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DELTA REPORT

10-Q

MPX - MARINE PRODUCTS CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	941
CHANGES	158
DELETIONS	389
ADDITIONS	394

REFINITIV

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

FORM 10-Q

Quarterly report pursuant to Section ☑**QUARTERLY REPORT PURSUANT TO SECTION 13 or OR 15(d) of the Securities Exchange Act of 1934**

OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

September 30, 2023 or

☐**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________to__________

Commission File No. 1-16263

MARINE PRODUCTS CORPORATION

(exact name of registrant as specified in its charter)

Delaware	**58-2572419**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

2801 Buford Highway, Suite 300, Atlanta, Georgia 30329
(Address of principal executive offices) (zip code)

(404) 321-7910
Registrant's telephone number, including area code -- **(404) 321-7910**

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

Title of each class:	Trading Symbol(s)	Name of each exchange on which registered:
Common stock, par value $0.10	MPX	New York Stock Exchange

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging Growth Company	☐		

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 20, 2023 April 19, 2024, Marine Products Corporation had 34,466,726 34,682,949 shares of common stock outstanding.

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Marine Products Corporation

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2023 MARCH 31, 2024 AND DECEMBER 31, 2022 2023

(In thousands) thousands, except shares and par value data)

	September 30, 2023	December 31, 2022	**March 31, 2024**	December 31, 2023
ASSETS	(Unaudited)	(Note 1)	(Unaudited)	(Note 1)
Cash and cash equivalents	**$ 60,705**	$ 43,171	**$ 81,225**	$ 71,952
Accounts receivable, net of allowance for credit losses of $11 in 2023 and $12 in 2022	**10,743**	5,340		
Accounts receivable, net of allowance for credit losses of $11 in 2024 and $11 in 2023			**7,749**	2,475
Inventories	**69,784**	73,015	**55,210**	61,611
Income taxes receivable	**199**	28	**4**	361
Pension plan assets	**113**	356		
Prepaid expenses and other current assets	**3,671**	3,088	**3,768**	2,847
Total current assets	**145,215**	124,998	**147,956**	139,246
Property, plant and equipment, net of accumulated depreciation of $32,450 in 2023 and $33,055 in 2022	**21,356**	14,965		
Property, plant and equipment, net of accumulated depreciation of $33,471 in 2024 and $32,789 in 2023			**22,657**	22,456
Goodwill	**3,308**	3,308	**3,308**	3,308
Other intangibles, net	**465**	465	**465**	465
Deferred income taxes	**7,833**	6,027	**8,404**	8,590
Retirement plan assets			**16,782**	15,379
Other assets	**18,556**	13,952	**4,466**	4,358
Total assets	**$ 196,733**	$ 163,715	**$ 204,038**	$ 193,802
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities				

Accounts payable	$ 12,066	$ 8,250	$ 13,064	$ 6,071
Accrued expenses and other liabilities	16,218	15,340	18,442	16,496
Total current liabilities	28,284	23,590	31,506	22,567
Retirement plan liabilities	16,714	14,440	19,426	17,998
Other long-term liabilities	1,622	1,304	1,724	1,649
Total liabilities	46,620	39,334	52,656	42,214
Commitments and contingencies (Note 15)				
Stockholders' Equity				
Preferred stock, $0.10 par value, 1,000,000 shares authorized, none issued	—	—	—	—
Common stock, $0.10 par value, 74,000,000 shares authorized, issued and outstanding – 34,466,726 shares in 2023 and 34,217,582 shares in 2022	3,447	3,422		
Common stock, $0.10 par value, 74,000,000 shares authorized, issued and outstanding – 34,682,949 shares in 2024 and 34,466,726 shares in 2023			3,469	3,447
Capital in excess of par value	—	—	—	—
Retained earnings	146,678	122,954	147,913	148,141
Accumulated other comprehensive loss	(12)	(1,995)		
Total stockholders' equity	150,113	124,381	151,382	151,588
Total liabilities and stockholders' equity	$ 196,733	$ 163,715	$ 204,038	$ 193,802

The accompanying notes are an integral part of these consolidated financial statements.

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MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022

(In thousands except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	**2023**	2022	**2024**	2023
Net sales	$ 77,786	$ 100,061	$ 312,858	$ 272,486	$ 69,340	$ 118,914
Cost of goods sold	58,548	75,056	235,942	206,089	55,356	89,892
Gross profit	19,238	25,005	76,916	66,397	13,984	29,022
Selling, general and administrative expenses	8,789	10,326	35,495	29,449	8,742	14,533
Gain on disposition of assets, net	(1,962)	—	(1,962)	—		
Operating income	12,411	14,679	43,383	36,948	5,242	14,489
Interest income, net	860	76	2,066	52	851	483
Income before income taxes	13,271	14,755	45,449	37,000	6,093	14,972
Income tax provision	2,868	3,283	9,176	8,510	1,496	3,423
Net income	$ 10,403	$ 11,472	$ 36,273	$ 28,490	$ 4,597	$ 11,549
Earnings per share						
Basic	$ 0.30	$ 0.34	$ 1.05	$ 0.83	$ 0.13	$ 0.34
Diluted	$ 0.30	$ 0.34	$ 1.05	$ 0.83	$ 0.13	$ 0.34

Dividends paid per share	**$ 0.14**	$ 0.12	**$ 0.42**	$ 0.36	**$ 0.14**	$ 0.14

The accompanying notes are an integral part of these consolidated financial statements.

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MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022
(In thousands)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	**2023**	2022	**2024**	2023
Net income	**$ 10,403**	$ 11,472	**$ 36,273**	$ 28,490	**$ 4,597**	$ 11,549
Other comprehensive income, net of taxes:						
Pension adjustment	**—**	23	**1,983**	67	**—**	1,886
Comprehensive income	**$ 10,403**	$ 11,495	**$ 38,256**	$ 28,557	**$ 4,597**	$ 13,435

The accompanying notes are an integral part of these consolidated financial statements.

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MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2023						Three Months Ended March 31, 2024					
	Common Stock		Capital in Excess of	Retained	Accumulated Other Comprehensive		Common Stock		Capital in Excess of	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Par Value	Earnings	Loss	Total	Shares	Amount	Par Value	Earnings	Loss	Total
Balance, December 31, 2022	34,218	$ 3,422	$ —	$ 122,954	$ (1,995)	$ 124,381						

Stock issued for stock incentive plans, net	289	29	748	—	—	777						
Stock purchased and retired	(69)	(7)	(748)	(155)	—	(910)						
Net income	—	—	—	11,549	—	11,549						
Pension adjustment, net of taxes	—	—	—	—	1,886	1,886						
Dividends paid	—	—	—	(4,817)	—	(4,817)						
Balance, March 31, 2023	34,438	3,444	—	129,531	(109)	132,866						
Stock issued for stock incentive plans, net	29	3	1,230	—	—	1,233						
Stock purchased and retired	—	—	(1,230)	1,230	—	—						
Net income	—	—	—	14,321	—	14,321						
Pension adjustment, net of taxes	—	—	—	—	97	97						
Dividends paid	—	—	—	(4,820)	—	(4,820)						
Balance, June 30, 2023	34,467	3,447	—	140,262	(12)	143,697						
Balance, December 31, 2023							34,467	$ 3,447	$ —	$ 148,141	$ —	$ 151,588
Stock issued for stock incentive plans, net	**—**	**—**	**834**	**—**	**—**	**834**	**301**	**30**	**926**	**—**	**—**	**956**
Stock purchased and retired	**—**	**—**	**(834)**	**834**	**—**	**—**	**(85)**	**(8)**	**(926)**	**27**	**—**	**(907)**
Net income	**—**	**—**	**—**	**10,403**	**—**	**10,403**	**—**	**—**	**—**	**4,597**	**—**	**4,597**
Dividends paid	**—**	**—**	**—**	**(4,821)**	**—**	**(4,821)**	**—**	**—**	**—**	**(4,852)**	**—**	**(4,852)**
Balance, September 30, 2023	**34,467**	**$ 3,447**	**$ —**	**$ 146,678**	**$ (12)**	**$ 150,113**						
Balance, March 31, 2024							**34,683**	**$ 3,469**	**$ —**	**$ 147,913**	**$ —**	**$ 151,382**

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	Nine Months Ended September 30, 2022						Three Months Ended March 31, 2023					
	Common Stock		Capital in Excess of	Retained	Accumulated Other Comprehensive		Common Stock		Capital in Excess of	Retained	Accumulated Other Comprehensive	
	Shares	Amount	Par Value	Earnings	Loss	Total	Shares	Amount	Par Value	Earnings	Loss	Tota
Balance, December 31, 2021	33,993	$3,399	$ —	$ 97,702	$ (2,576)	$ 98,525						
Balance, December 31, 2022							34,218	$3,422	$ —	$122,954	$ (1,995)	$124,3
Stock issued for stock incentive plans, net	211	21	589	—	—	610	289	29	748	—	—	7
Stock purchased and retired	(60)	(6)	(589)	(107)	—	(702)	(69)	(7)	(748)	(155)	—	(9
Net income	—	—	—	7,063	—	7,063	—	—	—	11,549	—	11,5
Pension adjustment, net of taxes	—	—	—	—	22	22	—	—	—	—	1,886	1,8
Dividends paid	—	—	—	(4,095)	—	(4,095)	—	—	—	(4,817)	—	(4,8
Balance, March 31, 2022	34,144	3,414	—	100,563	(2,554)	101,423						
Stock issued for stock incentive plans, net	94	10	810	—	—	820						
Stock purchased and retired	—	—	(810)	810	—	—						
Net income	—	—	—	9,955	—	9,955						
Pension adjustment, net of taxes	—	—	—	—	22	22						
Dividends paid	—	—	—	(4,096)	—	(4,096)						
Balance, June 30, 2022	34,238	3,424	—	107,232	(2,532)	108,124						
Stock issued for stock incentive plans, net	(20)	(2)	680	—	—	678						
Stock purchased and retired	—	—	(680)	680	—	—						
Net income	—	—	—	11,472	—	11,472						
Pension adjustment, net of taxes	—	—	—	—	23	23						
Dividends paid	—	—	—	(4,104)	—	(4,104)						
Balance, September 30, 2022	34,218	$3,422	$ —	$115,280	$ (2,509)	$116,193						
Balance, March 31, 2023							34,438	$3,444	$ —	$129,531	$ (109)	$132,8

The accompanying notes are an integral part of these consolidated financial statements.

