

MARINEMAX INC  
Form 10-Q  
February 08, 2010

**Table of Contents**

**SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549  
FORM 10-Q**

**10** **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2009.**  
**Commission File Number. 1-14173**  
**MARINEMAX, INC.**  
(Exact Name of Registrant as Specified in Its Charter)

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

**18167 U.S. Highway 19 North, Suite 300**  
**Clearwater, Florida** **33764**  
(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 Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a 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, 2010 was 21,938,928.

MARINEMAX, INC. AND SUBSIDIARIES  
**Table of Contents**

<b>Item No.</b>	<b>Page</b>
<b><u>PART I FINANCIAL INFORMATION</u></b>	
<b><u>1. Financial Statements (Unaudited):</u></b>	
<b><u>Condensed Consolidated Statements of Operations for the Three Months Ended December 31, 2008 and 2009</u></b>	3
<b><u>Condensed Consolidated Balance Sheets as of September 30, 2009 and December 31, 2009</u></b>	4
<b><u>Condensed Consolidated Statements of Stockholders' Equity for the Three Months Ended December 31, 2009</u></b>	5
<b><u>Condensed Consolidated Statements of Cash Flows for the Three Months Ended December 31, 2008 and 2009</u></b>	6
<b><u>Notes to Condensed Consolidated Financial Statements</u></b>	7
<b><u>2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	14
<b><u>3. Quantitative and Qualitative Disclosures About Market Risk</u></b>	20
<b><u>4. Controls and Procedures</u></b>	20
<b><u>PART II OTHER INFORMATION</u></b>	
<b><u>1. Legal Proceedings</u></b>	22
<b><u>1A. Risk Factors</u></b>	22
<b><u>2. Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	22
<b><u>3. Defaults upon Senior Securities</u></b>	22
<b><u>4. Submission of Matters to a Vote of Security Holders</u></b>	22
<b><u>5. Other Information</u></b>	22
<b><u>6. Exhibits</u></b>	22
<b><u>SIGNATURES</u></b>	23
<b><u>EX-31.1</u></b>	
<b><u>EX-31.2</u></b>	
<b><u>EX-32.1</u></b>	
<b><u>EX-32.2</u></b>	

**Table of Contents****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)**

	<b>Three Months Ended</b>	
	<b>December 31,</b>	
	<b>2008</b>	<b>2009</b>
Revenue	\$ 100,224	\$ 100,449
Cost of sales	76,521	78,478
Gross profit	23,703	21,971
Selling, general, and administrative expenses	38,862	29,629
Loss from operations	(15,159)	(7,658)
Interest expense	4,062	1,462
Loss before income tax benefit	(19,221)	(9,120)
Income tax benefit	(4,881)	(19,273)
Net income (loss)	\$ (14,340)	\$ 10,153
Basic net income (loss) per common share	\$ (0.78)	\$ 0.47
Diluted net income (loss) per common share	\$ (0.78)	\$ 0.45
Weighted average number of common shares used in computing net income (loss) per common share:		
Basic	18,500,794	21,796,561
Diluted	18,500,794	22,344,687

See accompanying notes to condensed consolidated financial statements.

**Table of Contents**

**MARINEMAX, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
(Amounts in thousands, except share and per share data)

	<b>September 30, 2009</b>	<b>December 31, 2009</b> (Unaudited)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 25,508	\$ 13,060
Accounts receivable, net	35,497	12,471
Income tax receivable	9,983	20,061
Inventories, net	205,934	190,243
Prepaid expenses and other current assets	12,314	10,965
<b>Total current assets</b>	<b>289,236</b>	<b>246,800</b>
Property and equipment, net	102,316	100,806
Other long-term assets	2,092	2,444
<b>Total assets</b>	<b>\$ 393,644</b>	<b>\$ 350,050</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 15,847	\$ 5,948
Customer deposits	4,882	5,284
Accrued expenses	29,328	24,171
Short-term borrowings	142,000	102,000
<b>Total current liabilities</b>	<b>192,057</b>	<b>137,403</b>
Other long-term liabilities	3,831	3,554
<b>Total liabilities</b>	<b>195,888</b>	<b>140,957</b>
<b>STOCKHOLDERS EQUITY:</b>		
Preferred stock, \$.001 par value, 1,000,000 shares authorized, none issued or outstanding at September 30, 2009 and December 31, 2009		
Common stock, \$.001 par value, 24,000,000 shares authorized, 22,496,659 and 22,729,828 shares issued and 21,705,759 and 21,938,928 shares outstanding at September 30, 2009 and December 31, 2009, respectively	22	23
Additional paid-in capital	204,772	205,955
Retained earnings	8,772	18,925
Treasury stock, at cost, 790,900 shares held at September 30, 2009 and December 31, 2009.	(15,810)	(15,810)

Total stockholders' equity	197,756	209,093
Total liabilities and stockholders' equity	\$ 393,644	\$ 350,050

See accompanying notes to condensed consolidated financial statements.

