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 March 31, 2022
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 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	
Buford, Georgia	**30518**
(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	☐	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

The registrant had 14,133,130 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 28, 2022.

ONEWATER MARINE INC.
FORM 10-Q
FOR THE QUARTER ENDED MARCH 31, 2022

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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, 2021, filed with the U.S. Securities and Exchange Commission (the "SEC") on December 17, 2021, 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:

- the impact of the novel coronavirus ("COVID-19") on our business and results of operations;
- general economic conditions, including changes in employment levels, consumer demand, preferences and confidence levels, fuel prices, inflation, 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 same-store growth;
- our ability to integrate acquired dealer groups;
- our ability to maintain our relationships with manufacturers, including meeting the requirements of our dealer agreements and receiving the benefits of certain manufacturer incentives;
- our ability to finance working capital and capital expenditures;
- general domestic and international political and regulatory conditions, including changes in tax or fiscal policy and the effects of current restrictions on various commercial and economic activities in response to the COVID-19 pandemic;
- global public health concerns, including the COVID-19 pandemic;
- demand for our products and our ability to maintain acceptable pricing for our products and services, including financing, insurance and extended service contracts;
- our operating cash flows, the availability of capital and our liquidity;
- our future revenue, same-store sales, income, financial condition, and operating performance;
- our ability to sustain and improve our utilization, revenue and margins;
- competition;
- seasonality and inclement weather such as hurricanes, severe storms, fire and floods, generally and in certain geographic regions in which we primarily generate our revenue;
- 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;
- environmental conditions and real or perceived human health or safety risks;
- any potential tax savings we may realize as a result of our organizational structure;

- uncertainty regarding our future operating results and profitability;
- other risks associated with the COVID-19 pandemic including, among others, the ability to safely operate our stores, access to inventory and customer demand; 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, the effects of the COVID-19 pandemic on the Company's business, the seasonality and volatility of the boat industry, our acquisition strategies, 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, 2021 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)

	March 31, 2022	September 30, 2021
Assets		
Current assets:		
Cash	$ 83,030	$ 62,606
Restricted cash	5,927	11,343
Accounts receivable, net	82,725	28,529
Inventories	293,170	143,880
Prepaid expenses and other current assets	50,926	34,580
Total current assets	515,778	280,938
Property and equipment, net	77,658	67,114
Operating lease right-of-use assets	119,675	89,141
Other assets:		
Deposits	572	526
Deferred tax assets	31,152	29,110
Identifiable intangible assets, net	231,124	85,294
Goodwill	313,460	168,491
Total other assets	576,308	283,421
Total assets	$ 1,289,419	$ 720,614
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 43,858	$ 18,114
Other payables and accrued expenses	46,909	27,665
Customer deposits	63,514	46,610
Notes payable – floor plan	254,853	114,234
Current portion of operating lease liabilities	11,660	9,159
Current portion of long-term debt	17,294	11,366
Current portion of tax receivable agreement liability	915	482
Total current liabilities	439,003	227,630
Long-term Liabilities:		
Other long-term liabilities	26,060	14,991
Tax receivable agreement liability	45,290	39,622
Noncurrent operating lease liabilities	108,683	80,464
Long-term debt, net of current portion and unamortized debt issuance costs	321,448	103,074
Total liabilities	940,484	465,781
Stockholders' Equity:		
Preferred stock, $0.01 par value, 1,000,000 shares authorized, none issued and outstanding as of March 31, 2022 and September 30, 2021	-	-
Class A common stock, $0.01 par value, 40,000,000 shares authorized, 13,879,290 shares issued and outstanding as of March 31, 2022 and 13,276,538 issued and outstanding as of September 30, 2021	139	133
Class B common stock, $0.01 par value, 10,000,000 shares authorized, 1,429,940 shares issued and outstanding as of March 31, 2022 and 1,819,112 issued and outstanding as of September 30, 2021	14	18
Additional paid-in capital	168,095	150,825
Retained earnings	130,560	74,952
Total stockholders' equity attributable to OneWater Marine Inc.	298,808	225,928
Equity attributable to non-controlling interests	50,127	28,905
Total stockholders' equity	348,935	254,833
Total liabilities and stockholders' equity	$ 1,289,419	$ 720,614

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Revenues				
New boat	$ 290,020	$ 239,654	$ 526,218	$ 391,482
Pre-owned boat	75,854	56,082	129,303	94,662
Finance & insurance income	14,948	11,789	24,255	17,752
Service, parts & other	61,305	22,086	98,623	39,798
Total revenues	442,127	329,611	778,399	543,694
Cost of sales (exclusive of depreciation and amortization shown separately below)				
New boat	208,606	187,147	384,502	309,679
Pre-owned boat	55,959	42,548	95,329	73,000
Service, parts & other	35,020	11,130	55,061	19,793
Total cost of sales	299,585	240,825	534,892	402,472
Selling, general and administrative expenses	75,492	48,348	134,588	83,208
Depreciation and amortization	4,727	1,378	6,476	2,341
Transaction costs	776	368	3,821	568
Change in fair value of contingent consideration	2,158	-	7,904	377
Income from operations	59,389	38,692	90,718	54,728
Other expense (income)				
Interest expense – floor plan	1,048	330	1,925	1,250
Interest expense – other	3,097	1,215	4,626	2,139
Other expense (income), net	109	5	657	(89)
Total other expense, net	4,254	1,550	7,208	3,300
Income before income tax expense	55,135	37,142	83,510	51,428
Income tax expense	12,781	6,550	17,670	9,061
Net income	42,354	30,592	65,840	42,367
Less: Net income attributable to non-controlling interests	1,011	-	1,011	-
Less: Net income attributable to non-controlling interests of One Water Marine Holdings, LLC	5,046	10,117	8,513	14,104
Net income attributable to OneWater Marine Inc.	$ 36,297	$ 20,475	$ 56,316	$ 28,263
Earnings per share of Class A common stock – basic	$ 2.62	$ 1.88	$ 4.14	$ 2.61
Earnings per share of Class A common stock – diluted	$ 2.54	$ 1.83	$ 4.02	$ 2.55
Basic weighted-average shares of Class A common stock outstanding	13,864	10,901	13,619	10,838
Diluted weighted-average shares of Class A common stock outstanding	14,272	11,171	14,017	11,083

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

	Class A Common Stock		Class B Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Non-controlling Interest	Total Stockholders' Equity
Balance at September 30, 2021	13,277	$ 133	1,819	$ 18	$ 150,825	$ 74,952	$ 28,905	$ 254,833
Net income	-	-	-	-	-	20,019	3,467	23,486
Distributions to members	-	-	-	-	-	(442)	(177)	(619)
Non-controlling interest in subsidiary	-	-	-	-	-	-	19,311	19,311
Exchange of B shares for A shares	389	4	(389)	(4)	7,405	-	(7,405)	-
Establishment of liabilities under tax receivable agreement and related changes to deferred tax assets associated with increases in tax basis	-	-	-	-	(283)	-	-	(283)
Shares issued upon vesting of equity-based awards, net of tax withholding	53	1	-	-	(469)	-	-	(468)
Shares issued in connection with a business combination	133	1	-	-	6,833	-	-	6,834
Equity-based compensation	-	-	-	-	2,100	-	-	2,100
Balance at December 31, 2021	13,852	$ 139	1,430	$ 14	$ 166,411	$ 94,529	$ 44,101	$ 305,194
Net income	-	-	-	-	-	36,297	6,057	42,354
Distributions to members	-	-	-	-	-	(266)	(605)	(871)
Exchange of B shares for A shares	-	-	-	-	(574)	-	574	-
Shares issued upon vesting of equity-based awards, net of tax withholding	27	-	-	-	(455)	-	-	(455)
Equity-based compensation	-	-	-	-	2,713	-	-	2,713
Balance at March 31, 2022	13,879	$ 139	1,430	$ 14	$ 168,095	$ 130,560	$ 50,127	$ 348,935

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

	Class A Common Stock		Class B Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Non-controlling Interest	Total Stockholders' Equity
Balance at September 30, 2020	10,392	$ 104	4,583	$ 46	$ 105,947	$ 16,757	$ 50,433	$ 173,287
Net income	-	-	-	-	-	7,788	3,987	11,775
Distributions to members	-	-	-	-	-	-	(1,319)	(1,319)
Effect of September offering, including underwriter exercise of option to purchase shares	387	4	(387)	(4)	4,146	-	(4,256)	(110)
Exchange of B shares for A shares	88	1	(88)	(1)	916	-	(916)	-
Establishment of liabilities under tax receivable agreement and related changes to deferred tax assets associated with increases in tax basis	-	-	-	-	(228)	-	-	(228)
Adjustment to adopt Topic 842	-	-	-	-	-	1,073	-	1,073
Equity-based compensation	-	-	-	-	1,078	-	-	1,078
Balance at December 31, 2020	10,867	$ 109	4,108	$ 41	$ 111,859	$ 25,618	$ 47,929	$ 185,556
Net income	-	-	-	-	-	20,475	10,117	30,592
Distributions to members	-	-	-	-	-	(61)	(140)	(201)
Exchange of B shares for A shares	37	-	(37)	-	558	-	(558)	-
Establishment of liabilities under tax receivable agreement and related changes to deferred tax assets associated with increases in tax basis	-	-	-	-	(6)	-	-	(6)
Shares issued upon vesting of equity-based awards, net of tax withholding	64	1	-	-	(450)	-	-	(449)
Equity-based compensation	-	-	-	-	1,127	-	-	1,127
Balance at March 31, 2021	10,968	$ 110	4,071	$ 41	$ 113,088	$ 46,032	$ 57,348	$ 216,619

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

For the Six Months Ended March 31	2022	2021
Cash flows from operating activities		
Net income	$ 65,840	$ 42,367
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	6,541	2,341
Equity-based awards	4,813	2,205
Gain on asset disposals	(14)	(136)
Non-cash interest expense	626	393
Deferred income tax provision	3,463	1,787
Loss on change in fair value of contingent consideration	7,904	-
(Increase) decrease in assets:		
Accounts receivable	(44,119)	(22,417)
Inventories	(113,879)	(30,551)
Prepaid expenses and other current assets	(14,189)	1,083
Deposits	(50)	(128)
Increase (decrease) in liabilities:		
Accounts payable	26,363	12,971
Other payables and accrued expenses	4,810	(126)
Tax receivable agreement liability	313	-
Customer deposits	8,156	20,792
Net cash (used in) provided by operating activities	(43,422)	30,581
Cash flows from investing activities		
Purchases of property and equipment and construction in progress	(7,993)	(5,126)
Proceeds from disposal of property and equipment	22	118
Cash used in acquisitions	(288,894)	(85,499)
Net cash used in investing activities	(296,865)	(90,507)
Cash flows from financing activities		
Net borrowings from floor plan	140,619	55,751
Proceeds from long-term debt	240,000	30,000
Payments on long-term debt	(13,842)	(3,334)
Payments of debt issuance costs	(4,053)	(653)
Payments of September 2020 offering costs	-	(540)
Payments of contingent consideration	(53)	-
Payments of tax withholdings for equity-based awards	(923)	(449)
Distributions to members	(6,453)	(1,520)
Net cash provided by financing activities	355,295	79,255
Net change in cash	15,008	19,329
Cash and restricted cash at beginning of period	73,949	68,153
Cash and restricted cash at end of period	$ 88,957	$ 87,482
Supplemental cash flow disclosures		
Cash paid for interest	$ 5,925	$ 2,996
Cash paid for income taxes	6,310	7,480
Noncash items		
Acquisition purchase price funded by seller notes payable	$ 1,126	$ 2,056
Acquisition purchase price funded by contingent consideration	15,321	5,482
Acquisition purchase price funded by issuance of Class A common stock	6,834	-
Purchase of property and equipment funded by long-term debt	529	1,280
Initial operating lease right-of-use assets for adoption of Topic 842	-	71,835
Right-of-use assets obtained in exchange for new operating lease liabilities	36,174	17,131

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 Marine 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 and majority-owned subsidiaries.

The Company is one of the largest recreational boat 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, 2022, the Company operated a total of 75 retail locations, 10 distribution centers/warehouses and multiple online marketplaces in sixteen 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, including the COVID-19 pandemic, 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 stores, 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 and other storms, environmental conditions, and other events 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 43.8% and 39.8% of total sales for the six months ended March 31, 2022 and 2021, 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 15.1% and 15.7% of our consolidated revenue for the six months ended March 31, 2022 and 2021, 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, and through OneWater LLC and its wholly-owned subsidiaries as well as majority-owned subsidiaries over which the Company exercises control, 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, 2022, OneWater Inc. owned 90.7% of the economic interest of OneWater LLC.

