

MARINEMAX INC  
Form 10-Q  
February 04, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2015.

Commission File Number. 1-14173

MARINEMAX, INC.

(Exact Name of Registrant as Specified in Its Charter)

Florida 59-3496957  
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification Number)

2600 McCormick Drive, Suite 200  
Clearwater, Florida 33759  
(Address of Principal Executive Offices) (ZIP Code)  
727-531-1700

(Registrant's Telephone Number, Including Area Code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

Edgar Filing: MARINEMAX INC - Form 10-Q

(§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The number of outstanding shares of the registrant's Common Stock on January 31, 2016 was 25,649,550.

MARINEMAX, INC. AND SUBSIDIARIES

Table of Contents

| Item No.   | Page |
|--|------|
| <b><u>PART I. FINANCIAL INFORMATION</u></b>  |      |
| 1. <b><u>Financial Statements (Unaudited):</u></b>   |      |
| <u>Condensed Consolidated Statements of Operations for the Three Months Ended December 31, 2014 and 2015</u> | 3    |
| <u>Condensed Consolidated Balance Sheets as of September 30, 2015 and December 31, 2015</u>                  | 4    |
| <u>Condensed Consolidated Statement of Stockholders' Equity for the Three Months Ended December 31, 2015</u> | 5    |
| <u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended December 31, 2014 and 2015</u> | 6    |
| <u>Notes to Condensed Consolidated Financial Statements</u>  | 7    |
| 2. <b><u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>       | 14   |
| 3. <b><u>Quantitative and Qualitative Disclosures About Market Risk</u></b>                                  | 20   |
| 4. <b><u>Controls and Procedures</u></b>   | 20   |
| <b><u>PART II. OTHER INFORMATION</u></b>   |      |
| 1. <b><u>Legal Proceedings</u></b>   | 22   |
| 1A. <b><u>Risk Factors</u></b>   | 22   |
| 2. <b><u>Unregistered Sales of Equity Securities and Use of Proceeds</u></b>                                 | 22   |
| 3. <b><u>Defaults Upon Senior Securities</u></b>   | 22   |
| 4. <b><u>Mine Safety Disclosures</u></b>   | 22   |
| 5. <b><u>Other Information</u></b>   | 22   |
| 6. <b><u>Exhibits</u></b>  | 22   |
| <b><u>SIGNATURES</u></b>   | 24   |
| EX – 10.21(q)  |      |
| EX – 10.21(r)  |      |
| EX – 31.1  |      |
| EX – 31.2  |      |
| EX – 32.1  |      |
| EX – 32.2  |      |
| EX – 101 INSTANCE DOCUMENT   |      |
| EX – 101 SCHEMA DOCUMENT   |      |
| EX – 101 CALCULATION LINKBASE DOCUMENT   |      |
| EX – 101 DEFINITION LINKBASE DOCUMENT  |      |
| EX – 101 LABEL LINKBASE DOCUMENT   |      |
| EX – 101 PRESENTATION LINKBASE DOCUMENT  |      |



## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

## MARINEMAX, INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Operations

(Amounts in thousands, except share and per share data)

(Unaudited)

|  | Three Months Ended |            |
|--|--------------------|------------|
|  | December 31,       |            |
|  | 2014               | 2015       |
| Revenue  | \$ 158,126         | \$ 169,537 |
| Cost of sales  | 120,671            | 127,923    |
| Gross profit   | 37,455             | 41,614     |
| Selling, general, and administrative expenses              | 36,095             | 38,951     |
| Income from operations                                     | 1,360              | 2,663      |
| Interest expense   | 1,146              | 1,227      |
| Income before income tax provision                         | 214                | 1,436      |
| Income tax provision                                       | —                  | 547        |
| Net income   | \$ 214             | \$ 889     |
| Basic net income per common share                          | \$ 0.01            | \$ 0.04    |
| Diluted net income per common share                        | \$ 0.01            | \$ 0.04    |
| Weighted average number of common shares used in computing |                    |            |
| net income per common share:                               |                    |            |
| Basic  | 24,278,586         | 24,213,134 |
| Diluted  | 24,947,968         | 24,702,000 |

See accompanying notes to condensed consolidated financial statements.

## MARINEMAX, INC. AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(Amounts in thousands, except share data)

(Unaudited)

|  | September<br>30, | December<br>31, |
|--|------------------|-----------------|
|  | 2015             | 2015            |
| <b>ASSETS</b>  |                  |                 |
| <b>CURRENT ASSETS:</b>   |                  |                 |
| Cash and cash equivalents  | \$ 32,611        | 25,159          |
| Accounts receivable, net   | 18,474           | 15,900          |
| Inventories, net   | 273,875          | 326,369         |
| Prepaid expenses and other current assets  | 10,845           | 12,222          |
| Deferred tax assets, net   | 9,254            | 8,794           |
| Total current assets   | 345,059          | 388,444         |
| Property and equipment, net of accumulated depreciation of \$56,282 and \$57,866   | 98,987           | 98,823          |
| Other long-term assets, net  | 5,313            | 5,376           |
| Deferred tax assets, net   | 18,263           | 17,967          |
| Total assets   | 467,622          | 510,610         |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                  |                 |
| <b>CURRENT LIABILITIES:</b>  |                  |                 |
| Accounts payable   | \$ 13,510        | 8,681           |
| Customer deposits  | 12,731           | 12,970          |
| Accrued expenses   | 19,964           | 15,692          |
| Short-term borrowings  | 137,186          | 187,516         |
| Total current liabilities  | 183,391          | 224,859         |
| Long-term liabilities  | 586              | 625             |
| Total liabilities  | 183,977          | 225,484         |
| <b>STOCKHOLDERS' EQUITY:</b>   |                  |                 |
| Preferred stock, \$.001 par value, 1,000,000 shares authorized, none issued or outstanding   |                  |                 |
| as of September 30, 2015 and December 31, 2015   | —                | —               |
| Common stock, \$.001 par value, 40,000,000 shares authorized, 25,562,994 and 25,647,819 shares issued and 24,199,661 and 24,228,109 shares outstanding as of |                  |                 |
| September 30, 2015 and December 31, 2015, respectively   | 26               | 26              |
| Additional paid-in capital   | 234,478          | 235,911         |
| Retained earnings  | 75,433           | 76,322          |
| Treasury stock, at cost, 1,363,333 and 1,419,710 shares held as of September 30, 2015 and December 31, 2015, respectively                                    | (26,292 )        | (27,133 )       |

|  |         |         |
|--|---------|---------|
| Total stockholders' equity                 | 283,645 | 285,126 |
| Total liabilities and stockholders' equity | 467,622 | 510,610 |

See accompanying notes to condensed consolidated financial statements.



## MARINEMAX, INC. AND SUBSIDIARIES

## Condensed Consolidated Statement of Stockholders' Equity

(Amounts in thousands, except share data)

(Unaudited)

|  | Common Stock<br>Shares | Amount | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Treasury<br>Stock | Total<br>Stockholders'<br>Equity |
|--|------------------------|--------|----------------------------------|----------------------|-------------------|----------------------------------|
| BALANCE, September 30, 2015                            | 25,562,994             | \$ 26  | \$ 234,478                       | \$ 75,433            | \$(26,292)        | \$ 283,645                       |
| Net income   | -                      | -      | -                                | 889                  | -                 | 889                              |
| Purchase of treasury stock                             | -                      | -      | -                                | -                    | (841 )            | (841 )                           |
| Shares issued pursuant to employee stock<br>purchase   |                        |        |                                  |                      |                   |                                  |
| plan   | 29,560                 | -      | 355                              | -                    | -                 | 355                              |
| Shares issued upon vesting of equity awards,<br>net of |                        |        |                                  |                      |                   |                                  |
| tax withholding  | 9,087                  | -      | (80 )                            | -                    | -                 | (80 )                            |
| Shares issued upon exercise of stock options           | 14,849                 | -      | 123                              | -                    | -                 | 123                              |
| Stock-based compensation                               | 31,329                 | -      | 1,258                            | -                    | -                 | 1,258                            |
| Stock option tax benefit, net of shortfalls            | -                      | -      | (223 )                           | -                    | -                 | (223 )                           |
| BALANCE, December 31, 2015                             | 25,647,819             | 26     | 235,911                          | 76,322               | (27,133)          | 285,126                          |

See accompanying notes to condensed consolidated financial statements.



