

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2019

Commission File Number 1-14173

**MarineMax, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

Florida  
(State of Incorporation)

59-3496957  
(I.R.S. Employer Identification No.)

2600 McCormick Drive  
Suite 200  
Clearwater, Florida 33759  
(727) 531-1700

(Address, including zip code, and telephone number, including area code, of principal executive offices)

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, par value \$.001 per share	HZO	New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

The aggregate market value of common stock held by non-affiliates of the registrant (21,881,827 shares) based on the closing price of the registrant's common stock as reported on the New York Stock Exchange on March 29, 2019, which was the last business day of the registrant's most recently completed second fiscal quarter, was \$419,255,805. For purposes of this computation, all officers and directors of the registrant are deemed to be affiliates. Such determination should not be deemed to be an admission that such officers and directors are, in fact, affiliates of the registrant.

As of November 29, 2019, there were outstanding 21,454,968 shares of the registrant's common stock, par value \$.001 per share.

**Documents Incorporated by Reference**

Portions of the registrant's definitive proxy statement for the 2020 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

MARINEMAX, INC.

ANNUAL REPORT ON FORM 10-K  
Fiscal Year Ended September 30, 2019

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**Statement Regarding Forward-Looking Information**

The statements contained in this report on Form 10-K that are not purely historical are forward-looking statements within the meaning of applicable securities laws. Forward-looking statements include statements regarding our “expectations,” “anticipations,” “intentions,” “beliefs,” or “strategies” regarding the future. Forward-looking statements also include statements regarding revenue, margins, expenses, and earnings for fiscal 2020 and thereafter; our belief that our practices enhance our ability to attract more customers, foster an overall enjoyable boating experience, and offer boat manufacturers stable and professional retail distribution and a broad geographic presence; our assessment of our competitive advantages, including our hassle-free sales approach, prime retail locations, premium product offerings, extensive facilities, strong management and team members, and emphasis on customer service and satisfaction before and after a boat sale; our belief that our core values of customer service and satisfaction and our strategies for growth and enhancing our business, including without limitation, our acquisition strategies and pursuit of contract manufacturing and vertical integration, will enable us to achieve success and long-term growth as economic conditions continue to recover; and our belief that our retailing strategies are aligned with the desires of consumers. All forward-looking statements included in this report are based on information available to us as of the filing date of this report, and we assume no obligation to update any such forward-looking statements. Our actual results could differ materially from the forward-looking statements. Among the factors that could cause actual results to differ materially are the factors discussed under Item 1A, “Risk Factors.”

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## PART I

### Item 1. *Business*

#### Introduction

##### Our Company

We are the largest recreational boat and yacht retailer in the United States. Through 59 retail locations in Alabama, Connecticut, Florida, Georgia, Maryland, Massachusetts, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Rhode Island, South Carolina and Texas, we sell new and used recreational boats, including pleasure and fishing boats, with a focus on premium brands in each segment. We also sell related marine products, including engines, trailers, parts, and accessories. In addition, we provide repair, maintenance, and slip and storage services; we arrange related boat financing, insurance, and extended service contracts; we offer boat and yacht brokerage sales; yacht charter services; and we operate a yacht charter business in the British Virgin Islands. We also own Fraser Yachts Group, a leading superyacht brokerage and luxury yacht services company with operations in multiple countries.

We are the nation's largest retailer of Sea Ray and Boston Whaler recreational boats and yachts which are manufactured by Brunswick Corporation ("Brunswick"). Sales of new Brunswick boats accounted for approximately 36% of our revenue in fiscal 2019. Sales of new Sea Ray and Boston Whaler boats, both divisions of Brunswick, accounted for approximately 15% and 19%, respectively, of our revenue in fiscal 2019. Brunswick is a world leading manufacturer of marine products and marine engines. We believe our sales represented approximately 11% of all Brunswick marine sales during our fiscal 2019. We have agreements with Brunswick covering Sea Ray products and Boston Whaler products and are the exclusive dealer of Sea Ray and Boston Whaler boats in almost all of our geographic markets. Additionally, we are the exclusive dealer for Harris aluminum boats, a division of Brunswick, in most of our geographic markets. We also are the exclusive dealer for Italy-based Azimut-Benetti Group, or Azimut, for Azimut and Benetti mega-yachts, yachts, and other recreational boats for the United States. Sales of new Azimut boats and yachts accounted for approximately 9% of our revenue in fiscal 2019. Additionally, we are the exclusive dealer for certain other premium brands that serve certain industry segments in our markets as shown by the table on page three.

MarineMax commenced operations as a result of the March 1, 1998 acquisition of five previously independent recreational boat dealers. Since that time, we have acquired 29 additional previously independent recreational boat dealers, three boat brokerage operations, and two full-service yacht repair operations. We attempt to capitalize on the experience and success of the acquired companies in order to establish a high national standard of customer service and responsiveness in the highly fragmented retail boating industry. As a result of our emphasis on premium brand boats, our average selling price for a new boat in fiscal 2019 was approximately \$204,000, a slight increase from approximately \$203,000 in fiscal 2018, compared with the industry average selling price for calendar 2018 of approximately \$52,000 based on industry data published by the National Marine Manufacturers Association. Our stores that operated at least 12 months averaged approximately \$19.6 million in annual sales in fiscal 2019. We consider a store to be one or more retail locations that are adjacent or operate as one entity. Our same-store sales increased 5% in fiscal 2017, increased 10% in fiscal 2018 and increased 1% in fiscal 2019.

We attempt to adopt the best practices developed by us and our acquired companies as appropriate to enhance our ability to attract and retain more customers, foster an overall enjoyable boating experience, and offer boat manufacturers stable and professional retail distribution and a broad geographic presence. We believe that our full range of services, hassle free approach, prime retail locations, premium product offerings, extensive facilities, strong management and team members, and emphasis on customer service and satisfaction before and after a boat sale are competitive advantages that enable us to be more responsive to the needs of existing and prospective customers. MarineMax strives to provide superior customer service and support before, during, and after the sale.

The U.S. recreational boating industry generated approximately \$41.8 billion in retail sales in calendar 2018, which is slightly above the former peak of \$39.0 billion in calendar 2017. Total powerboats sold in calendar 2018 were approximately 206,900 units as compared to 199,100 units sold in calendar 2017. The retail sales include sales of new and used boats; marine products, such as engines, trailers, equipment, and accessories; and related expenditures, such as fuel, insurance, docking, storage, and repairs. Retail sales of new and used boats, engines, trailers, and accessories accounted for approximately \$32.1 billion of these sales in 2018 based on industry data from the National Marine Manufacturers Association. The highly-fragmented retail boating industry generally consists of small dealers that operate in a single market and provide varying degrees of merchandising, professional management, and customer service. We believe that many small dealers find it increasingly difficult to make the managerial and capital commitments necessary to achieve higher customer service levels and upgrade systems and facilities as required by boat manufacturers and often demanded by customers. We also believe that many dealers lack an exit strategy for their owners. We believe these factors contribute to our opportunity to gain a competitive advantage in current and future markets, through market expansions and acquisitions.

**Strategy**

Our goal is to enhance our position as the nation's leading recreational boat and yacht retailer. Key elements of our operating and growth strategy include the following:

- emphasizing customer satisfaction and loyalty by creating an overall enjoyable boating experience, beginning with a hassle-free purchase process, superior products, customer training, superior customer service, Company-led events called Getaways!®, and premier facilities;
- achieving efficiencies and synergies among our operations to enhance internal growth and profitability;
- promoting national brand name recognition and the MarineMax connection;
- offering additional marine products and services, including those with higher profit margins;
- expanding our Internet marketing;
- pursuing strategic acquisitions to capitalize upon the consolidation opportunities in the highly fragmented recreational boat dealer industry by acquiring additional dealers and related operations and improving their performance and profitability through the implementation of our operating strategies, as well as pursuing contract manufacturing or vertical integration strategies as opportunities arise;
- opening additional retail facilities in our existing and new territories;
- emphasizing employee recruitment and retention through training, motivation, and development;
- emphasizing the best practices developed by us and our acquired dealers as appropriate throughout our dealerships;
- operating with a decentralized approach to the operational management of our dealerships; and
- utilizing common platform information technology throughout operations, which facilitates the interchange of information sharing and enhances cross-selling opportunities throughout our company.

**Development of the Company; Expansion of Business**

MarineMax was founded in January 1998. MarineMax itself, however, conducted no operations until the acquisition of five independent recreational boat dealers on March 1, 1998, and we completed our initial public offering in June 1998. Since the initial acquisitions in March 1998, we have acquired 29 additional recreational boat dealers, three boat brokerage operations, and two full-service yacht repair operations. Acquired dealers operate under the MarineMax name.

We continually attempt to enhance our business by providing a full range of services, offering extensive and high-quality product lines, maintaining prime retail locations, pursuing the MarineMax One Price hassle-free sales approach, and emphasizing a high level of customer service and satisfaction.

We also from time to time evaluate opportunities to expand our operations by potentially acquiring recreational boat dealers to expand our geographic scope, expanding our product lines, opening new retail locations within or outside our existing territories, and offering new products and services for our customers and by potentially acquiring companies to pursue contract manufacturing or vertical integration strategies.

Acquisitions of additional recreational boat dealers represent an important strategy in our goal to enhance our position as the nation's largest retailer of recreational boats. The following table sets forth information regarding the businesses that we have acquired and their geographic regions.

Acquired Companies	Acquisition Date	Geographic Region
Bassett Boat Company of Florida	March 1998	Southeast Florida
Louis DelHomme Marine	March 1998	Dallas and Houston, Texas
Gulfwind USA, Inc.	March 1998	West Central Florida
Gulfwind South, Inc.	March 1998	Southwest Florida
Harrison's Boat Center, Inc. and Harrison's Marine Centers of Arizona, Inc. (1)	March 1998	Northern California and Arizona
Stovall Marine, Inc.	April 1998	Georgia
Cochran's Marine, Inc. and C & N Marine Corporation	July 1998	Minnesota
Sea Ray of North Carolina, Inc.	July 1998	North and South Carolina
Brevard Boat Company	September 1998	East Central Florida
Sea Ray of Las Vegas (2)	September 1998	Nevada
Treasure Cove Marina, Inc.	September 1998	Northern Ohio
Woods & Oviatt, Inc.	October 1998	Southeast Florida
Boating World	February 1999	Dallas, Texas
Merit Marine, Inc.	March 1999	Southern New Jersey
Suburban Boatworks, Inc.	April 1999	Central New Jersey
Hansen Marine, Inc.	August 1999	Northeast Florida
Duce Marine, Inc. (2)	December 1999	Utah
Clark's Landing, Inc. (selected New Jersey locations and operations)	April 2000	Northern New Jersey
Associated Marine Technologies, Inc.	January 2001	Southeast Florida
Gulfwind Marine Partners, Inc.	April 2002	West Florida
Seaside Marine, Inc. (5)	July 2002	Southern California
Sundance Marine, Inc. (3)	June 2003	Colorado
Killinger Marine Center, Inc. and Killinger Marine Center of Alabama, Inc.	September 2003	Northwest Florida and Alabama
Emarine International, Inc. and Steven Myers, Inc.	October 2003	Southeast Florida
Imperial Marine	June 2004	Baltimore, Maryland
Port Jacksonville Marine	June 2004	Northeast Florida
Port Arrowhead Marina, Inc.	January 2006	Missouri, Oklahoma
Great American Marina (4)	February 2006	West Florida
Surfside — 3 Marina, Inc.	March 2006	Connecticut, Maryland, New York and Rhode Island
Treasure Island Marina, LLC	February 2011	Florida Panhandle
Bassett Marine, LLC	September 2012	Connecticut, Rhode Island and Western Massachusetts
Parker Boat Company	March 2013	Central Florida
Ocean Alexander Yachts	April 2014	Eastern United States
Bahia Mar Marina	January 2016	Florida Panhandle
Russo Marine	April 2016	Eastern Massachusetts and Rhode Island
Hall Marine Group	January 2017	North Carolina, South Carolina and Georgia
Island Marine Center	January 2018	New Jersey
Tera Miranda	April 2018	Oklahoma
Bay Pointe Marina	September 2018	Massachusetts
Sail & Ski Center	April 2019	Texas
Fraser Yachts Group	July 2019	United States and Europe

(1) We subsequently closed the Northern California operations of Harrison Boat Center, Inc. and Harrison's Marine Centers of Arizona, Inc.

(2) We subsequently closed the operations of Sea Ray of Las Vegas and Duce Marine, Inc.

- (3) We subsequently sold the operations of Sundance Marine, Inc.
- (4) Initially a joint venture; full ownership acquired in February 2016.
- (5) We subsequently sold the operations of Seaside Marine, Inc.

Apart from acquisitions, we have opened 35 new retail locations in existing territories, excluding those opened on a temporary basis for a specific purpose. We also monitor the performance of our retail locations and close retail locations that do not meet our expectations. Based on these factors and previous depressed economic conditions, we have closed 72 retail locations since March 1998, excluding those opened on a temporary basis for a specific purpose, including 26 in fiscal 2009 and a total of nine during the last three fiscal years.

As a part of our acquisition strategy, we frequently engage in discussions with various recreational boat dealers regarding their potential acquisition by us. In connection with these discussions, we and each potential acquisition candidate exchange confidential operational and financial information; conduct due diligence inquiries; and consider the structure, terms, and conditions of the potential acquisition. In certain cases, the prospective acquisition candidate agrees not to discuss a potential acquisition with any other party for a specific period of time, grants us an option to purchase the prospective dealer for a designated price during a specific time period, and agrees to take other actions designed to enhance the possibility of the acquisition, such as preparing audited financial information and converting its accounting system to the system specified 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 may appear likely to occur do not result in binding legal agreements and are not consummated.

In addition to acquiring recreational boat dealers and opening new retail locations, we also add new product lines to expand our operations. The following table sets forth certain of our current product lines that we have added to our existing locations during the years indicated.

<b>Product Line</b>	<b>Fiscal Year</b>	<b>Current Geographic Regions</b>
Boston Whaler	1998	West Central Florida, Stuart, Florida, and Dallas, Texas
Hatteras Yachts	1999	Florida
Grady-White	2002	Houston, Texas
Boston Whaler	2004-2005	North and South Carolina (2004), Houston, Texas (2005)
Azimut	2006	Northeast United States from Maryland to Maine
Grady-White	2006-2010	Pensacola, Florida (2006), Jacksonville, Florida (2010)
Azimut	2008	Florida
Boston Whaler	2009-2012	Southwest Florida (2009), Pompano Beach, Florida (2012)
Harris	2010	Missouri, Minnesota, and New Jersey
Nautique by Correct Craft	2010	West Central Florida and Minnesota
Harris	2011-2012	West Central Florida (2011), Alabama (2012), North and Southwest Florida (2012), and Texas (2012)
Crest	2011-2018	Georgia (2011), Oklahoma (2012), North Carolina and South Carolina (2012), New Jersey (2015), Florida (2018)
Azimut	2012	United States other than where previously held
Scout	2012	Southeast Florida, Maryland, and New Jersey
Sailfish	2013	Connecticut, New Jersey, North Carolina, Ohio, and Rhode Island
Scarab Jet Boats	2013	Texas
Ocean Alexander Yachts	2014	Eastern United States
Scout	2014	Texas, New York
Aquila	2014	Worldwide, excluding China
Galeon	2015	North America, Central America, and South America
Grady-White	2016	Miami, Florida
Yamaha Jet Boats	2017	Georgia, North Carolina, and South Carolina
Bennington	2017	South Carolina
Mastercraft	2018	South Carolina
NauticStar	2018	Panama City, Florida, Oklahoma, Missouri, Minnesota, North Carolina and South Carolina
Tigé	2018 - 2019	Orlando, Florida, Oklahoma, Georgia, and North Carolina
Benetti	2019	United States and Canada
Aviara	2019	United States
MJM Yachts	2019	Florida

We add brands with the intent to either offer a migration path for our existing customer base or fill a gap in our product offerings. As a result, we believe that new brands we offer are generally complementary and do not negatively impact the business generated from our other prominent brands. We also discontinue offering product lines from time to time, primarily based upon customer preferences.

During the nine-year period from the commencement of our operations through our fiscal year ended September 30, 2007, our revenue increased from \$291.0 million to approximately \$1.2 billion. Our revenue and net income increased in seven of those nine years over the prior year revenue and net income. This period was marked by an increase in retail locations from 41 on September 30, 1998 to 88 on September 30, 2007, resulting from acquisitions and opening new stores in existing territories.

Our growth was interrupted during the fiscal year ended September 30, 2007, primarily as a result of factors related to the deteriorating housing market and general economic conditions. The substantially deteriorating economic and financial conditions, reduced consumer confidence and spending, increased fuel prices, reduction of credit availability, financial market declines, and asset value deterioration all contributed to substantially lower financial performance in the fiscal years ended September 30, 2008 and 2009, including significant net losses, followed by pre-tax losses in the fiscal years ended September 30, 2010 and 2011. We returned to profitability in fiscal 2012 and have continued to be profitable through fiscal 2019.

We strive to maintain our core values of high customer service and satisfaction and plan to continue to pursue strategies that we believe will enable us to achieve long-term success and growth. As noted in the earlier table, we have capitalized on a number of brand expansion opportunities in the markets in which we operate. We believe our expanded product offerings have strengthened our same-store sales growth. We plan to further expand our business through both acquisitions in new territories and new store openings in existing territories. In addition, we plan to continue to expand our other traditional services, including conducting used boat sales at our retail locations, at offsite locations, and on the Internet; selling related marine products, including engines, trailers, parts, and accessories at our retail locations and at various offsite locations, and through our print catalog; providing maintenance, repair, and storage services at most of our retail locations; offering our customers the ability to finance new or used boats; offering extended service contracts; arranging insurance coverage, including boat property, credit-life, accident, disability, and casualty coverage; offering boat and yacht brokerage sales at most of our retail locations and at various offsite locations; and conducting our yacht charter business. Our expansion plans will depend, in large part, upon economic and industry conditions.

We maintain our executive offices at 2600 McCormick Drive, Suite 200, Clearwater, Florida 33759, and our telephone number is (727) 531-1700. We were incorporated in the state of Delaware in January 1998 and then re-incorporated in Florida in March 2015. Unless the context otherwise requires, all references to “MarineMax” mean MarineMax, Inc. prior to its acquisition of five previously independent recreational boat dealers in March 1998 (including their related real estate companies) and all references to the “Company,” “our company,” “we,” “us,” and “our” mean, as a combined company, MarineMax, Inc. and the 29 recreational boat dealers, three 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”).

Our website is located at [www.MarineMax.com](http://www.MarineMax.com). Through our website, we make available free of charge our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, our proxy statements, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. These reports are available as soon as reasonably practicable after we electronically file those reports with the Securities and Exchange Commission (the “SEC”). The SEC maintains an internet site, located at <http://www.sec.gov>, that contains reports, proxy and information statements and other information regarding the Registrant and other issuers that file electronically with the SEC. We also post on our website the charters of our Audit, Compensation, and Nominating/Corporate Governance Committees; our Corporate Governance Guidelines, Code of Business Conduct and Ethics, and Code of Ethics for the CEO and Senior Financial Officers, and any amendments or waivers thereto; and any other corporate governance materials contemplated by the SEC or the regulations of the New York Stock Exchange, or NYSE. These documents are also available in print to any shareholder requesting a copy from our corporate secretary at our principal executive offices. Because our common stock is listed on the NYSE, our Chief Executive Officer is required to make an annual certification to the NYSE stating that he is not aware of any violation by us of the corporate governance listing standards of the NYSE. Our Chief Executive Officer made his annual certification to that effect to the NYSE on February 28, 2019.

## **Business**

### **General**

We are the largest recreational boat and yacht retailer in the United States. Through 59 retail locations in Alabama, Connecticut, Florida, Georgia, Maryland, Massachusetts, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Rhode Island, South Carolina and Texas, we sell new and used recreational boats, including pleasure boats (such as sport boats, sport cruisers, sport yachts, and yachts), and fishing boats, with a focus on premium brands in each segment. We also offer the

charter of power catamarans in the British Virgin Islands. We also own Fraser Yachts Group, a leading superyacht brokerage and luxury yacht services company with operations in multiple countries.

We are the nation's largest retailer of Sea Ray and Boston Whaler recreational boats and yachts, which are manufactured by Brunswick Corporation, or Brunswick. Sales of new Brunswick boats accounted for approximately 36% of our revenue in fiscal 2019. Sales of new Sea Ray and Boston Whaler boats, both divisions of Brunswick, accounted for approximately 15% and 19%, respectively, of our revenue in fiscal 2019. Brunswick is a world leading manufacturer of marine products and marine engines. We believe our sales represented approximately 11% of all Brunswick marine sales during our fiscal 2019. We have agreements with Brunswick covering Sea Ray products and Boston Whaler products and are the exclusive dealer of Sea Ray and Boston Whaler boats in almost all of our geographic markets. We also are the exclusive dealer for Harris aluminum boats, a division of Brunswick, in most of our geographic markets. We also are the exclusive dealer for Italy-based Azimut-Benetti Group, or Azimut, for Azimut and Benetti mega-yachts, yachts, and other recreational boats for the United States. Sales of new Azimut boats and yachts accounted for approximately 9% of our revenue in fiscal 2019. Additionally, we are the exclusive dealer for certain other premium brands that serve specific industry segments in our markets as shown by the table on page four.

We also are involved in other boating-related activities. We sell used boats at our retail locations, online, and at various third-party marinas and other offsite locations; we sell marine engines and propellers, primarily to our retail customers as replacements for their existing engines and propellers; we sell a broad variety of parts and accessories at our retail locations and at various offsite locations, and through our print catalog; we offer maintenance, repair, and slip and storage services at most of our retail locations; we offer finance and insurance, or F&I, products at our retail locations and at various offsite locations and to our customers and independent boat dealers and brokers; we offer boat and yacht brokerage sales at most of our retail locations and at various offsite locations; and we conduct a yacht charter business in which we offer customers the opportunity to charter third-party and Company owned power yachts in exotic locations.

## **U.S. Recreational Boating Industry**

The U.S. recreational boating industry generated approximately \$41.8 billion in retail sales in calendar 2018, which is slightly above the former peak of \$39.0 billion in calendar 2017. The retail sales include sales of new and used recreational boats; marine products, such as engines, trailers, parts, and accessories; and related boating expenditures, such as fuel, insurance, docking, storage, and repairs. Retail sales of new and used boats, engines, trailers, equipment, and accessories accounted for approximately \$32.1 billion of such sales in calendar 2018. Total powerboats sold in calendar 2018 were approximately 206,900 units as compared to 199,100 units sold in calendar 2017. To provide historical perspective, annual retail recreational boating sales were \$17.9 billion in 1988, but declined to a low of \$10.3 billion in 1992 based on industry data published by the National Marine Manufacturers Association. We believe this decline was attributable to several factors, including a recession, the Gulf War, and the imposition throughout 1991 and 1992 of a luxury tax on boats sold at prices in excess of \$100,000. The luxury tax was repealed in 1993, and retail boating sales increased each year thereafter except for 1998, 2003, and 2007 through 2010. We believe recreational boating has a natural appeal to consumers, along with other outdoor activities, and will continue to grow in favorable economic conditions absent any unusual industry headwinds (see Risk Factors).

The recreational boat retail market remains highly fragmented with little consolidation having occurred to date and consists of numerous boat retailers, most of which are small companies owned by individuals that operate in a single market and provide varying degrees of merchandising, professional management, and customer service. We believe that many boat retailers are encountering increased pressure from boat manufacturers to improve their levels of service and systems, increased competition from larger national retailers in certain product lines, and, in certain cases, business succession issues.

## **Strategy**

Our goal is to enhance our position as the nation's leading recreational boat and yacht retailer. Key elements of our operating and growth strategy include the following.

*Emphasizing Customer Satisfaction and Loyalty.* We seek to achieve a high level of customer satisfaction and establish long-term customer loyalty by creating an overall enjoyable boating experience beginning with a hassle-free purchase process. We seek to further enhance and simplify the purchase process by helping to arrange financing and insurance at our retail locations with competitive terms and streamlined turnaround. We offer the customer a thorough in-water orientation of boat operations where available, as well as ongoing boat safety, maintenance, and use seminars and demonstrations for the customer's entire family. We also continue our customer service after the sale by leading and sponsoring MarineMax Getaways!® group boating trips to various destinations, rendezvous gatherings, and on-the-water organized events to provide our customers with pre-arranged opportunities to enjoy the pleasures of the boating lifestyle. We also endeavor to provide superior maintenance and repair services, often through mobile service at the customer's wet slip and with extended service department hours and emergency service availability, that minimize the hassles of boat maintenance.



*Achieving Operating Efficiencies and Synergies.* We strive to increase the operating efficiencies of and achieve certain synergies among our dealerships in order to enhance internal growth and profitability. We centralize various aspects of certain administrative functions at the corporate level, such as accounting, finance, insurance coverage, employee benefits, marketing, strategic planning, legal support, purchasing and distribution, management information systems and cybersecurity. Centralization of these functions reduces duplicative expenses and permits the dealerships to benefit from a level of scale and expertise that would otherwise be unavailable to each dealership individually. We also seek to realize cost savings from reduced inventory carrying costs as a result of purchasing boat inventories on a national level and directing boats to dealership locations that can more readily sell such boats; lower financing costs through our credit sources; and volume purchase discounts and rebates for certain marine products, supplies, and advertising. The ability of our retail locations to offer the complementary services of our other retail locations, such as offering customers MarineMax Getaways!® excursions, providing maintenance and repair services at the customer's boat location, and giving access to broader inventory selections, increases the competitiveness of each retail location. By centralizing these types of activities, our general managers have more time to focus on the customer and the development of their teams.

*Promoting Brand Name Recognition and the MarineMax Connection.* We are promoting our brand name recognition to take advantage of our status as the nation's largest recreational boat and yacht retailer. This strategy also recognizes that many existing and potential customers who reside in Northern markets and vacation for substantial periods in Southern markets will likely prefer to purchase and service their boats from the same well-known company. We refer to this strategy as the "MarineMax Connection." As a result, our signage emphasizes the MarineMax name at each of our locations, and we conduct national advertising in various print and other media.

*Offering Additional Products and Services, Including Those Involving Higher Profit Margins.* We plan to continue to offer additional product lines and services throughout our dealerships and, when appropriate, online and various offsite locations. We are increasingly offering throughout our dealerships product lines that previously have been offered only at certain of our locations. We also obtain additional product lines through the acquisition of distribution rights directly from manufacturers and the acquisition of dealerships with distribution rights. In either situation, such expansion is typically done through agreements that appoint us as the exclusive dealer for a designated geographic territory. We plan to continue to grow our financing and insurance, parts and accessories, service, and boat storage businesses to better serve our customers and thereby increase revenue and improve profitability of these higher margin businesses. We also have implemented programs to increase the generation of leads and sales of boats over the Internet. In addition, we have established a yacht charter business and are conducting programs to sell used boats, offer F&I products, and sell boating parts and accessories at various offsite locations. Further, through the Fraser Yachts Group, a leading superyacht brokerage and luxury yacht services company with operations in multiple countries, we offer yacht brokerage, chartering, crew placement, yacht management and new build services.

*Marketing over the Internet.* Our web initiatives span across multiple websites, including our core site, [www.MarineMax.com](http://www.MarineMax.com). The websites provide customers with the ability to learn more about our company and our products. Our website generates direct sales and provides our stores with leads to potential customers for new and used boats, brokerage sales, finance and insurance products, and repair and maintenance services. In addition, we utilize various feeder websites and social networking websites to drive additional traffic and leads for our various product and service offerings. As mentioned above, we also maintain multiple online storefronts for customers to submit an inquiry, purchase boats, and purchase a wide variety of boating parts and accessories.

*Pursuing Strategic Acquisitions.* One of our strategies is to capitalize upon the significant consolidation opportunities available in the highly fragmented recreational boat dealer industry by acquiring independent dealers and improving their performance and profitability through the implementation of our operating strategies. The primary acquisition focus is on well-established, high-end recreational boat dealers in geographic markets not currently served by us, particularly geographic markets with strong boating demographics, such as areas within the coastal states and the Great Lakes region. We also may seek to acquire boat dealers that, while located in attractive geographic markets, have not been able to realize favorable market share or profitability and that can benefit substantially from our systems and operating strategies. We may expand our range of product lines, service offerings, and market penetration by acquiring companies that distribute recreational boat product lines or boating-related services different from those we currently offer. Also, we may consider contract manufacturing or vertical integration strategies as opportunities arise. As a result of our considerable industry experience and relationships, we believe we are well positioned to identify and evaluate acquisition candidates and assess their growth prospects, the quality of their management teams, their local reputation with customers, and the suitability of their locations. We believe we are regarded as an attractive acquirer by boat dealers because of: (1) the historical performance and the experience and reputation of our management team within the industry; (2) our decentralized operating strategy, which generally enables the managers of an acquired dealer to continue their involvement in dealership operations; (3) the ability of management and employees of an acquired dealer to participate in our growth and expansion through potential stock ownership and career advancement opportunities; and (4) the ability to offer liquidity to the owners of acquired dealers through the receipt of common stock or cash. We have entered into an agreement regarding acquisitions with the Sea Ray Division of Brunswick. Under the agreement, acquisitions of Sea Ray dealers will be mutually agreed upon by us and Sea Ray with reasonable efforts to be made to include a balance of Sea Ray dealers that have been successful and those that have not been. The agreement provides that Sea Ray

will not unreasonably withhold its consent to any proposed acquisition of a Sea Ray dealer by us, subject to the conditions set forth in the agreement, as further described in “Business — Brunswick Agreement Relating to Acquisitions.”

