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

FORM 10-Q

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

For the quarterly period ended **March 31, 2024**
or

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

For the transition period from _____ to _____
Commission file number: **001-39213**

OneWater Marine Inc.

(Exact name of registrant as specified in its charter)

Delaware

83-4330138

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

6275 Lanier Islands Parkway

30518

Buford, Georgia

(Address of principal executive offices)

(Zip code)

(Registrant's telephone number, including area code): **(678) 541-6300**

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Class A common stock, par value \$0.01 per share	ONEW	The Nasdaq Global Market

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

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

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

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

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. Yes No

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

The registrant had 14,593,318 shares of Class A common stock, par value \$0.01 per share, and 1,429,940 shares of Class B common stock, par value \$0.01 per share, outstanding as of April 22, 2024.

ONEWATER MARINE INC.
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2024

TABLE OF CONTENTS

	Page
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	3
<u>PART I – FINANCIAL INFORMATION</u>	5
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	5
<u>Condensed Consolidated Balance Sheets as of March 31, 2024 and September 30, 2023</u>	5
<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended March 31, 2024 and March 31, 2023</u>	6
<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Six Months Ended March 31, 2024 and March 31, 2023</u>	7
<u>Condensed Consolidated Statements of Stockholders' Equity for the Three and Six Months Ended March 31, 2024 and March 31, 2023</u>	8
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended March 31, 2024 and March 31, 2023</u>	10
<u>Notes to the Condensed Consolidated Financial Statements</u>	11
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	27
Item 3. <u>Quantitative and Qualitative Disclosure about Market Risk</u>	46
Item 4. <u>Controls and Procedures</u>	46
<u>PART II – OTHER INFORMATION</u>	47
Item 1. <u>Legal Proceedings</u>	47
Item 1A. <u>Risk Factors</u>	47
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	47
Item 3. <u>Defaults Upon Senior Securities</u>	47
Item 4. <u>Mine Safety Disclosures</u>	47
Item 5. <u>Other Information</u>	47
Item 6. <u>Exhibits</u>	47

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information in this Quarterly Report on Form 10-Q includes "forward-looking statements." All statements, other than statements of historical fact included in this Quarterly Report on Form 10-Q, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Quarterly Report on Form 10-Q, the words "could," "believe," "anticipate," "intend," "estimate," "expect," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" included in our Annual Report on Form 10-K for the year ended September 30, 2023, filed with the U.S. Securities and Exchange Commission (the "SEC") on December 14, 2023, and under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q. These forward-looking statements are based on management's current belief, based on currently available information, as to the outcome and timing of future events.

Forward-looking statements may include statements about:

- general economic conditions, including changes in employment levels, rates of inflation, consumer demand, preferences and confidence levels, fuel prices, levels of discretionary income, consumer spending patterns and uncertainty regarding the timing, pace and extent of an economic recovery in the United States;
- economic conditions in certain geographic regions in which we primarily generate our revenue;
- credit markets and the availability and cost of borrowed funds;
- our business strategy, including acquisitions and Dealership same-store growth or dispositions;
- our ability to integrate acquisitions;
- competition;
- our ability to maintain our relationships with manufacturers, including meeting the requirements of our dealer agreements and receiving the benefits of certain manufacturer incentives;
- changes in industry seasonality and changes in demand for our products and our ability to maintain acceptable pricing for our products and services, including financing, insurance and extended service contracts;
- effects of an inflationary environment on the cost of the products we sell and personnel and other expenses that are incurred within our operations;
- our ability to finance working capital and capital expenditures;
- our operating cash flows, the availability of capital and our liquidity;
- our future revenue, Dealership same-store sales, income, financial condition, and operating performance;
- our ability to sustain and improve our utilization, revenue and margins;
- seasonality and inclement weather such as hurricanes, tornadoes, other severe storms, fire and floods, generally and in certain geographic regions in which we primarily generate our revenue;
- any potential tax savings we may realize as a result of our organizational structure;
- our future operating results and profitability; and
- plans, objectives, expectations and intentions contained in this Form 10-Q that are not historical.

We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control. Should one or more of the risks or uncertainties occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. These risks include, but are not limited to:

- decline in demand for our products and services;
- any global public health concerns, including, for example, our ability to safely operate our locations, access to inventory, and customer demand;
- the seasonality and volatility of the boat industry;
- general domestic and international political and regulatory conditions, including changes in tax or fiscal policy and the effects of past or future restrictions on various commercial and economic activities in response to public health concerns;
- environmental conditions and real or perceived human health or safety risks;
- our acquisition strategies and our ability to integrate additional marine retailers;
- effects of industry wide supply chain challenges and our ability to manage our inventory;
- our ability to retain key personnel and the effects of labor shortages;
- the inability to comply with the financial and other covenants and metrics in our credit facilities;
- cash flow and access to capital;
- the timing of development expenditures; and
- the other risks described under "Risk Factors" and discussed elsewhere in our Annual Report on Form 10-K for the year ended September 30, 2023 and discussed elsewhere in this Quarterly Report on Form 10-Q.

All forward-looking statements, expressed or implied, included in this Quarterly Report on Form 10-Q are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Any forward-looking statement that we make in this Quarterly Report on Form 10-Q speaks only as of the date of such statement. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

PART I – FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

ONEWATER MARINE INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and share data)
(Unaudited)

		September 30,
	March 31, 2024	2023
ASSETS		
CURRENT ASSETS:		
Cash	\$ 46,999	\$ 84,648
Restricted cash	11,186	8,662
Accounts receivable, net	110,142	113,175
Inventories, net	687,477	609,616
Prepaid expenses and other current assets	55,499	65,798
Total current assets	911,303	881,899
Property and equipment, net	89,217	81,532
Operating lease right-of-use assets	132,736	135,667
Other long-term assets	1,238	6,069
Deferred tax assets, net	32,229	35,066
Intangible assets, net	209,289	212,324
Goodwill	336,602	336,602
Total assets	<u><u>\$ 1,712,614</u></u>	<u><u>\$ 1,689,159</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 41,402	\$ 27,113
Other payables and accrued expenses	56,219	54,826
Customer deposits	46,536	51,649
Notes payable – floor plan	579,695	489,024
Current portion of operating lease liabilities	15,170	14,568
Current portion of long-term debt, net	8,640	29,324
Current portion of tax receivable agreement liability	2,447	2,447
Total current liabilities	750,109	668,951
Other long-term liabilities	8,274	13,693
Tax receivable agreement liability	40,688	40,688
Long-term operating lease liabilities	120,379	123,310
Long-term debt, net	410,692	428,439
Total liabilities	<u><u>1,330,142</u></u>	<u><u>1,275,081</u></u>
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, none issued and outstanding as of March 31, 2024 and September 30, 2023	-	-
Class A common stock, \$0.01 par value, 40,000,000 shares authorized, 14,593,318 and 14,420,129 shares issued and outstanding as of March 31, 2024 and September 30, 2023, respectively	146	144
Class B common stock, \$0.01 par value, 10,000,000 shares authorized, 1,429,940 shares issued and outstanding as of March 31, 2024 and September 30, 2023	14	14
Additional paid-in capital	197,250	193,018
Retained earnings	154,290	165,432
Accumulated other comprehensive (loss) income	(3)	1
Total stockholders' equity attributable to OneWater Marine Inc.	351,697	358,609
Equity attributable to non-controlling interests	30,775	55,469
Total stockholders' equity	382,472	414,078
Total liabilities and stockholders' equity	<u><u>\$ 1,712,614</u></u>	<u><u>\$ 1,689,159</u></u>

ONEWATER MARINE INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2024	2023	2024	2023
Revenues:				
New boat	\$ 327,306	\$ 355,284	\$ 568,390	\$ 587,689
Pre-owned boat	78,648	75,394	131,931	131,172
Finance & insurance income	14,730	15,324	22,090	24,258
Service, parts & other	67,637	78,329	129,923	147,871
Total revenues	488,321	524,331	852,334	890,990
Cost of sales (exclusive of depreciation and amortization shown separately below):				
New boat	267,226	275,026	463,629	450,284
Pre-owned boat	62,783	58,180	104,129	98,484
Service, parts & other	37,950	44,428	72,771	85,537
Total cost of sales	367,959	377,634	640,529	634,305
Selling, general and administrative expenses				
Depreciation and amortization	4,872	5,637	9,094	11,330
Transaction costs	145	241	724	1,571
Change in fair value of contingent consideration	3,132	1,736	3,704	327
Restructuring and impairment	11,847	-	11,847	-
Income from operations	13,855	48,890	20,326	75,426
Other expense (income):				
Interest expense – floor plan	8,525	5,472	16,337	10,251
Interest expense – other	9,192	8,604	18,344	16,188
Other expense (income), net	2,493	(187)	2,246	(826)
Total other expense, net	20,210	13,889	36,927	25,613
Net (loss) income before income tax (benefit) expense	(6,355)	35,001	(16,601)	49,813
Income tax (benefit) expense	(1,846)	7,964	(4,122)	11,348
Net (loss) income	(4,509)	27,037	(12,479)	38,465
Net (income) attributable to non-controlling interests	-	(1,165)	(119)	(2,530)
Net loss (income) attributable to non-controlling interests of One Water Marine Holdings, LLC	540	(3,068)	1,459	(4,231)
Net (loss) income attributable to OneWater Marine Inc.	\$ (3,969)	\$ 22,804	\$ (11,139)	\$ 31,704
Net (loss) earnings per share of Class A common stock – basic	\$ (0.27)	\$ 1.59	\$ (0.77)	\$ 2.21
Net (loss) earnings per share of Class A common stock – diluted	\$ (0.27)	\$ 1.56	\$ (0.77)	\$ 2.17
Basic weighted-average shares of Class A common stock outstanding	14,579	14,340	14,559	14,318
Diluted weighted-average shares of Class A common stock outstanding	14,579	14,655	14,559	14,612

ONEWATER MARINE INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	March 31, 2024	2023	March 31, 2024	2023
Net (loss) income	\$ (4,509)	\$ 27,037	\$ (12,479)	\$ 38,465
Other comprehensive (loss) income:				
Foreign currency translation adjustment	4	8	(5)	19
Comprehensive (loss) income	(4,505)	27,045	(12,484)	38,484
Net (income) attributable to non-controlling interests	—	(1,165)	(119)	(2,530)
Net loss (income) attributable to non-controlling interests of One Water Marine Holdings, LLC	540	(3,068)	1,459	(4,231)
Foreign currency translation adjustment attributable to non-controlling interest of One Water Marine Holdings, LLC	-	(1)	1	(2)
Comprehensive (loss) income attributable to OneWater Marine Inc.	<u>\$ (3,965)</u>	<u>\$ 22,811</u>	<u>\$ (11,143)</u>	<u>\$ 31,721</u>

ONEWATER MARINE INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)
(Unaudited)

	Class A Common Stock		Class B Common Stock		Accumulated Other					
					Additional		Non-controlling		Comprehensive	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Retained Earnings	Interest	Income (Loss)	Stockholders' Equity	
Balance at September 30, 2023	14,420	\$ 144	1,430	\$ 14	\$ 193,018	\$ 165,432	\$ 55,469	\$ 1	\$ 414,078	
Net loss	—	—	—	—	—	(7,170)	(800)	—	—	(7,970)
Distributions to members	—	—	—	—	—	—	(3,789)	—	—	(3,789)
Purchase of non-controlling interest	—	—	—	—	716	—	(19,556)	—	—	(18,840)
Shares issued upon vesting of equity-based awards, net of tax withholding	124	1	—	—	(1,553)	—	—	—	—	(1,552)
Equity-based compensation	—	—	—	—	2,392	—	—	—	—	2,392
Currency translation adjustment	—	—	—	—	—	—	(1)	(8)	—	(9)
Balance at December 31, 2023	14,544	\$ 145	1,430	\$ 14	\$ 194,573	\$ 158,262	\$ 31,323	\$ (7)	\$ 384,310	
Net loss	—	—	—	—	—	(3,969)	(540)	—	—	(4,509)
Distributions to members	—	—	—	—	—	(3)	(8)	—	—	(11)
Shares issued upon vesting of equity-based awards, net of tax withholding	24	—	—	—	(331)	—	—	—	—	(331)
Shares issued as part of employee stock purchase plan	25	1	—	—	731	—	—	—	—	732
Equity-based compensation	—	—	—	—	2,277	—	—	—	—	2,277
Currency translation adjustment	—	—	—	—	—	—	—	4	—	4
Balance at March 31, 2024	14,593	\$ 146	1,430	\$ 14	\$ 197,250	\$ 154,290	\$ 30,775	\$ (3)	\$ 382,472	

	Class A Common Stock		Class B Common Stock		Accumulated Other					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital		Retained Earnings	Non-controlling Interest	Comprehensive Income (Loss)	
					Paid-in Capital	Retained Earnings			Comprehensive Income (Loss)	
Balance at September 30, 2022	14,212	\$ 142	1,430	\$ 14	\$ 180,296	\$ 204,880	\$ 59,552	\$ (7)	\$ 444,877	
Net income	—	—	—	—	—	8,900	2,528	—	—	11,428
Distributions to members	—	—	—	—	—	(10)	(309)	—	—	(319)
Shares issued upon vesting of equity-based awards, net of tax withholding	86	1	—	—	(755)	—	—	—	—	(754)
Equity-based compensation	—	—	—	—	2,572	—	—	—	—	2,572
Currency translation adjustment	—	—	—	—	—	—	1	10	—	11
Balance at December 31, 2022	14,298	\$ 143	1,430	\$ 14	\$ 182,113	\$ 213,770	\$ 61,772	\$ 3	\$ 457,815	
Net income	-	-	-	-	-	22,804	4,233	-	—	27,037
Distributions to members	-	-	-	-	-	(2)	(70)	-	—	(72)
Shares issued upon vesting of equity-based awards, net of tax withholding	27	-	—	—	(386)	—	—	—	—	(386)
Shares issued as part of employee stock purchase plan	44	1	-	-	1,062	-	-	-	—	1,063
Repurchase and retirement of treasury shares	(63)	(1)	-	-	(760)	(818)	-	-	—	(1,579)
Equity-based compensation	-	-	-	-	2,491	-	-	-	—	2,491
Currency translation adjustment	-	-	-	-	-	-	1	7	—	8
Balance at March 31, 2023	14,306	\$ 143	1,430	\$ 14	\$ 184,520	\$ 235,754	\$ 65,936	\$ 10	\$ 486,377	

ONEWATER MARINE INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

For the Six Months Ended March 31	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	\$ (12,479)	\$ 38,465
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	10,470	12,542
Equity-based awards	4,669	5,063
Loss on asset disposals	109	210
Non-cash interest expense	1,665	3,077
Deferred income tax provision	2,837	1,453
Change in fair value of contingent consideration	1,928	327
Loss on equity investment	135	280
(Increase) decrease in assets:		
Accounts receivable	(38,464)	(22,893)
Inventories	(77,606)	(214,150)
Prepaid expenses and other current assets	10,848	11,181
Other assets	4,697	(1,812)
Increase (decrease) in liabilities:		
Accounts payable	10,735	5,726
Other payables and accrued expenses	(760)	(1,288)
Customer deposits	(5,112)	(7,440)
Net cash used in operating activities	<u>(86,328)</u>	<u>(169,259)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment and construction in progress	(14,823)	(12,029)
Proceeds from disposal of property and equipment	119	287
Cash used for additions to intangible assets	(621)	(26)
Cash used in acquisitions, net of cash acquired	-	(28,611)
Proceeds from disposal of a business	45,100	-
Net cash provided by (used in) investing activities	<u>29,775</u>	<u>(40,379)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings from floor plan	90,671	216,063
Proceeds from long-term debt	20,000	30,000
Payments on long-term debt	(58,864)	(11,874)
Payments of debt issuance costs	(695)	-
Payments of contingent consideration	(5,888)	(11,787)
Payments of tax withholdings for equity-based awards	(1,883)	(1,140)
Proceeds from issuance of Class A common stock as part of employee stock purchase plan	732	1,063
Distributions to members	(3,800)	(391)
Purchase of non-controlling interest	(18,840)	-
Repurchase and retirement of Class A common stock	-	(1,579)
Net cash provided by financing activities	<u>21,433</u>	<u>220,355</u>
Effects of exchange rate changes on cash and restricted cash	<u>(5)</u>	<u>19</u>
Net change in cash	(35,125)	10,736
Cash and restricted cash at beginning of period	93,310	60,947
Cash and restricted cash at end of period	<u>\$ 58,185</u>	<u>\$ 71,683</u>
Supplemental cash flow disclosures:		

Cash paid for interest	\$ 33,016	\$ 23,362
Cash paid for income taxes	5,852	13,388
Noncash items:		
Acquisition purchase price funded by contingent consideration	-	2,550
Purchase of property and equipment funded by long-term debt	156	1,053
Right-of-use assets obtained in exchange for new operating lease liabilities	5,342	7,978
Acquisition purchase price funded by affiliate financing	-	10,600
Settlement of affiliate financing with proceeds from sale and leaseback	-	10,600

OneWater Marine Inc. and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. Description of Company and Basis of Presentation

Description of the Business

OneWater Marine Inc. ("OneWater Inc") was incorporated in Delaware on April 3, 2019 and was a wholly-owned subsidiary of One Water Marine Holdings, LLC ("OneWater LLC"). Pursuant to a reorganization on February 11, 2020 into a holding company structure for the purpose of facilitating an initial public offering (the "IPO") and related transactions in order to carry on the business of OneWater LLC and its subsidiaries (together with OneWater Inc, the "Company"), OneWater Inc is the holding company and its sole material asset is the equity interest in OneWater LLC. OneWater LLC was organized as a limited liability company under the law of the State of Delaware in 2014 and is the parent company of One Water Assets & Operations ("OWAO"), and its wholly-owned subsidiaries.

