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

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2024
or
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________to__________
Commission File No. 1-16263

MARINE PRODUCTS CORPORATION

(exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

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

As of October 18, 2024, Marine Products Corporation had 34,713,004 shares of common stock outstanding.

Marine Products Corporation

Table of Contents

		Page No.
Part I. Financial Information		
Item 1.	Financial Statements (Unaudited)	
	Consolidated Balance Sheets – As of September 30, 2024 and December 31, 2023	3
	Consolidated Statements of Operations – for the three and nine months ended September 30, 2024 and 2023	4
	Consolidated Statements of Comprehensive Income – for the three and nine months ended September 30, 2024 and 2023	5
	Consolidated Statements of Stockholders' Equity – for the three and nine months ended September 30, 2024 and 2023	6
	Consolidated Statements of Cash Flows – for the nine months ended September 30, 2024 and 2023	7
	Notes to Consolidated Financial Statements	8 - 16
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	24
Item 4.	Controls and Procedures	24
Part II. Other Information		
Item 1.	Legal Proceedings	25
Item 1A.	Risk Factors	25
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	25
Item 3.	Defaults upon Senior Securities	25
Item 4.	Mine Safety Disclosures	25
Item 5.	Other Information	25
Item 6.	Exhibits	26
Signatures		27

PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2024 AND DECEMBER 31, 2023
(In thousands, except shares and par value data)

	September 30, 2024	December 31, 2023
ASSETS	(Unaudited)	(Note 1)
Cash and cash equivalents	**$ 53,533**	$ 71,952
Accounts receivable, net of allowance for credit losses of $ 11 in 2024 and $ 11 in 2023	**5,445**	2,475
Inventories	**52,599**	61,611
Income taxes receivable	**217**	361
Prepaid expenses and other current assets	**3,696**	2,847
Total current assets	**115,490**	139,246
Property, plant and equipment, net of accumulated depreciation of $ 34,534 in 2024 and $ 32,789 in 2023	**23,942**	22,456
Goodwill	**3,308**	3,308
Other intangibles, net	**465**	465
Deferred income taxes	**9,936**	8,590
Retirement plan assets	**18,117**	15,379
Other long-term assets	**5,058**	4,358
Total assets	**$ 176,316**	$ 193,802
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Accounts payable	**$ 8,060**	$ 6,071
Accrued expenses and other liabilities	**16,576**	16,496
Total current liabilities	**24,636**	22,567
Retirement plan liabilities	**21,206**	17,998
Other long-term liabilities	**1,683**	1,649
Total liabilities	**47,525**	42,214
Commitments and contingencies (Note 15)		
Stockholders' Equity		
Preferred stock, $0.10 par value, 1,000,000 shares authorized, none issued	**—**	—
Common stock, $0.10 par value, 74,000,000 shares authorized, issued and outstanding – 34,713,004 shares in 2024 and 34,466,726 shares in 2023	**3,471**	3,447
Capital in excess of par value	**—**	—
Retained earnings	**125,320**	148,141
Total stockholders' equity	**128,791**	151,588
Total liabilities and stockholders' equity	**$ 176,316**	$ 193,802

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

MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(In thousands except per share data)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Net sales	**$ 49,850**	$ 77,786	**$ 188,737**	$ 312,858
Cost of goods sold	**40,668**	58,548	**152,397**	235,942
Gross profit	**9,182**	19,238	**36,340**	76,916
Selling, general and administrative expenses	**5,642**	8,789	**21,809**	35,495
Gain on disposition of assets, net	**(50)**	(1,962)	**(51)**	(1,962)
Operating income	**3,590**	12,411	**14,582**	43,383
Interest income, net	**634**	860	**2,364**	2,066
Income before income taxes	**4,224**	13,271	**16,946**	45,449
Income tax provision	**820**	2,868	**3,360**	9,176
Net income	**$ 3,404**	$ 10,403	**$ 13,586**	$ 36,273
Earnings per share				
Basic	**$ 0.10**	$ 0.30	**$ 0.37**	$ 1.05
Diluted	**$ 0.10**	$ 0.30	**$ 0.37**	$ 1.05

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

Table of Contents

MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

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

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Net income	**$ 3,404**	$ 10,403	**$ 13,586**	$ 36,273
Other comprehensive income, net of taxes:				
Pension settlement and adjustment, net of tax	**—**	—	**—**	1,983
Comprehensive income	**$ 3,404**	$ 10,403	**$ 13,586**	$ 38,256

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

MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

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

	Nine Months Ended September 30, 2024					
	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2023	34,467	$ 3,447	$ —	$ 148,141	$ —	$ 151,588
Stock issued for stock incentive plans, net	**301**	**30**	**926**	**—**	**—**	**956**
Stock purchased and retired	**(85)**	**(8)**	**(926)**	**27**	**—**	**(907)**
Net income	**—**	**—**	**—**	**4,597**	**—**	**4,597**
Cash dividends ($0.14 per share)	**—**	**—**	**—**	**(4,852)**	**—**	**(4,852)**
Balance, March 31, 2024	**34,683**	**3,469**	**—**	**147,913**	**—**	**151,382**
Stock issued for stock incentive plans, net	**35**	**3**	**1,424**	**—**	**—**	**1,427**
Stock purchased and retired	**—**	**—**	**(1,424)**	**1,424**	**—**	**—**
Net income	**—**	**—**	**—**	**5,585**	**—**	**5,585**
Cash dividends ($0.84 per share)	**—**	**—**	**—**	**(29,138)**	**—**	**(29,138)**
Balance, June 30, 2024	**34,718**	**3,472**	**—**	**125,784**	**—**	**129,256**
Stock issued for stock incentive plans, net	**(2)**	**—**	**1,012**	**—**	**—**	**1,012**
Stock purchased and retired	**(3)**	**(1)**	**(1,012)**	**987**	**—**	**(26)**
Net income	**—**	**—**	**—**	**3,404**	**—**	**3,404**
Cash dividends ($0.14 per share)	**—**	**—**	**—**	**(4,855)**	**—**	**(4,855)**
Balance, September 30, 2024	**34,713**	**$ 3,471**	**$ —**	**$ 125,320**	**$ —**	**$ 128,791**