*Opening New Facilities.* We intend to continue to establish additional retail facilities in our existing and new markets subject to conditions. We believe that the demographics of our existing geographic territories support the opening of additional facilities, and we have opened 35 new retail facilities, excluding those opened on a temporary basis for a specific purpose, since our formation in January 1998. We continually monitor the performance of our retail locations and close retail locations that do not meet our expectations or that were opened for a specific purpose that is no longer relevant. Based on these factors since March 1998, we have closed 72 retail locations, excluding those opened on a temporary basis for a specific purpose, including 26 in fiscal 2009 and a total of nine during the last three fiscal years.

*Emphasizing Employee Recruitment and Retention through Training, Motivation, and Development.* We devote substantial efforts to recruit employees that we believe to be exceptionally well qualified for their position and to train our employees to understand our core retail philosophies, which focus on making the purchase of a boat and its subsequent use as hassle-free and enjoyable as possible. Through our MarineMax University, or MMU, we teach our retail philosophies to existing and new employees at various locations and online, through MMU-online. MMU is a modularized and instructor-led educational program that focuses on our retailing philosophies and provides instruction on such matters as the sales process, customer service, F&I, accounting, leadership, and human resources. We also have a specialized service training center and program in Clearwater, Florida where we train our service technicians in best practices.

*Emphasizing Best Practices.* We emphasize the best practices developed by us and our acquired dealers as appropriate throughout our locations. As an example, we have implemented a hassle-free approach at each of our dealerships. Under the MarineMax One Price hassle-free sales approach, we sell our boats at prices generally representing a discount from the manufacturer’s suggested retail price, thereby eliminating the anxieties of price negotiations that occur in most boat purchases. In addition, we adopt the best practices developed by us and our acquired dealers as applicable, considering location, design, layout, product purchases, maintenance and repair services (including extended service hours and mobile or dockside services), product mix, employee training, and customer education and services.

*Operating with Decentralized Management.* We maintain a generally decentralized approach to the operational management of our dealerships. The decentralized management approach takes advantage of the extensive experience of local managers, enabling them to implement policies and make decisions, including the appropriate product mix, based on the needs of the local market. Local management authority also fosters responsive customer service and promotes long-term community and customer relationships. In addition, the centralization of certain administrative functions at the corporate level enhances the ability of local managers to focus their efforts on day-to-day dealership operations and the customers.

*Utilizing Technology Throughout Operations.* We believe that our management information system, which currently is being utilized by each of our dealerships and was developed over a number of years through cooperative efforts with a common vendor, enhances our ability to integrate successfully the operations of our dealerships and future acquired dealers. We believe the system is well-secured by our cybersecurity efforts. The system facilitates the interchange of information and enhances cross-selling opportunities throughout our Company. The system integrates each level of operations on a Company-wide basis, including but not limited to purchasing, inventory, receivables, payables, financial reporting, budgeting, and sales management. The system also provides sales representatives with prospect and customer information that aids them in tracking the status of their contacts with prospects, automatically generates follow-up correspondence to such prospects, facilitates the availability of boats Company-wide, locates boats needed to satisfy particular customer requests, and monitors the maintenance and service needs of customers’ boats. Our representatives also utilize the computer system to assist in arranging customer financing and insurance packages. Our managers use a web-based tool to access essentially all financial and operational data from anywhere at any time.

## **Products and Services**

We offer new and used recreational boats and related marine products, including engines, trailers, parts, and accessories. While we sell a broad range of new and used boats, we focus on premium brand products. In addition, we assist in arranging related boat financing, insurance, and extended service contracts; provide boat maintenance and repair services; offer slip and storage accommodations; provide boat and yacht brokerage sales; and conduct a yacht charter business.

### ***New Boat Sales***

We primarily sell recreational boats, including pleasure boats and fishing boats. A number of the products we offer are manufactured by Brunswick, a leading worldwide manufacturer of recreational boats and yachts, including Sea Ray pleasure boats, Boston Whaler fishing boats, and Harris aluminum boats. Sales of new Brunswick boats accounted for approximately 36% of our revenue in fiscal 2019. Sales of new Sea Ray and Boston Whaler boats, both divisions of Brunswick, accounted for approximately

15% and 19%, respectively, of our revenue in fiscal 2019. We believe our sales represented approximately 11% of all Brunswick marine sales during our fiscal 2019. Certain of our dealerships also sell luxury yachts, fishing boats, and pontoon boats provided by other manufacturers, including Italy-based Azimut. Sales of new Azimut boats and yachts accounted for approximately 9% of our revenue in fiscal 2019. During fiscal 2019, new boat sales accounted for approximately 70.1% or \$867 million of our revenue.

We offer recreational boats in most market segments, but have a particular focus on premium quality pleasure boats and yachts as reflected by our fiscal 2019 average new boat sales price of approximately \$204,000 a slight increase from approximately \$203,000 in fiscal 2018, compared with an estimated industry average selling price for calendar 2018 of approximately \$52,000 based on industry data published by the National Marine Manufacturers Association. Given our locations in some of the more affluent, offshore boating areas in the United States and emphasis on high levels of customer service, we sell a relatively higher percentage of large recreational boats, such as mega-yachts, yachts, and sport cruisers. We believe that the product lines we offer are among the highest quality within their respective market segments, with well-established trade-name recognition and reputations for quality, performance, and styling.

The following table is illustrative of the range and approximate manufacturer suggested retail price range of new boats that we currently offer, but is not all inclusive.

Product Line and Trade Name	Overall Length	Manufacturer Suggested Retail Price Range
<b>Motor Yachts</b>		
Azimut	40' to 120'+	\$600,000 to \$16,000,000+
Hatteras Motor Yachts	60' to 100'+	2,000,000 to 10,000,000+
Ocean Alexander Yachts	70' to 155'+	3,500,000 to 35,000,000+
Benetti	40M to 145M	24,000,000+
<b>Convertibles</b>		
Hatteras Convertibles	45' to 77'+	2,000,000 to 7,000,000+
<b>Pleasure Boats</b>		
Sea Ray	19' to 40'	30,000 to 800,000+
Aquila	32' to 48'	400,000 to 1,200,000
Galeon	43' to 68'	750,000 to 3,400,000
NauticStar	19' to 32'	25,000 to 275,000
MJM Yachts	35' to 50'+	1,000,000 to 2,000,000+
Aviara	32'	400,000+
<b>Pontoon Boats</b>		
Harris	18' to 27'	25,000 to 250,000
Crest	20' to 27'	35,000 to 175,000
Bennington	17' to 25'	20,000 to 175,000
<b>Fishing Boats</b>		
Boston Whaler	11' to 42'	12,000 to 1,200,000
Grady White	18' to 45'	40,000 to 1,200,000
Scout	17' to 53'	20,000 to 2,100,000
Sailfish	19' to 32'	35,000 to 300,000
<b>Ski Boats</b>		
Nautique by Correct Craft	20' to 25'	70,000 to 225,000
Tigé	20' to 23'	70,000 to 180,000
Mastercraft	20' to 26'	70,000 to 200,000
<b>Jet Boats</b>		
Scarab	16' to 26'	20,000 to 100,000
Yamaha Jet Boats	19' to 24'	30,000 to 75,000

*Motor Yachts.* Hatteras Yachts, Ocean Alexander Yachts, and Azimut are three of the world's premier yacht builders. The motor yacht product lines typically include state-of-the-art designs with live-aboard luxuries. Hatteras offers a flybridge with extensive guest seating; covered aft deck, which may be fully or partially enclosed, providing the boater with additional living space; an elegant salon; and multiple staterooms for accommodations. Azimut yachts are known for their Americanized open layout with Italian design and powerful performance. The luxurious interiors of Azimut yachts are accented by windows and multiple accommodations that have been designed for comfort. Ocean Alexander Yachts are known for their excellent engineering, performance, and functionality combined with luxuries typically found on larger mega yachts. Benetti yachts and mega yachts are

known for maintaining the highest quality standards with excellent aesthetic and functional results as well as combining the finest Italian tradition and craftsmanship with the latest technology.

*Convertibles.* Hatteras Yachts is one of the world's premier convertible yacht builders and offers state-of-the-art designs with live-aboard luxuries. Convertibles are primarily fishing vessels, which are well equipped to meet the needs of even the most serious tournament-class competitor. Hatteras features interiors that offer luxurious salon/galley arrangements, multiple staterooms with private heads, and a cockpit that includes a bait and tackle center, fishbox, and freezer.

*Pleasure Boats.* Sea Ray pleasure boats target both the luxury and the family recreational boating markets and come in a variety of configurations to suit each customer's particular recreational boating style. Sea Ray pleasure boats feature custom instrumentation that may include an electronics package; various hull, deck, and cockpit designs that can include a swim platform; bow pulpit and raised bridge; and various amenities, such as swivel bucket helm seats, lounge seats, sun pads, wet bars, built-in ice chests, and refreshment centers. Most Sea Ray pleasure boats feature Mercury or MerCruiser engines. Galeon specializes in luxury yacht and motor boats with over thirty years of experience. Galeon is one of Europe's leading and premier boat manufacturers. We believe Galeon yachts combine the latest technology, hand crafted excellence, excellent attention to detail, superb performance, and great innovative designs with modern styling and convenience. Aquila power catamarans provide form, function, and offer practicality and comfort with trend setting innovation. We believe NauticStar provides sport deck boats that combine comfort, features, economy, and versatility that make NauticStar a popular choice among experienced boaters. MJM Yachts combine speed, performance, greater stability, innovative designs and layouts, along with comforts and space for entertaining in addition to a patent-protected MJM signature look. Aviara is the newest brand manufactured by MasterCraft focused on the production of vessels 30-feet and over with the goal of creating an elevated open water experience by fusing progressive style, effortless comfort, and modern luxury.

*Pontoon Boats.* Harris is a pontoon industry leader and offers a variety of some of the most innovative, luxurious, and premium pontoon models to fit boaters' needs. Harris is known for exceptional performance combined with a stable and safe platform. Crest provides a variety of pontoon models that are designed to provide extreme levels of quality, safety, style and comfort to meet family recreational needs. Bennington offers what we believe to be industry leading design, meticulous craftsmanship, and a quiet, smooth, ride. With a variety of designs and options, the pontoon boats we offer appeal to a broad audience of pontoon boat enthusiasts and existing customers.

*Fishing Boats.* The fishing boats we offer, such as Boston Whaler, Grady-White, Scout, and Sailfish, range from entry level models to advanced models designed for fishing and water sports in lakes, bays, and off-shore waters, with cabins with limited live-aboard capability. The fishing boats typically feature livewells, in-deck fishboxes, rodholders, rigging stations, cockpit coaming pads, and fresh and saltwater washdowns.

*Ski Boats.* The ski boats we offer are Nautique by Correct Craft, Tigé, and Mastercraft, which range from entry level models to advanced models and all of which are designed to achieve an ultimate wake for increased skiing, surfing, and wakeboarding performance and safety. With a variety of designs and options, Nautique, Tigé, and Mastercraft ski boats appeal to the competitive and recreational user alike.

*Jet Boats.* The Scarab jet boats we offer range from entry level models to advanced models, all of which are designed for performance and with exclusive design elements to meet family recreational needs. Yamaha jet boats are designed to offer a reliable, high performing, internal propulsion system with superior handling. With a variety of designs and options, the jet boats we offer appeal to a broad audience of jet boat enthusiasts and existing customers.

#### ***Used Boat Sales***

We sell used versions of the new makes and models we offer and, to a lesser extent, used boats of other makes and models generally taken as trade-ins. During fiscal 2019, used boat sales accounted for 14.9% or approximately \$184 million of our revenue, and 50.8% of the used boats we sold were Brunswick models.

Our used boat sales depend on our ability to source a supply of high-quality used boats at attractive prices. We acquire substantially all of our used boat inventory through customer trade-ins. We intend to continue to increase our used boat business as a result of the availability of quality used boats generated from our new boat sales efforts, the increasing number of used boats that are well-maintained through our service initiatives, our ability to market used boats throughout our combined dealership network to match used boat demand, and the experience of our yacht brokerage operations. Additionally, substantially all of our used boat inventory is posted on our website, which expands the awareness and availability of our products to a large audience of boating enthusiasts. We also sell used boats at various marinas and other offsite locations throughout the country.

To further enhance our used boat sales, we offer the Brunswick Product Protection warranty plan available for used Brunswick boats less than nine years old. The Brunswick Product Protection plan applies to each qualifying used boat, which has passed a 48-

point inspection, and provides protection against failure of most mechanical parts for up to three years. We believe this type of program enhances our sales of used boats by motivating purchasers of used boats to complete their purchases through our dealerships.

### ***Marine Engines, Related Marine Equipment, and Boating Parts and Accessories***

We offer marine engines and equipment, predominantly manufactured by Mercury Marine, a division of Brunswick, and Yamaha. We sell marine engines and propellers primarily to retail customers as replacements for their existing engines or propellers. Mercury Marine and Yamaha have introduced various new engine models that are designed to reduce engine emissions to comply with current Environmental Protection Agency requirements. See “Business — Environmental and Other Regulatory Issues.” Industry leaders, Mercury Marine and Yamaha, specialize in state-of-the-art marine propulsion systems and accessories. Many of our dealerships have been recognized by Mercury Marine as “Premier Service Dealers.” This designation is generally awarded based on meeting certain standards and qualifications.

We also sell a broad variety of marine parts and accessories at our retail locations, at various offsite locations, and through our print catalog. These marine parts and accessories include marine electronics; dock and anchoring products, such as boat fenders, lines, and anchors; boat covers; trailer parts; water sport accessories, such as tubes, lines, wakeboards, and skis; engine parts; oils; lubricants; steering and control systems; corrosion control products and service products; high-performance accessories, such as propellers and instruments; and a complete line of boating accessories, including life jackets, inflatables, and water sports equipment. We also offer novelty items, such as shirts, caps, and license plates bearing the manufacturer’s or dealer’s logos. In all of our parts and accessories business, we utilize our industry knowledge and experience to offer boating enthusiasts high-quality products with which we have experience.

The sale of marine engines, related marine equipment, and boating parts and accessories, which are all tangible products, accounted for approximately 3.6% or \$45 million of our fiscal 2019 revenue.

### ***Maintenance, Repair, and Storage Services***

Providing customers with professional, prompt maintenance and repair services is critical to our sales efforts and contributes to our success. We provide maintenance and repair services at most of our retail locations, with extended service hours at certain of our locations. In addition, in many of our markets, we provide mobile maintenance and repair services at the location of the customer’s boat. We believe that this service commitment is a competitive advantage in the markets in which we compete and is critical to our efforts to provide a trouble-free boating experience. To further this commitment, in certain of our markets, we have opened stand-alone maintenance and repair facilities in locations that are more convenient for our customers and that increase the availability of such services. We also believe that our maintenance and repair services contribute to strong customer relationships and that our emphasis on preventative maintenance and quality service increases the potential supply of well-maintained boats for our used boat sales.

We perform both warranty and non-warranty repair services, with the cost of warranty work reimbursed by the manufacturer in accordance with the manufacturer’s warranty reimbursement program. For warranty work, most manufacturers, including Brunswick, reimburse a percentage of the dealer’s posted service labor rates, with the percentage varying depending on the dealer’s customer satisfaction index rating and attendance at service training courses. We derive the majority of our warranty revenue from Brunswick products, as Brunswick products comprise the majority of products sold. Certain other manufacturers reimburse warranty work at a fixed amount per repair. Because boat manufacturers permit warranty work to be performed only at authorized dealerships, we receive substantially all of the warranted maintenance and repair work required for the new boats we sell. The third-party extended warranty contracts we offer also result in an ongoing demand for our maintenance and repair services for the duration of the term of the extended warranty contract.

Our maintenance and repair services are performed by manufacturer-trained and certified service technicians. In charging for our mechanics’ labor, many of our dealerships use a variable rate structure designed to reflect the difficulty and sophistication of different types of repairs. The percentage markups on parts are similarly based on manufacturer suggested prices and market conditions for different parts.

At many of our locations, we offer boat storage services, including in-water slip storage and inside and outside land storage. These storage services are offered at competitive market rates and include both in-season and out-of-season storage.

Maintenance, repair, and storage services accounted for approximately 5.9% or \$72 million of our revenue during fiscal 2019 of which, approximately 3.8% or \$47 million related to repair services, approximately 0.8% or \$10 million related to parts and accessories for repairs, and approximately 1.3% or \$15 million related to income from storage service rentals. This includes warranty and non-warranty services.

### ***F&I Products***

At each of our retail locations and at various offsite locations where applicable, we offer our customers the ability to finance new or used boat purchases and to purchase extended service contracts and arrange insurance coverage, including boat property, disability, undercoating, gel sealant, fabric protection, and casualty insurance coverage (collectively, "F&I"). We have relationships with various national marine product lenders under which the lenders purchase retail installment contracts evidencing retail sales of boats and other marine products that are originated by us in accordance with existing pre-sale agreements between us and the lenders. These arrangements permit us to receive a portion of the finance charges expected to be earned on the retail installment contract based on a variety of factors, including the credit standing of the buyer, the annual percentage rate of the contract charged to the buyer, and the lender's then current minimum required annual percentage rate charged to the buyer on the contract. This participation is subject to repayment by us if the buyer prepays the contract or defaults within a designated time period, usually 0 to 180 days. To the extent required by applicable state law, our dealerships are licensed to originate and sell retail installment contracts financing the sale of boats and other marine products.

We also offer third-party extended service contracts under which, for a predetermined price, we provide all designated services pursuant to the service contract guidelines during the contract term at no additional charge to the customer above a deductible. While we sell all new boats with the boat manufacturer's standard hull and engine warranty, extended service contracts provide additional coverage beyond the time frame or scope of the manufacturer's warranty. Purchasers of used boats generally are able to purchase an extended service contract, even if the selected boat is no longer covered by the manufacturer's warranty. Generally, we receive a fee for arranging an extended service contract. Most required services under the contracts are provided by us and paid for by the third-party contract holder.

We also are able to assist our customers with the opportunity to obtain property and casualty insurance. Property and casualty insurance covers loss or damage to the boat. We do not act as an insurance broker or agent or issue insurance policies on behalf of insurers. We do, however, provide marketing activities and other related services to insurance companies and brokers for which we receive marketing fees. One of our strategies is to generate increased marketing fees by offering more competitive insurance products.

During fiscal 2019, fee income generated from F&I products accounted for approximately 2.6% or \$32 million of our revenue. We believe that our customers' ability to obtain competitive financing quickly and easily at our dealerships complements our ability to sell new and used boats. We also believe our ability to provide customer-tailored financing on a "same-day" basis gives us an advantage over many of our competitors, particularly smaller competitors that lack the resources to arrange boat financing at their dealerships or that do not generate sufficient volume to attract the diversity of financing sources that are available to us.

### ***Brokerage Sales***

Through employees or subcontractors that are licensed boat or yacht brokers where applicable, we offer boat or yacht brokerage sales at most of our retail locations. For a commission, we offer for sale brokered boats or yachts, listing them on various Internet sites, advising our other retail locations of their availability through our integrated computer system, and posting them on our website, *www.MarineMax.com*. Often sales are co-brokered, with the commission split between the buying and selling brokers. We believe that our access to potential used boat customers and methods of listing and advertising customers' brokered boats or yachts is more extensive than is typical among brokers. In addition to generating revenue from brokerage commissions, our brokerage sales also enable us to offer a broad array of used boats or yachts without increasing related inventory costs. Also, through Fraser Yachts we offer yacht and superyacht brokerage. During fiscal 2019, brokerage sales commissions accounted for approximately 1.9% or \$23 million of our revenue.

Our brokerage customers generally receive the same high level of customer service as our new and used boat customers. Our waterfront retail locations enable in-water demonstrations of an on-site brokered boat. Our maintenance and repair services, including mobile service, also are generally available to our brokerage customers. The purchaser of a boat brokered through us also can take advantage of MarineMax Getaways!® weekend and day trips and other rendezvous gatherings and in-water events, as well as boat operation and safety seminars. We believe that the array of services we offer are unique in the brokerage business.

### ***Yacht Charter***

In 2011 we launched a yacht charter business in which we offer customers the opportunity to charter power yachts in exotic destinations, starting with our initial location in the British Virgin Islands (BVI). In this business, we sell specifically designed yachts to third parties for inclusion in our yacht charter fleet; enter into yacht management agreements under which yacht owners enable us to put their yachts in our yacht charter program for a period of several years for a fixed monthly fee payable by us; provide our services in storing, insuring, and maintaining their yachts; and charter these yachts to vacation customers at agreed fees payable to us. The yacht owners will be able to utilize the yachts for personal use for a designated number of weeks during the terms of the management agreement and take possession of their yachts following the expiration of the yacht management agreements.

In addition to the specific business we launched in the BVI, we also offer yacht charter services. For a fee, we assist yacht owners in the charter of their vessel by third-parties. Additionally, through Fraser Yachts we offer yacht and superyacht chartering, charter management, yacht management, crew placement, new boat build oversight services and other luxury yacht services. During fiscal 2019, the income from rentals of chartering power yachts, yacht charter fees, and other charter services accounted for approximately 1.1% or \$14 million of our revenue. Our facilities in the British Virgin Islands and yacht charter fleet suffered damage from Hurricane Irma in September of 2017. We maintain insurance for inventory damage, subject to deductibles. The yacht charter fleet resumed charters during fiscal 2018 on a limited basis as damage was repaired and returned to full operations in 2019.

### ***Offsite Sales***

We sell used boats, offer F&I products, and sell parts and accessories at various third-party offsite locations, including marinas.

### **Retail Locations**

We sell our recreational boats and other marine products and offer our related boat services through 59 retail locations in Alabama, Connecticut, Florida, Georgia, Maryland, Massachusetts, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Rhode Island, South Carolina and Texas. Each retail location generally includes an indoor showroom (including some of the industry's largest indoor boat showrooms) and an outside area for displaying boat inventories, a business office to assist customers in arranging financing and insurance, maintenance and repair facilities, and at certain retail locations boat storage services, including in-water slip storage and inside and outside land storage.

Many of our retail locations are waterfront properties on some of the nation's most popular boating locations, including the Norwalk Harbor and Westbrook Harbor in Connecticut; multiple locations on the Intracoastal Waterway, the Atlantic Ocean, Boca Ciega Bay, Caloosahatchee River, Naples Bay, Tampa Bay, Pensacola Bay, and the Saint Andrews Bay in Florida; Lake Lanier and Wilmington River in Georgia; Chesapeake Bay in Maryland; Lake Minnetonka, and the St. Croix River in Minnesota; Lake of the Ozarks in Missouri; Barnegat Bay, Lake Hopatcong, Little Egg Harbor Bay, and the Manasquan River in New Jersey; Huntington Harbor in New York; Town River in Massachusetts; Masonboro Inlet in North Carolina; Lake Wylie in South Carolina; Lake Erie in Ohio; Grand Lake in Oklahoma; Newport Harbor in Rhode Island; and Clear Lake and Lake Lewisville in Texas. Our waterfront retail locations, most of which include marina-type facilities and docks at which we display our yachts and boats, are easily accessible to the boating populace, serve as in-water showrooms, and enable the sales force to give customers immediate in-water demonstrations of various boat models. Most of our other locations are in close proximity to water.

### **Operations**

#### ***Dealership Operations and Management***

We have adopted a generally decentralized approach to the operational management of our dealerships. While certain administrative functions are centralized at the corporate level, local management is primarily responsible for the day-to-day operations of the retail locations. Each retail location is managed by a general manager, who oversees the day-to-day operations, personnel, and financial performance of the individual store, subject to the direction of a regional president or district president, who generally has responsibility for the retail locations within a specified geographic region. Typically, each retail location also has a staff consisting of an F&I manager, a parts manager, a service manager, sales representatives, maintenance and repair technicians, and various support personnel.

We attempt to attract and retain quality employees by providing them with ongoing training to enhance sales professionalism and product knowledge, career advancement opportunities within a larger company, and favorable benefit packages. We maintain a formal training program, called MarineMax University or MMU, which provides training for employees in all aspects of our operations. Training sessions are held at our various regional locations covering a variety of topics. MMU-online offers various modules over the Internet. Highly trained, professional sales representatives are an important factor to our successful sales efforts. These sales representatives are trained at MMU to recognize the importance of fostering an enjoyable sales process, to educate customers on the operation and use of the boats, and to assist customers in making technical and design decisions in boat purchases. The overall focus of MMU is to teach our core retailing values, which focus on customer service.

Sales representatives receive compensation primarily on a commission basis. Each general manager is a salaried employee with incentive bonuses based on the performance of the managed dealership. Maintenance and repair service managers receive compensation on a salary basis with bonuses based on the performance of their departments. Our management information system provides each store and department manager with daily financial and operational information, enabling them to monitor their performance on a daily, weekly, and monthly basis. We have a uniform, fully integrated management information system serving each of our dealerships.

## ***Sales and Marketing***

Our sales philosophy focuses on selling the pleasures of the boating lifestyle. We believe that the critical elements of our sales philosophy include our appealing retail locations, no-hassle sales approach, highly trained sales representatives, high level of customer service, emphasis on educating the customer and the customer's family on boating, and providing our customers with opportunities for boating through our MarineMax Getaways!®. We strive to provide superior customer service and support before, during, and after the sale. Our team and customers are United by Water®.

Each retail location offers the customer the opportunity to evaluate a variety of new and used boats in a comfortable and convenient setting. Our full-service retail locations facilitate a turn-key purchasing process that includes attractive lender financing packages, extended service agreements, and insurance. Many of our retail locations are located on waterfronts and marinas, which attract boating enthusiasts and enable customers to operate various boats prior to making a purchase decision.

The brands we offer are diverse in size and use and are spread across our customer activities of leisure, fishing, watersports, luxury, and vacations. We believe the transformative qualities of the water should be shared by everyone, so we created our boat lineup accordingly. Our promise gives our brands meaning and reason to exist next to one another on our showroom floor.

We sell our boats at posted MarineMax "One Price" that generally represent a discount from the manufacturer's suggested retail price. Our sales approach focuses on customer service by minimizing customer anxiety associated with price negotiation.

As a part of our sales and marketing efforts, our online marketing activity is important, with the majority of leads coming through our website, *www.MarineMax.com*, and emails used as the primary marketing tool for our stores to connect with their customers. Social media is a growing venue for customer engagement with stores and prospecting of new leads. Additionally, we occasionally hold online boat shows that allow participants to explore boats and yachts of all shapes and sizes from nearly any electronic device including their phone, tablet, laptop or desktop computer.

We also participate in boat shows and in-the-water sales events at area boating locations, typically held in January, February, March, and toward the end of the boating season, in each of our markets and in certain locations in close proximity to our markets. These shows and events are normally held at convention centers or marinas, with area dealers renting space. Boat shows and other offsite promotions are an important venue for generating sales orders. The boat shows also generate a significant amount of interest in our products resulting in boat sales after the show.

We emphasize customer education through one-on-one education by our sales representatives and, at some locations, our delivery captains, before and after a sale, and through in-house seminars for the entire family on boating safety, the use and operation of boats, and product demonstrations. Typically, one of our delivery captains or the sales representative delivers the customer's boat to an area boating location and thoroughly instructs the customer about the operation of the boat, including hands-on instructions for docking and trailering the boat. To enhance our customer relationships after the sale, we lead and sponsor MarineMax Getaways!® group boating trips to various destinations, rendezvous gatherings, and on-the-water organized events that promote the pleasures of the boating lifestyle. Each Company-sponsored event, planned and led by a Company employee, also provides a favorable medium for acclimating new customers to boating, sharing exciting boating destinations, creating friendships with other boaters, and enabling us to promote new product offerings to boating enthusiasts.

As a result of our relative size, we believe we have a competitive advantage within the industry by being able to conduct an organized and systematic advertising and marketing effort. Part of our marketing effort includes an integrated customer relationship management system that tracks the status of each sales representative's contacts with a prospect, automatically generates follow-up correspondence, and facilitates Company-wide availability of a particular boat or other marine product desired by a customer.

## ***Suppliers and Inventory Management***

We purchase substantially all of our new boat inventory directly from manufacturers, which allocate new boats to dealerships based on the amount of boats sold by the dealership and their market share. We also exchange new boats with other dealers to accommodate customer demand and to balance inventory.

