MARINEMAX INC
Form 10-Q
May 05, 2014
Table of Contents

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 MARCH 31, 2014.**

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 Organization)	**(I.R.S. Employer Identification Number)**

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 x 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 (§ 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 x 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	x
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 x

The number of outstanding shares of the registrant s Common Stock on April 30, 2014 was 24,793,137.

Table of Contents

MARINEMAX, INC. AND SUBSIDIARIES

Table of Contents

Item No.		Page
PART I FINANCIAL INFORMATION		
1.	Financial Statements (Unaudited):	
	Condensed Consolidated Statements of Operations for the Three Months and Six Months Ended March 31, 2013 and 2014	3
	Condensed Consolidated Balance Sheets as of September 30, 2013 and March 31, 2014	4
	Condensed Consolidated Statement of Stockholders Equity for the Six Months Ended March 31, 2014	5
	Condensed Consolidated Statements of Cash Flows for the Six Months Ended March 31, 2013 and 2014	6
	Notes to Condensed Consolidated Financial Statements	7
2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	15
3.	Quantitative and Qualitative Disclosures About Market Risk	22
4.	Controls and Procedures	22
PART II OTHER INFORMATION		
1.	Legal Proceedings	24
1A.	Risk Factors	24
2.	Unregistered Sales of Equity Securities and Use of Proceeds	24
3.	Defaults Upon Senior Securities	24
4.	Mine Safety Disclosures	24
5.	Other Information	24
6.	Exhibits	25
SIGNATURES		26

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 LABEL LINKBASE DOCUMENT
EX 101 PRESENTATION LINKBASE DOCUMENT
EX 101 DEFINITION LINKBASE DOCUMENT

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)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2014	Six Months Ended March 31, 2013	Six Months Ended March 31, 2014
Revenue	$ 160,008	$ 136,615	$ 259,059	$ 246,206
Cost of sales	122,358	101,829	195,131	181,510
Gross profit	37,650	34,786	63,928	64,696
Selling, general, and administrative expenses	36,100	35,687	65,543	67,969
Income (loss) from operations	1,550	(901)	(1,615)	(3,273)
Interest expense	1,166	1,078	2,163	2,075
Income (loss) before income tax provision	384	(1,979)	(3,778)	(5,348)
Income tax provision	(40)		(40)	
Net income (loss)	$ 344	$ (1,979)	$ (3,818)	$ (5,348)
Basic net income (loss) per common share	$ 0.01	$ (0.08)	$ (0.17)	$ (0.22)
Diluted net income (loss) per common share	$ 0.01	$ (0.08)	$ (0.17)	$ (0.22)
Weighted average number of common shares used in computing net income (loss) per common share:				
Basic	23,188,450	23,845,302	23,070,798	23,779,913
Diluted	24,019,409	23,845,302	23,070,798	23,779,913

See accompanying notes to condensed consolidated financial statements.

Table of Contents

MARINEMAX, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(Amounts in thousands, except share data)

(Unaudited)

		September 30, 2013		March 31, 2014
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	23,756	$	30,798
Accounts receivable, net		19,410		24,232
Inventories, net		228,041		260,396
Prepaid expenses and other current assets		4,849		4,141
Total current assets		276,056		319,567
Property and equipment, net		100,339		100,475
Other long-term assets, net		5,507		5,662
Total assets	$	381,902	$	425,704
LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITIES:				
Accounts payable	$	7,474	$	9,771
Customer deposits		9,342		15,035
Accrued expenses		20,331		19,221
Short-term borrowings		122,470		160,104
Total current liabilities		159,617		204,131
Long-term liabilities		473		394
Total liabilities		160,090		204,525
STOCKHOLDERS EQUITY:				
Preferred stock, $.001 par value, 1,000,000 shares authorized, none issued or outstanding at September 30, 2013 and March 31, 2014				
Common stock, $.001 par value, 40,000,000 shares authorized, 24,336,495 and 24,759,282 shares issued and 23,545,595 and 23,968,382 shares outstanding at September 30, 2013 and March 31, 2014, respectively		24		25
Additional paid-in capital		221,729		226,443

Retained earnings		15,869		10,521
Treasury stock, at cost, 790,900 shares held at September 30, 2013 and March 31, 2014		(15,810)		(15,810)
Total stockholders equity		221,812		221,179
Total liabilities and stockholders equity	$	381,902	$	425,704

See accompanying notes to condensed consolidated financial statements.