Commencing December 31, 2021, the Company owns 80% of the economic interest of Quality Assets and Operations, over which the Company exercises control and the minority interest in this subsidiary has been recorded accordingly. 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, 2021. All adjustments, consisting of only normal recurring adjustments considered 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 year ending on September 30. Additionally, since there are no differences between net income and comprehensive income, all references to comprehensive income have been excluded from the accompanying unaudited condensed consolidated financial statements.

COVID-19 Pandemic

In March 2020, the Company began seeing the impact of the COVID-19 global pandemic on its business. During the subsequent months the Company followed the guidance of local governments and health officials, we temporarily closed or reduced staffing at certain departments and locations. All locations have reopened and the Company has implemented cleaning and social distancing techniques at each of its locations. In light of the current environment, the Company's sales team members are providing customers with the option of in-person or virtual walkthroughs of inventory and/or private, at home or on water showings. The duration and related impact on the Company's consolidated financial statements is currently uncertain, and it is possible that the pandemic, including the resurgence of COVID-19 in certain geographic areas or the emergence of variant strains of the virus, may negatively impact the Company's future results of operations. The impact of COVID-19 on our suppliers and the recent increase in demand for marine retail products has led to industry-wide supply chain constraints. The Company is monitoring and assessing the situation and preparing for implications to the business, including the ability to safely operate its stores, access to inventory and customer demand.

2. Summary of Significant Accounting Policies

Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable, other payables and accrued expenses, floor plan notes payable, term note payable and revolving note payable with Truist Bank, seller notes payable and company vehicle notes payable. The carrying values approximate their fair values because of the nature of their terms and current market rates of these instruments.

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 manufactured and assembled parts and accessories is determined using standard costing. The cost of acquired parts and accessories is determined using the weighted average cost method.

Goodwill and Other Identifiable Intangible Assets

Goodwill and 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 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.

Identifiable intangible assets consist of trade names, 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 dealer group, and therefore, are not subject to amortization. Design libraries 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. Intangible asset amortization expense was approximately $2.6 million for the three and six months ended March 31, 2022. No expense was recorded for the three and six months ended March 31, 2021.

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 on and concurrent with specific sales transactions. 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. 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) are recognized when control of the items is transferred to the customer, which is typically upon shipment. Revenue from parts and service operations (boat maintenance and repairs) are 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 $4.1 and $2.3 million as of March 31, 2022 and September 30, 2021, respectively.

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 accordingly, the costs are accrued when the related revenue is recognized 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 commission is 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 three and six months ended March 31, 2022 and 2021.

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 or part/accessory is transferred to the customer. The activity in customer deposits for the three and six months ended March 31, 2022 is as follows:

($ in thousands)	Three Months Ended March 31, 2022	Six Months Ended March 31, 2022
Beginning contract liability	$ 56,986	$ 46,610
Revenue recognized from contract liabilities included in the beginning balance	(30,334)	(37,251)
Increases due to cash received, net of amounts recognized in revenue during the period	36,862	54,155
Ending contract liability	$ 63,514	$ 63,514

The following tables set forth percentages on the timing of revenue recognition for the three and six months ended March 31, 2022 and 2021.

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Goods and services transferred at a point in time	95.2%	94.5%
Goods and services transferred over time	4.8%	5.5%
Total Revenue	100.0%	100.0%

	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Goods and services transferred at a point in time	94.3%	94.2%
Goods and services transferred over time	5.7%	5.8%
Total Revenue	100.0%	100.0%

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, share based compensation, valuation of acquisition contingent consideration and accruals for expenses relating to business operations.

Segment Information

As of March 31, 2022 and September 30, 2021, the Company had one operating segment, marine retail. The marine retail segment consists of the sale of new and pre-owned boats, arrangement of finance and insurance products, performance of repair and maintenance services and offering marine related parts and accessories. The marine retail business 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. The Company has determined its marine retail operating segment is its reporting unit and is also the reportable segment.

3. New Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740) – Simplifying the Accounting for Income Taxes". The pronouncement is effective for a public company's annual reporting periods beginning after December 15, 2020, and interim periods within those annual periods. The Company adopted the new guidance in fiscal first quarter 2022. The adoption of the guidance did not have a material impact on the Company's financial statement.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform", which provides temporary optional guidance to companies impacted by the transition away from the London Interbank Offered Rate ("LIBOR"). The guidance provides certain expedients and exceptions to applying GAAP in order to lessen the potential accounting burden when contracts, hedging relationships, and other transactions that reference LIBOR as a benchmark rate are modified. The guidance is effective upon issuance and expires on December 31, 2022. The Company is currently assessing the impact of the LIBOR transition and this ASU on the Company's financial statements.

In October 2021, the FASB issued ASU 2021-08, "Business Combinations (Topic 805) – Accounting for Contract Assets and Contract Liabilities from Contracts with Customers", which is intended to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to the recognition of an acquired contract liability and payment terms and their effect on subsequent revenue recognized by the acquirer. The pronouncement is effective for a public company's annual reporting periods beginning after December 15, 2022, and interim periods within those annual periods. 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 2024.

4. Acquisitions

The results of operations of acquisitions are included in the accompanying unaudited condensed consolidated financial statements from the acquisition date. The purchase price of acquisitions is allocated to identifiable tangible assets and intangible assets acquired based on their estimated fair values at the acquisition date, with the excess being allocated to goodwill. Under the acquisition method of accounting, the purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on information currently available. For acquisitions of Quality Boats and YakGear, the valuation of tangible assets, assumed liabilities and identifiable intangible assets are preliminary as the acquisitions are subject to certain customary closing and post-closing adjustments and certain valuations are not complete. Any changes to the value of identifiable intangible assets will be reclassified from goodwill upon the completion of the valuations.

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For the six months ended March 31, 2022, the Company completed the following transactions:

- On October 1, 2021, Naples Boat Mart with one location in Florida
- On November 30, 2021, T-H Marine, a leading provider of branded marine parts and accessories, with locations in Alabama, Florida, Illinois, Indiana, Oklahoma and Texas
- On December 1, 2021, Norfolk Marine Company with one location in Virginia
- On December 31, 2021, a majority interest in Quality Boats with three locations in Florida. The sellers retained a 20% economic interest in Quality Boats. The Company has the exclusive right, but not obligation, to acquire the remaining 20% interest at any time before January 1, 2027.
- On February 1, 2022, JIF Marine, a leading supplier of stainless steel ladders, dock products and other accessories which is based in Tennessee
- On March 1, 2022, YakGear, a leading supplier of kayak equipment, paddle sports accessories and boat mounting accessories which is based in Texas

Consideration paid for the acquisitions was $312.2 million with $288.9 million paid at closing (net of cash acquired), $1.1 million financed through a note payable to the sellers bearing interest at a rate of 4.0% per year, estimated payments of $15.3 million in contingent consideration and the remaining $6.8 million with the issuance of shares of Class A common stock. The notes are payable in one lump sum on December 1, 2024, with interest payments due quarterly. The estimated payments of contingent consideration are part of multiple earnouts varying from the achievement of certain post-acquisition increases in adjusted EBITDA to the generation of acquisition leads for the Company. The acquisition contingent consideration was developed using weighted average projections based on the Company's historical experience, current forecasts for the industry and current expectations of the ability to generate viable acquisition leads. The minimum payout on acquisition contingent consideration is $5.9 million and the maximum payout is $24.7 million.

The table below summarizes the fair values (Quality Boats and YakGear are preliminary) of the assets acquired and liabilities assumed at the acquisition date, including the goodwill recorded as a result of the transactions:

Summary of Assets Acquired and Liabilities Assumed

($ in thousands)	T-H Marine	Quality Boats	Other Acquisitions	Total Acquisitions
Accounts receivable	$ 8,955	$ -	$ 1,122	$ 10,077
Inventories	19,856	5,937	9,618	35,411
Prepaid expenses	1,547	54	370	1,971
Property and equipment	3,896	803	1,227	5,926
Operating lease right-of-use assets	5,960	428	218	6,606
Identifiable intangible assets	105,500	31,700	11,276	148,476
Goodwill	51,694	78,682	14,594	144,970
Accounts payable	(3,876)	-	(471)	(4,347)
Accrued expenses	(1,697)	-	(553)	(2,250)
Customer deposits	(394)	(5,047)	(3,307)	(8,748)
Operating lease liabilities	(5,960)	(428)	(218)	(6,606)
Aggregate acquisition date fair value	$ 185,481	$ 112,129	$ 33,876	$ 331,486
Consideration transferred	$ 185,481	$ 92,818	$ 33,876	$ 312,175
Fair value of non-controlling interests	-	19,311	-	19,311
Aggregate acquisition date fair value	$ 185,481	$ 112,129	$ 33,876	$ 331,486

Included in our results for the three and six months ended March 31, 2022, the acquisitions contributed $72.4 million and $86.6 million to our consolidated revenue and $12.2 million and $13.3 to our income before income tax expense, respectively. Costs related to acquisitions are included in transaction costs and primarily relate to legal, accounting, valuation and other fees, which are charged directly to operations in the accompanying consolidated statements of operations as incurred in the amount of $0.7 million and $3.7 million for the three and six months ended March 31, 2022, respectively. Comparatively, we recorded $0.4 million and $0.6 million in acquisition related transaction costs for the three and six months ended March 31, 2021, respectively.

The following unaudited pro forma summary presents consolidated information as if all acquisitions in the three and six month periods ended March 31, 2022 and 2021 had occurred on October 1, 2020:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
	($ in thousands) (Unaudited)	
Pro forma revenue	$ 443,901	$ 413,583
Pro forma net income	$ 42,583	$ 40,468

	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
	($ in thousands) (Unaudited)	
Pro forma revenue	$ 821,412	$ 734,457
Pro forma net income	$ 66,257	$ 58,019

The amounts have been calculated by applying our accounting policies and estimates. Certain acquired entities completed acquisitions during the periods presented, prior to our acquisition of the business. Their acquisitions are included in the results of their operations from the acquisition date forward but were not included on a pro forma basis. Pro forma net income has been tax affected based on the Company's effective tax rate in the historical periods presented.

We expect substantially all of the goodwill related to completed acquisitions to be deductible for federal income tax purposes.

5. Inventories

Inventories consisted of the following at:

($ in thousands)	March 31, 2022	September 31, 2021
New vessels	$ 213,420	$ 105,625
Pre-owned vessels	32,532	22,906
Work in process, parts and accessories	47,218	15,349
	$ 293,170	$ 143,880

6. Goodwill and Other Identifiable 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. Identifiable intangible assets consist of trade names, design libraries and customer relationships related to the acquisitions the Company has completed. The changes in goodwill and identifiable intangible assets are as follows:

($ in thousands)	Goodwill	Trade Names	Design Libraries	Customer Relationships	Total Identifiable Intangible Assets, net
	Unamortized	Unamortized	Amortized	Amortized	
Net balance as of September 30, 2021	$ 168,491	$ 85,294	$ -	$ -	$ 85,294
Acquisitions during the six months ended March 31, 2022	144,969	66,571	14,050	67,855	148,476
Accumulated amortization for the six months ended March 31, 2022	-	-	(454)	(2,192)	(2,646)
Net balance as of March 31, 2022	$ 313,460	$ 151,865	$ 13,596	$ 65,663	$ 231,124

Amortization expense was $2.6 million for the three and six months ended March 31, 2022 and is recorded in depreciation and amortization expense in the unaudited condensed consolidated statements of operations.

The following table summarizes the expected amortization expense for fiscal years 2022 through 2026 and thereafter (Dollars in thousands):

2022 (excluding the six months ended March 31, 2022)	$ 4,095
2023	8,190
2024	8,190
2025	8,190
2026	8,190
Thereafter	42,404
	$ 79,259

7. 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 December 29, 2021, the Company and certain of its subsidiaries entered into the Seventh 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 to $500.0 million. The Inventory Financing Facility expires on December 1, 2023. The outstanding balance of the facility was $254.9 million and $114.2 million, as of March 31, 2022 and September 31, 2021, respectively.