## MARINEMAX, INC. AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows

(Amounts in thousands)

(Unaudited)

|   | Three Months<br>Ended |          |
|---|-----------------------|----------|
|   | December 31,<br>2014  | 2015     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                  |                       |          |
| Net income  | \$214                 | 889      |
| Adjustments to reconcile net income to net cash used in operating activities: |                       |          |
| Depreciation and amortization   | 1,898                 | 1,894    |
| Deferred income tax provision   | -                     | 533      |
| Loss on sale of property and equipment  | 47                    | 22       |
| Stock-based compensation expense  | 1,012                 | 1,258    |
| (Increase) decrease in —  |                       |          |
| Accounts receivable, net  | (5,050 )              | 2,574    |
| Inventories, net  | (33,968)              | (52,494) |
| Prepaid expenses and other long-term assets                                   | (219 )                | (1,440 ) |
| Increase (decrease) in —  |                       |          |
| Accounts payable  | (3,204 )              | (4,829 ) |
| Customer deposits   | 1,630                 | 239      |
| Accrued expenses and long-term liabilities                                    | (3,835 )              | (4,313 ) |
| Net cash used in operating activities   | (41,475)              | (55,667) |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                  |                       |          |
| Purchases of property and equipment   | (2,041 )              | (1,767 ) |
| Proceeds from sale of property and equipment                                  | 2                     | 15       |
| Net cash used in investing activities   | (2,039 )              | (1,752 ) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                  |                       |          |
| Net borrowings on short-term borrowings                                       | 32,804                | 50,330   |
| Net proceeds from issuance of common stock under incentive compensation and   |                       |          |
| employee purchase plans   | 635                   | 478      |
| Purchase of treasury stock  | -                     | (841 )   |
| Net cash provided by financing activities                                     | 33,439                | 49,967   |
| NET DECREASE IN CASH AND CASH EQUIVALENTS                                     | (10,075)              | (7,452 ) |
| CASH AND CASH EQUIVALENTS, beginning of period                                | 27,839                | 32,611   |
| CASH AND CASH EQUIVALENTS, end of period                                      | 17,764                | 25,159   |
| <b>Supplemental Disclosures of Cash Flow Information:</b>                     |                       |          |
| Cash paid for interest  | \$1,029               | \$1,130  |
| Cash paid for income taxes  | 36                    | 180      |
| Non-cash: exchange of note receivable for property and equipment              | 6,020                 | —        |

Non-cash: tax withholdings upon vesting of equity awards

—

80

See accompanying notes to condensed consolidated financial statements.

MARINEMAX, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. COMPANY BACKGROUND:

We are the largest recreational boat and yacht retailer in the United States. We engage primarily in the retail sale, brokerage, and service of new and used boats, motors, trailers, marine parts and accessories and offer slip and storage accommodations in certain locations. In addition, we arrange related boat financing, insurance, and extended service contracts. We also offer the charter of power and sailing yachts in the British Virgin Islands. As of December 31, 2015, we operated through 52 retail locations in 15 states, consisting of Alabama, California, Connecticut, Florida, Georgia, Maryland, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Rhode Island, and Texas. Our MarineMax Vacations operations maintain a facility in Tortola, British Virgin Islands.

We are the nation's largest retailer of Sea Ray, Boston Whaler, and Meridian recreational boats and yachts, all of which are manufactured by Brunswick Corporation ("Brunswick"). Sales of new Brunswick boats accounted for approximately 40% of our revenue in fiscal 2015. Sales of new Sea Ray and Boston Whaler boats, both divisions of Brunswick, accounted for approximately 25% and 12%, respectively, of our revenue in fiscal 2015. Brunswick is the world's largest manufacturer of marine products and marine engines. We believe we represented approximately 45% of Brunswick's Sea Ray boat sales, during our fiscal 2015.

We have dealership agreements with Sea Ray, Boston Whaler, Meridian, and Mercury Marine, all subsidiaries or divisions of Brunswick. We also have dealer agreements with Italy-based Azimut-Benetti Group's product line for Azimut Yachts. These agreements allow us to purchase, stock, sell, and service these manufacturers' boats and products. These agreements also allow us to use these manufacturers' names, trade symbols, and intellectual properties in our operations.

We have multi-year dealer agreements with Brunswick covering Sea Ray products that appoints us as the exclusive dealer of Sea Ray boats in our geographic markets. We are the exclusive dealer for Boston Whaler through multi-year dealer agreements for many of our geographic markets. In addition, we are the exclusive dealer for Azimut Yachts for the entire United States through a multi-year dealer agreement. Sales of new Azimut boats accounted for approximately 12% of our revenue in fiscal 2015. We believe non-Brunswick brands offer a migration for our existing customer base or fill a void in our product offerings, and accordingly, do not compete with the business generated from our other prominent brands.

As is typical in the industry, we deal with manufacturers, other than Sea Ray, Boston Whaler, Meridian, and Azimut Yachts, under renewable annual dealer agreements, each of which gives us 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 our results of operations. Although there are a limited number of manufacturers of the type of boats and products that we sell, we believe that adequate alternative sources would be available to replace any manufacturer other than Sea Ray and Azimut as a product source. These alternative sources may not be available at the time of any interruption, and alternative products may not be available at comparable terms, which could affect operating results adversely.

General economic conditions and consumer spending patterns can negatively impact our operating results. Unfavorable local, regional, national, or global economic developments or uncertainties regarding future economic prospects could reduce consumer spending in the markets we serve and adversely affect our business. Economic conditions in areas in which we operate dealerships, particularly Florida in which we generated approximately 51%, 52%, and 53% of our revenue during fiscal 2013, 2014, and 2015, respectively, can have a major impact on our operations. Local influences, such as corporate downsizing, military base closings, inclement weather such as Hurricane Sandy, environmental conditions, and specific events, such as the BP oil spill in the Gulf of Mexico, also could adversely affect, and in certain instances have adversely affected, our operations in certain markets.

In an economic downturn, consumer discretionary spending levels generally decline, at times resulting in disproportionately large reductions in the sale of luxury goods. Consumer spending on luxury goods also may decline as a result of lower consumer confidence levels, even if prevailing economic conditions are favorable. As a result, an economic downturn could impact us more than certain of our competitors due to our strategic focus on a higher end of our market. Although we have expanded our operations during periods of stagnant or modestly declining industry trends, the cyclical nature of the recreational boating industry or the lack of industry growth may adversely affect our business, financial condition, and results of operations. Any period of adverse economic conditions or low consumer confidence has a negative effect on our business.

Lower consumer spending resulting from a downturn in the housing market and other economic factors adversely affected our business in fiscal 2007, and continued weakness in consumer spending and depressed economic conditions had a substantial negative effect on our business and industry for several years after fiscal 2007. These conditions caused us to substantially reduce our acquisition program, delay new store openings, reduce our inventory purchases, engage in inventory reduction efforts, close a number of our retail locations, reduce our headcount, and amend and replace our credit facility. Acquisitions and new store openings remain important strategies to our company, and we plan to accelerate our growth through these strategies as economic conditions continue to improve. However, we cannot predict the length of unfavorable economic or industry conditions or the extent to which they will continue to adversely affect our operating results nor can we predict the effectiveness of the measures we have taken to address this environment.