The Company is one of the largest recreational marine retailers in the United States. The Company engages primarily in the retail sale, brokerage, and service of new and pre-owned boats, motors, trailers, the sale of marine parts and accessories, and offers slip and storage accommodations in certain locations. The Company also arranges related boat financing, insurance, and extended service contracts for customers with third-party lenders and insurance companies. As of March 31, 2024, the Company operates a total of 95 retail locations, 10 distribution centers/warehouses and multiple online marketplaces in 18 states, several of which are in the top twenty states for marine retail expenditures.

Operating results are generally subject to seasonal variations. Demand for products is generally highest during the third and fourth quarters of the fiscal year and, accordingly, revenues are generally expected to be higher during these periods. General economic conditions and consumer spending patterns can negatively impact the Company's operating results. Unfavorable local, regional, national, or global economic developments, global public health concerns, or uncertainties could reduce consumer spending and adversely affect the Company's business. Consumer spending on discretionary goods may also decline as a result of lower consumer confidence levels, even if prevailing economic conditions are otherwise favorable. Economic conditions in areas in which the Company operates, particularly in the Southeast, can have a major impact on the Company's overall results of operations. Local influences such as corporate downsizing, inclement weather such as hurricanes, tornadoes and other storms, environmental conditions, and other events have and could adversely affect the Company's operations in certain markets and in certain periods. Any extended period of adverse economic conditions or low consumer confidence is likely to have a negative effect on the Company's business.

Sales of new boats from the Company's top ten brands represent approximately 45.6% and 41.6% of total sales for the six months ended March 31, 2024 and 2023, respectively, making them major suppliers of the Company. Of this amount, Malibu Boats, Inc., including its brands Malibu, Axis, Cobalt, Pursuit, Maverick, Hewes, Cobia and Pathfinder accounted for 13.9% and 14.2% of consolidated revenue for the six months ended March 31, 2024 and 2023, respectively. As is typical in the industry, the Company contracts with most manufacturers under renewable annual dealer agreements, each of which provides the right to sell various makes and models of boats within a given geographic region. Any change or termination of these agreements, or the agreements discussed above, for any reason, or changes in competitive, regulatory, or marketing practices, including rebate or incentive programs, could adversely affect results of operations. Pre-owned boats are usually trade-ins from retail customers who are purchasing a boat from the Company.

Principles of Consolidation

As the sole managing member of OneWater LLC, OneWater Inc operates and controls all of the businesses and affairs of OneWater LLC. Through OneWater LLC and its wholly-owned subsidiaries, as well as majority-owned subsidiaries over which the Company exercises control, OneWater Inc conducts its business. As a result, OneWater Inc consolidates the financial results of OneWater LLC and its subsidiaries and reports non-controlling interests related to the portion of units of OneWater LLC (the "OneWater LLC Units") not owned by OneWater Inc, which will reduce net income (loss) attributable to OneWater Inc's Class A stockholders. As of March 31, 2024, OneWater Inc owned 91.1% of the economic interest of OneWater LLC.

Commencing December 31, 2021, the Company owned 80% of the economic interest of Quality Assets and Operations, LLC, over which the Company exercised control and the minority interest in this subsidiary was recorded accordingly. On October 31, 2023, the Company acquired the remaining 20% of the economic interest and, as a result, as of March 31, 2024 now owns 100% of the economic interest in Quality Assets and Operations, LLC. See Note 4 for additional information regarding the acquisition.

Basis of Financial Statement Preparation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial statements, which do not include all the information and notes required by such accounting principles for annual financial statements. The unaudited condensed consolidated financial statements should be read in conjunction with OneWater Inc's Annual Report on Form 10-K for the year ended September 30, 2023. All adjustments, consisting of only normal recurring adjustments considered by management to be necessary for fair presentation, have been reflected in these unaudited condensed consolidated financial statements.

All intercompany transactions have been eliminated in consolidation. The Company operates on a fiscal year basis with the first day of the fiscal year being October 1, and the last day of the fiscal year ending on September 30.

2. Summary of Significant Accounting Policies

Cash

At times the amount of cash on deposit may exceed the federally insured limit of the bank. Deposit accounts at each of the institutions are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At March 31, 2024 and September 30, 2023, the Company exceeded FDIC limits at various institutions. The Company has not experienced any losses in such accounts and believes there is little to no exposure to any significant credit risk.

Restricted Cash

Restricted cash relates to amounts collected for pre-owned sales, in certain states, which are held in escrow on behalf of the respective buyers and sellers for future purchases of boats. Total customer deposits are shown as a liability on the consolidated balance sheets. These liabilities may be more than the applicable restricted cash balances and fluctuate due to timing differences and because in certain states the deposits are not restricted from use.

Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of the new and pre-owned boat inventory is determined using the specific identification method. In assessing lower of cost or net realizable value the Company considers the aging of the boats, historical sales of a brand and current market conditions. The cost of acquired, manufactured and assembled parts and accessories is determined using methods which vary by subsidiary and include both the average cost method and first-in, first-out ("FIFO").

Goodwill and Other Identifiable Intangible Assets

Goodwill and indefinite-lived intangible assets are accounted for in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, "Intangibles — Goodwill and Other" ("ASC 350"), which provides that the excess of cost over the fair value of the net assets of businesses acquired, including other identifiable intangible assets, is recorded as goodwill. Goodwill is an asset representing operational synergies and future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. In accordance with ASC 350, Goodwill is tested for impairment at least annually, or more frequently when events or circumstances indicate that impairment might have occurred. ASC 350 also states for annual impairment tests that if an entity determines, based on an assessment of certain qualitative factors, that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then a quantitative goodwill impairment test is unnecessary. The Company performs its annual test in the fiscal fourth quarter.

Identifiable intangible assets primarily consist of trade names, developed technologies, including design libraries, and customer relationships related to the acquisitions the Company has completed. The Company has determined that trade names have an indefinite life, as there are no economic, contractual or other factors that limit their useful lives and they are expected to generate value as long as the trade name is utilized by the Company, and therefore, are not subject to amortization. Developed technologies and customer relationships are amortized over their estimated useful lives of ten years and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Financial statement risk exists to the extent identifiable intangibles become impaired due to the decrease in their fair value.

Sales Tax

The Company collects sales tax on all of the Company's sales to nonexempt customers and remits the entire amount to the states that imposed the sales tax. The Company's accounting policy is to exclude the tax collected and remitted to the states from revenues and cost of sales.

Revenue Recognition

Revenue is recognized from the sale of products and commissions earned on new and pre-owned boats (including used, brokerage, consignment and wholesale) when ownership is transferred to the customer, which is generally upon acceptance or delivery to the customer. At the time of acceptance or delivery, the customer is able to direct the use of, and obtain substantially all of the benefits at such time. We are the principal with respect to revenue from new, pre-owned and consignment sales and such revenue is recorded at the gross sales price. With respect to brokerage transactions, we are acting as an agent in the transaction, therefore the fee or commission is recorded on a net basis.

Revenue from parts and accessories sold directly to a customer (not on a repair order) is recognized when control of the item is transferred to the customer, which is typically upon shipment. Revenue from parts and service operations (boat maintenance and repairs) is recorded over time as services are performed. Satisfaction of this performance obligation creates an asset with no alternative use for which an enforceable right to payment for performance to date exists within our contractual agreements. Each boat maintenance and repair service is a single performance obligation that includes both the parts and labor associated with the service. Payment for boat maintenance and repairs is typically due upon the completion of the service, which is generally completed within a period of one year or less from contract inception. The Company recorded contract assets in prepaid expenses and other current assets of \$4.3 million and \$4.4 million as of March 31, 2024 and September 30, 2023.

Certain parts and service transactions require the Company to perform shipping and handling activities after the transfer of control to the customer (e.g., when control transfers prior to delivery). They are considered fulfillment activities and are included in selling, general and administrative expenses.

Revenue from storage and marina operations is recognized on a straight-line basis over the term of the contract as services are completed. Revenue from arranging financing, insurance and extended warranty contracts to customers through various third-party financial institutions and insurance companies is recognized when the related boats are sold. We do not directly finance our customers' boat, motor or trailer purchases. We are acting as an agent in the transaction, therefore the commissions are recorded on a net basis. Subject to our agreements and in the event of early cancellation, prepayment or default of such loans or insurance contracts by the customer, we may be assessed a chargeback for a portion of the commission paid by the third-party financial institutions and insurance companies. We reserve for these chargebacks based on our historical experience with repayments or defaults. Chargebacks were not material to the unaudited condensed consolidated financial statements for the six months ended March 31, 2024 and 2023.

Contract liabilities consist of deferred revenues from marina and storage operations and customer deposits and are classified in customer deposits in the Company's unaudited condensed consolidated balance sheets. Deposits received from customers are recorded as a liability until the related sales orders have been fulfilled by us and control of the vessel is transferred to the customer. The activity in customer deposits for the three and six months ended March 31, 2024 is as follows:

(\$ in thousands)	Three Months Ended March 31, 2024	Six Months Ended March 31, 2024
	\$ 50,977	\$ 51,649
Beginning contract liability	\$ (30,078)	(42,049)
Revenue recognized from contract liabilities included in the beginning balance	25,637	36,936
Increases due to cash received, net of amounts recognized in revenue during the period	\$ 46,536	\$ 46,536
Ending contract liability	<hr/>	<hr/>

The following table sets forth percentages on the timing of revenue recognition for the three and six months ended March 31, 2024 and 2023.

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	94.8 %	94.6 %
Goods and services transferred at a point in time	5.2 %	5.4 %
Goods and services transferred over time	100.0 %	100.0 %
Total Revenue	<hr/>	<hr/>

	Six Months Ended March 31, 2024	Six Months Ended March 31, 2023
	93.9 %	93.9 %
Goods and services transferred at a point in time	6.1 %	6.1 %
Goods and services transferred over time	100.0 %	100.0 %
Total Revenue	<hr/>	<hr/>

Income Taxes

OneWater Inc is a corporation and as a result, is subject to U.S. federal, state and local income taxes. We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events included in the consolidated financial statements. Under this method, we determine deferred tax assets and liabilities on the basis of the differences between the book value and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period in which the enactment date occurs. We recognize deferred tax assets to the extent we believe these assets are more-likely-than-not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent results of operations.

OneWater LLC is treated as a partnership for U.S. federal income tax purposes and therefore does not pay U.S. federal income tax on its taxable income. Instead, the OneWater LLC members are liable for U.S. federal income tax on their respective shares of the Company's taxable income reported on the members' U.S. federal income tax returns.

When there are situations with uncertainty as to the timing of the deduction, the amount of the deduction, or the validity of the deduction, the Company adjusts the financial statements to reflect only those tax positions that are more-likely-than-not to be sustained. Positions that meet this criterion are measured using the largest benefit that is more than 50% likely to be realized. Interest and penalties related to income taxes are included in the benefit (provision) for income taxes in the consolidated statements of operations.

Vendor Consideration Received

Consideration received from vendors is accounted for in accordance with FASB Accounting Standards Codification 330, "Inventory" ("ASC 330"). Pursuant to ASC 330, manufacturer incentives based upon cumulative volume of sales and purchases are recorded as a reduction of inventory cost and related cost of sales when the amounts are probable and reasonably estimable.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the periods presented. Actual results could differ materially from these estimates. Estimates and assumptions are reviewed periodically, and the effects of any revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Significant estimates made in the accompanying unaudited condensed consolidated financial statements include, but are not limited to, those relating to inventory mark downs, certain assumptions related to intangible and long-lived assets and valuation of contingent consideration.

Segment Information

We report our operations through two reportable segments: Dealerships and Distribution. The Dealership segment engages in the sale of new and pre-owned boats, arranges financing and insurance products, performs repairs and maintenance services, offers marine related parts and accessories and offers slip and storage accommodations in certain locations. The Distribution segment engages in the manufacturing, assembly and distribution primarily of marine related products to distributors, big box retailers and online retailers through a network of warehouse and distribution centers. Each reporting segment has discrete financial information and is regularly reviewed by the Company's chief operating decision maker ("CODM") to assess performance and allocate resources. The Company has identified its Chief Executive Officer as its CODM.

3. New Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures", which is intended to improve financial reporting by requiring disclosures of incremental segment information on an annual and interim basis. The pronouncement is effective for a public company's annual reporting periods beginning after December 15, 2023, and interim periods within annual reporting periods beginning after December 15, 2024. The Company is currently evaluating the impact that this standard will have on the consolidated financial statements. The Company plans to adopt the pronouncement in fiscal year 2025.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures", which is intended to improve the transparency, effectiveness and comparability of income tax disclosures by requiring greater disaggregation of information and additional disclosures. The pronouncement is effective for a public company's annual reporting periods beginning after December 15, 2024. The Company is currently evaluating the impact that this standard will have on the consolidated financial statements. The Company plans to adopt the pronouncement in fiscal year 2026.

Other than as noted above, there are no new accounting pronouncements that are expected to have a material effect on our consolidated financial statements.

4. Acquisitions

On October 31, 2023, the Company exercised its right to acquire the remaining 20% economic interest in Quality Assets and Operations, LLC for consideration totaling \$18.8 million. Subsequent to the acquisition, the Company now owns 100% of the economic interest in Quality Assets and Operations, LLC.

5. Accounts Receivable

Accounts receivable primarily consists of trade accounts receivable, contracts in transit and manufacturer receivables. Trade receivables include amounts due from customers on the sale of boats, parts, service, and storage. Contracts in transit represent anticipated funding from the loan agreement customers execute at the dealership when they purchase their new or pre-owned boat. These finance contracts are typically funded within 30 days. Amounts due from manufacturers represent receivables for various manufacturer incentive programs and parts and service work performed pursuant to the manufacturers' warranties. Accounts receivable as of September 30, 2023 also consisted of a receivable resulting from the fiscal year 2023 disposition of Roscioli Yachting Center. The proceeds on disposal were received during the six months ended March 31, 2024.

The allowance for credit losses is estimated based on past collection experience, current conditions and reasonable and supportable forecasts. The activity for charges and subsequent recoveries is immaterial.

Accounts receivable consisted of the following:

(\$ in thousands)	March 31, 2024	September 30, 2023
Contracts in transit	\$ 48,517	\$ 25,425
Trade accounts receivable	34,862	32,065
Income tax receivable	16,534	—
Manufacturer receivable	10,852	11,288
Receivable for proceeds on the disposition of a business	—	45,100
Total accounts receivable	110,765	113,878
Less – allowance for credit losses	(623)	(703)
Total accounts receivable, net	\$ 110,142	\$ 113,175

6. Inventories

Inventories consisted of the following at:

(\$ in thousands)	March 31, 2024	September 30, 2023
New vessels	\$ 536,126	\$ 471,147
Pre-owned vessels	78,425	61,627
Work in process, parts and accessories	72,926	76,842
Total inventories, net	\$ 687,477	\$ 609,616

7. Goodwill and Intangible Assets

Our acquisitions have resulted in the recording of goodwill and other identifiable intangible assets. Goodwill is an asset representing operational synergies and future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Intangible assets consist of internally developed software, domain names and other identifiable intangible assets such as trade names, developed technologies, including design libraries, and customer relationships related to the acquisitions the Company has completed. The changes in goodwill and intangible assets are as follows:

(\$ in thousands)	Goodwill	Developed Technologies			Customer Relationships		Internally Developed Software	Total Intangible Assets, net
		Trade Names	Unamortized	Amortized	Amortized	Domain Names		
Net balance as of September 30, 2023	336,602	149,921	4,419	52,114	2,387	3,483	212,324	
Acquisitions during the six months ended March 31, 2024	—	—	—	—	—	—	621	621
Accumulated amortization for the six months ended March 31, 2024	—	—	(185)	(2,662)	(318)	(491)	(3,656)	
Net balance as of March 31, 2024	\$ 336,602	\$ 149,921	\$ 4,234	\$ 49,452	\$ 2,069	\$ 3,613	\$ 209,289	

Amortization expense was \$2.1 million and \$3.3 million for the three months ended March 31, 2024 and 2023, respectively, \$ 3.7 million and \$6.6 million for the six months ended March 31, 2024 and 2023, respectively, and is recorded in depreciation and amortization expense in the unaudited condensed consolidated statements of operations. For internally developed software acquisitions during the six months ended March 31, 2024, the weighted average useful life is 3.8 years.