Effective October 1, 2021, 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, 2022 the interest rate on the Inventory Financing Facility ranged from 3.02% to 5.27% for new inventory and 3.27% to 5.52% for pre-owned inventory. As of September 30, 2021 the interest rate on the Inventory Financing Facility was calculated under the legacy London Inter-Bank Offering Rate and ranged from 3.08% to 5.33% for new inventory and 3.33% to 5.58% for pre-owned inventory. Borrowing capacity available at March 31, 2022 and September 30, 2021 was $245.1 million and $278.3 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 (as defined in the Inventory Financing Facility) as well as 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, 2022.

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.

8. Long-term Debt and Line of Credit

On November 30, 2021, the Company and certain of its subsidiaries entered into an Incremental Amendment No. 2 (the “Second Amendment”) to the Credit Facility (as defined below) with Truist Bank. The Second Amendment amends the Credit Facility to, among other things, provide for an incremental term loan (the “Incremental Term Loan) in an aggregate principal amount equal to $200.0 million, which will be added to, and constitute part of, the existing $110.0 million term loan and will be on the same terms applicable to the existing term loan under the Credit Facility. Additionally, the Second Amendment further provides a $20.0 million increase in the revolving commitment, which will be added to, and constitute part of, the existing $30.0 revolving commitment.

The 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 or certain other assets of the Company’s subsidiaries financed under the Inventory Financing Facility. The 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 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 as of March 31, 2022.

Long-term debt consisted of the following at:

($ in thousands)	March 31, 2022	September 30, 2021
Term note payable to Truist Bank, secured and bearing interest at 3.0% at March 31, 2022 and 2.75% at September 30, 2021. The note requires quarterly principal payments, maturing with a full repayment on July 22, 2025	$ 297,930	$ 105,875
Revolving note payable for an amount up to $50.0 million to Truist Bank, secured and bearing interest at 3.0% at March 31, 2022. The note requires full repayment on July 22, 2025	40,000	-
Note payable to commercial vehicle lenders secured by the value of the vehicles bearing interest at rates ranging from 0.0% to 8.9% per annum. The notes require monthly installment payments of principal and interest ranging from $100 to $5,600 through July 2028	3,234	3,248
Note payable to Tom George Yacht Sales, Inc., 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	2,056
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	-
Note payable to Central Marine Services, Inc., unsecured and bearing interest at 5.5% per annum. The note was repaid in full	-	2,164
Note payable to Ocean Blue Yacht Sales, unsecured and bearing interest at 5.0% per annum. The note was repaid in full	-	1,920
Note payable to Slalom Shop, LLC, unsecured and bearing interest at 5.0% per annum. The note was repaid in full	-	1,271
Total debt outstanding	344,346	116,534
Less current portion (net of debt issuance costs)	(17,294)	(11,366)
Less unamortized portion of debt issuance costs	(5,604)	(2,094)
Long-term debt, net of current portion of unamortized debt issuance costs	$ 321,448	$ 103,074

9. Stockholders' and Members' 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 1,530,923. 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, 2022, the Board approved the grant of 52,227 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 during fiscal year 2022 as measured against objective performance goals as determined by the Board. The actual number of units earned may range from 0% to 200% of the target number of units depending upon achievement of the performance goals. Performance-based restricted stock units vest in three equal annual installments, commencing on September 30, 2022. Upon vesting, each performance-based restricted stock unit equals one share of common stock of the Company. As of March 31, 2022, the Company estimated achievement of the performance targets at 200%.

During the six months ended March 31, 2022, the Board approved the grant of 108,346 time-based restricted stock units. 13,062 restricted stock units fully vest on September 30, 2022 and the remaining 95,284 restricted stock units vest in three equal annual installments commencing on September 30, 2022.

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 $2.7 million and $1.1 million of compensation expense for the three months ended March 31, 2022 and 2021, respectively, which includes $1.7 million and $0.4 million of compensation expense for the three months ended March 31, 2022 and 2021, respectively, for performance share units. The Company recognized $4.8 million and $2.2 million of compensation expense for the six months ended March 31, 2022 and 2021, respectively, which includes $2.7 million and $0.7 million of compensation expense for the six months ended March 31, 2022 and 2021, respectively, for performance share units.

The following table further summarizes activity related to restricted stock units for the six months ended March 31, 2022:

	Restricted Stock Unit Awards	
	Number of Units	Weighted Average Grant Date Fair Value ($)
Unvested at September 30, 2021	545,094	$ 22.68
Awarded	160,573	40.44
Vested	(100,872)	16.99
Forfeited	-	-
Unvested at March 31, 2022	604,795	$ 28.34

As of March 31, 2022, the total unrecognized compensation expense related to outstanding equity awards was $10.8 million, which the Company expects to recognize over a weighted-average period of 1.4 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 issued equal to the amount of employee income tax withholding.

Earnings Per Share

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

On March 30, 2022, the Board approved an up to $50 million share repurchase program. As of March 31, 2022, no shares had been repurchased under the program. The repurchase program does not have a predetermined expiration date.

The following table sets forth the calculation of earnings per share for the three months ended March 31, 2022 and 2021 (in thousands, except per share data):

Earnings per share:	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Numerator:		
Net income attributable to OneWater Inc.	$ 36,297	$ 20,475
Denominator:		
Weighted-average number of unrestricted outstanding common shares used to calculate basic net income per share	13,864	10,901
Effect of dilutive securities:		
Restricted stock units	408	270
Diluted weighted-average shares of Class A common stock outstanding used to calculate diluted earnings per share	14,272	11,171
Earnings per share of Class A common stock – basic	$ 2.62	$ 1.88
Earnings per share of Class A common stock – diluted	$ 2.54	$ 1.83

The following table sets forth the calculation of earnings per share for the six months ended March 31, 2022 and 2021 (in thousands, except per share data):

Earnings per share:	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Numerator:		
Net income attributable to OneWater Inc.	$ 56,316	$ 28,263
Denominator:		
Weighted-average number of unrestricted outstanding common shares used to calculate basic net income per share	13,619	10,838
Effect of dilutive securities:		
Restricted stock units	398	245
Diluted weighted-average shares of Class A common stock outstanding used to calculate diluted earnings per share	14,017	11,083
Earnings per share of Class A common stock – basic	$ 4.14	$ 2.61
Earnings per share of Class A common stock – diluted	$ 4.02	$ 2.55

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 earnings per share 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 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, 2022	Three Months Ended March 31, 2021
Class B common stock	1,430	4,108
Restricted Stock Units	199	143
	1,629	4,251

	Six Months Ended March 31, 2022	Six Months Ended March 31, 2021
Class B common stock	1,625	4,154
Restricted Stock Units	217	173
	1,842	4,327

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 299,505 shares of the Company's Class A common stock may be issued under the ESPP, 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. As of March 31, 2022, there has not yet been an offering period under the ESPP.

Distributions

During the six months ended March 31, 2022 and 2021, the Company made distributions to OneWater Unit Holders for certain permitted tax payments.

10. 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, plant and equipment and other intangibles, those used in the reporting unit valuation in the annual goodwill impairment evaluation and those used in the valuation of 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 liabilities measured at fair value in the accompanying unaudited condensed consolidated balance sheets as of March 31, 2022 and September 30, 2021:

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
	($ in thousands)			
Liabilities:				
Contingent Consideration	$ -	$ -	$ 35,243	$ 35,243

	September 30, 2021			
	Level 1	Level 2	Level 3	Total
	($ in thousands)			
Liabilities:				
Contingent Consideration	$ -	$ -	$ 12,072	$ 12,072

There were no transfers between the valuation hierarchy Levels 1, 2, and 3 for the three or six months ended March 31, 2022.

We estimate the fair value of contingent consideration using a probability-weighted discounted cash flow model based on forecasted future earnings or forecasted probabilities of producing 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 included 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, 2022:

($ in thousands)	Three Months Ended March 31, 2021
Balance as of December 31, 2021	$ 33,139
Additions from acquisitions	-
Settlement of contingent consideration	(53)
Change in fair value, including accretion	2,157
Balance as of March 31, 2022	$ 35,243

($ in thousands)	Six Months Ended March 31, 2021
Balance as of September 30, 2021	$ 12,072
Additions from acquisitions	15,321
Settlement of contingent consideration	(53)
Change in fair value, including accretion	7,903
Balance as of March 31, 2022	$ 35,243

11. 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 23.2% and 21.2% for the three and six months ending March 31, 2022, respectively, differ from statutory rates primarily due to earnings allocated to non-controlling interests.

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 asset in the future. The Company has not recorded a valuation allowance.

As of March 31, 2022 and September 30, 2021, 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 September 30, 2020. The Company is not currently under an income tax audit in any U.S. or state jurisdiction for any tax year.

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, 2022 and September 30, 2021, our liability under the Tax Receivable Agreement was $46.2 million and $40.1 million, respectively, 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.

12. 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, if decided adversely, 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.

13. 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.

14. 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 common members of the Company. Total purchases incurred under these arrangements were $25.0 million and $21.3 million for the three months ended March 31, 2022 and 2021, respectively, and $58.2 million and $36.4 million for the six months ended March 31, 2022 and 2021, respectively.

In accordance with agreements approved by the Board, certain entities affiliated with common members of the Company receive fees for rent of commercial property. Total expenses incurred under these arrangements were $0.6 million and $0.5 million for the three months ended March 31, 2022 and 2021, respectively, and $1.3 million and $1.1 million for the six months ended March 31, 2022 and 2021, respectively.

In accordance with agreements approved by the Board, the Company received fees from certain entities and individuals affiliated with common members of the Company for goods and services. Total fees recorded under these arrangements were $4.8 million and $1.3 million for the three months ended March 31, 2022 and 2021, respectively, and $4.9 million and $1.4 million for the six months ended March 31, 2022 and 2021, respectively.

In accordance with agreements approved by the Board, the Company made payments to certain entities and individuals affiliated with common members of the Company for goods and services. Total payments recorded under these arrangements were $0.1 million for the three months ended March 31, 2021, and $0.1 million for each of the six months ended March 31, 2022 and 2021.

In connection with transactions noted above, the Company owed $0.4 million and $1.0 million as recorded within accounts payable as of March 31, 2022 and September 30, 2021, respectively. Additionally, the Company was due $0.8 million and $32,368 as recorded within accounts receivable as of March 31, 2022 and September 30, 2021, respectively.

15. Subsequent Events

On April 1, 2022, the Company completed the acquisition of Denison Yachting pursuant to the terms of the purchase agreement. The aggregate consideration for the purchase included approximately $35.6 million in cash consideration and 253,840 shares of Class A common stock of the Company, with a value of approximately $9.7 million. The aggregate consideration is subject to customary post-closing adjustments.

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, 2021, filed with the U.S. Securities and Exchange Commission (the "SEC") on December 17, 2021, 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 75 retail locations, 10 distribution centers/warehouses and multiple online marketplaces as of March 31, 2022. Our retail locations are located in highly attractive markets throughout the Southeast, Gulf Coast, Mid-Atlantic and Northeast, many of which are in top twenty states for marine retail expenditures. We believe that we are a market leader by volume in sales of premium boats in 13 out of the 18 markets in which we operate. In fiscal year 2021, we sold approximately 9,500 new and pre-owned boats, many of which were sold to customers who had a trade-in or with whom we had otherwise established relationships. The combination of our significant scale, diverse inventory and revenue streams, access to premium boat brands and meaningful brand equity enable us to provide a consistently professional experience as reflected in the number of our repeat customers and same-store sales growth.

We were formed in 2014 as One Water Marine Holdings, LLC ("OneWater LLC") through the combination of Singleton Marine and Legendary Marine, which created a marine retail platform that collectively owned and operated 19 retail locations. Since the combination in 2014, we have acquired a total of 55 additional retail locations, 10 distribution centers/warehouses and multiple online marketplaces through 28 acquisitions. Our current portfolio of companies, as of March 31, 2022, 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 premium recreational marine retailers in the United States based on number of stores and total boats sold. While we have opportunistically opened new locations in select markets, we believe that it is generally more effective economically and operationally to acquire existing locations with experienced staff and established reputations.

The marine retail industry is highly fragmented, as evidenced by the over 4,000 boat dealers nationwide. Most competing boat retailers offer new boat sales, pre-owned boat sales, finance & insurance products, repair and maintenance services, and parts and accessories and are operated by local business owners with three or fewer stores. 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. We are able to operate with a comparatively higher degree of profitability than other independent retailers because we allocate support resources across our store base, focus on high-margin products and services, 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 boat 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.