Table of Contents

MARINEMAX, INC. AND SUBSIDIARIES

Condensed Consolidated Statement of Stockholders Equity

(Amounts in thousands, except share data)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total Stockholders Equity
BALANCE, September 30, 2013	24,336,495	$ 24	$ 221,729	$ 15,869	$ (15,810)	$ 221,812
Net loss				(5,348)		(5,348)
Shares issued pursuant to employee stock purchase plan	27,221		282			282
Shares issued upon vesting of equity awards, net of tax withholding	8,660					
Shares issued upon exercise of stock options	381,258	1	2,768			2,769
Stock-based compensation	5,648		1,664			1,664
BALANCE, March 31, 2014	24,759,282	$ 25	$ 226,443	$ 10,521	$ (15,810)	$ 221,179

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)

	Six Months Ended March 31, 2013	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (3,818)	$ (5,348)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	3,403	3,523
Loss on sale of property and equipment	3	181
Gain on insurance settlements	(408)	(373)
Stock-based compensation expense	1,784	1,664
(Increase) decrease in		
Accounts receivable, net	(2,925)	(5,500)
Inventories, net	(13,584)	(32,355)
Prepaid expenses and other assets	1,189	553
(Decrease) increase in		
Accounts payable	(207)	2,560
Customer deposits	9,734	5,693
Accrued expenses and long-term liabilities	(1,525)	(1,115)
Net cash used in operating activities	(6,354)	(30,517)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(6,568)	(3,921)
Net cash used in acquisition of businesses, primarily inventory	(4,638)	
Proceeds from insurance settlements	1,551	714
Proceeds from sale of property and equipment	31	81
Net cash used in investing activities	(9,624)	(3,126)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings on short-term borrowings	20,485	37,634
Net proceeds from issuance of common stock under incentive compensation and employee purchase plans	1,968	3,051
Net cash provided by financing activities	22,453	40,685
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,475	7,042

CASH AND CASH EQUIVALENTS, beginning of period	23,617	23,756
CASH AND CASH EQUIVALENTS, end of period	$ 30,092	$ 30,798
Supplemental Disclosures of Cash Flow Information:		
Cash paid for:		
Interest	$ 2,255	$ 1,929
Income taxes	$	$

See accompanying notes to condensed consolidated financial statements.

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. We recently entered into the charter business of power and sailing yachts in the British Virgin Islands. This business, thus far, has not had a material effect on our condensed consolidated financial statements. As of March 31, 2014, we operated through 54 retail locations in 18 states, consisting of Alabama, Arizona, California, Connecticut, Florida, Georgia, Maryland, Massachusetts, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Rhode Island, Tennessee, and Texas. Our charter business, MarineMax Vacations, maintains a facility in Tortola, British Virgin Islands.

We are the nation s largest retailer of Sea Ray, Boston Whaler, Harris FloteBote, and Meridian recreational boats and yachts, all of which are manufactured by Brunswick Corporation (Brunswick). Sales of new Brunswick boats accounted for approximately 38% of our revenue in fiscal 2013. Brunswick is the world s largest manufacturer of marine products and marine engines. We believe we represented approximately 49% of Brunswick s Sea Ray boat sales, during our fiscal 2013.

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 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 the exclusive dealer for Boston Whaler through a multi-year dealer agreement 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 13% of our revenue in fiscal 2013. 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 Brunswick (with respect to Sea Ray, Boston Whaler, and 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 Brunswick with respect to its Sea Ray line 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 50%, 49%, and 51% of our revenue during fiscal 2011, 2012, and 2013, respectively, can have a major impact on our operations. Local influences, such as corporate downsizing, military base closings, inclement weather, environmental conditions, and specific events, such as the BP oil spill in the Gulf of Mexico, also have adversely affected our operations in certain markets and could do so again in the future.

Table of Contents

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 in each subsequent fiscal year, including to a more limited extent in fiscal 2012, 2013, and to date in fiscal 2014. These conditions have 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 when more favorable economic conditions return. However, we cannot predict the length or severity of these unfavorable economic or financial 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 or whether additional measures will be necessary.

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, 2013. 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 March 31, 2014, 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 at March 31, 2014 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 and six months ended March 31, 2014 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 at the date of the unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. The 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, In the 23 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 consolidate