	Nine Months Ended September 30, 2023					
	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2022	34,218	$ 3,422	$ —	$ 122,954	$ (1,995)	$ 124,381
Stock issued for stock incentive plans, net	289	29	748	—	—	777
Stock purchased and retired	(69)	(7)	(748)	(155)	—	(910)
Net income	—	—	—	11,549	—	11,549
Pension adjustment, net of taxes	—	—	—	—	1,886	1,886
Cash dividends ($0.14 per share)	—	—	—	(4,817)	—	(4,817)
Balance, March 31, 2023	34,438	3,444	—	129,531	(109)	132,866
Stock issued for stock incentive plans, net	29	3	1,230	—	—	1,233
Stock purchased and retired	—	—	(1,230)	1,230	—	—
Net income	—	—	—	14,321	—	14,321
Pension adjustment, net of taxes	—	—	—	—	97	97
Cash dividends ($0.14 per share)	—	—	—	(4,820)	—	(4,820)
Balance, June 30, 2023	34,467	3,447	—	140,262	(12)	143,697
Stock issued for stock incentive plans, net	—	—	834	—	—	834
Stock purchased and retired	—	—	(834)	834	—	—
Net income	—	—	—	10,403	—	10,403
Pension adjustment, net of taxes	—	—	—	—	—	—
Cash dividends ($0.14 per share)	—	—	—	(4,821)	—	(4,821)
Balance, September 30, 2023	34,467	$ 3,447	$ —	$ 146,678	$ (12)	$ 150,113

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

MARINE PRODUCTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024 AND 2023
(In thousands)
(Unaudited)

	Nine months ended September 30,	
	2024	2023
OPERATING ACTIVITIES		
Net income	**$ 13,586**	$ 36,273
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**2,088**	1,750
Stock-based compensation expense	**3,395**	2,844
Gain on disposition of assets, net	**(51)**	(1,962)
Deferred income tax provision	**(1,346)**	(2,366)
Pension settlement loss	**—**	2,277
(Increase) decrease in assets:		
Accounts receivable	**(2,970)**	(5,403)
Income taxes receivable	**144**	(171)
Inventories	**9,012**	3,231
Current pension assets	**—**	509
Prepaid expenses and other current assets	**(849)**	514
Other long-term assets	**(3,438)**	(4,477)
Increase (decrease) in liabilities:		
Accounts payable	**1,989**	3,816
Income taxes payable	**1,136**	755
Accrued expenses and other liabilities	**(1,056)**	97
Other long-term liabilities	**3,242**	2,491
Net cash provided by operating activities	**24,882**	40,178
INVESTING ACTIVITIES		
Capital expenditures	**(3,574)**	(8,405)
Proceeds from sale of assets	**51**	1,129
Net cash used for investing activities	**(3,523)**	(7,276)
FINANCING ACTIVITIES		
Payment of dividends	**(38,845)**	(14,458)
Cash paid for common stock purchased and retired	**(933)**	(910)
Net cash used for financing activities	**(39,778)**	(15,368)
Net (decrease) increase in cash and cash equivalents	**(18,419)**	17,534
Cash and cash equivalents at beginning of period	**71,952**	43,171
Cash and cash equivalents at end of period	**$ 53,533**	$ 60,705
Supplemental information:		
Income tax payments, net	**$ 3,372**	$ 10,736

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

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

1. GENERAL

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

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

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

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

2. RECENT ACCOUNTING STANDARDS

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

Recently Issued Accounting Standards Not Yet Adopted:

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

ASU No. 2023-09 — **Income Taxes (Topic 740)**: **Improvements to Income Tax Disclosures.** The amendments in this ASU require an entity to include consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid, disaggregated by jurisdiction. These amendments are effective for annual disclosures beginning in 2025, with early adoption permitted for annual financial statements that have not yet been issued. The Company is currently evaluating the impact of adopting these provisions on its consolidated financial statements.

Securities and Exchange Commission (SEC) Final Rules: ***Climate related Disclosure:*** The SEC adopted final rules designed to enhance public company disclosures related to the risks and impacts of climate-related matters. The new rules require disclosures relating to climate-related risks and risk management as well as the board and management's governance of such risks. In addition, the rules include requirements to disclose the financial effects of severe weather events and other natural conditions in the audited financial statements and disclose information about greenhouse gas emissions, which will be subject to a phased-in assurance requirement. On April 4, 2024, the SEC stayed its climate disclosure rules to "facilitate the orderly judicial resolution" of pending legal challenges. If litigation is resolved in favor of the SEC, a majority of the final rules will be effective for MPC beginning in the year 2026.