We purchase new boats and other marine-related products from Brunswick, which is a world leading manufacturer of marine products, including Sea Ray, Boston Whaler, Harris and Mercury Marine. We also purchase new boats and other marine related products from other manufacturers, including but not limited to, Azimut-Benetti Group, Hatteras, Grady-White, Galeon, Nautique, Scout, Sailfish and Aquila. In fiscal 2019, sales of new Brunswick and Azimut boats and yachts accounted for approximately 36% and 9% of our revenue, respectively. Sales of new Sea Ray and Boston Whaler boats, both divisions of Brunswick, accounted for approximately 15% and 19%, respectively, of our revenue in fiscal 2019. No purchases of new boats and other marine related products



from any other manufacturer accounted for more than 10% of our revenue in fiscal 2019. We believe our sales represented approximately 11% of all Brunswick marine product sales during fiscal 2019.

We have entered into multi-year agreements with Brunswick covering Sea Ray and Boston Whaler. We also have a multi-year agreement with Azimut-Benetti Group for its Azimut product line. We typically deal with each of our manufacturers, other than Brunswick and Azimut-Benetti Group, under an annually renewable, non-exclusive dealer agreement.

The dealer agreements do not restrict our right to sell any product lines or competing products provided that we are in compliance with the material obligations of our dealer agreements. The terms of each dealer agreement appoints a designated geographical territory for the dealer, which is exclusive to the dealer provided that the dealer is able to meet the material obligations of its dealer agreement.

Manufacturers generally establish prices on an annual basis, but may change prices at their sole discretion. Manufacturers typically discount the cost of inventory and offer inventory financing assistance during the manufacturers' slow seasons, generally October through March. To obtain lower cost of inventory, we strive to capitalize on these manufacturer incentives to take product delivery during the manufacturers' slow seasons. This permits us to gain pricing advantages and better product availability during the selling season. Arrangements with certain other manufacturers may restrict our right to offer some product lines in certain markets.

We transfer individual boats among our retail locations to fill customer orders that otherwise might take substantially longer to fill from the manufacturer. This reduces delays in delivery, helps us maximize inventory turnover, and assists in minimizing potential overstock or out-of-stock situations. We actively monitor our inventory levels to maintain levels appropriate to meet current anticipated market demands. We are not bound by contractual agreements governing the amount of inventory that we must purchase in any year from any manufacturer, but the failure to purchase at agreed upon levels may result in the loss of certain manufacturer incentives or dealership rights.

### ***Inventory Financing***

Marine manufacturers customarily provide interest assistance programs to retailers. The interest assistance varies by manufacturer and may include periods of free financing or reduced interest rate programs. The interest assistance may be paid directly to the retailer or the financial institution depending on the arrangements the manufacturer has established. We believe that our financing arrangements with manufacturers are standard within the industry.

We account for consideration received from our vendors in accordance with FASB Accounting Standards Codification 606, "Revenue from Contracts with Customers" ("ASC 606"). ASC 606 requires us to classify interest assistance received from manufacturers as a reduction of inventory cost and related cost of sales as opposed to netting the assistance against our interest expense incurred with our lenders. Pursuant to ASC 606, amounts received by us under our co-op assistance programs from our manufacturers are netted against related advertising expenses.

We are party to an Inventory Financing Agreement (the "Amended Credit Facility") led by Wells Fargo Commercial Distribution Finance LLC (formerly GE Commercial Distribution Finance Corporation). The Amended Credit Facility provides a floor plan financing commitment of up to \$440 million. The Amended Credit Facility matures in October 2022 and the Amended Credit Facility includes two additional one-year extension periods, with lender approval.

The interest rate under the Amended Credit Facility is 345 basis points above the one-month London Inter-Bank Offering Rate ("LIBOR"). There is an unused line fee of ten basis points on the unused portion of the line.

The Amended Credit Facility has certain financial covenants. The covenants include provisions that our leverage ratio not exceed 2.75 to 1.0 and that our current ratio must be greater than 1.2 to 1.0. As of September 30, 2019, we were in compliance with all the covenants under the Amended Credit Facility.

The initial advance under the Amended Credit Facility was used to pay off our prior credit facility. Subsequent advances have been, and will be, initiated by the acquisition of eligible new and used inventory or will be re-advances against eligible new and used inventory that has been partially paid-off. Advances on new inventory will generally mature 1,080 days from the original invoice date. Advances on used inventory will mature 361 days from the date we acquire the used inventory. Each advance is subject to a curtailment schedule, which requires that we pay down the balance of each advance on a periodic basis starting after six months. The curtailment schedule varies based on the type of inventory and the value of the inventory.

The collateral for the Amended Credit Facility is primarily the Company's inventory that is financed through the amended Credit Facility and related accounts receivable. None of our real estate has been pledged for collateral for the Amended Credit

Facility. The Amended Credit Facility contemplates that other lenders may be added by the Company to finance other inventory not financed under this Facility.

As of September 30, 2019, we owed \$312.1 million under the Amended Credit Facility. Outstanding short-term borrowings accrued interest at a rate of 5.6% as of September 30, 2019, and the Amended Credit Facility provided us with an additional net borrowing availability of approximately \$39.9 million, based upon the outstanding borrowing base availability. We have no indebtedness associated with our real estate holdings.

### ***Management Information System***

We believe that our management information system, which is utilized by each of our dealerships and was developed over a number of years through cooperative efforts with a common vendor, enhances our ability to integrate successfully the operations of our dealerships and future acquisitions, facilitates the interchange of information, and enhances cross-selling opportunities throughout our company. The system integrates each level of operations on a Company-wide basis, including but not limited to purchasing, inventory, receivables, payables, financial reporting, budgeting, and sales management. The system enables us to monitor each dealership's operations in order to identify quickly areas requiring additional focus and to manage inventory. The system also provides sales representatives with prospect and customer information that aids them in tracking the status of their contacts with prospects, automatically generates follow-up correspondence to such prospects, facilitates the availability of a particular boat Company-wide, locates boats needed to satisfy a particular customer request, and monitors the maintenance and service needs of customers' boats. Company representatives also utilize the system to assist in arranging financing and insurance packages. We mitigate cybersecurity risks by employing a number of measures, including employee training, systems, monitoring and testing, and maintenance of protective systems and contingency plans.

### **Brunswick Agreement Relating to Acquisitions**

We and the Sea Ray Division of Brunswick are parties to an agreement that provides a process for the acquisition of additional Sea Ray boat dealers that we elect to acquire. The agreement extends through August 31, 2020, with automatic annual one-year extensions at each twelve month anniversary of the agreement, provided that our dealer agreements with the Sea Ray Division of Brunswick are still then in effect. Under the agreement, acquisitions of Sea Ray dealers will be mutually agreed upon by us and Sea Ray with reasonable efforts to be made to include a balance of Sea Ray dealers that have been successful and those that have not been. The agreement provides that Sea Ray will not unreasonably withhold its consent to any proposed acquisition of a Sea Ray dealer by us, subject to the conditions set forth in the agreement. Among other things, the agreement provides for us to provide Sea Ray with a business plan for each proposed acquisition, including historical financial and five-year projected financial information regarding the acquisition candidate; marketing and advertising plans; service capabilities and managerial and staff personnel; information regarding the ability of the candidate to achieve performance standards within designated periods; and information regarding the success of our previous acquisitions of Sea Ray dealers. The agreement also contemplates Sea Ray reaching a good faith determination whether the acquisition would be in its best interest based on our dedication and focus of resources on the Sea Ray brand and Sea Ray's consideration of any adverse effects that the approval would have on the resulting territory configuration of adjacent or other dealers and the absence of any violation of applicable laws or rights granted by Sea Ray to others.

### **Dealer Agreements with Brunswick**

We and the Sea Ray Division of Brunswick and Boston Whaler, Inc. are parties to Sales and Service Agreements relating to Sea Ray and Boston Whaler products respectively, effective September 1, 2014 and extending through August 31, 2020 with automatic annual one-year extensions at each twelve-month anniversary of the agreement, provided that we are not in breach of a material term of the agreement, following written notice and expiration of applicable cure periods without cure (certain termination provisions are summarized below).

The agreements appoint certain of our operating subsidiaries as a dealer for the retail sale, display, and servicing of all Sea Ray or Boston Whaler products, parts, and accessories currently or in the future sold by Sea Ray or Boston Whaler, as applicable. The agreements specify a designated geographical territory and dealer region or location for the dealer, which is exclusive to the dealer. The agreement also specifies retail locations, which the dealer may not close, change, or add to without the prior written consent of the relevant manufacturer, provided that such manufacturer may not unreasonably withhold its consent. The manufacturer reserves the right to modify the territory or appoint other dealers to sell, display, and service product from dealer locations within the territory at any time if we close a dealer location without prior written notice to Sea Ray and prior written approval by Sea Ray, which will not be unreasonably withheld or in the case of Boston Whaler, in the event that a dealer location fails to meet performance standards while carrying competitive product following written notice and a period of 60 days to cure or six months for matters for which a cure cannot be completed in 60 days. The agreements also restrict the dealer from selling, advertising (other than in recognized and established marine publications), soliciting for sale, or offering for resale any products outside its territory except as otherwise provided by the relevant manufacturer's advertising policy or other applicable policy as long as similar restrictions also apply to all

domestic dealers selling comparable products. In addition, the agreements provide for the lowest product prices charged by the relevant manufacturer from time to time to other domestic dealers, subject to the dealer meeting all the requirements and conditions of applicable programs and the right of the manufacturer in good faith to charge lesser prices to other dealers to meet existing competitive circumstances, for unusual and non-ordinary business circumstances, or for limited duration promotional programs.

Among other things, the dealer agreements require each dealer to achieve performance standards including inventory stocking levels, provision of annual sales forecasts, submission of orders pursuant to the manufacturer's current buying program, unit retail sales, customer satisfaction and marketing support. The sales performance will be in accordance with fair and reasonable standards and sales levels established by the manufacturer in collaboration with the dealer based on factors such as population, sales potential, market share percentage of products sold in the territory compared with competitive products sold in the territory, product availability, local economic conditions, competition, past sales history, historical product mix and stocking practices, existing product inventory, number of retail locations, and other special circumstances that may affect the sale of the relevant products or the dealer, in each case established in a manner similar to those applied to domestic dealers selling comparable products.

The dealer is also required to maintain at each retail location, or at another acceptable location, a service department that is properly staffed and equipped to service Sea Ray or Boston Whaler products, as applicable, promptly and professionally and to maintain parts and supplies to service such products properly on a timely basis, to provide or arrange for warranty and service work for such products.

Sea Ray and Boston Whaler respectively have each agreed to indemnify us against any losses to third parties resulting from their respective negligent acts or omissions involving the design or manufacture of any of its products or any breach by it of the agreement. We have agreed to indemnify Sea Ray or Boston Whaler respectively against any losses to third parties resulting from our negligent acts or omissions involving the dealer's application, use, or repair of Sea Ray or Boston Whaler products respectively, statements or representation not specifically authorized by the relevant manufacturer, the installation of any after-market components or any other modification or alteration of the products, and any breach by us of the agreement.

The agreements may be terminated:

- by the manufacturer, upon 60 days' prior written notice, if we do not have an ability to purchase products via floor plan financing or self-financing or fail to meet our financial obligations as they become due to the relevant manufacturer or to our lenders;
- as to any dealer region, or in the case of Boston Whaler, any dealer location, if we are failing to meet performance standards and begin selling, displaying or advertising products that are competitive with the products being sold under the agreement (other than products of another Brunswick brand or new products currently carried), if we do not cure our failure within 90 days after written notice, or if we are meeting the performance standards and then start failing to meet performance standards after beginning selling, displaying or advertising products that are competitive with products sold under the agreement (other than products of another Brunswick brand or new products currently carried) and do not cure our failure within six months after written notice, or with respect to Boston Whaler and dealer's locations in New York, in the event such dealer location fails to meet performance standards and does not cure such failure within 6 months after written notice;
- with respect to the Sea Ray agreements, by either party upon prior written notice to the other given within 60 days after the 6<sup>th</sup> anniversary of the agreement, with termination effective at the end of the 7<sup>th</sup> year, failing which the agreement will renew for a 3 year term beginning on the 7<sup>th</sup> anniversary; with respect to the Boston Whaler agreements, by either party upon prior written notice to the other given within 60 days after the 4<sup>th</sup> anniversary of the agreement, with termination effective at the end of the 5<sup>th</sup> year, failing which the agreement will renew for a 2 year term beginning on the 5<sup>th</sup> anniversary;
- with respect to Sea Ray, following the 7<sup>th</sup> anniversary of the agreement, upon 24 months' notice (or with respect to Boston Whaler, following the 5<sup>th</sup> anniversary of the agreement, upon 12 months' notice), in the event of a material breach or default of any of the material obligations, performance standards, covenants, representations, warranties or duties imposed in the agreement or in the applicable manufacturer's policies or programs applicable to domestic dealers which breach is not cured during the notice period and through the parties working in good faith to resolve any issue;
- by Sea Ray or Boston Whaler, as applicable, or us upon 60 days' written notice if the other makes a fraudulent misrepresentation that is material to the agreement or in the event of the insolvency, bankruptcy, or receivership of the other;
- by Sea Ray or Boston Whaler, as applicable, in the event of the assignment of the agreement by the dealer without the prior written consent of Sea Ray or Boston Whaler, as applicable;

- by Sea Ray or Boston Whaler, as applicable, upon at least 60 days' prior written notice in the event of the commission by dealer of an act of fraud upon Sea Ray or Boston Whaler, as applicable, or the commission by us or one of our officers of a felony or act of fraud which is materially detrimental to Sea Ray's or Boston Whaler's respective reputation or business or which materially impairs our ability to perform our duties under the agreement or we fail to pay any lender financing products under the agreement after the sale of products by us; or
- upon the mutual consent of Sea Ray or Boston Whaler, as applicable, and us.

Either party may elect to not extend the term at the expiration of each applicable 12 month period in the event of a material breach or default by the other of any of the material obligations, performance standards, covenants, representations, warranties, or duties imposed by the agreement or the manufacturer's manual that is not remedied or cured following notice thereof. In the event of a remedy or cure, the additional 12 month period shall be added to the term.

#### **Dealer Agreements with Azimut**

We are parties to Dealership Agreements with Azimut Benetti S.p.A. for the retail sale, display, and servicing of designated Azimut products and parts sold by Azimut. The Dealership Agreements automatically renew each year provided that we are able to agree in good faith on acceptable retail sales goals. The Dealership Agreements grant us the exclusive right to sell the Azimut products and parts in designated geographical areas. Among other things, each Dealership Agreement requires the applicable dealer to:

- display the Azimut products in the most appropriate and effective manner;
- maintain an adequate inventory of Azimut products and meet mutually agreed upon minimum purchase requirements;
- use commercially reasonable best efforts to establish the best image for Azimut and to promote the sales of the products;
- operate through at least one permanent office to ensure adequate promotion of the products;
- maintain adequate signage to show Azimut at its offices or service yards;
- promote the products at various events and meetings;
- advertise and market the products in accordance with agreed upon marketing plans and budgets;
- attend boat shows and display a full range of boats;
- maintain appropriate and adequate after-sale service;
- provide assistance under warranty for all boats in the geographical area;
- comply with Azimut's warranty procedures; and
- perform maintenance services for Azimut boats.

Azimut has agreed to indemnify each of our dealers against any losses resulting from an alleged breach of warranty or injury or damage caused by a defect in design, manufacture or assembly of a product. Each of our dealers has agreed to indemnify Azimut against any losses resulting from the dealer's failure to comply with any material obligation with respect to a product or customer; any actual negligence, errors or omissions in connection with the sale, preparation, repairs, or service of products; any modification of products except as approved by Azimut; a breach of any material agreement; or unauthorized warranties, misleading statements, misrepresentations or deceptive or unfair practices.

Each dealer agreement may be terminated upon 30 days prior written notice in event that the defaulting party has not remedied a default during such period, in the event of any of the following:

- by Azimut or dealer, for failure of the other to maintain a necessary license;
- by Azimut or dealer, for the change, transfer, or attempted transfer by the other party of the whole or any part of the agreement other than to an affiliate as part of a corporate restructuring or any change in control without the prior consent of Azimut;
- by Azimut or dealer, for the knowing submission of an intentional fraudulent statement, application, request, refund, credit, or warranty claim;
- by Azimut or dealer, for the knowing use of a deceptive or fraudulent practice in the sale of a product;

- by Azimut or dealer, for the indictment for or conviction of a crime or violation of law which will have an adverse and material effect on the other's reputation or operations;
- by Azimut or dealer, for the other entering into an agreement or understanding to fix prices for the products;
- by dealer for Azimut's material and continuous failure to supply product or appointing another dealer in the territory or failure to fulfill warranty obligations;
- by dealer for Azimut's indictment of any crime or violation of any law which will have an adverse effect on the reputation of dealer, or which will adversely and materially affect the conduct of dealership operations;
- by Azimut for dealer's abandonment of operations or failure to maintain an ongoing business;
- by Azimut for dealer's material and continuous failure to represent, promote, sell, or service the products, achieve minimum yearly sales or comply with purchase orders as agreed by the parties considering various factors such as the economy, the Euro impact, product availability, and growth potential;
- by Azimut or dealer for the insolvency, bankruptcy, commencement of bankruptcy proceedings, appointment of a receiver or other officer with similar powers, levy under attachment, garnishment or execution, or similar process, which is not vacated or removed within ten days; or
- by mutual agreement of the dealer and Azimut.

Upon termination of the dealer agreements by Azimut without cause, termination by dealer with cause and nonrenewal and expiration, Azimut is required to repurchase unsold inventory within 60 days of termination.

## **Employees**

As of September 30, 2019, we had 1,754 employees, 1,646 of whom were in store-level operations and 108 of whom were in corporate administration and management. We are not a party to any collective bargaining agreements. We consider our relations with our employees to be excellent.

## **Trademarks and Service Marks**

We have registered trade names and trademarks with the U.S. Patent and Trademark Office for various names, including "MarineMax," "MarineMax Getaways!®," "MarineMax Care," "MarineMax Delivering the Boating Dream," "Newcoast Financial Services," "MarineMax Boating Gear Center," "Boating Gear Center Powered by MarineMax," "MarineMax Vacations," "United by Water," "Women on Water," "MarineMax Maximizing Your Enjoyment on the Water," "MarineMax Hall Marine," "MarineMax Fort Myers at Deep Lagoon," "MarineMax Yacht Gala," "MarineMax Rewards Club," "Myboat.com," "Nukleus," and "Max Makeover." We have registered the name "MarineMax" in the European Union, China, Australia, Brazil, India, and Cuba; "MarineMax Maximizing Your Enjoyment on the Water" in the European Union, Cuba, India, and Australia; and "United by Water" in the European Union, China, Australia, India, and Cuba. We have trade names and trademarks registered in Canada for various names, including "MarineMax," "Delivering the Dream," "United by Water," "The Water Gene," "MyBoat.com," and "Nukleus." We have various trade name and trademark applications outside of the United States for various marks, specifically "Nukleus" in India, and "United by Water" in Brazil. There can be no assurance that any of these applications will be granted.

## **Seasonality and Weather Conditions**

Our business, as well as the entire recreational boating industry, is highly seasonal, with seasonality varying in different geographic markets. Over the three-year period ended September 30, 2019, the average revenue for the quarters ended December 31, March 31, June 30 and September 30 represented approximately 20%, 24%, 31%, and 25%, respectively, of our average annual revenues. With the exception of Florida, we generally realize significantly lower sales and higher levels of inventories and related short-term borrowings, in the quarterly periods ending December 31 and March 31. The onset of the public boat and recreation shows in January generally stimulates boat sales and typically allows us to reduce our inventory levels and related short-term borrowings throughout the remainder of the fiscal year.

Our business is also subject to weather patterns, which may adversely affect our results of operations. For example, prolonged winter conditions, drought conditions (or merely reduced rainfall levels) or excessive rain, may limit access to area boating locations or render boating dangerous or inconvenient, thereby curtailing customer demand for our products. In addition, unseasonably cool weather and prolonged winter conditions may lead to a shorter selling season in certain locations. Hurricanes and other storms could result in disruptions of our operations or damage to our boat inventories and facilities, as has been the case when Florida and other markets were affected by hurricanes, such as Hurricanes Harvey and Irma in 2017. 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.

### **Environmental and Other Regulatory Issues**

Our operations are subject to extensive regulation, supervision, and licensing under various federal, state, and local statutes, ordinances, and regulations. While we believe that we maintain all requisite licenses and permits and are in compliance with all applicable federal, state, and local regulations, there can be no assurance that we will be able to maintain all requisite licenses and permits. The failure to satisfy those and other regulatory requirements could have a material adverse effect on our business, financial condition, and results of operations. The adoption of additional laws, rules, and regulations could also have a material adverse effect on our business. Various federal, state, and local regulatory agencies, including the Occupational Safety and Health Administration, or OSHA, the United States Environmental Protection Agency, or EPA, and similar federal and local agencies, have jurisdiction over the operation of our dealerships, repair facilities, and other operations with respect to matters such as consumer protection, workers' safety, and laws regarding protection of the environment, including air, water, and soil.

The EPA has various air emissions regulations for outboard marine engines that impose more strict emissions standards for two-cycle, gasoline outboard marine engines. The majority of the outboard marine engines we sell are manufactured by Mercury Marine. Mercury Marine's product line of low-emission engines, including the OptiMax, Verado, SeaPro, Pro XS, and other four-stroke outboards, have achieved the EPA's mandated 2006 emission levels. While we remain committed to supporting sustainable manufacturing and a sustainable environment for all boaters, any increased costs of producing engines resulting from EPA standards, or the inability of our manufacturers to comply with EPA requirements, could have a material adverse effect on our business.

Certain of our facilities own and operate underground storage tanks, or USTs, and above ground storage tanks, or ASTs, for the storage of various petroleum products. The USTs and ASTs are generally subject to federal, state, and local laws and regulations that require testing and upgrading of tanks and remediation of contaminated soils and groundwater resulting from leaking tanks. In addition, if leakage from Company-owned or operated tanks migrates onto the property of others, we may be subject to civil liability to third parties for remediation costs or other damages. Based on historical experience, we believe that our liabilities associated with tank testing, upgrades, and remediation are unlikely to have a material adverse effect on our financial condition or operating results.

As with boat dealerships generally, and parts and service operations in particular, our business involves the use, handling, storage, and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials, such as motor oil, waste motor oil and filters, transmission fluid, antifreeze, freon, waste paint and lacquer thinner, batteries, solvents, lubricants, degreasing agents, gasoline, and diesel fuels. Accordingly, we are subject to regulation by federal, state, and local authorities establishing requirements for the use, management, handling, and disposal of these materials and health and environmental quality standards, and liability related thereto, and providing penalties for violations of those standards. We are also subject to laws, ordinances, and regulations governing investigation and remediation of contamination at facilities we operate to which we send hazardous or toxic substances or wastes for treatment, recycling, or disposal.

We do not believe we have any material environmental liabilities or that compliance with environmental laws, ordinances, and regulations will, individually or in the aggregate, have a material adverse effect on our business, financial condition, or results of operations. However, soil and groundwater contamination has been known to exist at certain properties owned or leased by us. We have also been required and may in the future be required to remove aboveground and underground storage tanks containing hazardous substances or wastes. As to certain of our properties, specific releases of petroleum have been or are in the process of being remedied in accordance with state and federal guidelines. We are monitoring the soil and groundwater as required by applicable state and federal guidelines. In addition, the shareholders of the acquired dealers have indemnified us for specific environmental issues identified on environmental site assessments performed by us as part of the acquisitions. We maintain insurance for pollutant cleanup and removal. The coverage pays for the expenses to extract pollutants from land or water at the insured property, if the discharge, dispersal, seepage, migration, release, or escape of the pollutants is caused by or results from a covered cause of loss. We also have additional storage tank liability insurance and "Superfund" coverage where applicable. In addition, certain of our retail locations are located on waterways that are subject to federal or state laws regulating navigable waters (including oil pollution prevention), fish and wildlife, and other matters.

Three of the properties we own were historically used as gasoline service stations. Remedial action with respect to prior historical site activities on these properties has been completed in accordance with federal and state law. We, however, do not believe that these environmental issues will result in any material liabilities to us.

Additionally, certain states have required or are considering requiring a license in order to operate a recreational boat. While such licensing requirements are not expected to be unduly restrictive, regulations may discourage potential first-time buyers, thereby limiting future sales, which could adversely affect our business, financial condition, and results of operations.

## Environmental Responsibility

We seek out, to the extent financially feasible, manufacturers committed to the highest levels of sustainability, environmental stewardship, and low-emissions as demonstrated by Mercury Marine. Mercury Marine's commitment to sustainability and successes are detailed in their 2019 Sustainability Report. Mercury Marine's accomplishments include winning the 2018 Sustainable Product of the Year from the Wisconsin Sustainable Business Council for its Active Trim technology and the 2018 Business Friend of the Environment Award for their new V6 and V8 outboard engines. Additionally, Azimut Yachts was awarded ISO 14001 certification, for its consistent and effective management system aimed at reducing the environmental impact of its operations. Also, to maximize the eco-compatible standards of their yachts, Azimut Yachts adopted RINA principles to achieve RINA Green Plus notation. Further, while not our primary focus, as opportunities arise we have made targeted investments to support new technology, innovations, and research in the marine industry to reduce emissions, provide environmental stewardship, and support a sustainable environment for all boaters.

We take pride in maintaining our retail locations and marinas for the benefit of the local communities and boaters we serve. We strive to execute a proactive strategy related to environmental, health, and safety laws and regulations, and environmental stewardship, which includes investing significant resources in maintaining and developing our retail locations and marinas for the long term. Additionally, several of our Florida locations have been designated Clean Marinas through the Florida Department of Environmental Protection Clean Marina Program. The Clean Marina Program recognizes facilities engaging in environmental best practices and exceeding regulatory requirements in and around Florida's waterways.

## Product Liability

The products we sell or service may expose us to potential liabilities for personal injury or property damage claims relating to the use of those products. Historically, the resolution of product liability claims has not materially affected our business. Our manufacturers generally maintain product liability insurance, and we maintain third-party product liability insurance, which we believe to be adequate. However, we may experience legal claims in excess of our insurance coverage, and those claims may not be covered by insurance. Furthermore, any significant claims against us could adversely affect our business, financial condition, and results of operations and result in negative publicity. Excessive insurance claims also could result in increased insurance premiums.

## Competition

We operate in a highly competitive environment. In addition to facing competition generally from recreation businesses seeking to attract consumers' leisure time and discretionary spending dollars, the recreational boat industry itself is highly fragmented, resulting in intense competition for customers, quality products, boat show space, and suitable retail locations. We rely to a certain extent on boat shows to generate sales. Our inability to participate in boat shows in our existing or targeted markets could have a material adverse effect on our business, financial condition, and results of operations.

We compete primarily with single-location boat dealers and, with respect to sales of marine equipment, parts, and accessories, with national specialty marine stores, catalog and online retailers, sporting goods stores, and mass merchants. Competition among boat dealers is generally based on the quality of available products, the price and value of the products, and attention to customer service. There is significant competition both within markets we currently serve and in new markets that we may enter. We compete in each of our markets with retailers of brands of boats and engines we do not sell in that market. In addition, several of our competitors, especially those selling boating accessories, are large national or regional chains that have substantial financial, marketing, and other resources. However, we believe that our integrated corporate infrastructure and marketing and sales capabilities, our cost structure, and our nationwide presence enable us to compete effectively against these companies. Private sales of used boats represent an additional significant source of competition.

## Executive Officers

The following table sets forth information concerning each of our executive officers as of December 3, 2019:

<b>Name</b>	<b>Age</b>	<b>Position</b>
William H. McGill Jr.	75	Executive Chairman of the Board and Director
William Brett McGill	51	Chief Executive Officer, President and Director
Michael H. McLamb	54	Executive Vice President, Chief Financial Officer, Secretary, and Director
Charles A. Cashman	56	Executive Vice President and Chief Revenue Officer
Anthony E. Cassella, Jr	50	Vice President and Chief Accounting Officer

*William H. McGill Jr.* has served as the Executive Chairman of the Board since October 2018. Mr. McGill served as Chief Executive Officer of MarineMax from January 23, 1998 to September 30, 2018 and as the Chairman of the Board and as a director of the Company since March 6, 1998. Mr. McGill served as the President of the Company from January 23, 1988 until September 8, 2000 and re-assumed the position from July 1, 2002 to October 1, 2017. Mr. McGill was the principal owner and president of Gulfwind USA, Inc., one of our operating subsidiaries, from 1973 until its merger with us in 1998. In December 2016, Mr. McGill joined the Board of Directors of Joi Scientific, Inc., an energy company with which we have a licensing agreement.

*William Brett McGill* has served as Chief Executive Officer since October 2018, as President since October 2017, and as a director since February 21, 2019. Mr. McGill served as President and Chief Operating Officer of MarineMax from October 2017 to October 2018. Mr. McGill served as Executive Vice President and Chief Operating Officer from October 2016 to October 2017, Executive Vice President Operations of the Company from October 2015 to September 2016, as Vice President of West Operations of the Company from May 2012 to September 2015, and was appointed as an executive officer by our Board of Directors in November 2012. Mr. McGill served as one of our Regional Presidents from March 2006 to May 2012, as Vice President of Information Technology, Service and Parts of the Company from October 2004 to March 2006, and as Director of Information Services from March 1998. Mr. McGill began his professional career with a software development firm, Integrated Dealer Systems, prior to joining MarineMax in 1996. William Brett McGill is the son of William H. McGill, Jr.