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MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE THREE MONTHS ENDED SEPTEMBER 30, MARCH 31, 2024 AND 2023 AND 2022

(In thousands)

(Unaudited)

	Nine months ended September 30,		Three months ended March 31,	
	2023	2022	**2024**	2023
OPERATING ACTIVITIES				
Net income	**$ 36,273**	$ 28,490	**$ 4,597**	$ 11,549
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**1,750**	1,416	**682**	523
Stock-based compensation expense	**2,844**	2,108	**956**	777
Gain on disposition of assets, net	**(1,962)**	—		
Deferred income tax benefit	**(2,366)**	(1,146)		
Deferred income tax provision/ (benefit)			**186**	(1,133)
Pension settlement loss	**2,277**	—	**—**	2,089
(Increase) decrease in assets:				
Accounts receivable	**(5,403)**	(8,230)	**(5,274)**	(5,580)
Income taxes receivable	**(171)**	(88)	**357**	(146)
Inventories	**3,231**	(9,551)	**6,401**	6,176
Current pension assets	**509**	—		
Prepaid expenses and other current assets	**514**	(64)	**(921)**	1,035
Other non-current assets	**(4,477)**	3,039	**(1,511)**	(321)
Increase (decrease) in liabilities:				
Increase in liabilities:				
Accounts payable	**3,816**	7,870	**6,993**	4,280
Income taxes payable	**755**	573		
Accrued expenses and other liabilities	**97**	4,202	**1,946**	6,357
Other long-term liabilities	**2,491**	(1,491)	**1,503**	1,340
Net cash provided by operating activities	**40,178**	27,128	**15,915**	26,946
INVESTING ACTIVITIES				
Capital expenditures	**(8,405)**	(1,373)	**(883)**	(1,789)
Proceeds from sale of assets	**1,129**	—		
Net cash used for investing activities	**(7,276)**	(1,373)	**(883)**	(1,789)
FINANCING ACTIVITIES				
Payment of dividends	**(14,458)**	(12,295)	**(4,852)**	(4,817)
Cash paid for common stock purchased and retired	**(910)**	(702)	**(907)**	(910)
Net cash used for financing activities	**(15,368)**	(12,997)	**(5,759)**	(5,727)
Net increase in cash and cash equivalents	**17,534**	12,758	**9,273**	19,430
Cash and cash equivalents at beginning of period	**43,171**	14,102	**71,952**	43,171
Cash and cash equivalents at end of period	**$ 60,705**	$ 26,860	**$ 81,225**	$ 62,601
Supplemental information:				
Income tax payments, net	**$ 10,736**	$ 8,782	**$ —**	$ 355

The accompanying notes are an integral part of these consolidated financial statements.

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MARINE PRODUCTS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. GENERAL

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (all of which consisted of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine three months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023 December 31, 2024.

The Consolidated Balance Sheet at December 31, 2022 December 31, 2023 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

For further information, refer to the Consolidated Financial Statements and footnotes thereto included in the annual report of Marine Products Corporation ("Marine Products," the "Company" or "MPC") on Form 10-K for the year ended December 31, 2022 December 31, 2023.

A group that includes Gary W. Rollins, Pamela R. Rollins, Amy Rollins Kreisler and Timothy C. Rollins, each of whom is a director of the Company, and certain companies under their control, controls in excess of fifty percent of the Company's voting power.

2. RECENT ACCOUNTING STANDARDS

The FASB issued the following Accounting Standards Updates (ASUs):

Recently Adopted Issued Accounting Standards: Standards Not Yet Adopted:

ASU No. 2021-08 2023-07 — Business Combinations**Segment Reporting (Topic 805) 280): Accounting Improvements to Reportable Segment Disclosures.** The amendments in this ASU require an entity to disclose the title and position of the Chief Operating Decision Maker (CODM) and the significant segment expenses that are regularly provided to the CODM and included within each reported measure of segment profit or loss. These amendments are effective for Contract Assets annual disclosures beginning in 2024 and Contract Liabilities from Contracts interim disclosures beginning in the first quarter of 2025, with Customers. early adoption permitted. These amendments are effective retrospectively to all prior periods presented in the financial statements. The Company has one reportable segment and is currently evaluating the impact of adopting these provisions on its consolidated financial statements.

ASU No. 2023-09 — Income Taxes (Topic 740): **Improvements to Income Tax Disclosures.** The amendments in this ASU address diversity in practice related require an entity to the accounting for revenue contracts with customers acquired in a business combination, by adopting guidance requiring an acquirer to recognize include consistent categories and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer would recognize and measure the acquired contract assets and contract liabilities greater disaggregation of information in the same manner that they were recognized rate reconciliation and measured income taxes paid, disaggregated by jurisdiction. These amendments are effective for annual disclosures beginning in the acquiree's 2025, with early adoption permitted for annual financial statements before the acquisition. that have not yet been issued. The Company adopted is currently evaluating the impact of adopting these provisions in the first quarter of 2023 prospectively to future business combinations and the adoption did not have a material impact on its consolidated financial statements.

3. NET SALES

Accounting Policy:

MPC's contract revenues are generated principally from selling: (1) fiberglass motorized boats and accessories and (2) parts to independent dealers. Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. Satisfaction of contract terms occurs with the transfer of title of our boats and accessories and parts to our dealers. Net sales are measured as the amount of consideration we expect to receive in exchange for transferring the goods to the dealer. The amount of consideration we expect to receive consists of the sales price adjusted for dealer incentives. The expected costs associated with

our base warranties continue to be recognized as expense when the products are sold as they are deemed to be assurance-type warranties (see (See Note 6) titled Warranty Costs). Incidental promotional items that are immaterial in the context of the contract are recognized as expense. Fees charged to customers for shipping and handling are included in Net sales in the accompanying Consolidated Statements of Operations and the related costs incurred by the Company are included in Cost of goods sold.

MARINE PRODUCTS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Nature of goods:

MPC’s performance obligations within its contracts consist of: (1) boats and accessories and (2) parts. The Company transfers control and recognizes revenue on the satisfaction of its performance obligations (point in time) as follows:

- Boats and accessories (domestic sales) – upon delivery and acceptance by the dealer
- Boats and accessories (international sales) – upon delivery to shipping port
- Parts – upon shipment/delivery to carrier

Payment terms:

For most domestic customers, MPC manufactures and delivers boats and accessories and parts ahead of payment - i.e., MPC has fulfilled its performance obligations prior to submitting an invoice to the dealer. MPC invoices the customer when the products are delivered and typically receives the payment within seven to ten business days after invoicing. For some domestic customers and all international customers, MPC requires payment prior to transferring control of the goods. These amounts are classified as deferred revenue and recognized when control has transferred, which generally occurs within three months of receiving the payment.

When the Company enters into contracts with its customers, it generally expects there to be no significant timing difference between the date the goods have been delivered to the customer (satisfaction of the performance obligation) and the date cash consideration is received. Accordingly, there is no financing component to the Company’s arrangements with its customers.

Significant judgments:

Determining the transaction price

The transaction price for MPC's boats and accessories is the invoice price adjusted for dealer incentives. Key inputs and assumptions in determining variable consideration related to dealer incentives include:

- Inputs: Current model year boat sales, total potential program incentive percentage, prior model year results of dealer incentive activity (i.e., incentive earned as a percentage of total incentive potential).
- Assumption: Current model year incentive activity will closely reflect prior model year actual results, adjusted as necessary for dealer purchasing trends or economic factors.

Other:

Our contracts with dealers do not provide them with a right of return. Accordingly, we do not have any obligations recorded for returns or refunds.

MARINE PRODUCTS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Disaggregation of revenues:

The following table disaggregates our sales by major source:

	Three months ended		Nine months ended		Three months ended	
(in thousands)	**September 30, 2023**	September 30, 2022	**September 30, 2023**	September 30, 2022	**March 31, 2024**	March 31, 2023
Boats and accessories	**$ 76,155**	$ 98,687	**$ 308,436**	$ 268,358	**$ 68,463**	$ 117,719
Parts	**1,631**	1,374	**4,422**	4,128	**877**	1,195
Net sales	**$ 77,786**	$ 100,061	**$ 312,858**	$ 272,486	**$ 69,340**	$ 118,914

The following table disaggregates our revenues between domestic and international:

	Three months ended		Nine months ended		**Three months ended**	
(in thousands)	**September 30, 2023**	September 30, 2022	**September 30, 2023**	September 30, 2022	**March 31, 2024**	March 31, 2023
Domestic	**$ 73,227**	$ 94,894	**$ 292,298**	$ 255,435	**$ 64,402**	$ 110,995
International	**4,559**	5,167	**20,560**	17,051	**4,938**	7,919
Net sales	**$ 77,786**	$ 100,061	**$ 312,858**	$ 272,486	**$ 69,340**	$ 118,914

Contract balances:

Amounts received from international and certain domestic dealers toward the purchase of boats are classified as deferred revenue and are included in Accrued expenses and other liabilities in the accompanying Consolidated Balance Sheets.

(in thousands)	**September 30, 2023**	December 31, 2022	**March 31, 2024**	December 31, 2023
Deferred revenue	**$ 1,212**	$ 1,989	**$ 1,751**	$ 654

Substantially all of the amounts of deferred revenue disclosed above were or will be recognized as sales during the immediately following quarters, respectively, when control is transferred.