The following table summarizes the expected amortization expense for fiscal years 2024 through 2028 and thereafter (\$ in thousands):

2024 (excluding the six months ended March 31, 2024)	\$	4,164
2025		8,329
2026		8,329
2027		8,086
2028		6,638
Thereafter		23,822
	\$	59,368

As of March 31, 2024 and September 30, 2023, the carrying value of goodwill totaled approximately \$ 336.6 million, of which \$295.3 million was related to our Dealerships reporting segment and \$41.3 million was related to our Distribution reporting segment.

8. Notes Payable — Floor Plan

The Company maintains an ongoing wholesale marine products inventory financing program with a syndicate of banks. The program is administered by Wells Fargo Commercial Distribution Finance, LLC ("Wells Fargo"). On November 14, 2023, the Company and certain of its subsidiaries entered into the Eighth Amended and Restated Inventory Financing Agreement (as amended, the "Inventory Financing Facility") with Wells Fargo and the other financial institutions party thereto to increase the maximum borrowing amount available under the Inventory Financing Facility to \$650.0 million and extend the term. The Inventory Financing Facility expires on March 1, 2026. The outstanding balance of the facility was \$579.7 million and \$489.0 million, as of March 31, 2024 and September 30, 2023, respectively.

Interest on new boats and for rental units is calculated using the Adjusted 30-Day Average SOFR (as defined in the Inventory Financing Facility ("SOFR")) plus an applicable margin of 2.75% to 5.00% depending on the age of the inventory. Interest on pre-owned boats is calculated at the new boat rate plus 0.25%. Wells Fargo will finance 100.0% of the vendor invoice price for new boats, engines, and trailers. As of March 31, 2024 the interest rate on the Inventory Financing Facility ranged from 8.07% to 10.32% for new inventory and 8.32% to 10.57% for pre-owned inventory. As of September 30, 2023 the interest rate on the Inventory Financing Facility ranged from 8.18% to 10.43% for new inventory and 8.43% to 10.68% for pre-owned inventory. Borrowing capacity available at March 31, 2024 and September 30, 2023 was \$70.3 million and \$61.0 million, respectively.

The Inventory Financing Facility has certain financial and non-financial covenants as specified in the agreement. The financial covenants include requirements to comply with a maximum funded debt to EBITDA ratio and a minimum fixed charge coverage ratio (as defined in the Inventory Financing Facility). In addition, certain non-financial covenants could restrict the Company's ability to sell assets (excluding inventory in the normal course of business), engage in certain mergers and acquisitions, incur additional debt and pay cash dividends or distributions, among others. The Company was in compliance with all covenants at March 31, 2024.

The collateral for the Inventory Financing Facility consists primarily of our inventory that is financed through the Inventory Financing Facility and related assets, including accounts receivable, bank accounts and proceeds of the foregoing, and excludes the collateral that underlies the term note payable to Truist Bank.

9. Long-term Debt and Line of Credit

On August 9, 2022, the Company and certain of its subsidiaries entered into the Amended and Restated Credit Agreement (the "A&R Credit Facility") with Truist Bank. The A&R Credit Facility provides for a \$65.0 million revolving credit facility (the "A&R Revolving Facility") that may be used for revolving credit loans (including up to \$5.0 million in swingline loans and up to \$ 5.0 million in letters of credit) and a \$ 445.0 million term loan (the "A&R Term Loan"). Subject to certain conditions, the available amount under the revolving credit facility and term loans may be increased by \$125.0 million in the aggregate. The A&R Credit Facility bears interest at a rate that is equal to Term SOFR plus an applicable margin ranging from 1.75% to 2.75% based on certain consolidated leverage ratio measures. The A&R Revolving Facility matures on August 9, 2027. The A&R Term Loan is repayable in installments beginning December 31, 2022, with the remainder due on August 9, 2027.

The A&R Credit Facility is collateralized by certain real and personal property (including certain capital stock) of the Company and its subsidiaries. The collateral does not include inventory and certain other assets of the Company's subsidiaries financed under the Inventory Financing Facility. The A&R Credit Facility is subject to certain financial covenants related to the maintenance of a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio. The A&R Credit Facility also contains non-financial covenants and restrictive provisions that, among other things, limit the ability of the Company to incur additional debt, transfer or dispose of all of its assets, make certain investments, loans or payments and engage in certain transactions with affiliates. The Company was in compliance with all covenants at March 31, 2024.

Long-term debt consisted of the following at:

(\$ in thousands)	March 31, 2024	September 30, 2023
Term note payable to Truist Bank, secured and bearing interest at 7.83% at March 31, 2024 and 7.53% at September 30, 2023. The note requires quarterly principal payments commencing on December 31, 2022 and maturing with a full repayment on August 9, 2027	\$ 392,156	\$ 428,313
Revolving note payable for an amount up to \$65.0 million to Truist Bank, secured and bearing interest at 7.83% at March 31, 2024 and 7.50% at September 30, 2023. The note requires full repayment on August 9, 2027	30,000	30,000
Notes payable to commercial vehicle lenders secured by the value of the vehicles bearing interest at rates ranging from 0.0% to 10.8% per annum. The notes require monthly installment payments of principal and interest ranging from \$200 to \$3,100 through April 2029	3,150	3,645
Note payable to Norfolk Marine Company, unsecured and bearing interest at 4.0% per annum. The note requires quarterly interest payments, with a balloon payment of principal due on December 1, 2024	1,126	1,126
Note payable to Tom George Yacht Group, unsecured and bearing interest at 5.5% per annum. The note requires quarterly interest payments, with a balloon payment of principal due on December 1, 2023	—	2,056
Total debt outstanding	426,432	465,140
Less current portion (net of debt issuance costs)	(8,640)	(29,324)
Less unamortized portion of debt issuance costs	(7,100)	(7,377)
Long-term debt, net of current portion and unamortized debt issuance costs	<u>\$ 410,692</u>	<u>\$ 428,439</u>

10. Stockholders' Equity

Equity-Based Compensation

We maintain the OneWater Marine Inc. Omnibus Incentive Plan (the "LTIP") to incentivize individuals providing services to OneWater Inc and its subsidiaries and affiliates. The LTIP provides for the grant, from time to time, at the discretion of the board of directors of OneWater Marine Inc. (the "Board") or a committee thereof, of (1) stock options, (2) stock appreciation rights, (3) restricted stock, (4) restricted stock units, (5) stock awards, (6) dividend equivalents, (7) other stock-based awards, (8) cash awards, (9) substitute awards and (10) performance awards. The total number of shares reserved for issuance under the LTIP that may be issued pursuant to incentive stock options (which generally are stock options that meet the requirements of Section 422 of the Code) is 1,602,326. The LTIP is and will continue to be administered by the Board, except to the extent the Board elects a committee of directors to administer the LTIP. Class A common stock subject to an award that expires or is cancelled, forfeited, exchanged, settled in cash or otherwise terminated without delivery of shares (including forfeiture of restricted stock awards) and shares withheld to pay the exercise price of, or to satisfy the withholding obligations with respect to, an award will again be available for delivery pursuant to other awards under the LTIP.

During the six months ended March 31, 2024, the Board approved the grant of 141,924 performance-based restricted stock units, which represents 100% of the target award. Performance-based restricted stock units provide an opportunity for the recipient to receive a number of shares of our common stock based on our performance goals. A performance-based restricted stock unit equals one share of common stock of the Company. The performance-based restricted stock units vest in three equal annual installments commencing on October 1, 2024. As of March 31, 2024, the Company estimated achievement of the performance targets at 100%.

During the six months ended March 31, 2024, the Board approved the grant of 204,557 time-based restricted stock units. Of this amount, 34,160 restricted stock units fully vest on October 1, 2024 and the remaining 170,397 restricted stock units vest in three equal annual installments commencing on October 1, 2024.

Compensation cost for time-based restricted stock units is based on the closing price of our common stock on the date immediately preceding the grant and is recognized on a graded basis over the applicable vesting periods. Compensation cost for performance share units is based on the closing price of our common stock on the date immediately preceding the grant and the ultimate performance level achieved and is recognized on a graded basis over the applicable vesting period. The Company recognized \$2.1 million and \$2.3 million of compensation expense for the three months ended March 31, 2024 and 2023, which includes \$0.9 million and \$1.1 million of compensation expense for the three months ended March 31, 2024 and 2023, respectively, for performance-based units. The Company recognized \$4.4 million and \$4.7 million of compensation expense for the six months ended March 31, 2024 and 2023, respectively, which includes \$1.7 million and \$2.2 million of compensation expense for the six months ended March 31, 2024 and 2023, respectively, for performance-based units.

The following table further summarizes activity related to restricted stock units for the six months ended March 31, 2024:

Restricted Stock Unit Awards		
	Number of Shares	Weighted Average Grant Date Fair Value
Unvested at September 30, 2023	524,785	\$ 28.86
Awarded	346,481	25.62
Vested	(227,790)	25.07
Forfeited	—	—
Unvested at March 31, 2024	643,476	\$ 28.46

As of March 31, 2024, the total unrecognized compensation expense related to outstanding equity awards was \$ 7.8 million, which the Company expects to recognize over a weighted-average period of 1.3 years.

We issue shares of our Class A common stock upon the vesting of performance-based restricted stock units and time-based restricted stock units. These shares are issued from our authorized and not outstanding common stock. In addition, in connection with the vesting of restricted stock units, we repurchase a portion of shares equal to the amount of employee income tax withholding.

Net (Loss) Earnings Per Share

Basic and diluted net (loss) earnings per share of Class A common stock is computed by dividing net (loss) income attributable to OneWater Inc by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted net (loss) earnings per share is computed by giving effect to all potentially dilutive shares.

The following table sets forth the calculation of net (loss) earnings per share for the three months ended March 31, 2024 and 2023 (in thousands, except per share data):

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net (loss) earnings per share:		
Numerator:		
Net (loss) income attributable to OneWater Inc	\$ (3,969)	\$ 22,804
Denominator:		
Weighted-average number of unrestricted outstanding common shares used to calculate basic net (loss) income per share	14,579	14,340
Effect of dilutive securities:		
Restricted stock units	-	315
Employee stock purchase plan	-	-
Diluted weighted-average shares of Class A common stock outstanding used to calculate diluted net (loss) earnings per share	14,579	14,655
Net (loss) earnings per share of Class A common stock – basic	\$ (0.27)	\$ 1.59
Net (loss) earnings per share of Class A common stock – diluted	\$ (0.27)	\$ 1.56

The following table sets forth the calculation of net (loss) earnings per share for the six months ended March 31, 2024 and 2023 (in thousands, except per share data):

	Six Months Ended March 31, 2024	Six Months Ended March 31, 2023
Net (loss) earnings per share:		
Numerator:		
Net (loss) income attributable to OneWater Inc	\$ (11,139)	\$ 31,704
Denominator:		
Weighted-average number of unrestricted outstanding common shares used to calculate basic net (loss) income per share	14,559	14,318
Effect of dilutive securities:		
Restricted stock units	-	291
Employee stock purchase plan	-	3
Diluted weighted-average shares of Class A common stock outstanding used to calculate diluted net (loss) earnings per share	14,559	14,612
Net (loss) earnings per share of Class A common stock – basic	\$ (0.77)	\$ 2.21
Net (loss) earnings per share of Class A common stock – diluted	\$ (0.77)	\$ 2.17

On March 30, 2022, the Board approved a share repurchase program up to \$ 50 million. No shares of Class A common stock were repurchased by the Company during the six months ended March 31, 2024. As of March 31, 2024 the Company has repurchased and retired 73,487 shares of Class A common stock under the repurchase program for a purchase price of approximately \$1.9 million. As of March 31, 2024, approximately \$48.1 million remained available for future purchase under the repurchase program. The repurchase program does not have a predetermined expiration date.

Shares of Class B common stock and unvested restricted stock units do not share in the income (losses) of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted net (loss) earnings per share of Class B common stock under the two-class method has not been presented.

The following number of weighted-average potentially dilutive shares were excluded from the calculation of diluted net (loss) earnings per share because the effect of including such potentially dilutive shares would have been antidilutive upon conversion (in thousands):

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Class B common stock	1,430	1,430
Restricted Stock Units	480	290
Employee Stock Purchase Plan	26	-
	<u>1,936</u>	<u>1,720</u>
	Six Months Ended March 31, 2024	Six Months Ended March 31, 2023
Class B common stock	1,430	1,430
Restricted Stock Units	488	322
Employee Stock Purchase Plan	26	-
	<u>1,944</u>	<u>1,752</u>

Employee Stock Purchase Plan

At the Company's 2021 Annual Meeting of Stockholders (the "Annual Meeting"), held on February 23, 2021, the Company's stockholders approved the OneWater Marine Inc. 2021 Employee Stock Purchase Plan (the "ESPP"), which was approved and adopted by the Board as of January 13, 2021 (the "Adoption Date"), subject to stockholder approval at the Annual Meeting. The effective date of the ESPP is February 23, 2021, and, unless earlier terminated, the ESPP will expire on the twentieth anniversary of the Adoption Date. The ESPP will be administered by the Board or by one or more committees to which the Board delegates such administration.

The ESPP enables eligible employees to purchase shares of the Company's Class A common stock at a discount through participation in discrete offering periods. The ESPP is intended to qualify as an employee stock purchase plan under section 423 of the Internal Revenue Code of 1986, as amended. Up to a maximum of 487,466 shares of the Company's Class A common stock may be issued under the ESPP as of March 31, 2024, subject to certain adjustments as set forth in the ESPP. On the first day of each fiscal year during the term of the ESPP, beginning on October 1, and ending on (and including) September 30, the number of shares of Class A common stock that may be issued under the ESPP will increase by a number of shares equal to the least of (i) 1% of the outstanding shares on the Adoption Date, or (ii) such lesser number of shares (including zero) that the administrator determines for purposes of the annual increase for that fiscal year. The number of shares of Class A common stock that may be granted to any single participant in any single option period will be subject to certain limitations set forth in the plan.

The Company recorded equity-based compensation for the ESPP of \$ 0.1 million and \$0.2 million during the three months ended March 31, 2024 and 2023, respectively and \$0.3 million and \$0.4 million during the six months ended March 31, 2024 and 2023, respectively. As of March 31, 2024 and September 30, 2023, the Company had current liabilities of \$0.4 million, for future purchases of shares under the ESPP. During the six months ended March 31, 2024 and 2023, 25,493 and 43,692 shares were issued under the ESPP at an average share price of \$ 28.72 and \$24.31, respectively.

We used a Black-Scholes model to estimate the fair value of the options granted to purchase shares issued pursuant to the ESPP. Volatility is based on the historical volatility of our common stock. The risk-free rate for periods within the contractual term of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

The following are the assumptions used for the periods ended March 31, 2024 and 2023:

	2024	2023
Dividend yield	0.0 %	0.0 %
Risk-free interest rate	5.2 - 5.5%	4.8 %
Volatility	37.6 - 62.7%	45.6 %
Expected life	Six months	Six months

Distributions

During the six months ended March 31, 2024 and 2023, the Company made distributions to OneWater Unit Holders for certain permitted tax payments.

11. Fair Value Measurements

In determining fair value, the Company uses various valuation approaches including market, income and/or cost approaches. FASB standard "Fair Value Measurements" (Topic 820) establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are those that reflect the Company's expectation of the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Assets utilizing Level 1 inputs include marketable securities that are actively traded.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Asset and liability measurements utilizing Level 3 inputs include those used in estimating fair value of non-financial assets and non-financial liabilities in purchase acquisitions, those used in assessing impairment of property and equipment and other intangibles, those used in the reporting unit valuation in the annual goodwill impairment evaluation and contingent consideration.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment required in determining fair value is greatest for assets and liabilities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input that is significant to the fair value measurement. Fair value measurements can be volatile based on various factors that may or may not be within the Company's control.

The following tables summarize the Company's financial assets and liabilities measured at fair value in the accompanying unaudited condensed consolidated balance sheets as of March 31, 2024 and September 30, 2023

(\$ in thousands)	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment in Equity Securities	\$ 191	\$ -	\$ -	\$ 191
Liabilities:				
Contingent Consideration	-	-	15,529	15,529

(\$ in thousands)	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Investment in Equity Securities	\$ 326	\$ -	\$ -	\$ 326
Liabilities:				
Contingent Consideration	-	-	21,181	21,181

There were no transfers between the valuation hierarchy Levels 1, 2, and 3 for the six months ended March 31, 2024.

We measure all equity investments that do not result in consolidation and are not accounted for under the equity method at fair value with the change in fair value included in other expense (income), net, in the unaudited condensed consolidated statements of operations. The fair value of equity investments is measured using quoted prices in its active markets. The investment in equity securities balance is recorded in other long-term assets in the unaudited condensed consolidated balance sheets.