4

---

**Table of Contents**

**MARINEMAX, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Stockholders Equity**  
(Amounts in thousands, except share data)

	<b>Common Stock Shares</b>	<b>Common Stock Amount</b>	<b>Additional Paid-in Capital</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Total Stockholders Equity</b>
BALANCE, September 30, 2009	21,705,759	\$ 22	\$ 204,772	\$ 8,772	\$ (15,810)	\$ 197,756
Net income				10,153		10,153
Shares issued under employee stock purchase plan	133,367	1	222			223
Shares issued under exercise of stock options	28,636		89			89
Net shares issued upon the vesting of equity awards	66,144		(142)			(142)
Stock-based compensation	5,022		995			995
Tax benefits of options exercised			19			19
BALANCE, December 31, 2009	21,938,928	\$ 23	\$ 205,955	\$ 18,925	\$ (15,810)	\$ 209,093

See accompanying notes to condensed consolidated financial statements.

**Table of Contents**

**MARINEMAX, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>December 31,</b>	
	<b>2008</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net Income/(loss)	\$ (14,340)	\$ 10,153
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,147	1,949
Deferred income tax provision	9	
(Gain) loss on sale of property and equipment	77	(3)
Stock-based compensation expense	999	995
Excess tax benefits from options exercised		19
Tax benefits from equity awards	119	
Excess tax benefits from stock-based compensation		(19)
(Increase) decrease in		
Accounts receivable, net	13,125	23,026
Income tax receivable	1,666	(10,078)
Inventories, net	27,775	15,691
Prepaid expenses and other assets	(221)	730
(Decrease) increase in		
Accounts payable	2,941	(9,899)
Customer deposits	(1,167)	402
Accrued expenses	(4,873)	(5,434)
Net cash provided by operating activities	28,257	27,532
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(1,084)	(198)
Proceeds from sale of property and equipment		29
Net cash used in investing activities	(1,084)	(169)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net borrowings (repayments) on short-term borrowings	(43,000)	(40,000)
Net proceeds from issuance of common stock under incentive compensation and employee purchase plans	392	170
Excess tax benefits from options exercised		19
Net cash used in financing activities	(42,608)	(39,811)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(15,435)	(12,448)
CASH AND CASH EQUIVALENTS, beginning of period	30,264	25,508



Edgar Filing: MARINEMAX INC - Form 10-Q

CASH AND CASH EQUIVALENTS, end of period	\$ 14,829	\$ 13,060
--	-----------	-----------

Supplemental Disclosures of Cash Flow Information:

Cash paid for:

Interest	\$ 3,968	\$ 1,852
Income taxes	\$	\$

See accompanying notes to condensed consolidated financial statements.

6

---

**Table of Contents**

**MARINEMAX, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. COMPANY BACKGROUND:**

We are the largest recreational boat 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. As of December 31, 2009, we operated through 55 retail locations in 18 states, consisting of Alabama, Arizona, California, Colorado, Connecticut, Florida, Georgia, Maryland, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Rhode Island, Tennessee, and Texas.

We are the nation's largest retailer of Sea Ray, Boston Whaler, Meridian, Cabo, and Hatteras recreational boats and yachts, all of which are manufactured by Brunswick Corporation (Brunswick). Sales of new Brunswick boats accounted for approximately 51% of our revenue in fiscal 2009. Brunswick is the world's largest manufacturer of marine products and marine engines. We believe we represented in excess of 6% of all Brunswick marine sales, including approximately 31% of its Sea Ray boat sales, during our 2009 fiscal year.

We have dealership agreements with Sea Ray, Boston Whaler, Cabo, Hatteras, Meridian, and Mercury Marine, all subsidiaries or divisions of Brunswick. We also have a dealer agreement with 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 are a party to a multi-year dealer agreement with Brunswick covering Sea Ray products that appoints us as the exclusive dealer of Sea Ray boats in our geographic markets. We are a party to a multi-year dealer agreement with Hatteras Yachts that gives us the exclusive right to sell Hatteras Yachts throughout the states of Florida (excluding the Florida panhandle), New Jersey, New York, and Texas. We are also the exclusive dealer for Cabo Yachts throughout the states of Florida, New Jersey, and New York through a multi-year dealer agreement. We are also the exclusive dealer for Italy-based Azimut-Benetti Group's product line, Azimut Yachts, for the Northeast United States from Maryland to Maine and for the state of Florida through a multi-year dealer agreement. 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, Hatteras, Cabo, 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 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 44%, 43%, and 45% of our revenue during fiscal 2007, 2008, and 2009, respectively, can have a major impact on our operations. Local influences, such as corporate downsizing and military base closings, also could adversely affect 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. 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,

or results of operations. Any period of adverse economic conditions or low consumer confidence has a negative effect on our business.