*Michael H. McLamb* has served as Executive Vice President of MarineMax since October 2002, as Chief Financial Officer since January 23, 1998, as Secretary since April 5, 1998, and as a director since November 1, 2003. Mr. McLamb served as Vice President and Treasurer of the Company from January 23, 1998 until October 22, 2002. Mr. McLamb, a certified public accountant, was employed by Arthur Andersen LLP from December 1987 to December 1997, serving most recently as a senior manager.

*Charles A. Cashman* has served as Executive Vice President and Chief Revenue Officer of MarineMax since October 2016. Mr. Cashman served as Executive Vice President Sales, Marketing, and Manufacturer Relations of the Company from October 2015 to September 2016, served as Vice President of East Operations from May 2012 to September 2015, and was appointed as an executive officer by our Board of Directors in November 2012. Mr. Cashman served as Regional President of East Florida from October 2008 to May 2012, and as District Manager of the East Coast of Florida from March 2007 to October 2008. Mr. Cashman served several other positions of increasing responsibility, including Sales Consultant, Sales Manager, and General Manager, since joining MarineMax in 1992.

*Anthony E. Cassella, Jr.* has served as Vice President of MarineMax since February 2016, Chief Accounting Officer since October 2014, and Vice President of Accounting and Shared Services since February 2011. Mr. Cassella served as Director of Shared Services from October 2007 until February 2011 and Regional Controller from March 1999 until October 2007. Mr. Cassella was the Controller of Merit Marine which the Company acquired in March 1999. Mr. Cassella, a certified public accountant, worked in public accounting from June 1991 to February 1998, serving most recently as manager.

## **Corporate Social Responsibility**

We strive to conduct our business in an ethical and socially responsible way, and are sensitive to the needs of the environment, our customers, our shareholders, our team members and our communities. Our ethical and social responsibility is guided by our MarineMax culture and values which are honesty, trust, loyalty, professionalism, consistency, always do what is right, treat others as we want to be treated, and always consider the long term. Our culture, values, and mission are shared and reinforced with our team members through daily stand up meetings, team events, and online communications. We pride ourselves in supporting our local communities both on and off the water. One way in which our presence is felt within the local community is by providing our team members time to volunteer and assist with Habitat for Humanity housing projects in addition to making charitable donations to Habitat for Humanity. Additionally, we are proud to support the ocean cleanup company 4ocean and their mission to end the world's plastic pollution crises. 4ocean is a global company that actively removes trash from the ocean and coastlines, helps create sustainable economies around the world and inspires individuals to work together for a cleaner ocean.

## **Item 1A. Risk Factors**

***General economic conditions and consumer spending patterns can have a material adverse effect on our business, financial condition, and results of operations.***

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 55%, 51%, and 54% of our revenue during fiscal 2017, 2018, and 2019, respectively, can have a major impact on our operations. Local influences, such as corporate downsizing, military base closings, and



inclement weather such as hurricanes or other storms, environmental conditions, and specific events, such as the BP oil spill in the Gulf of Mexico in 2010, or Hurricanes Harvey and Irma in 2017, also could adversely affect, and in certain instances have adversely affected, our operations in certain markets.

In an economic downturn, consumer discretionary spending levels generally decline, at times resulting in disproportionately large reductions in the sale of luxury goods. Consumer spending on luxury goods also may decline as a result of lower consumer confidence levels, even if prevailing economic conditions are favorable. As a result, an economic downturn is likely to 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 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 and depressed economic conditions had a substantial negative effect on our business for several years afterwards. Our revenue decreased from \$1.2 billion in fiscal 2007, to \$885.4 million in fiscal 2008, to \$588.6 million in fiscal 2009, and to \$450.3 million in fiscal 2010. Our earnings decreased from a net income of \$20.1 million in fiscal 2007 to a net loss of \$134.3 million in fiscal 2008 (including a \$122.1 million goodwill impairment charge), a net loss of \$76.8 million in fiscal 2009, net income of \$2.5 million in fiscal 2010 (including a \$19.2 million tax refund), and a net loss of \$11.5 million in fiscal 2011. These substantially deteriorating economic and financial conditions had a greater impact on many other participants in the boating industry, with certain manufacturers and dealers ceasing business operations or filing for bankruptcy.

Unfavorable economic conditions can cause us to 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. While we believe the steps we took enabled us to emerge from the economic environment of the severe recession as a stronger and more profitable company, we cannot predict whether unfavorable economic, financial, or industry conditions will return or the extent to which they would adversely affect our operating results if they returned nor can we predict the effectiveness of the measures we have taken to address this environment or whether additional measures will be necessary. A return of depressed economic or industry factors would have additional negative effects on us, including interfering with our supply of certain brands by manufacturers, reduced marketing and other support by manufacturers, decreased revenue, additional pressures on margins, and our failure to satisfy covenants under our credit agreement.

***The availability and costs of borrowed funds can adversely affect our ability to obtain adequate boat inventory and the ability and willingness of our customers to finance boat purchases.***

The availability and costs of borrowed funds can adversely affect our ability to obtain and maintain 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 September 30, 2019, we had no long-term debt. We rely on the Amended Credit Facility led by Wells Fargo Commercial Distribution Finance LLC to purchase and maintain our inventory of boats. The Amended Credit Facility provides a floor plan financing commitment of up to \$440.0 million. The collateral for the Amended Credit Facility is primarily the Company's inventory that is financed through the Amended Credit Facility and related accounts receivable. None of our real estate has been pledged as collateral for the Amended Credit Facility. As of September 30, 2019, we were in compliance with all of the covenants under the Amended Credit Facility and our additional available borrowings under the Amended Credit Facility was approximately \$39.9 million based upon the outstanding borrowing base availability.

Our ability to borrow under the Amended Credit Facility depends on our ability to continue to satisfy our covenants and other obligations under the Amended Credit Facility and the ability for our manufacturers to be approved vendors under our Amended Credit Facility. The variable interest rate under our Amended Credit Facility will fluctuate with changing market conditions and, accordingly, our interest expense will increase as interest rates rise. A significant increase in interest rates could have a material adverse effect on our operating results. The aging of our inventory limits our borrowing capacity as defined provisions in the Amended Credit Facility reduce the allowable advance rate as our inventory ages. Our access to funds under the Amended Credit Facility also depends upon the ability of our lenders, to meet their funding commitments, particularly if they experience shortages of capital or experience excessive volumes of borrowing requests from others during a short period of time. Depressed economic conditions, weak consumer spending, turmoil in the credit markets, and lender difficulties, among other potential reasons, could interfere with our ability to maintain compliance with our debt covenants and to utilize the Amended Credit Facility to fund our operations. Accordingly, under such circumstances, it may be necessary for us to close stores, further reduce our expense structure, liquidate inventory below cost to free up capital, or modify the covenants with our lenders. Any inability to utilize the Amended 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 Amended Credit Facility or replace or supplement the Amended Credit Facility, which may not be possible at all or under commercially reasonable terms.

Similarly, decreases in the availability of credit and increases in the cost of credit adversely affect the ability of our customers to purchase boats from us and thereby adversely affect our ability to sell our products and impact the profitability of our finance and insurance activities. For example, tight credit conditions during each fiscal year beginning with fiscal 2008 and continuing through fiscal 2011 adversely affected the ability of customers to finance boat purchases, which had a negative effect on our operating results.

***Failure to implement strategies to enhance our performance or our strategies could have a material adverse effect on our business and financial condition.***

We are increasing our efforts to grow our financing and insurance, parts and accessories, service, yacht charter, brokerage, and boat storage businesses to better serve our customers and thereby increase revenue and improve profitability as a result of these higher margin businesses. In addition, we have implemented programs to increase the lead capture and sale over the Internet of used boats, parts, accessories, and a wide range of boating supplies and products. These efforts and programs are designed to increase our revenue and reduce our dependence on the sale of new boats. In addition, we are pursuing strategic acquisitions to capitalize upon the consolidation opportunities in the highly fragmented recreational boat dealer industry by acquiring additional dealers and related operations and improving their performance and profitability through the implementation of our operating strategies, as well as pursuing contract manufacturing or vertical integration strategies as opportunities arise. These business initiatives have required, and will continue to require, us to add personnel, invest capital, enter businesses in which we do not have extensive experience, and encounter substantial competition. As a result, our strategies to enhance our performance may not be successful and we may increase our expenses or write off such investments if not successful.

***Our success depends to a significant extent on the well-being, as well as the continued popularity and reputation for quality of the boating products, of our manufacturers, particularly Brunswick's Sea Ray and Boston Whaler boat lines and Azimut-Benetti Group's Azimut products. The failure to obtain a high quality and desirable mix of competitively priced products that our customers demand could have a material adverse effect on our business, financial condition, and results of operations.***

Approximately 36% of our revenue in fiscal 2019 resulted from sales of new boats manufactured by Brunswick, including approximately 15% from Brunswick's Sea Ray division, 19% from Brunswick's Boston Whaler division, and approximately 2% from Brunswick's other divisions. Additionally, approximately 9% of our revenue in fiscal 2019 resulted from sales of new boats manufactured by Azimut-Benetti Group. The remainder of our fiscal 2019 revenue from new boat sales resulted from sales of products from a limited number of other manufacturers, none of which accounted for more than 9% of our revenue.

We depend on our manufacturers to provide us with products that compare favorably with competing products in terms of quality, performance, safety, and advanced features, including the latest advances in propulsion and navigation systems. Any adverse change in the production efficiency, product development efforts, technological advancement, expansion of manufacturing footprint, supply chain and third-party suppliers, marketplace acceptance, marketing capabilities, ability to secure adequate access to capital, and financial condition of our manufacturers, particularly Brunswick and Azimut-Benetti Group given our reliance on Sea Ray, Boston Whaler, and Azimut, would have a substantial adverse impact on our business. Any difficulties encountered by any of our manufacturers, particularly Brunswick and Azimut-Benetti Group, resulting from economic, financial, or other factors could adversely affect the quality and amount of products that they are able to supply to us and the services and support they provide to us.

In June 2018, Brunswick announced it would be discontinuing its Sea Ray sport yacht and yacht models, resulting in the wind down of yacht production in the third calendar quarter of 2018. Sea Ray sport yacht and yacht models represented approximately 10% of revenue during fiscal year 2018. Failure to replace the Sea Ray sport yacht and yacht revenue could have a material adverse effect on our business, financial condition, and results of operations.

Further, any interruption or discontinuance of the operations of Brunswick, Azimut-Benetti Group or other manufacturers, as experienced in June 2018 with Brunswick, could cause us to experience shortfalls, disruptions or delays with respect to needed inventory. Although we believe in our brand, our product diversification and that adequate alternate sources would be available that could replace any manufacturer other than Brunswick and Azimut-Benetti Group as a product source, those alternate sources may not be available at the time of any interruption, and alternative products may not be available at comparable quality and price.

We have dealer agreements with Brunswick covering Sea Ray and Boston Whaler products. Each dealer agreement has a multi-year term and provides for the lowest product prices charged by the Sea Ray division of Brunswick or Boston Whaler, as applicable, from time to time to other domestic Sea Ray or Boston Whaler dealers, as applicable. These terms are subject to:

- the dealer meeting all the requirements and conditions of the manufacturer's applicable programs; and
- the right of Brunswick in good faith to charge lesser prices to other dealers
  - to meet existing competitive circumstances;

- for unusual and non-ordinary business circumstances; or
- for limited duration promotional programs.

Each dealer agreement designates a specific geographical territory for the dealer, which is exclusive to the dealer provided that the dealer is able to meet the material obligations of its dealer agreement.

In March 2006, we became the exclusive dealer for Azimut-Benetti Group's Azimut product line for the Northeast United States. Our geographic territory was expanded to include Florida in September 2008 and to the entire United States in July 2012. The Azimut dealer agreement provides a geographic territory to promote the product line and to network with the appropriate clientele through various independent locations designated for Azimut retail sales. Our dealer agreement is a multi-year term but requires us to be in compliance with its terms and conditions.

As is typical in the industry, we generally deal with manufacturers, other than Sea Ray and Boston Whaler (both divisions of Brunswick) and Azimut, under renewable annual dealer agreements. These agreements do not contain any contractual provisions concerning product pricing or required purchasing levels. Pricing is generally established on a model year basis, but is subject to change in the manufacturer's sole discretion. Any change or termination of these arrangements for any reason could adversely affect product availability and cost and our financial performance.

***Boat manufacturers exercise substantial control over our business.***

We depend on our dealer agreements. Through dealer agreements, boat manufacturers, including Brunswick and Azimut, exercise significant control over their dealers, restrict them to specified locations, and retain approval rights over changes in management and ownership, among other things. The continuation of our dealer agreements with most manufacturers, including Brunswick and Azimut, depends upon, among other things, our achieving stated goals for customer satisfaction ratings and market share penetration in the market served by the applicable dealership. Failure to meet the customer satisfaction, market share goals, and other conditions set forth in any dealer agreement could have various consequences, including the following:

- the termination of the dealer agreement;
- the imposition of additional conditions in subsequent dealer agreements;
- limitations on boat inventory allocations;
- reductions in reimbursement rates for warranty work performed by the dealer;
- loss of certain manufacturer to dealer incentives;
- denial of approval of future acquisitions; or
- the loss of exclusive rights to sell in the geographic territory.

These events could have a material adverse effect on our competitive position and financial performance.

***The failure to receive rebates and other dealer incentives on inventory purchases or retail sales could substantially reduce our margins.***

We rely on manufacturers' programs that provide incentives for dealers to purchase and sell particular boat makes and models or for consumers to buy particular boat makes or models. Any eliminations, reductions, limitations, or other changes relating to rebate or incentive programs that have the effect of reducing the benefits we receive, whether relating to the ability of manufacturers to pay or our ability to qualify for such incentive programs, could increase the effective cost of our boat purchases, reduce our margins and competitive position, and have a material adverse effect on our financial performance.

***Higher energy and fuel costs along with adequate supply may adversely affect our business.***

All of the recreational boats we sell are powered by diesel or gasoline engines. Consequently, an interruption in the supply, or a significant increase in the price or tax on the sale of fuel on a regional or national basis could have a material adverse effect on our sales and operating results. Increases in fuel prices (such as those that occurred during fiscal 2008) negatively impact boat sales. At various times in the past, diesel or gasoline fuel has been difficult to obtain. The supply of fuels may be interrupted, rationing may be imposed, or the price of or tax on fuels may significantly increase in the future, adversely impacting our business. Also, increases in energy costs can adversely affect the pricing and availability of petroleum-based raw materials such as resins and foam that are used in many of the marine products produced by boat manufacturers increasing our cost of inventory. Additionally, higher fuel prices may

also have an adverse effect on demand for our parts and accessories business, because higher fuel prices increase the cost of boat ownership and possibly affect product use.

***Our sales may be adversely impacted by a material increase in interest rates and adverse changes in fiscal policy or credit market conditions.***

Over the past several years, our economy has been positively impacted by historically unprecedented low interest rates. Such interest rates, driven by the policies of the Federal Reserve, are a political issue in the United States. Interest rates began to rise in fiscal 2018 and have generally remained steady in fiscal 2019. However, the Federal Reserve continues to be somewhat ambiguous concerning the interest rate issues. Any change by the Federal Reserve to raise its benchmark interest rate in the future or market expectations of such change may result in significantly higher long-term interest rates.

Given that we sell products that are often financed, a material increase in interest rates and adverse changes in fiscal policy or credit market conditions, may negatively impact our customers' willingness or desire to purchase our products. In addition, such an increase or adverse change could reduce the availability and/or increase the costs of obtaining new debt and refinancing existing indebtedness or negatively impact the market price of our common stock.

***Our sales may be adversely impacted by periods of economic or political instability or uncertainty.***

In times of political and economic uncertainty, consumers including high net worth individuals, may elect to defer expenditures for luxury items, which can adversely affect our financial performance. Consumer spending on luxury goods also may decline as a result of political uncertainty and instability, even if prevailing economic conditions are favorable. We cannot predict the timing of periods of political or economic uncertainty.

***The availability of boat insurance is critical to our success.***

The ability of our customers to secure reasonably affordable boat insurance that is satisfactory to lenders that finance our customers' purchases is critical to our success. Historically, affordable boat insurance has been available. However, as a severe storm approaches land, insurance providers cease underwriting until the storm has passed. This loss of insurance prevents lenders from lending. As a result, sales of boats can be temporarily halted making our revenue difficult to predict and causing sales to be delayed or potentially cancelled. Any difficulty of customers to obtain affordable boat insurance could impede boat sales and adversely affect our business.

***Other recreational activities, poor industry perception, and potential health risks from environmental conditions can adversely affect the levels of boat purchases.***

Other recreational activities, poor industry perception, real or perceived health risks, and environmental conditions can adversely affect the levels of boat purchases. Demand for our products can be adversely affected by competition from other activities that occupy consumers' time, including other forms of recreation as well as religious, cultural and community activities. In addition, real or perceived health risks from engaging in outdoor activities and local environmental conditions in the areas in which we operate dealerships could adversely affect the levels of boat purchases. Further, as a seller of high-end consumer products, we must compete for discretionary spending with a wide variety of other recreational activities and consumer purchases. In addition, perceived hassles of boat ownership and customer service and lack of customer education throughout the retail boat industry, which has traditionally been perceived to be relatively poor, represent impediments to boat purchases.

***Adverse federal or state tax policies can have a negative effect on us.***

Changes in federal and state tax laws, such as an imposition of luxury taxes on new boat purchases, increases in prevailing tax rates, and removal of certain interest deductions, also influence consumers' decisions to purchase products we offer and could have a negative effect on our sales. For example, during 1991 and 1992, the federal government imposed a luxury tax on new recreational boats with sales prices in excess of \$100,000, which coincided with a sharp decline in boating industry sales from a high of more than \$17.9 billion in 1988 to a low of \$10.3 billion in 1992. Any increase in tax rates, including those on capital gains and dividends, particularly those on high-income taxpayers, could adversely affect our boat sales.

***In addition to our traditional repeat and referral business in our physical locations, digital channels are increasingly significant in serving our existing customer base and reaching new customers. Our continued expansion and success will be negatively impacted if we are not able to fully exploit these channels.***

Our digital channels are subject to a number of risks and uncertainties that are beyond our control, including the following:

- changes in technology;
- changes in consumer willingness to conduct business electronically, including increasing concerns with consumer privacy and risk and changing laws, rules, and regulations, such as the imposition of or increase in taxes;
- technology or security impediments that may inhibit our ability to electronically market our products and services;
- changes in applicable federal, state and commercial regulation, such as the Federal Trade Commission Act, the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act, purchasing card industry requirements, Office of Foreign Assets Control regulations and similar types of international laws;
- failure of our service providers to perform their services properly and in a timely and efficient manner;
- failures in our infrastructure or by third parties, such as telephone or electric power service, resulting in website or application downtime or other problems;
- failure to adequately respond to customers, process orders or deliver services, which may negatively impact both future digital and/or in-store purchases by such customers;
- inability of our suppliers or service partners to fulfill customer orders, which may negatively impact customer satisfaction;
- our failure to assess and evaluate our digital product and service offerings to ensure that our products and services are desired by boating enthusiasts;
- the potential exposure to liability with respect to third-party information, including but not limited to copyright, trademark infringement, or other wrongful acts of third parties; false or erroneous information provided by third parties; or illegal activities by third parties, such as the sale of stolen boats or other goods; and
- cybersecurity risk.

Further, we may also be vulnerable to competitive pressures from the growing electronic commerce activity in our market, both as they may impact our own on-line business, and as they may impact the operating results and investment values of our existing physical locations.

***Our continued success is dependent on positive perceptions of our MarineMax brand which, if impaired, could adversely affect our sales.***

We believe that our MarineMax brand is one of the reasons our customers choose to come to us for their boating needs. To be successful, we must preserve our reputation. Reputational value is based in large part on perceptions, and broad access to social media makes it easy for anyone to provide public feedback that can influence perceptions of us. It may be difficult to control negative publicity, regardless of whether it is accurate. While reputations may take decades to build, any negative incidents can quickly erode trust and confidence, particularly if they result in significant negative mainstream and/or social media publicity, governmental investigations, or litigation. Additionally, an isolated business incident at a single retail location could materially adversely affect our other stores, retail brands, reputation and sales channels, particularly if such incident results in significant adverse publicity, governmental investigations or litigation. Negative incidents, such as quality and safety concerns or incidents related to our manufacturers' products, could lead to tangible adverse effects on our business, including lost sales or team member retention and recruiting difficulties. In addition, vendors and others with whom we choose to do business may affect our reputation.

***Elements of our yacht charter business expose us to certain risks.***

Our yacht charter business entails the sale of specifically designed yachts to third parties for inclusion in our yacht charter fleet; a yacht management agreement under which yacht owners enable us to put their yachts in our yacht charter program for a period of several years for a fixed monthly fee payable by us; our services in storing, insuring, and maintaining their yachts; and the charter by us of these yachts to vacation customers at agreed fees payable to us. Our failure to find purchasers for yachts intended for our charter fleet will increase our boat inventory and related operating costs; lack of sales into our charter fleet may result in increased losses due to market adjustments of our yacht charter inventory; and our failure to generate a sufficient number of vacation charter customers will require us to absorb all the costs of the monthly fees to the yacht owners as well as other operating costs.

Customers consider safety and reliability a primary concern in selecting a yacht charter provider. The yacht charter business may present a number of safety risks including, but not limited to, catastrophic disaster, adverse weather and marine conditions, such as Hurricane Irma in 2017, and mechanical failure and collision. If we are unable to maintain acceptable records for safety and reliability, our ability to retain current customers and attract new customers may be adversely affected. Additionally, any safety issue encountered during a yacht charter may result in claims against us as well as negative publicity. These events could have a material adverse effect on the competitive position and financial performance of both our yacht charter business and our core retail sales business.

The yacht charter business is also highly fragmented, consisting primarily of local operators and franchisees. Competition among charter operators is based on location, the type and size of yachts offered, charter rates, destinations serviced, and attention to customer service. Yacht charters also face competition from other travel and leisure options, including, but not limited to, cruises, hotels, resorts, theme parks, organized tours, land-based casino operators, and vacation ownership properties. We therefore risk losing business not only to other charter operators, but also to vacation operators that provide such alternatives.

***Our success depends, in part, on our ability to continue to make successful acquisitions at attractive or fair prices and to integrate the operations of acquired dealers and each dealer we acquire in the future.***

Since March 1, 1998, we have acquired 29 recreational boat dealers, three boat brokerage operations, and two full-service yacht repair facilities. Each acquired dealer operated independently prior to its acquisition by us. Our success depends, in part, on our ability to continue to make successful acquisitions at attractive or fair prices that align with our culture and focus on customer service and to integrate the operations of acquired dealers, including centralizing certain functions to achieve cost savings and pursuing programs and processes that promote cooperation and the sharing of opportunities and resources among our dealerships. We may not be able to oversee the combined entity efficiently, realize anticipated synergies, or implement effectively our growth and operating strategies. To the extent that we successfully pursue our acquisition strategy, our resulting growth will place significant additional demands on our management and infrastructure. Our failure to pursue successfully our acquisition strategies or operate effectively the combined entity could have a material adverse effect on our rate of growth and operating performance.

***We may pursue acquisition strategies in new lines of business.***

We may also pursue contract manufacturing, vertical integration, or other strategies as opportunities arise. To the extent we are successful in pursuing these strategies, we will face certain risks in addition to those that exist with acquisitions more closely related to our historical business, including potential inexperience in a line of business that is either new to us or that has become materially more significant to us as a result of a transaction, the potential difficulty of presenting a unified corporate image, greater uncertainties in the financial benefits and potential liabilities associated with this expanded base of acquisitions, different types of legal and operational risks, and different types of applicable financial metrics and goals. Our failure to pursue successfully our acquisition strategies in new lines of business, or operate effectively the combined entity, could have a material adverse effect on our rate of growth and operating performance.

***Unforeseen expenses, difficulties, and delays frequently encountered in connection with expansion through acquisitions could inhibit our growth and negatively impact our profitability.***

Our growth strategy of acquiring additional recreational boat dealers involves significant risks. This strategy entails reviewing and potentially reorganizing acquired business operations, corporate infrastructure and systems, and financial controls. Unforeseen expenses, difficulties and delays frequently encountered in connection with rapid expansion through acquisitions could inhibit our growth and negatively impact our profitability. We may be unable to identify suitable acquisition candidates or to complete the acquisitions of candidates that we identify. Increased competition for acquisition candidates or increased asking prices by acquisition candidates may increase purchase prices for acquisitions to levels beyond our financial capability or to levels that would not result in expected returns required by our acquisition criteria to be in the best interest of shareholders. Acquisitions also may become more difficult or less attractive in the future as we acquire more of the most attractive dealers that best align with our culture and focus on customer service. In addition, we may encounter difficulties in integrating the operations of acquired dealers with our own operations, difficulties in retaining employees, create potential risks of losing customers, suppliers, or other business relationships, and encounter difficulties managing acquired dealers profitably without substantial costs, delays, or other operational or financial problems.

We may issue common or preferred stock and incur substantial indebtedness in making future acquisitions. The size, timing, and integration of any future acquisitions may cause substantial fluctuations in operating results from quarter to quarter. Consequently, operating results for any quarter may not be indicative of the results that may be achieved for any subsequent quarter or for a full fiscal year. These fluctuations could adversely affect the market price of our common stock.

Our ability to continue to grow through the acquisition of additional dealers will depend upon various factors, including the following:

- the availability of suitable acquisition candidates at attractive purchase prices;
- the ability to compete effectively for available acquisition opportunities;
- the availability of cash on hand, borrowed funds or common stock with a sufficient market price to complete the acquisitions;
- the ability to obtain any requisite manufacturer or governmental approvals;
- the ability to obtain approval of our lenders under our current credit agreement; and
- the absence of one or more manufacturers attempting to impose unsatisfactory restrictions on us in connection with their approval of acquisitions.

As a part of our acquisition strategy, we frequently engage in discussions with various recreational boat dealers regarding their potential acquisition by us. In connection with these discussions, we and each potential acquisition candidate exchange confidential operational and financial information, conduct due diligence inquiries, and consider the structure, terms and conditions of the potential acquisition. In certain cases, the prospective acquisition candidate agrees not to discuss a potential acquisition with any other party for a specific period of time, grants us an option to purchase the prospective dealer for a designated price during a specific time period, and agrees to take other actions designed to enhance the possibility of the acquisition, such as preparing audited financial information and converting its accounting system to the system specified 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 may appear likely to occur do not result in binding legal agreements and are not consummated.

***We may be required to obtain the consent of Brunswick and various other manufacturers prior to the acquisition of other dealers.***

In determining whether to approve acquisitions, manufacturers may consider many factors, including our financial condition and ownership structure. Manufacturers also may impose conditions on granting their approvals for acquisitions, including a limitation on the number of their dealers that we may acquire. Our ability to meet manufacturers' requirements for approving future acquisitions will have a direct bearing on our ability to complete acquisitions and effect our growth strategy. There can be no assurance that a manufacturer will not terminate its dealer agreement, refuse to renew its dealer agreement, refuse to approve future acquisitions, or take other action that could have a material adverse effect on our acquisition program.

We and the Sea Ray Division of Brunswick have an agreement extending through August 31, 2020, with automatic annual one-year extensions at each 12 month anniversary of the agreement, provided that our dealer agreements with the Sea Ray Division of Brunswick are still then in effect. The agreement provides a process for the acquisition of additional Sea Ray boat dealers that want to be acquired by us. Under the agreement, acquisitions of Sea Ray dealers will be mutually agreed upon by us and Sea Ray with reasonable efforts to be made to include a balance of Sea Ray dealers that have been successful and those that have not been. The agreement provides that Sea Ray will not unreasonably withhold its consent to any proposed acquisition of a Sea Ray dealer by us, subject to the conditions set forth in the agreement. Among other things, the agreement requires us to provide Sea Ray with a business plan for each proposed acquisition, including historical financial and five-year projected financial information regarding the acquisition candidate; marketing and advertising plans; service capabilities and managerial and staff personnel; information regarding the ability of the candidate to achieve performance standards within designated periods; and information regarding the success of our previous acquisitions of Sea Ray dealers. The agreement also contemplates Sea Ray reaching a good faith determination whether the acquisition would be in its best interest based on our dedication and focus of resources on the Sea Ray brand and Sea Ray's consideration of any adverse effects that the approval would have on the resulting territory configuration and adjacent or other dealers' sales and the absence of any violation of applicable laws or rights granted by Sea Ray to others.

Our growth strategy also entails expanding our product lines and geographic scope by obtaining additional distribution rights from our existing and new manufacturers. We may not be able to secure additional distribution rights or obtain suitable alternative sources of supply if we are unable to obtain such distribution rights. The inability to expand our product lines and geographic scope by obtaining additional distribution rights could have a material adverse effect on the growth and profitability of our business.

