for fiscal year 2013 compared to $7.1 million for fiscal year 2012. Our financing activities for fiscal year 2013 primarily consisted of distributions to members of the LLC financed by our July 2012 refinancing as well as ongoing tax distributions. The proceeds from the July 2012 refinancing were used to repay existing term and revolving loans that were due August 2012, pay equity distributions of $15.4 million, deferred financing and related fees of $0.7 million and management fees of $2.1 million in connection with the payment of management fees to Malibu Boats Investor, LLC, an affiliate, pursuant to an amendment to the management agreement in July 2012. Our financing activities for fiscal year 2012 primarily consisted of principal repayments of a prior credit facility.

Comparison of the Fiscal Year Ended June 30, 2012 to the Fiscal Year Ended June 30, 2011

Operating Activities. Net cash from operating activities was $15.5 million for the fiscal year ended June 30, 2012, compared to $6.6 million for the fiscal year ended June 30, 2011, an increase of $8.9 million. This increase was primarily driven by an increase in our cash receipts from sales

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of recreational and sports boats to our dealer network, which for the fiscal year ended June 30, 2012, increased by $37.2 million over receipts for the fiscal year ended June 30, 2011. The increase was driven by a 33.4% higher unit sales volume during the fiscal year ended June 30, 2012, compared to the same period in 2011. Additionally, average sales prices increased for the fiscal year ended June 30, 2012, compared to the same period in 2011, primarily attributable to increased sales prices on new premium boat models such as the Wakesetter 22 MXZ. Cash payments to suppliers for purchases of material and other supplies increased $26.7 million from June 30, 2012, as compared to June 30, 2011, primarily attributable to increased consumption associated with higher production volumes. Cash paid for operating expenses increased $1.4 million during fiscal year ended June 30, 2012, as compared to the same period in 2011. This increase was primarily driven by consulting fees in connection with the implementation of a quality control system and enhancements of our enterprise resource planning system as well as increasing selling and marketing expenses associated with unit sales volumes. Cash paid for interest decreased $0.4 million attributable to lower average loan balances and lower interest rates.

Investing Activities. Net cash used for investing activities was $2.7 million for fiscal year 2012 compared to $1.3 million for fiscal year 2011. Our cash used for investing activities for fiscal years 2011 and 2012 primarily related to the purchase of property and equipment.

Financing Activities. Net cash used for financing activities was $7.1 million for fiscal year 2012 compared to $6.2 million for fiscal year 2011. Our financing activities for fiscal year 2012 and 2011 primarily consisted of principal repayments of a prior credit facility that was due August 2012.

Loans and Commitments

We have lending arrangements with several financial institutions pursuant to a credit agreement with a syndicate of banks led by SunTrust Bank. Borrowings under our 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 LIBOR plus 1% or (ii) the Adjusted LIBOR Rate, in each case plus the applicable margin, as defined in our credit agreement. As of March 31, 2014, our credit agreement included the following facilities:

Revolving Credit Facility. We have access to a revolving credit facility from a bank syndicate led by SunTrust Bank with available borrowings of $10 million due on or before July 16, 2018. As of March 31, 2014, we had no outstanding balance under the revolving credit facility.

Swingline Credit Facility. We received a swingline line of credit from SunTrust Bank in the principal amount of up to $2 million due on or before July 16, 2018. Any amounts drawn under the swingline line of credit reduce the capacity under the revolving credit facility. As of March 31, 2014, we had no outstanding balance under the swingline facility.

Letter of Credit Facility. We have the ability to request the issuance of letters of credit by SunTrust Bank in the principal amount of up to $3 million. The principal amounts of any issued but undrawn letters of credit and any amounts drawn under issued letters of credit that we have not reimbursed reduce the availability under the revolving credit facility. As of March 31, 2014, we had no drawn and unreimbursed amounts under the letter of credit facility.

Term Loans. We received a term loan from each of the banks in the syndicate in the aggregate principal amount of $65 million due on or before July 16, 2018. We repaid the $63.4 million outstanding related to the term loan in full on February 5, 2014 with the proceeds from the IPO.

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Subject to the terms of the credit agreement, we have the option to request our lenders to increase the aggregate amount under the revolving credit facility and the term loan facility up to an additional $30 million; however, our lenders are not obligated to do so.

Our credit agreement permits prepayment without any penalties. Our credit agreement contains certain customary representations and warranties, and notice requirements for the occurrence of specific events such as pending or threatened labor disputes, litigation or judgments over a certain amount. The credit agreement requires compliance with certain financial covenants that we believe 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. Our credit agreement also contains certain restrictive covenants, which, among other things, place limits on our activities and those of our subsidiaries, the incurrence of additional indebtedness and additional liens on property and limit the future payment of dividends or distributions. For example, our credit agreement generally prohibits the LLC, Malibu Boats, LLC and Malibu Domestic International Sales Corp. from paying dividends or making distributions. Our 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 million in any fiscal year, dividends and distributions within the loan parties and dividends payable solely in interests of classes of securities. In addition, after June 30, 2014, the LLC may make dividends and distributions of up to $4.0 million in any fiscal year, subject to compliance with other financial covenants. Further, in January 2014, we entered into an amendment to the credit agreement prior to the closing of the IPO that permits distributions to fund payments that are required under the tax receivable agreement. Our 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. Our 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 Domestic International Sales Corp., and those of any future domestic subsidiary pursuant to a security agreement. As of March 31, 2014, we were in compliance with all covenants in the credit agreement and security 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.