**Table of Contents**

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 resulting from substantial weakness in the financial markets and deteriorating economic conditions had a very substantial negative effect on our business in fiscal 2008 and 2009. These conditions caused us to defer our acquisition program, delay new store openings, reduce our inventory purchases, engage in inventory reduction efforts, close some of our retail locations, reduce our headcount, and amend our credit facility. We cannot predict the length or severity of these unfavorable economic or financial conditions or the extent to which they will adversely affect our operating results nor can we predict the effectiveness of the measures we have taken to address this environment or whether additional measures will be necessary.

**2. BASIS OF PRESENTATION:**

These unaudited 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, 2009. Accordingly, these unaudited 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 consolidated financial statements. As of December 31, 2009, our financial instruments consisted of cash and cash equivalents, accounts receivable, accounts payable, and short-term borrowings. The carrying amounts of our financial instruments reported on the balance sheet at December 31, 2009 approximate fair value due either to length of maturity or existence of variable interest rates, which approximate prevailing market rates. The operating results for the three months ended December 31, 2009 are not necessarily indicative of the results that may be expected in future periods.

The preparation of unaudited 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 at the date of the unaudited consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. The estimates made by us in the accompanying unaudited consolidated financial statements include valuation allowances, valuation of long-lived assets, and valuation of accruals. Actual results could differ from those estimates. We have evaluated subsequent events for recognition or disclosure through February 8, 2010, which is the date we filed this Form 10-Q with the Securities and Exchange Commission.

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. the 20 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).

In order to provide comparability between periods presented, certain amounts have been reclassified from the previously reported unaudited consolidated financial statements to conform to the unaudited consolidated financial statement presentation of the current period. The unaudited 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 June 2009 the Financial Accounting Standards Board issued FASB Accounting Standards Codification 810, Consolidation (ASC 810), previously referred to as Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167). SFAS 167, addresses the effects of eliminating the qualifying special-purpose entity (QSPE) concept from Statement of Financial Accounting Standards No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities and addresses certain key provisions of FIN 46(R), including transparency of enterprises' involvement with variable interest entities (VIEs). ASC 810 is effective for fiscal years beginning after November 15, 2009 and interim periods within



**Table of Contents**

those fiscal years. We are currently assessing the implications of this standard and evaluating the impact of adopting ASC 810 on our consolidated financial statements.

**4. INVENTORIES**

Inventory costs consist of the amount paid to acquire the 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 boat, motor, and trailer inventories at the lower of cost, determined on a specific-identification basis, or market. We state used boat, motor, and trailer inventories, including trade-ins, 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 lower of cost or market valuation allowance. As of September 30, 2009 and December 31, 2009, our lower of cost or market valuation allowance was \$17.7 million and \$14.0 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.

**5. IMPAIRMENT OF LONG-LIVED ASSETS**

FASB Accounting Standards Codification 360-10-40, Property, Plant, and Equipment, Impairment of Disposal of Long-Lived Assets (ASC 360-10-40), previously referred to as Statement of Financial Accounting Standards No. 144, Accounting for Impairment or Disposal of Long-Lived Assets, 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. As of December 31, 2009, we had not recognized any impairment of long-lived assets in connection with ASC 360-10-40 based on our reviews.

**6. INCOME TAXES:**

We account for income taxes in accordance with FASB Accounting Standards Codification 740, Income Taxes (ASC 740), previously referred to as Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, and Financial Accounting Standard Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes. 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 basis. 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, including past operating results and future sources of taxable income. Under the provisions of ASC 740-10, we determined that our net deferred tax asset needed to be fully reserved given recent earnings and industry trends.

The Worker, Homeownership, and Business Assistance Act of 2009 (the Act) was signed into law in November 2009. The Act allowed us to carryback the fully valued 2009 net operating loss, which we were not able to carryback under the prior tax law. The additional carryback generated a tax refund of \$19.2 million. The tax refund was recorded as income tax benefit during our quarter ended December 31, 2009, the period the Act was enacted. The carryback claim was filed with the IRS, and the \$19.2 million refund was recorded as a receivable in the quarter ended December 31, 2009.