***Our growth strategy may require us to secure significant additional capital, the amount of which will depend upon the size, timing, and structure of future acquisitions and our working capital and general corporate needs.***

If we finance future acquisitions in whole or in part through the issuance of common stock or securities convertible into or exercisable for common stock, existing shareholders will experience dilution in the voting power of their common stock and earnings

per share could be negatively impacted. The extent to which we will be able and willing to use our common stock for acquisitions will depend on the market value of our common stock and the willingness of potential sellers to accept our common stock as full or partial consideration. Our inability to use our common stock as consideration, to generate cash from operations, or to obtain additional funding through debt or equity financings in order to pursue our acquisition program could materially limit our growth.

Any borrowings made to finance future acquisitions or for operations could make us more vulnerable to a downturn in our operating results, a downturn in economic conditions, or increases in interest rates on borrowings that are subject to interest rate fluctuations. If our cash flow from operations is insufficient to meet our debt service requirements, we could be required to sell additional equity securities, refinance our obligations, or dispose of assets in order to meet our debt service requirements. In addition, our credit arrangements contain financial covenants and other restrictions with which we must comply, including limitations on the incurrence of additional indebtedness. Adequate financing may not be available if and when we need it or may not be available on terms acceptable to us. The failure to obtain sufficient financing on favorable terms and conditions could have a material adverse effect on our growth prospects and our business, financial condition and results of operations.

***Our internal growth and operating strategies of opening new locations and offering new products involve risk.***

In addition to pursuing growth by acquiring boat dealers, we intend to continue to pursue a strategy of growth through opening new retail locations and offering new products in our existing and new territories. Accomplishing these goals for expansion will depend upon a number of factors, including the following:

- our ability to identify new markets in which we can obtain distribution rights to sell our existing or additional product lines;
- our ability to lease or construct suitable facilities at a reasonable cost in existing or new markets;
- our ability to hire, train, and retain qualified personnel;
- the timely and effective integration of new retail locations into existing operations;
- our ability to achieve adequate market penetration at favorable operating margins without the acquisition of existing dealers; and
- our financial resources.

Our dealer agreements with Brunswick require Brunswick's consent to open, close, or change retail locations that sell Sea Ray or Boston Whaler products as applicable, and other dealer agreements generally contain similar provisions. We may not be able to open and operate new retail locations or introduce new product lines on a timely or profitable basis. Moreover, the costs associated with opening new retail locations or introducing new product lines may adversely affect our profitability.

As a result of these growth strategies, we expect to continue to expend significant time and effort in opening and acquiring new retail locations, improving existing retail locations in our current markets, and introducing new products. Our systems, procedures, controls, and financial resources may not be adequate to support expanding operations. The inability to manage our growth effectively could have a material adverse effect on our business, financial condition, and results of operations.

Our planned growth also will impose significant added responsibilities on members of senior management and require us to identify, recruit, and integrate additional senior level managers. We may not be able to identify, hire, or train suitable additions to management.

***Our business, as well as the entire recreational boating industry, is highly seasonal, with seasonality varying in different geographic markets.***

Over the three-year period ended September 30, 2019, the average revenue for the quarterly periods ended December 31, March 31, June 30 and September 30 represented approximately 20%, 24%, 31%, and 25%, respectively, of our average annual revenue. 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 if we acquire dealers that operate in colder regions of the United States, which are generally closed or experience lower volume in the winter months.



***Weather and environmental conditions may adversely impact our business.***

Weather and environmental conditions may adversely impact our operating results. For example, drought conditions, reduced rainfall levels, excessive rain and environmental conditions, such as the BP oil spill in the Gulf of Mexico in 2010 or recent hurricanes in the Gulf of Mexico and Atlantic Ocean, may force boating areas to close or render boating dangerous or inconvenient, thereby curtailing customer demand for our products. While we traditionally maintain a full range of insurance coverage for any such events, there can be no assurance that such insurance coverage is adequate to cover losses that we sustain as a result of such disasters. In addition, unseasonably cool weather and prolonged winter conditions may lead to shorter selling seasons in certain locations. Many of our dealerships sell boats to customers for use on reservoirs, thereby subjecting our business to the continued viability of these reservoirs for boating use. Although our geographic diversity and any future geographic expansion should reduce the overall impact on us of adverse weather and environmental conditions in any one market area, weather and environmental conditions will continue to represent potential material adverse risks to us and our future operating performance. Additionally, to the extent unfavorable weather conditions are exacerbated by global climate change, regardless of the cause, resulting in environmental changes including, but not limited to, severe weather, changing sea levels, poor water conditions, or reduced access to water, which could disrupt or negatively affect our business.

In addition, hurricanes and other storms could result in the disruption of our operations and/or supply chain, including boat deliveries from manufacturers, or damage to our boat inventories and facilities as has been the case when Florida and other markets have been affected by hurricanes. While we traditionally maintain property and casualty insurance coverage for damage caused by hurricanes and other storms, there can be no assurance that such insurance coverage is adequate to cover losses that we may sustain as a result of hurricanes and other storms such as damage from Hurricane Sandy in 2012 or Hurricanes Harvey and Irma in 2017. We maintain insurance for property damage and business interruption, subject to deductibles.

***We face intense competition.***

We operate in a highly competitive environment. In addition to facing competition generally from recreation businesses seeking to attract consumers' leisure time and discretionary spending dollars, the recreational boat industry itself is highly fragmented, resulting in intense competition for customers, quality products, boat show space, and suitable retail locations. We rely to a certain extent on boat shows to generate sales. Our inability to participate in boat shows in our existing or targeted markets could have a material adverse effect on our business, financial condition and results of operations.

We compete primarily with single-location boat dealers and, with respect to sales of marine parts, accessories, and equipment, with national specialty marine parts and accessories stores, online catalog retailers, sporting goods stores, and mass merchants. Competition among boat dealers is based on the quality of available products, the price and value of the products, and attention to customer service. There is significant competition both within markets we currently serve and in new markets that we may enter. We compete in each of our markets with retailers of brands of boats and engines we do not sell in that market. In addition, several of our competitors, especially those selling marine equipment and accessories, are large national or regional chains that have substantial financial, marketing and other resources. Private sales of used boats represent an additional source of competition.

Due to various matters, including environmental concerns, permitting and zoning requirements, and competition for waterfront real estate, some markets in the United States have experienced an increased waiting list for marina and storage availability. In general, the markets in which we currently operate are not experiencing any unusual difficulties. However, marine retail activity could be adversely affected in markets that do not have sufficient marine and storage availability to satisfy demand.

***A significant amount of our boat sales are from the State of Florida.***

Economic conditions, weather and environmental conditions, competition, market conditions, and any other adverse conditions impacting the State of Florida in which we generated approximately 55%, 51% and 54% of our revenue during fiscal 2017, 2018, and 2019, respectively, could have a major impact on our operations.

***Timing of large boat and yacht sales and failure to adequately anticipate consumer preference and demand may have an adverse impact on our business.***

Forecasting optimal inventory levels is difficult to predict based on changes in economic conditions, consumer preferences, delivery of new models from manufacturers, and timing of large boat and yacht sales. Failure to adequately anticipate consumer demand and preferences could negatively impact our inventory management strategies, inventory carrying costs, and our operating margins.

***We depend on income from financing, insurance and extended service contracts.***

A portion of our income results from referral fees derived from the placement or marketing of various finance and insurance, or F&I products, consisting of customer financing, insurance products, and extended service contracts, the most significant component of which is the participation and other fees resulting from our sale of customer financing contracts.

The availability of financing for our boat purchasers and the level of participation and other fees we receive in connection with such financing depend on the particular agreement between us and the lender and the current rate environment. Lenders may impose terms in their boat financing arrangements with us that may be unfavorable to us or our customers, resulting in reduced demand for our customer financing programs and lower participation and other fees. Laws or regulations may be enacted nationally or locally which could result in fees from lenders being eliminated or reduced, materially impacting our operating results. If customer financing becomes more difficult to secure, it may adversely impact our business.

Changes, including the lengthening of manufacturer warranties, may reduce our ability to offer and sell extended service contracts which may have a material adverse impact on our ability to sell F&I products.

The Dodd-Frank Act established a consumer financial protection bureau with broad regulatory powers. Although boat dealers are generally excluded, the Dodd-Frank Act could lead to additional, indirect regulation of boat dealers through its regulation of other financial institutions which provide such financing to our customers.

The reduction of profit margins on sales of F&I products or the lack of demand for or the unavailability of these products could have a material adverse effect on our operating margins.

***Our operations are dependent upon key personnel and team members.***

Our success depends, in large part, upon our ability to attract, train and retain, qualified team members and executive officers, as well as the continuing efforts and abilities of team members and executive officers. Although we have employment agreements with certain of our executive officers and management succession plans, we cannot ensure that these or other executive personnel and team members will remain with us, or that our succession planning will adequately mitigate the risk associated with key personnel transitions. Expanding our operations may require us to add additional executive personnel and team members in the future. As a result of our decentralized operating strategy, we also rely on the management teams of our dealerships. In addition, we likely will depend on the senior management of any significant businesses we acquire in the future. The loss of the services of one or more key employees before we are able to attract and retain qualified replacement personnel could adversely affect our business. Additionally, our ability to manage our personnel costs and operating expenses is subject to external factors such as unemployment levels, prevailing wage rates, healthcare and other benefit costs, changing demographics, and our reputation and relevance within the labor markets where we are located.

***The products we sell or service may expose us to potential liability for personal injury or property damage claims relating to the use of those products.***

Manufacturers of the products we sell generally maintain product liability insurance. We also maintain third-party product liability insurance that we believe to be adequate. We may experience claims that are not covered by or that are in excess of our insurance coverage. The institution of any significant claims against us could subject us to damages, result in higher insurance costs, and harm our business reputation with potential customers.

***Environmental and other regulatory issues may impact our operations.***

Our operations are subject to extensive regulation, supervision, and licensing under various federal, state and local statutes, ordinances and regulations, such as those relating to finance and insurance, consumer protection, consumer privacy, escheatment, anti-money laundering, environmental, emissions, health or safety, and employment practices. With respect to employment practices, we are subject to various laws and regulations, including complex federal, state and local wage and hour and anti-discrimination laws. The failure to satisfy those and other regulatory requirements could have a material adverse effect on our business, financial condition, and results of operations. In addition, failure to comply with U.S. trade sanctions, the U.S. Foreign Corrupt Practices Act and other applicable laws or regulations could result in the assessment of damages, the imposition of penalties, changes to our processes, or a cessation of our operations, as well as damage to our image and reputation, all of which could have a material adverse effect on our business.

Various federal, state, and local regulatory agencies, including the Occupational Safety and Health Administration, or OSHA, the United States Environmental Protection Agency, or EPA, and similar federal and local agencies, have jurisdiction over the operation of our dealerships, repair facilities, and other operations, with respect to matters such as consumer protection, workers'

safety, and laws regarding protection of the environment, including air, water, and soil. The EPA promulgated emissions regulations for outboard marine engines that impose stricter emissions standards for two-cycle, gasoline outboard marine engines. The majority of the outboard marine engines we sell are manufactured by Mercury Marine. Mercury Marine's product line of low-emission engines, including the OptiMax, Verado, SeaPro, Pro XS, and other four-stroke outboards, have achieved the EPA's mandated 2006 emission levels. It is possible that environmental regulatory bodies (including state regulatory bodies) may impose higher emissions standards in the future for these and other marine engines. Any increased costs of producing engines resulting from current or potentially higher EPA or state standards in the future could be passed on to our company, or could result in the inability or potential unforeseen delays of our manufacturers to comply with current and future EPA or state requirements, and these potential consequences could have a material adverse effect on our business.

Certain of our facilities own and operate underground storage tanks or USTs, and above ground storage tanks, or ASTs, for the storage of various petroleum products. USTs and ASTs are generally subject to federal, state and local laws and regulations that require testing and upgrading of tanks and remediation of contaminated soils and groundwater resulting from leaking tanks. In addition, we may be subject to civil liability to third parties for remediation costs or other damages if leakage from our owned or operated tanks migrates onto the property of others.

Our business involves the use, handling, storage, and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials, such as motor oil, waste motor oil and filters, transmission fluid, antifreeze, freon, waste paint and lacquer thinner, batteries, solvents, lubricants, degreasing agents, gasoline and diesel fuels. Accordingly, we are subject to regulation by federal, state and local authorities establishing investigation and health and environmental quality standards, and liability related thereto, and providing penalties for violations of those standards.

We also are subject to laws, ordinances, and regulations governing investigation and remediation of contamination at facilities we operate or to which we send hazardous or toxic substances or wastes for treatment, recycling or disposal. In particular, the Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA or "Superfund," imposes joint, strict, and several liability on:

- owners or operators of facilities at, from, or to which a release of hazardous substances has occurred;
- parties that generated hazardous substances that were released at such facilities; and
- parties that transported or arranged for the transportation of hazardous substances to such facilities.

A majority of states have adopted Superfund statutes comparable to and, in some cases, more stringent than CERCLA. If we were to be found to be a responsible party under CERCLA or a similar state statute, we could be held liable for all investigative and remedial costs associated with addressing such contamination. In addition, claims alleging personal injury or property damage may be brought against us as a result of alleged exposure to hazardous substances resulting from our operations. In addition, certain of our retail locations are located on waterways that are subject to federal or state laws regulating navigable waters (including oil pollution prevention), fish and wildlife, and other matters.

Soil and groundwater contamination has been known to exist at certain properties owned or leased by us. We have also been required and may in the future be required to remove aboveground and underground storage tanks containing hazardous substances or wastes. As to certain of our properties, specific releases of petroleum have been or are in the process of being remediated in accordance with state and federal guidelines. We are monitoring the soil and groundwater as required by applicable state and federal guidelines. We also may have additional storage tank liability insurance and Superfund coverage where applicable. Environmental laws and regulations are complex and subject to frequent change. Compliance with amended, new or more stringent laws or regulations, more strict interpretations of existing laws, or the future discovery of environmental conditions may require additional expenditures by us, and such expenditures may be material.

Three of the properties we own were historically used as gasoline service stations. Remedial action with respect to prior historical site activities on these properties has been completed in accordance with federal and state law. While we do not believe that these environmental issues will result in any material liabilities to us, we cannot provide assurances that no such material liabilities will occur.

Additionally, certain states have required or are considering requiring a license in order to operate a recreational boat. These regulations could discourage potential buyers, thereby limiting future sales and adversely affecting our business, financial condition, and results of operations.

Furthermore, the Patient Protection and Affordable Care Act, increased our annual employee health care costs that we fund, and significantly increased our cost of compliance and compliance risk related to offering health care benefits.

Finally, new laws and regulations, particularly at the federal level, in other areas may be enacted, which could also materially adversely impact our business. Adverse changes in labor policy could lead to increased unionization efforts, which could lead to higher labor costs, disrupt our store operations, and adversely affect our operating results.

***The market price of our common stock could be subject to wide fluctuations as a result of many factors.***

Factors that could affect the trading price of our common stock include the following:

- variations in our operating results;
- the thin trading volume and relatively small public float of our common stock;
- our ability to continue to secure adequate levels of financing;
- variations in same-store sales;
- general economic, political and market conditions;
- changes in earnings estimates published by analysts;
- changes in earnings estimates or management's failure to provide earnings estimates;
- the level and success of our acquisition program and new store openings;
- the success of dealership integration;
- relationships with manufacturers;
- seasonality and weather conditions;
- governmental policies and regulations;
- the performance of the recreational boat industry in general;
- factors relating to suppliers and competitors; and
- timing and amount of our share repurchases.

In addition, market demand for small-capitalization stocks, and price and volume fluctuations in the stock market unrelated to our performance could result in significant fluctuations in the market price of our common stock.

The performance of our common stock could adversely affect our ability to raise equity in the public markets and adversely affect our acquisition program.

***The issuance of additional capital stock in the future, including shares that we may issue pursuant to stock-based grants, including grants of stock options, restricted stock awards and restricted stock units, and future acquisitions, may result in dilution in the net tangible book value per share of our common stock.***

Our Board of Directors has the legal power and authority to determine the terms of an offering of shares of our capital stock, or securities convertible into or exchangeable for these shares, to the extent of our shares of authorized and unissued capital stock. The issuance of additional common stock in the future, including shares that we may issue pursuant to stock-based grants, including grants of stock options, restricted stock awards and restricted stock units, and future acquisitions, may result in dilution in the net tangible book value per share of our common stock.

***The timing and amount of our share repurchases are subject to a number of uncertainties.***

In February 2019, the Board of Directors approved a new stock repurchase plan authorizing the Company to purchase up to 2.33 million shares of its common stock through February 2021. There is no guarantee that our stock repurchase plans will be able to successfully mitigate the dilutive effect of stock options and stock-based grants. The success of our stock repurchase plans is based upon a number of factors, including the price and availability of the Company's stock, general market conditions, the nature of other investment opportunities available to us from time to time, and the availability of cash.

***A substantial number of shares are eligible for future sale.***

As of September 30, 2019, there were 27,508,473 shares of our common stock outstanding. Substantially all of these shares are freely tradable without restriction or further registration under the securities laws, unless held by an "affiliate" of our company, as that

term is defined in Rule 144 under the securities laws. Shares held by affiliates of our company, which generally include our directors, officers, and certain principal shareholders, are subject to the resale limitations of Rule 144. Outstanding shares of common stock issued in connection with the acquisition of any acquired dealers are available for resale beginning six months after the respective dates of the acquisitions, subject to compliance with the provisions of Rule 144 under the securities laws.

Through September 30, 2019, we have issued options to purchase approximately 4,988,882 shares of common stock and 2,295,528 restricted stock awards, net of forfeitures and expirations, under our incentive stock plans, and we issued 922,822 shares of common stock under our employee stock purchase plan. We have filed a registration statement under the securities laws to register the common stock to be issued under these plans. As a result, shares issued under these plans will be freely tradable without restriction unless acquired by affiliates of our company, who will be subject to the volume and other limitations of Rule 144.

We may issue additional shares of common stock or preferred stock under the securities laws as part of any acquisition we may complete in the future. If issued pursuant to an effective registration statement, these shares generally will be freely tradable after their issuance by persons not affiliated with us or the acquired companies.

***We do not pay cash dividends.***

We have never paid cash dividends on our common stock and we have no current intention to do so for the foreseeable future.

***Certain provisions of our restated articles of incorporation and bylaws and Florida law may make a change in the control of our company more difficult to complete, even if a change in control were in the shareholders' interest or might result in a premium over the market price for the shares held by the shareholders.***

Our articles of incorporation and bylaws divide our Board of Directors into three classes of directors elected for staggered three-year terms. The articles of incorporation also provide that the Board of Directors may authorize the issuance of one or more series of preferred stock from time to time and may determine the rights, preferences, privileges, and restrictions and fix the number of shares of any such series of preferred stock, without any vote or action by our shareholders. The Board of Directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of common stock. The articles of incorporation also allow our Board of Directors to fix the number of directors and to fill vacancies on the Board of Directors.

Our articles of incorporation contain provisions that adopt substantially all of the protections afforded under Florida's affiliated transactions statute (which provides that, with certain exceptions, a transaction with an "interested shareholder" must generally be approved by the affirmative vote of the holders of two-thirds of the voting shares (other than the shares owned by the interested shareholder)), except that our articles of incorporation define an "interested shareholder" as any person who holds 15% or more of our outstanding stock (rather than 10% as set forth in the statute). Certain of our dealer agreements could also make it difficult for a third party to attempt to acquire a significant ownership position in our company.

***Our sales of yachts produced by the Azimut-Benetti Group in Italy, yachts produced by Galeon in Poland, power catamarans produced by Sino Eagle in China, and Fraser Yacht operations in multiple countries around the world expose us to international political, economic, and other risks.***

Our sales of yachts produced by the Azimut-Benetti Group in Italy, yachts produced by Galeon in Poland, and power catamarans for our charter fleet produced by Sino Eagle in China, and Fraser Yacht operations in multiple countries around the world expose us to international political, economic, and other risks. Some of our sales are denominated in a currency other than the U.S. dollar. Consequently, a strong U.S. dollar may adversely affect reported revenues and our profitability. Additionally, protectionist trade legislation in the United States, the European Union, Italy, Poland, or China, such as a change in current tariff structures, export or import compliance laws, or other trade policies could adversely affect our ability to import yachts from these foreign suppliers under economically favorable terms and conditions.

There have been recent changes and additional changes may occur in the future, to United States and foreign trade and tax policies, including heightened import restrictions, import and export licenses, new tariffs, trade embargoes, government sanctions, and trade barriers. Any of these restrictions could prevent or make it difficult or more costly for us to import yachts from foreign suppliers under economically favorable terms and conditions. Increased tariffs could require us to increase our prices which likely could decrease demand for our products. In addition, other countries may limit their trade with the United States or retaliate through their own restrictions and/or increased tariffs which would affect our ability to export products and therefore adversely affect our sales. Many of these challenges are present in China, a market from which we purchase products. In particular, currently proposed tariffs could affect our Chinese suppliers. While such tariffs may be delayed or cancelled before coming into effect and we believe we have taken steps to mitigate their potential effects, such tariffs would likely increase our costs for our Chinese suppliers.

Our foreign purchase of yachts and power catamarans and Fraser Yacht operations in multiple countries around the world creates a number of logistical and communications challenges. The economic, political and other risks we face resulting from these foreign purchases and yacht management and crew placement services include the following:

- compliance with U.S. and local laws and regulatory requirements as well as changes in those laws and requirements;
- transportation delays or interruptions and other effects of less developed infrastructures;
- effects from the voter-approved exit of the United Kingdom from the European Union (often referred to as Brexit), including any resulting deterioration in economic conditions, volatility in currency exchange rates, or adverse regulatory changes;
- limitations on imports and exports;
- adverse foreign exchange rate fluctuations;
- imposition of restrictions on currency conversion or the transfer of funds;
- withdrawal from or revision to international trade agreements;
- national and international conflicts, including foreign policy changes or terrorist acts;
- the effects of issued or threatened government sanctions, tariffs and duties, trade barriers or economic restrictions, including the tariffs recently proposed by the U.S. government on various imports from China and by the Chinese government on certain U.S. goods, the scope and duration of which, if implemented, remain uncertain;
- maintenance of quality standards;
- unexpected changes in regulatory requirements;
- differing labor regulations;
- potentially adverse tax consequences;
- possible employee turnover or labor unrest;
- burden and costs of compliance with multiple, changing, and often inconsistent enforcement of foreign laws, rules, and regulations, including rules relating to environmental, health, and safety matters; and/or
- political or economic instability.

***Increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, data and our third-party service providers. Our business operations could be negatively impacted by an outage or breach of our informational technology systems or a cybersecurity event.***

Our business is dependent upon the efficient operation of our information systems. The systems facilitate the interchange of information and enhances cross-selling opportunities throughout our company. The systems integrate each level of operations on a Company-wide basis, including but not limited to purchasing, inventory, receivables, payables, financial reporting, budgeting, marketing, sales management, as well as to prepare our consolidated financial and operating data. The failure of our information systems to perform as designed or the failure to maintain and enhance or protect the integrity of these systems and the systems of our third-party service providers, could disrupt our business operations, impact sales and the results of operations, expose us to customer or third-party claims, or result in adverse publicity.

Increased global cybersecurity vulnerabilities, threats and more sophisticated and targeted cyber-related attacks pose a risk to the security of our and our customers', suppliers' and third-party service providers' products, systems and networks and the confidentiality, availability and integrity of our data. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery or other forms of deceiving our team members, contractors, vendors, and temporary staff. While we attempt to mitigate these risks by employing a number of measures, including employee training, systems, monitoring and testing, and maintenance of protective systems and contingency plans, we remain potentially vulnerable to additional known or unknown threats.

We may also have access to sensitive, confidential or personal data or information that is subject to privacy, security laws, and regulations. Despite our efforts to protect sensitive, confidential or personal data or information, we and our third-party service providers may be vulnerable to security breaches, theft, misplaced or lost data, programming errors, employee errors and/or malfeasance that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, unauthorized access, use, disclosure, modification or destruction of information, and operational disruptions. It is

possible that we or our third-party service providers might not be aware of a successful cyber-related attack on our systems until well after the incident. In addition, a cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action, and could adversely affect our business, financial condition, and results of operations. Depending on the nature of the information compromised, we may have obligations to notify customers and/or employees about the incident, and we may need to provide some form of remedy, such as a subscription to a credit monitoring service, for the individuals affected by the incident, which could result in material reputational damage to us.

***Changes in the assumptions used to calculate our acquisition related contingent consideration liabilities could have a material adverse impact on our financial results.***

Our recent acquisitions included contingent consideration liabilities relating to payments based on the future performance of the operations acquired. Under generally accepted accounting principles, we are required to estimate the fair value of any contingent consideration. Our estimates of fair value are based upon assumptions believed to be reasonable but which are uncertain and involve significant judgments. Changes in business conditions or other events could materially change the projection of future earnings used in the fair value calculations of contingent consideration liabilities. We reassess the fair value quarterly, and increases or decreases based on the actual or expected future performance of the acquired operations will be recorded in our results of operations. These quarterly adjustments could have a material effect on our results of operations.

***An impairment in the carrying value of long-lived assets and goodwill could negatively impact our financial results and net worth.***

Our long-lived assets, such as property and equipment, are required to be reviewed for impairment whenever events or changes in circumstance indicate that the carrying value of an asset may not be recoverable. As of September 30, 2019, we have approximately \$144 million of property and equipment, net of accumulated depreciation, recorded on our consolidated balance sheet. Recoverability of an asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair market value. Estimates of expected future cash flows represent our best estimate based on currently available information and reasonable and supportable assumptions. Our impairment loss calculations contain uncertainties because they require us to make assumptions and to apply judgment in order to estimate expected future cash flows.

Additionally, our goodwill is recorded at fair value at the time of acquisition and is not amortized, but reviewed for impairment at least annually or more frequently if impairment indicators arise. In evaluating the potential for impairment of goodwill, we make assumptions regarding industry conditions, our future financial performance, and other factors. Uncertainties are inherent in evaluating and applying these factors to the assessment of goodwill. While we do not believe there is a reasonable likelihood that there will be a change in the judgments and assumptions used in our assessments of goodwill and long-lived assets which would result in a material effect on our operating results, we cannot predict whether events or circumstances will change in the future that could result in non-cash impairment charges that could adversely impact our financial results and net worth.

***We may be adversely affected by changes in LIBOR reporting practices or the method by which LIBOR is determined.***

We rely on the Amended Credit Facility led by Wells Fargo Commercial Distribution Finance LLC to purchase and maintain our inventory of boats. The Amended Credit Facility provides a floor plan financing commitment of up to \$440 million. The interest rate for amounts outstanding under the Amended Credit Facility is 345 basis points above the one-month LIBOR. In July 2017, the Financial Conduct Authority (the regulatory authority over LIBOR) stated they will plan for a phase out of regulatory oversight of LIBOR interest rate indices after 2021 to allow for an orderly transition to an alternate reference rate. The Alternative Reference Rates Committee (ARRC) has proposed that the Secured Overnight Financing Rate (SOFR) is the rate that represents the best alternative to LIBOR. The ARRC has proposed a market transition plan to SOFR from LIBOR. We are evaluating the potential impact of the eventual replacement of the LIBOR benchmark interest rate, including the possibility of SOFR as the dominant replacement. The market transition away from LIBOR towards SOFR is expected to be complicated. There can be no guarantee that SOFR will become a widely accepted benchmark in place of LIBOR. Although the full impact of any transition away from LIBOR, including the potential or actual discontinuance of LIBOR publication, remains unclear, these changes may have a material adverse impact on the availability of financing, including LIBOR-based loans, and on our financing costs.

***Our business could be negatively affected by the actions of activist shareholders***

Certain of our shareholders may from time to time advance shareholder proposals or otherwise attempt to effect changes or acquire control over our business. Such proposals or attempts are sometimes led by investors seeking to increase short-term shareholder value by advocating corporate actions such as financial restructuring, increased borrowing, special dividends, stock repurchases or even sales of assets or the entire company. Such an action focused on the short-term may be to the long-term detriment

of our shareholders. If faced with actions by activist shareholders, we may not be able to respond effectively to such actions, which could be disruptive to our business.

**Item 1B.**        *Unresolved Staff Comments*

Not applicable.

**Item 2.**        *Properties*

We lease our corporate offices in Clearwater, Florida. We also lease 35 of our retail locations under leases in the United States and British Virgin Islands, many of which contain multi-year renewal options and some of which grant us right of first refusal to purchase the property at fair value. In most cases, we pay a fixed rent at negotiated rates. In substantially all of the leased locations, we are responsible for taxes, utilities, insurance, and routine repairs and maintenance. We own the property associated with 28 other retail locations we operate. Additionally, we own four retail locations that are currently closed as noted below. A store is considered one or more retail locations that are adjacent or operate as one entity. We also lease offices through the Fraser Yacht Group in the United States and Europe.



The following table reflects the status, approximate size, and facilities of the various retail locations in the United States and British Virgin Islands we operate as of the date of this report.