Capital Resources

Future uses of cash related to significant capital projects underway include the expansion of our Loudon, Tennessee facility to add approximately 24,000 square feet for a loading and warehouse facility on land we own. Remaining expenditures associated with this capital project are expected to be up to $1.0 million over the next two quarters.

Management expects our capital expenditures for fiscal year 2014 to be higher than typical at between $5.0 million and $5.5 million, an increase from fiscal year 2013 capital expenditures of $2.9 million. This expected increase is primarily driven by additional investments to expand our Tennessee facility and increase production capacity to accommodate future growth.

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Contractual Obligations and Commitments

As of March 31, 2014, our continuing contractual obligations were as follows:

		Payments Due by Period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
			(In thousands)		
Long-term debt, including interest (1)	$	$	$	$	$
Notes payable-equipment, including interest	14	14			
Operating leases (2)	29,048	1,877	3,753	3,847	19,571
Purchase obligations (3)	22,431	22,431			
Total	$ 51,493	$ 24,322	$ 3,753	$ 3,847	$ 19,571

(1) Long-term debt includes principal and interest payments under our debt agreements as of March 31, 2014, assuming no additional borrowings or principal payments. We had no amounts outstanding under our revolving credit facility as of March 31, 2014.

(2) We sold our two primary manufacturing and office facilities for a total of $18.3 million in 2008, which resulted in a gain of $0.7 million. Simultaneous with the sale, we entered into an agreement to lease back the buildings for an initial term of 20 years. The net gain of $0.2 million has been deferred and is being amortized in proportion to rent charged over the initial lease term.

(3) As part of the normal course of business, we enter into purchase orders from a variety of suppliers, primarily for raw materials, in order to manage our various operating needs. The orders are expected to be purchased throughout fiscal years 2014 and 2015.

Our dealers have arrangements with certain finance companies to provide secured floor plan financing for the purchase of our products. These arrangements indirectly provide liquidity to us by financing dealer purchases of our products, thereby minimizing the use of our working capital in the form of accounts receivable. A majority of our sales are financed under similar arrangements, pursuant to which we receive payment within a few days of shipment of the product. We have agreed to repurchase products repossessed by the finance companies if a dealer defaults on its debt obligations to a finance company and the boat is returned to us, subject to certain limitations. Our financial exposure under these agreements is limited to the difference between the amounts unpaid by the dealer with respect to the repossessed product plus costs of repossession and the amount received on the resale of the repossessed product. No losses have been incurred under these agreements in the past three fiscal years. An adverse change in retail sales, however, could require us to repurchase repossessed units upon an event of default by any of our dealers, subject to the annual limitation.

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 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.

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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.

Inflation

The market prices of certain materials and components used in manufacturing our products, especially resins that are made with hydrocarbon feedstocks, copper, aluminum and stainless steel, can be volatile. Historically, however, inflation has not had a material effect on our results of operations. Significant increases in inflation, particularly those related to wages and increases in the cost of raw materials, could have an adverse impact on our business, financial condition and results of operations.

New boat buyers often finance their purchases. Inflation typically results in higher interest rates that could translate into an increased cost of boat ownership. Should inflation and increased interest rates occur, prospective consumers may choose to forego or delay their purchases or buy a less expensive boat in the event credit is not available to finance their boat purchases.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. These principles require us to make estimates and judgments that affect the reported amounts of assets, liabilities, expenses and cash flows, and related disclosure of contingent assets and liabilities. Our estimates include those related to goodwill, revenue recognition, rebates, equity-based compensation, product repurchases and warranty claims. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates. To the extent that there are material

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differences between these estimates and our actual results, our future financial statements will be affected.

We believe that of our significant accounting policies, which are described in the notes to our consolidated financial statements appearing elsewhere in this prospectus, the accounting policies listed below involve a greater degree of judgment and complexity. Accordingly, we believe these are the most critical to understand and evaluate fully our financial condition and results of operations.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill amounts are not amortized, but rather are evaluated for potential impairment on an annual basis, as of June 30, unless circumstances indicate the need for impairment testing between the annual tests in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 350, Intangibles Goodwill and Other. If this assessment indicates the possibility of impairment, the income approach to test for goodwill impairment would be used unless circumstances indicate that a better estimate of fair value was available. Under the income approach, management calculates the fair value of each reporting unit based on the present value of estimated future cash flows. If the fair value of the reporting unit exceeds the carrying value of the net assets including goodwill assigned to that unit, goodwill is not impaired. If the carrying value of the reporting unit s net assets including goodwill exceeds the fair value of the reporting unit, then management determines the implied fair value of the reporting unit s goodwill. If the carrying value of a reporting unit s goodwill exceeds its implied fair value, then we would record an impairment loss equal to the difference. We did not recognize any goodwill impairment charges in the fiscal years ended June 30, 2012 and 2013.