**Table of Contents****7. SHORT-TERM BORROWINGS:**

As amended, our credit facility provides for a line of credit with asset-based borrowing availability up to approximately \$215 million, stepping down to \$175 million by September 30, 2010, with interim decreases between such dates. The amended facility has certain financial covenants as specified in the agreement. The covenants include provisions that our leverage ratio not exceed 2.75 to 1; that our current ratio must be greater than 1.25 to 1 or 1.20 to 1 depending on the time of year; and that our maximum EBITDA loss and annual EBITDA, both as defined in the agreement, comply with certain thresholds as described below. The EBITDA covenant requires that we do not exceed the allowable cumulative negative EBITDA, as defined in the agreement, which is \$22 million for the three months ended December 31, 2009 and the six months ended March 31, 2010 and \$15 million for the nine months ended June 30, 2010. We are required to have a cumulative EBITDA greater than or equal to our interest expense for the fiscal year ending September 30, 2010. EBITDA, as defined in the agreement, is our earnings before interest, taxes, depreciation, and amortization plus an add back for stock-based compensation expense and 50% of the proceeds of our September 2009 stock offering, or approximately \$10 million. The amended facility provides for a variable interest rate margin of LIBOR plus 490 basis points through September 30, 2010 and thereafter at LIBOR plus 150 to 400 basis points, depending upon our financial and operating performance. The amended facility matures in May 2011, but includes two one-year renewal options, subject to lender approval. As of December 31, 2009, we were in compliance with all of the credit facility covenants.

As is common in our industry, we receive interest assistance directly from boat manufacturers, including Brunswick. The interest assistance programs vary by manufacturer and 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, 2009, we had no long-term debt. However, we rely on our credit facility to purchase our inventory of boats. Our ability to borrow under our credit facility depends on our ability, including further actions which may be necessary, to continue to satisfy our covenants and other obligations under our credit facility. 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 credit facility also depends upon the ability of the banks that are parties to that facility 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. A continuation of depressed economic conditions, weak consumer spending, turmoil in the credit markets, and lender difficulties could interfere with our ability to utilize the credit agreement to fund our operations. Any inability to utilize our credit facility or the acceleration of amounts owed, resulting from a covenant violation, insufficient collateral, or lender difficulties, could require us to seek other sources of funding to repay amounts outstanding under the credit agreement or replace or supplement our credit agreement, which may not be possible at all or under commercially reasonable terms.

Similarly, the 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. Tight credit conditions, during fiscal 2009 and continuing in fiscal 2010, adversely affected the ability of customers to finance boat purchases, which had a negative affect on our operating results.

**8. STOCK-BASED COMPENSATION:**

We account for our share-based compensation plans following the provisions of FASB Accounting Standards Codification 718, Compensation - Stock Compensation (ASC 718), previously referred to as Statement of Financial Accounting Standards No. 123R, Share-Based Payment. In accordance with ASC 718, we use the Black-Scholes valuation model for valuing all stock-based compensation and shares granted under the 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 earnings, net of estimated forfeitures, on a straight-line basis over the requisite service period for each separately vesting portion of the award.



**Table of Contents**

During the three months ended December 31, 2008 and 2009, we recognized stock-based compensation expense of approximately \$1.0 million and \$995,000, respectively, in selling, general, and administrative expenses on the condensed consolidated statements of operations. Tax benefits realized for tax deductions from option exercises for the three months ended December 31, 2009, was approximately \$19,000. There was no income tax benefit recorded in the comparable period last year.

Cash received from option exercises under all share-based payment arrangements for the three months ended December 31, 2008 and 2009, was approximately \$410,000 and \$170,000, respectively. We currently expect to satisfy share-based awards with registered shares available to be issued.

**9. THE INCENTIVE STOCK PLANS:**

During February 2007, our stockholders approved a proposal to approve our 2007 Incentive Compensation Plan (2007 Plan), which replaced our 1998 Incentive Stock Plan (1998 Plan). Our 2007 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 2007 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. The total number of shares of our common stock that may be subject to awards under the 2007 Plan is equal to 1,000,000 shares, plus (i) any shares available for issuance and not subject to an award under the 1998 Plan, (ii) the number of shares with respect to which awards granted under the 2007 Plan and the 1998 Plan terminate without the issuance of the shares or where the shares are forfeited or repurchased; (iii) with respect to awards granted under the 2007 Plan and the 1998 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 2007 Plan and the 1998 Plan. The 2007 Plan terminates in February 2017, and awards may be granted at any time during the life of the 2007 Plan. The date on which awards vest are determined by the Board of Directors or 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 2007 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, 2009 through December 31, 2009:

	<b>Shares Available for Grant</b>	<b>Options Outstanding</b>	<b>Aggregate Intrinsic Value (in thousands)</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Contractual Life</b>
Balance at September 30, 2009	1,007,875	1,995,194	\$ 5,173	\$ 10.37	7.0
Options granted	(294,200)	294,200		\$ 7.00	
Options cancelled/forfeited/expired	39,608	(39,608)		\$ 12.47	
Restricted stock awards forfeited	1,201				
Options exercised		(28,636)		\$ 3.12	
Balance at December 31, 2009	754,484	2,221,150	\$ 7,321	\$ 9.95	7.2
Exercisable at December 31, 2009		1,069,534	\$ 2,250	\$ 12.90	5.5

The weighted-average grant date fair value of options granted during the three months ended December 31, 2008 and 2009, was \$7.40 and \$4.76, respectively. The total intrinsic value of options exercised during the three months ended December 31, 2009 was \$137,000. There were no options exercised during the quarter ended December 31, 2008.

As of December 31, 2008 and 2009, there was approximately \$3.5 million and \$2.2 million, respectively, of unrecognized compensation costs related to non-vested options that are expected to be recognized over a weighted average period of 2.6 years and 2.5 years, respectively. The total fair value of options vested during the three months ended December 31, 2008 and 2009 was approximately \$1.8 million and \$1.0 million, respectively.

**Table of Contents**

We continued using the Black-Scholes model to estimate the fair value of options granted during fiscal 2010. 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:

	<b>Three Months Ended</b>	
	<b>December 31,</b>	
	<b>2008</b>	<b>2009</b>
Dividend yield	0.0%	0.0%
Risk-free interest rate	2.2%	2.1%
Volatility	63.4%	85.7%
Expected life	6.1 years	5.0 years

**10. EMPLOYEE STOCK PURCHASE PLAN:**

During February 2008, our stockholders approved our 2008 Employee Stock Purchase Plan (Stock Purchase Plan). The Stock Purchase Plan provides for up to 500,000 shares of common stock to be available for purchase by our regular employees who have completed at least one year of continuous service. 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 continued using 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:

	<b>Three Months Ended</b>	
	<b>December 31,</b>	
	<b>2008</b>	<b>2009</b>
Dividend yield	0.0%	0.0%
Risk-free interest rate	1.3%	.15%
Volatility	178.5%	77.5%
Expected life	six-months	six-months

**11. RESTRICTED STOCK AWARDS:**

During fiscal 2007 and 2008, we granted non-vested (restricted) stock awards or restricted stock units (collectively restricted stock awards) to certain key employees pursuant to the 1998 Plan or the 2007 Plan. The restricted stock awards have varying vesting periods, but generally become fully vested at either the end of year four or the end of year five, depending on the specific award. The awards granted in fiscal 2008 require certain levels of performance by us before they are earned. Such performance metrics must be achieved by September 2011 or the awards will be forfeited. The stock underlying the vested restricted stock units will be delivered upon vesting.

**Table of Contents**

We accounted for the restricted stock awards granted during fiscal 2007, 2008, and 2009 using the measurement and recognition provisions of SFAS 123R. 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, 2009 through December 31, 2009:

	<b>Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Non-vested balance at September 30, 2009	520,070	\$ 6.38
Changes during the period		
Awards granted	119,100	\$ 7.00
Awards vested	(153,020)	\$ 8.62
Awards forfeited	(1,201)	\$ 15.59
Non-vested balance at December 31, 2009	484,949	\$ 5.67

As of December 31, 2009, we had approximately \$3.1 million of total unrecognized compensation cost related to non-vested restricted stock awards. We expect to recognize that cost over a weighted-average period of 1.3 years.

**12. NET INCOME/LOSS PER SHARE:**

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

	<b>Three Months Ended December 31,</b>	
	<b>2008</b>	<b>2009</b>
Weighted average common shares outstanding used in calculating basic income (loss) per share	18,500,794	21,796,561
Effect of dilutive options		548,126
Weighted average common and common equivalent shares used in calculating diluted income (loss) per share	18,500,794	22,344,687

Options to purchase 2,074,264 and 1,230,177 shares of common stock were outstanding at December 31, 2008 and 2009, respectively, but were not included in the computation of income (loss) 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.

**13. COMMITMENTS AND CONTINGENCIES:**

We are party to various legal actions arising in the ordinary course of business. The ultimate liability, if any, associated with these matters was not believed to be material at December 31, 2009. While it is not feasible to determine the actual outcome of these actions as of December 31, 2009, we do not believe that these matters will have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

**Table of Contents**

**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 the success of the steps we have taken to preserve and grow market share and yield an increase in future revenue, the possibility that our core strengths and retailing strategies will position us to capitalize on growth opportunities as they occur and enable us to emerge from the challenging retail environment with greater earnings potential, our future economic performance, plans and objectives for future operations, and projections of revenue and other financial items that are based on our beliefs as well as assumptions made by and information currently available to us. Actual results could differ materially from those currently anticipated as a result of a number of factors, including those listed under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2009.