Impact of COVID-19

The COVID-19 pandemic and its related effects, including restraints on U.S. economic and leisure activities, has and may continue to have a significant impact on our operations and financial condition. National, state and local governments in affected regions have implemented and may continue to implement safety precautions, including shelter in place orders, travel restrictions, business closures, cancellations of public gatherings, including boat shows, and other measures. At times, these measures have affected our ability to sell and service boats, required us to temporarily close or partially close certain locations and may require additional closures in the future. In light of the current environment, our sales team members are fully engaged with customers and are providing them with virtual walkthroughs of inventory and/or private, at home or on water, showings, while our service departments are working hard to deliver boats and keep customers on the water.

The COVID-19 pandemic and its related effects have, to date, positively impacted our sales as more customers desire to engage in outdoor recreational activities that can be enjoyed close to first or second homes, in a socially distanced manner. However, the COVID-19 pandemic has also caused significant supply chain challenges as suppliers were, and continue to be, faced with business closures and shipping delays. This has led to an industry wide inventory shortage of boats, engines and certain marine parts. The COVID-19 pandemic and its related effects may continue to interfere with the ability of our employees, contractors, customers, suppliers, and other business partners to perform our and their respective responsibilities and obligations with respect to the operation of our business.

While we continue to monitor the impact of the COVID-19 pandemic on our business and operations, our financial results for the three and six months ended March 31, 2022 suggest that spending in all our regions and across product lines has proven resilient despite the challenges posed by the pandemic as customers have continued to focus on socially distanced outdoor recreations. The ultimate impact of the COVID-19 pandemic on our business remains uncertain and dependent on various factors including consumer demand, a possible resurgence of COVID-19, including variants of the virus in certain geographic areas, our ability to safely operate stores and the existence and extent of a prolonged economic downturn.

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 a total of 55 additional retail locations, 10 distribution centers/warehouses and multiple online marketplaces through 28 acquisitions. Our team remains focused on expanding our retail locations in regions with strong boating cultures, enhancing the customer experience, and generating value for our shareholders. Additionally, we continue to evaluate acquisitions of companies who focus primarily on parts and accessory sales, further strengthening that area of our business.

We have an extensive acquisition track record within the marine retail 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 stores at attractive EBITDA multiples and then grow same-store sales while benefitting from cost-reducing synergies. Historically, we have typically acquired dealer groups 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.

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 the COVID-19 pandemic, including 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 stores, particularly in the Southeast, can have a major impact on our overall results of operations. Local influences, such as corporate downsizing and inclement weather such as hurricanes and other storms, environmental conditions, global public health concerns and events 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 stores 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 and 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 the COVID-19 pandemic, 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.

Critical Accounting Policies and Significant 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, contingent assets and liabilities, each as of the date of the financial statements, and revenues and expenses during the periods presented. On an ongoing basis, management evaluates their estimates and assumptions, and the effects of any such revisions are reflected in the financial statements in the period in which they are determined to be necessary. Actual outcomes could differ materially from those estimates in a manner that could have a material effect on our consolidated financial statements. Set forth below are the policies and estimates that we have identified as critical to our business operations and understanding our results of operations, based on the high degree of judgment or complexity in their application.

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 by or delivery to the customer. At the time of acceptance or delivery, the customer is able to direct the use of the product 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) are recognized when control of the items 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 $4.1 million and $2.3 million as of March 31, 2022 and September 30, 2021, respectively.

Deferred 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 three and six months ended March 31, 2022.

Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of new and pre-owned boat inventory is determined using the specific identification method. New and pre-owned boat sales history indicates that the overwhelming majority of such boats are sold for, or in excess of, the cost to purchase those boats. In assessing the lower of cost or net realizable value, we consider the aging of the boats, historical sales of a particular product and current market conditions. There are inherent uncertainties in assessing net realizable value as management must make assumptions and apply judgment to changes in the market, brands and other factors that drive consumer preferences and spending. We typically do not maintain a boat inventory reserve. The cost of manufactured and assembled parts and accessories is determined using standard costing. The cost of acquired parts and accessories is determined using the weighted average cost method. Inventory is reported net of write downs for obsolete and slow moving items of approximately $1.1 million and $0.8 million at March 31, 2022 and September 30, 2021, respectively.

Goodwill and Other Intangible Assets

In accordance with ASC 350, we review goodwill for impairment annually in the fourth fiscal quarter, or more often if events or circumstances indicate that impairment may have occurred. When evaluating goodwill for impairment, if the fair value of a reporting unit is less than its carrying value, the difference would represent the amount of required goodwill impairment in accordance with ASC 350. To the extent the reporting unit's earnings decline significantly or there are changes in one or more of these inputs that would result in a lower valuation, it could cause the carrying value of the reporting unit to exceed its fair value and thus require the Company to record goodwill impairment.

Identifiable intangible assets consist of trade names, design libraries and customer relationships related to the acquisitions we have completed. We have 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 dealer group, and therefore, are not subject to amortization. Design libraries 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.

Impairment testing requires the assessment of both qualitative and quantitative factors, including, but not limited to whether there has been a significant or adverse change in the business climate that could affect the value of an asset and/or significant or adverse changes in cash flow projections or earnings forecasts. These assessments require management to make judgements, assumptions and estimates. We did not perform impairment testing related to goodwill and identifiable intangible assets for the six months ended March 31, 2022 as no triggering events have occurred.

Business Combinations

We account for business combinations using the acquisition method of accounting, which requires recognition of assets acquired and liabilities assumed at fair value as of the date of the acquisition. Determination of the estimated fair value assigned to each asset acquired or liability assumed can materially impact the net income in subsequent periods through depreciation and amortization and potential impairment charges.

The most critical areas of judgment in applying the acquisition method include selecting the appropriate valuation techniques and assumptions that are used to measure the acquired assets and assumed liabilities at fair value, particularly for inventory, acquisition contingent consideration, trade names, design libraries and customer relationships. The fair value of acquired inventory is based on manufacturer invoice cost, curtailments, and market data. The significant estimates used to value acquisition contingent consideration are future earnings and discount rates. Management estimated the fair value of the trade names and design libraries using the relief from royalty method and customer relationships using the multi-period excess earnings method. The fair value determination of the trade names and design libraries required management to make significant estimates and assumptions related to future revenues and the selection of the royalty rate and discount rate. The fair value determination of the customer relationships required management to make significant estimates and assumptions related to future revenues attributable to existing customers, future EBITDA margins and the selection of the customer attrition rate and discount rate.

In selecting the techniques and assumptions noted above, we generally engage third-party, independent valuation professionals to assist us in developing the assumptions and applying the valuation techniques to a particular business combination transaction. In particular, the discount rates selected are compared to and evaluated with (i) the industry weighted-average cost of capital, (ii) the inherent risks associated with each type of asset and (iii) the level and timing of future cash flows appropriately reflecting market participant assumptions.

How We Evaluate Our Operations

Revenue

We have a diversified revenue profile that is comprised of new boat sales, pre-owned boat sales, F&I products, repair and maintenance services, and parts and accessories. During different phases of the economic cycle, consumer behavior may shift away from new boats; however, we are well-positioned to benefit from 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 consumers, 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 17.2% and 10.3% to revenue in the three months ended March 31, 2022 and 2021, respectively, and 15.8% and 10.6% to revenue in the six months ended March 31, 2022 and 2021, respectively, due to the higher gross margin on these product and service lines, non-boat sales contributed 28.9% and 25.6% to gross profit in the three months ended March 31, 2022 and 2021, respectively, and 27.9% and 26.7% to gross profit in the six months ended March 31, 2022 and 2021, respectively. We have also diversified our business across geographies and dealership types (e.g., fresh water and salt water) in order to reduce the effects of seasonality. In addition to seasonality, revenue and operating results may also 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 retail stores and vendor consideration. Gross profit excludes 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 (‘‘SG&A’’) 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 SG&A expenses in the aggregate as a percentage of total revenue.

Same-Store Sales

We assess the organic growth of our 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 stores become eligible for inclusion in the comparable store base at the end of the store’s thirteenth month of operations under our ownership and revenues are only included for identical months in the same-store base periods. Stores relocated within an existing market remain in the comparable store base for all periods. Additionally, amounts related to closed stores are excluded from each comparative base period. Because 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 before interest expense – other, income tax expense, depreciation and amortization and other (income) expense, further adjusted to eliminate the effects of items such as the change in fair value of warrant liability, change in fair value of contingent consideration, loss on extinguishment of debt and transaction costs. See ‘‘—Comparison of Non-GAAP Financial Measure’’ for more information and a reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure calculated and presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

Summary of Acquisitions

The comparability of our results of operations between the periods discussed below is naturally affected by the acquisitions 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.

Fiscal 2022 Year-to-date Acquisitions

- Effective October 1, 2021, we acquired Naples Boat Mart, a full-service marine retailer with one location in Florida.
- Effective November 30, 2021, we acquired T-H Marine, a leading provider of branded marine parts and accessories, with locations in Alabama, Florida, Illinois, Indiana, Oklahoma and Texas.
- Effective December 1, 2021, we acquired Norfolk Marine Company, a full-service marine retailer with one location in Virginia.
- Effective December 31, 2021, we acquired a majority interest in Quality Boats, a full-service marine retailer with three locations in Florida.
- Effective February 1, 2022, we acquired JIF Marine, a leading supplier of stainless steel ladders, dock products and other accessories which is based in Tennessee.
- Effective March 1, 2022, we acquired YakGear, a leading supplier of kayak equipment, paddle sport accessories and boat mounting accessories which is based in Texas.

We refer to the acquisitions described above collectively as the ‘‘2022 Acquisitions.’’ Naples Boat Mart is fully reflected in our unaudited Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2022. The acquisitions of T-H Marine, Norfolk Marine Company and Quality Boats are fully reflected in our unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2022 and partially reflected for the six months ended March 31, 2022. The acquisitions of JIF Marine and YakGear were partially included in the unaudited Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2022.

Fiscal 2021 Acquisitions

- Effective December 1, 2020, we acquired Tom George Yacht Sales, Inc, a full-service marine retailer based in Florida with two locations.
- Effective December 31, 2020, we acquired Walker Marine Group, Inc., a full-service marine retailer based in Florida with five locations.
- Effective December 31, 2020, we acquired Roscioli Yachting Center, Inc., a full-service marina and yachting facility located in Florida, including the related real estate and in-water slips.
- Effective August 1, 2021, we acquired substantially all of the assets of Stone Harbor Marine, Inc., a full-service marine retailer based in New Jersey with one store.
- Effective September 1, 2021, we acquired substantially all of the assets of PartsVu, an online marketplace for OEM marine parts, electronics and accessories.

We refer to the acquisitions described above collectively as the ‘‘2021 Acquisitions.’’ The Tom George Yacht Sales, Inc, Walker Marine Group, Inc. and Roscioli Yachting Center Inc. acquisitions are fully reflected in our unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2021 and partially reflected for the six months ended March 31, 2021. Stone Harbor Marine, Inc. and PartsVu are not reflected in the unaudited Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2021.

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 for the reasons described below.