The portion of unrealized losses recognized related to equity securities still held as of March 31, 2024 and 2023 consists of the following:

(\$ in thousands)	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
	\$	23	\$	20
Net loss recognized during the period on equity securities	\$	23	\$	20
Less net loss recognized during the period on equity securities sold during the period		-		-
Unrealized loss recognized during the reporting period on equity securities still held at the reporting date	\$	23	\$	20

(\$ in thousands)	Six Months Ended March 31, 2024		Six Months Ended March 31, 2023	
	\$	135	\$	280
Net loss recognized during the period on equity securities	\$	135	\$	280
Less net loss recognized during the period on equity securities sold during the period		-		-
Unrealized loss recognized during the reporting period on equity securities still held at the reporting date	\$	135	\$	280

We estimate the fair value of contingent consideration using a probability-weighted discounted cash flow model based on forecasted future earnings or other agreed upon metrics including the production of acquisition leads. The acquisition contingent consideration liability has been accounted for based on inputs that are unobservable and significant to the overall fair value measurement (Level 3). The contingent consideration balance is recorded in other payables and accrued expenses and other long-term liabilities in the unaudited condensed consolidated balance sheets. Changes in fair value and net present value of contingent consideration are recorded in change in fair value of contingent consideration in the unaudited condensed consolidated statements of operations. The fair value of contingent consideration is reassessed on a quarterly basis.

The following table sets forth the changes in fair value of our contingent consideration for the three and six months ended March 31, 2024:

(\$ in thousands)	Three Months Ended March 31, 2024	
	\$	20,565
Balance as of December 31, 2023	\$	20,565
Additions from acquisitions		—
Settlement of contingent consideration		(8,168)
Change in fair value, including accretion		3,132
Balance as of March 31, 2024	\$	15,529

(\$ in thousands)	Six Months Ended March 31, 2024	
	\$	21,181
Balance as of September 30, 2023	\$	21,181
Additions from acquisitions		—
Settlement of contingent consideration		(9,356)
Change in fair value, including accretion		3,704
Balance as of March 31, 2024	\$	15,529

We determine the carrying value of our cash and cash equivalents, accounts receivable, accounts payable, other payables and accrued expenses, floor plan notes payable, term note payable with Truist Bank, seller notes payable and company vehicle notes payable approximate their fair values because of the nature of their terms and current market rates of these instruments.

12. Restructuring and Impairment

In March 2024, the Company evaluated its operations and decided to undergo a restructuring plan (the "2024 Restructuring") which resulted in the reduction of headcount and retail locations, cancellation of certain dealer agreements, and the cancellation of certain in-process information and technology ("IT") related projects. As a result of the 2024 Restructuring, the Company recognized \$11.8 million of charges during the three and six months ended March 31, 2024, which are recorded in Restructuring and impairment in the unaudited consolidated statement of operations. As of March 31, 2024, \$0.2 million and \$1.8 million was recorded in accounts payable and other payables and accrued expenses, respectively, in the unaudited consolidated balance sheet related to these charges. No restructuring and impairment charges were recorded for the three and six months ended March 31, 2023.

13. Income Taxes

The Company is a corporation and, as a result, is subject to U.S. federal, state and local income taxes. OneWater LLC is treated as a pass-through entity for U.S. federal tax purposes and in most state and local jurisdictions. As such, OneWater LLC's members, including the Company, are liable for federal and state income taxes on their respective shares of OneWater LLC's taxable income.

Our effective tax rates of 29.0% and 22.8% for the three months ending March 31, 2024 and 2023, respectively, and 24.8% and 22.8% for the six months ending March 31, 2024 and 2023, respectively, differ from statutory rates primarily due to (loss) earnings allocated to non-controlling interests and limitations on officer's compensation.

The Company has federal net operating loss carryforwards from underlying corporate entities of approximately \$ 6.0 million resulting in a deferred tax asset of \$1.6 million as of September 30, 2023. The U.S. federal net operating loss carryforwards have no expiration but can only be used to offset up to 80% of future taxable income annually. The Company projects to fully utilize the net operating losses during the current and subsequent fiscal years.

The Company recognizes deferred tax assets to the extent it believes these assets are more-likely-than-not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing temporary differences, projected future taxable income, tax planning strategies and recent results of operations. Based on our cumulative earnings history and forecasted future sources of taxable income, we believe that we will fully realize our deferred tax assets in the future. The Company has not recorded a valuation allowance.

As of March 31, 2024 and September 30, 2023, the Company has not recognized any uncertain tax positions, penalties, or interest as management has concluded that no such positions exist. The Company is subject to examination in the US Federal and certain state tax jurisdictions for the tax years beginning with the year ended December 31, 2020. In November 2022, the Company received notification that the IRS intends to commence an audit of the federal income tax return of OneWater LLC's partnership for the tax year ended December 31, 2020. The audit is ongoing and the outcome and timing of settlements of asserted income tax liabilities, if any, are uncertain.

Tax Receivable Agreement

In connection with the IPO, the Company entered into a tax receivable agreement (the "Tax Receivable Agreement") with certain of the owners of OneWater LLC. As of March 31, 2024 and September 30, 2023, our liability under the Tax Receivable Agreement was \$43.1 million, representing 85% of the calculated net cash savings in U.S. federal, state and local income tax and franchise tax that OneWater Inc anticipates realizing in future years from the result of certain increases in tax basis and certain tax benefits attributable to imputed interest as a result of OneWater Inc's acquisition of OneWater LLC Units pursuant to an exercise of the Redemption Right or the Call Right (each as defined in the amended and restated limited liability company agreement of OneWater LLC (the "OneWater LLC Agreement").

The projection of future taxable income involves significant judgment. Actual taxable income may differ from our estimates, which could significantly impact our ability to make payments under the Tax Receivable Agreement. We have determined it is more-likely-than-not that we will be able to utilize all of our deferred tax assets subject to the Tax Receivable Agreement; therefore, we have recorded a liability under the Tax Receivable Agreement related to the tax savings we may realize from certain increases in tax basis and certain tax benefits attributable to imputed interest as a result of OneWater Inc's acquisition of OneWater LLC Units pursuant to an exercise of the Redemption Right or Call Right (each as defined in the OneWater LLC Agreement). If we determine the utilization of these deferred tax assets is not more-likely-than-not in the future, our estimate of amounts to be paid under the Tax Receivable Agreement would be reduced. In this scenario, the reduction of the liability under the Tax Receivable Agreement would result in a benefit to our consolidated statements of operations.

14. Contingencies and Commitments

Employment Agreements

The Company is party to employment agreements with certain executives, which provide for compensation, other benefits and severance payments under certain circumstances. The Company also has consulting and noncompete agreements in place with previous owners of acquired companies.

Claims and Litigation

The Company is involved in various legal proceedings as either the defendant or plaintiff. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between the affected parties and other actions. Management assesses the probability of losses or gains for such contingencies and accrues a liability and/or discloses the relevant circumstances as appropriate. In the opinion of management, it is not reasonably probable that the pending litigation, disputes or claims against the Company, as of March 31, 2024, will have a material adverse effect on its financial condition, results of operations or cash flows. Additionally, based on the Company's review of the various types of claims currently known, there is no indication of a material reasonably possible loss in excess of amounts accrued. The Company currently does not anticipate that any known claim will materially adversely affect our financial condition, liquidity, or results of operations. However, the outcome of any matter cannot be predicted with

certainty, and an unfavorable resolution of one or more matters presently known or arising in the future could have a material adverse effect on the Company's financial condition, liquidity or results of operations.

Risk Management

The Company is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the Company carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past years.

15. Leases

The Company leases real estate and equipment under operating lease agreements. Leases with an initial term of 12 months or less are not recorded on the balance sheet. We recognize lease expense for these leases on a straight-line basis over the lease term. For leases with terms in excess of 12 months, we record a right-of-use ("ROU") asset and lease liability based on the present value of lease payments over the lease term. We do not have any significant leases that have not yet commenced that create significant rights and obligations for us. The Company has elected the practical expedient not to separate lease and non-lease components for all leases that qualify.

Our real estate and equipment leases often require payment of maintenance, real estate taxes and insurance. These costs are generally variable and based on actual costs incurred by the lessor. These amounts are not included in the consideration of the contract when determining the ROU asset and lease liability but are reflected as variable lease payments.

Most leases include one or more options to renew, with renewal terms that can extend the lease from one to ten or more years. The exercise of the lease renewal option is typically at our sole discretion. If it is reasonably certain that we will exercise the option to renew, the period covered by the options are included in the lease term and are recognized as part of our ROU assets and lease liabilities. Certain leases include the option to purchase the leased property. The depreciable life of assets and leasehold improvements are limited by the expected lease term, which includes renewal options reasonably certain to be exercised.

Certain of our lease agreements include rental payments based on percentage of retail sales over contractual levels and others include rental payments adjusted periodically based on index rates. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

16. Related Party Transactions

In accordance with agreements approved by the Board, we purchased inventory, in conjunction with our retail sale of the products, from certain entities affiliated with the Company. Total purchases incurred under these arrangements were \$21.7 million and \$26.0 million for the three months ended March 31, 2024 and 2023, respectively, and \$71.5 million and \$47.4 million for the six months ended March 31, 2024 and 2023, respectively.

In accordance with agreements approved by the Board, certain entities affiliated with the Company receive fees for rent of commercial property. Total expenses incurred under these arrangements were \$0.5 million and \$0.7 million for the three months ended March 31, 2024 and 2023, respectively, and \$1.2 million and \$1.1 million for the six months ended March 31, 2024 and 2023, respectively.

In accordance with agreements approved by the Board, the Company received fees from certain entities and individuals affiliated with the Company for goods and services. Total fees recorded under these arrangements were \$0.2 million and less than \$0.1 million for the three months ended March 31, 2024 and 2023, respectively, and \$1.3 million and \$1.0 million for the six months ended March 31, 2024 and 2023, respectively.

In accordance with agreements approved by the Board, the Company made payments to certain entities and individuals affiliated with the Company for goods and services. There were no payments recorded under these agreement for the three and six months ended March 31, 2024. Total payments recorded under these arrangements were \$0.1 million for the three and six months ended March 31, 2023.

In connection with transactions noted above, the Company owed \$ 9.8 million and \$4.7 million as recorded within accounts payable as of March 31, 2024 and September 30, 2023, respectively. Additionally, the Company had less than \$0.1 million recorded within accounts receivable as of March 31, 2024. No amounts were recorded within accounts receivable as of September 30, 2023.

17. Segment Information

As of March 31, 2024, we had two reportable segments: (1) Dealerships and (2) Distribution. See Note 2 for more information about our segments.

Reportable segment financial information as of and for the three and six months ended March 31, 2024 and 2023 are as follows:

As of and for the Three Months Ended March 31, 2024					
(\$ in thousands)	Dealerships	Distribution	Eliminations	Total	
Revenue	\$ 450,209	\$ 38,181	\$ (69)	\$ 488,321	
Income (loss) from operations	14,944	(1,084)	(5)	13,855	
Depreciation and amortization	3,066	2,498	—	5,564	
Transaction costs	104	41	—	145	
Change in fair value of contingent consideration	3,132	—	—	3,132	
Restructuring and impairment	10,699	1,148	—	11,847	
Total assets	1,473,755	238,862	(3)	1,712,614	

As of and for the Three Months Ended March 31, 2023					
(\$ in thousands)	Dealerships	Distribution	Eliminations	Total	
Revenue	\$ 478,348	\$ 45,983	\$ —	\$ 524,331	
Income (loss) from operations	48,386	504	—	48,890	
Depreciation and amortization	2,564	3,796	—	6,360	
Transaction costs	241	-	—	241	
Change in fair value of contingent consideration	1,626	110	—	1,736	
Restructuring and impairment	—	—	—	—	
Total assets	1,361,097	409,354	—	1,770,451	

As of and for the Six Months Ended March 31, 2024					
(\$ in thousands)	Dealerships	Distribution	Eliminations	Total	
Revenue	\$ 781,816	\$ 70,647	\$ (129)	\$ 852,334	
Income (loss) from operations	21,887	(1,549)	(12)	20,326	
Depreciation and amortization	5,968	4,502	—	10,470	
Transaction costs	544	180	—	724	
Change in fair value of contingent consideration	3,704	—	—	3,704	
Restructuring and impairment	10,699	1,148	—	11,847	
Total assets	1,473,755	238,862	(3)	1,712,614	

As of and for the Six Months Ended March 31, 2023					
(\$ in thousands)	Dealerships	Distribution	Eliminations	Total	
Revenue	\$ 805,121	\$ 85,869	\$ —	\$ 890,990	
Income (loss) from operations	78,239	(2,813)	—	75,426	
Depreciation and amortization	4,938	7,604	—	12,542	
Transaction costs	1,423	148	—	1,571	
Change in fair value of contingent consideration	83	244	—	327	
Restructuring and impairment	—	—	—	—	
Total assets	1,361,097	409,354	—	1,770,451	

18. Subsequent Events

On May 1, 2024, the Company completed the acquisition of Garden State Yacht Sales pursuant to the terms of the purchase agreement. The aggregate consideration is subject to the customary post-closing adjustments and is not individually significant.

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

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

Unless the context requires otherwise, references in this report to the "Company," "we," "us," and "our" refer to OneWater Marine Inc. and its consolidated subsidiaries. The following discussion and analysis should be read in conjunction with the accompanying financial statements and related notes. The following discussion contains forward-looking statements that reflect our future plans, estimates, beliefs and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those factors discussed above in "Cautionary Statement Regarding Forward-Looking Statements" and described under the heading "Risk Factors" included in our Annual Report on Form 10-K for the year ended September 30, 2023, filed with the SEC on December 14, 2023, all of which are difficult to predict. In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur. We do not undertake any obligation to publicly update any forward-looking statements except as otherwise required by applicable law.

Overview

We believe that we are one of the largest and fastest-growing marine retailers in the United States with 95 dealerships, 10 distribution centers/warehouses and multiple online marketplaces as of March 31, 2024. Our dealer groups are located within highly attractive markets throughout the Southeast, Gulf Coast, Mid-Atlantic and Northeast, many of which are in the top twenty states for marine retail expenditures. We believe that we are a market leader by volume in sales of premium boats in many of the markets in which we operate. In addition to boat sales, we also generate sales from related products including finance & insurance and service, parts & other sales. The acquisitions of T-H Marine Supplies, LLC ("T-H Marine") and Ocean Bio-Chem, LLC (f/k/a Ocean Bio-Chem, Inc. ("Ocean Bio-Chem")) significantly expanded our sales of marine parts and accessories. The combination of our significant scale, diverse inventory, access to premium boat brands, access to a broad array of parts and accessories, and meaningful brand equity enables us to provide a consistently professional experience as reflected in the number of our repeat customers and Dealership same-store sales growth.

We report our operations through two reportable segments: Dealerships and Distribution.

As of March 31, 2024, the Dealerships segment includes operations of 95 dealerships in 18 states including Florida, Texas, Alabama and Georgia, among others, and represents approximately 92% of revenues for the three and six months ended March 31, 2024, respectively. The Dealerships segment engages in the sale of new and pre-owned boats, arranges financing and insurance products, performs repairs and maintenance services, offers marine-related parts and accessories and offers slip and storage accommodations in certain locations. In fiscal year 2023, we sold over 10,000 new and pre-owned boats, many of which were sold to customers who had a trade-in or with whom we otherwise had established relationships. The combination of our significant scale, diverse inventory and revenue streams, access to premium boat brands and meaningful brand equity enables us to provide a consistently professional experience as reflected by the number of our repeat customers and Dealership same-store sales growth.

As of March 31, 2024, the Distribution segment includes the activity of three of our fully-owned businesses, PartsVu, Ocean Bio-Chem, T-H Marine and their subsidiaries, which together operate 10 distribution centers/warehouses in Alabama, Florida, Oklahoma, Indiana and Tennessee and represents approximately 8% of revenues for the three and six months ended March 31, 2024, respectively. The Distribution segment engages in the manufacturing, assembly and distribution of primarily marine-related products for sale to distributors, big box retailers, online retailers and direct to consumers. We offer a wide array of branded parts and accessories including jack plates, rigging parts, plumbing components, LED lighting, storage systems, and appearance, cleaning, and maintenance products for the marine and ancillary industries. All revenue for the Distribution segment is reported in service, parts & other in our consolidated statements of operations.

We were formed in 2014 as OneWater LLC through the combination of Singleton Marine and Legendary Marine, which created a marine retail platform that collectively owned and operated 19 dealerships. Since the combination in 2014, we have acquired a total of 80 additional dealerships, 12 distribution centers/warehouses and multiple online marketplaces through 33 acquisitions. Our current portfolio as of March 31, 2024 consists of multiple brands which are recognized on a local, regional or national basis. Because of this, we believe we are one of the largest and fastest-growing marine retailers in the United States based on number of dealerships and total boats sold. While we have opportunistically opened new dealerships in select markets, or launched additional parts and accessory products, we believe that it is generally more effective economically and operationally to acquire existing businesses with experienced staff and established reputations.