Revenue Recognition

We generally manufacture products based on specific orders from dealers and often ship completed products only after receiving credit approval from third-party financial institutions or those participating in floor financing programs. Revenue associated with sales to dealers financed through either source is primarily recorded when all of the following conditions have been met:

- an order for a product has been received;
- a common carrier signs the delivery ticket accepting responsibility for the product; and
- the product is removed from our property for delivery.

These conditions are generally met when title passes, which is when boats are shipped to dealers in accordance with shipping terms, which are primarily free on board shipping point.

Dealers generally have no rights to return unsold boats. From time to time, however, we may accept returns in limited circumstances and at our discretion under our warranty policy, which generally limits returns to instances of manufacturing defects. We estimate the costs that may be incurred under our basic limited warranty and record a liability in the amount of such costs at the time the product revenue is recognized. We may also be obligated, in the event of default by a dealer, to accept returns of unsold boats under our repurchase commitment to floor financing providers, which are able to obtain such boats through foreclosure. We accrue estimated losses when a loss, due to the default of one of our dealers, is determined to be probable and the amount

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of the loss is reasonably estimable. Refer to Notes 5 and 13 to our audited consolidated financial statements included elsewhere in this prospectus for more information related to our product warranty and repurchase commitment obligations, respectively.

Revenue from boat part sales is recorded as the product is shipped from our location, which is free on board shipping point. Revenue associated with sales of materials, parts, boats or engine products sold under our exclusive manufacturing and distribution agreement with our Australian licensee are recognized under free-on-board port of disembarkment terms, the point at which the risks of ownership and loss pass to the licensee. We also earn royalties from our Australian licensee, which are accrued on a monthly basis based on a percentage of the licensee s gross sales. Royalties earned are paid to us on a quarterly basis.

Revenue associated with sales to the independent representative responsible for international sales is recognized in accordance with free on board shipping point terms, the point at which the risks of ownership and loss pass to the representative. A fixed percentage discount is earned by the independent representative at the time of shipment to the representative as a reduction in the price of the boat and is recorded in our consolidated statement of operations as a reduction in sales.

Rebates, Promotions, Floor Financing and Incentives

We provide for various structured dealer rebate and sales promotions incentives, which are recognized as a reduction in net sales, at the time of sale to the dealer. Examples of such programs include rebates, seasonal discounts, promotional co-op arrangements and other allowances. Dealer rebates and sales promotion expenses are estimated based on current programs and historical achievement and/or usage rates. Actual results may differ from these estimates if market conditions dictate the need to enhance or reduce sales promotion and incentive programs or if dealer achievement or other items vary from historical trends. Free floor financing incentives are estimated at the time of sale to the dealer based on the expected expense to us over the term of the free flooring period and are recognized as a reduction in sales.

Income Taxes

Income taxes are computed in accordance with ASC 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. We have deferred tax assets and liabilities and maintain 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 we determine that we will not realize the benefit of some or all of its deferred tax assets, such deferred tax assets will be adjusted through our provision for income taxes in the period in which this determination is made. As of March 31, 2014, we had recorded no valuation allowances against our deferred tax assets.

Our effective tax rate reflects the effect of our non-controlling interests as the non-controlling interest holders are responsible for paying income taxes on their percentage ownership of the LLC, thereby reducing our income tax expense. Our effective rate will increase as our controlling interest in the LLC increases as we will be responsible for paying income taxes on a greater percentage of taxable income, thereby increasing our income tax expense

Tax Receivable Agreement

In connection with the Recapitalization, we entered into a tax receivable agreement with the pre-IPO owners of the LLC that provides for the payment from time to time by us to the pre-IPO owners (or any permitted assignees) of 85% of the amount of the benefits, if any, that we have deemed to realize as a result of (i) increases in tax basis resulting from the purchase or exchange of LLC Units and (ii) certain other tax benefits related to us entering into the tax receivable agreement. These payment obligations are our obligations and are not obligations of the LLC. For purposes of the tax receivable agreement, the benefit deemed realized by us will be computed by comparing our actual income tax liability (calculated with certain assumptions) to the amount of such taxes that we 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 we not entered into the tax receivable agreement.

The timing and/or amount of aggregate payments due under the tax receivable agreement may vary based on a number of factors, including the amount and timing of the taxable income we generate in the future and the tax rate then applicable and amortizable basis.

The term of the tax receivable agreement will continue until all such tax benefits have been utilized or expired, unless we exercise our right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement. In certain mergers, asset sales or other forms of business combinations or other changes of control, we (or our successor) would owe to the existing 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 all LLC Units and that we would have had 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.

Equity-Based Compensation

On January 6, 2014, our board of directors adopted the Malibu Boats, Inc. Long-Term Incentive Plan, or the Incentive Plan. The Incentive Plan, which became effective on January 1, 2014, reserves for issuance up to 1,700,000 shares of our Class A Common Stock. Incentive stock awards authorized under the plan include stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalent awards and performance awards. As of March 31, 2014, no incentive stock awards had been granted under our Incentive Plan. Stock-based compensation expense is accounted for in accordance with the provisions of FASB ASC Topic 718, Compensation- Stock Compensation. The compensation cost recorded for these awards will be based on their fair value at grant date less the cost of estimated forfeitures determined using the Black-Scholes-Merton option-pricing model, or the Black Scholes Model. Forfeitures will be estimated at the time of grant and revised, if necessary, in subsequent periods to reflect actual forfeitures.