- OneWater Inc. is subject to U.S. federal, state and local income taxes as a corporation. Our accounting predecessor, OneWater LLC, was and is treated as a partnership for U.S. federal income tax purposes, and as such, was generally not subject to U.S. federal income tax at the entity level. Rather, the tax liability with respect to its taxable income is passed through to its members. Accordingly, the financial data attributable to our predecessor contains no provision for U.S. federal income taxes or income taxes in any state or locality. OneWater Inc. was subject to U.S. federal, state and local taxes at an estimated blended statutory rate of 24.4% of pre-tax earnings for the six months ended March 31, 2022.
- As we further implement controls, processes and infrastructure applicable to companies with publicly traded equity securities, it is likely that we will incur additional SG&A 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, 2022, Compared to Three Months Ended March 31, 2021

	For the Three Months Ended March 31, 2022		For the Three Months Ended March 31, 2021			
	Amount	% of Revenue	Amount	% of Revenue	$ Change	% Change
	($ in thousands)					
Revenues						
New boat	$ 290,020	65.6%	$ 239,654	72.7%	$ 50,366	21.0%
Pre-owned boat	75,854	17.2%	56,082	17.0%	19,772	35.3%
Finance & insurance income	14,948	3.4%	11,789	3.6%	3,159	26.8%
Service, parts and other	61,305	13.9%	22,086	6.7%	39,219	177.6%
Total revenues	442,127	100.0%	329,611	100.0%	112,516	34.1%
Gross Profit						
New boat	81,414	18.4%	52,507	15.9%	28,907	55.1%
Pre-owned boat	19,895	4.5%	13,534	4.1%	6,361	47.0%
Finance & insurance	14,948	3.4%	11,789	3.6%	3,159	26.8%
Service, parts & other	26,285	5.9%	10,956	3.3%	15,329	139.9%
Total gross profit	142,542	32.2%	88,786	26.9%	53,756	60.5%
Selling, general and administrative expenses	75,492	17.1%	48,348	14.7%	27,144	56.1%
Depreciation and amortization	4,727	1.1%	1,378	0.4%	3,349	243.0%
Transaction costs	776	0.2%	368	0.1%	408	110.9%
Change in fair value of contingent consideration	2,158	0.5%	-	0.0%	2,158	100.0%
Income from operations	59,389	13.4%	38,692	11.7%	20,697	53.5%
Interest expense - floor plan	1,048	0.2%	330	0.1%	718	217.6%
Interest expense - other	3,097	0.7%	1,215	0.4%	1,882	154.9%
Other expense (income), net	109	0.0%	5	0.0%	104	*
Income before income tax expense	55,135	12.5%	37,142	11.3%	17,993	48.4%
Income tax expense	12,781	2.9%	6,550	2.0%	6,231	95.1%
Net income	42,354	9.6%	30,592	9.3%	11,762	38.4%
Less: Net income attributable to non-controlling interest	1,011		-		1,011	100.0%
Less: Net income attributable to non-controlling interests of One Water Marine Holdings, LLC	5,046		10,117		(5,071)	-50.1%
Net income attributable to One Water Marine Inc.	$ 36,297		$ 20,475		$ 15,822	77.3%

Revenue

Overall, revenue increased by $112.5 million, or 34.1%, to $442.1 million for the three months ended March 31, 2022 from $329.6 million for the three months ended March 31, 2021. Revenue generated from same-store sales increased 8.0% for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021, primarily due to an increase in the average selling price of new and pre-owned boats, the model mix of boats sold, an increase in finance & insurance sales and an increase in service, parts and other sales. Overall revenue increased by $112.5 million as a result of a $26.4 million increase in same-store sales and a $86.1 million increase from stores not eligible for inclusion in the same-store sales base. New and acquired stores become eligible for inclusion in the comparable store base at the end of the store's thirteenth month of operations under our ownership and revenues are only included for identical months in the same-store base periods.

New Boat Sales

New boat sales increased by $50.4 million, or 21.0%, to $290.0 million for the three months ended March 31, 2022 from $239.7 for the three months ended March 31, 2021. The increase was primarily attributable to our same-store sales growth, our acquisitions and an increase in our average unit price. We believe the increase in sales was primarily due to continued execution of operational improvements on previously acquired dealers, the mix of boat brands and models sold, and product improvements in the functionality of technology of boats which drove average unit prices higher.

Pre-owned Boat Sales

Pre-owned boat sales increased by $19.8 million, or 35.3%, to $75.9 million for the three months ended March 31, 2022 from $56.1 million for the three months ended March 31, 2021. 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 average sales price per pre-owned unit for the three months ended March 31, 2022 increased largely due to the mix of pre-owned products, the composition of the brands and models sold during the period as well as the industry-wide supply restrictions.

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 increased by $3.2 million, or 26.8%, to $14.9 million for the three months ended March 31, 2022 from $11.8 million for the three months ended March 31, 2021. The increase was primarily due to the additional new and pre-owned boat revenues. 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 stores. Finance & insurance products decreased slightly as a percentage of total revenue to 3.4% in the three months ended March 31, 2022 from 3.6% in the three months ended March 31, 2021. 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 increased by $39.2 million, or 177.6%, to $61.3 million for the three months ended March 31, 2022 from $22.1 million for the three months ended March 31, 2021. The increase in service, parts & other sales is primarily due to the acquisition of T-H Marine as well as increases across the board in labor, parts, fuel and storage sales, driven by ancillary sales generated from our increase in new and pre-owned boat sales.

Gross Profit

Overall, gross profit increased by $53.8 million, or 60.5%, to $142.5 million for the three months ended March 31, 2022 from $88.8 million for the three months ended March 31, 2021. This increase was primarily due to our overall increase in same-store sales which was driven by increases in all revenue streams, the impact of the 2022 Acquisitions and the Company’s focus on dynamic pricing. Overall gross margins increased 530 basis points to 32.2% for the three months ended March 31, 2022 from 26.9% for the three months ended March 31, 2021 due to the factors noted below.

New Boat Gross Profit

New boat gross profit increased by $28.9 million, or 55.1%, to $81.4 million for the three months ended March 31, 2022 from $52.5 million for the three months ended March 31, 2021. This increase was primarily due to our overall increase in same-store sales as well as the impact of the 2022 Acquisitions. New boat gross profit as a percentage of new boat revenue was 28.1% for the three months ended March 31, 2022 as compared to 21.9% in the three months ended March 31, 2021. The increase in new boat gross profit and gross profit margin is due primarily to a shift in the mix and size of boat models sold, the margin profile of recently acquired locations and our emphasis on expanding new boat gross profit margins amid the industry wide inventory and supply chain constraints.

Pre-owned Boat Gross Profit

Pre-owned boat gross profit increased by $6.4 million, or 47.0%, to $19.9 million for the three months ended March 31, 2022 from $13.5 million for the three months ended March 31, 2021. The increase in pre-owned gross profit was driven by the increase in pre-owned revenue as a result of our same-store sales growth and the impact of the 2022 Acquisitions. Pre-owned boat gross profit as a percentage of pre-owned boat revenue was 26.2% and 24.1% for the three months ended March 31, 2022 and 2021, respectively. We sell a wide range of brands and sizes of pre-owned boats under different types of sales arrangements (e.g., trade-ins, brokerage, consignment and wholesale), which may cause periodic and seasonal fluctuations in pre-owned boat gross profit as a percentage of revenue. In the three months ended March 31, 2022 as compared to the three months ended March 31, 2021, we experienced an increase in our gross profit on pre-owned sales for each of the different sales arrangements with the exception of wholesale.

Finance & Insurance Gross Profit

Finance & insurance gross profit increased by $3.2 million, or 26.8%, to $14.9 million for the three months ended March 31, 2022 from $11.8 million for the three months ended March 31, 2021. Finance & insurance income is fee-based revenue for which we do not recognize incremental cost of sale.

Service, Parts & Other Gross Profit

Service, parts & other gross profit increased by $15.3 million, or 139.9%, to $26.3 million for the three months ended March 31, 2022 from $11.0 million for the three months ended March 31, 2021. Service, parts & other gross profit as a percentage of service, parts & other revenue was 42.9% and 49.6% for the three months ended March 31, 2022 and 2021, respectively. The increase in gross profit was primarily the result of our same-store sales growth as well as contributions from the 2022 Acquisitions. The decrease in gross profit margin percentage was due to a shift in the mix of products sold towards parts & accessories which has a lower margin percentage than service and other sales.

Selling, General & Administrative Expenses

Selling, general & administrative expenses increased by $27.1 million, or 56.1%, to $75.5 million for the three months ended March 31, 2022 from $48.3 million for the three months ended March 31, 2021. This increase was primarily due to expenses incurred to support the overall increase in revenues and gross profit. The selling, general & administrative increase primarily consisted of a $18.5 million increase in personnel expenses. Selling, general & administrative expenses as a percentage of revenue increased to 17.1% from 14.7% for the three months ended March 31, 2022 and 2021, respectively. The increase in selling, general and administrative expenses as a percentage of revenue was primarily due to higher variable-based compensation expense as a result of the Company’s increased gross profit margin.

Depreciation and Amortization

Depreciation and amortization expense increased $3.3 million, or 243.0%, to $4.7 million for the three months ended March 31, 2022 compared to $1.4 million for the three months ended March 31, 2021. The increase in depreciation and amortization expense was primarily attributable to a $2.6 million increase in amortization of design libraries and customer relationships from the 2022 Acquisitions.

Transaction Costs

The increase in transaction costs of $0.4 million, or 110.9%, to $0.8 million for the three months ended March 31, 2022 compared to $0.4 million for the three months ended March 31, 2021 was primarily attributable to expenses related to the 2022 Acquisitions.

Change in Fair Value of Contingent Consideration

During the three months ended March 31, 2022, we incurred expenses of $2.2 million related to updated forecasts and accretion of contingent consideration liabilities for acquisitions completed in fiscal year 2021 and 2022.

Income from Operations

Income from operations increased $20.7 million, or 53.5%, to $59.4 million for the three months ended March 31, 2022 compared to $38.7 million for the three months ended March 31, 2021. The increase was primarily attributable to the $53.8 million increase in gross profit for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021, partially offset by a $27.1 million increase in selling, general & administrative expenses and a $3.3 million increase in depreciation and amortization during the same periods.

Interest Expense – Floor Plan

Interest expense – floor plan increased $0.7 million to $1.0 million for the three months ended March 31, 2022 compared to $0.3 million for the three months ended March 31, 2021. The increase in floor plan interest expense was primarily attributable to the increase in average inventory for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021.

Interest Expense – Other

Interest expense – other increased by $1.9 million, or 154.9%, to $3.1 million for the three months ended March 31, 2022 compared to $1.2 million for the three months ended March 31, 2021. The increase in interest expense – other was related to the increase in our long-term debt which was used to fund certain of the 2022 Acquisitions.

Other Expense (Income), Net

Other expense increased slightly to $0.1 million for the three months ended March 31, 2022 compared to $4,882 for the three months ended March 31, 2021.

Income Tax Expense

Income tax expense increased $6.2 million, or 95.1%, to $12.8 million for the three months ended March 31, 2022 compared to $6.6 million for the three months ended March 31, 2021. The increase was primarily attributable to the 48.4% increase in income before income tax expense for the three months ended March 31, 2022 as compared to March 31, 2021 as well as the increased proportion of consolidated income before income tax expense that is allocated to OneWater Marine Inc. and therefore taxable due to exchanges of shares of Class B common stock for shares of Class A common stock.

Net Income

Net income increased by $11.8 million to $42.4 million for the three months ended March 31, 2022 compared to $30.6 million for the three months ended March 31, 2021. The increase was primarily attributable to the $53.8 million increase in gross profit for the three months ended March 31, 2022 compared to March 31, 2021. The increase was partially offset by the $27.1 million increase in selling, general & administrative expenses, $6.2 million increase in income tax expense and the $3.3 million increase in depreciation and amortization for the three months ended March 31, 2022 compared to the three months ended March 31, 2021.

Six Months Ended March 31, 2022, Compared to Six Months Ended March 31, 2021

	For the Six Months Ended March 31, 2022		For the Six Months Ended March 31, 2021			
	Amount	% of Revenue	Amount	% of Revenue	$ Change	% Change
			($ in thousands)			
Revenues						
New boat	$ 526,218	67.6%	$ 391,482	72.0%	$ 134,736	34.4%
Pre-owned boat	129,303	16.6%	94,662	17.4%	34,641	36.6%
Finance & insurance income	24,255	3.1%	17,752	3.3%	6,503	36.6%
Service, parts and other	98,623	12.7%	39,798	7.3%	58,825	147.8%
Total revenues	778,399	100.0%	543,694	100.0%	234,705	43.2%
Gross Profit						
New boat	141,716	18.2%	81,803	15.0%	59,913	73.2%
Pre-owned boat	33,974	4.4%	21,662	4.0%	12,312	56.8%
Finance & insurance	24,255	3.1%	17,752	3.3%	6,503	36.6%
Service, parts & other	43,562	5.6%	20,005	3.7%	23,557	117.8%
Total gross profit	243,507	31.3%	141,222	26.0%	102,285	72.4%
Selling, general and administrative expenses	134,588	17.3%	83,208	15.3%	51,380	61.7%
Depreciation and amortization	6,476	0.8%	2,341	0.4%	4,135	176.6%
Transaction costs	3,821	0.5%	568	0.1%	3,253	572.7%
Change in fair value of contingent consideration	7,904	1.0%	377	0.1%	7,527	*
Income from operations	90,718	11.7%	54,728	10.1%	35,990	65.8%
Interest expense - floor plan	1,925	0.2%	1,250	0.2%	675	54.0%
Interest expense - other	4,626	0.6%	2,139	0.4%	2,487	116.3%
Other (income) expense, net	657	0.1%	(89)	0.0%	746	*
Income before income tax expense	83,510	10.7%	51,428	9.5%	32,082	62.4%
Income tax expense	17,670	2.3%	9,061	1.7%	8,609	95.0%
Net income	65,840	8.5%	42,367	7.8%	23,473	55.4%
Less: Net income attributable to non-controlling interest	1,011		-		1,011	100.0%
Less: Net income attributable to non-controlling interests of One Water Marine Holdings, LLC	8,513		14,104		(5,591)	-39.6%
Net income attributable to One Water Marine Inc.	$ 56,316		$ 28,263		$ 28,053	99.3%

Revenue

Overall, revenue increased by $234.7 million, or 43.2%, to $778.4 million for the six months ended March 31, 2022 from $543.7 million for the six months ended March 31, 2021. Revenue generated from same-store sales increased 15.8% for the six months ended March 31, 2022 as compared to the six months ended March 31, 2021, primarily due to an increase in the average selling price of new and pre-owned boats, the model mix of boats sold, an increase in finance & insurance sales and an increase in service, parts and other sales. Overall revenue increased by $234.7 million as a result of a $86.0 million increase in same-store sales and a $148.8 million increase from stores not eligible for inclusion in the same-store sales base. New and acquired stores become eligible for inclusion in the comparable store base at the end of the store's thirteenth month of operations under our ownership and revenues are only included for identical months in the same-store base periods.