**General**

We are the largest recreational boat retailer in the United States with fiscal 2009 revenue in excess of \$588 million. Through 55 retail locations in 18 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 warranty contracts; provide boat repair and maintenance services; offer yacht and boat brokerage services; and, where available, offer slip and storage accommodations.

MarineMax was incorporated in January 1998. 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 20 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 did not complete any significant acquisitions during the fiscal years ended September 30, 2008 and 2009.

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 44%, 43%, and 45% of our revenue during fiscal 2007, 2008, and 2009, respectively, can have a major impact on our operations. Local influences, such as corporate downsizing, military base closings, and inclement weather, also could adversely affect 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. 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 could adversely affect our business, financial condition, or results of operations in the future. 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 resulting from substantial weakness in the financial markets and deteriorating economic conditions had a very substantial negative effect on our business in fiscal 2008 and 2009. These conditions caused us to defer our acquisition program, delay new store openings, reduce our inventory purchases, engage in inventory reduction efforts, close some of our retail locations, reduce our headcount, and amend our credit facility. We cannot predict the length or severity of these unfavorable economic or financial conditions or the extent to which they will adversely affect our operating results



**Table of Contents**

nor can we predict the effectiveness of the measures we have taken to address this environment or whether additional measures will be necessary.

Although economic conditions have adversely affected our operating results, we have capitalized on our core strengths to substantially outperform the industry, resulting in leading market share. Our ability to produce 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 will yield an increase in future revenue. As general economic trends 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 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 experience 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 service is completed. We recognize commissions earned from a brokerage sale at the time the related brokerage transaction closes. We recognize revenue from slip and storage services on a straight-line basis over the term of the slip or storage agreement. 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 also recognize marketing fees earned on credit life, accident and disability, 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 repayments and defaults, we maintain a chargeback allowance that was not material to our financial statements taken as a whole as of December 31, 2009. 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.

***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), previously referred to as Emerging Issues Task Force Issue No. 02-16, Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor. ASC 605-50 most significantly 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

**Table of Contents**

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.

***Inventories***

Inventory costs consist of the amount paid to acquire the 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 boat, motor, and trailer inventories at the lower of cost, determined on a specific-identification basis, or market. We state used boat, motor, and trailer inventories, including trade-ins, 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 lower of cost or market valuation allowance. As of September 30, 2009 and December 31, 2009, our lower of cost or market valuation allowance was \$17.7 million and \$14.0 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.

***Impairment of Long-Lived Assets***

FASB Accounting Standards Codification 360-10-40, Property, Plant, and Equipment, Impairment of Disposal of Long-Lived Assets (ASC 360-10-40), previously referred to as Statement of Financial Accounting Standards No. 144, Accounting for Impairment or Disposal of Long-Lived Assets, 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. As of December 31, 2009, we had not recognized any impairment of long-lived assets in connection with ASC 360-10-40 based on our reviews.

***Income Taxes***

We account for income taxes in accordance with FASB Accounting Standards Codification 740, Income Taxes (ASC 740), previously referred to as Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, and Financial Accounting Standard Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes. 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 basis. 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, including past operating results and future sources of taxable income. Under the provisions of ASC 740-10, we determined that our net deferred tax asset needed to be fully reserved given recent earnings and industry trends.

The Worker, Homeownership, and Business Assistance Act of 2009 (the Act) was signed into law in November 2009. The Act allowed us to carryback the fully valued 2009 net operating loss, which we were not able to carryback under the prior tax law. The additional carryback generated a tax refund of \$19.2 million. The tax refund was recorded as income tax benefit during our quarter ended December 31, 2009, the period the Act was enacted. The carryback claim was filed with the IRS, and the \$19.2 million refund was recorded as a receivable in the quarter ended December 31, 2009.

***Stock-Based Compensation***

We account for our share-based compensation plans following the provisions of FASB Accounting Standards Codification 718, Compensation Stock Compensation (ASC 718), previously referred to as Statement of





**Table of Contents**

Financial Accounting Standards No. 123R, Share-Based Payment. In accordance with ASC 718, we use the Black-Scholes valuation model for valuing all stock-based compensation and shares granted under the 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 earnings, net of estimated forfeitures, on a straight-line basis over the requisite service period for each separately vesting portion of the award.