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

3. NET SALES

Accounting Policy:

MPC's contract revenues are generated principally from selling: (1) fiberglass motorized boats and accessories and (2) parts to independent dealers. Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. Satisfaction of contract terms occurs with the transfer of title of our boats and accessories and parts to our dealers. Net sales are measured as the amount of consideration we expect to receive in exchange for transferring the goods to the dealer. The amount of consideration we expect to receive consists of the sales price adjusted for dealer incentives. The expected costs associated with our base warranties continue to be recognized as expense when the products are sold as they are deemed to be assurance-type warranties (See Note titled Warranty Costs). Incidental promotional items that are immaterial in the context of the contract are recognized as expense. Fees charged to customers for shipping and handling are included in Net sales in the accompanying Consolidated Statements of Operations and the related costs incurred by the Company are included in Cost of goods sold.

Nature of goods:

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

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

Payment terms:

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

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

Significant judgments:

Determining the transaction price

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

- Inputs: Current model year boat sales, total potential program incentive percentage, prior model year results of dealer incentive activity (i.e., incentive earned as a percentage of total incentive potential).

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

- Assumption: Current model year incentive activity will closely reflect prior model year actual results, adjusted as necessary for dealer purchasing trends or economic factors.

Other:

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

Disaggregation of revenues:

The following table disaggregates our sales by major source:

	Three months ended		Nine months ended	
(in thousands)	**September 30, 2024**	September 30, 2023	**September 30, 2024**	September 30, 2023
Boats and accessories	**$ 48,674**	$ 76,155	**$ 185,303**	$ 308,436
Parts	**1,176**	1,631	**3,434**	4,422
Net sales	**$ 49,850**	$ 77,786	**$ 188,737**	$ 312,858

The following table disaggregates our revenues between domestic and international:

	Three months ended		Nine months ended	
(in thousands)	**September 30, 2024**	September 30, 2023	**September 30, 2024**	September 30, 2023
Domestic	**$ 47,625**	$ 73,227	**$ 177,308**	$ 292,298
International	**2,225**	4,559	**11,429**	20,560
Net sales	**$ 49,850**	$ 77,786	**$ 188,737**	$ 312,858

Contract balances:

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

(in thousands)	**September 30, 2024**	December 31, 2023
Deferred revenue	**$ 477**	$ 654

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

Table of Contents

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

4. EARNINGS PER SHARE

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

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2024**	2023	**2024**	2023
Net income available for stockholders:	**$ 3,404**	$ 10,403	**$ 13,586**	$ 36,273
Less: Adjustments for earnings attributable to participating securities	**(118)**	(249)	**(957)**	(866)
Net income used in calculating earnings per share	**$ 3,286**	$ 10,154	**$ 12,629**	$ 35,407
Weighted average shares outstanding (including participating securities)	**34,713**	34,467	**34,684**	34,435
Adjustment for participating securities	**(876)**	(839)	**(880)**	(833)
Shares used in calculating basic and diluted earnings per share	**33,837**	33,628	**33,804**	33,602

5. STOCK-BASED COMPENSATION

The Company has issued various forms of stock incentives, including, incentive and non-qualified stock options, time-lapse restricted shares and performance stock unit awards under its Stock Incentive Plans to officers, selected employees and non-employee directors. As of September 30, 2024, there were 2,965,216 shares available for grant under the Company's 2024 Stock Incentive Plan.

6. WARRANTY COSTS

For its Chaparral and Robalo products, Marine Products provides a lifetime limited structural hull warranty and a transferable one-year limited warranty to the original owner. Chaparral also includes a five-year limited structural deck warranty. Warranties for additional items are provided for periods of one to five years and are not transferable. Additionally, as it relates to the second subsequent owner, a five-year transferable hull warranty and the remainder of the original one-year limited warranty on certain components are available. The five-year transferable hull warranty terminates five years after the date of the original retail purchase. Claim costs related to components are generally absorbed by the original component manufacturer. The manufacturers of the engines, generators, and navigation electronics included on our boats provide and administer their own warranties for various lengths of time.

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

(in thousands)	**2024**	2023
Balance at January 1	**$ 7,078**	$ 5,699
Less: Payments made during the period	**(3,374)**	(3,316)
Add: Warranty provision for the period	**2,909**	4,704
Changes to warranty provision for prior periods	**(11)**	156
Balance at September 30	**$ 6,602**	$ 7,243

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

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

7. BUSINESS SEGMENT INFORMATION

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

8. INVENTORIES

Inventories consist of the following:

(in thousands)		**September 30, 2024**		December 31, 2023
Raw materials and supplies	**$**	**31,213**	$	40,340
Work in process		**9,953**		10,601
Finished goods		**11,433**		10,670
Total inventories	**$**	**52,599**	$	61,611

9. INCOME TAXES

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

For the three months ended September 30, 2024, the effective rate reflects a provision of 19.4 percent compared to a provision of 21.6 percent for the comparable period in the prior year. For the nine months ended September 30, 2024, the effective rate reflects a provision of 19.8 percent compared to a provision of 20.2 percent for the comparable period in the prior year. The decrease in the effective tax rate is primarily due to the impact of favorable permanent differences.