Stock-based compensation attributable to profits interest awards granted to employees pursuant to the LLC s limited liability company agreement in effect prior to our IPO are also accounted for in accordance with the provisions of FASB ASC Topic 718. The fair value of profits interest awards are based on the value of our LLC Units, which is estimated, on the date of grant, using the Black-Scholes model. These awards are subject to the terms of the applicable agreement governing the profits interest award.

For all time-vesting awards granted, stock-based compensation expense is recognized in the statements of operations and amortized using the straight-line attribution method. For profits interest awards that contain a liquidity condition, which is satisfied upon occurrence of a qualifying event, defined as a change in control transaction, expense recognition will occur at the time of the qualifying event.

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We utilize the Black-Scholes model for estimating fair value of our awards granted. Option valuation models, including the Black-Scholes model, require the input of subjective assumptions, and changes in the assumptions used can materially affect the grant date fair value of an award. These assumptions include the risk-free rate of interest, expected dividend yield, expected volatility and the expected life of the award.

Expected volatility rates used for determining the fair value of profits interest awards are based on historical volatility of the common stock of comparable publicly traded entities and other factors, including adjustments for leverage, due to the lack of historic information regarding the LLC. The expected life of profits interest awards is the period of time for which the profits interest awards are expected to be outstanding. Given the lack of historic exercise data, the expected life is determined using the anticipated liquidity event for the awards.

The risk-free interest rates used for determining the fair value of profits interest awards are based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. During fiscal years 2011 and 2012, the LLC did not make distributions to its members and, therefore, we have assumed an expected dividend rate of zero.

Given the absence of an active market for our equity prior to our IPO, the exercise price of the profits interest awards on the date of grant was determined and approved by the board of directors using several factors, including progress and milestones achieved in our business development and performance, general industry and economic trends. In establishing the estimated fair value of our profits interest awards, we considered the guidance set forth in American Institute of Certified Public Accountants Practice Guide, Valuation of Privately-Held-Company Equity Securities Issued as Compensation.

The table below sets forth the assumptions used for calculating the value of profits interest awards granted during the fiscal years ended June 30, 2011 and 2012. No profits interest awards were granted during the fiscal year ended June 30, 2013.

	Fiscal Year Ended June 30,	
	2011	**2012**
Dividend yield	0.00%	0.00%
Expected volatility	100%	75% - 84%
Weighted-average risk-free interest rate	1.41%	0.53% - 0.65%
Expected term (years)	4.00	4.00

On November 1, 2013, the LLC granted profits interest awards to certain members of its management, which were subsequently converted to LLC Units as part of the Recapitalization. The fair value of the awards was calculated using the Probability-Weighted Expected Return Method under which the LLC s enterprise value was estimated at the date of potential future outcomes, such as an initial public offering, strategic sale, or liquidation event. In connection with such estimation, each potential outcome was weighted according to the likelihood of such potential future outcome occurring as of November 1, 2013. These awards will vest in three equal installments on each of September 30, 2014, September 30, 2015 and September 30, 2016.

Refer to Note 1 Nature of Business and Summary of Significant Accounting Policies Equity-Based Compensation to our audited consolidated financial statements included elsewhere in this prospectus for more information related to stock-based compensation.

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Repurchase Commitments

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. No units were repurchased for the fiscal years ended June 30, 2012 and 2013 or the nine months ended March 31, 2013 and 2014.

Product Warranties

We provide a limited warranty for a period of up to three years for our products. Our standard warranties require us or our dealers to repair or replace defective products during the warranty period at no cost to the consumer. We estimate the costs that may be incurred under our 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 our warranty liability include the number of units sold, historical and anticipated rates of warranty claims, and cost per claim. We periodically assess the adequacy of the recorded warranty liabilities and adjust the amounts as necessary. We utilize historical trends and analytical tools to assist in determining the appropriate warranty liability.

Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial condition through adverse changes in financial market prices and rates and inflation. Changes in these factors could cause fluctuations in our results of operations and cash flows. In the ordinary course of business, we are primarily exposed to interest rate risks. We manage our exposure to these market risks through regular operating and financing activities. We have also attempted to reduce our market risks through hedging instruments such as interest rate swaps.

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BUSINESS

Our Company

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. Since inception in 1982, we believe 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 believe many of our innovations, such as our proprietary Surf Gate technology launched in 2012, 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 sell 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. Retail prices of our Malibu boats typically range from $55,000 to $120,000. We launched our Axis brand of boats in 2009 to appeal to consumers who desire a more affordable product but still demand high performance, functional simplicity and the option to upgrade key features. Retail prices of our Axis boats typically range from $40,000 to $85,000.

All of our boats are built and tested at our corporate headquarters near Knoxville, Tennessee. Our boats are constructed of fiberglass, equipped with inboard propulsion systems and available in a range of sizes and hull designs. We employ experienced product development and engineering teams that enable us to offer a range of models across each of our brands while consistently introducing innovative features in our product offerings. Our engineering team closely collaborates with our manufacturing personnel in order to improve product quality and process efficiencies. The results of this collaboration are reflected in our receipt of numerous industry awards, including the Watersports Industry Association s Innovation of the Year in 2010 and 2013.