Location	Location Type	Square Footage(1)	Facilities at Property	Operated Since(2)	Waterfront
<b>Alabama</b>					
Gulf Shores	Company owned	4,000	Retail and service	1998	—
<b>Connecticut</b>					
Norwalk	Third-party lease	9,000	Retail and service; 56 wet slips	1994	Norwalk Harbor
Westbrook	Third-party lease	4,200	Retail and service	1998	Westbrook Harbor
<b>Florida</b>					
Cape Haze	Company owned	18,000	Retail, 8 wet slips	—	Intracoastal Waterway
Clearwater	Company owned	42,000	Retail and service; 20 wet slips	1973	Tampa Bay
Cocoa	Company owned	15,000	Retail and service	1968	—
Dania	Company owned	32,000	Repair and service; 16 wet slips	1991	Port Everglades
Fort Walton Beach	Third-party lease	3,000	Repair and service; 83 wet slips	2019	Choctawhatchee Bay
Fort Myers	Company owned	60,000	Retail, service, and storage; 64 wet slips	1983	Caloosahatchee River
Jacksonville	Third-party lease	9,000	Retail and service	2016	Intracoastal Waterway
Key Largo	Third-party lease	8,900	Retail and service; 6 wet slips	2002	Card Sound
Miami	Company owned	7,200	Retail and service; 15 wet slips	1980	Little River
Miami	Company owned	5,000	Service only; 11 wet slips	2005	Little River
Miami Beach	Third-party lease	1,600	Retail only	2018	—
Naples	Company owned	19,600	Retail and service; 14 wet slips	1997	Naples Bay
North Palm Beach	Third-party lease	960	Retail only	2016	Intracoastal Waterway
Orlando	Third-party lease	18,389	Retail and service	1984	—
Panama City	Third-party lease	10,500	Retail only; 8 wet slips	2011	Saint Andrews Bay
Pensacola	Company owned	52,750	Retail, service, and storage; 60 wet slips	2016	Pensacola Bay
Pompano Beach	Company owned	23,000	Retail and service; 16 wet slips	1990	Intracoastal Waterway
Pompano Beach	Company owned	5,400	Retail and service; 24 wet slips	2005	Intracoastal Waterway
Sarasota	Third-party lease	26,500	Retail, service, and storage; 15 wet slips	1972	Sarasota Bay
St. Petersburg(3)	Company owned	15,000	Retail and service; 20 wet slips	2006	Boca Ciega Bay
Stuart	Company owned	29,100	Retail and service; 66 wet slips	2002	Intracoastal Waterway
Venice	Company owned	62,000	Retail, service, and storage; 90 wet slips	1972	Intracoastal Waterway
<b>Georgia</b>					
Buford (Atlanta)(4)	Company owned	13,500	Retail and service	2001	—
Cumming (Atlanta)	Third-party lease	13,000	Retail and service; 50 wet slips	1981	Lake Lanier
Savannah	Third-party lease	50,600	Retail, marina, service and storage; 36 wet slips	2017	Wilmington River
<b>Maryland</b>					
Baltimore	Third-party lease	7,600	Retail and service; 17 wet slips	2005	Baltimore Inner Harbor
Joppa(4)	Company owned	28,400	Retail, service, and storage; 294 wet slips	1966	Gunpowder River

White Marsh(4)	Company owned	19,800	Retail and service	—	—
<b>Massachusetts</b>					
Danvers	Third-party lease	32,000	Retail and service	2016	—
Quincy	Company owned	14,700	Retail, service, and storage; 247 wet slips	2018	Town River
<b>Minnesota</b>					
Bayport	Third-party lease	450	Retail only; 10 wet slips	1996	St Croix River
Excelsior	Third-party lease	2,500	Retail only; 14 wet slips	2013	Lake Minnetonka
Rogers	Company owned	70,000	Retail, service, and storage	1991	—
<b>Missouri</b>					
Lake Ozark	Company owned	60,300	Retail, service, and storage; 300 wet slips	1987	Lake of the Ozarks
Laurie(4)	Company owned	700	Retail and service	—	—
Osage Beach	Company owned	2,000	Retail and service	1987	—
<b>New Jersey</b>					
Brant Beach	Third-party lease	3,800	Retail, service, and storage; 36 wet slips	1965	Barnegat Bay
Brick	Company owned	20,000	Retail, service, and storage; 225 wet slips	1977	Manasquan River
Lake Hopatcong	Company owned	4,600	Retail and service; 80 wet slips	1998	Lake Hopatcong
Ship Bottom	Third-party lease	19,300	Retail and service	1972	—
Somers Point	Third-party lease	31,000	Retail, service, and storage; 33 wet slips	1987	Little Egg Harbor Bay
Ocean View	Third-party lease	13,800	Retail, service, and storage	2018	—
North Somers Point	Third-party lease	500	Storage only	2018	Little Egg Harbor Bay
<b>New York</b>					
Huntington	Third-party lease	1,200	Retail and service	1995	Huntington Harbor and Long Island Sound
Manhattan	Third-party lease	1,200	Retail only; 75 wet slips	1996	Hudson River
<b>North Carolina</b>					
Lake Norman	Third-party lease	10,300	Retail only	2017	—
Southport	Third-party lease	1,600	Retail only	2008	Cape Fear River
Wrightsville Beach	Third-party lease	34,500	Retail, service, and storage	1996	Masonboro Inlet
<b>Ohio</b>					
Port Clinton	Company owned	80,000	Retail, service and storage; 8 wet slips	1997	Lake Erie
<b>Oklahoma</b>					
Afton	Third-party lease	3,500	Retail and service; 23 wet slips	2003	Grand Lake
<b>Rhode Island</b>					
Newport	Third-party lease	700	Retail only	2011	Newport Harbor
<b>South Carolina</b>					
Charleston	Third-party lease	14,800	Retail, service, and storage	2017	—
Greenville	Third-party lease	24,500	Retail, service, and storage	2017	—
Lake Wylie	Third-party lease	76,400	Retail, marina, service, and storage; 82 wet slips	2017	Lake Wylie
<b>Texas</b>					
Austin	Third-party lease	26,000	Retail and service	2019	—
San Antonio	Third-party lease	14,100	Retail and service	2019	—
Lakeway	Third-party lease	10,000	Retail only	2019	—
Lewisville (Dallas)	Company owned	22,000	Retail and service	2002	—
Seabrook	Company owned	32,000	Retail and service; 30 wet slips	2002	Clear Lake
<b>British Virgin Islands</b>					

- (1) Square footage is approximate and does not include outside sales space or dock or marina facilities.
- (2) Operated since date is the date the facility was opened by us or opened prior to its acquisition by us.
- (3) Initially a joint venture; full ownership acquired in February 2016.
- (4) Owned location that is currently closed.

We have leased offices in the United States through the Fraser Yachts Group in Ft. Lauderdale, Florida and San Diego, California as well as leased offices outside the United States in Monaco (two offices), France, Italy, Spain (two offices), and the United Kingdom.

**Item 3. Legal Proceedings**

We are party to various legal actions arising in the ordinary course of business. While it is not feasible to determine the actual outcome of these actions as of September 30, 2019, we do not believe that these matters will have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

**Item 4. Mine Safety Disclosures**

Not applicable.

**PART II**

**Item 5. Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

**Market Information, Holders**

Our common stock is listed on the New York Stock Exchange under the symbol HZO. The following table sets forth high and low sale prices of the common stock for each calendar quarter indicated as reported on the New York Stock Exchange.

	<b>High</b>	<b>Low</b>
<b>2017</b>		
Fourth quarter	\$ 22.30	\$ 15.05
<b>2018</b>		
First quarter	\$ 24.30	\$ 18.30
Second quarter	\$ 25.05	\$ 17.30
Third quarter	\$ 23.75	\$ 16.40
Fourth quarter	\$ 26.11	\$ 16.57
<b>2019</b>		
First quarter	\$ 21.09	\$ 17.11
Second quarter	\$ 19.99	\$ 15.34
Third quarter	\$ 17.33	\$ 13.73
Fourth quarter (through November 29, 2019)	\$ 18.76	\$ 14.56

On November 29, 2019, the closing sale price of our common stock was \$16.56 per share. On November 29, 2019, there were approximately 100 record holders and approximately 6,400 beneficial owners of our common stock.

**Dividends**

We have never declared or paid cash dividends on our common stock. We currently plan to retain any earnings to finance the growth of our business rather than to pay cash dividends. Payments of any cash dividends in the future will depend on our financial condition, results of operations, statutory restrictions, loan covenants and capital requirements as well as other factors deemed relevant by our board of directors (such as market expectations).

## Purchases of Equity Securities by the Issuer

The following table presents information with respect to our repurchases of our common stock during the three months ended September 30, 2019.

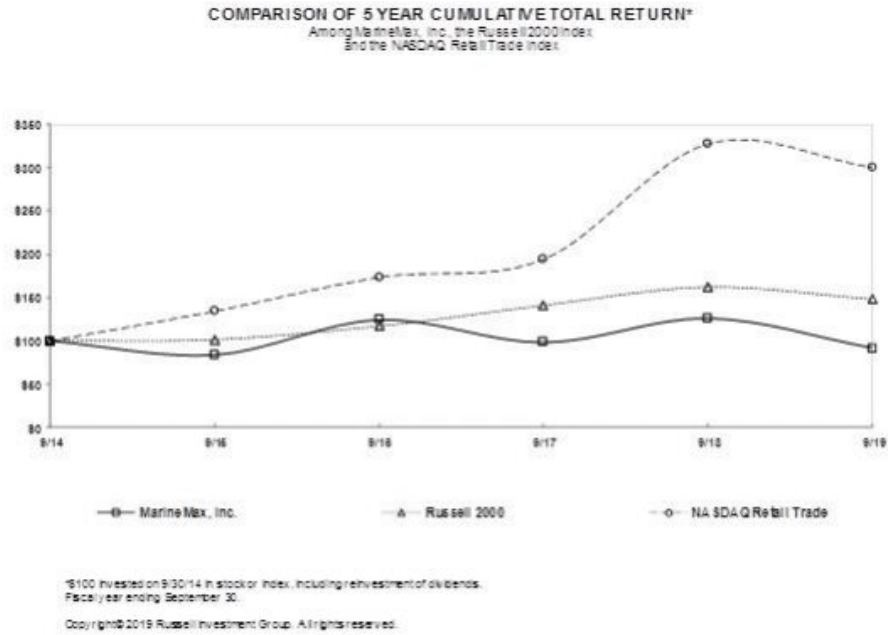
<b>Period</b>	<b>Total Number of Shares Purchased (1)(2)</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Number of Shares that may be Purchased Under the Plans or Programs</b>
July 1, 2019 to July 31, 2019	302,324	\$ 15.20	302,324	813,295
August 1, 2019 to August 31, 2019	186,464	15.04	186,464	626,831
September 1, 2019 to September 30, 2019	77,411	15.48	—	626,831
Total	<u>566,199</u>	<u>\$ 15.19</u>	<u>488,788</u>	<u>626,831</u>

(1) Under the terms of the program, the Company is authorized to purchase up to 2.33 million shares of its common stock through February 2021.

(2) 77,411 shares reported in September 2019 are attributable to shares tendered by employees for the payment of applicable withholding taxes in connection with the vesting of restricted stock or restricted stock unit awards.

## Performance Graph

The following line graph compares cumulative total shareholder returns for the five years ended September 30, 2019 for (i) our common stock, (ii) the Russell 2000 Index, and (iii) the Nasdaq Retail Trade Index. The graph assumes an investment of \$100 on September 30, 2014. The calculations of cumulative shareholder return on the Russell 2000 Index and the Nasdaq Retail Trade Index include reinvestment of dividends. The calculation of cumulative shareholder return on our common stock does not include reinvestment of dividends because we did not pay any dividends during the measurement period. The historical performance shown is not necessarily indicative of future performance.



The performance graph above shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or Exchange Act, or otherwise subject to the liability of that section. The performance graph above will not be deemed incorporated by reference into any filing of our company under the Exchange Act or the Securities Act of 1933, as amended.

**Item 6. Selected Financial Data**

The following table contains certain financial and operating data and is qualified by the more detailed consolidated financial statements and notes thereto included elsewhere in this report. The balance sheet and statement of operations data were derived from the consolidated financial statements and notes thereto that have been audited by KPMG LLP. The financial data shown below should be read in conjunction with the consolidated financial statements and the related notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this report.

	Fiscal Year Ended September 30,				
	2015	2016	2017	2018	2019
(Amounts in thousands except share, per share, and retail location data)					
<b>Statement of Operations Data:</b>					
Revenue	\$ 751,370	\$ 942,050	\$ 1,052,320	\$ 1,177,371	\$ 1,237,153
Cost of sales	566,603	716,022	787,005	879,138	914,321
Gross profit	184,767	226,028	265,315	298,233	322,832
Selling, general and administrative expenses	159,435	185,776	220,026	235,050	262,300
Income from operations	25,332	40,252	45,289	63,183	60,532
Interest expense, net	4,454	5,462	7,481	9,903	11,579
Income before income tax provision (benefit)	20,878	34,790	37,808	53,280	48,953
Income tax provision (benefit)	(27,414)	12,208	14,261	13,968	12,968
Net income	\$ 48,292	\$ 22,582	\$ 23,547	\$ 39,312	\$ 35,985
Net income per share:					
Diluted	\$ 1.92	\$ 0.91	\$ 0.95	\$ 1.71	\$ 1.57
Weighted average number of shares:					
Diluted	25,102,289	24,820,847	24,678,800	23,030,662	22,881,147
<b>Other Data (as of year-end):</b>					
Number of retail locations (1)	53	56	62	63	59
Sales per store (2) (4)	\$ 15,320	\$ 18,539	\$ 18,364	\$ 19,873	\$ 19,554
Same-store sales growth (3) (4)	22%	22%	5%	10%	1%
			September 30,		
	2015	2016	2017	2018	2019
<b>Balance Sheet Data:</b>					
Working capital	\$ 152,414	\$ 159,232	\$ 139,069	\$ 179,276	\$ 155,690
Total assets	467,622	546,688	639,990	640,538	784,083
Goodwill and other intangible assets, net	828	10,000	26,005	27,491	64,077
Total shareholders' equity	283,645	312,473	302,198	353,092	368,819

(1) Includes only those retail locations open at period end.

(2) Includes only those stores open for the entire preceding 12-month period.

(3) New and acquired stores are included in the comparable base at the end of the store’s thirteenth month of operations.

(4) A store is one or more retail locations that are adjacent or operate as one entity. Sales per store and same-store sales growth is intended only as supplemental information and is not a substitute for revenue or net income presented in accordance with generally accepted accounting principles.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following should be read in conjunction with Part I, including the matters set forth in the "Risk Factors" section of this report, and our Consolidated Financial Statements and notes thereto included elsewhere in this report.

**Overview**

We are the largest recreational boat and yacht retailer in the United States with fiscal 2019 revenue above \$1.2 billion. Through our current 59 retail locations in 16 states (as of the filing of this Annual Report on Form 10-K), we sell new and used recreational boats and related marine products, including engines, trailers, parts, and accessories. We also arrange related boat financing, insurance, and extended service contracts; provide boat repair and maintenance services; offer yacht and boat brokerage sales; yacht charter services; and, where available, offer slip and storage accommodations, as well as the charter of power yachts in the British Virgin Islands. We also own Fraser Yachts Group, a leading superyacht brokerage and luxury yacht services company with operations in multiple countries.

MarineMax was incorporated in January 1998 (and reincorporated in Florida in March 2015). We commenced operations with the acquisition of five independent recreational boat dealers on March 1, 1998. Since the initial acquisitions in March 1998, we have, as of the filing of this Annual Report on Form 10-K, acquired 29 recreational boat dealers, three boat brokerage operations, and two full-service yacht repair facilities. As a part of our acquisition strategy, we frequently engage in discussions with various recreational boat dealers regarding their potential acquisition by us. Potential acquisition discussions frequently take place over a long period of time and involve difficult business integration and other issues, including, in some cases, management succession and related matters. As a result of these and other factors, a number of potential acquisitions that from time to time appear likely to occur do not result in binding legal agreements and are not consummated. We completed one acquisition in the fiscal year ended September 30, 2017, three acquisitions in the fiscal year ended September 30, 2018, and two acquisitions in the fiscal year ending September 30, 2019.

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 55%, 51% and 54% of our revenue during fiscal 2017, 2018, and 2019, respectively, can have a major impact on our operations. Local influences, such as corporate downsizing, military base closings, and inclement weather such as hurricanes and other storms, environmental conditions, and specific events, such as the BP oil spill in the Gulf of Mexico in 2010, also could adversely affect, and in certain instances have adversely affected, our operations in certain markets.

In an economic downturn, consumer discretionary spending levels generally decline, at times resulting in disproportionately large reductions in the sale of luxury goods. Consumer spending on luxury goods also may decline as a result of lower consumer confidence levels, even if prevailing economic conditions are favorable. As a result, an economic downturn is likely to 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 is likely to have a negative effect on our business.

Historically, in periods of lower consumer spending and depressed economic conditions, we have, among other things, substantially reduced our acquisition program, delayed new store openings, reduced our inventory purchases, engaged in inventory reduction efforts, closed a number of our retail locations, reduced our headcount, and amended and replaced our credit facility.

Although past economic conditions have adversely affected our operating results, we believe we have capitalized on our core strengths to substantially outperform the industry, resulting in market share gains. Our ability to capture such market share supports the alignment of our retailing strategies with the desires of consumers. We believe the steps we have taken to address weak market conditions in the past have yielded, and will yield in the future, an increase in revenue. Acquisitions remain an important strategy to our company, and we plan to continue our growth through this strategy. 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 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 are discussed throughout Management's Discussion and Analysis of Financial Condition and Results of Operations when such policies affect our reported and expected financial results.

In the ordinary course of business, we make a number of estimates and assumptions relating to the reporting of results of operations and financial condition in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States. We base our estimates on historical experiences and on various other assumptions (including future earnings) that we believe are reasonable under the circumstances. The results of these assumptions form the basis for making judgments about the carrying values of assets and liabilities, including contingent assets and liabilities such as contingent consideration liabilities from acquisitions, which 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***

The majority of our revenue is from contracts with customers for the sale of boats, motors, and trailers. We recognize revenue from boat, motor, and trailer sales upon transfer of control of the boat, motor or trailer to the customer, which is generally upon acceptance or delivery to the customer. At the time of acceptance or delivery, the customer is able to direct the use of, and obtain substantially all of the benefits of the boat, motor or trailer at such time. We recognize commissions earned from a brokerage sale when the related brokerage transaction closes upon transfer of control of the boat, motor or trailer to the customer, which is generally upon acceptance or delivery to the customer.

We do not directly finance our customers' boat, motor, or trailer purchases. In many cases, we assist with third-party financing for boat, motor, and trailer sales. 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. Pursuant to negotiated agreements with financial institutions, we are charged back for a portion of these fees should the customer terminate or default on the related finance contract before it is outstanding for a stipulated minimum period of time. We base the chargeback allowance, which was not material to the consolidated financial statements taken as a whole as of September 30, 2019, on our experience with repayments or defaults on the related finance contracts. We recognize variable consideration from commissions earned on extended warranty service contracts sold on behalf of third-party insurance companies at generally the later of customer acceptance of the service contract terms as evidenced by contract execution or recognition of the related boat sale. We also recognize variable consideration from marketing fees earned on 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 recognize revenue from parts and service operations (boat maintenance and repairs) over time as services are performed. Each boat maintenance and repair service is a single performance obligation that includes both the parts and labor associated with the service. Payment for boat maintenance and repairs is typically due upon the completion of the service, which is generally completed within a short period of time from contract inception. We satisfy our performance obligations, transfer control, and recognize revenue over time for parts and service operations because we are creating a contract asset with no alternative use and we have an enforceable right to payment for performance completed to date. Contract assets primarily relate to our right to consideration for work in process not yet billed at the reporting date associated with maintenance and repair services. We use an input method to recognize revenue and measure progress based on labor hours expended to satisfy the performance obligation at average labor rates. We have determined labor hours expended to be the relevant measure of work performed to complete the maintenance and repair service for the customer. As a practical expedient, because repair and maintenance service contracts have an original duration of one year or less, we do not consider the time value of money, and we do not disclose estimated revenue expected to be recognized in the future for performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period or when we expect to recognize such revenue. Contract assets, recorded in prepaid expenses and other current assets, totaled approximately \$2.7 million and \$2.5 million as of October 1, 2018 (beginning of the period of adoption of ASC 606) and September 30, 2019, respectively.

### ***Vendor Consideration Received***

We account for consideration received from our vendors in accordance with ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". ASC 606 requires us to classify interest assistance received from manufacturers as a reduction of inventory cost and related cost of sales as opposed to netting the assistance against our interest expense incurred with our lenders. Pursuant to ASC 606, amounts received by us under our co-op assistance programs from our manufacturers are netted against related advertising expenses. Our consideration received from our vendors contains uncertainties because the calculation requires management to make assumptions and to apply judgment regarding a number of factors, including our ability to collect amounts due from vendors and the ability to meet certain criteria stipulated by our vendors. We do not believe there is a reasonable likelihood that there will be a change in the future estimates or assumptions we use to calculate our vendor considerations which would result in a material effect on our operating results.



### ***Inventories***

Inventory costs consist of the amount paid to acquire inventory, net of vendor consideration and purchase discounts, the cost of equipment added, reconditioning costs, and transportation costs relating to acquiring inventory for sale. We state new and used boat, motor, and trailer inventories at the lower of cost, determined on a specific-identification basis, or net realizable value. We state parts and accessories at the lower of cost, determined on an average cost basis, or net realizable value. We utilize our historical experience, the aging of the inventories, and our consideration of current market trends as the basis for determining a lower of cost or net realizable value valuation allowance. Our lower of cost or net realizable value valuation allowance contains uncertainties because the calculation requires management to make assumptions and to apply judgment regarding the amount at which the inventory will ultimately be sold which considers forecasted market trends, model changes, and new product introductions. We do not believe there is a reasonable likelihood that there will be a change in the future estimates or assumptions we use to calculate our lower of cost or net realizable value valuation allowance which would result in a material effect on our operating results. As of September 30, 2018 and September 30, 2019, our lower of cost or net realizable value valuation allowance for new and used boat, motor, and trailer inventories was \$1.5 million and \$2.2 million, respectively. If events occur and market conditions change, causing the fair value to fall below carrying value, the lower of cost or net realizable value valuation allowance could increase.

### ***Goodwill***

We account for goodwill in accordance with FASB Accounting Standards Codification 350, “Intangibles — Goodwill and Other” (“ASC 350”), which provides that the excess of cost over net assets of businesses acquired is recorded as goodwill. In July 2019, we purchased Fraser Yachts Group, a leading superyacht brokerage and largest luxury yacht services company. In April 2019, we purchased Sail & Ski Center, a privately owned boat dealer located in Texas. In January 2018, we purchased Island Marine Center, a privately owned boat dealer located in New Jersey. Goodwill and other intangible assets increased, due to acquisitions, by \$1.3 million and \$37.0 million, for the fiscal years ended September 30, 2018 and 2019, respectively. These acquisitions have resulted in the recording of goodwill for tax purposes of \$10.5 million and \$1.3 million, for the fiscal years ended September 30, 2018 and 2019, respectively. In total, current and previous acquisitions have resulted in the recording of \$64.1 million in goodwill and other intangible assets as of September 30, 2019. In accordance with ASC 350, we review goodwill for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our annual impairment test is performed during the fourth fiscal quarter. If the carrying amount of goodwill exceeds its fair value we would recognize an impairment loss in accordance with ASC 350. As of September 30, 2019, and based upon our most recent analysis, we determined through our qualitative assessment that it is not “more likely than not” that the fair values of our reporting units are less than their carrying values. As a result, we were not required to perform a quantitative goodwill impairment test. The qualitative assessment requires us to make judgments and assumptions regarding macroeconomic and industry conditions, our financial performance, and other factors. We do not believe there is a reasonable likelihood that there will be a change in the judgments and assumptions used in our qualitative assessment which would result in a material effect on our operating results.

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

FASB Accounting Standards Codification 360-10-40, “Property, Plant, and Equipment — Impairment or Disposal of Long-Lived Assets” (“ASC 360-10-40”), requires that long-lived assets, such as property and equipment and purchased intangibles subject to amortization, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair market value. Estimates of expected future cash flows represent our best estimate based on currently available information and reasonable and supportable assumptions. Our impairment loss calculations contain uncertainties because they require us to make assumptions and to apply judgment in order to estimate expected future cash flows. Any impairment recognized in accordance with ASC 360-10-40 is permanent and may not be restored. The analysis is performed at a regional level for indicators of permanent impairment given the geographical interdependencies among our locations. Based upon our most recent analysis, we believe no impairment of long-lived assets existed as of September 30, 2019. We do not believe there is a reasonable likelihood that there will be a change in the future estimates or assumptions used to test for recoverability which would result in a material effect on our operating results.

### ***Stock-Based Compensation***

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

generally accepted valuation techniques require us to make assumptions and to apply judgment to determine the fair value of our awards. These assumptions and judgments include estimating the volatility of our stock price, expected dividend yield, employee turnover rates and employee stock option exercise behaviors. We do not believe there is a reasonable likelihood that there will be a change in the future estimates or assumptions we use to calculate our stock-based compensation which would result in a material effect on our operating results.

### ***Income Taxes***

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

Pursuant to ASC 740, we must consider all positive and negative evidence regarding the realization of deferred tax assets. ASC 740 provides for four possible sources of taxable income to realize deferred tax assets: 1) taxable income in prior carryback years, 2) reversals of existing deferred tax liabilities, 3) tax planning strategies and 4) projected future taxable income. As of September 30, 2019, we have no available taxable income in prior carryback years, limited reversals of existing deferred tax liabilities or prudent and feasible tax planning strategies. Therefore, the recoverability of our deferred tax assets is dependent upon generating future taxable income.

The determination of releasing valuation allowances against deferred tax assets is made, in part, pursuant to our assessment as to whether it is more likely than not that we will generate sufficient future taxable income against which benefits of the deferred tax assets may or may not be realized. Significant judgment is required in making estimates regarding our ability to generate income in future periods.

During the fourth quarter of fiscal 2017, the Company recorded a net tax benefit of \$1.8 million primarily pertaining to a worthless stock deduction. The tax benefit of this deduction was primarily based on the write-off of the Company's investment in its British Virgin Islands subsidiary for US tax purposes.

During the first quarter of fiscal 2018, the Company recorded a reduction of our beginning deferred tax assets of approximately \$889,000 and a corresponding increase in our income tax provision as a result of the Tax Cuts and Jobs Act legislation passed in December 2017, which lowered the federal corporate tax rate from 35% to 21%, among other changes.

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

### ***Recent Accounting Pronouncements***

See Note 3 of the Notes to the Consolidated Financial Statements.

## Results of Operations

The following table sets forth certain financial data as a percentage of revenue for the periods indicated:

	Fiscal Year Ended September 30,					
	2017		2018		2019	
	(Amounts in thousands)					
Revenue	\$ 1,052,320	100.0%	\$ 1,177,371	100.0%	\$ 1,237,153	100.0%
Cost of sales	787,005	74.8%	879,138	74.7%	914,321	73.9%
Gross profit	265,315	25.2%	298,233	25.3%	322,832	26.1%
Selling, general and administrative expenses	220,026	20.9%	235,050	20.0%	262,300	21.2%
Income from operations	45,289	4.3%	63,183	5.3%	60,532	4.9%
Interest expense	7,481	0.7%	9,903	0.8%	11,579	0.9%
Income before income taxes	37,808	3.6%	53,280	4.5%	48,953	4.0%
Income tax provision	14,261	1.4%	13,968	1.2%	12,968	1.0%
Net income	\$ 23,547	2.2%	\$ 39,312	3.3%	\$ 35,985	3.0%

### Fiscal Year Ended September 30, 2019, Compared with Fiscal Year Ended September 30, 2018

**Revenue.** Revenue increased \$59.8 million, or 5.1%, to approximately \$1.237 billion for the fiscal year ended September 30, 2019 from \$1.177 billion for the fiscal year ended September 30, 2018. Of this increase, \$15.4 million was attributable to a 1% increase in comparable-store sales and an approximate \$44.4 million net increase related to stores opened or closed that were not eligible for inclusion in the comparable-store base. The increase in our comparable-store sales was primarily due to incremental increases in new and used boat sales and incremental increases in storage services, finance and insurance products, service revenue, and parts revenue. Eroding industry conditions throughout most of fiscal 2019, adversely impacted our comparable-store sales.

**Gross Profit.** Gross profit increased \$24.6 million, or 8.2%, to \$322.8 million for the fiscal year ended September 30, 2019 from \$298.2 million for the fiscal year ended September 30, 2018. Gross profit as a percentage of revenue increased to 26.1% for the fiscal year ended September 30, 2019 from 25.3% for the fiscal year ended September 30, 2018. The increase in gross profit as a percentage of revenue was primarily the result of increases to our higher margins businesses and from the acquisition of the Fraser Yachts Group because the sales generated by Fraser relating to its services tend to be of higher margins relative to our overall business. The increase in gross profit dollars was primarily attributable to the increase in our gross margins and increased boat sales.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased \$27.3 million, or 11.6%, to \$262.3 million for the fiscal year ended September 30, 2019 from \$235.0 million for the fiscal year ended September 30, 2018. Selling, general and administrative expenses for the fiscal year ended September 30, 2019, included \$3.1 million of adjustments related to store closings and other related costs, which reduced expenses, partially offset by a \$1.2 million recovery recognized from the Deepwater Horizon Settlement Program for damages suffered as a result of the Deepwater Horizon Oil Spill. Selling, general and administrative expenses for the fiscal year ended September 30, 2018, included \$1.4 million of adjustments related to contingent consideration obligations, which reduced expenses, partially offset by a \$1.2 million increase in non-recurring unusual costs. Excluding these items and making both years comparable, selling, general and administrative expenses increased \$25.2 million, or 10.6%, to \$260.2 million and as a percentage of revenue increased to 21.1% for the fiscal year ended September 30, 2019. The increase in selling, general and administrative expenses was primarily attributable to recent acquisitions including the Fraser Yachts Group, new store openings, additional marketing expenses to drive sales growth, and the reestablishing of our British Virgin Islands' Charter business as the business restarted operations after Hurricane Irma, which occurred in September 2017.