## 2. BASIS OF PRESENTATION:

These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information, the instructions to Quarterly Report on Form 10-Q, and Rule 10-01 of Regulation S-X and should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended September 30, 2015. Accordingly, these unaudited condensed consolidated financial statements do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. All adjustments, consisting of only normal recurring adjustments considered necessary for fair presentation, have been reflected in these unaudited condensed consolidated financial statements. As of December 31, 2015, our financial instruments consisted of cash and cash equivalents, accounts receivable, accounts payable, customer deposits, and short-term borrowings. The carrying amounts of our financial instruments reported on the balance sheet as of December 31, 2015, approximated fair value due either to length to maturity or existence of variable interest rates, which approximate prevailing market rates. The operating results for the three months ended December 31, 2015, are not necessarily indicative of the results that may be expected in future periods.

The preparation of unaudited condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates made by us in the accompanying unaudited condensed consolidated financial statements include valuation allowances, valuation of goodwill and intangible assets, valuation of long-lived assets, and valuation of accruals. Actual results could differ from those estimates.

Unless the context otherwise requires, all references to “MarineMax” mean MarineMax, Inc. prior to its acquisition of five previously independent recreational boat dealers in March 1998 (including their related real estate companies) and all references to the “Company,” “our company,” “we,” “us,” and “our” mean, as a combined company, MarineMax, Inc. and the 24 recreational boat dealers, two boat brokerage operations, and two full-service yacht repair operations acquired to date (the “acquired dealers,” and together with the brokerage and repair operations, “operating subsidiaries” or the “acquired companies”).

The unaudited condensed consolidated financial statements include our accounts and the accounts of our subsidiaries, all of which are wholly owned. All significant intercompany transactions and accounts have been eliminated.



**3. NEW ACCOUNTING PRONOUNCEMENTS:**

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" (ASU 2014-9), a converged standard on revenue recognition. The new pronouncement requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer, as well as enhanced disclosure requirements. ASU 2014-9 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is not permitted. We currently do not believe the adoption of this standard will have a material impact on our consolidated financial statements.

**4. REVENUE RECOGNITION:**

We recognize revenue from boat, motor, and trailer sales, and parts and service operations at the time the boat, motor, trailer, or part is delivered to or accepted by the customer or the service is completed. We recognize deferred revenue from service operations and slip and storage services on a straight-line basis over the term of the contract or when service is completed. We recognize commissions earned from a brokerage sale at the time the related brokerage transaction closes. We recognize commissions earned by us for placing notes with financial institutions in connection with customer boat financing when we recognize the related boat sales. We recognize marketing fees earned on credit, life, accident, disability, gap, and hull insurance products sold by third-party insurance

companies at the later of customer acceptance of the insurance product as evidenced by contract execution or when the related boat sale is recognized. Pursuant to negotiated agreements with financial and insurance institutions, we are charged back for a portion of these fees should the customer terminate or default on the related finance or insurance contract before it is outstanding for a stipulated minimum period of time. We base the chargeback allowance, which was not material to the unaudited condensed consolidated financial statements taken as a whole as of December 31, 2015, on our experience with repayments or defaults on the related finance or insurance contracts.

We also recognize commissions earned on extended warranty service contracts sold on behalf of third-party insurance companies at the later of customer acceptance of the service contract terms as evidenced by contract execution or recognition of the related boat sale. We are charged back for a portion of these commissions should the customer terminate or default on the service contract prior to its scheduled maturity. We determined the chargeback allowance, which was not material to the unaudited condensed consolidated financial statements taken as a whole as of December 31, 2015, based upon our experience with terminations or defaults on the service contracts.

#### 5. INVENTORIES:

Inventory costs consist of the amount paid to acquire inventory, net of vendor consideration and purchase discounts, the cost of equipment added, reconditioning costs, and transportation costs relating to acquiring inventory for sale. We state new and used boat, motor, and trailer inventories at the lower of cost, determined on a specific-identification basis, or market. We state parts and accessories at the lower of cost, determined on an average cost basis, or market. We utilize our historical experience, the aging of the inventories, and our consideration of current market trends as the basis for determining a lower of cost or market valuation allowance. As of September 30, 2015 and December 31, 2015, our lower of cost or market valuation allowance for new and used boat, motor, and trailer inventories was \$1.8 million and \$2.3 million, respectively. If events occur and market conditions change, causing the fair value to fall below carrying value, the lower of cost or market valuation allowance could increase.

#### 6. IMPAIRMENT OF LONG-LIVED ASSETS:

FASB Accounting Standards Codification 360-10-40, "Property, Plant, and Equipment - Impairment or Disposal of Long-Lived Assets" ("ASC 360-10-40"), requires that long-lived assets, such as property and equipment and purchased intangibles subject to amortization, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair market value. Estimates of expected future cash flows represent our best estimate based on currently available information and reasonable and supportable assumptions. Any impairment recognized in accordance with ASC 360-10-40 is permanent and may not be restored. Based upon our most recent analysis, which excludes fixed assets classified as held for sale, we believe no impairment of long-lived assets existed as of December 31, 2015.

**7. INCOME TAXES:**

We account for income taxes in accordance with FASB Accounting Standards Codification 740, "Income Taxes" ("ASC 740"). Under ASC 740, we recognize deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we expect those temporary differences to be recovered or settled. We record valuation allowances to reduce our deferred tax assets to the amount expected to be realized by considering all available positive and negative evidence. As of September 30, 2015 and December 31, 2015, we had a valuation allowance on our deferred tax assets of \$1.7 million.

During the three months ended December 31, 2015 we recognized an income tax provision of \$547,000. The effective income tax rate for the three months ended December 31, 2015 was 38.1%. We had no income tax expense for the three months ended December 31, 2014 due to the full valuation allowance on deferred tax assets. The majority of the valuation allowance was released in the fourth quarter of fiscal 2015.

**8. SHORT-TERM BORROWINGS:**

In October 2015, we entered into an amendment to our Inventory Financing Agreement (the "Amended Credit Facility"), originally entered into in June 2010, as subsequently amended, with GE Commercial Distribution Finance LLC. The October 2015 amendment extended the maturity date of the Credit Facility to October 2018, subject to additional extension for two one-year periods, with lender approval. The October 2015 amendment, among other things, modified the amount of borrowing availability and maturity

date of the Credit Facility. The Amended Credit Facility provides a floor plan financing commitment of up to \$260 million, an increase from the previous limit of \$235 million, subject to borrowing base availability resulting from the amount and aging of our inventory.

The Amended Credit Facility has certain financial covenants as specified in the agreement. The covenants include provisions that our leverage ratio must not exceed 2.75 to 1.0 and that our current ratio must be greater than 1.2 to 1.0. The interest rate for amounts outstanding under the Amended Credit Facility is 345 basis points above the one-month London Inter-Bank Offering Rate ("LIBOR"). There is an unused line fee of ten basis points on the unused portion of the Amended Credit Facility.

Advances under the Amended Credit Facility are initiated by the acquisition of eligible new and used inventory or are re-advances against eligible new and used inventory that have been partially paid-off. Advances on new inventory will generally mature 1,080 days from the original invoice date. Advances on used inventory will mature 361 days from the date we acquire the used inventory. Each advance is subject to a curtailment schedule, which requires that we pay down the balance of each advance on a periodic basis starting after six months. The curtailment schedule varies based on the type and value of the inventory. The collateral for the Amended Credit Facility is all of our personal property with certain limited exceptions. None of our real estate has been pledged for collateral for the Amended Credit Facility.

As of December 31, 2015, our indebtedness associated with financing our inventory and working capital needs totaled approximately \$187.5 million. As of December 31, 2014 and 2015, the interest rate on the outstanding short-term borrowings was approximately 3.6% and 3.7%, respectively. As of December 31, 2015, our additional available borrowings under our Amended Credit Facility were approximately \$45.2 million based upon the outstanding borrowing base availability.