**Consolidated Results of Operations**

The following discussion compares the three months ended December 31, 2009 with the three months ended December 31, 2008 and should be read in conjunction with the Condensed Consolidated Financial Statements, including the related notes thereto, appearing elsewhere in this Report.

**Three Months Ended December 31, 2009 Compared with Three Months Ended December 31, 2008**

*Revenue.* Revenue was essentially flat for the three months ended December 31, 2009 compared with the three months ended December 31, 2008. The revenue for the three months ended December 31, 2009 was achieved with approximately 20 less stores than in the comparable quarter last year resulting in a 13% increase in same-store-sales. The increase in our same-store sales resulted from the success of our sales efforts, the delivery of certain previously ordered yachts, and modest improvements in the retail sales environment.

*Gross Profit.* Gross profit decreased \$1.7 million, or 7.3%, to \$22.0 million for the three months ended December 31, 2009 from \$23.7 million for the three months ended December 31, 2008. Gross profit as a percentage of revenue decreased to 21.9% for the three months ended December 31, 2009 from 23.7% for the three months ended December 31, 2008. The decrease in gross profit as a percentage of revenue was driven by the current market conditions and our efforts to sell aged inventory. We achieved a modest improvement in margins in our service and parts business.

*Selling, General, and Administrative Expenses.* Selling, general, and administrative expenses decreased \$9.2 million, or 23.8%, to \$29.6 million for the three months ended December 31, 2009 from \$38.9 million for the three months ended December 31, 2008. The overall decrease in selling, general, and administrative expenses resulted from the strategic store reductions that we enacted throughout our 2009 fiscal year. We operated 75 locations at the end of December 2008 compared to 55 locations at the end of December 2009. Additionally, with reductions in workforce, we have reduced personnel costs, commissions, and manager bonuses along with reductions in marketing, travel, and entertainment expenses. The December 31, 2008 period contained approximately \$ 400,000 in store closing costs. Selling, general, and administrative expenses as a percentage of revenue decreased approximately 9.3% to 29.5% for the three months ended December 31, 2009 from 38.8% for the three months ended December 31, 2008, as a result of our reduced cost structure.

*Interest Expense.* Interest expense decreased \$2.6 million, or 64.0%, to \$1.5 million for the three months ended December 31, 2009 from \$4.1 million for the three months ended December 31, 2008. The decrease was primarily a result of decreased borrowings on our credit facility coupled with a more favorable interest rate environment. Interest expense as a percentage of revenue decreased to 1.5% for the three months ended December 31, 2009 from 4.1% for the three months ended December 31, 2008 due to the reductions in the average borrowings on our credit facility.

*Income Tax Benefit.* Our income tax benefit for the three months ended December 31, 2009 was \$19.3 million compared to \$4.8 million for the three months ended December 31, 2008. The increase in our tax benefit is due to the enactment of the Worker, Homeownership, and Business Assistance Act of 2009 (the Act), which was signed into law in November 2009. The Act allowed us to carryback the fully valued 2009 net operating loss, which we were not able to carryback under the prior tax law. The additional carryback generated a tax refund of \$19.2 million. The tax refund was recorded as income tax benefit during the quarter ended December 31, 2009, the period the Act was enacted.

**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. We regularly

**Table of Contents**

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 growth to determine the adequacy of our financing needs. These cash needs have historically been financed with cash generated from operations and borrowings under our credit facility. Our ability to utilize our credit facility to fund operations depends upon the collateral levels and compliance with the covenants of the 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 credit facility and therefore utilize the credit facility to fund operations. At December 31, 2009, we were in compliance with all of the credit facility covenants. We currently depend upon dividends and other payments from our dealerships and our credit facility to fund our current operations and meet our cash needs. Currently, no agreements exist that restrict this flow of funds from our dealerships.

For the three months ended December 31, 2009, cash provided by operating activities approximated \$27.5 million. For the three months ended December 31, 2009, cash provided by operating activities was primarily related to a decrease in inventories, due to our reduction in purchasing and our comparable-store sales, a decrease in accounts receivable from our manufacturers, partially offset by an increase in our income tax receivable and seasonal declines in accounts payable and accrued expenses. For the three months ended December 31, 2008, cash provided by operating activities approximated \$28.3 million. For the three months ended December 31, 2008, cash provided by operating activities was primarily generated by the reductions in inventories and accounts receivable partially offset by net loss, decreased customer deposits and accrued expenses.

For the three months ended December 31, 2009 cash used in investing activities approximated \$169,000 and was primarily used to purchase property and equipment associated with improving existing retail facilities. For the three months ended December 31, 2008, cash used in investing activities approximated \$1.1 million, and was primarily used to purchase property and equipment associated with improving and relocating existing retail facilities.