**Interest Expense.** Interest expense increased \$1.7 million, or 16.9%, to \$11.6 million for the fiscal year ended September 30, 2019, from \$9.9 million for the fiscal year ended September 30, 2018. Interest expense as a percentage of revenue increased to 0.9% for the fiscal year ended September 30, 2019, from 0.8% for the fiscal year ended September 30, 2018. The increase in interest expense was primarily the result of increased borrowings.

**Income Taxes.** Income tax expense decreased \$1.0 million, or 7.2%, to \$13.0 million for the fiscal year ended September 30, 2019 from \$14.0 million for the fiscal year ended September 30, 2018. Our effective income tax rate increased to 26.5% for fiscal year ended September 30, 2019, from 26.2% for fiscal year ended September 30, 2018. The increase in our effective income tax rate was mainly the result of increased tax expense from jurisdictions outside the United States as result of the acquisition of the Fraser Yachts Group in July 2019.

### ***Fiscal Year Ended September 30, 2018, Compared with Fiscal Year Ended September 30, 2017***

**Revenue.** Revenue increased \$125.1 million, or 11.9%, to approximately \$1.177 billion for the fiscal year ended September 30, 2018 from \$1.052 billion for the fiscal year ended September 30, 2017. Of this increase, \$100.3 million was attributable to a 10% increase in comparable-store sales and an approximate \$24.8 million net increase related to stores opened or closed that were not eligible for inclusion in the comparable-store base. The increase in our comparable-store sales was primarily due to incremental increases in new and used boat sales and incremental increases in brokerage sales, storage services, finance and insurance products, service revenue, and parts revenue. Improving industry conditions resulting from improved economic conditions contributed to our comparable-store sales growth.

**Gross Profit.** Gross profit increased \$32.9 million, or 12.4%, to \$298.2 million for the fiscal year ended September 30, 2018 from \$265.3 million for the fiscal year ended September 30, 2017. Gross profit as a percentage of revenue increased to 25.3% for the fiscal year ended September 30, 2018 from 25.2% for the fiscal year ended September 30, 2017. The increase in gross profit as a percentage of revenue was primarily the result of improved margins on boat sales and our higher margin service, parts and accessories products, and storage services. The increase in gross profit dollars was primarily attributable to the increase in our gross margins and increased boat sales.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased \$15.0 million, or 6.8%, to \$235.0 million for the fiscal year ended September 30, 2018 from \$220.0 million for the fiscal year ended September 30, 2017. Selling, general and administrative expenses for the fiscal year ended September 30, 2018, included \$1.4 million of adjustments related to contingent consideration obligations, which reduced expenses, partially offset by a \$1.2 million increase in non-recurring unusual costs. Additionally, selling, general and administrative expenses for the fiscal year ended September 30, 2017 included \$2.9 million of expenses as a result of losses from Hurricane Irma. Excluding these items and making both years comparable, selling, general and administrative expenses increased \$18.1 million, or 8.4%, to \$235.3 million and as a percentage of revenue decreased to 20.0% for the fiscal year ended September 30, 2018, from 20.6% for the fiscal year ended September 30, 2017. The increase in selling, general and administrative expenses was primarily attributable to increased commissions resulting from increased new and used boat sales, increased compensation due to improved performance, and increased health care costs due to rising claims. The decrease in selling, general and administrative expenses as a percentage of revenue was driven by increased efficiencies and operating leverage in the business.

**Interest Expense.** Interest expense increased \$2.4 million, or 32.4%, to \$9.9 million for the fiscal year ended September 30, 2018, from \$7.5 million for the fiscal year ended September 30, 2017. Interest expense as a percentage of revenue increased to 0.8% for the fiscal year ended September 30, 2018, from 0.7% for the fiscal year ended September 30, 2017. The increase in interest expense was primarily the result of increased borrowings and increases in interest rates.

**Income Taxes.** Income tax expense decreased \$293,000, or 2.1%, to \$14.0 million for the fiscal year ended September 30, 2018 from \$14.3 million for the fiscal year ended September 30, 2017. Our effective income tax rate decreased to 26.2% for fiscal year ended September 30, 2018, from 37.7% for fiscal year ended September 30, 2017. The decrease was mainly due to the passage of the Tax Cuts and Jobs Act legislation in December 2017, which lowered the federal corporate tax rate from 35% to 21%, and the utilization of Hurricane Irma and Hurricane Harvey Employee Retention Credits, partially offset by the re-measurement of our beginning deferred tax assets and liabilities which resulted in an additional charge to income tax expense for the period of \$805,000.

### **Quarterly Data and Seasonality**

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

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

## 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. Acquisitions remain an important strategy to our company, and we plan to continue our growth through this strategy as more robust economic conditions return. However, we cannot predict the return of or length of unfavorable economic or financial conditions. We regularly monitor the aging of our inventories and current market trends to evaluate our current and future inventory needs. We also use this evaluation in conjunction with our review of our current and expected operating performance and expected business levels to determine the adequacy of our financing needs.

These cash needs have historically been financed with cash generated from operations and borrowings under the Amended Credit Facility. Our ability to utilize the Amended Credit Facility to fund operations depends upon the collateral levels and compliance with the covenants of the Amended Credit Facility. Turmoil in the credit markets and weakness in the retail markets may interfere with our ability to remain in compliance with the covenants of the Amended Credit Facility and therefore our ability to utilize the Amended Credit Facility to fund operations. As of September 30, 2019, we were in compliance with all covenants under the Amended Credit Facility. We currently depend upon dividends and other payments from our dealerships and the Amended Credit Facility to fund our current operations and meet our cash needs. As 100% owner of each of our dealerships, we determine the amounts of such distributions subject to applicable law, and currently, no agreements exist that restrict this flow of funds from any of our dealerships.

For the fiscal years ended September 30, 2019, cash used in operating activities was approximately \$12.4 million. For fiscal years ended September 30, 2018, and 2017, cash provided by operating activities was approximately \$70.4 million and \$4.7 million, respectively. For the fiscal year ended September 30, 2019, cash used by operating activities was primarily related to increases in inventory, accounts receivable, and prepaid expenses and other assets, partially offset by our net income adjusted for non-cash expenses and gains such as depreciation and amortization expense, deferred income tax provision, stock-based compensation expense, insurance proceeds received, and increases in accounts payable, customer deposits, and accrued expenses and other long-term liabilities. For the fiscal year ended September 30, 2018, cash provided by operating activities was primarily related to our net income adjusted for non-cash expenses and gains such as depreciation and amortization expense, deferred income tax provision, stock-based compensation expense, gains on insurance settlements, gain on contingent acquisition consideration, decreases in inventory driven by inventory optimization efforts, insurance proceeds received as a result of Hurricane Irma, and increases in accrued expenses and other long-term liabilities, partially offset by increases in accounts receivable and decreases in accounts payable and customer deposits. For the fiscal year ended September 30, 2017, cash provided by operating activities was primarily related to net income adjusted for non-cash expenses such as depreciation and amortization expense, income tax expense, stock based compensation expense, increases in accounts payable and accrued expenses, partially offset by an increase in inventory driven by the expansion of current and new brands, and decreases in customer deposits.

For the fiscal years ended September 30, 2019, 2018 and 2017, cash used in investing activities was approximately \$56.3 million, \$23.3 million, and \$32.1 million, respectively. For the fiscal year ended September 30, 2019, cash used in investing activities was primarily used to purchase property and equipment associated with improving existing retail facilities and purchase property and equipment and other assets associated with business acquisitions. For the fiscal year ended September 30, 2018, cash used in investing activities was primarily used to purchase property and equipment associated with improving existing retail facilities, purchase property and equipment associated with business acquisitions, and capital improvements as a result of Hurricane Irma. For the fiscal year ended September 30, 2017, cash used in investing activities was primarily used to purchase property and equipment associated with business acquisitions and property and equipment associated with improving existing retail facilities.

For the fiscal years ended September 30, 2019 and 2017, cash provided by financing activities was approximately \$58.6 million and \$30.7 million, respectively. For the fiscal year ended September 30, 2018 cash used in financing activities was approximately \$40.2 million. For the fiscal year ended September 30, 2019, cash provided by financing activities was primarily attributable to net short-term borrowings as a result of increased inventory levels and proceeds from the issuance of common stock from our stock based compensation plans, partially offset by the repurchase of common stock under the share repurchase program and payments on tax withholdings for equity awards. For the fiscal year ended September 30, 2018, cash used in financing activities was primarily attributable to a decrease in net short-term borrowings as a result of decreased inventory levels, contingent consideration payments from acquisitions, and repurchase of common stock under the share repurchase program, partially offset by proceeds from the issuance of common stock from our stock based compensation plans. For the fiscal year ended September 30, 2017, cash provided by financing activities was primarily attributable to net short-term borrowings as a result of increased inventory levels and proceeds from the issuance of common stock from our stock based compensation plans, partially offset by the repurchase of common stock under the share repurchase program.

In November 2019, we amended and restated our Inventory Financing Agreement (the "Amended Credit Facility"), originally entered into in June 2010, as subsequently amended, with Wells Fargo Commercial Distribution Finance LLC (formerly GE Commercial Distribution Finance Corporation). The November 2019 amendment and restatement extended the maturity date of the

Credit Facility to October 2022, and the Amended Credit Facility includes two additional one-year extension periods, with lender approval. The November 2019 amendment and restatement, among other things, modified the amount of borrowing availability and maturity date of the Credit Facility. The Amended Credit Facility provides a floor plan financing commitment of up to \$440.0 million, an increase from the previous limit of \$400.0 million, subject to borrowing base availability resulting from the amount and aging of our inventory.

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

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

As of September 30, 2019, our indebtedness associated with financing our inventory and working capital needs totaled approximately \$312.1 million. As of September 30, 2018 and 2019, the interest rate on the outstanding short-term borrowings was approximately 5.5% and 5.6%, respectively. As of September 30, 2019, our additional available borrowings under our Amended Credit Facility were approximately \$39.9 million based upon the outstanding borrowing base availability. The aging of our inventory limits our borrowing capacity as defined curtailments reduce the allowable advance rate as our inventory ages.

Except as specified in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in the attached 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.

### Commitments and Commercial Commitments

The following table sets forth a summary of our material contractual obligations and commercial commitments as of September 30, 2019:

Year Ending September 30,	Short-Term Borrowings (1)	Other Liabilities (2)	Operating Leases (3)	Total
	(Amounts in thousands)			
2020	\$ 312,065	812	9,480	\$ 322,357
2021	—	533	8,148	8,681
2022	—	—	6,906	6,906
2023	—	—	6,329	6,329
2024	—	—	5,003	5,003
Thereafter	—	—	29,111	29,111
<b>Total</b>	<b>\$ 312,065</b>	<b>\$ 1,345</b>	<b>\$ 64,977</b>	<b>\$ 378,387</b>

- (1) Estimates of future interest payments for short-term borrowings have been excluded in the tabular presentation. Amounts due are contingent upon the outstanding balances and the variable interest rates. As of September 30, 2019, the interest rate on our short-term borrowings was approximately 5.6%.
- (2) The amounts included in other liabilities consist primarily of gross unrecognized tax benefits, our estimated liability for claims on certain workers' compensation insurance policies, and estimated future contingent consideration payments.
- (3) Amounts for operating lease commitments do not include certain operating expenses such as maintenance, insurance, and real estate taxes. These amounts are not a material component of operating expenses.

### Off-Balance Sheet Arrangements

We do not have any transactions, arrangements, or other relationships with unconsolidated entities that are reasonably likely to affect our financial condition, liquidity, or capital resources. We have no special purpose or limited purpose entities that provide off-

balance sheet financing, liquidity, or market or credit risk support; we do not engage in hedging or research and development services; and we do not have other relationships that expose us to liability that is not reflected in the financial statements.

**Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

**Interest Rate Risk**

As of September 30, 2019, all of our short-term debt bore interest at a variable rate, tied to LIBOR as a reference rate. Changes in the underlying LIBOR interest rate on our short-term debt could affect our earnings. For example, a hypothetical 100 basis point increase in the interest rate on our short-term debt would result in an increase of approximately \$3.1 million in annual pre-tax interest expense. This estimated increase is based upon the outstanding balance of our short-term debt as of September 30, 2019 and assumes no mitigating changes by us to reduce the outstanding balances and no additional interest assistance that could be received from vendors due to the interest rate increase.

**Foreign Currency Exchange Rate Risk**

Products purchased from European-based and Chinese-based manufacturers are transacted in U.S. dollars. Fluctuations in the U.S. dollar exchange rate may impact the retail price at which we can sell foreign products. Accordingly, fluctuations in the value of other currencies compared with the U.S. dollar may impact the price points at which we can profitably sell such foreign products, and such price points may not be competitive with other products in the United States. Thus, such fluctuations in exchange rates ultimately may impact the amount of revenue, cost of goods sold, cash flows and earnings we recognize for such foreign products. We cannot predict the effects of exchange rate fluctuations on our operating results. In certain cases, we may enter into foreign currency cash flow hedges to reduce the variability of cash flows associated with forecasted purchases of boats and yachts from European-based and Chinese-based manufacturers. We are not currently engaged in foreign currency exchange hedging transactions to manage our foreign currency exposure. If and when we do engage in foreign currency exchange hedging transactions, there can be no assurance that our strategies will adequately protect our operating results from the effects of exchange rate fluctuations.

Additionally, the Fraser Yachts Group has transactions and balances denominated in currencies other than the U.S. dollar. Most of the transactions or balances are denominated in euros. Net revenues recognized whose functional currency was not the U.S. dollar were less than 1% of our total revenues in fiscal 2019.

**Item 8. Financial Statements and Supplementary Data**

Reference is made to the financial statements, the notes thereto, and the report thereon, commencing on page F-1 of this report, which financial statements, notes, and report are incorporated herein by reference.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

**Item 9A. 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 SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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

**Changes in Internal Controls**

During the quarter ended September 30, 2019, there were no changes in our internal control over financial reporting that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

### **Limitations on the Effectiveness of Controls**

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

### **CEO and CFO Certifications**

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

### **Management’s Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the Company’s internal control over financial reporting as of September 30, 2019 as required by the Securities Exchange Act of 1934 Rule 13a-15(c). In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in Internal Control — Integrated Framework (2013). Based on its evaluation, our management concluded that its internal control over financial reporting was effective as of September 30, 2019. The Company acquired Fraser Yachts Group S.R.L. during 2019, and management excluded from its assessment of the effectiveness of the Company’s internal control over financial reporting as of September 30, 2019, Fraser Yachts Group S.R.L.’s internal control over financial reporting associated with 2% of total assets and 1% of total revenues included in the consolidated financial statements of the Company as of and for the fiscal year ended September 30, 2019.

Our internal control over financial reporting as of September 30, 2019, has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears herein.



## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
MarineMax, Inc.:

### *Opinion on Internal Control Over Financial Reporting*

We have audited MarineMax Inc.'s and subsidiaries' (the Company) internal control over financial reporting as of September 30, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of September 30, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2019 and related notes (collectively, the consolidated financial statements), and our report dated December 3, 2019 expressed an unqualified opinion on those consolidated financial statements.

The Company acquired Fraser Yacht Group S.R.L. during 2019, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of September 30, 2019, Fraser Yacht Group S.R.L.'s internal control over financial reporting associated with 2% of total assets and 1% of total revenues included in the consolidated financial statements of the Company as of and for the year ended September 30, 2019. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of Fraser Yach Group S.R.L.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Tampa, Florida  
December 3, 2019  
Certified Public Accountants

**Item 9B.** Other Information

None.

**PART III**

**Item 10.** *Directors, Executive Officers and Corporate Governance*

The information required by this Item relating to our directors and corporate governance is incorporated herein by reference to the definitive Proxy Statement (particularly under the caption “Corporate Governance”) to be filed pursuant to Regulation 14A of the Exchange Act for our 2019 Annual Meeting of Shareholders (the “2020 Proxy Statement”). The information required by this Item relating to our executive officers is included in “Business — Executive Officers.”

We have adopted a code of ethics that applies to our principal executive officer, principal financial officer, and other senior accounting personnel. The “Code of Ethics for the CEO and Senior Financial Officers” is located on our website at [www.MarineMax.com](http://www.MarineMax.com) in the Investor Relations section under Corporate Governance.

We intend to satisfy the disclosure requirement under Item 5.05(c) of Form 8-K regarding any amendment to, or waiver from, a provision of this code of ethics by posting such information on our website, at the address and location specified above.

**Item 11.** *Executive Compensation*

The information required by this Item is incorporated herein by reference to the 2020 Proxy Statement (particularly under the caption “Executive Compensation”).

**Item 12.** *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this Item is incorporated herein by reference to the 2020 Proxy Statement (particularly under the caption “Security Ownership of Principal Shareholders, Directors, and Officers”).

**Item 13.** *Certain Relationships and Related Transactions, and Director Independence*

The information required by this Item is incorporated herein by reference to the 2020 Proxy Statement (particularly under the caption “Certain Relationships and Related Transactions”).

**Item 14.** *Principal Accountant Fees and Services*

The information required by this Item is incorporated herein by reference to the 2020 Proxy Statement (particularly under the caption “Ratification of Appointment of Independent Auditor”).

**PART IV**

**Item 15.** *Exhibits, Financial Statement Schedules*

**(a) Financial Statements and Financial Statement Schedules**

- (1) **Financial Statements.** Financial Statements are listed in the Index to Consolidated Financial Statements on page F-1 of this report.
- (2) **Financial Statement Schedules.** No financial statement schedules are included because such schedules are not applicable, are not required, or because required information is included in the consolidated financial statements or notes thereto.
- (3) **Exhibits.** See Item 15(b) below.

**(b) Exhibits**

**Exhibit  
Number**

2.1

**Exhibit**

[Agreement and Plan of Merger, dated February 25, 2015, by and between MarineMax, Inc. and MarineMax Reincorporation, Inc. \(1\)](#)

**Exhibit  
Number**

**Exhibit**

- 3.1 [Articles of Incorporation of the Registrant.\(2\)](#)
- 3.2 [Bylaws of the Registrant. \(2\)](#)
- 4.1 [Specimen of Common Stock Certificate. \(2\)](#)
- 10.1\* [Employment Agreement, dated November 29, 2018, between Registrant and William H. McGill Jr., as amended. \(3\)](#)
- 10.1(b)\* [Employment Agreement, dated November 29, 2018, between Registrant and Michael H. McLamb, as amended. \(3\)](#)
- 10.1(c)\* [Employment Agreement, dated November 29, 2018, between Registrant and William Brett McGill.\(3\)](#)
- 10.2\* [2008 Employee Stock Purchase Plan, as amended.\(4\)](#)
- 10.3 [Agreement Relating to Acquisitions between Registrant and Brunswick Corporation, dated December 7, 2005. \(5\)](#)
- 10.3(a) [Amendment, executed October 17, 2014, to Agreement Relating to Acquisitions between Registrant and Brunswick Corporation, dated December 7, 2005. \(6\)](#)
- 10.3(b) [Sea Ray Sales and Service Agreement. \(5\)](#)
- 10.3(c)† [Sea Ray Sales and Service Agreement, executed October 17, 2014, by and between MarineMax East, Inc. and Sea Ray, a Division of Brunswick Corporation. \(6\)](#)
- 10.3(d)† [Sea Ray Sales and Service Agreement, executed October 17, 2014, by and between MarineMax Northeast, LLC, and Sea Ray, a Division of Brunswick Corporation. \(6\)](#)
- 10.3(e)† [Sea Ray Sales and Service Agreement, executed October 17, 2014, by and between MarineMax, Inc. and Sea Ray, a Division of Brunswick Corporation. \(6\)](#)
- 10.3(f)† [Boston Whaler Sales and Service Agreement, executed December 5, 2014, by and between MarineMax East, Inc. and Boston Whaler, a Division of Brunswick Corporation. \(7\)](#)
- 10.3(g)† [Boston Whaler Sales and Service Agreement, executed December 5, 2014, by and between MarineMax Northeast, LLC, and Boston Whaler, a Division of Brunswick Corporation. \(7\)](#)
- 10.3(h)† [Boston Whaler Sales and Service Agreement, executed December 5, 2014, by and between MarineMax, Inc. and Boston Whaler, a Division of Brunswick Corporation. \(7\)](#)
- 10.4 † [Fourth Amended and Restated Inventory Financing Agreement, executed on October 25, 2018, by and among MarineMax, Inc. and its subsidiaries, as Borrowers, and Wells Fargo Commercial Distribution Finance LLC, Bank of the West, Inc., M&T Bank and Branch Banking & Trust Company. \(8\)](#)
- 10.4(a) † [Fifth Amended and Restated Program Terms Letter, executed on October 26, 2018, by and among MarineMax, Inc. and its subsidiaries, as Borrowers, and Wells Fargo Commercial Distribution Finance, LLC. \(8\)](#)
- 10.5† [First Amendment to Fourth Amended and Restated Inventory Financing, Fifth Amended and Restated program Terms Letter, and Fourth Amended and Restated \[\\*\\*\\*\\*\\*\], executed on August 14, 2019, by and among MarineMax, Inc. and its subsidiaries, as Borrowers, and Wells Fargo Commercial Distribution Finance LLC. \(8\)](#)
- 10.6 [Director Fee Share Purchase Program. \(9\)](#)
- 10.7\* [MarineMax, Inc. 2011 Stock-Based Compensation Plan, as amended. \(10\)](#)
- 10.7(a)\* [Form Stock Option Agreement for 2011 Stock-Based Compensation Plan. \(11\)](#)
- 10.7(b)\* [Form Restricted Stock Unit Award Agreement for 2011 Stock-Based Compensation Plan. \(11\)](#)
- 10.8\* [Severance Policy for Key Executives. \(12\)](#)
- 10.9† [Dealership Agreement dated September 1, 2008 by and between MarineMax Northeast, LLC and Azimut Benetti S.p.A. \(13\)](#)
- 10.9(a) [First Amendment dated June 22, 2010 to Dealership Agreement dated September 1, 2008, by and between MarineMax Northeast, LLC and Azimut Benetti S.p.A. \(13\)](#)
- 10.9(b) [Second Amendment dated February 29, 2012 to Dealership Agreement dated September 1, 2008, by and between MarineMax Northeast, LLC and Azimut Benetti S.p.A. \(13\)](#)
- 10.9(c) [Third Amendment dated July 21, 2012 to Dealership Agreement dated September 1, 2008, by and between MarineMax Northeast, LLC and Azimut Benetti S.p.A. \(13\)](#)
- 10.10† [Dealership Agreement dated September 1, 2008 by and between MarineMax East, LLC and Azimut Benetti S.p.A. \(20\)](#)
- 10.10(a) [First Amendment dated June 22, 2010 to Dealership Agreement dated September 1, 2008, by and between MarineMax East, Inc. and Azimut Benetti S.p.A. \(13\)](#)
- 10.10(b) [Second Amendment dated February 29, 2012 to Dealership Agreement dated September 1, 2008, by and between MarineMax East, Inc. and Azimut Benetti S.p.A. \(13\)](#)
- 10.10(c) [Third Amendment dated July 21, 2012 to Dealership Agreement dated September 1, 2008, by and between MarineMax East, Inc. and Azimut Benetti S.p.A. \(13\)](#)
- 10.10(d) [Fourth Amendment dated August 21, 2013 to Dealership Agreement dated September 1, 2008, by and between MarineMax East, Inc. and Azimut Benetti S.p.A. \(13\)](#)
- 21 [List of Subsidiaries.](#)
- 23.1 [Consent of KPMG LLP.](#)
- 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.](#)

<u>Exhibit Number</u>	<u>Exhibit</u>
31.2	<a href="#">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.</a>
32.1	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	Inline XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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

\* Management contract or compensatory plan or arrangement.

- (1) Incorporated by reference to Registrant's Form 8-K as filed February 26, 2015.
- (2) Incorporated by reference to Registrant's Form 8-K as filed March 20, 2015.
- (3) Incorporated by reference to Registrant's Form 10-K for the year ended September 30, 2019, as filed on November 29, 2018.
- (4) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended March 31, 2019, as filed on May 1, 2019.
- (5) Incorporated by reference to Registrant's Form 8-K as filed on December 9, 2005.
- (6) Incorporated by reference to Registrant's Form 10-K for the year ended September 30, 2014, as filed on December 11, 2014.
- (7) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 31, 2014, as filed on February 5, 2015.
- (6) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended June 30, 2010, as filed on August 9, 2010.
- (7) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 31, 2010, as filed on February 8, 2011.
- (8) Incorporated by reference to Registrant's Form 10-Q for the quarterly period ended December 31, 2018, as filed on January 30, 2019.
- (9) Incorporated by reference to Registrant's Form S-8 (File No. 333-141657) as filed March 29, 2007.
- (10) Incorporated by reference to Registrant's Form S-8 (File No. 333-177019) as filed on June 7, 2017.
- (11) Incorporated by reference to Registrant's Form 8-K as filed on January 25, 2011.
- (12) Incorporated by reference to Registrant's Form 8-K as filed on November 27, 2012.
- (13) Incorporated by reference to Registrant's Form 10-K for the year ended September 30, 2013, as filed on December 6, 2013.

**(c) Financial Statements Schedules**

- (1) See Item 15(a) above.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

/s/ W. Brett McGill  
W. Brett McGill  
Chief Executive Officer and President

Date: December 3, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ W. Brett McGill</u> W. Brett McGill	Chief Executive Officer and President (Principal Executive Officer)	December 3, 2019
<u>/s/ Michael H. McLamb</u> Michael H. McLamb	Executive Vice President, Chief Financial Officer, Secretary and Director (Principal Accounting and Financial Officer)	December 3, 2019
<u>/s/ William H. McGill Jr.</u> William H. McGill Jr.	Executive Chairman of the Board, Director	December 3, 2019
<u>/s/ Clint Moore</u> Clint Moore	Director	December 3, 2019
<u>/s/ George E. Borst</u> George E. Borst	Director	December 3, 2019
<u>/s/ Hilliard M. Eure III</u> Hilliard M. Eure III	Director	December 3, 2019
<u>/s/ Evelyn Follit</u> Evelyn Follit	Director	December 3, 2019
<u>/s/ Charles R. Oglesby</u> Charles R. Oglesby	Director	December 3, 2019
<u>/s/ Joseph A. Watters</u> Joseph A. Watters	Director	December 3, 2019
<u>/s/ Rebecca White</u> Rebecca White	Director	December 3, 2019

MARINEMAX, INC. AND SUBSIDIARIES

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**Report of Independent Registered Public Accounting Firm**

To the Stockholders and Board of Directors  
MarineMax, Inc.:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of MarineMax, Inc. and subsidiaries (the Company) as of September 30, 2019 and 2018, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2019, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended September 30, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2019, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated December 3, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

*Change in Accounting Principle*

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for revenue from contracts with customers effective October 1, 2018 due to the adoption of Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" and all subsequent ASUs that modified Topic 606.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

Tampa, Florida  
December 3, 2019  
Certified Public Accountants

**MARINEMAX, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands except share and per share data)

	<u>September 30, 2018</u>	<u>September 30, 2019</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 48,822	\$ 38,511
Accounts receivable, net	34,003	42,398
Inventories, net	377,074	477,468
Prepaid expenses and other current assets	5,392	10,206
Total current assets	<u>465,291</u>	<u>568,583</u>
Property and equipment, net	138,716	144,298
Goodwill and other intangible assets, net	27,491	64,077
Other long-term assets	5,632	7,125
Deferred tax assets, net	3,408	—
Total assets	<u>\$ 640,538</u>	<u>\$ 784,083</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 23,134	\$ 33,674
Customer deposits	17,006	24,305
Accrued expenses	32,926	42,849
Short-term borrowings	212,949	312,065
Total current liabilities	<u>286,015</u>	<u>412,893</u>
Deferred tax liabilities, net	—	1,142
Long-term liabilities	1,431	1,229
Total liabilities	<u>287,446</u>	<u>415,264</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock, \$.001 par value, 1,000,000 shares authorized, none issued or outstanding as of September 30, 2018 and 2019	—	—
Common stock, \$.001 par value; 40,000,000 shares authorized, 27,141,267 and 27,508,473 shares issued and 22,670,536 and 21,321,688 shares outstanding as of September 30, 2018 and 2019, respectively	27	28
Additional paid-in capital	262,250	269,969
Accumulated other comprehensive loss	—	(669)
Retained earnings	166,071	202,455
Treasury stock, at cost, 4,470,731 and 6,186,785 shares held as of September 30, 2018 and 2019, respectively	<u>(75,256)</u>	<u>(102,964)</u>
Total shareholders' equity	<u>353,092</u>	<u>368,819</u>
Total liabilities and shareholders' equity	<u>\$ 640,538</u>	<u>\$ 784,083</u>

See accompanying notes to consolidated financial statements.