10. RETIREMENT PLANS

The multiemployer Retirement Income Plan ("Plan"), a trusteed defined benefit pension plan, sponsored by RPC, Inc. ("RPC"), that the Company participated in was fully terminated in 2023. Amounts related to prior year are disclosed below:

(in thousands)		Three months ended September 30, 2023		Nine months ended September 30, 2023
Interest cost	$	—	$	4
Expected return on plan assets		—		—
Amortization of net losses		—		22
Settlement loss		—		2,277
Net periodic cost [1]	$	—	$	2,303

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

The Company permits selected highly compensated employees to defer a portion of their compensation into a non-qualified Supplemental Executive Retirement Plan ("SERP"). The Company maintains certain securities primarily in mutual funds and company-owned life insurance ("COLI") policies as a funding source to satisfy the obligation of the SERP that have been classified as trading and are stated at fair value totaling $18.1 million as of September 30, 2024 and $ 15.4 million as of December 31, 2023. Trading gains related to the SERP assets totaled $753 thousand during the three months ended September 30, 2024, compared to trading losses of $238 thousand during the three months ended September 30, 2023. Trading gains related to the

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

SERP assets totaled $2.7 million during the nine months ended September 30, 2024, compared to trading gains of $ 524 thousand during the three months ended September 30, 2023. The SERP assets are reported in Retirement plan assets in the accompanying Consolidated Balance Sheets and changes to the fair value of the assets are reported in Selling, general and administrative expenses in the accompanying Consolidated Statements of Operations.

The SERP liabilities include participant deferrals net of distributions and are stated at fair value of $ 21.2 million as of September 30, 2024 and $18.0 million as of December 31, 2023. The SERP liabilities are reported in the accompanying Consolidated Balance Sheets in Retirement plan liabilities and any change in the fair value is recorded as compensation cost within Selling, general and administrative expenses in the accompanying Consolidated Statements of Operations. Changes in the fair value of the SERP liabilities was the result of an increase of $850 thousand due to unrealized gains on participant balances during the three months ended September 30, 2024, compared to a decrease of $166 thousand due to unrealized losses on participant balances during the three months ended September 30, 2023. Changes in the fair value of the SERP liabilities was the result of an increase of $3.0 million due to unrealized gains on participant balances during the nine months ended September 30, 2024, compared to an increase of $524 thousand due to unrealized gains on participant balances during the nine months ended September 30, 2023.

Effective October 22, 2024, the termination of the SERP was approved by the Board of Directors. The Internal Revenue Service (IRS) rules require a 12 month waiting period before liquidating the SERP after termination has been approved. The participant balances are expected to be distributed in the fourth quarter of 2025.

11. FAIR VALUE MEASUREMENTS

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

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

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

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

Trading securities are comprised of SERP assets, as described in the note titled Retirement Plans, and are recorded primarily at their net cash surrender values calculated using their net asset values, which approximate fair value, as provided by the issuing insurance company or investment company. Significant observable inputs, in addition to quoted market prices, are used to value the trading securities. The Company's policy is to recognize transfers between levels at the beginning of quarterly reporting periods.

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

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

12. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

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

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

The pension plan was terminated in 2023 and therefore was no activity was recorded in accumulated other comprehensive loss for the nine months ended September 30, 2024.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

(in thousands)	**September 30, 2024**	December 31, 2023
Accrued payroll and related expenses	**$ 2,368**	$ 2,591
Accrued sales incentives and discounts	**3,545**	4,517
Accrued warranty costs	**6,602**	7,078
Deferred revenue	**477**	654
Income taxes payable	**1,136**	—
Other	**2,448**	1,656
Total accrued expenses and other liabilities	**$ 16,576**	$ 16,496

14. NOTES PAYABLE TO BANKS

The Company has a revolving credit agreement with Truist Bank which provides a credit facility of $ 20.0 million. The facility includes: (i) a $5.0 million sublimit for swingline loans, (ii) a $ 2.5 million aggregate sublimit for all letters of credit, and (iii) a committed accordion which can increase the aggregate commitments by the greater of $35.0 million and adjusted EBITDA (as calculated under the Credit Agreement) over the most recently completed twelve-month period. The revolving credit facility includes a full and unconditional guarantee by the Company and its consolidated domestic subsidiaries. The facility is secured by a first priority security interest in and lien on substantially all personal property of MPC and the guarantors including, without limitation, certain assets owned by the Company. The facility is scheduled to mature on November 12, 2026.

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

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

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

Interest expense incurred, which includes facility fees on the unused portion of the revolving credit facility and the amortization of loan costs, on the credit facility was $23 thousand for both the three months ended September 30, 2024 and September 30, 2023; interest expense incurred was $67 thousand for both the nine months ended September 30, 2024 and September 30, 2023. Interest expense paid on the credit facility was $25 thousand for both the three months ended September 30, 2024 and September 30, 2023. Interest expense paid on the credit facility was $25 thousand for the nine months ended September 30, 2024 and $ 63 thousand for the nine months ended September 30, 2023.

15. COMMITMENTS AND CONTINGENCIES

Repurchase Obligations:

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

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

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

The Company currently has an agreement with one of the floor plan lenders whereby the contractual repurchase limit is based on the highest of the following criteria: (i) a specified percentage of the amount of the average net receivables financed by the floor plan lender for our dealers, (ii) the total average net receivables financed by the floor plan lender for our two highest dealers during the prior three month period, or (iii) $8.0 million, less repurchases during the prior 12 month period. As defined by the agreement, the repurchase limit for this lender was $20.5 million as of September 30, 2024. The Company has contractual repurchase agreements with additional lenders with an aggregate maximum repurchase obligation of $6.1 million with various expiration and cancellation terms of less than one year, for an aggregate repurchase obligation with all floor plan financing institutions of $26.6 million as of September 30, 2024.