As is common in our industry, we receive interest assistance directly from boat manufacturers, including Brunswick. The interest assistance programs vary by manufacturer, but generally include periods of free financing or reduced interest rate programs. The interest assistance may be paid directly to us or our lender depending on the arrangements the manufacturer has established. We classify interest assistance received from manufacturers as a reduction of inventory cost and related cost of sales as opposed to netting the assistance against our interest expense incurred with our lenders.

The availability and costs of borrowed funds can adversely affect our ability to obtain adequate boat inventory and the holding costs of that inventory as well as the ability and willingness of our customers to finance boat purchases. As of December 31, 2015, we had no long-term debt. However, we rely on our Amended Credit Facility to purchase our inventory of boats. The aging of our inventory limits our borrowing capacity as defined curtailments reduce the allowable advance rate as our inventory ages. Our access to funds under our Amended Credit Facility also depends upon the ability of our lenders to meet their funding commitments, particularly if they experience shortages of capital or experience excessive volumes of borrowing requests from others during a short period of time. Unfavorable economic conditions, weak consumer spending, turmoil in the credit markets, and lender difficulties, among other potential reasons, could interfere with our ability to utilize our Amended Credit Facility to fund our operations. Any inability to utilize our Amended Credit Facility could require us to seek other sources of funding to repay amounts outstanding under the credit agreements or replace or supplement our credit agreements, which may not be possible at all or under commercially reasonable terms.

Similarly, decreases in the availability of credit and increases in the cost of credit adversely affect the ability of our customers to purchase boats from us and thereby adversely affect our ability to sell our products and impact the profitability of our finance and insurance activities.

**9. STOCK-BASED COMPENSATION:**

We account for our stock-based compensation plans following the provisions of FASB Accounting Standards Codification 718, "Compensation — Stock Compensation" ("ASC 718"). In accordance with ASC 718, we use the Black-Scholes valuation model for valuing all stock-based compensation and shares purchased under our Employee Stock Purchase Plan. We measure compensation for restricted stock awards and restricted stock units at fair value on the grant date based on the number of shares expected to vest and the quoted market price of our common stock. We recognize compensation cost for all awards in operations, net of estimated forfeitures, on a straight-line basis over the requisite service period for each separately vesting portion of the award.

During the three months ended December 31, 2014 and 2015, we recognized stock-based compensation expense of approximately \$1.0 million and \$1.3 million, respectively, in selling, general, and administrative expenses in the unaudited condensed consolidated statements of operations. There were no tax benefits realized for tax deductions from option exercises for the three months ended December 31, 2014 or 2015.

Cash received from option exercises under all share-based compensation arrangements for the three months ended December 31, 2014 and 2015, was approximately \$635,000 and \$478,000, respectively. We currently expect to satisfy share-based awards with registered shares available to be issued.

#### 10. THE INCENTIVE STOCK PLANS:

During February 2013, our stockholders approved a proposal to amend the 2011 Stock-Based Compensation Plan (“2011 Plan”) to increase the 1,200,456 share threshold by 1,000,000 shares to 2,200,456 shares. During January 2011, our stockholders approved a proposal to authorize our 2011 Plan, which replaced our 2007 Incentive Compensation Plan (“2007 Plan”). Our 2011 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, stock units, bonus stock, dividend equivalents, other stock related awards, and performance awards (collectively “awards”), that may be settled in cash, stock, or other property. Our 2011 Plan is designed to attract, motivate, retain, and reward our executives, employees, officers, directors, and independent contractors by providing such persons with annual and long-term performance incentives to expend their maximum efforts in the creation of stockholder value. Subsequent to the February 2013 amendment described above, the total number of shares of our common stock that may be subject to awards under the 2011 Plan is equal to 2,000,000 shares, plus: (i) any shares available for issuance and not subject to an award under the 2007 Plan, which was 200,456 shares at the time of approval of the 2011 Plan; (ii) the number of shares with respect to which awards granted under the 2011 Plan and the 2007 Plan terminate without the issuance of the shares or where the shares are forfeited or repurchased; (iii) with respect to awards granted under the 2011 Plan and the 2007 Plan, the number of shares that are not issued as a result of the award being settled for cash or otherwise not issued in connection with the exercise or payment of the award; and (iv) the number of shares that are surrendered or withheld in payment of the exercise price of any award or any tax withholding requirements in connection with any award granted under the 2011 Plan or the 2007 Plan. The 2011 Plan terminates in January 2021, and awards may be granted at any time during the life of the 2011 Plan. The date on which awards vest are determined by the Board of Directors or the Plan Administrator. The Board of Directors has appointed the Compensation Committee as the Plan Administrator. The exercise prices of options are determined by the Board of Directors or the Plan Administrator and are at least equal to the fair market value of shares of common stock on the date of grant. The term of options under the 2011 Plan may not exceed ten years. The options granted have varying vesting periods. To date, we have not settled or been under any obligation to settle any awards in cash.

The following table summarizes option activity from September 30, 2015 through December 31, 2015:

|                                     | Shares Available for Grant | Options Outstanding | Aggregate Intrinsic Value (in thousands) | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life |
|-------------------------------------|----------------------------|---------------------|--|---------------------------------|---|
| Balance as of September 30, 2015    | 1,050,523                  | 1,937,874           | \$ 6,285                                 | \$ 12.95                        | 6.5   |
| Options authorized                  | -                          | -                   |  | -                               |   |
| Options granted                     | -                          | -                   |  | -                               |   |
| Options cancelled/forfeited/expired | 74,862                     | (74,862 )           |  | 23.24                           |   |

Edgar Filing: MARINEMAX INC - Form 10-Q

|                                     |            |           |           |          |     |
|-------------------------------------|------------|-----------|-----------|----------|-----|
| Restricted stock awards issued      | (280,510 ) | -         |           | -        |     |
| Options exercised                   | -          | (14,849 ) |           | 8.29     |     |
| Balance as of December 31, 2015     | 844,875    | 1,848,163 | \$ 12,749 | \$ 12.57 | 6.4 |
| Exercisable as of December 31, 2015 |            | 1,114,662 | \$ 10,663 | \$ 10.43 | 5.1 |

The weighted average grant date fair value of options granted during the three months ended December 31, 2014 was \$5.79. No options were granted for the three months ended December 31, 2015. The total intrinsic value of options exercised during the three months ended December 31, 2014 and 2015 was \$573,000 and \$116,000, respectively.

As of December 31, 2014 and 2015, there was approximately \$3.2 million and \$1.9 million, respectively, of unrecognized compensation costs related to non-vested options that are expected to be recognized over a weighted average period of 2.2 years and 1.3 years, respectively. The total fair value of options vested during the three months ended December 31, 2014 and 2015 was approximately \$283,000 and \$141,000, respectively.

We used the Black-Scholes model to estimate the fair value of options granted. The expected term of options granted is derived from the output of the option pricing model and represents the period of time that options granted are expected to be outstanding. Volatility is based on the historical volatility of our common stock. The risk-free rate for periods within the contractual term of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

The following are the weighted average assumptions used for each respective period:

|                         | Three Months<br>Ended |      |
|-------------------------|-----------------------|------|
|                         | December 31,          |      |
|                         | 2014                  | 2015 |
| Dividend yield          | 0.0%                  | —    |
| Risk-free interest rate | 0.8%                  | —    |
| Volatility              | 47.4%                 | —    |
| Expected life           | 3.0<br>years          | —    |

#### 11. EMPLOYEE STOCK PURCHASE PLAN:

During February 2012, our stockholders approved a proposal to amend our 2008 Employee Stock Purchase Plan (“Stock Purchase Plan”) to increase the number of shares available under that plan by 500,000 shares. The Stock Purchase Plan as amended provides for up to 1,000,000 shares of common stock to be available for purchase by our regular employees who have completed at least one year of continuous service. In addition, there were 52,837 shares of common stock available under our 1998 Employee Stock Purchase Plan, which have been made available for issuance under our Stock Purchase Plan. The Stock Purchase Plan provides for implementation of up to 10 annual offerings beginning on the first day of October starting in 2008, with each offering terminating on September 30 of the following year. Each annual offering may be divided into two six-month offerings. For each offering, the purchase price per share will be the lower of: (i) 85% of the closing price of the common stock on the first day of the offering or (ii) 85% of the closing price of the common stock on the last day of the offering. The purchase price is paid through periodic payroll deductions not to exceed 10% of the participant’s earnings during each offering period. However, no participant may purchase more than \$25,000 worth of common stock annually.