4. EARNINGS PER SHARE

Basic and diluted earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the respective periods. In addition, the Company has periodically issued share-based payment awards that contain non-forfeitable rights to dividends and are therefore considered participating securities. Restricted shares of common stock (participating securities) outstanding and a reconciliation of weighted average shares outstanding is as follows:

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
(in thousands)	**2023**	2022	**2023**	2022	**2024**	2023
Net income available for stockholders:	**$ 10,403**	$ 11,472	**$ 36,273**	$ 28,490	**$ 4,597**	$ 11,549
Less: Adjustments for earnings attributable to participating securities	**(249)**	(254)	**(866)**	(602)	**(114)**	(274)
Net income used in calculating earnings per share	**$ 10,154**	$ 11,218	**$ 35,407**	$ 27,888	**$ 4,483**	$ 11,275
Weighted average shares outstanding (including participating securities)	**34,467**	34,225	**34,435**	34,172	**34,632**	34,379
Adjustment for participating securities	**(839)**	(768)	**(833)**	(737)	**(880)**	(821)
Shares used in calculating basic and diluted earnings per share	**33,628**	33,457	**33,602**	33,435	**33,752**	33,558

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MARINE PRODUCTS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

5.STOCK-BASED COMPENSATION

The Company has issued various forms of stock incentives, including, incentive and non-qualified stock options, time-lapse restricted shares and performance stock unit awards under its Stock Incentive Plans to officers, selected employees and non-employee directors.

In the first quarter of 2024, the Company issued time-lapse restricted shares to certain employees that will vest ratably over a period of three years. In addition, the Company granted performance share unit awards to its executive officers that vest based on the achievement of pre-established financial performance targets together with a modifier for stock performance based on total shareholder return. The awards will be issued at different levels based on the financial and stock performance achieved with a three-year cliff vesting. The grant date fair value of the awards was determined with the assistance of a third-party specialist based on a range of potential outcomes relative to the market condition. The Company periodically evaluates the portion of awards that are probable to vest and updates the compensation expense accrual accordingly.

As of March 31, 2024, there were 475,532 shares available under the Company's 2014 Stock Incentive Plan that are reserved for issuance of shares that vest pursuant to the satisfaction of the terms of the performance share unit awards.

The Company's 2014 Stock Incentive Plan expired in April 2024. At the April 23, 2024, annual meeting of stockholders, the 2024 Stock Incentive Plan reserving 3,000,000 shares was approved.

Stock-based compensation was as follows:

	Three months ended March 31,	
(in thousands)	**2024**	2023
Pre – tax cost	**$ 956**	$ 777
After tax cost	**746**	606

The following is a summary of the changes in non-vested restricted shares for the three months ended March 31, 2024:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested shares at December 31, 2023	**839,050**	**$ 13.81**
Granted	**301,667**	**11.33**
Vested	**(254,869)**	**14.03**
Non-vested shares at March 31, 2024	**885,848**	**$ 12.90**

The total fair value of shares vested was $2.7 million during the three months ended March 31, 2024 and $2.8 million during the three months ended March 31, 2023. Excess tax benefits (beneficial) or deficits (detrimental) realized from tax compensation deductions in excess of, or lower than, compensation expense are recorded as discrete income tax adjustments. For the three months ended March 31, 2024, $164 thousand related to stock-based compensation awards was recorded as a detrimental discrete tax adjustment and classified within Net cash provided by operating activities in the accompanying Consolidated Statements of Cash Flows compared to $24 thousand of detrimental discrete tax adjustment for the three months ended March 31, 2023.

The above table does not include any of the activity related to performance share unit awards since they are not currently issued or vested.

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5.STOCK-BASED COMPENSATION

The Company reserved 3,000,000 shares of common stock under the 2014 Stock Incentive Plan with a term of ten years expiring in April 2024. This plan provides for the issuance of various forms of stock incentives, including among others, incentive and non-qualified stock options and restricted shares. As of September 30, 2023, there were approximately 777,199 shares available for grant.

In the first quarter of 2023, the Company issued time-lapse restricted shares to certain employees that will vest ratably over a period of four years. In addition, the Company granted performance share unit awards to its executive officers that vest based on the achievement of pre-established performance targets. The awards will be issued at different levels based on the performance achieved with a cliff vesting at the end of calendar year 2025. The Company evaluated the portions of the awards that are probable to vest and accordingly has accrued estimated compensation expense equal to 100 percent of the target awards.

Stock-based compensation was as follows:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2023**	2022	**2023**	2022
Pre – tax cost	**$ 834**	$ 678	**$ 2,844**	$ 2,108
After tax cost	**650**	529	**2,218**	1,644

The following is a summary of the changes in non-vested restricted shares for the nine months ended September 30, 2023:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested shares at December 31, 2022	**764,170**	**$ 14.15**
Granted	**318,348**	**13.25**
Vested	**(243,468)**	**14.16**
Non-vested shares at September 30, 2023	**839,050**	**$ 13.81**

The total fair value of shares vested was approximately $3,220,000 during the nine months ended September 30, 2023 and approximately $2,241,000 during the nine months ended September 30, 2022. The above table does not include any of the activity related to performance share unit awards since they are not currently issued or vested.

For the nine months ended September 30, 2023, approximately $30,000 of excess tax benefit for stock-based compensation awards was recorded as a discrete tax adjustment and classified within Net cash provided by operating activities in the accompanying Consolidated Statements of Cash Flows compared to approximately $44,000 for the nine months ended September 30, 2022.

6. WARRANTY COSTS

Warranty Costs:

For its Chaparral and Robalo products, Marine Products provides a lifetime limited structural hull warranty and a transferable one-year limited warranty to the original owner. Chaparral also includes a five-year limited structural deck warranty. Warranties for additional items are provided for periods of one to five years and are not transferrable. transferable. Additionally, as it relates to the second subsequent owner, a five-year transferrable transferable hull warranty and the remainder of the original one-year limited warranty on certain

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components are available. The five-year transferable hull warranty terminates five years after the date of the original retail purchase. Claim costs related to components are generally absorbed by the original component manufacturer.

The manufacturers of the engines, generators, and navigation electronics included on our boats provide and administer their own warranties for various lengths of time.

An analysis of the warranty accruals for the nine three months ended September 30, 2023 March 31, 2024 and 2022 2023 is as follows:

(in thousands)	**2023**	2022	**2024**	2023
Balance at January 1	**$ 5,699**	$ 4,641	**$ 7,078**	$ 5,699
Less: Payments made during the period	**(3,316)**	(3,600)	**(965)**	(1,063)
Add: Warranty provision for the period	**4,704**	3,950	**1,073**	1,739
Changes to warranty provision for prior periods	**156**	145	**28**	112
Balance at September 30	**$ 7,243**	$ 5,136		

Balance at March 31	**$7,214**	$ 6,487

The warranty accruals are reflected in Accrued expenses and other liabilities in the accompanying Consolidated Balance Sheets.

7. BUSINESS SEGMENT INFORMATION

The Company has one reportable segment, its powerboat manufacturing business; therefore, the majority of segment-related disclosures are not relevant to the Company. In addition, the Company's results of operations and its financial condition are not significantly reliant upon any single customer or product model.

8. INVENTORIES

Inventories consist of the following:

(in thousands)	**September 30, 2023**	December 31, 2022	**March 31, 2024**	December 31, 2023
Raw materials and supplies	**$ 44,983**	$ 37,210	**$33,006**	$ 40,340
Work in process	**11,168**	14,190	**11,209**	10,601
Finished goods	**13,633**	21,615	**10,995**	10,670
Total inventories	**$ 69,784**	$ 73,015	**$55,210**	$ 61,611

9. INCOME TAXES

The Company determines its periodic income tax provision based upon the current period income and the annual estimated tax rate for the Company adjusted for discrete items including tax credits and changes to prior year estimates. The estimated tax rate is adjusted, if necessary, as of the end of each successive interim period during the fiscal year to the Company's current annual estimated tax rate.

Income tax provision for the third first quarter of 2023 2024 reflects an effective tax rate of 21.6 percent 24.6% compared to 22.3 percent for the comparable period in the prior year. For the nine months ended September 30, 2023 the income tax provision reflects an effective tax rate of 20.2 percent compared to 23.0 percent 22.9% for the comparable period in the prior year. The decrease increase in the effective tax rate is primarily due to favorable permanent adjustments coupled with beneficial a decrease in pretax income which resulted in a more significant impact on the detrimental discrete tax items. adjustments.

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10. PENSION AND RETIREMENT PLANS

The Company participates in a multiple employer multiemployer Retirement Income Plan ("Plan"), a trusteed defined benefit pension plan, sponsored by RPC, Inc. ("RPC"). The following represents, that the net periodic cost and Company participated in was fully terminated in 2023. Amounts related components for the plan for the three and nine months ended September 30, 2023 and 2022. to prior year are disclosed below:

(in thousands)	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31, 2023
	2023	2022	**2023**	2022	
Interest cost	**$ —**	$ 34	**$ 4**	$100	$ 4
Expected return on plan assets	**—**	—	**—**	—	—
Amortization of net losses	**—**	28	**22**	84	22
Settlement loss (1)	**—**	—	**2,277**	—	
Net periodic cost	**$ —**	$ 62	**$2,303**	$184	
Settlement loss					2,089
Net periodic cost (1)					$ 2,115

(1) Reported as part of Selling, general and administrative expenses in the accompanying Consolidated Statements of Operations.

The Company did not contribute to this Plan during the nine months ended September 30, 2023 and 2022. The Company does not expect to make any additional cash contributions.

The Company permits selected highly compensated employees to defer a portion of their compensation into a non-qualified Supplemental Executive Retirement Plan ("SERP"). The Company maintains certain securities primarily in mutual funds and company-owned life insurance ("COLI") policies as a funding source to satisfy the obligation of the SERP that have been classified as trading and are stated at fair value totaling approximately $14,405,000 $16.8 million as of September 30, 2023 March 31, 2024 and $9,881,000 $15.4 million as of December 31, 2022. During the third quarter of 2023, the Company contributed $4.0 million to the SERP assets. Trading losses related to the SERP assets totaled approximately $238,000 during the three months ended September 30, 2023, compared to trading losses of approximately $499,000 during the three months ended September 30, 2022 December 31, 2023. Trading gains related to the SERP assets totaled approximately $524,000 $1.4 million during the nine three months ended September 30, 2023 March 31, 2024, compared to trading losses gains of approximately $2,802,000 $337 thousand during the nine three months ended September 30, 2022 March 31, 2023. The SERP assets are reported in Other Retirement plan assets in the accompanying Consolidated Balance Sheets and changes to the fair value of the assets are reported in Selling, general and administrative expenses in the accompanying Consolidated Statements of Operations.