Subsequent to September 30, 2024, the Company has entered into a three-year floor plan financing agreement with a single third-party floor plan lender which will be phased in to replace a majority of the existing agreements with the current third-party lenders. The agreement is substantially similar to the current arrangements with the existing third-party floor plan lenders and provides for certain additional incentives to the Company and qualifying dealers over the term of the agreement.

Short-term Cash Incentive Compensation:

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

Total STCI expense for the reported periods was as follows:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2024**	2023	**2024**	2023
STCI expense	**$ 436**	$ 2,365	**$ 1,949**	$ 9,650

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

16. SUBSEQUENT EVENTS

On October 15, 2024, the Company notified its current third-party floor plan financing lenders of phased in changes to their existing arrangements, according to the terms of each of their existing agreements. See section titled Repurchase Obligations included in note titled Commitments and Contingencies, for additional information.

On October 22, 2024, the Board of Directors approved the following actions:

- Termination of the SERP; see note titled Retirement Plans for additional information; and
- Declaration of a regular quarterly dividend of $0.14 per share payable December 10, 2024, to common shareholders of record at the close of business on November 11, 2024.

Also, effective October 22, 2024, the Executive Committee of the Board of Directors approved the formation of a captive insurance company wholly owned by Chaparral, to efficiently manage its insurance costs.

MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

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

OVERVIEW

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

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

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

Consolidated net sales of $49.9 million decreased during the third quarter of 2024 in comparison to the third quarter of 2023 due primarily to a 40% decrease in unit sales to dealers partially offset by a positive price/mix of 4%, driven by higher gross selling prices. Gross profit decreased to $9.2 million during the third quarter of 2024, from $19.2 million during the third quarter of 2023. Operating income decreased to $3.6 million during the third quarter of 2024, from $12.4 million during the same period of the prior year. Net income decreased to $3.4 million during the third quarter of 2024, from $10.4 million in the same period of the prior year. Diluted earnings per share was $0.10 for the third quarter of 2024, down from $0.30 for the third quarter of 2023.

OUTLOOK

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

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

During the past three model years, Marine Products has produced a smaller number of boat models than in previous years to increase production efficiency. In addition, the average size of the models the Company is producing has increased in response to evolving retail demand, and this trend is expected to continue. The Company intends to continue its focus on increasing sales of larger boats given this trend, higher associated price points and higher margins.

Our financial results during the remainder of 2024 will depend on a number of factors, including economic trends, demand for discretionary products, the impact of interest rates on consumer financing options and dealer inventory carrying costs, the effectiveness of the Company's incentive programs, the success of new model launches, and the Company's ability to manage manufacturing costs in light of lower production levels compared to early 2023.

RESULTS OF OPERATIONS

Key operating and financial statistics for the three and nine months ended September 30, 2024 and 2023 are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	**2024**	2023
Total number of boats sold	**500**	827	**2,007**	3,348
Average gross selling price per boat *(in thousands)*	**$ 91.0**	$ 82.1	**$ 85.0**	$ 82.3
Net sales *(in thousands)*	**$ 49,850**	$ 77,786	**$ 188,737**	$ 312,858
Percentage of cost of goods sold to net sales	**81.6 %**	75.3 %	**80.7 %**	75.4 %
Gross profit margin percent	**18.4 %**	24.7 %	**19.3 %**	24.6 %
Percentage of selling, general and administrative expenses to net sales	**11.3 %**	11.3 %	**11.6 %**	11.3 %
Operating income *(in thousands)*	**$ 3,590**	$ 12,411	**$ 14,582**	$ 43,383
Warranty expense *(in thousands)*	**$ 695**	$ 1,209	**$ 2,898**	$ 4,860

THREE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2023

Net sales for the three months ended September 30, 2024 decreased $27.9 million or 35.9% compared to the same period in 2023. The change in net sales during the quarter compared to the prior year was primarily due to a 40% decrease in unit sales volume partially offset by a positive price/mix of 4%, driven by higher gross selling prices. Sales continued to be impacted by soft consumer demand, as dealers tightly manage their inventories to minimize floor plan carrying costs until demand improves. The Company believes its year-over-year comparisons will likely remain soft in the near term.

In the third quarter of 2024, net sales outside of the United States accounted for 4.5% of net sales compared to 5.9% of net sales in the same period of the prior year.

Cost of goods sold for the three months ended September 30, 2024 was $40.7 million compared to $58.5 million for the comparable period in 2023, a decrease of $17.9 million or 30.5%. Cost of goods sold as a percentage of net sales was 81.6% for the three months ended September 30, 2024 compared to 75.3% for the same period in the prior year due to lower sales volumes and associated manufacturing cost inefficiencies, coupled with the impact of reinstituting retail incentive programs. Production schedules and labor costs have been adjusted to more closely align with current demand. The Company expects year-over-year changes in gross margin to be less pronounced in the near-term as comparisons to prior year periods become less difficult.