We used the Black-Scholes model to estimate the fair value of options granted to purchase shares issued pursuant to the Stock Purchase Plan. The expected term of options granted is derived from the output of the option pricing model and represents the period of time that options granted are expected to be outstanding. Volatility is based on the historical volatility of our common stock. The risk-free rate for periods within the contractual term of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

The following are the weighted average assumptions used for each respective period:

|                         | Three Months<br>Ended |      |
|-------------------------|-----------------------|------|
|                         | December 31,          |      |
|                         | 2014                  | 2015 |
| Dividend yield          | 0.0%                  | 0.0% |
| Risk-free interest rate | 0.1%                  | 0.1% |



|               |        |        |
|---------------|--------|--------|
| Volatility    | 30.0%  | 47.6%  |
|               | Six    | Six    |
| Expected life | months | months |

As of December 31, 2015, we had issued 702,689 shares of common stock under our Stock Purchase Plan.

#### 12. RESTRICTED STOCK AWARDS:

We have granted non-vested (restricted) stock awards (“restricted stock”) and restricted stock units (“RSUs”) to certain key employees pursuant to the 2011 Plan and the 2007 Plan. The restricted stock awards have varying vesting periods, but generally become fully vested between two and four years after the grant date, depending on the specific award. We accounted for the restricted stock awards granted using the measurement and recognition provisions of ASC 718. Accordingly, the fair value of the restricted stock awards is measured on the grant date and recognized in earnings over the requisite service period for each separately vesting portion of the award.

The following table summarizes restricted stock award activity from September 30, 2015 through December 31, 2015:

|   | Shares/<br>Units | Weighted<br>Average<br>Grant<br>Date Fair<br>Value |
|---|------------------|--|
| Non-vested balance as of September 30, 2015 | 111,000          | \$ 19.23   |
| Changes during the period                   |                  |  |
| Awards granted                              | 280,510          | \$ 14.96   |
| Awards vested                               | (14,119 )        | \$ 19.24   |
| Non-vested balance as of December 31, 2015  | 377,391          | \$ 16.06   |

As of December 31, 2015, we had approximately \$5.3 million of total unrecognized compensation cost, assuming applicable performance conditions are met, related to non-vested restricted stock awards. We expect to recognize that cost over a weighted average period of 3.0 years.

### 13. NET INCOME PER SHARE:

The following is a reconciliation of the shares used in the denominator for calculating basic and diluted net income per share:

|  | Three Months Ended   |            |
|--|----------------------|------------|
|  | December 31,<br>2014 | 2015       |
| Weighted average common shares outstanding used in         |                      |            |
| calculating basic income per share                         | 24,278,586           | 24,213,134 |
| Effect of dilutive options and non-vested restricted stock |                      |            |
| awards   | 669,382              | 488,866    |
| Weighted average common and common equivalent shares       |                      |            |
| used in calculating diluted income per share               | 24,947,968           | 24,702,000 |

For the three months ended December 31, 2014 and 2015, there were 806,086 and 1,174,790 weighted average shares of options outstanding, respectively, that were not included in the computation of diluted income per share because the

options' exercise prices were greater than the average market price of our common stock, and therefore, their effect would be anti-dilutive.

14. COMMITMENTS AND CONTINGENCIES:

We are party to various legal actions arising in the ordinary course of business. While it is not feasible to determine the actual outcome of these actions as of December 31, 2015, we believe that these matters should not have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include statements relating to our plans to accelerate our growth through acquisitions and new store openings if economic conditions continue to improve; our belief that the steps we have taken to address weak market conditions will yield an increase in future revenue; our expectations that our core strengths and retailing strategies will position us to capitalize on growth opportunities as they occur and will allow us to emerge from the current challenging economic environment with greater earnings potential; our belief that our existing capital resources will be sufficient to finance our operations for at least the next 12 months, except for possible significant acquisitions; and the seasonality of our business and the effect of such seasonality on our business, financial results and inventory levels. Actual results could differ materially from those currently anticipated as a result of a number of factors, including those set forth under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2015.

### General

We are the largest recreational boat and yacht retailer in the United States with fiscal 2015 revenue in excess of \$750 million. Through our current 52 retail locations in 15 states, we sell new and used recreational boats and related marine products, including engines, trailers, parts, and accessories. We also arrange related boat financing, insurance, and extended service contracts; provide boat repair and maintenance services; offer yacht and boat brokerage sales; and, where available, offer slip and storage accommodations, as well as the charter of power and sailing yachts in the British Virgin Islands.

MarineMax was incorporated in January 1998 (and reincorporated in Florida in March 2015). We commenced operations with the acquisition of five independent recreational boat dealers on March 1, 1998. Since the initial acquisitions in March 1998, we have acquired 24 recreational boat dealers, two boat brokerage operations, and two full-service yacht repair facilities. As a part of our acquisition strategy, we frequently engage in discussions with various recreational boat dealers regarding their potential acquisition by us. Potential acquisition discussions frequently take place over a long period of time and involve difficult business integration and other issues, including, in some cases, management succession and related matters. As a result of these and other factors, a number of potential acquisitions that from time to time appear likely to occur do not result in binding legal agreements and are not consummated. We completed a relatively small acquisition in the fiscal year ended September 30, 2014 and none in the fiscal year ended September 30, 2015.

General economic conditions and consumer spending patterns can negatively impact our operating results. Unfavorable local, regional, national, or global economic developments or uncertainties regarding future economic prospects could reduce consumer spending in the markets we serve and adversely affect our business. Economic conditions in areas in which we operate dealerships, particularly Florida in which we generated approximately 51%, 52%, and 53% of our revenue during fiscal 2013, 2014, and 2015, respectively, can have a major impact on our operations. Local influences, such as corporate downsizing, military base closings, and inclement weather such as Hurricane Sandy, environmental conditions, and specific events, such as the BP oil spill in the Gulf of Mexico, also could adversely affect, and in certain instances have adversely affected, our operations in certain markets.

In an economic downturn, consumer discretionary spending levels generally decline, at times resulting in disproportionately large reductions in the sale of luxury goods. Consumer spending on luxury goods also may decline as a result of lower consumer confidence levels, even if prevailing economic conditions are favorable. As a result, an economic downturn could impact us more than certain of our competitors due to our strategic focus on a higher end of

our market. Although we have expanded our operations during periods of stagnant or modestly declining industry trends, the cyclical nature of the recreational boating industry or the lack of industry growth may adversely affect our business, financial condition, and results of operations. Any period of adverse economic conditions or low consumer confidence has a negative effect on our business.

Lower consumer spending resulting from a downturn in the housing market and other economic factors adversely affected our business in fiscal 2007, and continued weakness in consumer spending and depressed economic conditions had a substantial negative effect on our business and industry for several years after fiscal 2007. These conditions caused us to substantially reduce our acquisition program, delay new store openings, reduce our inventory purchases, engage in inventory reduction efforts, close a number of our retail locations, reduce our headcount, and amend and replace our credit facility. Acquisitions and new store openings remain important strategies to our company, and we plan to accelerate our growth through these strategies as economic conditions continue to improve. However, we cannot predict the length of unfavorable economic or industry conditions or the extent to which they will continue to adversely affect our operating results nor can we predict the effectiveness of the measures we have taken to address this environment.