The SERP liabilities include participant deferrals net of distributions and are stated at fair value of approximately $16,714,000 $19.4 million as of September 30, 2023 March 31, 2024 and $14,440,000 $18.0 million as of December 31, 2022 December 31, 2023. The SERP liabilities are reported in the accompanying Consolidated Balance Sheets in Retirement plan liabilities and any change in the fair value is recorded as compensation cost within Selling, general and administrative expenses in the accompanying Consolidated Statements of Operations. Changes in the fair value of the SERP liabilities represented was the result of an increase of $1.5 million due to unrealized losses of approximately $166,000 gains on participant balances during the three months ended September 30, 2023 March 31, 2024, compared to an increase of $297 thousand due to unrealized losses of approximately $475,000gains on participant balances during the three months ended September 30, 2022. Changes in the fair value of the SERP liabilities represented unrealized gains of approximately $651,000 during the nine months ended September 30, 2023, compared to unrealized losses of approximately $2,799,000 during the nine months ended September 30, 2022 March 31, 2023.

11. FAIR VALUE MEASUREMENTS

The various inputs used to measure assets at fair value establish a hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The hierarchy consists of three broad levels as follows:

1. Level 1 – Quoted market prices in active markets for identical assets or liabilities.

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2. Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

3. Level 3 – Unobservable inputs developed using the Company's estimates and assumptions, which reflect those that market participants would use.

Trading securities are comprised of SERP assets, as described in Note 10, the note titled Pension and Retirement Plans, and are recorded primarily at their net cash surrender values calculated using their net asset values, which approximate fair value, as provided by the issuing insurance company or investment company. Significant observable inputs, in addition to quoted market prices, are

used to value the trading securities. The Company's policy is to recognize transfers between levels at the beginning of quarterly reporting periods.

The carrying amount of other financial instruments reported in the accompanying Consolidated Balance Sheets for current assets and current liabilities approximate their fair values because of the short-term maturity of these instruments. The Company currently does not use the fair value option to measure any of its existing financial instruments and has not determined whether or not it will elect this option for financial instruments it may acquire in the future.

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss in the prior year quarter consists of pension adjustments as follows:

	Nine months ended September 30,	
(in thousands)	**2023**	2022
Balance at beginning of the period	**$ (1,995)**	$ (2,576)
Change during the period:		
Before-tax amount	**244**	—
Tax provision	**(54)**	—
Pension settlement loss, net of taxes (1)	**1,776**	—
Reclassification adjustment, net of taxes		
Amortization of net loss (1)	**17**	67
Total activity for the period	**1,983**	67
Balance at end of the period	**$ (12)**	$ (2,509)

	Three months ended March 31, 2023
(in thousands)	
Balance at beginning of the period	$ (1,995)
Change during the period:	
Before-tax amount	308
Tax provision	(68)
Pension settlement loss, net of taxes (1)	1,629

Reclassification adjustment, net of taxes	
Amortization of net loss (1)	17
Total activity for the period	1,886
Balance at end of the period	$ (109)

(1) Reported as part of Selling, general and administrative expenses in the accompanying Consolidated Statements of Operations.

There was no accumulated other comprehensive loss recorded in the current quarter of 2024, because the pension plan was terminated during 2023.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

	September 30,	December 31,	**March 31,**	December 31,
March 31,			**2024**	2023
(in thousands)	**2023**	2022		
Accrued payroll and related expenses	**$ 3,657**	$ 3,753	**$ 2,721**	$ 2,591
Accrued sales incentives and discounts	**1,599**	2,485	**4,254**	4,517
Accrued warranty costs	**7,243**	5,699	**7,214**	7,078
Deferred revenue	**1,212**	1,989	**1,751**	654
Income taxes payable	**1,097**	342	**868**	—
Other	**1,410**	1,072	**1,634**	1,656
Total accrued expenses and other liabilities	**$ 16,218**	$ 15,340	**$18,442**	$ 16,496

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14. NOTES PAYABLE TO BANKS

The Company has a revolving credit agreement with Truist Bank which provides a credit facility of $20.0 million. The facility includes: (i) a $5.0 million sublimit for swingline loans, (ii) a $2.5 million aggregate sublimit for all letters of credit, and (iii) a

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committed accordion which can increase the aggregate commitments by the greater of $35.0 million and consolidated adjusted EBITDA (as calculated under the Credit Agreement) over the most recently completed twelve-month period. The revolving credit facility includes a full and unconditional guarantee by the Company and its consolidated domestic subsidiaries. The facility is secured by a first priority security interest in and lien on substantially all personal property of the Company MPC and the guarantors including, without limitation, certain assets owned by them. the Company. The facility will terminate is scheduled to mature on November 12, 2026.

Effective July 1, 2023, revolving borrowings under the facility accrue interest at a rate equal to Term Secured Overnight Financing Rate (SOFR) plus the applicable percentage, as defined. During the second quarter of 2023, the Company was notified by Truist Bank that SOFR replaced LIBOR for all borrowings under the facility. The new applicable percentage is between 150 and 250 basis points for all loans based on MPC's net leverage ratio plus a SOFR adjustment of 11.45 basis points. In addition, the Company pays facility fees under the agreement ranging from 25 to 45 basis points, based on MPC's net leverage ratio, on the unused revolving commitment.

The credit agreement contains certain financial covenants including: (i) a maximum consolidated leverage ratio of 2.50:1.00 and (ii) a minimum consolidated fixed charge coverage ratio of 1.25:1.00 both determined as of the end of each fiscal quarter. Additionally, the agreement contains customary covenants including affirmative and negative covenants and events of default (each with customary exceptions, thresholds and exclusions). As of September 30, 2023 March 31, 2024, the Company was in compliance with all covenants.

The Company has incurred total loan origination fees and other debt related costs associated with this revolving credit facility in the aggregate of $195,000. $195 thousand. These costs are being amortized to interest expense over the remaining term of the loan, and the remaining net balance is classified as part of Other assets in the accompanying Consolidated Balance Sheets. MPC had no outstanding borrowings under the revolving credit facility as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Interest expense incurred, which includes facility fees on the unused portion of the revolving credit facility and the amortization of loan costs, on the credit facility was $23,000 $22 thousand for the three months ended September 30, 2023 March 31, 2024 and $22,000 $22 thousand for the three months ended September 30, 2022; and March 31, 2023. There was no interest expense incurred was $67,000 for the nine months ended September 30, 2023 and $67,000 for the nine months ended September 30, 2022. Interest expense paid on the credit facility was $25,000 paid for the three months ended September 30, 2023 March 31, 2024 and no interest $38 thousand was paid for the three months ended September 30, 2022. Interest expense paid on the credit facility was $63,000 for the nine months ended September 30, 2023 and $32,000 for the nine months ended September 30, 2022 March 31, 2023.

15. COMMITMENTS AND CONTINGENCIES

Repurchase Obligations:

The Company is a party to various agreements with third party lenders that provide floor plan financing to qualifying dealers whereby the Company guarantees varying amounts of debt on boats in dealer inventory. The Company's obligation under these guarantees becomes effective in the case of a default under the financing arrangement between the dealer and the third-party lender. The agreements provide for the return of repossessed boats to the Company in new and unused condition subject to normal wear and tear as defined, in exchange for the Company's assumption of specified percentages of the debt obligation on those boats, up to certain contractually determined dollar limits by the lenders. The Company had no material financial impact associated with repurchases under these contractual agreements during the nine three months ended September 30, 2023 March 31, 2024 and 2022. March 31, 2023.

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Management continues to monitor the risk of defaults and resulting repurchase obligations based in part on information provided by third-party floor plan lenders and will adjust the guarantee liability at the end of each reporting period based on information reasonably available at that time.

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The Company currently has an agreement with one of the floor plan lenders whereby the contractual repurchase limit is based on the highest of the following criteria: (i) a specified percentage of the amount of the average net receivables financed by the floor plan lender for our dealers, (ii) the total average net receivables financed by the floor plan lender for our two highest dealers during the prior three month period, or (iii) $8.0 million, less repurchases during the prior 12 month period. As defined by the agreement, the repurchase limit for this lender was $14.6 million $20.3 million as of September 30, 2023 March 31, 2024. The Company has contractual repurchase agreements with additional lenders with an aggregate maximum repurchase obligation of approximately $7.4 million $8.1 million with various expiration and cancellation terms of less than one year, for an aggregate repurchase obligation with all floor plan financing institutions of approximately $22.0 million $28.4 million as of September 30, 2023 March 31, 2024.

Short-term Cash Incentive Compensation:

In addition to recording Short-term Cash Incentive (STCI) compensation expense for executive officers, STCI expense has been recorded for four non-executive employees based on a percentage of Pre-Tax Profit (PTP incentive), defined as pretax income before goodwill adjustments and certain allocated corporate expenses. During 2022 and through Through the third quarter of 2023, this PTP incentive was 16 percent 16% in the aggregate per year and was subject to either a contractual arrangement or a discretionary determination. The PTP incentive under a contractual agreement with one employee, in the amount of seven percent per year, was discontinued as at the end of September 30, 2023. As a result, effective the third quarter of 2023. Effective October 1, 2023, the PTP incentive, subject to a discretionary determination, will be is nine percent in the aggregate per year for three employees.

Total STCI expense for the reported periods was as follows:

(in thousands)	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended March 31, 2024	Three months ended March 31, 2023
STCI expense	**$ 2,365**	$ 3,414	**$ 9,650**	$ 8,699	**$ 860**	$ 3,743

These amounts are included in Selling, general and administrative expenses in the accompanying Consolidated Statements of Operations.

16.NET INVESTMENT IN LEASE

During the second quarter of 2023, the Company entered into a lease agreement related to a warehouse as a lessor for a period of less than a year that provided the lessee with an option to purchase the asset at the end of the lease term. The consideration included required weekly payments with a purchase price of $2,000,000 less lease payments. The lessee was reasonably certain to exercise this purchase option and therefore, the Company concluded that the agreement qualified to be a sales type lease. However, at the commencement of the lease, the Company determined that collectibility was not probable based on an analysis of qualitative factors. Therefore, the amount received as of June 30, 2023 was recorded as a deposit liability.