The boat dealership market is highly fragmented and is comprised of approximately 4,000 dealerships nationwide. Most competing boat retailers are operated by local business owners who own three or fewer stores; however, we do have other large competitors including MarineMax and Bass Pro Shops. Despite our size, we comprise less than 3% of total industry sales. Our scale and business model allow us to leverage our extensive inventory to provide consumers with the ability to find a boat that matches their preferences (e.g., make, model, color, configuration and other options) and to deliver the boat within days while providing a personalized sales experience. In addition to boat sales, we also generate sales from related products including finance & insurance and service, parts and other sales. The acquisitions of T-H Marine and Ocean Bio-Chem have significantly expanded our sales of marine parts & accessories. Our strategic growth in this area is also expected to materially expand our addressable market in the parts and accessories business. We are able to operate with a comparatively higher degree of profitability than other independent retailers because we allocate support resources across our broader base, focus on high margin service, parts and accessories, utilize floor plan financing and provide core back-office functions on a scale that many independent retailers are unable to match. We seek to be the leading marine retailer by total market share within each boating market and within the product segments in which we participate. To the extent that we are not, we will evaluate acquiring other local retailers in order to increase our sales, to add additional brands or to provide us with additional high-quality personnel.

Trends and Other Factors Impacting Our Performance

Acquisitions

We are a highly acquisitive company. Since the combination of Singleton Marine and Legendary Marine in 2014, we have acquired 80 additional dealerships through 28 dealer group acquisitions. Our team remains focused on expanding our dealership growth in regions with strong boating cultures, enhancing the customer experience and generating value for our shareholders. In addition to dealership acquisitions, the Company has strategically acquired parts and accessories companies as part of our growth and diversification strategy. We have acquired 12 distribution centers and warehouses through the acquisition of 5 parts and accessories companies. We plan to continue to strategically evaluate and complete acquisitions moving forward.

We have an extensive acquisition track record within the retail marine industry and believe we have developed a reputation for treating sellers and their staff in an honest and fair manner. We typically retain the management team and name of the acquired group. We believe this practice preserves the acquired dealer's customer relationships and goodwill in the local marketplace. We believe our reputation and scale have positioned us as a buyer of choice for marine retailers who want to sell their businesses. Our strategy is to acquire dealerships at attractive EBITDA multiples and then grow same-store sales while benefiting from cost-reducing synergies. Historically, we have typically acquired dealerships for less than 4.0x EBITDA on a trailing twelve-month basis and believe that we will be able to continue to make attractive acquisitions within this range. With the expansion of our Distribution segment, we look to acquire parts and accessories manufacturing and distribution companies within a range of 5.0x – 10.0x EBITDA on a trailing twelve-month basis, depending on the size of the business.

General Economic Conditions

General economic conditions and consumer spending patterns can negatively impact our operating results. Unfavorable local, regional, national, or global economic developments or uncertainties, including the adverse economic effects of a global pandemic, supply chain constraints, or a prolonged economic downturn, could reduce consumer spending and adversely affect our business. Consumer spending on discretionary goods may also decline as a result of lower consumer confidence levels, higher interest rates or higher fuel costs, even if prevailing economic conditions are otherwise favorable. Economic conditions in areas in which we operate dealerships, particularly in the Southeast, can have a major impact on our overall results of operations. Local influences, such as corporate downsizing, inclement weather such as hurricanes, tornadoes, and other storms, environmental conditions, and global public health concerns and events have and could adversely affect our operations in certain markets and in certain periods. Any extended period of adverse economic conditions or low consumer confidence is likely to have a negative effect on our business.

Our business was significantly impacted during the recessionary period that began in 2007. This period of weakness in consumer spending and depressed economic conditions had a substantial negative effect on our operating results. In response to these conditions we reduced our inventory purchases, closed certain dealerships and reduced headcount. Additionally, in an effort to counteract the downturn, we increased our focus on pre-owned sales, parts and repair services, and finance & insurance services. As a result, we surpassed our pre-recession sales levels in less than 24 months. While we believe the measures we took significantly reduced the impact of the downturn on the business, we cannot guarantee similar results in the event of a future downturn. Additionally, we cannot predict the timing or length of unfavorable economic or industry conditions, including a downturn as a result of pandemics, rising interest rates, inflation, or the extent to which they could adversely affect our operating results.

Although past economic conditions have adversely affected our operating results, we believe we are capable of responding in a manner that allows us to substantially outperform the industry and gain market share. We believe our ability to capture such market share enables us to align our retail strategies with the desires of customers. We expect our core strengths, including retail and acquisition strategies, will allow us to capitalize on growth opportunities as they occur, despite market conditions.

The COVID-19 pandemic and its related effects positively impacted our sales and gross profit margins as more customers desired to engage in outdoor recreational activities in a socially distanced manner. However, the COVID-19 pandemic also caused significant supply chain challenges as suppliers were faced with business closures and shipping delays. This led to an industry wide inventory shortage of boats, engines and certain marine parts. As of March 31, 2024, we have seen considerable improvements in the supply chain and believe

we are returning to the more traditional seasonal cycles of our business which has led to the normalization of our inventory levels and gross profit margins in line with pre-COVID seasonal metrics.

Critical Accounting Estimates

There have been no material changes in our critical accounting policies and estimates from the information provided in the Company's Annual Report for the fiscal year ended September 30, 2023.

How We Evaluate Our Operations

Revenue

We have a diversified revenue profile that is comprised of new boat sales, pre-owned boat sales, finance & insurance products, repair and maintenance services, and parts and accessories sales. During different phases of the economic cycle, consumer behavior may shift away from new boats; however, we are well-positioned to generate revenue from pre-owned boats, repair and maintenance services, and parts and accessories, which have all historically increased during periods of economic uncertainty. We generate pre-owned sales from boats traded-in for new and pre-owned boats, boats purchased from customers, brokerage transactions, consignment sales and wholesale sales. We continue to focus on all aspects of our business including non-boat sales of finance & insurance products, repair and maintenance services, and parts and accessories. Although non-boat sales contributed 16.9% and 17.9% to revenue in the three months ended March 31, 2024 and 2023, respectively, and 17.8% and 19.3% to revenue in the six months ended March 31, 2024 and 2023, respectively, due to the higher gross margin on these product and service lines, non-boat sales contributed 36.9% and 33.6% to gross profit in the three months ended March 31, 2024 and 2023, respectively, and 37.4% and 33.7% to gross profit in the six months ended March 31, 2024 and 2023, respectively. We have also diversified our business across geographies, dealership types (e.g., fresh water and salt water), and product offerings (e.g., focus on parts and accessories businesses through PartsVu, T-H Marine and Ocean Bio-Chem) in order to reduce the effects of seasonality and cyclical of our business. In addition to seasonality, revenue and operating results may be significantly affected by quarter-to-quarter changes in economic conditions, manufacturer incentive programs, adverse weather conditions and other developments outside of our control.

Gross Profit

We calculate gross profit as revenue less cost of sales. Cost of sales consists of actual amounts paid for products, costs of services (primarily labor), transportation costs from manufacturers to our dealerships and vendor consideration. Gross profit excludes the majority of our depreciation and amortization, which is presented separately in our consolidated statements of operations.

Gross Profit Margin

Our overall gross profit margin varies with our revenue mix. Sales of new and pre-owned boats, which have comparable margins, generally result in a lower gross profit margin than our non-boat sales. As a result, when revenue from non-boat sales increases as a percentage of total revenue, we expect our overall gross profit margin to increase.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of salaries and incentive-based compensation, advertising, rent, insurance, utilities, and other customary operating expenses. A portion of our cost structure is variable (such as sales commissions and incentive compensation), or controllable (such as advertising), which we believe allows us to adapt to changes in the retail environment over the long term. We typically evaluate our variable expenses, selling expenses and all other selling, general and administrative expenses in the aggregate as a percentage of total revenue.

Dealership Same-Store Sales

We assess the organic growth of our Dealership segment revenue on a same-store basis. We believe that our assessment on a same-store basis represents an important indicator of comparative financial results and provides relevant information to assess our performance. New and acquired dealerships become eligible for inclusion in the comparable dealership base at the end of the dealership's thirteenth month of operations under our ownership and revenues are only included for identical months in the same-store base periods. Dealerships relocated within an existing market remain in the comparable dealership base for all periods. Additionally, amounts related to closed dealerships are excluded from each comparative base period. Because Dealership same-store sales may be defined differently by other companies in our industry, our definition of this measure may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss) before interest expense – other, income tax (benefit) expense, depreciation and amortization and other (income) expense, further adjusted to eliminate the effects of items such as the change in fair value of contingent consideration, loss on extinguishment of debt, transaction costs, stock-based compensation and restructuring and impairment. See “—Comparison of Non-GAAP Financial Measure” for more information and a reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP.

Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share

We define Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. as Net Income (Loss) Attributable to OneWater Marine Inc. before transaction costs, intangible amortization, change in fair value of contingent consideration, restructuring and impairment and other expense (income), all of which are then adjusted for an allocation to the non-controlling interest of OneWater LLC. Each of these adjustments are subsequently adjusted for income tax at an estimated effective tax rate. Management also reports Adjusted Diluted (Loss) Earnings Per Share which presents all of the adjustments to net income attributable to OneWater Marine Inc. on a per share basis. See “—Comparison of Non-GAAP Financial Measure” for more information and a reconciliation of Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share to net income (loss) and net (loss) earnings per share, respectively, the most directly comparable financial measures calculated and presented in accordance with GAAP.

Summary of Acquisitions and Dispositions

Acquisitions

The comparability of our results of operations between the periods discussed below is naturally affected by the acquisitions and dispositions we have completed during such periods. We are also continuously evaluating and pursuing acquisitions on an ongoing basis, and such acquisitions, if completed, will continue to impact the comparability of our financial results. While we expect continued growth and strategic acquisitions in the future, our acquisitions may have materially different characteristics than our historical results, and such differences in economics may impact the comparability of our future results of operations to our historical results. Additionally, while we do not expect significant dispositions in the future, any such dispositions may impact the comparability of our future results of operations to our historical results.

Fiscal 2024 Year-to-date Acquisitions

- Effective October 31, 2023, we exercised our right to acquire the remaining 20% economic interest in Quality Assets and Operations, LLC. Subsequent to the acquisition, the Company now owns 100% of the economic interest in Quality Assets and Operations, LLC.

Fiscal Year 2023 Acquisitions

- Effective October 1, 2022, we acquired Taylor Marine Centers, a full service marine retailer with locations in Maryland and Delaware
- Effective December 1, 2022, we acquired Harbor View Marine, a full service marine retailer with locations in Florida and Alabama
- Effective September 1, 2023, we acquired Harbor Pointe Marina, a full service marine retailer with one location in Alabama

We refer to the fiscal year 2023 acquisitions described above collectively as the “2023 Acquisitions.” The acquisition of Taylor Marine Centers is fully reflected in our unaudited Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2023. The acquisition of Harbor View Marine is fully reflected in our unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2023 and partially reflected for the six months ended March 31, 2023. The acquisition of Harbor Pointe Marina is not reflected in our unaudited Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2023.

Dispositions

Fiscal Year 2024 Year-to-date Dispositions

- There were no dispositions during the six months ended March 31, 2024.

Fiscal Year 2023 Dispositions

- Effective September 30, 2023, we sold Roscioli Yachting Center, a full-service marine and yachting facility located in Florida, including the related real estate and in-water slips. A portion of the sold property was leased back by the Company.
- Effective September 30, 2023 we sold Lookout Marine, a full-service marine retailer based in Kentucky with two locations.

We refer to the fiscal year 2023 dispositions described above collectively as the “2023 Dispositions.” The 2023 Dispositions are fully reflected in our consolidated financial statements for the three and six months ended March 31, 2023.

Other Factors Affecting Comparability of Our Future Results of Operations to Our Historical Results of Operations

Our historical financial results discussed below may not be comparable to our future financial results. As we further implement controls, processes and infrastructure applicable to companies with publicly traded equity securities, including the integration of acquired companies, it is likely that we will incur additional selling, general, and administrative expenses relative to historical periods. Our future results will depend on our ability to efficiently manage our combined operations and execute our business strategy.

Results of Operations

Three Months Ended March 31, 2024, Compared to Three Months Ended March 31, 2023

(\$ in thousands)	For the Three Months Ended March 31, 2024		For the Three Months Ended March 31, 2023		\$ Change	% Change
	Amount	% of Revenue	Amount	% of Revenue		
Revenues:						
New boat	\$ 327,306	67.0 %	\$ 355,284	67.8 %	\$ (27,978)	-7.9 %
Pre-owned boat	78,648	16.1 %	75,394	14.4 %	3,254	4.3 %
Finance & insurance income	14,730	3.0 %	15,324	2.9 %	(594)	-3.9 %
Service, parts & other	67,637	13.9 %	78,329	14.9 %	(10,692)	-13.7 %
Total revenues	488,321	100.0 %	524,331	100.0 %	(36,010)	-6.9 %
Gross Profit						
New boat	60,080	12.3 %	80,258	15.3 %	(20,178)	-25.1 %
Pre-owned boat	15,865	3.2 %	17,214	3.3 %	(1,349)	-7.8 %
Finance & insurance	14,730	3.0 %	15,324	2.9 %	(594)	-3.9 %
Service, parts & other	29,687	6.1 %	33,901	6.5 %	(4,214)	-12.4 %
Total gross profit	120,362	24.6 %	146,697	28.0 %	(26,335)	-18.0 %
Selling, general and administrative expenses	86,511	17.7 %	90,193	17.2 %	(3,682)	-4.1 %
Depreciation and amortization	4,872	1.0 %	5,637	1.1 %	(765)	-13.6 %
Transaction costs	145	— %	241	— %	(96)	-39.8 %
Change in fair value of contingent consideration	3,132	0.6 %	1,736	0.3 %	1,396	80.4 %
Restructuring and impairment	11,847	2.4 %	—	— %	11,847	100.0 %
Income from operations	13,855	2.8 %	48,890	9.3 %	(35,035)	-71.7 %
Interest expense – floor plan	8,525	1.7 %	5,472	1.0 %	3,053	55.8 %
Interest expense – other	9,192	1.9 %	8,604	1.6 %	588	6.8 %
Other expense (income), net	2,493	0.5 %	(187)	— %	2,680	-1433.2 %
Net (loss) income before income tax (benefit) expense	(6,355)	-1.3 %	35,001	6.7 %	(41,356)	-118.2 %
Income tax (benefit) expense	(1,846)	-0.4 %	7,964	1.5 %	(9,810)	-123.2 %
Net (loss) income	(4,509)	-0.9 %	27,037	5.2 %	(31,546)	-116.7 %
Net (income) attributable to non-controlling interests	—		(1,165)			
Net loss (income) attributable to non-controlling interests of One Water Marine Holdings, LLC	540		(3,068)			
Net (loss) income attributable to OneWater Marine Inc.	\$ (3,969)		\$ 22,804			

Revenue

Overall, revenue decreased by \$36.0 million, or 6.9%, to \$488.3 million for the three months ended March 31, 2024 from \$524.3 million for the three months ended March 31, 2023. Revenue decreased due to the sale of Roscioli Yachting Center and Lookout Marine in September 2023. Additionally, the decrease was related to the continued normalization of seasonality following the COVID-19 pandemic, as well as a decrease in sales to original equipment manufacturers ("OEMs") in our Distribution segment as OEM production has slowed. Overall the revenue decline was attributable to a \$28.0 million decrease in new boat sales and a \$10.7 million decrease in service, parts & other sales, partially offset by a \$3.3 million increase in pre-owned boat sales for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

New Boat Sales

New boat sales decreased by \$28.0 million, or 7.9%, to \$327.3 million for the three months ended March 31, 2024 from \$355.3 million for the three months ended March 31, 2023. The decrease was primarily attributable to the decrease in average sales price resulting

from a shift in sales mix and a decrease in the unit sales resulting from the continued normalization of seasonality following the COVID-19 pandemic.

Pre-owned Boat Sales

Pre-owned boat sales increased by \$3.3 million, or 4.3%, to \$78.6 million for the three months ended March 31, 2024 from \$75.4 million for the three months ended March 31, 2023. We sell a wide range of brands and sizes of pre-owned boats under different types of sales arrangements (e.g., trade-ins, brokerage, consigned and wholesale), which causes periodic and seasonal fluctuations in the average sales price. The increase in pre-owned boat sales was primarily attributable to the increase in pre-owned sales from trade-ins and consignment sales, partially offset by the decrease in brokerage sales.

Finance & Insurance Income

We generate revenue from arranging finance & insurance products, including financing, insurance and extended warranty contracts, to customers through various third-party financial institutions and insurance companies. Finance & insurance income decreased by \$0.6 million, or 3.9%, to \$14.7 million for the three months ended March 31, 2024 from \$15.3 million for the three months ended March 31, 2023. The decrease was primarily due to the decline in new boat sales. We remain very focused on improving sales of finance & insurance products throughout our dealer network and implementing best practices at acquired dealer groups and existing dealerships. Finance & insurance income is recorded net of related fees, including fees charged back due to any early cancellation of loan or insurance contracts by a customer. Since finance & insurance income is fee-based, we do not incur any related cost of sale.

Service, Parts & Other Sales

Service, parts & other sales decreased by \$10.7 million, or 13.7%, to \$67.6 million for the three months ended March 31, 2024 from \$78.3 million for the three months ended March 31, 2023. The decrease in service, parts & other sales is primarily due to a reduction in parts and accessories sold to OEMs as boat manufacturers have cut significantly back on production. Additionally, our 2023 Dispositions, specifically Roscioli Yachting Center, contributed to the decline. Revenues for the Distribution segment are reported in service, parts & other sales and totaled \$38.2 million and \$46.0 million for the three months ended March 31, 2024 and 2023, respectively.