We sell our boats through a dealer network that we believe is the strongest in the performance sport boat category. As of March 31, 2014, our distribution channel consisted of 118 independent dealers in North America operating in 142 locations and 52 independent dealer locations across 36 countries outside of North America. Our boats are the exclusive performance sport boats offered by the majority of our dealers. Additionally, we have an exclusive licensee in Australia that we believe is the largest performance sport boat manufacturer in that country. Our dealer base is an important part of our consumers experience, our marketing efforts and our brands. We devote significant time and resources to find, develop and improve the performance of our dealers and believe our dealer network gives us a distinct competitive advantage.

We have experienced significant growth in net sales and profitability over the last several years. For our fiscal year ended June 30, 2013, net sales, adjusted EBITDA and net income (loss) were $167.0 million, $31.8 million and $18.0 million, respectively, compared to $140.9 million, $19.9 million and $11.1 million, respectively, for fiscal year 2012 and $100.0 million, $7.9 million and approximately $(543,000), respectively, for fiscal year 2011. For the nine months ended March 31, 2014, our net sales and adjusted EBITDA were $137.5 million and $26.9 million, an increase of 16.5% and 26.9%, respectively, compared to the nine months ended March 31, 2013

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and net income for the nine months ended March 31, 2014 was $9.4 million, a decrease of 2.0% compared to the nine months ended March 31, 2013. The decrease in net income for the nine months ended March 31, 2014 compared to the nine months ended March 31, 2013 was largely attributable to one time charges in connection with our IPO. For the definition of adjusted EBITDA and a reconciliation to net income, see Selected Consolidated Financial Data GAAP Reconciliation of Non-GAAP Financial Measures.

Our Market Opportunity

During 2013, the most recent year for which data are available, retail sales of new powerboats in the United States totaled $6.5 billion. Of the powerboat categories defined and tracked by the NMMA, our core market corresponds most directly to the inboard ski/wakeboard category, which we refer to as the performance sport boat category. We believe our addressable market also includes similar and adjacent powerboat categories identified by the NMMA, which totaled over $4.4 billion of sales in 2013. The following table illustrates the size of our addressable market in units and retail sales for 2013:

Powerboat Category	Unit Sales	Retail Sales
	(Dollars in millions)	
Outboard	154,800	$ 2,961
Sterndrive	15,100	895
Performance sport boat	6,100	470
Jet boat	3,000	113
Total addressable market	179,000	$ 4,439

We believe we are well-positioned to benefit from several trends underway in our addressable market, including:

Improving Macroeconomic Environment Driving Increased Consumer Demand for Boats. Following the economic downturn, the recreational boating industry has grown and is projected to continue to recover. While domestic sales of new performance sport boats in 2013 grew to approximately 6,100 units, they remained 53% below the category s 2006 sales volume of 13,100. IBISWorld projects that total U.S. powerboat manufacturer sales will grow at a CAGR of 6.5% from 2012 to 2017. While there is no guarantee that these projected growth rates will be achieved in the future, we believe the recreational boating industry has significant opportunity for growth from increased consumer demand and will continue to benefit from improved economic conditions.

Improved Dealer Inventory Positions. Boat manufacturers in our addressable market and industry-wide have been focused on clearing aged inventory from the retail channel over the past few years, driving the current inventory of new boats that are over a year old at dealerships to normalized and healthy levels. If retail sales levels continue to improve, we expect our dealers to place more wholesale orders from us in order to meet this demand. Lower dealer inventory positions also mitigate the potential effects of a decline in retail sales on wholesale volumes.

Increasing Ages of Used Boats Driving New Boat Sales. In 2013, new powerboats accounted for approximately one out of six powerboat sales in the United States compared to an average of approximately one out of four between 2002 and 2008. We believe the shift toward purchasing more used boats during the economic downturn helped cause the average age of powerboats in use to increase from 15 years in 1997 to over 20 years today. As the powerboat industry continues its ongoing recovery and older boats reach the end of their usable lives, we expect consumer purchases of new boats to shift back toward historic levels benefiting new boat manufacturers.

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Our Strengths

#1 Market Share Position in Performance Sport Boat Category. We held the number one market share position, based on unit volume, in the United States among manufacturers of performance sport boats for 2010, 2011, 2012 and 2013. We have grown our U.S. market share from 23.1% in 2008, the year prior to the arrival of our current Chief Executive Officer and Chief Financial Officer, to 32.8% in 2013. The following table reflects our U.S. market share in the performance sport boat category compared to the market share of our competitors for the periods shown:

	U.S. Market Share in Performance Sport Boat Category					
Manufacturer/Brand(s)	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Malibu Boats/Malibu and Axis	23.1%	23.4%	24.2%	28.7%	30.6%	32.8%
MasterCraft Boat Company, LLC/MasterCraft	23.8	24.7	23.4	24.3	21.9	20.0
Correct Craft, Inc./Nautique	15.2	13.9	16.0	14.8	14.7	15.8
Skier s Choice, Inc./Supra and Moomba	16.6	15.6	16.5	15.5	14.6	12.6
All others	21.3	22.4	19.9	16.7	18.2	18.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

In addition, our 33% market share of performance sport boat exports to international markets for the 12 months ended March 31, 2014 was the second highest among U.S. manufacturers.