In the third quarter of 2023, the Company determined the collectibility had become probable and recognized a net investment in lease of $1,096,950 consisting of a lease receivable of $1,100,000 less indirect costs. In addition, the Company recognized a gain of approximately $1,800,000 which is reported as part of Gain on disposition of assets, net on the Consolidated Statement of Operations. Net investment in lease is reported as part of Prepaid expenses and other current assets on the Consolidated Balance Sheet.

17. 16. SUBSEQUENT EVENT

On October 24, 2023 April 23, 2024, the Board of Directors declared a regular quarterly cash dividend of $0.14 per share and a special dividend of $0.70 per share, both payable December 11, 2023 June 10, 2024 to common stockholders of record at the close of business November 10, 2023 May 10, 2024.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Marine Products Corporation, through our wholly owned subsidiaries Chaparral and Robalo, is a leading manufacturer of recreational fiberglass powerboats. Our sales and profits are generated by selling the products that we manufacture to a network of independent dealers who in turn sell the products to retail customers. These dealers are located throughout the continental United States and in several international markets. Many of these dealers finance their inventory through third-party floorplan lenders, who pay Marine Products generally within seven to ten days after delivery of the products to the dealers.

The discussion on business and financial strategies of the Company set forth under the heading "Overview" "Business Strategies" in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023 is incorporated herein by reference. There have been no significant changes in the strategies since year-end.

In executing these strategies and attempting to optimize our financial returns, management closely monitors dealer orders and inventories, the production mix of various models, and indications of near term demand such as consumer confidence, inflation concerns, interest rates, dealer orders placed at our annual dealer conferences, and retail attendance and orders at annual winter boat show exhibitions. We also consider trends related to certain key financial and other data, including our historical and forecasted financial results, market share, unit sales of our products, average selling price per boat, and gross profit margins, among others, as indicators of the success of our strategies. Our financial results are affected by consumer confidence — because pleasure boating is a discretionary expenditure, interest rates — because many retail customers finance the purchase of their boats, and other socioeconomic and environmental factors such as availability of leisure time, consumer preferences, demographics and the weather.

Our Consolidated net sales of $77.8 million were 22.3 percent lower $69.3 million decreased during the third first quarter of 2024 in comparison to the first quarter of 2023 compared due primarily to the third quarter of 2022 primarily due to a 39.7% decrease in unit sales volumes, partially offset to dealers. Price and mix changes decreased net sales by an increase 2.0% reflecting retail incentive costs and lower average selling prices. Sales continued to be impacted by dealer efforts to reduce their inventories, due in part to higher floor plan carrying costs. The Company believes its sales, as well as those of the broader marine industry, continue to normalize following the period of high post-pandemic demand, and that while boat production and sales have been stabilizing, year-over-year comparisons will likely remain soft in the average selling price per boat. Unit sales volumes near term. Gross profit decreased to $14.0 million during the third first quarter of 2024, from $29.0 million during the first quarter of 2023 decreased 24.3 percent in comparison to the same period of the prior year as production has been adjusted to align more with current demand, including seasonally lower dealer demand during the third quarter of each calendar year. In addition, unit sales during the third quarter of 2023 were impacted by severe weather-related production shutdowns. Average selling price per boat during the third quarter of 2023 increased by 4.6 percent compared to the third quarter of 2022 primarily due to a favorable model mix lower sales volumes and to a lesser extent, price increases to cover associated manufacturing cost inefficiencies coupled with the impact of higher costs of materials dealer and components.

Cost of goods sold as a percentage of net sales was 75.3 percent of net sales for the three months ended September 30, 2023 compared to 75.0 percent for the comparable period in the prior year.

retail incentive costs. Operating income decreased 15.5 percent to $12.4 million $5.2 million during the third first quarter of 2023 2024, from $14.7 million during the same period in the prior year primarily due to lower net sales. Selling, general and administrative expenses decreased 14.9 percent to $8.8 million during the third quarter of 2023 from $10.3 million $14.5 million during the same period of the prior year. This decrease was due primarily Net income decreased to costs that vary with sales and profitability such as incentive compensation, sales commissions and warranty expense. Selling, general and administrative expenses were 11.3 percent $4.6 million during the first quarter of net sales 2024, from $11.5 million in the third same period of the prior year. Diluted earnings per share was $0.13 for the first quarter of 2023 compared to 10.3 percent in 2024, down from $0.34 for the third first quarter of 2022. Net gain on disposition of assets was $2.0 million during the third quarter of 2023, which includes a $1.8 million gain related to a real estate transaction. 2023.

OUTLOOK

The discussion of the outlook for 2023 2024 is incorporated herein by reference from the Company's annual report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023 at "Management's Discussion and Analysis of Financial Condition and Results of Operations — Outlook.".

We believe that the strong retail demand for new recreational boats, which began in 2020 with the onset of the COVID-19 pandemic has declined and will continue to moderate throughout 2023. now normalized. In addition, consumers are returning to pre-pandemic routine lifestyles and rising interest rates are contributing to higher costs of boat ownership. Since some buyers of recreational boats finance their purchases, higher interest rates may discourage them from the purchase of a boat. Furthermore, the softening consumer demand has resulted in generally elevated inventory levels in the dealer channel across brands and categories. This higher level of Chaparral inventory results in higher floorplan financing costs for boat dealers compared to recent years. In light of the normalization of demand and higher interest rates, we may have to reinstitute reinstituted certain retail incentives and other allowances to attract more consumers. We believe that production will satisfy current retail demand.

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Despite strong consumer consumers and help reduce channel inventory to address lower demand industry retail sales declined in 2021 and 2022 because dealers' inventories were depleted, and supply chain and labor problems hindered recreational boat manufacturers' output capacity. The cost of boat ownership has increased over the last several years due compared to the increased cost first half of materials, key components and labor. In addition, higher interest rates 2023. We have increased the financing costs of boat ownership. The higher cost of boat ownership may discourage consumers from purchasing recreational boats. For years, Marine Products and other boat manufacturers have been improving their customer service capabilities, marketing strategies and sales promotions adjusted production levels to attract more consumers to recreational boating as well as improve consumers' boating experiences. The Company provides financial incentives to its dealers for receiving favorable customer satisfaction surveys. In addition, the recreational boating industry conducts a promotional program which involves advertising and consumer targeting efforts, as well as other activities designed to increase the potential consumer market for pleasure boats. Many manufacturers, including Marine Products, participate in this program. Management believes that these efforts have incrementally benefited the industry and Marine Products. align with expected demand.

During the past three model years, Marine Products has produced a smaller number of boat designs models than in previous years to increase production efficiency. In addition, the average size of the models the Company is producing has increased in response to evolving retail demand, which continued into the first, second and third quarters of 2023.

In a typical year, Marine Products this trend is expected to continue. The Company intends to continue its focus on larger boats given this trend, higher associated price points and its dealers present our new models to retail customers during the winter boat show season, which takes place during the fourth and first calendar quarters. The industry conducted more boat shows in 2023 than in either of the previous two years due to the easing of COVID-19 – related restrictions.

Due to strong demand across the recreational sector, key materials and components have been in tight supply. Supply chain disruptions have delayed the receipt of both raw materials and key components used in our manufacturing process, thus delaying production and deliveries to our dealers. Although these disruptions began to moderate in late 2022, they still are currently impacting our ability to some extent to meet dealer and retail demand. Although supply chain constraints caused our working capital requirements to increase significantly in 2021, our inventory levels began to decline during the fourth quarter of 2022 and further into 2023 as these issues began to improve.

Our financial results during the remainder of 2023 will depend on a number of factors, including our ability to meet dealer and consumer demand in the face of ongoing supply chain challenges which have impacted our manufacturing operations. Additional factors that could impact our results include the availability and cost of credit to our dealers and consumers, declines in consumer confidence due to fears of a recession, increasing fuel costs, the continued acceptance of our new products in the recreational boating market, the near-term effectiveness of our marketing efforts, the availability and cost of labor and certain of our raw materials and key components used in manufacturing our products and the availability of qualified employee and contract drivers to deliver our finished products to dealers.

RESULTS OF OPERATIONS higher margins.

Key operating and financial statistics for the three and nine months ended September 30, 2023 and 2022 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	**2023**	2022
Total number of boats sold	**827**	1,093	**3,348**	3,130
Average gross selling price per boat *(in thousands)*	**$ 82.1**	$ 78.5	**$ 82.3**	$ 75.7
Net sales *(in thousands)*	**$ 77,786**	$ 100,061	**$ 312,858**	$ 272,486
Percentage of cost of goods sold to net sales	**75.3 %**	75.0 %	**75.4 %**	75.6 %
Gross profit margin percent	**24.7 %**	25.0 %	**24.6 %**	24.4 %
Percentage of selling, general and administrative expenses to net sales	**11.3 %**	10.3 %	**11.3 %**	10.8 %
Operating income *(in thousands)*	**$ 12,411**	$ 14,679	**$ 43,383**	$ 36,948
Warranty expense *(in thousands)*	**$ 1,209**	$ 1,664	**$ 4,860**	$ 4,095

THREE MONTHS ENDED SEPTEMBER 30, 2023 COMPARED TO THREE ENDED SEPTEMBER 30, 2022

Net sales for the three months ended September 30, 2023 decreased $22.3 million or 22.3 percent compared to the same period in 2022. The change in net sales during the quarter compared to the prior year was due primarily to a decrease in unit sales volumes,

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MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

partially offset by an increase in the average selling price per boat. Unit sales volumes Our financial results during the third quarter remainder of 2024 will depend on a number of factors, including economic trends, demand for discretionary products, the impact of interest rates on consumer financing options and dealer inventory carrying costs, the effectiveness of the Company’s incentive programs, the success of new model launches, and the Company’s ability to manage manufacturing costs in light of lower production levels compared to early 2023.