Although economic conditions have adversely affected our operating results, we have capitalized on our core strengths to substantially outperform the industry, resulting in market share gains. Our ability to capture such market share supports the alignment of our retailing strategies with the desires of consumers. We believe the steps we have taken to address weak market conditions have yielded, and will yield in the future, an increase in revenue. As general economic trends continue to improve, we expect our core strengths and retailing strategies will position us to capitalize on growth opportunities as they occur and will allow us to emerge from this challenging economic environment with greater earnings potential.

#### Application of Critical Accounting Policies

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and risks related to these policies on our business operations is discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations when such policies affect our reported and expected financial results.

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States. We base our estimates on historical experiences and on various other assumptions that we believe are reasonable under the circumstances. The results form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe that the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations and require our most difficult, subjective, and complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

#### Revenue Recognition

We recognize revenue from boat, motor, and trailer sales and parts and service operations at the time the boat, motor, trailer, or part is delivered to or accepted by the customer or the service is completed. We recognize deferred revenue from service operations and slip and storage services on a straight-line basis over the term of the contract or when service is completed. We recognize commissions earned from a brokerage sale at the time the related brokerage transaction closes. We recognize commissions earned by us for placing notes with financial institutions in connection with customer boat financing when we recognize the related boat sales. We recognize marketing fees earned on credit, life, accident, disability, gap, and hull insurance products sold by third-party insurance companies at the later of customer acceptance of the insurance product as evidenced by contract execution or when the related boat sale is recognized. We also recognize commissions earned on extended warranty service contracts sold on behalf of third-party insurance companies at the later of customer acceptance of the service contract terms as evidenced by contract execution or recognition of the related boat sale.

Certain finance and extended warranty commissions and marketing fees on insurance products may be charged back if a customer terminates or defaults on the underlying contract within a specified period of time. Based upon our experience of terminations and defaults, we maintain a chargeback allowance that was not material to our financial statements taken as a whole as of December 31, 2015. Should results differ materially from our historical experiences, we would need to modify our estimate of future chargebacks, which could have a material adverse effect on our operating margins. We do not believe there is a reasonable likelihood that there will be a change in the future estimates or assumptions we use to calculate our estimate of future chargebacks which would result in a material effect on our operating results.

#### Vendor Consideration Received

We account for consideration received from our vendors in accordance with FASB Accounting Standards Codification 605-50, "Revenue Recognition - Customer Payments and Incentives" ("ASC 605-50"). ASC 605-50 requires us to classify interest assistance received from manufacturers as a reduction of inventory cost and related cost of sales as opposed to netting the assistance against our interest expense incurred with our lenders. Pursuant to ASC 605-50, amounts received by us under our co-op assistance programs from our manufacturers are netted against related advertising expenses. Our consideration received from our vendors contains uncertainties because the calculation requires management to make assumptions and to apply judgment regarding a number of factors, including our ability to collect amounts due from vendors and the ability to meet certain criteria stipulated by our vendors. We do not believe there is a reasonable likelihood that there will be a change in the future estimates or assumptions we use to calculate our vendor considerations which would result in a material effect on our operating results.

## Inventories

Inventory costs consist of the amount paid to acquire inventory, net of vendor consideration and purchase discounts, the cost of equipment added, reconditioning costs, and transportation costs relating to acquiring inventory for sale. We state new and used boat, motor, and trailer inventories at the lower of cost, determined on a specific-identification basis, or market. We state parts and accessories at the lower of cost, determined on an average cost basis, or market. We utilize our historical experience, the aging of the inventories, and our consideration of current market trends as the basis for determining a lower of cost or market valuation allowance. Our lower of cost or market valuation allowance contains uncertainties because the calculation requires management to make assumptions and to apply judgment regarding the amount at which the inventory will ultimately be sold which considers forecasted market trends, model changes, and new product introductions. We do not believe there is a reasonable likelihood that there will be a change in the future estimates or assumptions we use to calculate our lower of cost or market valuation allowance which would result in a material effect on our operating results. As of September 30, 2015 and December 31, 2015, our lower of cost or market valuation allowance for new and used boat, motor, and trailer inventories was \$1.8 million and \$2.3 million, respectively. If events occur and market conditions change, causing the fair value to fall below carrying value, the lower of cost or market valuation allowance could increase.

## Goodwill

We account for goodwill in accordance with FASB Accounting Standards Codification 350, “Intangibles - Goodwill and Other” (“ASC 350”), which provides that the excess of cost over net assets of businesses acquired is recorded as goodwill. The acquisitions of Bassett Marine, LLC and Parker Boat Company resulted in goodwill of \$802,000. In accordance with ASC 350, we review goodwill for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our annual impairment test is performed during the fourth fiscal quarter. If the carrying amount of goodwill exceeds its fair value we would recognize an impairment loss in accordance with ASC 350. As of December 31, 2015, and based upon our most recent analysis, we determined through our qualitative assessment that it is not “more likely than not” that the fair values of our reporting units are less than their carrying values. As a result, we were not required to perform the two-step goodwill impairment test. The qualitative assessment requires us to make judgments and assumptions regarding macroeconomic and industry conditions, our financial performance, and other factors. We do not believe there is a reasonable likelihood that there will be a change in the judgments and assumptions used in our qualitative assessment which would result in a material effect on our operating results.

## Impairment of Long-Lived Assets

FASB Accounting Standards Codification 360-10-40, “Property, Plant, and Equipment - Impairment or Disposal of Long-Lived Assets” (“ASC 360-10-40”), requires that long-lived assets, such as property and equipment and purchased intangibles subject to amortization, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair market value. Estimates of expected future cash flows represent our best estimate based on currently available information and reasonable and supportable assumptions. Our impairment loss calculations contain uncertainties because they require us to make assumptions and to apply judgment in order to estimate expected future cash flows. Any impairment recognized in accordance with ASC 360-10-40 is permanent and may not be restored. Based upon our most recent analysis, we believe no impairment of long-lived assets existed as of December 31, 2015. We do not believe there is a reasonable likelihood that there will be a change in the future estimates or assumptions used to test for recoverability which would result in a material effect on our operating results.



## Stock-Based Compensation

We account for our stock-based compensation plans following the provisions of FASB Accounting Standards Codification 718, “Compensation — Stock Compensation” (“ASC 718”). In accordance with ASC 718, we use the Black-Scholes valuation model for valuing all stock-based compensation and shares purchased under our Employee Stock Purchase Plan. We measure compensation for restricted stock awards and restricted stock units at fair value on the grant date based on the number of shares expected to vest and the quoted market price of our common stock. We recognize compensation cost for all awards in operations, net of estimated forfeitures, on a straight-line basis over the requisite service period for each separately vesting portion of the award. Our valuation models and generally accepted valuation techniques require us to make assumptions and to apply judgment to determine the fair value of our awards. These assumptions and judgments include estimating the volatility of our stock price, expected dividend yield, employee turnover rates and employee stock option exercise behaviors. We do not believe there is a reasonable likelihood that there will be a change in the future estimates or assumptions we use to calculate our stock-based compensation which would result in a material effect on our operating results.

## Income Taxes

We account for income taxes in accordance with FASB Accounting Standards Codification 740, "Income Taxes" ("ASC 740"). Under ASC 740, we recognize deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. We measure deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which we expect those temporary differences to be recovered or settled. We record valuation allowances to reduce our deferred tax assets to the amount expected to be realized by considering all available positive and negative evidence.

Pursuant to ASC 740, we must consider all positive and negative evidence regarding the realization of deferred tax assets. ASC 740 provides for four possible sources of taxable income to realize deferred tax assets: 1) taxable income in prior carryback years, 2) reversals of existing deferred tax liabilities, 3) tax planning strategies and 4) projected future taxable income. As of September 30, 2015, we have no available taxable income in prior carryback years, limited reversals of existing deferred tax liabilities or prudent and feasible tax planning strategies. Therefore, the recoverability of our deferred tax assets is dependent upon projected future taxable income.