Selling, general and administrative expenses for the three months ended September 30, 2024 were $5.6 million compared to $8.8 million for the comparable period in 2023, a decrease of $3.1 million or 35.8%. This decrease was primarily due to costs that vary with sales and profitability, such as incentive compensation, sales commissions and warranty expense in the current quarter in comparison to the same period of the prior year. Selling, general and administrative expenses were 11.3% of net sales in the third quarter of 2024, consistent with the comparable period in 2023.

Gain on disposition of assets, net for the three months ended September 30, 2024 was $50 thousand compared to $2.0 million for the comparable period in 2023. In the three months ended September 30, 2023, gains on disposition of assets included a $1.8 million gain related to a real estate transaction.

Operating income for the three months ended September 30, 2024 was $3.6 million compared to $12.4 million in the same period in 2023.

Interest income, net for the three months ended September 30, 2024 decreased to $634 thousand from $860 thousand in the same period of the prior year due to lower average cash balances, as a result of the Company's special dividend paid during the second quarter of 2024. Marine Products generates interest income primarily from investments of excess cash in money market funds.

Additionally, interest expense is recorded for the revolving credit facility, including fees on the unused portion of the facility and the amortization of loan costs.

Income tax provision was $820 thousand during the three months ended September 30, 2024 compared to $2.9 million for the same period in 2023. The effective provision rate was 19.4% for the three months ended September 30, 2024 compared to 21.6% for the comparable period in the prior year. The decrease in the effective tax rate is primarily due to the impact of favorable permanent differences.

NINE MONTHS ENDED SEPTEMBER 30, 2024 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2023

Net sales for the nine months ended September 30, 2024 decreased $124.1 million or 39.7% compared to the same period in 2023. The change in net sales during the nine months ended September 30, 2024 compared to the prior year was primarily due to a 40% decrease in unit sales volumes. Sales continued to be impacted by soft consumer demand, as dealers tightly manage their inventories to minimize floor plan carrying costs until demand improves.

In the nine months ended September 30, 2024, net sales outside of the United States accounted for 6.1% of net sales compared to 6.6% of net sales in the same period of the prior year.

Cost of goods sold for the nine months ended September 30, 2024 was $152.4 million compared to $235.9 million for the comparable period in 2023, a decrease of $83.5 million or 35.4%. Cost of goods sold as a percentage of net sales was 80.7% for the nine months ended September 30, 2024 compared to 75.4% for the same period in the prior year due to lower sales volumes and associated manufacturing cost inefficiencies, coupled with the impact of reinstituting retail incentive programs. Production schedules and labor costs have been adjusted to more closely align with current demand.

Selling, general and administrative expenses for the nine months ended September 30, 2024 were $21.8 million compared to $35.5 million for the comparable period in 2023, a decrease of $13.7 million or 38.6%. This decrease was primarily due to costs that vary with sales and profitability, such as incentive compensation, sales commissions and warranty expense, as well as a decrease in pension expense in comparison to the same period of the prior year. In the nine months ended September 30, 2023, selling, general and administrative expenses also included a non-cash pension settlement charge of $2.3 million. Selling, general and administrative expenses were 11.6% of net sales in the nine months ended September 30, 2024 compared to 11.3% in the same period of the prior year.

Gain on disposition of assets, net for the nine months ended September 30, 2024 was $51 thousand compared to $2.0 million for the comparable period in 2023. In the nine months ended September 30, 2023, gains on disposition of assets included a $1.8 million gain related to a real estate transaction.

Operating income for the nine months ended September 30, 2024 was $14.6 million compared to $43.4 million in the same period in 2023.

Interest income, net for the nine months ended September 30, 2024 increased to $2.4 million from $2.1 million in the same period of the prior year due to higher average cash balances. Marine Products generates interest income primarily from investments of excess cash in money market funds. Additionally, interest expense is recorded for the revolving credit facility, including fees on the unused portion of the facility and the amortization of loan costs.

Income tax provision was $3.4 million during the nine months ended September 30, 2024 compared to $9.2 million for the same period in 2023. The effective provision rate was 19.8 percent for the nine months ended September 30, 2024 compared to 20.2 percent for the nine months ended September 30, 2023. The effective tax rate decreased primarily due to the impact of favorable permanent differences.

MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

The Company's cash and cash equivalents at September 30, 2024 were $53.5 million compared to $72.0 million at December 31, 2023. The following table sets forth the cash flows for the applicable periods:

	Nine months ended September 30,	
(in thousands)	**2024**	2023
Net cash provided by operating activities	**$ 24,882**	$ 40,178
Net cash used for investing activities	**(3,523)**	(7,276)
Net cash used for financing activities	**(39,778)**	(15,368)

Cash provided by operating activities for the nine months ended September 30, 2024, decreased by $15.3 million compared to the nine months ended September 30, 2023, primarily due to the decrease in net income. In addition, working capital was a source of cash of $7.4 million in the nine months ended September 30, 2024 compared to $3.3 million in the same period of the prior year. Working capital was a source of cash in the current period due to a net favorable change of $9.0 million in inventory partially offset by a net unfavorable change in other components of working capital. The net favorable change in inventory during the current period was due primarily to the decrease in production. The changes in the other components of working capital were consistent with the decrease in net sales and lower production levels as well as the timing of payments and receipts.

Cash used for investing activities for the nine months ended September 30, 2024 decreased $3.8 million in comparison to the same period in the prior year due to lower capital expenditures during the nine months ended September 30, 2024.