Gross Profit

Overall, gross profit decreased by \$26.3 million, or 18.0%, to \$120.4 million for the three months ended March 31, 2024 from \$146.7 million for the three months ended March 31, 2023. This decrease was primarily due to industry normalization of margins following the COVID-19 pandemic. Overall gross margins decreased 340 basis points to 24.6% for the three months ended March 31, 2024 from 28.0% for the three months ended March 31, 2023 due to the factors noted below. Gross profit margin for the three months ended March 31, 2024 is tracking in line with pre-COVID seasonal metrics.

New Boat Gross Profit

New boat gross profit decreased by \$20.2 million, or 25.1%, to \$60.1 million for the three months ended March 31, 2024 from \$80.3 million for the three months ended March 31, 2023. This decrease was due to both the decrease in new boat gross profit margin and new boat sales. New boat gross profit margin was 18.4% for the three months ended March 31, 2024 as compared to 22.6% in the three months ended March 31, 2023. The decrease in new boat gross profit and gross profit margin is due primarily to the continued normalization of new boat pricing following the COVID-19 pandemic. Gross profit margin for the three months ended March 31, 2024 is tracking in line with pre-COVID seasonal metrics.

Pre-owned Boat Gross Profit

Pre-owned boat gross profit decreased by \$1.3 million, or 7.8%, to \$15.9 million for the three months ended March 31, 2024 from \$17.2 million for the three months ended March 31, 2023. The decrease in pre-owned boat gross profit was primarily driven by a decrease in brokerage sales, as well as the decrease in pre-owned boat gross profit margin as a result of continued normalization of pre-owned boat pricing following the COVID-19 pandemic. Pre-owned boat gross profit margin was 20.2% and 22.8% for the three months ended March 31, 2024 and 2023, respectively. Gross profit margin for the three months ended March 31, 2024 is tracking in line with pre-COVID seasonal metrics.

Finance & Insurance Gross Profit

Finance & insurance gross profit decreased by \$0.6 million, or 3.9% to \$14.7 million for the three months ended March 31, 2024 from \$15.3 million for the three months ended March 31, 2023. Finance & insurance income is fee-based revenue for which we do not recognize incremental cost of sales.

Service, Parts & Other Gross Profit

Service, parts & other gross profit decreased by \$4.2 million, or 12.4%, to \$29.7 million for the three months ended March 31, 2024 from \$33.9 million for the three months ended March 31, 2023. The decrease in gross profit was primarily the result of our 2023 Dispositions, specifically Roscioli Yachting Center, as well as a reduction in sales in our Distribution segment. These reductions were partially offset by the slight increase in service, parts & other gross profit margin. The slight increase in gross profit margin was due to a shift in mix of parts sales towards a higher concentration of aftermarket customers as compared to OEMs. Service, parts & other gross profit margin was 43.9% and 43.3% for the three months ended March 31, 2024 and 2023, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$3.7 million, or 4.1%, to \$86.5 million for the three months ended March 31, 2024 from \$90.2 million for the three months ended March 31, 2023. This decrease was primarily due to our variable cost structure, including a decrease in commissions, as a result of declining gross margins. Selling, general and administrative expenses as a percentage of revenue increased to 17.7% from 17.2% for the three months ended March 31, 2024 and 2023, respectively, and was driven by lower revenues.

Depreciation and Amortization

Depreciation and amortization expense decreased \$0.8 million, or 13.6%, to \$4.9 million for the three months ended March 31, 2024 compared to \$5.6 million for the three months ended March 31, 2023. The decrease in depreciation and amortization expense for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 was primarily attributable to a reduction in intangible assets due to the prior year impairment charge as well as a reduction in property and equipment related to the 2023 Dispositions. These decreases were partially offset by the increase in property and equipment during the three months ended March 31, 2024 to support operations.

Transaction Costs

The decrease in transaction costs of \$0.1 million, or 39.8%, to \$0.1 million for the three months ended March 31, 2024 compared to \$0.2 million for the three months ended March 31, 2023 was primarily attributable to a reduction in acquisition activity during the second quarter of the current year compared to the previous year.

Change in Fair Value of Contingent Consideration

During the three months ended March 31, 2024, we recognized a loss of \$3.1 million related to updated forecasts and accretion of contingent consideration liabilities related to acquisitions completed in fiscal years 2021 and 2022.

Restructuring and impairment

During the three months ended March 31, 2024, we made proactive changes to better align our cost structure with the normalization of sales and margins and accordingly, recognized a loss of \$11.8 million related to the restructuring activities. Restructuring charges include amounts related to the reduction of headcount, closure of select satellite locations, termination of certain manufacturer relationships, and abandonment of certain in-process information and technology ("IT") related projects.

Income from Operations

Income from operations decreased \$35.0 million, or 71.7%, to \$13.9 million for the three months ended March 31, 2024 compared to \$48.9 million for the three months ended March 31, 2023. The decrease was primarily attributable to the \$26.3 million decrease in gross profit for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023 and the \$11.8 million in restructuring and impairment expenses during the three months ended March 31, 2024, partially offset by a \$3.7 million decrease in selling, general and administrative expenses during the same periods.

Interest Expense – Floor Plan

Interest expense – floor plan increased \$3.1 million, or 55.8%, to \$8.5 million for the three months ended March 31, 2024 compared to \$5.5 million for the three months ended March 31, 2023. Floor plan related interest expense increased primarily due to an increase in the average inventory for the three months ended March 31, 2024 compared to the three months ended March 31, 2023, as well as an increase in interest rates.

Interest Expense – Other

Interest expense – other increased by \$0.6 million, or 6.8%, to \$9.2 million for the three months ended March 31, 2024 compared to \$8.6 million for the three months ended March 31, 2023. The increase in interest expense – other was primarily related to higher interest rates.

Other Expense (Income), Net

Other expense (income), net changed by \$2.7 million, or 1433.2%, to \$2.5 million of expense for the three months ended March 31, 2024 compared to \$0.2 million of income for the three months ended March 31, 2023. The change was primarily related to \$2.2 million in expenses recognized for two separate EF3 tornado events that significantly impacted our operations in Russel's Point, Ohio and Panama City Beach, Florida during the three months ended March 31, 2024.

Income Tax (Benefit) Expense

Income tax (benefit) expense changed by \$9.8 million, or 123.2%, to a \$1.8 million income tax benefit for the three months ended March 31, 2024 compared to \$8.0 million of income tax expense for the three months ended March 31, 2023. The change was primarily attributable to the 118.2% decrease in income before income tax expense for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023.

Net (loss) income

Net (loss) income decreased by \$31.5 million to a \$4.5 million loss for the three months ended March 31, 2024 compared to \$27.0 million of income for the three months ended March 31, 2023. The decrease was primarily attributable to the \$35.0 million decrease in income from operations, the \$2.7 million increase in other expense (income), net and the \$3.1 million increase in interest expense – floor plan, partially offset by the \$9.8 million change in income tax (benefit) expense for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Results of Operations

Six Months Ended March 31, 2024, Compared to Six Months Ended March 31, 2023

(\$ in thousands)	For the Six Months Ended March 31, 2024		For the Six Months Ended March 31, 2023		\$ Change	% Change
	Amount	% of Revenue	Amount	% of Revenue		
Revenues:						
New boat	\$ 568,390	66.7 %	\$ 587,689	66.0 %	\$ (19,299)	-3.3 %
Pre-owned boat	131,931	15.5 %	131,172	14.7 %	759	0.6 %
Finance & insurance income	22,090	2.6 %	24,258	2.7 %	(2,168)	-8.9 %
Service, parts & other	129,923	15.2 %	147,871	16.6 %	(17,948)	-12.1 %
Total revenues	852,334	100.0 %	890,990	100.0 %	(38,656)	-4.3 %
Gross Profit						
New boat	104,761	12.3 %	137,405	15.4 %	(32,644)	-23.8 %
Pre-owned boat	27,802	3.3 %	32,688	3.7 %	(4,886)	-14.9 %
Finance & insurance	22,090	2.6 %	24,258	2.7 %	(2,168)	-8.9 %
Service, parts & other	57,152	6.7 %	62,334	7.0 %	(5,182)	-8.3 %
Total gross profit	211,805	24.9 %	256,685	28.8 %	(44,880)	-17.5 %
Selling, general and administrative expenses	166,110	19.5 %	168,031	18.9 %	(1,921)	-1.1 %
Depreciation and amortization	9,094	1.1 %	11,330	1.3 %	(2,236)	-19.7 %
Transaction costs	724	0.1 %	1,571	0.2 %	(847)	-53.9 %
Change in fair value of contingent consideration	3,704	0.4 %	327	— %	3,377	1032.7 %
Restructuring and impairment	11,847	1.4 %	—	— %	11,847	100.0 %
Income from operations	20,326	2.4 %	75,426	8.5 %	(55,100)	-73.1 %
Interest expense – floor plan	16,337	1.9 %	10,251	1.2 %	6,086	59.4 %
Interest expense – other	18,344	2.2 %	16,188	1.8 %	2,156	13.3 %
Other expense (income), net	2,246	0.3 %	(826)	-0.1 %	3,072	-371.9 %
Net (loss) income before income tax (benefit) expense	(16,601)	-1.9 %	49,813	5.6 %	(66,414)	-133.3 %
Income tax (benefit) expense	(4,122)	-0.5 %	11,348	1.3 %	(15,470)	-136.3 %
Net (loss) income	(12,479)	-1.5 %	38,465	4.3 %	(50,944)	-132.4 %
Net (income) attributable to non-controlling interests	(119)		(2,530)			
Net loss (income) attributable to non-controlling interests of One Water Marine Holdings, LLC	1,459		(4,231)			
Net (loss) income attributable to OneWater Marine Inc.	\$ (11,139)		\$ 31,704			

Revenue

Overall, revenue decreased by \$38.7 million, or 4.3%, to \$852.3 million for the six months ended March 31, 2024 from \$891.0 million for the six months ended March 31, 2023. Revenue decreased primarily due to the sale of Roscioli Yachting Center and Lookout Marine in September 2023, the continued normalization of seasonality following the COVID-19 pandemic and a decrease in sales to OEMs in our Distribution segment as OEM production has slowed. Overall the revenue decline was attributable to a \$17.9 million decrease in service, parts & other sales and a \$19.3 million decrease in new boat sales for the six months ended March 31, 2024 compared to the six months ended March 31, 2023.

New Boat Sales

New boat sales decreased by \$19.3 million, or 3.3%, to \$568.4 million for the six months ended March 31, 2024 from \$587.7 million for the six months ended March 31, 2023. The decrease was primarily attributable to the decrease in unit sales resulting from the continued normalization of seasonality following the COVID-19 pandemic.

Pre-owned Boat Sales

Pre-owned boat sales increased by \$0.8 million, or 0.6%, to \$131.9 million for the six months ended March 31, 2024 from \$131.2 million for the six months ended March 31, 2023. We sell a wide range of brands and sizes of pre-owned boats under different types of sales arrangements (e.g., trade-ins, brokerage, consigned and wholesale), which causes periodic and seasonal fluctuations in the average sales price. The increase in pre-owned boat sales was primarily attributable to the increase in pre-owned sales from trade in resulting from the increase in average sales price, partially offset by the decrease in brokerage and consignment sales.

Finance & Insurance Income

We generate revenue from arranging finance & insurance products, including financing, insurance and extended warranty contracts, to customers through various third-party financial institutions and insurance companies. Finance & insurance income decreased by \$2.2 million, or 8.9%, to \$22.1 million for the six months ended March 31, 2024 from \$24.3 million for the six months ended March 31, 2023. The decrease was primarily due to declining income earned on loans placed given the current high interest-rate environment. We remain very focused on improving sales of finance & insurance products throughout our dealer network and implementing best practices at acquired dealer groups and existing dealerships. Finance & insurance income is recorded net of related fees, including fees charged back due to any early cancellation of loan or insurance contracts by a customer. Since finance & insurance income is fee-based, we do not incur any related cost of sale.

Service, Parts & Other Sales

Service, parts & other sales decreased by \$17.9 million, or 12.1%, to \$129.9 million for the six months ended March 31, 2024 from \$147.9 million for the six months ended March 31, 2023. The decrease in service, parts & other sales is primarily due to a reduction in parts and accessories sold to OEMs as boat manufacturers have cut significantly back on production. Additionally, our 2023 Dispositions, specifically Roscioli Yachting Center, contributed to the decline. Revenues for the Distribution segment are reported in service, parts & other sales and totaled \$70.6 million and \$85.9 million for the six months ended March 31, 2024 and 2023, respectively.

Gross Profit

Overall, gross profit decreased by \$44.9 million, or 17.5%, to \$211.8 million for the six months ended March 31, 2024 from \$256.7 million for the six months ended March 31, 2023. This decrease was primarily due to industry normalization of margins following the COVID-19 pandemic. Overall gross margins decreased 390 basis points to 24.9% for the six months ended March 31, 2024 from 28.8% for the six months ended March 31, 2023 due to the factors noted below.

New Boat Gross Profit

New boat gross profit decreased by \$32.6 million, or 23.8%, to \$104.8 million for the six months ended March 31, 2024 from \$137.4 million for the six months ended March 31, 2023. This decrease was primarily due to the decrease in new boat gross profit margin. New boat gross profit margin was 18.4% for the six months ended March 31, 2024 as compared to 23.4% in the six months ended March 31, 2023. The decrease in new boat gross profit margin is due primarily to the continued normalization of new boat pricing following the COVID-19 pandemic. Gross profit margin for the six months ended March 31, 2024 is tracking in line with pre-COVID seasonal metrics.

Pre-owned Boat Gross Profit

Pre-owned boat gross profit decreased by \$4.9 million, or 14.9%, to \$27.8 million for the six months ended March 31, 2024 from \$32.7 million for the six months ended March 31, 2023. The decrease in pre-owned boat gross profit was primarily driven by a decrease in brokerage and consignment sales, as well as the decrease in pre-owned boat gross profit margin as a result of continued normalization of pre-owned boat pricing following the COVID-19 pandemic. Pre-owned boat gross profit margin was 21.1% and 24.9% for the six months ended March 31, 2024 and 2023, respectively. Gross profit margin for the six months ended March 31, 2024 is tracking in line with pre-COVID seasonal metrics.

Finance & Insurance Gross Profit

Finance & insurance gross profit decreased by \$2.2 million, or 8.9% to \$22.1 million for the six months ended March 31, 2024 from \$24.3 million for the six months ended March 31, 2023. Finance & insurance income is fee-based revenue for which we do not recognize incremental cost of sales.

Service, Parts & Other Gross Profit

Service, parts & other gross profit decreased by \$5.2 million, or 8.3%, to \$57.2 million for the six months ended March 31, 2024 from \$62.3 million for the six months ended March 31, 2023. The decrease in gross profit was primarily the result of our 2023 Dispositions, specifically Roscioli Yachting Center, as well as a reduction in sales in our Distribution segment. These reductions were partially offset by the increase in service, parts & other gross profit margin. The increase in gross profit margin was due to a shift in mix of parts sales towards a higher concentration of aftermarket customers as compared to OEMs as well as a shift in the overall mix towards labor which is higher margin. Service, parts & other gross profit margin was 44.0% and 42.2% for the six months ended March 31, 2024 and 2023, respectively.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased by \$1.9 million, or 1.1%, to \$166.1 million for the six months ended March 31, 2024 from \$168.0 million for the six months ended March 31, 2023. This decrease was primarily due to decreased personnel expenses including lower employee commissions, partially offset by expenses incurred to support maintaining revenues, including increased boat show related expenses. Selling, general and administrative expenses as a percentage of revenue increased to 19.5% from 18.9% for the six months ended March 31, 2024 and 2023, respectively.

Depreciation and Amortization

Depreciation and amortization expense decreased \$2.2 million, or 19.7%, to \$9.1 million for the six months ended March 31, 2024 compared to \$11.3 million for the six months ended March 31, 2023. The decrease in depreciation and amortization expense for the six months ended March 31, 2024 compared to the six months ended March 31, 2023 was primarily attributable to a reduction in intangible assets due to the prior year impairment charge as well as a reduction in property and equipment following the 2023 Dispositions.

Transaction Costs

The decrease in transaction costs of \$0.8 million, or 53.9%, to \$0.7 million for the six months ended March 31, 2024 compared to \$1.6 million for the six months ended March 31, 2023 was primarily attributable to a reduction in acquisition activity during the current year compared to the previous year.

Change in Fair Value of Contingent Consideration

During the six months ended March 31, 2024, we recognized a loss of \$3.7 million related to updated forecasts and accretion of contingent consideration liabilities related to acquisitions completed in fiscal years 2021 and 2022.

Restructuring and impairment

During the six months ended March 31, 2024, we made proactive changes to better align our cost structure with the normalization of sales and margins and accordingly, recognized a loss of \$11.8 million related to the restructuring activities. Restructuring charges include amounts related to the reduction of headcount, closure of select satellite locations, termination of certain manufacturer relationships, and abandonment of certain in-process IT related projects.