Performance Sport Boat Category Taking Share. As the recovery in the general economy and overall powerboat industry has continued, the performance sport boat category in which we participate has experienced one of the highest growth rates. New unit sales of performance sport boats in the United States increased by 13% from 2011 to 2012, while new unit sales of all other powerboats in the United States increased 10% over the same period. This trend continued in 2013, as new unit sales of performance sport boats and all other powerboats in the United States increased by 11% and 2%, respectively, during the year ended December 31, 2013. We believe this is largely attributable to increased innovation in the features, designs and layouts of performance sport boats, which has improved the performance, functionality and versatility of these boats versus other recreational powerboats, particularly the larger category of sterndrive boats. We believe that we have been at the forefront of product innovation and will continue to appeal to a broader consumer base that values our boats not only for water sports, but also for general recreational boating and leisure activities. We believe that our market-leading position within our expanding category will create continued growth opportunities for us.

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Poised to Take Advantage of the Performance Sport Boat Market Recovery. With our leading and growing market share in our category, we believe that we are well-positioned to take advantage of the ongoing recovery in the powerboat market. While the performance sport boat category grew 11% in 2013, new unit sales remained significantly below historical peaks. As illustrated in the chart below, the 6,100 new units sold in 2013, which is the most recent year for which information is available, were 48% below the average annual new unit sales volume of 11,714 observed between 2001 and 2007 and 53% below the 13,100 new units sold in 2006. While there is no guarantee that the market will continue to grow or return to historical sales levels, we believe we are in the early stages of a recovery that presents significant opportunity for growth.

Even if the performance sport boat market does not reach previous peak levels, we believe that our #1 market share position in a category that is growing faster than the overall powerboat industry, our investments in the Company during and subsequent to the economic downturn, and our innovative product offering should drive superior performance.

Industry-leading Product Design and Innovation. We believe that our innovation in the design of new boat models and new features has been a key to our success, helping us increase our market share within our category and generally broaden the appeal of our products among recreational boaters. As a result of the features we have introduced, we believe that our boats are used for an increasingly wide range of activities and are increasingly easier to use, while maintaining the high performance characteristics that consumers expect. Additionally, by introducing new boat models in a range of price points, sizes, bow and hull designs, and optional performance features, we have enhanced consumers ability to select a boat suited to their individual preferences. Our commitment to, and consistency in, developing new boat models and introducing new features are reflected in several notable achievements, including:

- release of our patented Surf Gate technology in 2012, which allows users to surf on either side of the boat s wake, generates a better quality surf wave and was the Watersports Industry Association s Innovation of the Year in 2013;

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- launch of the Axis brand of boats in 2009, designed from the ground up to be an entry-level product, which has already captured a 6.4% share of the U.S. market in our category as of December 31, 2013;

- introduction of the patented Power Wedge in 2006, which gives boaters the ability to customize the size and shape of the boat s wake with the push of a button; and

- a strong new product lineup for model year 2015 that includes the redesign of the Malibu Wakesetter VLX and the Axis A22. In addition, on our model year 2015 Malibu products, we will offer an enhanced touchscreen dash, an improved Power Wedge and an optional, all machined aluminum G4 tower.

Strong Dealer Network. We have worked diligently with our dealers to develop the strongest distribution network in the performance sport boat category. We believe that our distribution network of 142 North American dealer locations and 52 international dealer locations allows us to distribute our products more broadly and effectively than our competitors. For fiscal year 2013, our dealers held the #1 market share position for the performance sport boat category in 75 of 133 U.S. markets. We have nominal dealer concentration, with our largest dealer responsible for less than 6.0% of our unit volume for fiscal year 2013 and the nine months ended March 31, 2014 and our top ten dealers representing 36.1% and 32.6% of our unit volume for fiscal year 2013 and the nine months ended March 31, 2014, respectively. We continually review our geographic coverage to identify opportunities for expansion and improvement, and have added 35 new dealer locations in the past five years to address previously underserved markets. In addition, we have strengthened our dealer network by replacing 37 dealer locations in the past five years, 19 of which were converted from selling one of our competitor s products.

Highly Recognized Brands. We believe our Malibu and Axis brands are widely recognized in the powerboat industry, which helps us reach a growing number of target consumers. For over 30 years, our Malibu brand has generated a loyal following of recreational boaters and water sports enthusiasts who value the brand s premium performance and features. Our Axis brand has grown rapidly as consumers have been drawn to its more affordable price point and available optional features. We believe that the appeal of our high performance and innovative products with athletes and enthusiasts contributes to our brand awareness with dealers and with consumers. We are able to build on this brand recognition and support through a series of marketing initiatives coordinated with our dealers or executed directly by us. Many of our marketing efforts are conducted on a grass-roots level domestically and internationally. Key grass-roots initiatives include: production and distribution of water sports videos; online and social marketing; on-the-water events; athlete, tournament and water sport facility sponsorships; and participation and product placement at important industry events. Additionally, our boats, their innovative features, our sponsored athletes and our dealers all frequently win industry awards, which we believe further boosts our brand recognition and reputation for excellence. We believe our marketing strategies and accomplishments enhance our profile in the industry, strengthen our credibility with consumers and dealers and increase the appeal of our brands.