Cash used for financing activities for the nine months ended September 30, 2024 increased $24.4 million in comparison to the nine months ended September 30, 2023 due to higher dividends paid to common shareholders, including a special dividend of $0.70 per share paid during the second quarter of 2024.

Financial Condition and Liquidity

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

Cash Requirements

The Company currently expects that capital expenditures in 2024 will be approximately $5.0 million, of which $3.6 million has been spent through September 30, 2024.

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

On October 22, 2024, the Board of Directors approved the termination of the Supplemental Executive Retirement Plan ("SERP"). Pursuant to the Internal Revenue Service rules, participant balances must be distributed between 12 months and 24 months after the termination of the SERP. The Company expects to distribute participant balances in the fourth quarter of 2025 and is currently evaluating its cash funding options.

Also, on October 22, 2024, the Board of Directors approved and declared a regular quarterly dividend of $0.14 per share payable December 10, 2024 to common stockholders of record at the close of business November 11, 2024. The Company expects to continue to pay cash dividends to common stockholders, subject to industry conditions and Marine Products' earnings, financial condition, and other relevant factors.

OFF BALANCE SHEET ARRANGEMENTS

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

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

The Company currently has an agreement with one of the floor plan lenders whereby the contractual repurchase limit is based on the highest of the following criteria: (i) a specified percentage of the amount of the average net receivables financed by the floor plan lender for our dealers, (ii) the total average net receivables financed by the floor plan lender for our two highest dealers during the prior three month period, or (iii) $8.0 million, less repurchases during the prior 12 month period. As defined by the agreement, the repurchase limit for this lender was $20.5 million as of September 30, 2024. The Company has contractual repurchase agreements with additional lenders with an aggregate maximum repurchase obligation of $6.1 million with various expiration and cancellation terms of less than one year, for an aggregate repurchase obligation with all floor plan financing institutions of $26.6 million as of September 30, 2024.

CERTAIN RELATED PARTY TRANSACTIONS

In conjunction with its spin-off from RPC, Inc. in 2001, the Company and RPC entered into various agreements that define their relationship after the spin-off. RPC charged the Company for its allocable share of administrative costs incurred for services rendered on behalf of Marine Products totaling $858 thousand for the nine months ended September 30, 2024 and $786 thousand for the nine months ended September 30, 2023.

Marine Products and RPC own 50% each of a limited liability company called 255 RC, LLC that was created for the joint purchase and ownership of a corporate aircraft. Marine Products recorded certain net operating costs comprised of rent and an allocable share of fixed costs of $123 thousand for the nine months ended September 30, 2024 and $120 thousand for the nine months ended September 30, 2023.

CRITICAL ACCOUNTING POLICIES

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

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

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

SEASONALITY

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

INFLATION

New boat buyers typically finance their purchases. The Company believes that the recent increase in interest rates (which is generally linked to higher inflation) has reduced retail demand for smaller boats, since purchasers of smaller boats are typically more sensitive to increases in the cost of boat ownership and typically finance their purchases. Higher interest rates also impact our dealers, as their boat purchases are financed and they bear much of the carrying costs of holding inventories. Lastly, the Company incurs higher costs from rising interest rates because we often pay a portion of dealer floor plan interest costs as part of our dealer sales incentive programs, which are described in more detail in our Form 10-K for the fiscal year ended December 31, 2023.

During 2021 and 2022, inflation in the general economy had increased to its highest level in more than 40 years due to economic growth following the COVID-19 pandemic, labor shortages, supply chain constraints, and U.S. fiscal policy. As a result, the market prices of the raw materials and components used by the Company's manufacturing processes increased during these periods. In response to historically high consumer demand as well as higher raw materials and components costs, the Company increased the prices for its products. During 2023, prices of many raw materials used in the Company's manufacturing processes began to decline, and transportation became more available and less expensive, thus easing the Company's cost pressures. However, the Company believes the cost of boat ownership has risen enough to impact retail demand. Therefore, it may be more difficult to raise prices in the future to compensate for increased costs of raw materials and components, which could impact the Company's sales and profit margins.