Income from Operations

Income from operations decreased \$55.1 million, or 73.1%, to \$20.3 million for the six months ended March 31, 2024 compared to \$75.4 million for the six months ended March 31, 2023. The decrease was primarily attributable to the \$44.9 million decrease in gross profit for the six months ended March 31, 2024 as compared to the six months ended March 31, 2023, in addition to the \$11.8 million in restructuring and impairment expenses during the six months ended March 31, 2024.

Interest Expense – Floor Plan

Interest expense – floor plan increased \$6.1 million, or 59.4%, to \$16.3 million for the six months ended March 31, 2024 compared to \$10.3 million for the six months ended March 31, 2023. Floor plan related interest expense increased primarily due to an increase in the average inventory for the six months ended March 31, 2024 compared to the six months ended March 31, 2023, as well as an increase in interest rates.

Interest Expense – Other

Interest expense – other increased by \$2.2 million, or 13.3%, to \$18.3 million for the six months ended March 31, 2024 compared to \$16.2 million for the six months ended March 31, 2023. The increase in interest expense – other was primarily related to higher interest rates.

Other Expense (Income), Net

Other expense (income), net changed by \$3.1 million, or 371.9%, to \$2.2 million of expense for the six months ended March 31, 2024 compared to \$0.8 million of income for the six months ended March 31, 2023. The change was primarily related to \$2.2 million in expenses recognized for two separate EF3 tornado events that significantly impacted our operations in Russel's Point, Ohio and Panama City Beach, Florida during the six months ended March 31, 2024.

Income Tax (Benefit) Expense

Income tax (benefit) expense changed by \$15.5 million, or 136.3%, to a \$4.1 million income tax benefit for the six months ended March 31, 2024 compared to \$11.3 million of income tax expense for the six months ended March 31, 2023. The change was primarily attributable to the 133.3% decrease in income before income tax expense for the six months ended March 31, 2024 as compared to the six months ended March 31, 2023.

Net (Loss) Income

Net (loss) income decreased by \$50.9 million to a \$12.5 million loss for the six months ended March 31, 2024 compared to \$38.5 million of income for the six months ended March 31, 2023. The decrease was primarily attributable to the \$55.1 million decrease in income from operations, the \$2.2 million increase in interest expense – other, the \$6.1 million increase in interest expense – floor plan and the \$3.1 million change in other expense (income), net, partially offset by the \$15.5 million change in income tax (benefit) expense for the six months ended March 31, 2024 compared to the six months ended March 31, 2023.

Comparison of Non-GAAP Financial Measure

Adjusted EBITDA

We view Adjusted EBITDA as an important indicator of performance. We define Adjusted EBITDA as net income (loss) before interest expense – other, income tax (benefit) expense, depreciation and amortization and other (income) expense, further adjusted to eliminate the effects of items such as the change in fair value of contingent consideration, gain (loss) on extinguishment of debt, restructuring and impairment, stock-based compensation and transaction costs.

Our Board, management team and lenders use Adjusted EBITDA to assess our financial performance because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of our capital structure (such as varying levels of interest expense), asset base (such as depreciation and amortization) and other items (such as the change in the fair value of contingent consideration, gain (loss) on extinguishment of debt, income tax (benefit) expense, restructuring and impairment, stock-based compensation and transaction costs) that impact the comparability of financial results from period to period. We present Adjusted EBITDA because we believe it provides useful information regarding the factors and trends affecting our business in addition to measures calculated under GAAP. Adjusted EBITDA is not a financial measure presented in accordance with GAAP. We believe that the presentation of this non-GAAP financial measure will provide useful information to investors and analysts in assessing our financial performance and results of operations across reporting periods by excluding items we do not believe are indicative of our core operating performance. Net income (loss) is the GAAP measure most directly comparable to Adjusted EBITDA. Our non-GAAP financial measure should not be considered as an alternative to the most directly comparable GAAP financial measure. You are encouraged to evaluate each of these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in such presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted EBITDA in the future, and any such modification may be material. Adjusted EBITDA has important limitations as an analytical tool and you should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA may be defined differently by other companies in our industry, our definition of this non-GAAP financial measure may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

The following tables present a reconciliation of Adjusted EBITDA to our net (loss) income, which is the most directly comparable GAAP measure for the periods presented.

Three Months Ended March 31, 2024, Compared to Three Months Ended March 31, 2023

(\$ in thousands)	Three Months Ended March 31,	
	2024	2023
Net (loss) income	\$ (4,509)	\$ 27,037
Interest expense – other	9,192	8,604
Income tax (benefit) expense	(1,846)	7,964
Depreciation and amortization	5,564	6,360
Stock-based compensation	2,277	2,491
Change in fair value of contingent consideration	3,132	1,736
Transaction costs	145	241
Restructuring and impairment	11,847	—
Other expense (income), net	2,493	(187)
Adjusted EBITDA	\$ 28,295	\$ 54,246

Adjusted EBITDA was \$28.3 million for the three months ended March 31, 2024 compared to \$54.2 million for the three months ended March 31, 2023. The decrease in Adjusted EBITDA resulted primarily from the decrease in gross profit and the increase in interest expense - floor plan for the three months ended March 31, 2024 compared to the three months ended March 31, 2023.

Six Months Ended March 31, 2024, Compared to Six Months Ended March 31, 2023

(\$ in thousands)	Six Months Ended March 31,	
	2024	2023
Net (loss) income	\$ (12,479)	\$ 38,465
Interest expense – other	18,344	16,188
Income tax (benefit) expense	(4,122)	11,348
Depreciation and amortization	10,470	12,542
Stock-based compensation	4,669	5,064
Change in fair value of contingent consideration	3,704	327
Transaction costs	724	1,571
Restructuring and impairment	11,847	—
Other expense (income), net	2,246	(826)
Adjusted EBITDA	\$ 35,403	\$ 84,679

Adjusted EBITDA was \$35.4 million for the six months ended March 31, 2024 compared to \$84.7 million for the six months ended March 31, 2023. The decrease in Adjusted EBITDA resulted primarily from the decrease in gross profit and the increase in interest expense - floor plan for the six months ended March 31, 2024 compared to the six months ended March 31, 2023.

Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share

We view Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share as important indicators of performance. We define Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. as Net Income (Loss) Attributable to OneWater Marine Inc. before transaction costs, intangible amortization, change in fair value of contingent consideration, restructuring and impairment and other expense (income), all of which are then adjusted for an allocation to the non-controlling interest of OneWater LLC. Each of these adjustments are subsequently adjusted for income tax at an estimated effective tax rate. Management also reports Adjusted Diluted (Loss) Earnings Per Share which presents all of the adjustments to net income attributable to OneWater Marine Inc. noted above on a per share basis.

Our Board, management team and lenders use Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share to assess our financial performance because it allows them to compare our operating performance on a consistent basis across periods by removing the effects of unusual or one time charges and other items (such as the change in fair value of contingent consideration, intangible amortization, restructuring and impairment and transaction costs) that impact the comparability of financial results from period to period. We present Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share because we believe they provide useful information regarding the factors and trends affecting our business in addition to measures calculated under GAAP. Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share are not financial measures presented in accordance with GAAP. We believe that the presentation of these non-GAAP financial measures will provide useful information to investors and analysts in assessing our financial performance and results of operations across reporting periods by excluding items we do not believe are indicative of our core operating performance. Net income (loss) attributable to OneWater Marine Inc. is the GAAP measure most directly comparable to Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Net (loss) earnings per share of Class A common stock - diluted is the GAAP measure most directly comparable to Adjusted Diluted (Loss) Earnings Per Share. Our non-GAAP financial measures should not be considered as an alternative to the most directly comparable GAAP financial measure. You are encouraged to evaluate each of these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in such presentation. Our presentation of Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share in the future, and any such modification may be material. Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share have important limitations as analytical tools and you should not consider Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. or Adjusted Diluted (Loss) Earnings Per Share in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share may be defined differently by other companies in our industry, our definition of these non-GAAP financial measures may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

The following tables present a reconciliation of Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. to our net (loss) income attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share to our net (loss) earnings per share of Class A common stock - diluted, which are the most directly comparable GAAP measures for the periods presented.

Three Months Ended March 31, 2024, Compared to Three Months Ended March 31, 2023.

Description	Three Months Ended March 31,		
	2024	2023	Change
(\$ in thousands)			
Net (loss) income attributable to OneWater Marine Inc.	\$ (3,969)	\$ 22,804	\$ (26,773)
Transaction costs	145	241	(96)
Intangible amortization	2,078	3,294	(1,216)
Change in fair value of contingent consideration	3,132	1,736	1,396
Restructuring and impairment	11,847	—	11,847
Other expense (income), net	2,493	(187)	2,680
Net (loss) income attributable to non-controlling interests of One Water Marine Holdings, LLC (1)	(1,773)	(463)	(1,310)
Adjustments to income tax (benefit) expense (2)	(4,122)	(1,063)	(3,059)
Adjusted net (loss) income attributable to OneWater Marine Inc.	<u>9,831</u>	<u>26,362</u>	<u>(16,531)</u>
Net (loss) earnings per share of Class A common stock - diluted	\$ (0.27)	\$ 1.56	\$ (1.83)
Transaction costs	0.01	0.02	(0.01)
Intangible amortization	0.14	0.22	(0.08)
Change in fair value of contingent consideration	0.22	0.12	0.10
Restructuring and impairment	0.81	—	0.81
Other expense (income), net	0.17	(0.01)	0.18
Net (loss) income attributable to non-controlling interests of One Water Marine Holdings, LLC (1)	(0.12)	(0.03)	(0.09)
Adjustments to income tax (benefit) expense (2)	(0.28)	(0.07)	(0.21)
Adjustment for dilutive shares (3)	(0.01)	—	(0.01)
Adjusted (loss) earnings per share of Class A common stock - diluted	<u>\$ 0.67</u>	<u>\$ 1.81</u>	<u>\$ (1.14)</u>

(1) Represents an allocation of the impact of reconciling items to our non-controlling interest.

(2) Represents an adjustment of all reconciling items at an estimated effective tax rate.

(3) Represents an adjustment for shares that are anti-dilutive for GAAP earnings per share but are dilutive for adjusted earnings per share.

Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share were \$9.8 million and \$0.67, respectively, for the three months ended March 31, 2024 compared to Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share of \$26.4 million and \$1.81, respectively, for the three months ended March 31, 2023. The decrease in Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. resulted from the decrease in gross profit and the increases in interest expense - floor plan and interest expense - other, all partially offset by the decrease in selling, general and administrative expenses and income tax expense for the three months ended March 31, 2024, each as compared to the three months ended March 31, 2023. The decrease in Adjusted Diluted (Loss) Earnings Per Share resulted from the decrease in Adjusted Net (Loss) Income Attributable to OneWater Marine Inc.

Six Months Ended March 31, 2024, Compared to Six Months Ended March 31, 2023.

Description	Six Months Ended March 31,		
	2024	2023	Change
(\$ in thousands)			
Net (loss) income attributable to OneWater Marine Inc.	\$ (11,139)	\$ 31,704	\$ (42,843)
Transaction costs	724 —	1,571	(847)
Intangible amortization	3,657	6,586	(2,929)
Change in fair value of contingent consideration	3,704	327	3,377
Restructuring and impairment	11,847	—	11,847
Other expense (income), net	2,246	(826)	3,072
Net (loss) income attributable to non-controlling interests of One Water Marine Holdings, LLC (1)	(1,996)	(697)	(1,299)
Adjustments to income tax (benefit) expense (2)	(4,642)	(1,601)	(3,041)
Adjusted net (loss) income attributable to OneWater Marine Inc.	4,401	37,064	(32,663)
Net (loss) earnings per share of Class A common stock - diluted	\$ (0.77)	\$ 2.17	\$ (2.94)
Transaction costs	0.05	0.11	(0.06)
Intangible amortization	0.25	0.45	(0.20)
Change in fair value of contingent consideration	0.26	0.02	0.24
Restructuring and impairment	0.81	—	0.81
Other expense (income), net	0.15	(0.06)	0.21
Net (loss) income attributable to non-controlling interests of One Water Marine Holdings, LLC (1)	(0.14)	(0.05)	(0.09)
Adjustments to income tax (benefit) expense (2)	(0.32)	(0.11)	(0.21)
Adjusted (loss) earnings per share of Class A common stock - diluted	\$ 0.29	\$ 2.53	\$ (2.24)

(1) Represents an allocation of the impact of reconciling items to our non-controlling interest.

(2) Represents an adjustment of all reconciling items at an estimated effective tax rate.

Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share were \$4.4 million and \$0.29, respectively, for the six months ended March 31, 2024 compared to Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. and Adjusted Diluted (Loss) Earnings Per Share of \$37.1 million and \$2.53, respectively, for the six months ended March 31, 2023. The decrease in Adjusted Net (Loss) Income Attributable to OneWater Marine Inc. resulted from the decrease in gross profit and the increases in interest expense - floor plan and interest expense - other, all partially offset by the decrease in income tax expense for the six months ended March 31, 2024, each as compared to the six months ended March 31, 2023. The decrease in Adjusted Diluted (Loss) Earnings Per Share resulted from the decrease in Adjusted Net (Loss) Income Attributable to OneWater Marine Inc.

Seasonality

Our business, along with the entire boating industry, is highly seasonal, and such seasonality varies by geographic market. With the exception of Florida, we generally realize significantly lower sales and higher levels of inventories, and related floor plan borrowings, in the quarterly periods ending December 31 and March 31. Revenue generated from our dealerships in Florida serves to offset generally lower winter revenue in our other states and enables us to maintain a more consistent revenue stream. The onset of the public boat and recreation shows in January stimulates boat sales and typically allows us to reduce our inventory levels and related floor plan borrowings throughout the remainder of the fiscal year. The impact of seasonality on our results of operations could be materially impacted based on the location of our acquisitions. For example, our operations could be substantially more seasonal if we acquire dealer groups that operate in colder regions of the United States. Our business is also subject to weather patterns, which may adversely affect our results of operations. For example, prolonged winter conditions, reduced rainfall levels or excessive rain, may limit access to boating locations or render boating dangerous or inconvenient, thereby curtailing customer demand for our products and services. In addition, unseasonably cool weather and prolonged winter conditions may lead to a shorter selling season in certain locations. Hurricanes, tornadoes, and other storms have and could result in disruptions of our operations or damage to our boat inventories and facilities, as has been the case when Florida and other markets were affected by hurricanes. We believe our geographic diversity is likely to reduce the overall impact to us of adverse weather conditions in any one market area. Additionally, due to a global pandemic, our seasonal trends may also change as a result of, among other things, location closures, disruptions to the supply chain and inventory availability, manufacturer delays, and cancellation of boat shows.

Liquidity and Capital Resources

Overview

OneWater Inc. is a holding company with no operations and is the sole managing member of OneWater LLC. OneWater Inc.'s principal asset consists of common units of OneWater LLC. Our earnings and cash flows and ability to meet our obligations under the A&R Credit Facility (as defined below), and any other debt obligations will depend on the cash flows resulting from the operations of our operating subsidiaries, and the payment of distributions by such subsidiaries. Our A&R Credit Facility and Inventory Financing Facility (described below) (together, the "Credit Facilities") contain certain restrictions on distributions or transfers from our operating subsidiaries to their members or unitholders, as applicable, as described in the summaries below under "—Debt Agreements—A&R Credit Facility" and "—Inventory Financing Facility." Accordingly, the operating results of our subsidiaries may not be sufficient for them to make distributions to us. As a result, our ability to make payments under the A&R Credit Facility and any other debt obligations or to declare dividends could be limited.

Our cash needs are primarily for growth through acquisitions and working capital to support our operations, including new and pre-owned boat and related parts inventories and off-season liquidity. We routinely monitor our cash flow to determine the amount of cash available to complete acquisitions. We monitor our inventories, inventory aging and current market trends to determine our current and future inventory and related floorplan financing needs. Based on current facts and circumstances, we believe we will have adequate cash flow from operations, borrowings under our Credit Facilities and proceeds from any future public or private issuances of debt or equity to fund our current operations, to make share repurchases and to fund essential capital expenditures and acquisitions for the next twelve months and beyond.

Cash needs for acquisitions have historically been financed with our Credit Facilities and cash generated from operations. Our ability to utilize the A&R Credit Facility to fund acquisitions depends upon Adjusted EBITDA and compliance with covenants of the A&R Credit Facility. Cash needs for inventory have historically been financed with our Inventory Financing Facility. Our ability to fund inventory purchases and operations depends on the collateral levels and our compliance with the covenants of the Inventory Financing Facility. As of March 31, 2024, we were in compliance with all covenants under the A&R Credit Facility and the Inventory Financing Facility.

We have no material off balance sheet arrangements, except for purchase commitments under supply agreements entered into in the normal course of business.