Compelling Margins and Cash Flow. Our adjusted EBITDA margin was 19.0% and 19.6% for fiscal year 2013 and the nine months ended March 31, 2014, respectively. For the definition of adjusted EBITDA margin and a reconciliation to net income, see GAAP Reconciliation of Non-GAAP Financial Measures. In recent years, we have implemented a number of initiatives to reduce our cost base and improve the efficiency of our manufacturing process. Re-engineering the manufacturing process in our Tennessee facility has reduced labor hours per boat produced, and close collaboration between our product development and manufacturing teams has improved production throughput and product quality. Further, vertical integration of tower and tower

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accessory production has allowed us to increase incremental margin per boat sold. As a result of these and other initiatives, adjusted EBITDA for fiscal year 2013 grew 59.9% on net sales growth of 18.5% as compared to fiscal year 2012 and for the nine months ended March 31, 2014 grew 26.9% on net sales growth of 16.5% as compared to nine months ended March 31, 2013. Our low capital expenditure requirements and a highly efficient working capital cycle allowed us to generate significant excess cash flow in fiscal years 2012 and 2013 and the nine months ended March 31, 2014. We believe our strong cash flow increases our financial stability and provides us with more flexibility to invest in growth initiatives.

Highly Experienced Management Team. Our experienced management team has demonstrated its ability to identify, create and integrate new product innovations, improve financial performance, optimize operations, enhance our distribution model and recruit top industry talent. Our Chief Executive Officer, Jack Springer, joined Malibu Boats in 2009 and has assembled an executive team with strong, complementary talents and experience. This team has led a workforce that we believe has produced superior results, including market share gains, sales growth and profitability improvement in each year since 2009.

Our Strategy

We intend to capitalize on the ongoing recovery in the powerboat market through the following strategies:

Continue to Develop New and Innovative Products in Our Core Markets. We intend to continue developing and introducing new and innovative products both new boat models to better address a broader range of consumers and new features to deliver better performance, functionality, convenience, comfort and safety to our consumers. We believe that new products and features are important to the growth of our market share, the continued expansion of our category and our ability to maintain attractive margins.

Our product development strategy consists of a two-pronged approach. First, we seek to introduce new boat models to target unaddressed or underserved segments of the performance sport boat category, while also updating and refreshing our existing boat models regularly. For example, we introduced Axis-branded boats starting in 2009 to address the entry-level segment of our category, and we launched the Malibu Wakesetter MXZ product line in 2012 to enter the premium picklefork bow design segment of our market. Second, we seek to develop and integrate innovative new features into our boats, such as Surf Gate, Malibu Touch Command and Power Wedge. For the 2014 model year, which began on July 1, 2013, we redesigned the Wakesetter 23LSV model and expanded our product offerings, including the introduction of two new models under the Axis brand, doubling the number of models offered under the Axis brand. In addition, Surf Gate was added as an available feature on our Axis boats. We intend to continue releasing new products and features multiple times during the year, which we believe enhances our reputation as a leading-edge boat manufacturer and provides us with a competitive advantage.

Capture Additional Share from Adjacent Boating Categories. Our culture of innovation has enabled us to expand the market for our products by attracting consumers from other categories, most notably from the sterndrive category. As illustrated by the chart below, the new unit sales volume of performance sport boats steadily increased from 2001 through 2013 as a percentage of the total new unit sales volume of performance sports boats and sterndrive boats. While there is no guarantee that this trend will continue in the future, we believe our market-leading position and broad offering of boat models and features will continue to attract consumers to our performance sport boats.

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U.S. Performance Sport Boats Percentage of Total New Unit Sales Volume for Performance Sport Boats and Sterndrive Boats

We intend to continue to enhance the performance, comfort and versatility of our products in order to further target crossover consumers seeking high-performance powerboats for general recreational activity. For example, we believe that one of our newest boat models, the Wakesetter 24 MXZ, appeals to a broader range of recreational boaters by offering the performance benefits of our products, including superior drivability and water sports versatility, while also providing greater seating capacity, a roomy, plush interior and extensive storage space to allow an increased number of family and friends to spend time together on the water.

Further Strengthen Our Dealer Network. Our goal is to achieve and maintain leading market share in each of the markets in which we operate. We continually assess our distribution network and take the actions necessary to achieve our goal. We intend to strengthen our current footprint by selectively recruiting market-leading dealers who currently sell our competitors products. In addition, we plan to continue expanding our dealer network in certain geographic areas to increase consumer access and service in markets where it makes strategic sense. In the past five years, we have added 35 new dealer locations in the United States and Canada to provide incremental geographic coverage. We believe our targeted initiatives to enhance and grow our dealer network will increase unit sales in the future.

Accelerate International Expansion. Based on our U.S. leadership position, brand recognition, diverse, innovative product offering and distribution strengths, we believe that we are well-positioned to increase our international sales. Our 33% market share of performance sport boat exports to international markets for the 12 months ended March 31, 2014 was the second highest among U.S. manufacturers. Our unit sales outside of North America, however, represented less than 5.0% of our total sales volume in fiscal year 2013. We believe we will increase our international sales both by promoting our products in developed markets where we have a well-established dealer base, such as Western Europe, and by penetrating new and emerging markets where we expect rising consumer incomes to increase demand for recreational products, such as Asia and South America, although there is no guarantee that our efforts will be successful or that international sales will increase.