For the three months ended December 31, 2009, cash used in financing activities approximated \$39.8 million. For the three months ended December 31, 2009, cash used in financing activities was primarily attributable to net payments on our short-term borrowings as a result of decreased inventory levels. For the three months ended December 31, 2008, cash used in financing activities approximated \$42.6 million. For the three months ended December 31, 2008, cash used in financing activities was primarily attributable to net repayments of short-term borrowings as a result of decreased inventory levels and net proceeds from stock purchases under our Employee Stock Purchase Plan.

As amended, our credit facility provides for a line of credit with asset-based borrowing availability up to approximately \$215 million, stepping down to \$175 million by September 30, 2010, with interim decreases between such dates. The amended facility has certain financial covenants as specified in the agreement. The covenants include provisions that our leverage ratio not exceed 2.75 to 1; that our current ratio must be greater than 1.25 to 1 or 1.20 to 1 depending on the time of year; and that our maximum EBITDA loss and annual EBITDA, both as defined in the agreement, comply with certain thresholds as described below. The EBITDA covenant requires that we do not exceed the allowable cumulative negative EBITDA, as defined in the agreement, which is \$22 million for the three months ended December 31, 2009 and the six months ended March 31, 2010 and \$15 million for the nine months ended June 30, 2010. We are required to have a cumulative EBITDA greater than or equal to our interest expense for the fiscal year ending September 30, 2010. EBITDA, as defined in the agreement, is our earnings before interest, taxes, depreciation, and amortization plus an add back for stock-based compensation expense and 50% of the proceeds of our September 2009 stock offering or approximately \$10 million. The amended facility provides for a variable interest rate margin of LIBOR plus 490 basis points through September 30, 2010 and thereafter at LIBOR plus 150 to 400 basis points, depending upon our financial and operating performance. The amended facility matures in May 2011, but includes two one-year renewal options, subject to lender approval. As of December 31, 2009, we were in compliance with all of the credit facility covenants.

As of December 31, 2009, our indebtedness totaled approximately \$102 million associated with financing our inventory and working capital needs. At December 31, 2008 and 2009, the interest rate on the outstanding short-term borrowings was 5.7% and 5.1%, respectively. At December 31, 2009, our additional available borrowings under our credit facility were approximately \$73 million.



**Table of Contents**

We issued a total of 228,147 shares of our common stock in conjunction with our Incentive Stock Plans and Employee Stock Purchase Plan during the three months ended December 31, 2009 for approximately \$170,000 in cash. Our Incentive Stock Plans provide for the grant of incentive and non-qualified stock options to acquire our common stock, the grant of restricted stock awards and restricted stock units, the grant of common stock, the grant of stock appreciation rights, and the grant of other cash awards to key personnel, directors, consultants, independent contractors, and others providing valuable services to us. Our Employee Stock Purchase Plan is available to all our regular employees who have completed at least one year of continuous service.

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 stimulates boat sales and 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 as we acquire dealers that operate in colder regions of the United States.

Our business is also subject to weather patterns, which may adversely affect our results of operations. For example, drought conditions (or merely reduced rainfall levels) or excessive rain may close area boating locations or render boating dangerous or inconvenient, thereby curtailing customer demand for our products. In addition, unseasonably cool weather and prolonged winter conditions may lead to a shorter selling season in certain locations. Hurricanes and other storms could result in disruptions of our operations or damage to our boat inventories and facilities, as has been the case when Florida and other markets were hit 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.

**Table of Contents****ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

At December 31, 2009, 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 or the spread charged under our performance pricing grid 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 \$1.0 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, 2009 and assumes no mitigating changes by us to reduce the outstanding balances, no additional interest assistance that could be received from vendors due to the interest rate increase, and no changes in the base LIBOR rate.

Products purchased from Italian-based manufacturers are subject to fluctuations in the euro to 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 euro as compared with the U.S. dollar may impact the price points at which we can sell profitably Italian 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 Italian 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 Italian-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.

**Changes in Internal Controls**

During the quarter ended December 31, 2009, 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 CEO and CFO, does not expect that our disclosure controls and internal controls 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. 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

**Table of Contents**

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 CEO and the CFO, 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.

**Table of Contents**

**PART II  
OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

Not applicable.

**ITEM 1A. RISK FACTORS**

Not applicable.

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

Not applicable.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable.

**ITEM 6. EXHIBITS**

- 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.



**Table of Contents**

**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 8, 2010

By: /s/ Michael H. McLamb  
Michael H. McLamb  
Executive Vice President,  
Chief Financial Officer, Secretary, and  
Director  
(Principal Accounting and Financial  
Officer)  
23