Cash Flows

Analysis of Cash Flow Changes Between the Six Months Ended March 31, 2024 and 2023

The following table summarizes our cash flows for the periods indicated:

(\$ in thousands)	Six Months Ended March 31,		
	2024	2023	Change
Net cash used in operating activities	\$ (86,328)	\$ (169,259)	\$ 82,931
Net cash provided by (used in) investing activities	29,775	(40,379)	70,154
Net cash provided by financing activities	21,433	220,355	(198,922)
Effect of exchange rate changes on cash and restricted cash	(5)	19	(24)
Net change in cash	\$ (35,125)	\$ 10,736	\$ (45,861)

Operating Activities. Net cash used in operating activities was \$86.3 million for the six months ended March 31, 2024 compared to net cash used in operating activities of \$169.3 million for the six months ended March 31, 2023. The \$82.9 million decrease in cash used in operating activities was primarily attributable to a \$136.5 million decrease in the change in inventory, offset by a \$50.9 million decrease in net income for the six months ended March 31, 2024 as compared to the six months ended March 31, 2023.

Investing Activities. Net cash provided by investing activities was \$29.8 million for the six months ended March 31, 2024 compared to net cash used in investing activities of \$40.4 million for the six months ended March 31, 2023. The \$70.2 million increase in cash provided by investing activities was primarily attributable to a \$45.1 million increase in proceeds from disposal of a business related to the disposal of Roscioli Yachting Center and a \$28.6 million decrease in cash used in acquisitions for the six months ended March 31, 2024 as compared to the six months ended March 31, 2023.

Financing Activities. Net cash provided by financing activities was \$21.4 million for the six months ended March 31, 2024 compared to net cash provided by financing activities of \$220.4 million for the six months ended March 31, 2023. The \$198.9 million decrease in financing cash flow was primarily attributable to a \$125.4 million decrease in net borrowings on our Inventory Financing Facility, a \$47.0 million increase in payments on long-term debt, a \$10.0 million decrease in the proceeds from long-term debt and a \$18.8 million payment to purchase the non-controlling interest of Quality Assets and Operations, LLC for the six months ended March 31, 2024 as compared to the six months ended March 31, 2023.

Share Repurchase Program

On March 30, 2022 the Board authorized a share repurchase program of up to \$50 million of outstanding shares of Class A common stock. Repurchases under the share repurchase program may be made at any time or from time to time, without prior notice, in the open market or in privately negotiated transactions at prevailing market prices, or such other means as will comply with applicable state and federal securities laws and regulations, including the provisions of the Securities Exchange Act of 1934, including Rule 10b5-1 and, to the extent practicable or advisable, Rule 10b-18 thereunder, and consistent with the Company's contractual limitations and other requirements. The Company did not make share repurchases during the six months ended March 31, 2024. The Company has \$48.1 million remaining under the share repurchase program.

Debt Agreements

A&R Credit Facility

On August 9, 2022 we entered into the Amended and Restated Credit Agreement (the "A&R Credit Facility"), with certain of our subsidiaries, Truist Bank and the other lenders party thereto. The A&R Credit Facility amends and restates and replaces in its entirety the Credit Facility. The A&R Credit Facility provides for, among other things, (i) a \$65.0 million revolving credit facility (including up to \$5.0 million in swingline loans and up to \$5.0 million in letters of credit from time to time) and (ii) a \$445.0 million term loan facility. Subject to certain conditions, the available amount under the Term Facility and the Revolving Facility may be increased by \$125.0 million plus additional amounts subject to additional conditions (including satisfaction of a consolidated leverage ratio requirement) in the aggregate (with up to \$50.0 million allocable to the Revolving Facility). The Revolving Facility matures on August 9, 2027. The Term Facility is repayable in installments beginning on December 31, 2022, with the remainder due on the earlier of (i) August 9, 2027 or (ii) the date on which the principal amount of all outstanding term loans have been declared or automatically have become due and payable pursuant to the terms of the A&R Credit Facility.

Borrowings under the A&R Credit Facility bear interest, at our option, at either (a) a base rate (the "Base Rate") equal to the highest of (i) the prime rate (as announced by Truist Bank from time to time), (ii) the Federal Funds Rate, as in effect from time to time, plus 0.50%, (iii) Term SOFR (as defined in the A&R Credit Facility) for a one-month Interest Period (calculated on a daily basis after taking into account a floor equal to 0.00%) plus 1.00%, and (iv) 1.00%, in each case, plus an applicable margin ranging from 0.75% to 1.75%, or (b) Term SOFR, plus an applicable margin ranging from 0.75% to 1.75%. Interest on swingline loans shall bear interest at the Base Rate plus an applicable margin ranging from 1.75% to 2.75%. All applicable interest margins are based on certain consolidated leverage ratio measures.

The A&R Credit Facility is subject to certain financial covenants including the maintenance of a minimum fixed charge coverage ratio and a maximum consolidated leverage ratio. The A&R Credit Facility also contains non-financial covenants and restrictive provisions that, among other things, limit the ability of the Loan Parties (as defined in the A&R Credit Facility) to incur additional debt, transfer or dispose of all of their respective assets, make certain investments, loans or restricted payments and engage in certain transactions with affiliates. The A&R Credit Facility also includes events of default, borrowing conditions, representations and warranties and provisions regarding indemnification and expense reimbursement. The Company was in compliance with all covenants as of March 31, 2024.

Inventory Financing Facility

On November 14, 2023, the Company entered into the Eighth Amended and Restated Inventory Financing Agreement (as amended, restated, supplemented or otherwise modified, the "Inventory Financing Facility") to, among other things, increase the maximum borrowing amount available to \$650.0 million. Loans under the Inventory Financing Facility may be extended from time to time to enable the Company to purchase inventory from certain manufacturers. The Inventory Financing Facility expires on March 1, 2026.

Under the Inventory Financing Facility, interest on new boats and for rental units is calculated using the Adjusted 30-Day Average SOFR plus an applicable margin of 2.75% to 5.00% depending on the age of the inventory. Interest on pre-owned boats is calculated at the new boat rate plus 0.25%. Loans are extended from time to time to enable us to purchase inventory from certain manufacturers and to lease certain boats and related parts to customers. The applicable financial terms, curtailment schedule and maturity for each loan are set forth in separate program terms letters that are entered into from time to time. The collateral for the Inventory Financing Facility consists primarily of our inventory that was financed through the Inventory Financing Facility and related assets, including accounts receivable, bank accounts, and proceeds of the foregoing, and excludes the collateral that secures the A&R Credit Facility.

We are required to comply with certain financial and non-financial covenants under the Inventory Financing Facility, including certain provisions related to the Funded Debt to EBITDA Ratio and the Fixed Charge Coverage Ratio (as defined in the Inventory Financing Facility). We are also subject to additional restrictive covenants, including restrictions on our ability to (i) use, sell, rent or otherwise dispose of any collateral securing the Inventory Financing Facility except for the sale of inventory in the ordinary course of business, (ii) incur certain liens, (iii) engage in any material transaction not in the ordinary course of business, (iv) change our business in any material manner or our organizational structure, other than as otherwise provided for in the Inventory Financing Facility, (v) engage in certain mergers or consolidations, (vi) acquire certain assets or ownership interests of any other person or entities, except for certain permitted acquisitions, (vii) guarantee or indemnify or otherwise become in any way liable with respect to certain obligations of any other person or entity, except as provided by the Inventory Financing Facility, (viii) redeem, retire, purchase or otherwise acquire, directly or indirectly, any of the equity of our acquired marine retailers (ix) make any change in any of our marine retailers' capital structure or in any of their business objectives or operations which might in any way adversely affect the ability of such marine retailer to repay its obligations under the Inventory Financing Facility, (x) incur, create, assume, guarantee or otherwise become or remain liable with respect to certain indebtedness, and (xi) make certain payments of subordinated debt. OneWater LLC and certain of its subsidiaries are restricted from, among other things, making cash dividends or distributions without the prior written consent of Wells Fargo. Under the Inventory Financing Facility, among other exceptions, OneWater LLC may make distributions to its members for certain permitted tax payments subject to certain financial ratios, may make scheduled payments on certain subordinated debt, may make distributions to the Company for repurchases of the Company's common stock subject to certain financial ratios, and is permitted to make pro rata distributions to the OneWater Unit Holders, including OneWater Inc., in an amount sufficient to allow OneWater Inc. to pay its taxes and to make payments under the Tax Receivable Agreement. OneWater LLC's subsidiaries are generally restricted from making loans or advances to OneWater LLC. Our Chief Executive Officer, Philip Austin Singleton, Jr., and our President and Chief Operating Officer, Anthony Aisquith, provide certain personal guarantees of the Inventory Financing Facility.

As of March 31, 2024 and September 30, 2023, our indebtedness associated with financing our inventory under the Inventory Financing Facility totaled \$579.7 million and \$489.0 million, respectively. Certain of our manufacturers enter into independent agreements with the lenders to the Inventory Financing Facility, which results in a lower effective interest rate charged to us for borrowings related to the products by such manufacturer. For the six months ended March 31, 2024 and the year ended September 30, 2023, the effective interest rate on the outstanding short-term borrowings under the Inventory Financing Facility was 5.9% and 5.7%, respectively. As of March 31, 2024 and September 30, 2023, our additional available borrowings under our Inventory Financing Facility were \$70.3 million and \$61.0 million, respectively, based upon the outstanding borrowings and the maximum facility amount. The aging of our inventory limits our borrowing capacity as defined curtailments reduce the allowable advance rate as our inventory ages. As of March 31, 2024, we were in compliance with all covenants under the Inventory Financing Facility.

Notes Payable

Acquisition Notes Payable. In connection with certain of our acquisitions of dealer groups, we have from time to time entered into notes payable agreements with the acquired entities to finance these acquisitions. As of March 31, 2024, our indebtedness associated with our acquisition note payable totaled \$1.1 million with an interest rate of 4.0% per annum and a maturity date of December 1, 2024.

Commercial Vehicles Notes Payable. Since 2015, we have entered into multiple notes payable with various commercial lenders in connection with our acquisition of certain vehicles utilized in our retail operations. Such notes bear interest ranging from 0.0% to 10.8% per annum, require monthly payments of approximately \$110,000, and mature on dates between April 2024 to April 2029. As of March 31, 2024, we had \$3.1 million outstanding under the commercial vehicles notes payable.

Tax Receivable Agreement

The Tax Receivable Agreement generally provides for the payment by OneWater Inc. to each TRA Holder of 85% of the net cash savings, if any, in U.S. federal, state and local income tax and franchise tax (computed using the estimated impact of state and local taxes) that OneWater Inc. actually realizes (or is deemed to realize in certain circumstances) in periods after the IPO as a result of certain tax basis increases and certain tax benefits attributable to imputed interest. OneWater Inc. will retain the benefit of the remaining net cash savings.

As of March 31, 2024 and September 30, 2023, our liability under the Tax Receivable Agreement was \$43.1 million. To the extent OneWater LLC has available cash and subject to the terms of any current or future debt or other agreements, the OneWater LLC Agreement will require OneWater LLC to make pro rata cash distributions to TRA Holders, including OneWater Inc., in an amount sufficient to allow OneWater Inc. to pay its taxes and to make payments under the Tax Receivable Agreement. We generally expect OneWater LLC to fund such distributions out of available cash. However, except in cases where OneWater Inc. elects to terminate the Tax Receivable Agreement early, the Tax Receivable Agreement is terminated early due to certain mergers or other changes of control or OneWater Inc. has available cash but fails to make payments when due; generally OneWater Inc. may elect to defer payments due under the Tax Receivable Agreement if it does not have available cash to satisfy its payment obligations under the Tax Receivable Agreement or if its contractual obligations limit its ability to make these payments. Any such deferred payments under the Tax Receivable Agreement generally will accrue interest. In certain cases, payments under the Tax Receivable Agreement may be accelerated and/or significantly exceed the actual benefits, if any, OneWater Inc. realizes in respect of the tax attributes subject to the Tax Receivable Agreement. In the case of such an acceleration, where applicable, we generally expect the accelerated payments due under the Tax Receivable Agreement to be funded out of the proceeds of the change of control transaction giving rise to such acceleration. OneWater Inc. intends to account for any amounts payable under the Tax Receivable Agreement in accordance with ASC Topic 450, Contingencies.

Recent Accounting Pronouncements

See Note 3 of the Notes to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

Our Inventory Financing Facility exposes us to risks caused by fluctuations in interest rates. The interest rate on our Inventory Financing Facility for major unit inventory is calculated using SOFR plus an applicable margin. Based on an outstanding balance of \$579.7 million as of March 31, 2024, a change of 100 basis points in the underlying interest rate would cause a change in interest expense of approximately \$5.8 million. We do not currently hedge our interest rate exposure. This hypothetical increase does not take into account a corresponding increase to the programs that we may receive from our manufacturers or management's ability to curtail inventory and related floor plan balances, both of which would reduce the impact of the interest rate increase.

Our A&R Credit Facility exposes us to risks caused by fluctuations in interest rates. The interest rate on our A&R Credit Facility is calculated using Term SOFR (with a 0.00% floor) plus an applicable margin. Based on an outstanding balance of \$422.2 million and Term SOFR as of March 31, 2024, a change of 100 basis points in the underlying interest rate would cause a change in interest expense of approximately \$4.2 million. We do not currently hedge our interest rate exposure.

Foreign Currency Risk

We purchase certain of our new boat and parts inventories from foreign manufacturers and some of these transactions are denominated in a currency other than the U.S. dollar. Our business is subject to foreign exchange rate risk that may influence manufacturers' ability to provide their products at competitive prices in the United States. From time to time we may enter into foreign currency forward contracts to hedge certain foreign currency exposures to lessen, but not completely eliminate, the effects of foreign currency fluctuations on our financial results. To the extent that we cannot recapture this volatility in prices charged to customers or if this volatility negatively impacts consumer demand for our products, this volatility could adversely affect our future operating results.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date. No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that the system of controls has operated effectively in all cases. Our disclosure controls and procedures are designed to provide reasonable assurance that the objectives of disclosure controls and procedures are met and to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f)) during the three months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

Due to the nature of our business, we are, from time to time, involved in other routine litigation or subject to disputes or claims related to our business activities, including workers' compensation claims and employment related disputes. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. In the opinion of our management, as of March 31, 2024, we do not believe that any of the pending litigation, disputes or claims against us would have a material adverse effect on our financial condition, cash flows or results of operations.

Item 1A. Risk Factors

In addition to the information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors and other cautionary statements described under the heading "Risk Factors" included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, filed with the SEC on December 14, 2023, which could materially affect our businesses, financial condition, or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, or future results. There have been no material changes in our risk factors from those described in our Annual Report on Form 10-K for the fiscal year ended September 30, 2023, filed with the SEC on December 14, 2023.

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

Issuer's Purchases of Equity Securities

On March 30, 2022, the Board authorized a share repurchase program of up to \$50 million of outstanding shares of Class A common stock. Repurchases under the share repurchase program may be made at any time or from time to time, without prior notice, in the open market or in privately negotiated transactions at prevailing market prices, or such other means as will comply with applicable state and federal securities laws and regulations, including the provisions of the Securities Exchange Act of 1934, including, to the extent practicable or advisable, Rule 10b5-1 and Rule 10b-18 thereunder, and consistent with the Company's contractual limitations and other requirements. The Company made no repurchases in the three months ended March 31, 2024. The Company has \$48.1 million remaining under the share repurchase program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
*31.1	Certification of the Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
*31.2	Certification of the Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
**32.1	Certification of the Chief Executive Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
**32.2	Certification of the Chief Financial Officer required by Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. 1350.
101.INS(a)	Inline XBRL Instance Document.
101.SCH(a)	Inline XBRL Schema Document.
101.CAL(a)	Inline XBRL Calculation Linkbase Document.
101.DEF(a)	Inline XBRL Definition Linkbase Document.
101.LAB(a)	Inline XBRL Labels Linkbase Document.
101.PRE(a)	Inline XBRL Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

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.

ONEWATER MARINE INC.

(Registrant)

By: /s/ Philip Austin Singleton, Jr.

Philip Austin Singleton, Jr.

Chief Executive Officer

By: /s/ Jack Ezzell

Jack Ezzell

Chief Financial Officer

May 3, 2024

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULE 13A-14(a) OR RULE 15D-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Philip Austin Singleton, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OneWater Marine Inc. (the "Registrant") for the quarter ended March 31, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: May 3, 2024

By: /s/ Philip Austin Singleton, Jr.

Philip Austin Singleton, Jr.

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION
PURSUANT TO EXCHANGE ACT RULE 13A-14(a) OR RULE 15D-14(a)
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jack Ezzell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of OneWater Marine Inc. (the "Registrant") for the quarter ended March 31, 2024;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Dated: May 3, 2024

By: /s/ Jack Ezzell

Jack Ezzell

Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION
PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of OneWater Marine Inc. (the "Company") for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Philip Austin Singleton, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: May 3, 2024

By: /s/ Philip Austin Singleton, Jr.

Philip Austin Singleton, Jr.
Chief Executive Officer
(*Principal Executive Officer*)

CERTIFICATION
PURSUANT TO 18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of OneWater Marine Inc. (the "Company") for the quarter ended March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jack Ezzell, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Dated: May 3, 2024

By: /s/ Jack Ezzell

Jack Ezzell

Chief Financial Officer

(Principal Financial Officer)