FORWARD-LOOKING STATEMENTS

Certain statements made in this report that are not historical facts are "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. The words "may," "should," "will," "expect," "believe," "anticipate," "intend," "plan," "seek," "project," "estimate," and similar expressions used in this document that do not relate to historical facts are intended to identify forward-looking statements. Such forward-looking statements may include, without limitation: our attempts to optimize financial returns by closely monitoring dealer orders and inventories, the production mix of various models, and indications of demand such as consumer confidence, inflation concerns, interest rates, dealer orders placed at our annual dealer conferences, and retail attendance and orders at annual winter boat show exhibitions; our plans to consider trends related to certain key financial and other data, including our historical and forecasted financial results, market share, unit sales of our products, average selling price per boat, and gross profit margins, among others, as indicators of the success of our strategies; our plans to continue to monitor retail demand among the various segments in the recreational boat market, the actions of our competitors, dealer inventory levels and the availability of dealer and consumer financing for the purchase of our products and our plans to adjust our production levels as deemed appropriate; our belief that the strong retail demand for new recreational boats has now normalized; our belief that consumers are returning to more pre-pandemic routine lifestyles and rising interest rates are contributing to higher costs of boat ownership; statements that since many recreational boat purchasers finance their purchases, higher interest rates may discourage them from the purchase of a boat; our belief that softening consumer demand has resulted in generally elevated inventory levels in the dealer channel across brands and categories and that this higher level of Chaparral inventory results in higher floorplan financing costs for boat dealers compared to recent years; our plans to reinstitute certain retail incentives and other allowances to attract more consumers and help reduce channel inventory; our expectations regarding demand and our corresponding adjustment to production levels; our financial results are affected by consumer confidence — because pleasure boating is a discretionary expenditure, interest rates — because many retail customers finance the purchase of their boats, and other socioeconomic and environmental factors such as availability of leisure time, consumer preferences, demographics and the weather; our intention to continue our focus on increasing sales of larger boats; our belief that our financial results during the remainder of 2024 will depend on a number of factors, including economic trends, demand for discretionary products, the impact of interest rates on consumer financing options and dealer inventory carrying costs, the effectiveness of our incentive programs, the success of new model launches, and our ability to manage manufacturing costs in light of lower production levels compared to early 2023; our belief that our year-over-year comparisons of net sales will likely remain soft in the near term; our expectation that our year-over-year changes in gross margin will be less pronounced in the near-term as comparisons to prior year periods become less difficult; our belief that the liquidity provided by existing cash, cash equivalents and marketable securities, our overall strong capitalization and cash generated by operations and our revolving credit facility will provide sufficient capital to meet our requirements for at least the next twelve months; our belief that our decisions about the amount of cash to be used for investing and financing purposes will be influenced by our capital position and the expected amount of cash to be provided by operations; our expectations that capital expenditures in 2024 will be approximately $5.0 million; our expectations regarding the distribution of balances with respect to the Supplemental Executive Retirement Plan and corresponding payment options with respect thereto; our expectation to continue to pay cash dividends to common stockholders, subject to industry conditions and our earnings, financial condition, and other relevant factors; statements regarding the seasonality of our business; our plans to continue to monitor the risk of defaults and resulting repurchase obligations based in part on information provided by third-party floor plan lenders and our plans to adjust the guarantee liability at the end of each reporting period based on information reasonably available at that time; our belief that the cost of boat ownership has risen enough to impact retail demand, and as a result, it will be more difficult to raise prices in the future to compensate for increased costs of raw materials and components, which could impact the Company's sales and profit margins; our belief that the recent increase in interest rates has reduced retail demand for smaller boats, since purchasers of smaller boats are typically more sensitive to increases in the cost of boat ownership and typically finance their purchases; statements regarding our assessments of market risk exposures and that we do not expect any material changes in market risk exposures or how those risks are managed; our belief that the outcome of any litigation, arising from time to time in the ordinary course of our business, will not have a material effect on our financial position, results of operations or liquidity; and statements regarding the agreements or contracts the Company has entered into with vendors, customers, lenders, and other third-parties and the anticipated benefits or obligations arising therefrom.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

ITEM 4. CONTROLS AND PROCEDURES

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

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

Changes in internal control over financial reporting — There were no changes in the Company's internal control over financial reporting during the third quarter of 2024 which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

Item 1A. RISK FACTORS

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

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

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

On October 22, 2024, the Board of Directors approved the termination of the SERP. Pursuant to the rules of the IRS, the participant balances must be distributed between 12 months and 24 months after the termination has been approved.

Table of Contents

MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

ITEM 6. Exhibits

Exhibit Number	Description
3.1(a)	Marine Products Corporation Articles of Incorporation (incorporated herein by reference to Exhibit 3.1 to the Registrant’s Registration Statement on Form 10 filed on February 13, 2001).
3.1(b)	Certificate of Amendment of Certificate of Incorporation of Marine Products Corporation executed on June 8, 2005 (incorporated herein by reference to Exhibit 99.1 to the Registrant’s Current Report on Form 8-K filed June 9, 2005).
3.2	Amended and Restated By-laws of Marine Products Corporation dated October 26, 2021 (incorporated herein by reference to Exhibit 3.2 to the Form 10-Q filed October 29, 2021).
4	Restated Form of Stock Certificate of Marine Products Corporation (incorporated herein by reference to Exhibit 4.1 to the Registrant’s Registration Statement to the Form 10 filed on February 13, 2001).
31.1	Section 302 certification for Chief Executive Officer.
31.2	Section 302 certification for Chief Financial Officer.
32.1	Section 906 certifications for Chief Executive Officer and Chief Financial Officer.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

MARINE PRODUCTS CORPORATION AND SUBSIDIARIES

SIGNATURES

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

MARINE PRODUCTS CORPORATION

Date: October 24, 2024	/s/ Ben M. Palmer Ben M. Palmer President and Chief Executive Officer (Principal Executive Officer)
Date: October 24, 2024	/s/ Michael L. Schmit Michael L. Schmit Vice President, Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)

EXHIBIT 31.1

CERTIFICATIONS

I, Ben M. Palmer, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: October 24, 2024

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

EXHIBIT 31.2

CERTIFICATIONS

I, Michael L. Schmit, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: October 24, 2024

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

EXHIBIT 32.1

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

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

Date: October 24, 2024	/s/ Ben M. Palmer Ben M. Palmer President and Chief Executive Officer (Principal Executive Officer)
Date: October 24, 2024	/s/ Michael L. Schmit Michael L. Schmit Vice President, Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)