New Boat Sales

New boat sales increased by $134.7 million, or 34.4%, to $526.2 million for the six months ended March 31, 2022 from $391.5 for the six months ended March 31, 2021. The increase was primarily attributable to our same-store sales growth, our acquisitions and an increase in our average unit price. We believe the increase in sales was primarily due to continued execution of operational improvements on previously acquired dealers, the mix of boat brands and models sold, and product improvements in the functionality of technology of boats which drove average unit prices higher.

Pre-owned Boat Sales

Pre-owned boat sales increased by $34.6 million, or 36.6%, to $129.3 million for the six months ended March 31, 2022 from $94.7 million for the six months ended March 31, 2021. 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 average sales price per pre-owned unit for the six months ended March 31, 2022 increased largely due to the mix of pre-owned products, the composition of the brands and models sold during the period as well as the industry-wide supply restrictions.

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 increased by $6.5 million, or 36.6%, to $24.3 million for the six months ended March 31, 2022 from $17.8 million for the six months ended March 31, 2021. The increase was primarily due to the additional new and pre-owned boat revenues. 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 stores. Finance & insurance products decreased slightly as a percentage of total revenue to 3.1% in the six months ended March 31, 2022 from 3.3% in the six months ended March 31, 2021. 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 increased by $58.8 million, or 147.8%, to $98.6 million for the six months ended March 31, 2022 from $39.8 million for the six months ended March 31, 2021. The increase in service, parts & other sales is primarily due to the acquisition of T-H Marine as well as increases across the board in labor, parts, fuel and storage sales, driven by ancillary sales generated from our increase in new and pre-owned boat sales.

Gross Profit

Overall, gross profit increased by $102.3 million, or 72.4%, to $243.5 million for the six months ended March 31, 2022 from $141.2 million for the six months ended March 31, 2021. This increase was primarily due to our overall increase in same-store sales which was driven by increases in all revenue streams, the impact of the 2021 and 2022 acquisitions and the Company's focus on dynamic pricing. Overall gross margins increased 530 basis points to 31.3% for the six months ended March 31, 2022 from 26.0% for the six months ended March 31, 2021 due to the factors noted below.

New Boat Gross Profit

New boat gross profit increased by $59.9 million, or 73.2%, to $141.7 million for the six months ended March 31, 2022 from $81.8 million for the six months ended March 31, 2021. This increase was primarily due to our overall increase in same-store sales as well as the impact of the 2021 and 2022 acquisitions. New boat gross profit as a percentage of new boat revenue was 26.9% for the six months ended March 31, 2022 as compared to 20.9% in the six months ended March 31, 2021. The increase in new boat gross profit and gross profit margin is due primarily to a shift in the mix and size of boat models sold, the margin profile of recently acquired locations, our emphasis on expanding new boat gross profit margins amid the industry wide inventory and supply chain constraints.

Pre-owned Boat Gross Profit

Pre-owned boat gross profit increased by $12.3 million, or 56.8%, to $34.0 million for the six months ended March 31, 2022 from $21.7 million for the six months ended March 31, 2021. The increase in pre-owned gross profit was driven by the increase in pre-owned revenue as a result of our same-store sales growth and the impact of the 2021 and 2022 acquisitions. Pre-owned boat gross profit as a percentage of pre-owned boat revenue was 26.3% and 22.9% for the six months ended March 31, 2022 and 2021, respectively. We sell a wide range of brands and sizes of pre-owned boats under different types of sales arrangements (e.g., trade-ins, brokerage, consignment and wholesale), which may cause periodic and seasonal fluctuations in pre-owned boat gross profit as a percentage of revenue. In the six months ended March 31, 2022 as compared to the six months ended March 31, 2021, we experienced an increase in our gross profit on pre-owned sales for each of the different sales arrangements with the exception of wholesale.

Finance & Insurance Gross Profit

Finance & insurance gross profit increased by $6.5 million, or 36.6%, to $24.3 million for the six months ended March 31, 2022 from $17.8 million for the six months ended March 31, 2021. Finance & insurance income is fee-based revenue for which we do not recognize incremental cost of sale.

Service, Parts & Other Gross Profit

Service, parts & other gross profit increased by $23.6 million, or 117.8%, to $43.6 million for the six months ended March 31, 2022 from $20.0 million for the six months ended March 31, 2021. Service, parts & other gross profit as a percentage of service, parts & other revenue was 44.2% and 50.3% for the six months ended March 31, 2022 and 2021, respectively. The increase in gross profit was primarily the result of our same-store sales growth as well as contributions from the 2021 and 2022 acquisitions. The decrease in gross profit margin percentage was due to a shift in the mix of products sold towards parts & accessories which has a lower margin percentage than service and other sales.

Selling, General & Administrative Expenses

Selling, general & administrative expenses increased by $51.4 million, or 61.7%, to $134.6 million for the six months ended March 31, 2022 from $83.2 million for the six months ended March 31, 2021. This increase was primarily due to expenses incurred to support the overall increase in revenues and gross profit which included a $35.5 million increase in personnel expenses. Selling, general & administrative expenses as a percentage of revenue increased to 17.3% from 15.3% for the six months ended March 31, 2022 and 2021, respectively. The increase in selling, general and administrative expenses as a percentage of revenue was primarily due to higher variable-based compensation expense as a result of the Company's increased gross profit margin.

Depreciation and Amortization

Depreciation and amortization expense increased $4.1 million, or 176.6%, to $6.5 million for the six months ended March 31, 2022 compared to $2.3 million for the six months ended March 31, 2021. The increase in depreciation and amortization expense was primarily attributable to a $2.6 million increase in amortization of design libraries and customer relationships from the 2022 Acquisitions as well as an increase in property, plant and equipment.

Transaction Costs

The increase in transaction costs of $3.3 million, or 572.7%, to $3.8 million for the six months ended March 31, 2022 compared to $0.6 million for the six months ended March 31, 2021 was primarily attributable to expenses related to the 2022 Acquisitions.

Change in Fair Value of Contingent Consideration

During the six months ended March 31, 2022, we incurred expenses of $7.9 million related to updated forecasts and accretion of contingent consideration liabilities for acquisitions completed in fiscal year 2021 and 2022. During the six months ended March 31, 2021, we incurred an expense of $0.4 million related to the settlement of contingent consideration from a fiscal year 2019 acquisition.

Income from Operations

Income from operations increased $36.0 million, or 65.8%, to $90.7 million for the six months ended March 31, 2022 compared to $54.7 million for the six months ended March 31, 2021. The increase was primarily attributable to the $102.3 million increase in gross profit for the six months ended March 31, 2022 as compared to the six months ended March 31, 2021, partially offset by a $51.4 million increase in selling, general & administrative expenses, and a $7.5 million increase in the change in fair value of contingent consideration during the same periods.

Interest Expense – Floor Plan

Interest expense – floor plan increased $0.7 million to $1.9 million for the six months ended March 31, 2022 compared to $1.3 million for the six months ended March 31, 2021. The increase in floor plan interest expense was primarily attributable to the increase in average inventory for the six months ended March 31, 2022 as compared to the six months ended March 31, 2021.

Interest Expense – Other

Interest expense – other increased by $2.5 million, or 116.3%, to $4.6 million for the six months ended March 31, 2022 compared to $2.1 million for the six months ended March 31, 2021. The increase in interest expense – other was related to the increase in our long-term debt which was used to fund certain 2022 acquisitions.

Other Expense (Income), Net

Other expense (income), net increased by $0.7 million to expense of $0.7 million for the six months ended March 31, 2022 compared to income of $0.1 million for the six months ended March 31, 2021. The increase in expense was primarily due to the impact of tax rate changes on our tax receivable agreement liability.

Income Tax Expense

Income tax expense increased $8.6 million, or 95.0%, to $17.7 million for the six months ended March 31, 2022 compared to $9.1 million for the six months ended March 31, 2021. The increase was primarily attributable to the 62.4% increase in income before income tax expense for the six months ended March 31, 2022 as compared to March 31, 2021 as well as the increased proportion of consolidated income before income tax expense that is allocated to OneWater Marine Inc. and therefore taxable due to exchanges of shares of Class B common stock for shares of Class A common stock.

Net Income

Net income increased by $23.5 million to $65.9 million for the six months ended March 31, 2022 compared to $42.4 million for the six months ended March 31, 2021. The increase was primarily attributable to the $102.3 million increase in gross profit for the six months ended March 31, 2022 compared to March 31, 2021. The increase was partially offset by a $51.4 million increase in selling, general & administrative expenses, a $8.6 million increase in income tax expense and a $7.5 million increase in the change in fair value of contingent consideration during the same periods.

Comparison of Non-GAAP Financial Measure

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

Our board of directors, 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 fair value adjustment of the warrants, change in fair value of contingent consideration, gain (loss) on extinguishment of debt 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 income, which is the most directly comparable GAAP measure for the periods presented.

Three Months Ended March 31, 2022, Compared to Three Months Ended March 31, 2021

Description	Three months ended March 31, 2022	2021
	($ in thousands)	
Net income	$ 42,354	$ 30,592
Interest expense – other	3,097	1,215
Income tax expense	12,781	6,550
Depreciation and amortization	4,791	1,378
Change in fair value of contingent consideration	2,158	-
Transaction costs	776	368
Other expense (income), net	109	5
Adjusted EBITDA	$ 66,066	$ 40,108

Adjusted EBITDA was $66.1 million for the three months ended March 31, 2022 compared to $40.1 million for the three months ended March 31, 2021. The increase in Adjusted EBITDA resulted primarily from our 8.0% increase in same-store sales growth for the three months ended March 31, 2022 as compared to the three months ended March 31, 2021, the impact of the 2022 Acquisitions and our ability to increase gross profit margins and control selling, general and administrative expenses.

Six Months Ended March 31, 2022, Compared to Six Months Ended March 31, 2021

Description	Six months ended March 31, 2022	2021
	($ in thousands)	
Net income	$ 65,840	$ 42,367
Interest expense – other	4,626	2,139
Income tax expense	17,670	9,061
Depreciation and amortization	6,540	2,341
Change in fair value of contingent consideration	7,904	377
Transaction costs	3,821	568
Other expense (income), net	657	(89)
Adjusted EBITDA	$ 107,058	$ 56,764

Adjusted EBITDA was $107.1 million for the six months ended March 31, 2022 compared to $56.8 million for the six months ended March 31, 2021. The increase in Adjusted EBITDA resulted primarily from our 15.8% increase in same-store sales growth for the six months ended March 31, 2022 as compared to the six months ended March 31, 2021, the impact of the 2021 and 2022 Acquisitions and our ability to increase gross profit margins and control selling, general and administrative expenses.