RESULTS OF OPERATIONS

Key operating and financial statistics for the three months ended March 31, 2024 and 2023 are as follows:

	Three months ended March 31,	
	2024	2023
Total number of boats sold	**770**	1,278
Average gross selling price per boat *(in thousands)*	**$ 80.4**	$ 82.4
Net sales *(in thousands)*	**$ 69,340**	$ 118,914
Percentage of cost of goods sold to net sales	**79.8 %**	75.6 %
Gross profit margin percent	**20.2 %**	24.4 %
Percentage of selling, general and administrative expenses to net sales	**12.6 %**	12.2 %
Operating income *(in thousands)*	**$ 5,242**	$ 14,489
Warranty expense *(in thousands)*	**$ 1,101**	$ 1,851

THREE MONTHS ENDED MARCH 31, 2024 COMPARED TO THREE MONTHS ENDED MARCH 31, 2023

Net sales for the three months ended March 31, 2024 decreased 24.3 percent in comparison $49.6 million or 41.7% compared to the same period of in 2023. The change in net sales during the quarter compared to the prior year as production has been adjusted to align more with normal seasonal demand, including seasonally lower dealer demand during the third quarter of each calendar year. In addition, unit sales during the third quarter of 2023 were impacted by severe weather-related production shutdowns.
Average selling price per boat during the third quarter of 2023 increased by 4.6 percent compared to the third quarter of 2022 was primarily due to a favorable model 39.7% decrease in unit sales volumes. Price and mix and, to changes resulted in a lesser extent, price increases to cover higher costs of

materials and components. Domestic 2.0% decrease in net sales, decreased 22.8 percent reflecting retail incentive costs and lower average selling prices. Sales continued to $73.2 million and international net sales decreased 11.8 percent be impacted by dealer efforts to $4.6 million compared reduce their inventories, due in part to the third impact of higher floorplan carrying costs. The Company believes its sales, as well as those of the broader marine industry, continue to normalize following the period of high post-pandemic demand, and that while boat production and sales have been stabilizing, year-over-year comparisons will likely remain soft in the near term.

In the first quarter of the prior year. In the third quarter of 2023, 2024, net sales outside of the United States accounted for 5.9 percent 7.1% of net sales compared to 5.2 percent 6.7% of net sales in the same period of the prior year.

Cost of goods sold for the three months ended September 30, 2023 March 31, 2024 was $58.5 million $55.4 million compared to $75.1 million $89.9 million for the comparable period in 2022, 2023, a decrease of $16.5 million $34.5 million or 22.0 percent. 38.4%. Cost of goods sold as a percentage of net sales was 75.3 percent of net sales 79.8% for the three months ended September 30, 2023 March 31, 2024 compared to 75.0 percent 75.6% for the same period in the prior year. year due to lower sales volumes and associated manufacturing cost inefficiencies, coupled with the impact of higher dealer and retail incentive costs.

Selling, general and administrative expenses for the three months ended September 30, 2023 March 31, 2024 were $8.8 million $8.7 million compared to $10.3 million $14.5 million for the comparable period in 2022, 2023, a decrease of $1.5 million $5.8 million or 14.9 percent. 39.8%. This decrease was primarily due to costs that vary with sales and profitability, such as incentive compensation, sales commissions and warranty expense. expense, as well as a decrease in pension expense in the current quarter in comparison to the same period of the prior year. In the first quarter of 2023, selling, general and administrative expenses also included a non-cash pension settlement charge of $2.1 million. Selling, general and administrative expenses were 11.3 percent 12.6% of net sales in the third first quarter of 2023 2024 compared to 10.3 percent 12.2% in the third first quarter of 2022. 2023. Management expects the reduction in anticipated incentive compensation to be paid to certain selected non-executive employees described at Note 15, in the Notes to the Consolidated Financial Statements in the note titled Commitments and Contingencies, to favorably impact selling, general and administrative expenses for future periods.

Gain on disposition of assets, net for the three months ended September 30, 2023 was $2.0 million due primarily to a $1.8 million gain related to a real estate transaction. See Note 16, Net investment in leases for additional information.

Operating income for the three months ended September 30, 2023 March 31, 2024 was $12.4 million $5.2 million compared to $14.7 million $14.5 million in the same period in 2022. 2023.

Interest income, (expense), net for the three months ended September 30, 2023 March 31, 2024 increased to interest income, net of $860 $851 thousand from interest income, net of $76 $483 thousand in the same period of the prior year due to a higher average cash balance balances and higher interest yields. Marine Products generates interest income primarily from investments of excess cash in money market funds. Additionally, interest expense is recorded for the revolving credit facility, including fees on the unused portion of the facility and the amortization of loan costs.

Income tax provision for the third quarter of 2023 reflects an effective tax rate of 21.6 percent compared to 22.3 percent for the comparable period in the prior year. The decrease in the 2023 effective tax rate is primarily due to favorable permanent adjustments coupled with beneficial discrete tax items.

NINE MONTHS ENDED SEPTEMBER 30, 2023 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2022

Net sales for the nine months ended September 30, 2023 increased $40.4 million or 14.8 percent compared to the same period in 2022. The change in net sales during the nine months ended September 30, 2023 compared to the prior year was due primarily to increases in the average gross selling price per boat and unit sales volumes, as well as an increase in parts and accessories sales. Unit sales volumes during the nine months ended September 30, 2023 increased 7.0 percent in comparison to the same period of the prior year as production has been adjusted to align more with current demand, including seasonally lower dealer demand during the third quarter of each calendar year.

Average selling price per boat during the nine months ended September 30, 2023 increased by 8.7 percent compared to the nine months ended September 30, 2022 due to a favorable model mix and price increases to cover higher costs for materials and components, partially offset by an increase in discounts to our dealers. Domestic net sales increased 14.4 percent to $292.3 million and international net sales increased 20.6 percent to $20.6 million compared to the same period of the prior year. In the nine months ended

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September 30, 2023, net sales outside of *Income tax provision* was $1.5 million during the United States accounted for 6.6 percent of net sales three months ended March 31, 2024 compared to 6.3 percent of net sales in the same period of the prior year.

Cost of goods sold for the nine months ended September 30, 2023 was $235.9 million compared to $206.1 million for the comparable period in 2022, an increase of $29.9 million or 14.5 percent. Cost of goods sold as a percentage of net sales were 75.4 percent of net sales for the nine months ended September 30, 2023 and 75.6 percent $3.4 million for the same period of the prior year.

Selling, general and administrative expenses for the nine months ended September 30, 2023 were $35.5 million compared to $29.4 million for the comparable period in 2022, an increase of $6.0 million or 20.5 percent. In the nine months ended September 30, 2023, selling, general and administrative expenses included a non-cash settlement loss of $2.3 million related to the termination of the defined benefit pension plan. 2023. The remainder of the increase was due to costs that vary with sales and profitability, such as incentive compensation, sales commissions and warranty expense. Selling, general and administrative expenses as a percentage of net sales were 11.3 percent in the nine months ended September 30, 2023 compared to 10.8 percent in the same period of 2022. Management expects the reduction in anticipated incentive compensation to be paid to certain non-executive employees described at Note 15, Commitments and Contingencies, to favorably impact selling, general and administrative expenses for future periods.

Gain on disposition of assets, net for the nine months ended September 30, 2023 was $2.0 million due primarily to a $1.8 million gain related to a real estate transaction during the third quarter of 2023. See Note 16, Net investment in leases for additional information.

Operating income for the nine months ended September 30, 2023 was $43.4 million compared to $36.9 million in the same period in 2022.

Interest income (expense), net for the nine months ended September 30, 2023 increased to interest income, net of $2.1 million from interest income, net of $52 thousand in the same period of the prior year due to a higher average cash balance and higher interest yields. Marine Products generates interest income primarily from investments of excess cash in money market funds. Additionally, interest expense is recorded for the revolving credit facility, including fees on the unused portion of the facility and the amortization of loan costs.

Income tax provision for the nine months ended September 30, 2023 reflects an effective tax rate of 20.2 was 24.6 percent for the three months ended March 31, 2024 compared to 23.0 22.9 percent for the comparable period in the prior year. The Lower pre-tax income in the current quarter resulted in a decrease in the 2023 income tax provision and an increase in the effective tax rate is primarily due to favorable permanent adjustments coupled with beneficial a more significant impact on the detrimental discrete tax items. adjustments.

<u>LIQUIDITY AND CAPITAL RESOURCES</u>

Cash Flows

The Company's cash and cash equivalents at September 30, 2023 March 31, 2024 were $60.7 million $81.2 million compared to $43.2 million $72.0 million at December 31, 2022 December 31, 2023. The following table sets forth the cash flows for the applicable periods:

	Nine months ended September 30,		Three months ended March 31,	
(in thousands)	**2023**	2022	**2024**	2023
Net cash provided by operating activities	**$ 40,178**	$ 27,128	**$ 15,915**	$ 26,946
Net cash used for investing activities	**(7,276)**	(1,373)	**(883)**	(1,789)
Net cash used for financing activities	**(15,368)**	(12,997)	**(5,759)**	(5,727)

Cash provided by operating activities for the nine three months ended September 30, 2023 increased $13.1 million March 31, 2024, decreased by $11.0 million compared to the nine three months ended September 30, 2022. The March 31, 2023, primarily due to the decrease in net income. In addition, working capital was a source of cash provided by operating activities for of $9.5 million in the nine months ended September 30, 2023 includes first quarter of 2024 compared to $12.1 million in the same period of the prior year. Working capital was a source of cash in the current quarter primarily due to the following: a net income favorable change of $36.3 million, an adjustment for a non-cash pension settlement loss of $2.3 million, $7.0 million in accounts payable coupled with a net favorable change in inventory of $3.2 million. These favorable changes are partially offset by a net unfavorable change $2.5 million in other components of our working capital (including components comprised primarily of inventory, accrued expenses and accounts receivable less receivable. The increase in accounts payable) totaling $1.6 million, as well as an unfavorable change in other non-current assets. The net favorable change in inventory payable during the current period is quarter was due primarily due to clearing inventory of partially completed boats as supply chain disruptions of critical components have improved during the nine months ended September 30, 2023 in comparison to prior periods. The net unfavorable change in other components of our working capital is primarily a result of an increase in accounts receivable of $5.4 million consistent with an increase in shipments during the

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current period, partially offset by a decrease in accounts payable due to the timing of payments. The net unfavorable change favorable changes in the other non-current assets is due to an employer contribution components are consistent with the decrease in net sales and lower production levels in recent quarters as well as the timing of $4.0 million during the current period to the supplemental retirement plan assets. payments.