Since the fourth quarter of fiscal 2008, the Company has maintained a full valuation allowance against its deferred tax assets, having determined it was more likely than not that the deferred tax assets would not be realized. The determination of releasing valuation allowances against deferred tax assets is made, in part, pursuant to our assessment as to whether it is more likely than not that we will generate sufficient future taxable income against which benefits of the deferred tax assets may or may not be realized. Significant judgment is required in making estimates regarding our ability to generate income in future periods.

In the fourth quarter of fiscal 2015, we reached the conclusion that it was appropriate to release our valuation allowance against the majority of our deferred tax assets due to the sustained positive operating performance of our operations throughout the entire fiscal year and the projection of future taxable income. Additionally, we maintained a cumulative three year income position throughout fiscal year 2015, reached six consecutive quarters of positive pre-tax operating earnings, and experienced a continued recovery in industry and general economic conditions, all of which were positive factors that overcame prior negative evidence. We also considered forecasts of future operating results and utilization of net operating losses and tax credits prior to their expiration. As a result of the release of our valuation allowance in the fourth quarter of fiscal 2015, we recorded an income tax provision for the three months ended December 31, 2015 of \$547,000.

The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. Under ASC 740, the impact of uncertain tax positions taken or expected to be taken on an income tax return must be recognized in the financial statements at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized in the financial statements unless it is more likely than not of being sustained. As such, we are required to make subjective assumptions and judgments regarding our effective tax rate and our income tax exposure. Our effective income tax rate is affected by changes in tax law in the jurisdictions in which we currently operate, tax jurisdictions of new retail locations, our earnings, and the results of tax audits. We believe that the judgments and estimates discussed herein are reasonable.

## Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" (ASU 2014-9), a converged standard on revenue recognition. The new pronouncement requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the

consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer, as well as enhanced disclosure requirements. ASU 2014-9 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Early adoption is not permitted. We currently do not believe the adoption of this standard will have a material impact on our consolidated financial statements.

#### Consolidated Results of Operations

The following discussion compares the three months ended December 31, 2015, with the three months ended December 31, 2014 and should be read in conjunction with the unaudited condensed consolidated financial statements, including the related notes thereto, appearing elsewhere in this report.

Three Months Ended December 31, 2015 Compared with Three Months Ended December 31, 2014

**Revenue.** Revenue increased \$11.4 million, or 7.2%, to \$169.5 million for the three months ended December 31, 2015, from \$158.1 million for the three months ended December 31, 2014. Of this increase, \$12.2 million was attributable to a 7.8% increase in comparable-store sales, which was partially offset by an approximate \$0.8 million net decrease related to stores opened and closed that were not eligible for inclusion in the comparable-store base. The increase in our comparable-store revenue was due primarily to incremental increases in new boat sales. We believe that improving industry conditions resulting from improved economic conditions also contributed to our comparable-store sales growth.

**Gross Profit.** Gross profit increased \$4.2 million, or 11.1%, to \$41.6 million for the three months ended December 31, 2015, from \$37.5 million for the three months ended December 31, 2014. Gross profit as a percentage of revenue increased to 24.6% for the three months ended December 31, 2015 from 23.7% for the three months ended December 31, 2014. The increase in gross profit as a percentage of revenue was primarily the result of improved margins on new boat sales. The increase in gross profit dollars was primarily attributable to the increase in comparable-store sales.

**Selling, General, and Administrative Expenses.** Selling, general, and administrative expense increased \$2.9 million, or 7.9%, to \$39.0 million for the three months ended December 31, 2015 from \$36.1 million for the three months ended December 31, 2014. Selling, general, and administrative expenses as a percentage of revenue increased to 23.0% for the three months ended December 31, 2015 from 22.8% for the three months December 31, 2014. The increase in selling, general, and administrative expenses was primarily attributable to increased commissions resulting from increased new boat sales plus incremental marketing costs associated with changing dates of certain boat shows.

**Interest Expense.** Interest expense increased \$81,000, or 7.1%, to \$1.2 million for the three months ended December 31, 2015 from \$1.1 million for the three months ended December 31, 2014. Interest expense as a percentage of revenue remained consistent at 0.7% for the three months ended December 31, 2015 and for the three months ended December 31, 2014. The increase in interest expense was primarily the result of increased borrowings.

**Income Taxes.** Income tax expense increased to \$547,000 for the three months ended December 31, 2015 from no expense for the three months ended December 31, 2014. Our effective income tax rate was 38.1% for the three months ended December 31, 2015. The lack of expense for the three months ended December 31, 2014 was due to the full valuation allowance on deferred tax assets at that time. The majority of the valuation allowance on deferred tax assets was released in the fourth quarter of fiscal 2015.

#### Liquidity and Capital Resources

Our cash needs are primarily for working capital to support operations, including new and used boat and related parts inventories, off-season liquidity, and growth through acquisitions and new store openings. Acquisitions and new store openings remain important strategies to our company, and we plan to accelerate our growth through these strategies as more robust economic conditions return. However, we cannot predict the length of unfavorable economic or financial conditions. We regularly monitor the aging of our inventories and current market trends to evaluate our current and future inventory needs. We also use this evaluation in conjunction with our review of our current and expected operating performance and expected business levels to determine the adequacy of our financing needs.

These cash needs have historically been financed with cash generated from operations and borrowings under the Amended Credit Facility. Our ability to utilize the Amended Credit Facility to fund operations depends upon the collateral levels and compliance with the covenants of the Amended Credit Facility. Turmoil in the credit markets and weakness in the retail markets may interfere with our ability to remain in compliance with the covenants of the Amended Credit Facility and therefore our ability to utilize the Amended Credit Facility to fund operations. As of December 31, 2015, we were in compliance with all covenants under the Amended Credit Facility. We currently depend upon dividends and other payments from our dealerships and the Amended Credit Facility to fund our current operations and meet our cash needs. As 100% owner of each of our dealerships, we determine the amounts of such distributions subject to applicable law, and currently, no agreements exist that restrict this flow of funds from our dealerships.

For the three months ended December 31, 2015 and 2014, cash used in operating activities was approximately \$55.7 million and \$41.5 million, respectively. For the three months ended December 31, 2015, cash used in operating activities was primarily related to an increase of inventory driven by timing of boats received, and seasonal declines in accounts payable and accrued expenses, partially offset by our net income adjusted for non-cash expenses such as depreciation and amortization expenses along with stock based compensation expenses. For the three months ended December 31, 2014, cash used in operating activities was primarily related to an increase of inventory driven by timing of boats received, an increase in accounts receivable as a result of our relatively successful sales efforts at the end of the quarter ended December 31, 2014, and seasonal declines in accounts payable and accrued expenses, partially offset by an increase in customer deposits as a result of large yachts that were sold on order.

For the three months ended December 31, 2015 and 2014, cash used in investing activities was approximately \$1.8 million and \$2.0 million, respectively. For the three months ended December 31, 2015 and 2014 cash used in investing activities was primarily used to purchase property and equipment associated with improving existing retail facilities.

For the three months ended December 31, 2015 and 2014, cash provided by financing activities was approximately \$50.0 million and \$33.4 million, respectively, and was primarily attributable to net short-term borrowings as a result of increased inventory levels and proceeds from the issuance of common stock from our stock based compensation plans.

In October 2015, we entered into the Amended Credit Facility with GE Commercial Distribution Finance LLC. The October 2015 amendment extended the maturity date of the Credit Facility to October 2018, subject to additional extension for two one-year periods, with lender approval. The October 2015 amendment, among other things, modified the amount of borrowing availability and maturity date of the Credit Facility. The Amended Credit Facility provides a floor plan financing commitment of up to \$260.0 million, an increase from the previous limit of \$235.0 million, subject to borrowing base availability resulting from the amount and aging of our inventory.