Seasonality

Our business, along with the entire recreational boating industry, is highly seasonal, and such seasonality varies by geographic market. With the exception of Florida, we generally realize 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 stores 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 and other storms 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 the COVID-19 pandemic, our seasonal trends may also change as a result of, among other things, store 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 Credit Facility, 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 Credit Facility and Inventory Financing Facility (described below) 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—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 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 Credit Facility to fund operations depends upon Adjusted EBITDA and compliance with covenants of the 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, 2022, we were in compliance with all covenants under the 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, 2022 and 2021

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

	Six Months ended March 31,		
Description	**2022**	**2021**	**Change**
		($ in thousands)	
Net cash (used in) provided by operating activities	$ (43,422)	$ 30,581	$ (74,003)
Net cash used in investing activities	(296,865)	(90,507)	(206,358)
Net cash provided by financing activities	355,295	79,255	276,040
Net change in cash	$ 15,008	$ 19,329	$ (4,321)

Operating Activities. Net cash used in operating activities was $43.4 million for the six months ended March 31, 2022 compared to net cash provided by operating activities of $30.6 million for the six months ended March 31, 2021. The $74.0 million decrease in cash provided by operating activities was primarily attributable to a $83.3 million increase in the change in inventory and a $21.7 million increase in the change in accounts receivable for the six months ended March 31, 2022 as compared to the six months ended March 31, 2021. This amount was partially offset by a $23.5 million increase in net income and a $13.4 million increase in the change in accounts payable for the six months ended March 31, 2022 as compared to the six months ended March 31, 2021.

Investing Activities. Net cash used in investing activities was $296.9 million for the six months ended March 31, 2022 compared to net cash used in investing activities of $90.5 million for the six months ended March 31, 2021. The $206.4 million increase in cash used in investing activities was primarily attributable to a $203.4 million increase in cash used in acquisitions for the six months ended March 31, 2022 as compared to the six months ended March 31, 2021.

Financing Activities. Net cash provided by financing activities was $355.3 million for the six months ended March 31, 2022 compared to net cash provided by financing activities of $79.3 million for the six months ended March 31, 2021. The $276.0 million increase in financing cash flow was primarily attributable to a $210.0 million increase in borrowings on long-term debt and an $84.9 million increase in net borrowings on our Inventory Financing Facility for the six months ended March 31, 2022 as compared to the six months ended March 31, 2021.

Share Repurchase Program

On March 30, 2022, our Board authorized a share repurchase program of up to $50 million of outstanding shares of Class A common stock. As of March 31, 2022, no shares had been repurchased under the program. The repurchase program does not have a predetermined expiration date.

Debt Agreements

Credit Facility

Effective July 22, 2020, we and certain of our subsidiaries entered into the Credit Agreement (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "Credit Facility") with Truist Bank and the other lenders party thereto. The Credit Facility provides for (i) a $50.0 million revolving credit 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 from time to time, and (ii) a term loan facility (which includes incremental term loans as provided in the First Incremental Amendment and Second Incremental Amendment). Subject to certain conditions, the available amount under the revolving credit facility and the term loans may be increased. The revolving credit facility matures on July 22, 2025. The term loan is repayable in installments beginning on March 31, 2021, with the remainder due on the earlier of (i) July 22, 2025 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 Credit Facility

On February 2, 2021, we entered into the Incremental Amendment No. 1 (the "First Incremental Amendment") to the Credit Facility to provide for, among other things, an incremental term loan (the "Incremental Term Loan") to OWAO in an aggregate principal amount equal to $30.0 million, which was added to, and constitutes a part of, the existing $80.0 million term loan.

On November 30, 2021, we entered into the Incremental Amendment No. 2 (the "Second Incremental Amendment") to the Credit Facility to provide for, among other things, an incremental term loan (the "Second Incremental Term Loan") to OWAO in an aggregate principal amount equal to $200.0 million, which will be added to, and constitute a part of, the existing $110.0 million term loan. The Second Incremental Amendment further provides for a $20.0 million increase in the existing revolving commitment (the "Incremental Revolving Increase"), which was added to, and constitutes a part of, the existing $30.0 million revolving commitment. As of March 31, 2022, we had $297.9 million outstanding under the term loan and $40.0 million outstanding under the revolving credit facility.

Borrowings under the Credit Facility bear interest, at OWAO's 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) the Adjusted LIBO Rate (defined below) determined on a daily basis for an interest period of one month, plus 1.00%, or (iv) 1.75%, plus an applicable margin of up to 2.00%, or (b) the rate per annum obtained by dividing the London Interbank Offered Rate for such interest period by a percentage equal to 1.00% minus the Eurodollar Reserve Percentage (the "Adjusted LIBO Rate") plus an applicable margin of up to 3.00%. Interest on swingline loans shall be the Base Rate plus an applicable margin of up to 2.00%. All applicable interest margins are subject to step-downs based on certain consolidated leverage ratio measures.

The 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 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 as of March 31, 2022.

Inventory Financing Facility

On December 29, 2021, the Company and certain of its subsidiaries entered into the Inventory Financing Facility to, among other things, increase the maximum borrowing amount available to $500.0 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 December 1, 2023.

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%. 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 were entered into from time to time. The collateral for the Inventory Financing Facility consisted primarily of our inventory that was financed through the Sixth Inventory Financing Facility and related assets, including accounts receivable, bank accounts, and proceeds of the foregoing, and excludes the collateral that secures the 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 (as defined in the Inventory Financing Facility) 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 dealer groups, (ix) make any change in any of our dealer groups' capital structure or in any of their business objectives or operations which might in any way adversely affect the ability of such dealer group 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 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 Chief Operating Officer, Anthony Aisquith, provide certain personal guarantees of the Inventory Financing Facility.

As of March 31, 2022 and September 30, 2021, our indebtedness associated with financing our inventory under the Inventory Financing Facility totaled $254.9 million and $114.2 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. As of March 31, 2022 and September 30, 2021, the effective interest rate on the outstanding short-term borrowings under the Inventory Financing Facility was 1.9% and 2.0%, respectively. As of March 31, 2022 and September 30, 2021, our additional available borrowings under our Inventory Financing Facility were $245.1 million and $278.3 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 of March 31, 2022, 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 entered into notes payable agreements with the acquired entities to finance these acquisitions. As of March 31, 2022, our indebtedness associated with our 2 acquisition notes payable totaled an aggregate of $3.2 million with a weighted average interest rate of 5.0% per annum. As of March 31, 2022, the principal amount outstanding under these acquisition notes payable ranged from $1.1 million to $2.1 million, and the maturity dates ranged from December 1, 2023 to 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 8.9% per annum, require monthly payments of approximately $115,000, and mature on dates between April 2022 to July 2028. As of March 31, 2022, we had $3.2 million outstanding under the commercial vehicles notes payable.

Tax Receivable Agreement

The Tax Receivable Agreement generally provides for the payment by OneWater Inc. to certain of the OneWater Unit Holders 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 15% of these net cash savings. 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 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. 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 new boats is calculated using SOFR plus an applicable margin. Based on an outstanding balance of $254.9 million as of March 31, 2022, a change of 100 basis points in the underlying interest rate would have caused a change in interest expense of $2.5 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 Credit Facility exposes us to risks caused by fluctuations in interest rates. The interest rate on our Credit Facility is calculated using the one-month LIBOR (with a 0.75% floor) plus an applicable margin. Based on an outstanding balance of $297.9 million and the one-month LIBOR as of March 31, 2022, an increase of 100 basis points in the underlying interest rate would have caused a change in interest expense of approximately $2.1 million. A basis points reduction in the underlying interest rate would not have caused a change in interest expense. 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. Although we purchase our inventories in U.S. dollars, 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. 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 and six months ended March 31, 2022 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, none of the pending litigation, disputes or claims against us, if decided adversely, 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, 2021, filed with the SEC on December 17, 2021, 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.

Other than the changes set forth below, 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, 2021, filed with the SEC on December 17, 2021.

Our certificate of incorporation and bylaws, as well as Delaware law, contain provisions that could discourage acquisition bids or merger proposals, which may adversely affect the market price of our Class A common stock and could deprive our investors of the opportunity to receive a premium for their shares.

Our certificate of incorporation authorizes our board of directors to issue preferred stock without stockholder approval in one or more series, designate the number of shares constituting any series, and fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. In addition, some provisions of our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if the change of control would be beneficial to our stockholders. These provisions include:

- providing that all vacancies, including newly created directorships, may, except as otherwise required by law or, if applicable, the rights of holders of a series of preferred stock, only be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum;
- permitting any action by stockholders to be taken only at an annual meeting or special meeting rather than by a written consent of the stockholders, subject to the rights of any series of preferred stock with respect to such rights;
- permitting special meetings of our stockholders to be called only by our Chief Executive Officer, the chairman of our board of directors and our board of directors pursuant to a resolution adopted by the affirmative vote of a majority of the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships;
- subject to the rights of the holders of shares of any series of our preferred stock, requiring the affirmative vote of the holders of at least a majority in voting power of all then outstanding common stock entitled to vote generally in the election of directors, voting together as a single class, to remove any of all of the directors from office at any time;
- prohibiting cumulative voting in the election of directors;
- establishing advance notice provisions for stockholder proposals and nominations for elections to the board of directors to be acted upon at meetings of stockholders;
- providing that the board of directors is expressly authorized to adopt, or to alter or repeal our bylaws; and
- On February 23, 2022, following shareholder approval at our 2022 annual meeting, we revised our certificate of incorporation and bylaws to eliminate our staggered board of directors and supermajority voting provisions.

In addition, certain change of control events have the effect of accelerating the payment due under the Tax Receivable Agreement, which could be substantial and accordingly serve as a disincentive to a potential acquirer of our company. Please see "-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."

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

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 made no repurchases in the three months ended March 31, 2022. The Company has $50 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

ONEW 10-Q Exhibit Table

Exhibit No.	Description
3.1	Second Amended and Restated Certificate of Incorporation of OneWater Marine Inc. (incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K, File No. 001-39213, filed with the Commission on February 24, 2022).
3.2	Second Amended and Restated Bylaws of OneWater Marine Inc. (incorporated by reference to Exhibit 3.2 to the Registrant’s Current Report on Form 8-K, File No. 001-39213, filed with the Commission on February 24, 2022).
*10.1†	Indemnification Agreement, dated as of February 28, 2022, by and among the Company and Greg A. Shell, Sr.
*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.

† Indicates a management contract or compensatory plan or arrangement.

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 10, 2022

Exhibit 10.1

Execution Version

ONEWATER MARINE INC.
INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of February 28, 2022 by and between OneWater Marine Inc., a Delaware corporation (the "Company"), and Greg A. Shell, Sr. ("Indemnitee"). This Agreement supersedes and replaces any and all previous Agreements between the Company and Indemnitee covering the subject matter of this Agreement.

RECITALS

WHEREAS, the Board of Directors of the Company (the "Board") believes that highly competent persons have become more reluctant to serve publicly-held corporations as directors or officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Amended and Restated Certificate of Incorporation of the Company (as may be amended, the "Certificate of Incorporation") and the Amended and Restated Bylaws of the Company (as may be amended, the "Bylaws") provide for indemnification of the officers and directors of the Company to the fullest extent permitted by law. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Certificate of Incorporation, the Bylaws and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification may increase the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Certificate of Incorporation and the Bylaws, and any resolutions adopted pursuant thereto, as well as any rights of Indemnitees under any directors' and officers' liability insurance policy, and this Agreement and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee does not regard the protection available under the Certificate of Incorporation, the Bylaws and insurance as adequate in the present circumstances, and may not be willing to serve or continue to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve or continue to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that Indemnitee be so indemnified.

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve as a director or officer of the Company or, by mutual agreement of the Company and Indemnitee, as a director or officer of another Enterprise (as defined below), as applicable. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or any of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or any of its subsidiaries or any Enterprise), if any, is at will, and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or any of its subsidiaries or any Enterprise), other applicable formal severance policies duly adopted by the Board or, with respect to service as a director or officer of the Company, by the Certificate of Incorporation, the Bylaws, and the DGCL. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as a director or officer of the Company or any Enterprise, as applicable, as provided in Section 16 hereof.

Section 2. Definitions. As used in this Agreement:

(a) References to "agent" shall mean any person who is or was a director, officer, or employee of the Company or a subsidiary of the Company or other person authorized by the Company to act for the Company, to include such person serving in such capacity as a director, officer, employee, fiduciary or other official of another corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company.

(b) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

i. Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing fifteen percent (15%) or more of the combined voting power of the Company's then outstanding securities unless the change in relative Beneficial Ownership of the Company's securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors;

ii. Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(b)(i), 2(b)(iii) or 2(b)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the members of the Board;

iii. Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the Surviving Entity) more than 50% of the combined voting power of the voting securities of the Surviving Entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such Surviving Entity;

iv. Liquidation. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; and

v. Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 2(b), the following terms shall have the following meanings:

(A) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(B) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any entity owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(C) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(D) "Surviving Entity" shall mean the surviving entity in a merger or consolidation or any entity that controls, directly or indirectly, such surviving entity.