Cash used for investing activities for the nine three months ended September 30, 2023 increased $5.9 million March 31, 2024 decreased $0.9 million in comparison to the same period in 2022 the prior year due to higher lower capital expenditures during the third first quarter of 2023 for transportation equipment and warehouse space partially offset by proceeds from sale of assets. 2024.

Cash used for financing activities for the nine three months ended September 30, 2023 increased $2.4 million compared March 31, 2024 was comparable to the nine three months ended September 30, 2022 primarily due to increased dividends paid to common shareholders, coupled with an increased cost of stock repurchases related to the vesting of restricted shares. March 31, 2023.

Financial Condition and Liquidity

The Company believes that the liquidity provided by existing cash, cash equivalents and marketable securities, its overall strong capitalization, cash generated by operations and the Company’s revolving credit facility will provide sufficient capital to meet the Company’s requirements for at least the next twelve months. The Company’s decisions about the amount of cash to be used for investing and financing purposes are influenced by its capital position and the expected amount of cash to be provided by operations.

Cash Requirements

The Company currently expects that capital expenditures in 2023 2024 will be approximately $9.0 million $5.0 million, of which $8.4 million $0.9 million has been spent through September 30, 2023 March 31, 2024.

The Company participates participated in a multiple employer Retirement Income Plan (Plan) (“Plan”), sponsored by RPC, Inc. (“RPC”). The Company did not contribute to this During 2023, the Plan during was fully terminated through a liquidation of the nine months ended September 30, 2023 and currently does not expect to make any additional contributions. assets held in trust.

The Company has repurchased an aggregate total of 6,679,572 shares in the open market under the Company stock repurchase program, which began was initially adopted in 2002. 2001. As of September 30, 2023 March 31, 2024, there were 1,570,428 shares that remained available for repurchase under the current authorization. There were no shares repurchased under this program during the nine three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023.

Effective October 1, 2023, the nine months ended September 30, 2023, Company began recording short-term cash incentive compensation expense recorded by the Company included to selected employees in an annual amount equal to 16 nine percent of pre-tax profit (defined (PTP incentive), defined as pretax income before goodwill adjustments and certain allocated corporate expenses), which expenses. Through the third quarter of 2023, this PTP incentive was adjusted 16% in the aggregate per year and was subject to nine either a contractual arrangement or a discretionary determination. The PTP incentive under a contractual agreement with one employee, in the amount of seven percent effective October 1, 2023. per year, was discontinued at the end of the third quarter of 2023. Management expects this reduction to continue to favorably impact operating cash flow in future periods.

On October 24, 2023 April 23, 2024, the Board of Directors declared a regular quarterly cash dividend of $0.14 per share and a special dividend of $0.70 per share, both payable December 11, 2023 June 10, 2024 to common stockholders of record at the close of business November 10, 2023 May 10, 2024. The Company expects to continue to pay cash dividends to common stockholders, subject to industry conditions and Marine Products' earnings, financial condition, and other relevant factors.

OFF BALANCE SHEET ARRANGEMENTS

To assist dealers in obtaining financing for the purchase of its boats for inventory, the Company has entered into agreements with various third-party floor plan lenders whereby the Company guarantees varying amounts of debt for qualifying dealers on boats in inventory. The Company's obligation under these guarantees becomes effective in the case of a default under the financing arrangement between the dealer and the third-party lender. The agreements provide for the return of all repossessed boats to the Company in a new and unused condition as defined, in exchange for the Company's assumption of specified percentages of the debt obligation on those boats, up to certain contractually determined dollar limits which vary by lender. The Company had no material financial impact associated with repurchases under these contractual agreements during the nine three months ended September 30, 2023 March 31, 2024 and 2022. March 31, 2023.

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Management continues to monitor the risk of defaults and resulting repurchase obligations based in part on information provided by the third-party floor plan lenders and will adjust the guarantee liability at the end of each reporting period based on information reasonably available at that time.

The Company currently has an agreement with one of the floor plan lenders whereby the contractual repurchase limit is based on the highest of the following criteria: (i) (i) a specified percentage of the amount of the average net receivables financed by the floor plan lender for our dealers, (ii) the total average net receivables financed by the floor plan lender for our two highest dealers during the prior three month period, or (iii) $8.0 million, less repurchases during the prior 12 month period. As defined by the agreement, the repurchase limit for this lender was $14.6 million $20.3 million as of September 30, 2023 March 31, 2024. The Company has contractual repurchase agreements with additional lenders with an aggregate maximum repurchase obligation of approximately $7.4 million $8.1 million with various expiration and cancellation terms of less than one year, for an aggregate repurchase obligation with all floor plan financing institutions of approximately $22.0 million $28.4 million as of September 30, 2023 March 31, 2024.

CERTAIN RELATED PARTY TRANSACTIONS

In conjunction with its spin-off from RPC, Inc. in 2001, the Company and RPC entered into various agreements that define their relationship after the spin-off. RPC charged the Company for its allocable share of administrative costs incurred for services rendered on behalf of Marine Products totaling $786 $324 thousand for the nine three months ended September 30, 2023 March 31, 2024 and $682 $306 thousand for the nine three months ended September 30, 2022 March 31, 2023.

Marine Products and RPC own 50 percent 50% each of a limited liability company called 255 RC, LLC that was created for the joint purchase and ownership of a corporate aircraft. Marine Products recorded certain net operating costs comprised of rent and an allocable share of fixed costs of $120 $41 thousand for the nine three months ended September 30, 2023 March 31, 2024 and $120 $40 thousand for the nine three months ended September 30, 2022 March 31, 2023.

As part of the termination of the Retirement Income Plan, the Company received $482 thousand during the nine months ended September 30, 2023 from RPC, which represented funds paid from the Company's assets in the Plan to settle a portion of RPC's participant liabilities.

CRITICAL ACCOUNTING POLICIES

The discussion of Critical Accounting Policies is incorporated herein by reference from the Company's annual report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023. There have been no significant changes in the critical accounting policies since year-end.

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IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

See Note 2 note titled Recent Accounting Standards in the accompanying Notes of the Consolidated Financial Statements for a description of recent accounting pronouncements, including the expected dates of adoption and expected effects on results of operations and financial condition, if known.

SEASONALITY

Marine Products' quarterly operating results are affected by weather and general economic conditions. Quarterly operating results for the second quarter have historically recorded the highest sales volume for the year because this corresponds with the highest retail sales volume period. For similar reasons, quarterly operating results for the fourth quarter often record the lowest sales volume for the year. The results for any quarter are not necessarily indicative of results to be expected in any future period.

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MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

INFLATION

New boat buyers typically finance their purchases. The Company believes that the recent increase in interest rates (which is generally linked to higher inflation) has reduced retail demand for smaller boats, since purchasers of smaller boats are typically more sensitive to increases in the cost of boat ownership and typically finance their purchases. Higher interest rates also impact our dealers, as their boat purchases are financed and they bear much of the carrying costs of holding inventories. Lastly, the Company incurs higher costs from rising interest rates because we often pay a portion of dealer floor plan interest costs.

During 2021 and 2022, inflation in the general economy had increased to its highest level in more than 40 years due to economic growth following the COVID-19 pandemic, labor shortages, supply chain constraints, and U.S. fiscal policy. As a result, the market prices of the raw materials and components used by the Company's manufacturing processes increased during these periods. In addition, the Company purchases components of which there are a limited number of suppliers, most of whom are experiencing significant customer orders impacting their ability to provide needed supply quantities. The costs of most of these components increased as demand from recreational boat manufacturers has increased and supply chains have remained constrained. These cost increases were exacerbated by higher transportation costs, which are included in the total cost of these components. In response to historically high consumer demand as well as higher raw materials and components costs, the Company increased the prices for its products periodically beginning in the third quarter of 2021 and continuing through the products. During 2023, model year. During the third and fourth quarters of 2022 and the first nine months of 2023, the prices of many raw materials used in the Company's manufacturing processes began to decline, and transportation became more available and less expensive, thus easing the Company's cost pressures. Price increases of raw materials and component costs in recent periods have had no discernible negative impact on the Company's sales due to high consumer demand and strong order backlogs which have allowed Marine Products to maintain its profit margins. However, the Company believes the cost of boat ownership has risen enough to impact retail demand. Therefore, it willmay be more difficult to raise prices in the future to compensate for increased costs of raw materials and components, which could impact the Company's sales and profit margins.

New boat buyers typically finance their purchases. The Company believes that the recent increase in interest rates has reduced retail demand for smaller boats, since purchasers of smaller boats are typically more sensitive to increases in the cost of boat ownership.

FORWARD-LOOKING STATEMENTS

Certain statements made in this report that are not historical facts are "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. The words "may," "should," "will," "expect," "believe," "anticipate," "intend," "plan," "seek," "project," "estimate," and similar expressions used in this document that do not relate to historical facts are intended to identify forward-looking statements. Such forward-looking statements may include, without limitation: our attempts to optimize financial returns by closely monitoring dealer orders and inventories, the production mix of various models, and indications of near term demand such as consumer confidence, inflation concerns, interest rates, dealer orders placed at our annual dealer conferences, and retail attendance and orders at annual winter boat show exhibitions; our plans to consider trends related to certain key financial and other data, including our historical and forecasted financial results, market share, unit sales of our products, average selling price per boat, and gross profit margins, among others, as indicators of the success of our strategies; our belief thatplans to continue to monitor retail demand among the various segments in the recreational boat market, the actions of our financial results are affected bycompetitors, dealer inventory levels and the availability of dealer and consumer confidence;financing for the purchase of our products and our plans to adjust our production levels as deemed appropriate; our belief that the strong retail demand for new recreational boats has declinedsubsided and will continue to moderate throughout 2023 as retail demand normalizes andhas now normalized; our belief that consumers returnare returning to more pre-pandemic routine lifestyles coupled with factors such asand rising interest rates andare contributing to higher costcosts of boat ownership; our belief that production will satisfy current retail demand; statements that since many recreational boat purchasers finance their purchases, higher interest rates may discourage them from the purchase of a boat; our belief that the higher cost of boat ownership may discourage consumers from purchasing recreational boats; our belief that our financial results are affected by consumer confidence — because pleasure boating is a discretionary expenditure, interest rates — because many retail customers finance the purchase of their boats, and other socioeconomic and environmental factors such as availability of leisure time, consumer preferences, demographics and the weather; our beliefexpectation that the strong retail demandreduction in anticipated incentive compensation to be paid to selected non-executive employees will favorably impact selling, general and administrative expenses for new recreational boats which began with the onset of the COVID-19 pandemic has declined and will continue to moderate throughout 2023, and that consumers are returning to pre-pandemic routine lifestyles, and rising interest rates are contributing to higher costs of boat ownership; our belief that, for years, we have been improving our customer service capabilities, marketing strategies and sales promotions to attract more consumers to recreational boating as well as improve consumers' boating experiences; our belief that the recreational boating industry's promotional program has incrementally benefited the industry and Marine Products;future periods; our belief that our financial results during the remainder of 20232024 will depend on a number of factors, including economic trends, demand for discretionary products, the impact of interest rates on consumer financing options and dealer inventory carrying costs, the effectiveness of our incentive programs, the success of new model