The Amended Credit Facility has certain financial covenants as specified in the agreement. The covenants include provisions that our leverage ratio must not exceed 2.75 to 1.0 and that our current ratio must be greater than 1.2 to 1.0. The interest rate for amounts outstanding under the Amended Credit Facility is 345 basis points above the one-month London Inter-Bank Offering Rate ("LIBOR"). There is an unused line fee of ten basis points on the unused portion of the Amended Credit Facility.

Advances under the Amended Credit Facility are initiated by the acquisition of eligible new and used inventory or are re-advances against eligible new and used inventory that have been partially paid-off. Advances on new inventory will generally mature 1,080 days from the original invoice date. Advances on used inventory will mature 361 days from the date we acquire the used inventory. Each advance is subject to a curtailment schedule, which requires that we pay down the balance of each advance on a periodic basis starting after six months. The curtailment schedule varies based on the type and value of the inventory. The collateral for the Amended Credit Facility is all of our personal property with certain limited exceptions. None of our real estate has been pledged for collateral for the Amended Credit Facility.

As of December 31, 2015, our indebtedness associated with financing our inventory and working capital needs totaled approximately \$187.5 million. As of December 31, 2014 and 2015, the interest rate on the outstanding short-term borrowings was approximately 3.6% and 3.7%, respectively. As of December 31, 2015, our additional available borrowings under our Amended Credit Facility were approximately \$45.2 million based upon the outstanding borrowing base availability. The aging of our inventory limits our borrowing capacity as defined curtailments reduce the allowable advance rate as our inventory ages.

Except as specified in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in the attached unaudited condensed consolidated financial statements, we have no material commitments for capital for the next 12 months. We believe that our existing capital resources will be sufficient to finance our operations for at least the next 12 months, except for possible significant acquisitions.

#### Impact of Seasonality and Weather on Operations

Our business, as well as the entire recreational boating industry, is highly seasonal, with seasonality varying in different geographic markets. With the exception of Florida, we generally realize significantly lower sales and higher levels of inventories, and related short-term borrowings, in the quarterly periods ending December 31 and March 31.

The onset of the public boat and recreation shows in January generally stimulates boat sales and typically allows us to reduce our inventory levels and related short-term borrowings throughout the remainder of the fiscal year. Our business could become substantially more seasonal if we acquire dealers that operate in colder regions of the United States or close retail locations in warm climates.

Our business is also subject to weather patterns, which may adversely affect our results of operations. For example, prolonged or severe winter conditions, drought conditions (or merely reduced rainfall levels) or excessive rain, may limit access to area boating locations or render boating dangerous or inconvenient, thereby curtailing customer demand for our products and services. In addition, unseasonably cool weather and prolonged or severe 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. Although our geographic diversity is likely to reduce the overall impact to us of adverse weather conditions in any one market area, these conditions will continue to represent potential, material adverse risks to us and our future financial performance.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of December 31, 2015, all of our short-term debt bore interest at a variable rate, tied to LIBOR as a reference rate. Changes in the underlying LIBOR interest rate on our short-term debt could affect our earnings. For example, a hypothetical 100 basis point increase in the interest rate on our short-term debt would result in an increase of approximately \$1.9 million in annual pre-tax interest expense. This estimated increase is based upon the outstanding balance of our short-term debt as of December 31, 2015 and assumes no mitigating changes by us to reduce the outstanding balances and no additional interest assistance that could be received from vendors due to the interest rate increase.

Products purchased from European-based and Chinese-based manufacturers are subject to fluctuations in the U.S. dollar exchange rate, which ultimately may impact the retail price at which we can sell such products. Accordingly, fluctuations in the value of the other currencies compared with the U.S. dollar may impact the price points at which we can profitably sell such foreign products, and such price points may not be competitive with other product lines in the United States. Accordingly, such fluctuations in exchange rates ultimately may impact the amount of revenue, cost of goods sold, cash flows, and earnings we recognize for such foreign product lines. We cannot predict the effects of exchange rate fluctuations on our operating results. In certain cases, we may enter into foreign currency cash flow hedges to reduce the variability of cash flows associated with forecasted purchases of boats and yachts from European-based and Chinese-based manufacturers. We are not currently engaged in foreign currency exchange hedging transactions to manage our foreign currency exposure. If and when we do engage in foreign currency exchange hedging transactions, we cannot assure that our strategies will adequately protect our operating results from the effects of exchange rate fluctuations.

### ITEM 4. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed by us in Securities Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

#### Changes in Internal Controls

During the quarter ended December 31, 2015, there were no changes in our internal controls over financial reporting that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

#### Limitations on the Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures and internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that



the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Although our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

CEO and CFO Certifications

Exhibits 31.1 and 31.2 are the Certifications of the Chief Executive Officer and Chief Financial Officer, respectively. The Certifications are required in accordance with Section 302 of the Sarbanes-Oxley Act of 2002 (the “Section 302 Certifications”). This Item of this report, which you are currently reading is the information concerning the Evaluation referred to in the Section 302 Certifications and this information should be read in conjunction with the Section 302 Certifications for a more complete understanding of the topics presented.

## PART II.

## OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

We are party to various legal actions arising in the ordinary course of business. While it is not feasible to determine the actual outcome of these actions as of December 31, 2015, we do not believe that these matters will have a material adverse effect on our consolidated financial condition, result of operations, or cash flows.

## ITEM 1A. RISK FACTORS

Not applicable.

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

The following table presents information with respect to our repurchase of our common stock during the three months ended December 31, 2015.

| Period                               | Total<br>Number<br>of Shares<br>Purchased<br>(1) | Average<br>Price<br>Paid per<br>share | Total<br>Number of<br>Shares<br>Purchased<br>as Part of<br>Publicly<br>Announced<br>Plans or<br>Programs | Maximum<br>Number of<br>Shares that<br>may<br>be<br>Purchased<br>Under the<br>Plans or<br>Programs |
|--------------------------------------|--|---------------------------------------|--|--|
| October 1, 2015 - October 31, 2015   | 3,899  | \$ 14.00                              | 3,899  | 423,668  |
| November 1, 2015 - November 30, 2015 | 52,478   | \$ 14.98                              | 52,478   | 371,190  |
| December 1, 2015 - December 31, 2015 | -  | -                                     | -  | 371,190  |
| Total                                | 56,377   | \$ 14.91                              | 56,377   | 371,190  |

(1) The purchases were made pursuant to the share repurchase program announced by the Company on April 27, 2015. Under the terms of the program, the Company is authorized to purchase up to 1.0 million shares of its common stock until March 31, 2017.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

3.1(b) Articles of Incorporation of MarineMax, Inc., a Florida corporation. (1)

3.2(a) Bylaws of MarineMax, Inc., a Florida corporation. (1)

4.2 Form of Common Stock Certificate. (1)

10.21(q)†Second Amended and Restated Inventory Financing Agreement, executed on October 30, 2015, by and among MarineMax, Inc. and its subsidiaries, as Borrowers, and GE Commercial Distribution Finance LLC, as Lender.

10.21(r)†Third Amended and Restated Program Terms Letter, executed on October 30, 2015, by and among MarineMax, Inc and its subsidiaries, as Borrowers, and GE Commercial Distribution Finance LLC, as Lender.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended.

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities

Exchange Act of 1934, as amended.

32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

(1) Incorporated by reference to Registrant's Form 8-K as filed March 20, 2015.

Certain information in this exhibit has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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.

MARINEMAX, INC.

February 4, 2016 By: /s/ Michael H. McLamb

Michael H. McLamb  
Executive Vice President,  
Chief Financial Officer, Secretary, and Director  
(Principal Accounting and Financial Officer)