We have taken a number of steps to enhance our international presence and our ability to drive sales in developed and emerging markets. Over the past three fiscal years, we added 12 new international dealers, bringing our total number of dealer locations to 52 outside of North America. Historically, the majority of our boats have been distributed to international markets through third parties. In 2013, we restructured our agreements with those parties to provide for direct sales

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coverage of key markets, including Central America, South America, Asia (excluding the Middle East) and most of Africa. In Australia, we work closely with a licensed manufacturer to maintain and grow what we believe is our leading market share position while also pursuing opportunities to improve our unit economics. To better manage and optimize international sales, we have added dedicated company resources and increased our sales and marketing activity, including international dealer meetings, dealer service schools, regional marketing campaigns and promotional visits by water sport athletes.

Our Products and Brands

We design, manufacture and sell performance sport boats that we believe deliver superior performance for water sports, including wakeboarding, water skiing and wake surfing, as well as general recreational boating. We market our boats under two brands:

- *Malibu*, our flagship brand, dates to our inception in 1982, primarily targeting consumers seeking a premium boating experience and offering our latest innovations in performance, comfort and convenience; and

- *Axis*, which we launched as a new brand in 2009, targets a younger demographic and provides them with a more affordably priced, entry-level boat that provides high performance, functional simplicity and the option to upgrade key features.

In addition, we offer various accessories and aftermarket parts.

Boat Models

We believe our boats are renowned for their performance, design, innovative technology, quality and ability to provide consumers a high-quality boating experience at varying price points. We currently offer a number of performance sport boat models across our two brands, which provide consumers with a variety of options across length, hull type, bow type, horsepower and seating capacity in addition to customizable designs and features available for upgrade across our models. The following table provides an overview of our most popular product offerings by brand:

Brand	Series	Number of Models	Lengths	Hull Types	Bow Types	Maximum Power	Maximum Capacity (persons)	Retail Price Range (In thousands)
Malibu	Wakesetter	7	20 -25	Wake, Cut Diamond, Diamond	Traditional, Picklefork	555 hp	13-18	$ 55-$120
Malibu	Response	3	20 -21	Cut Diamond	Traditional	450 hp	8-9	$35-$70
Axis	Axis	4	20 -24	Wake	Traditional, Picklefork	450 hp	11-17	$40-$85

- *Malibu Wakesetter*. Introduced in 1998, the Wakesetter series is our premium boat series and the top selling series within the performance sport boat category. The Wakesetter series is designed for consumers seeking the highest-performance water sport and boating experience. Wakesetter offers consumers a highly-customizable boat with our most innovative technologies, premium features, newest graphics, color options and interior finishes. Demonstrating Wakesetter s industry-leading performance and market position, the Wakesetter 23 LSV model was the best-selling boat in the performance sport boat category for fiscal years 2009 through 2013 and the Wakesetter 22 MXZ model was the official performance sport boat of the 2013 Red Bull Wake Open.

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Malibu Response. The Response series, created in 1995, was designed for consumers who desire a high-performance water ski boat. Primarily because of its direct drive engine setup, the Response series produces the smallest wake of any of our boats and is designed to accommodate both professional and recreational skiers by allowing for a range of speeds and line lengths. Demonstrating Response s reputation for high-performance and quality, the Response TXI model is the boat of choice for Regina Jaquess, the holder of the women s slalom world record.

Axis. After the continued success with our Wakesetter series, we identified a market opportunity in entry-level performance sport boats and, in 2009, launched our Axis brand. We designed Axis for consumers who desire a lower price point, but who still demand high performance, functional simplicity and the option to upgrade their boats to have key features such as Surf Gate. The Axis series currently has four available models and we plan to refine these models continually as well as add new ones as we build out the brand. We believe the Axis series successfully provides consumers with a high quality water sport and boating experience at an attractive price, as evidenced by its #6 market position in the performance sport boat category after only four years on the market.

Innovative Features

In addition to the standard features included on all of our boats, we offer consumers the ability to upgrade our base models by adding certain of our full line of innovative features designed to enhance performance, functionality and the overall boating experience. Our innovative features drive our high average selling prices. Some of these include:

Surf Gate. Introduced in July 2012 and initially patented in September 2013, Surf Gate is available as an optional feature on all Malibu Wakesetter models and Axis brand boats. Surf Gate has revolutionized the increasingly popular sport of wake surfing. Prior to Surf Gate, boaters needed to empty ballast tanks on one side of the boat and shift passengers around to lean the boat to create a larger, more pronounced surf-quality wake. By employing precisely engineered and electronically controlled panels, Surf Gate alleviates this time-consuming and cumbersome process, allowing boaters to easily surf behind an evenly weighted boat without the need to wait for ballast changes. Recent enhancements to Surf Gate have improved upon the system s actuators, allowing for easier and faster transfer, as well as the installation of an indicator horn and optional light signaling, which alert riders to wave transfers. In 2013, the Watersports Industry Association named Surf Gate as Innovation of the Year.