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launches, and our ability to meet dealer and consumer demand in the face of ongoing supply chain challenges which have impacted ourmanage manufacturing operations, the availability and cost of credit to our dealers and consumers, declines in consumer confidence due to fears of a recession, increasing fuel costs the continued acceptance of our new products in the recreational boating market, the near-term effectiveness of our marketing efforts, the availability and cost of labor and certain of our raw materials and key components used in manufacturing our products and the availability of qualified employee and contract drivers to deliver our finished products to dealers; our belief that, in light of the normalization of demand and higher interest rates, we may havelower production levels compared to reinstitute certain retail incentives and other allowances to attract more consumers;early 2023; our belief that the liquidity provided by existing cash, cash equivalents and marketable securities, our overall strong capitalization and cash expected to be generated fromby operations and the Company'sour revolving credit facility will

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provide sufficient capital to meet our requirements for at least the next twelve months; our belief that our decisions about the amount of cash to be used for investing and financing purposes will be influenced by our capital position and the expected amount of cash to be provided by operations; our expectations that capital expenditures in 2023 2024 will be approximately $9.0 million $5.0 million; our expectation to continue to pay cash dividends to common stockholders, subject to industry conditions and Marine Products' our earnings, financial condition, and other relevant factors; our plans to continue to monitor the risk of defaults and resulting repurchase obligations based in part on information provided by third-party floor plan lenders and our plans to adjust the guarantee liability at the end of each reporting period based on information reasonably available at that time; our belief that the cost of boat ownership has risen enough to impact retail demand, and as a result, it will be more difficult to raise prices in the future to compensate for increased costs of raw materials and components, which could impact the Company's sales and profit margins; our belief that the recent increase in interest rates has reduced retail demand for smaller boats, since purchasers of smaller boats are typically more sensitive to increases in the cost of boat ownership; ownership and typically finance their purchases; statements that we do not expect any material changes in market risk exposures or how those risks are managed; our current expectations that we don't expect to make additional contributions to the multiple employer Retirement Income Plan and our belief that the outcome of any litigation, arising from time to time in the ordinary course of our business, will not have a material effect on the our financial position, results of operations or liquidity of Marine Products. liquidity.

Such forward-looking statements are based on certain assumptions and analyses made by our management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes to be appropriate. We caution you that such statements are only predictions and not guarantees of future performance and that actual results, developments and business decisions may differ from those envisioned by the forward-looking statements. Risk factors that could cause such future events not to occur as expected include the following: our manufacturing operations are conducted in a single location, and to support our operations, several of our suppliers have also established facilities close to our manufacturing facility to provide timely delivery of fabricated components to us; as a result, catastrophic weather, civil unrest or other unanticipated events beyond our control may disrupt both our and our suppliers' ability to conduct manufacturing operations or transport our finished boats to our dealer network, and we do not own or have access to alternate manufacturing locations; economic conditions, unavailability of credit and possible decreases in the level of consumer confidence impacting discretionary spending; business interruptions due to adverse weather conditions, increased interest rates, increased fuel costs, unanticipated changes in consumer demand and preferences, deterioration in the quality of Marine Products' network of independent boat dealers or availability of financing of their inventory; boat dealer defaults; our ability to insulate financial results against increasing commodity prices; competition from other boat manufacturers and dealers; disruptions in supplier relationships or the inability to continue to purchase construction materials in sufficient quantities and of sufficient quality at acceptable prices to meet production schedules; potential liabilities for personal injury or property damage claims relating to the use of our products; our ability to successfully identify suitable acquisition candidates or strategic partners, obtain financing on satisfactory terms, complete acquisitions or strategic alliances, integrate acquired operations into our existing operations, or expand into new markets; changes in various government laws and regulations, including environmental regulations; regulations and environmental, social and governance practices; the possibility loss or interruption of retaliatory tariffs imposed the services of any senior management personnel or our ability to find qualified employees; our dependence on digital technologies and services and the export risk of our products to countries on which the U.S. has imposed tariffs; cyber-attacks, both from internal and external threats; the higher prices of materials, would increase the costs of manufacturing our products, and could negatively affect our profit margins; higher inflation, which typically results in higher interest rates that could translate into an increased cost of boat ownership which could cause prospective buyers to choose to forego or delay boat purchases; the existence of certain anti-takeover provisions in our governance documents, which could make a tender offer, change in control or takeover attempt that is opposed by Marine Products' Board of Directors more difficult or expensive; and our cash and cash equivalents are held primarily at a single financial institution. Additional discussion of factors that could cause actual results to differ from management's projections, forecasts, estimates and expectations is contained in Marine Products Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2022 December 31, 2023, and in this Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to interest rate risk exposure through borrowings on its credit facility. As of September 30, 2023 March 31, 2024, there were no outstanding interest-bearing advances on our credit facility, which bear interest at a floating rate.

Marine Products holds no derivative financial instruments which could expose the Company to significant market risk. Marine Products maintains investments primarily in money market funds which are not subject to interest rate risk exposure. Marine Products does not expect any material changes in market risk exposures or how those risks are managed.

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MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures –— The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to its management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, September 30, 2023 March 31, 2024 (the "Evaluation Date"), the Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of the Evaluation Date.

Changes in internal control over financial reporting –— There were no changes in the Company's internal control over financial reporting during the third first quarter of 2023 2024 which were not identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Marine Products is involved in litigation from time to time in the ordinary course of its business. Marine Products does not believe that the outcome of such litigation will have a material effect on the financial position, results of operations or liquidity of Marine Products.

Item 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 and in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 December 31, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS AND ISSUER PURCHASERS OF EQUITY SECURITIES

Period	Total Number of Shares (or Units) Purchased		Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
January 1, 2024 to January 31, 2024	85,444	(2)	$ 10.62	—	1,570,428
February 1, 2024 to February 29, 2024	—		—	—	1,570,428
March 1, 2024 to March 31, 2024	—		—	—	1,570,428
Totals	85,444		$ 10.62	—	1,570,428

(1) The Company's Board of Directors announced a stock buyback program on April 25, 2001 authorizing the repurchase of 2,250,000 shares in the open market and another on March 14, 2005 authorizing the repurchase of an additional 3,000,000 shares. On January 22, 2008, the Board of Directors authorized an additional 3,000,000 shares that the Company may repurchase. During the first quarter of 2024, there were no shares repurchased in the open market under this program and there are 1,570,428 shares that remain available for repurchase. The program does not have a predetermined expiration date.

None. (2) Includes shares repurchased by the Company in connection with taxes related to vesting of restricted shares.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

During the three months ended September 30, 2023 March 31, 2024, no director or officer, as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended, of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

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MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

ITEM 6. Exhibits

Exhibit Number	Description
3.1(a)	Marine Products Corporation Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Registrant’s Registration Statement on Form 10 filed on February 13, 2001).
3.1(b)	Certificate of Amendment of Certificate of Incorporation of Marine Products Corporation executed on June 8, 2005 (incorporated herein by reference to Exhibit 99.1 to the Registrant’s Current Report on Form 8-K filed June 9, 2005).
3.2	Amended and Restated By-laws of Marine Products Corporation dated October 26, 2021 (incorporated herein by reference to Exhibit 3.2 to the Form 10-Q filed October 29, 2021).

4	Restated Form of Stock Certificate of Marine Products Corporation (incorporated herein by reference to Exhibit 4.1 to the Registrant's Registration Statement to the Form 10 filed on February 13, 2001).
31.1	Section 302 certification for Chief Executive Officer.
31.2	Section 302 certification for Chief Financial Officer.
32.1	Section 906 certifications for Chief Executive Officer and Chief Financial Officer.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL) XBRL and contained in Exhibit 101)

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MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

SIGNATURES

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

MARINE PRODUCTS CORPORATION

Date: October 26, 2023 April 25, 2024	/s/ Ben M. Palmer Ben M. Palmer President and Chief Executive Officer (Principal Executive Officer)
Date: October 26, 2023 April 25, 2024	/s/ Michael L. Schmit Michael L. Schmit Vice President, Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATIONS

I, Ben M. Palmer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marine Products Corporation;

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

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

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

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

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

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

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

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

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

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

Date: October 26, 2023 April 25, 2024

/s/ Ben M. Palmer

Ben M. Palmer
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Michael L. Schmit, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marine Products Corporation;

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

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

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

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

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

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

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

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

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

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

Date: October 26, 2023 April 25, 2024

/s/ Michael L. Schmit

Michael L. Schmit
Vice President, Chief Financial Officer, and Corporate Secretary
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION OF PERIODIC FINANCIAL REPORTS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

To the best of their knowledge the undersigned hereby certify that the Quarterly Report on Form 10-Q of Marine Products Corporation for the period ended September 30, 2023 March 31, 2024, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. Sec. 78m) and that the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of Marine Products Corporation.

Date: October 26, 2023 April 25, 2024	/s/ Ben M. Palmer Ben M. Palmer President and Chief Executive Officer (Principal Executive Officer)
Date: October 26, 2023 April 25, 2024	/s/ Michael L. Schmit Michael L. Schmit Vice President, Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)

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