(c) "Corporate Status" describes the status of a person who is or was a director, trustee, partner, managing member, manager, officer, employee, agent or fiduciary of the Company or of any other corporation, limited liability company, partnership or joint venture, trust or other enterprise which such person is or was serving at the request of the Company.

(d) "Disinterested Director" shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(e) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, manager, employee, agent or fiduciary.

(f) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees and other costs of experts and other professionals, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties, and all other disbursements, obligations or expenses of the types customarily incurred in connection with, or as a result of, prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a deponent or witness in, or otherwise participating in, a Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, (ii) expenses incurred in connection with recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee is ultimately determined to be entitled to such indemnification, advancement or Expenses or insurance recovery, as the case may be, and (iii) for purposes of Section 14(d) only, Expenses incurred by or on behalf of Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement, the Certificate of Incorporation, the Bylaws or under any directors' and officers' liability insurance policies maintained by the Company, by litigation or otherwise. The parties agree that for the purposes of any advancement of Expenses for which Indemnitee has made written demand to the Company in accordance with this Agreement, all Expenses included in such demand that are certified by affidavit of Indemnitee's counsel as being reasonable in the good faith judgment of such counsel shall be presumed conclusively to be reasonable. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) "Independent Counsel" shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(h) The term "Proceeding" shall include any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative, legislative, regulatory or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of Indemnitee's Corporate Status, by reason of any action taken by Indemnitee (or a failure to take action by Indemnitee) or of any action (or failure to act) on Indemnitee's part while acting pursuant to Indemnitee's Corporate Status, in each case whether or not serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement, or advancement of Expenses can be provided under this Agreement. If the Indemnitee believes in good faith that a given situation may lead to or culminate in the institution of a Proceeding, this shall be considered a Proceeding under this paragraph.

(i) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner Indemnitee reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement.

Section 3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, liabilities, fines, penalties and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, liabilities, fines, penalties and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding had no reasonable cause to believe that Indemnitee's conduct was unlawful. The parties hereto intend that this Agreement shall provide to the fullest extent permitted by law for indemnification in excess of that expressly permitted by statute, including, without limitation, any indemnification provided by the Certificate of Incorporation, the Bylaws, vote of the Company's stockholders or disinterested directors or applicable law.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company. If applicable law so provides, no indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court of competent jurisdiction (after the time for an appeal has expired) to be liable to the Company, unless and only to the extent that the Delaware Court (as hereinafter defined) or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by or on behalf of Indemnitee in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with or related to each successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of Indemnitee's Corporate Status, a witness, is or was made (or asked) to respond to discovery requests in any Proceeding or otherwise asked to participate in any Proceeding to which Indemnitee is not a party, Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith.

Section 7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

Section 8. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee, by reason of his or her Corporate Status is, or is threatened to be made, a party to or a participant in any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) by reason of Indemnitee's Corporate Status.

(b) For purposes of Section 8(a), the meaning of the phrase "to the fullest extent permitted by applicable law" shall include, but not be limited to:

i. to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

Section 9. Exclusions. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnification payment in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act (as defined in Section 2(b) hereof) or similar provisions of state statutory law or common law; provided that the Company shall advance Expenses in connection with Indemnitee's defense of a claim under Section 16(b), which advances shall be repaid to the Company if it is ultimately determined that Indemnitee is not entitled to indemnification; or (ii) any reimbursement of the Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act), if Indemnitee is held liable therefor (including pursuant to any settlement arrangements); or (iii) any reimbursement of the Company by Indemnitee of any compensation pursuant to any compensation recoupment or clawback policy adopted by the Board or the compensation committee of the Board, including but not limited to any such policy adopted to comply with stock exchange listing requirements implementing Section 10D of the Exchange Act; or

(c) except as provided in Section 14(d) of this Agreement, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) such payment arises in connection with any mandatory counterclaim or cross claim or affirmative defense brought or raised by Indemnitee in any Proceeding (or any part of any Proceeding), or (iii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

Section 10. Advances of Expenses. Notwithstanding any provision of this Agreement to the contrary (other than Section 14(d)), the Company shall advance, to the extent not prohibited by law, the Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding (or any part of any Proceeding) not initiated by Indemnitee or any Proceeding initiated by Indemnitee with the prior approval of the Board as provided in Section 9(c), and such advancement shall be made as soon as reasonably practicable, but in any event no later than within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. In accordance with Section 14(d), advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that the Indemnitee undertakes to repay the amounts advanced (without interest) by the Company pursuant to this Section 10, if and only to the extent that it is ultimately determined by final non-appealable judgment or other final non-appealable adjudication under the provisions of any applicable law (as to which all rights of appeal therefrom have been exhausted or lapsed) that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement. This Section 10 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 9.

Section 11. Procedure for Notification and Defense of Claim.

(a) Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof. The written notification to the Company shall include a description of the nature of the Proceeding and the facts underlying the Proceeding, in each case, to the extent known to Indemnitee. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such Proceeding. The omission by Indemnitee to notify the Company hereunder will not relieve the Company from any liability which it may have to Indemnitee hereunder or otherwise than under this Agreement, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights under this Agreement. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

(c) The Company shall not settle any Proceeding (in whole or in part) if such settlement would impose any Expense, judgment, liability, fine, penalty or limitation on Indemnitee which Indemnitee is not entitled to be indemnified hereunder without Indemnitee's prior written consent, which shall not be unreasonably withheld.

Section 12. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 11(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (D) if so directed by the Board, by the stockholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by or on behalf of Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. The Company promptly will advise Indemnitee in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) hereof, the Independent Counsel shall be selected as provided in this Section 12(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising Indemnitee of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or the Delaware Court has determined that such objection is without merit. If, within twenty (20) days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 11(a) hereof and the final disposition of the Proceeding, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Delaware Court for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by such court or by such other person as such court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 12(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(c) If the Company disputes a portion of the amounts for which indemnification is requested, the undisputed portion shall be paid and only the disputed portion withheld pending resolution of any such dispute.

Section 13. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 11(a) of this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 14(e), if the person, persons or entity empowered or selected under Section 12 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 13(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 12(a) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser, financial advisor or other expert selected with reasonable care by or on behalf of the Enterprise. The provisions of this Section 13(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement. Whether or not the foregoing provisions of this Section 13(d) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company.

(e) The knowledge and/or actions, or failure to act, of any director, officer, trustee, partner, managing member, manager, fiduciary, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 14. Remedies of Indemnitee.

(a) Subject to Section 14(e), in the event that (i) a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 10 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 12(a) of this Agreement within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6 or 7 or the second to last sentence of Section 12(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) payment of indemnification pursuant to Section 3, 4 or 8 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, or (vi) the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of Indemnitee's entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 14(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce his rights under Section 5 of this Agreement. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 14 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14 the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 14, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 14 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. It is the intent of the Company that, to the fullest extent permitted by law, the Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company shall, to the fullest extent permitted by law, indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such Expenses to Indemnitee, which are incurred by or on behalf of Indemnitee in connection with any action brought by Indemnitee for indemnification or advancement of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company if, in the case of indemnification, Indemnitee is wholly successful on the underlying claims; if Indemnitee is not wholly successful on the underlying claims, then such indemnification shall be only to the extent Indemnitee is successful on such underlying claims or otherwise as permitted by law, whichever is greater.

(e) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

Section 15. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement (i) shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise and (ii) shall be interpreted independently of, and without reference to, any other such rights to which Indemnitee may at any time be entitled. No amendment, alteration or repeal of this Agreement or of any provision hereof, the Certificate of Incorporation or the Bylaws shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by Indemnitee in Indemnitee's Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Bylaws, the Certificate of Incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder (or for which advancement is provided hereunder) if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(d) The Company hereby acknowledges that Indemnitee may have certain rights to indemnification, advancement and insurance provided by one or more Persons with whom or which Indemnitee may be associated. The Company hereby acknowledges and agrees that (i) the Company shall be the indemnitor of first resort with respect to any Proceeding, Expense, liability or matter that is the subject of the Indemnity Obligations (as defined below), (ii) the Company shall be primarily liable for all Indemnity Obligations and any indemnification afforded to Indemnitee in respect of any Proceeding, Expense, liability or matter that is the subject of Indemnity Obligations, whether created by applicable law, organizational or constituent documents, contract (including this Agreement) or otherwise, (iii) any obligation of any other Persons with whom or which Indemnitee may be associated to indemnify Indemnitee or advance Expenses or liabilities to Indemnitee in respect of any Proceeding shall be secondary to the obligations of the Company hereunder, (iv) the Company shall be required to indemnify Indemnitee and advance Expenses or liabilities to Indemnitee hereunder to the fullest extent provided herein without regard to any rights Indemnitee may have against any other Person with whom or which Indemnitee may be associated or insurer of any such Person and (v) the Company irrevocably waives, relinquishes and releases any other Person with whom or which Indemnitee may be associated from any claim of contribution, subrogation or any other recovery of any kind in respect of amounts paid by the Company hereunder. In the event any other Person with whom or which Indemnitee may be associated or their insurers advances or extinguishes any liability or loss which is the subject of any Indemnity Obligation owed by the Company or payable under any Company insurance policy, the payor shall have a right of subrogation against the Company or its insurer or insurers for all amounts so paid which would otherwise be payable by the Company or its insurer or insurers under this Agreement. In no event will payment of an Indemnity Obligation by any other Person with whom or which Indemnitee may be associated or their insurers affect the obligations of the Company hereunder or shift primary liability for any Indemnity Obligation to any other Person with whom or which Indemnitee may be associated. Any indemnification, insurance or advancement provided by any other Person with whom or which Indemnitee may be associated with respect to any liability arising as a result of Indemnitee's status as director, officer, employee or agent of the Company or capacity as an officer or director of any Person is specifically in excess over any Indemnity Obligation of the Company or valid and any collectible insurance (including but not limited to any malpractice insurance or professional errors and omissions insurance) provided by the Company under this Agreement. As used herein, the term "Indemnity Obligations" shall mean all obligations of the Company to Indemnitee under the Certificate of Incorporation, the Bylaws, this Agreement or otherwise, including the Company's obligations to provide indemnification to Indemnitee and advance Expenses to Indemnitee under this Agreement.

Section 16. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or any other Enterprise, as applicable, or (b) one (1) year after the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding (including any appeal thereof) commenced by Indemnitee pursuant to Section 14 of this Agreement relating thereto. The indemnification and advancement of expenses rights provided by or granted pursuant to this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise, and shall inure to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives. The Company shall require and shall cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to, by written agreement, expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

Section 17. Severability. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order or other applicable law, to perform its obligations hereunder shall not constitute a breach of this Agreement. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 18. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve or continue to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving or continuing to serve as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation, the Bylaws, any directors' and officers' insurance maintained by the Company and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 19. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions of this Agreement nor shall any waiver constitute a continuing waiver.

Section 20. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

Section 21. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company.

(b) If to the Company to

OneWater Marine Inc.
6275 Lanier Islands Parkway
Buford, Georgia 30518
Attn: Jack Ezzell

or to any other address as may have been furnished to Indemnitee by the Company.

Section 22. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

Section 23. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Court of Chancery of the State of Delaware (the "Delaware Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 24. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 25. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

IN WITNESS WHEREOF, the parties have caused this Agreement to be signed as of the day and year first above written.

ONEWATER MARINE INC.

By: /s/ Philip Austin Singleton, Jr.
Name: Philip Austin Singleton, Jr.
Title: Chief Executive Officer

INDEMNITEE

By: /s/ Greg A. Shell, Sr.
Name: Greg A. Shell, Sr.
Address:

Signature Page to
Indemnification Agreement

Exhibit 31.1

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, 2022;

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 10, 2022

By: /s/ Philip Austin Singleton, Jr.
Philip Austin Singleton, Jr.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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, 2022;

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 10, 2022

By: /s/ Jack Ezzell
Jack Ezzell
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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, 2022, 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 10, 2022

By: /s/ Philip Austin Singleton, Jr.
Philip Austin Singleton, Jr.
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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, 2022, 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 10, 2022

By: /s/ Jack Ezzell
Jack Ezzell
Chief Financial Officer
(Principal Financial Officer)