MARINEMAX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Amounts in thousands except share and per share data)

	<u>For the Year Ended September 30,</u>		
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenue	\$ 1,052,320	\$ 1,177,371	\$ 1,237,153
Cost of sales	787,005	879,138	914,321
Gross profit	265,315	298,233	322,832
Selling, general and administrative expenses	220,026	235,050	262,300
Income from operations	45,289	63,183	60,532
Interest expense	7,481	9,903	11,579
Income before income tax provision	37,808	53,280	48,953
Income tax provision	14,261	13,968	12,968
Net income	<u>\$ 23,547</u>	<u>\$ 39,312</u>	<u>\$ 35,985</u>
Basic net income per common share	<u>\$ 0.98</u>	<u>\$ 1.77</u>	<u>\$ 1.61</u>
Diluted net income per common share	<u>\$ 0.95</u>	<u>\$ 1.71</u>	<u>\$ 1.57</u>
Weighted average number of common shares used in computing net income per common share:			
Basic	<u>23,966,611</u>	<u>22,269,378</u>	<u>22,294,114</u>
Diluted	<u>24,678,800</u>	<u>23,030,662</u>	<u>22,881,147</u>

See accompanying notes to consolidated financial statements.

MARINEMAX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

	For the Year Ended September 30,		
	2017	2018	2019
Net income	\$ 23,547	\$ 39,312	\$ 35,985
Other comprehensive loss, net of tax:			
Foreign currency translation adjustments	-	-	(669)
Total other comprehensive loss, net of tax	-	-	(669)
Comprehensive income	\$ 23,547	\$ 39,312	\$ 35,316

See accompanying notes to consolidated financial statements.

MARINEMAX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Amounts in thousands except share data)

	Common Stock Issued		Additional Paid-in Capital	Accumulated Other Comprehensive Earnings	Retained Earnings	Treasury Stock	Total Shareholders' Equity
	Shares	Amount					
BALANCE, September 30, 2016	25,977,632	\$ 26	\$ 241,058	—	\$ 103,212	\$ (31,823)	\$ 312,473
Net income	—	—	—	—	23,547	—	23,547
Purchase of treasury stock	—	—	—	—	—	(42,738)	(42,738)
Shares issued pursuant to employee stock purchase plan	51,697	—	887	—	—	—	887
Shares issued upon vesting of equity awards, net of minimum tax withholding	56,539	—	(479)	—	—	—	(479)
Shares issued upon exercise of stock options	184,931	—	2,271	—	—	—	2,271
Stock-based compensation	43,267	—	6,237	—	—	—	6,237
BALANCE, September 30, 2017	26,314,066	\$ 26	\$ 249,974	—	\$ 126,759	\$ (74,561)	\$ 302,198
Net income	—	—	—	—	39,312	—	39,312
Purchase of treasury stock	—	—	—	—	—	(695)	(695)
Shares issued pursuant to employee stock purchase plan	67,187	—	950	—	—	—	950
Shares issued upon vesting of equity awards, net of minimum tax withholding	163,350	—	(1,643)	—	—	—	(1,643)
Shares issued upon exercise of stock options	586,531	1	6,732	—	—	—	6,733
Stock-based compensation	10,133	—	6,237	—	—	—	6,237
BALANCE, September 30, 2018	27,141,267	\$ 27	\$ 262,250	—	\$ 166,071	\$ (75,256)	\$ 353,092
Net income	—	—	—	—	35,985	—	35,985
Purchase of treasury stock	—	—	—	—	—	(27,708)	(27,708)
Shares issued pursuant to employee stock purchase plan	62,287	—	1,022	—	—	—	1,022
Shares issued upon vesting of equity awards, net of minimum tax withholding	174,606	—	(1,216)	—	—	—	(1,216)
Shares issued upon exercise of stock options	119,275	1	1,389	—	—	—	1,390
Stock-based compensation	11,038	—	6,524	—	—	—	6,524
Foreign currency translation adjustments, net of tax	—	—	—	(669)	—	—	(669)
Cumulative effect of change in accounting principle - revenue recognition, net of tax	—	—	—	—	399	—	399
BALANCE, September 30, 2019	27,508,473	\$ 28	\$ 269,969	\$ (669)	\$ 202,455	\$ (102,964)	\$ 368,819

See accompanying notes to consolidated financial statements.

MARINEMAX, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands)

	For the Year Ended September 30,		
	2017	2018	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 23,547	\$ 39,312	\$ 35,985
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	9,364	10,673	11,597
Deferred income tax provision	12,306	5,361	4,384
Loss on sale of property and equipment	306	330	956
Gain on insurance settlements	—	(1,082)	—
Proceeds from insurance settlements	—	2,342	475
Gain on contingent acquisition consideration	—	(1,440)	—
Stock-based compensation expense, net	6,237	6,237	6,524
(Increase) Decrease in —			
Accounts receivable, net	266	(11,279)	(5,071)
Inventories, net	(57,107)	26,773	(84,330)
Prepaid expenses and other assets	(1,710)	(996)	(3,182)
(Decrease) Increase in —			
Accounts payable	16,835	(3,325)	8,701
Customer deposits	(9,341)	(4,065)	6,804
Accrued expenses and long-term liabilities	4,042	1,573	4,731
Net cash provided by (used in) operating activities	<u>4,745</u>	<u>70,414</u>	<u>(12,426)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of property and equipment	(14,367)	(13,804)	(17,061)
Proceeds from insurance settlements	—	823	461
Net cash used in acquisition of businesses	(18,725)	(10,524)	(40,713)
Proceeds from sale of property and equipment	994	190	979
Net cash used in investing activities	<u>(32,098)</u>	<u>(23,315)</u>	<u>(56,334)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net borrowings on short-term borrowings	70,819	(43,383)	85,580
Net proceeds from issuance of common stock under incentive compensation, and employee purchase plans	3,158	7,683	2,412
Contingent acquisition consideration payments	(150)	(3,324)	(129)
Payments on tax withholdings for equity awards	(369)	(510)	(1,525)
Purchase of treasury stock	(42,738)	(695)	(27,708)
Net cash provided by (used in) financing activities	<u>30,720</u>	<u>(40,229)</u>	<u>58,630</u>
Effect of exchange rate changes on cash	—	—	(181)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:	3,367	6,870	(10,311)
CASH AND CASH EQUIVALENTS, beginning of year	38,585	41,952	48,822
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 41,952</u>	<u>\$ 48,822</u>	<u>\$ 38,511</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>			
Cash paid for:			
Interest	\$ 8,482	\$ 12,021	\$ 13,669
Income taxes	457	9,424	9,152
Non-cash items:			
Accrued tax withholdings upon vesting of equity awards	392	1,525	1,198
Contingent consideration liabilities from acquisitions	3,720	—	640
Accrued acquisition of property and equipment	300	129	995

See accompanying notes to consolidated financial statements

**MARINEMAX, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. COMPANY BACKGROUND AND BASIS OF PRESENTATION:**

We are the largest recreational boat and yacht retailer in the United States. We engage primarily in the retail sale, brokerage, and service of new and used boats, motors, trailers, marine parts and accessories and offer slip and storage accommodations in certain locations. In addition, we arrange related boat financing, insurance, and extended service contracts. We also offer the charter of power yachts in the British Virgin Islands. As of September 30, 2019, we operated through 59 retail locations in 16 states, consisting of Alabama, Connecticut, Florida, Georgia, Maryland, Massachusetts, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Rhode Island, South Carolina, and Texas. Our MarineMax Vacations operations maintain a facility in Tortola, British Virgin Islands. We also own Fraser Yachts Group, a leading superyacht brokerage and luxury yacht services company with operations in multiple countries.

We are the nation's largest retailer of Sea Ray and Boston Whaler recreational boats and yachts which are manufactured by Brunswick Corporation ("Brunswick"). Sales of new Brunswick boats accounted for approximately 36% of our revenue in fiscal 2019. Sales of new Sea Ray and Boston Whaler boats, both divisions of Brunswick, accounted for approximately 15% and 19%, respectively, of our revenue in fiscal 2019. Brunswick is a world leading manufacturer of marine products and marine engines.

We have dealership agreements with Sea Ray, Boston Whaler, Harris, 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 and Benetti yachts and mega yachts. These agreements allow us to purchase, stock, sell, and service these manufacturers' boats and products. These agreements also allow us to use these manufacturers' names, trade symbols, and intellectual properties in our operations.

We have multi-year dealer agreements with Brunswick covering Sea Ray products that appoint us as the exclusive dealer of Sea Ray boats in our geographic markets. We are the exclusive dealer for Boston Whaler through multi-year dealer agreements for many of our geographic markets. In addition, we are the exclusive dealer for Azimut Yachts for the entire United States through a multi-year dealer agreement. Sales of new Azimut boats and yachts accounted for approximately 9% of our revenue in fiscal 2019. 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 most of our manufacturers, other than Sea Ray, Boston Whaler, and Azimut Yachts, under renewable annual dealer agreements, each of which gives us the right to sell various makes and models of boats within a given geographic region. Any change or termination of these agreements, or the agreements discussed above, for any reason, or changes in competitive, regulatory or marketing practices, including rebate or incentive programs, could adversely affect our results of operations. Although there are a limited number of manufacturers of the type of boats and products that we sell, we believe that adequate alternative sources would be available to replace any manufacturer other than Sea Ray and Azimut as a product source. These alternative sources may not be available at the time of any interruption, and alternative products may not be available at comparable terms, which could affect operating results adversely.

General economic conditions and consumer spending patterns can negatively impact our operating results. Unfavorable local, regional, national, or global economic developments or uncertainties regarding future economic prospects could reduce consumer spending in the markets we serve and adversely affect our business. Economic conditions in areas in which we operate dealerships, particularly Florida in which we generated approximately 55%, 51% and 54% of our revenue during fiscal 2017, 2018, and 2019, respectively, can have a major impact on our operations. Local influences, such as corporate downsizing, military base closings, inclement weather such as Hurricane Sandy in 2012 or Hurricanes Harvey and Irma in 2017, environmental conditions, and specific events, such as the BP oil spill in the Gulf of Mexico in 2010, also could adversely affect, and in certain instances have adversely affected, our operations in certain markets.

In an economic downturn, consumer discretionary spending levels generally decline, at times resulting in disproportionately large reductions in the sale of luxury goods. Consumer spending on luxury goods also may decline as a result of lower consumer confidence levels, even if prevailing economic conditions are favorable. As a result, an economic downturn would likely 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 is likely to have a negative effect on our business.

**MARINEMAX, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Historically, in periods of lower consumer spending and depressed economic conditions, we have, among other things, substantially reduced our acquisition program, delayed new store openings, reduced our inventory purchases, engaged in inventory reduction efforts, closed a number of our retail locations, reduced our headcount, and amended and replaced our credit facility. Acquisitions remain an important strategy to our company, and we plan to continue our growth through this strategy.

In order to provide comparability between periods presented, certain amounts have been reclassified from the previously reported consolidated financial statements to conform to the consolidated financial statement presentation of the current period. The 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.

**2. SIGNIFICANT ACCOUNTING POLICIES:**

**Cash and Cash Equivalents**

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. Fraser Yachts Group customer charter management cash accounts are excluded from cash and cash equivalents. These accounts belong to our customers and we provide management assistance at the request of the customer and for the benefit of the customer.

**Vendor Consideration Received**

We account for consideration received from our vendors in accordance with ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)". ASC 606 requires us to classify interest assistance received from manufacturers as a reduction of inventory cost and related cost of sales as opposed to netting the assistance against our interest expense incurred with our lenders. Pursuant to ASC 606, amounts received by us under our co-op assistance programs from our manufacturers are netted against related advertising expenses. Our consideration received from our vendors contains uncertainties because the calculation requires management to make assumptions and to apply judgment regarding a number of factors, including our ability to collect amounts due from vendors and the ability to meet certain criteria stipulated by our vendors. We do not believe there is a reasonable likelihood that there will be a change in the future estimates or assumptions we use to calculate our vendor considerations which would result in a material effect on our operating results.

**Inventories**

Inventory costs consist of the amount paid to acquire inventory, net of vendor consideration and purchase discounts, the cost of equipment added, reconditioning costs, and transportation costs relating to acquiring inventory for sale. We state new and used boat, motor, and trailer inventories at the lower of cost, determined on a specific-identification basis, or net realizable value. We state parts and accessories at the lower of cost, determined on an average cost basis, or net realizable value. 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 net realizable value. We do not believe there is a reasonable likelihood that there will be a change in the future estimates or assumptions we use to calculate our valuation allowance which would result in a material effect on our operating results. As of September 30, 2018 and 2019, our valuation allowance for new and used boat, motor and trailer inventories was \$1.5 million and \$2.2 million, respectively. If events occur and market conditions change, causing the fair value to fall below carrying value, the valuation allowance could increase.

**Property and Equipment**

We record property and equipment at cost, net of accumulated depreciation, and depreciate property and equipment over their estimated useful lives using the straight-line method. We capitalize and amortize leasehold improvements over the lesser of the life of the lease or the estimated useful life of the asset. Useful lives for purposes of computing depreciation are as follows:

	<u>Years</u>
Buildings and improvements	5-40
Machinery and equipment	3-10
Furniture and fixtures	5-10
Vehicles	3-5

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We remove the cost of property and equipment sold or retired and the related accumulated depreciation from the accounts at the time of disposition and include any resulting gain or loss in the consolidated statements of operations. We charge maintenance, repairs, and minor replacements to operations as incurred, and we capitalize and amortize major replacements and improvements over their useful lives.

**Goodwill**

We account for goodwill in accordance with FASB Accounting Standards Codification 350, “Intangibles — Goodwill and Other” (“ASC 350”), which provides that the excess of cost over net assets of businesses acquired is recorded as goodwill. In July 2019, we purchased Fraser Yachts Group, a leading superyacht brokerage and largest luxury yacht services company. In April 2019, we purchased Sail & Ski Center, a privately owned boat dealer located in Texas. In January 2018, we purchased Island Marine Center, a privately owned boat dealer located in New Jersey. Goodwill and other intangible assets increased, due to acquisitions, by \$1.3 million and \$37.0 million, for the fiscal years ended September 30, 2018 and 2019, respectively. These acquisitions have resulted in the recording of goodwill for tax purposes of \$10.5 million and \$1.3 million, for the fiscal years ended September 30, 2018 and 2019, respectively. In total, current and previous acquisitions have resulted in the recording of \$64.1 million in goodwill and other intangible assets as of September 30, 2019. In accordance with ASC 350, we review goodwill for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Our annual impairment test is performed during the fourth fiscal quarter. If the carrying amount of goodwill exceeds its fair value we would recognize an impairment loss in accordance with ASC 350. As of September 30, 2019, and based upon our most recent analysis, we determined through our qualitative assessment that it is not “more likely than not” that the fair values of our reporting units are less than their carrying values. As a result, we were not required to perform a quantitative goodwill impairment test.

**Impairment of Long-Lived Assets**

FASB Accounting Standards Codification 360-10-40, “Property, Plant, and Equipment — Impairment or Disposal of Long-Lived Assets” (“ASC 360-10-40”), requires that long-lived assets, such as property and equipment and purchased intangibles subject to amortization, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future net cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds its fair market value. Estimates of expected future cash flows represent our best estimate based on currently available information and reasonable and supportable assumptions. Any impairment recognized in accordance with ASC 360-10-40 is permanent and may not be restored. The analysis is performed at a regional level for indicators of permanent impairment given the geographical interdependencies among our locations. Based upon our most recent analysis, we believe no impairment of long-lived assets existed as of September 30, 2019.

**Customer Deposits**

Customer deposits primarily include amounts received from customers toward the purchase of boats. We recognize these deposits as revenue at the time of delivery or acceptance by the customers.

**Insurance**

We retain varying levels of risk relating to the insurance policies we maintain, most significantly workers’ compensation insurance and employee medical benefits. We are responsible for the claims and losses incurred under these programs, limited by per occurrence deductibles and paid claims or losses up to pre-determined maximum exposure limits. Our third-party insurance carriers pay any losses above the pre-determined exposure limits. We estimate our liability for incurred but not reported losses using our historical loss experience, our judgment, and industry information.

**Revenue Recognition**

The majority of our revenue is from contracts with customers for the sale of boats, motors, and trailers. We recognize revenue from boat, motor, and trailer sales upon transfer of control of the boat, motor, or trailer to the customer, which is generally upon acceptance or delivery to the customer. At the time of acceptance or delivery, the customer is able to direct the use of, and obtain substantially all of the benefits of the boat, motor, or trailer at such time. We recognize commissions earned from a brokerage sale when the related brokerage transaction closes upon transfer of control of the boat, motor, or trailer to the customer, which is generally upon acceptance or delivery to the customer.

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We do not directly finance our customers' boat, motor, or trailer purchases. In many cases, we assist with third-party financing for boat, motor, and trailer sales. 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. Pursuant to negotiated agreements with financial institutions, we are charged back for a portion of these fees should the customer terminate or default on the related finance contract before it is outstanding for a stipulated minimum period of time. We base the chargeback allowance, which was not material to the consolidated financial statements taken as a whole as of September 30, 2019, on our experience with repayments or defaults on the related finance contracts. We recognize variable consideration from commissions earned on extended warranty service contracts sold on behalf of third-party insurance companies at generally the later of customer acceptance of the service contract terms as evidenced by contract execution or recognition of the related boat sale. We also recognize variable consideration from marketing fees earned on 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 recognize revenue from parts and service operations (boat maintenance and repairs) over time as services are performed. Each boat maintenance and repair service is a single performance obligation that includes both the parts and labor associated with the service. Payment for boat maintenance and repairs is typically due upon the completion of the service, which is generally completed within a short period of time from contract inception. We satisfy our performance obligations, transfer control, and recognize revenue over time for parts and service operations because we are creating a contract asset with no alternative use and we have an enforceable right to payment for performance completed to date. Contract assets primarily relate to our right to consideration for work in process not yet billed at the reporting date associated with maintenance and repair services. We use an input method to recognize revenue and measure progress based on labor hours expended to satisfy the performance obligation at average labor rates. We have determined labor hours expended to be the relevant measure of work performed to complete the maintenance and repair service for the customer. As a practical expedient, because repair and maintenance service contracts have an original duration of one year or less, we do not consider the time value of money, and we do not disclose estimated revenue expected to be recognized in the future for performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period or when we expect to recognize such revenue. Contract assets, recorded in Prepaid expenses and other current assets, totaled approximately \$2.7 million and \$2.5 million as of October 1, 2018 (beginning of the period of adoption of ASC 606) and September 30, 2019, respectively.

We recognize deferred revenue from service operations and slip and storage services over time on a straight-line basis over the term of the contract as our performance obligations are met. We recognize income from the rentals of chartering power and sailing yachts over time on a straight-line basis over the term of the contract as our performance obligations are met.

The following table sets forth percentages on the timing of revenue recognition for the fiscal year ended September 30, 2019.

	<b>Fiscal Year Ended September 30, 2019</b>
Goods and services transferred at a point in time	90.8%
Goods and services transferred over time	9.2%
<b>Total Revenue</b>	<b>100.0%</b>



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The following table sets forth percentages of our revenue generated by certain products and services, for each of last three fiscal years.

	2017	2018	2019
New boat sales	70.9%	71.2%	70.1%
Used boat sales	14.9%	14.8%	14.9%
Maintenance, repair, storage, and charter services	6.3%	6.2%	6.9%
Finance and insurance products	2.4%	2.4%	2.6%
Parts and accessories	3.6%	3.6%	3.6%
Brokerage sales	1.9%	1.8%	1.9%
Total revenue	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

**Stock-Based Compensation**

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

**Foreign Currency Transactions**

For the Company’s foreign subsidiaries that use a currency other than the U.S. dollar as their functional currency, the assets and liabilities are translated at exchange rates in effect at the balance sheet date, and revenues and expenses are translated at the weighted average exchange rate for the period. The effects of these translation adjustments are reported in accumulated other comprehensive income. Gains and losses arising from transactions denominated in a currency other than the functional currency of the entity involved are included in operating income. As of September 30, 2018 and 2019, our accumulated other comprehensive loss, net of tax, was \$0.0 million and \$0.7 million, respectively. The change in accumulated other comprehensive income was the result of foreign currency translation adjustments net of taxes. No amounts were reclassified out of accumulated other comprehensive income in fiscal 2019.

**Advertising and Promotional Cost**

We expense advertising and promotional costs as incurred and include them in selling, general and administrative expenses in the accompanying consolidated statements of operations. Pursuant to ASC 606, we net amounts received by us under our co-op assistance programs from our manufacturers against the related advertising expenses. Total advertising and promotional expenses approximated \$16.2 million, \$16.5 million and \$18.8 million, net of related co-op assistance of approximately \$779,000, \$653,000, and \$807,000, for the fiscal years ended September 30, 2017, 2018, and 2019, respectively.

**Income Taxes**

We account for income taxes in accordance with FASB Accounting Standards Codification 740, “Income Taxes” (“ASC 740”). Under ASC 740, we recognize deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax 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.

**Concentrations of Credit Risk**

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash and cash equivalents and accounts receivable. Concentrations of credit risk with respect to our cash and cash equivalents are limited primarily to amounts held with financial institutions. Concentrations of credit risk arising from our receivables are limited primarily to amounts due from manufacturers and financial institutions.

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**Fair Value of Financial Instruments**

The carrying amount of our financial instruments approximates fair value resulting from either length to maturity or existence of interest rates that approximate prevailing market rates unless otherwise disclosed in these consolidated financial statements.

**Use of Estimates and Assumptions**

The preparation of 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates made by us in the accompanying consolidated financial statements relate to valuation allowances, valuation of goodwill and intangible assets, valuation of long-lived assets, valuation of contingent consideration, and valuation of accruals. Actual results could differ materially from those estimates.

**Segment Reporting**

We operate as one reporting segment in accordance with the FASB Accounting Standards Codification 280, "Segment Reporting". The metrics used by our Chief Executive Officer (as the Company's chief operating decision maker or the "CODM") to assess the performance of the Company are focused on viewing the business as a single integrated business.

**3. NEW ACCOUNTING PRONOUNCEMENTS:**

**Revenue Recognition**

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"), a converged standard on revenue recognition. The new pronouncement requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting for some costs to obtain or fulfill a contract with a customer, as well as enhanced disclosure requirements. The FASB also subsequently issued several amendments to the standard, including clarification on principal versus agent guidance, identifying performance obligations, and immaterial goods and services in a contract.

The new accounting standard update must be applied using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a modified retrospective approach with the cumulative effect of initially adopting the standard recognized at the date of adoption (which requires additional footnote disclosures).

The new accounting standard is effective for reporting periods beginning after December 15, 2017. We adopted the accounting standard effective October 1, 2018, using the modified retrospective approach applied only to contracts not completed as of the date of adoption, with no restatement of comparative periods. Therefore, the comparative information has not been adjusted and continues to be reported under ASC Topic 605. We recognized a net after-tax cumulative effect adjustment to retained earnings of \$399,000 as of the date of adoption. The details and quantitative impacts of the significant changes are described below.

We previously recognized revenue for parts and service operations (boat maintenance and repairs) when the services were completed and recorded amounts due to us as receivables. Under ASC Topic 606, performance obligations associated with parts and service operations are satisfied over time, which results in the acceleration of revenue recognition, and amounts due to us are reflected as a contract asset until the right to such consideration becomes unconditional, at which time amounts due to us are reclassified to receivables.

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<b>Consolidated Balance Sheet Line Items</b>				
<b>September 30, 2019</b>	<b>As Reported</b>	<b>Impact of changes in accounting policies</b>		
		<b>Balances without adoption of ASC Topic 606</b>	<b>Impact of adoption Higher/(Lower)</b>	
Inventories, net	\$ 477,468	\$ 477,405	\$	63
Prepaid expenses and other current assets	10,206	7,681		2,525
Accounts payable	33,674	33,708		(34)
Accrued expenses	42,849	40,669		2,180
Deferred tax liabilities	1,142	1,005		137
Retained earnings	\$ 202,455	\$ 202,150	\$	305

<b>Consolidated Statements of Operations Line Items</b>				
<b>Fiscal Year Ended September 30, 2019</b>	<b>As Reported</b>	<b>Impact of changes in accounting policies</b>		
		<b>Balances without adoption of ASC Topic 606</b>	<b>Impact of adoption Higher/(Lower)</b>	
Revenue	\$ 1,237,153	\$ 1,237,899	\$	(746)
Cost of sales	914,321	914,939		(618)
Income from operations	60,532	60,660		(128)
Income before income tax provision	48,953	49,081		(128)
Income tax provision	12,968	13,002		(34)
Net Income	\$ 35,985	\$ 36,079	\$	(94)

<b>Consolidated Statements of Cash flows</b>				
<b>Fiscal Year Ended September 30, 2019</b>	<b>As Reported</b>	<b>Impact of changes in accounting policies</b>		
		<b>Balances without adoption of ASC Topic 606</b>	<b>Impact of adoption Higher/(Lower)</b>	
Net income	\$ 35,985	\$ 36,079	\$	(94)
(Increase) decrease in —				
Inventories, net	(84,330)	(83,712)		(618)
Prepaid expenses and other assets	(3,182)	(1,748)		(1,434)
Increase (decrease) in —				
Accounts payable	8,701	8,735		(34)
Accrued expenses and other long-term liabilities	\$ 4,731	\$ 2,551	\$	2,180

**Accounting for Leases**

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). This update requires organizations to recognize lease assets and lease liabilities on the balance sheet and also disclose key information about leasing arrangements. ASU 2016-02 is effective for annual reporting periods beginning on or after December 15, 2018, and interim periods within those annual periods. Earlier application is permitted for all entities as of the beginning of an interim or annual period.

We expect the adoption of ASU 2016-02 will have a significant and material impact to our consolidated balance sheet given our current lease agreements for our leased retail locations. We expect that most of our operating lease commitments will be subject to the new guidance and recognized as operating lease liabilities and right-of-use assets upon adoption, resulting in a material increase in the assets and liabilities recorded on our consolidated balance sheet. As part of our transition process, we have assessed our lease arrangements, evaluated practical expedient and accounting policy elections, and implemented software to meet the reporting requirements of this standard.

The new standard provides a number of optional practical expedients in transition. We expect to elect the ‘package of practical expedients,’ which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification, and initial direct costs. We do not expect to elect the use-of-hindsight or the practical expedient pertaining to land easements; the latter not being material to us. We plan to adopt the standard using the optional transition method with no restatement

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of comparative periods and a cumulative effect adjustment recognized as of the date of adoption. Consequently, on adoption based on our leases as of September 30, 2019, we expect to recognize additional operating liabilities ranging from \$39 million to \$54 million, with corresponding right-of-use assets of approximately the same amount based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases. We are finalizing our cumulative effect adjustment and currently expect that all changes to our accounting methods as a result of adopting the new standard will result in a net, after-tax cumulative effect adjustment to increase retained earnings as of October 1, 2019 in the range of \$0.5 million to \$1.2 million. We will adopt ASU 2014-09 in fiscal 2020.

The new standard also provides practical expedients for an entity’s ongoing accounting. We currently expect to elect the short-term lease recognition exemption for all leases that qualify. As a result, for those leases that qualify, we will not recognize right-of-use assets or lease liabilities, including for existing short-term leases of those assets in transition. We also currently expect to elect the practical expedient to not separate lease and non-lease components for the majority of our leases. We also expect significant new disclosures about our leasing activities in accordance with the new standard.

**Other New Pronouncements**

In August 2018, the FASB issued ASU 2018-15, Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract, which aligns the accounting for implementation costs incurred in a cloud computing arrangement that is a service contract with the guidance on capitalizing costs associated with developing or obtaining internal-use software. The guidance amends Accounting Standards Codification (ASC) 350 to include in its scope implementation costs of a cloud computing arrangement that is a service contract and clarifies that a customer should apply ASC 350 to determine which implementation costs should be capitalized in such a cloud computing arrangement. This guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. We are currently evaluating the impact that this standard will have on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Credit Losses. ASU 2016-13 requires entities to report “expected” credit losses on financial instruments and other commitments to extend credit rather than the current “incurred loss” model. These expected credit losses for financial assets held at the reporting date are to be based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU will also require enhanced disclosures relating to significant estimates and judgments used in estimating credit losses, as well as the credit quality. This guidance is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019. We are currently evaluating the impact that this standard will have on our consolidated financial statements.

**4. ACCOUNTS RECEIVABLE:**

Trade receivables consist primarily of receivables from financial institutions, which provide funding for customer boat financing and amounts due from financial institutions earned from arranging financing with our customers. We normally collect these receivables within 30 days of the sale. Trade receivables also include amounts due from customers on the sale of boats, parts, service, and storage. Amounts due from manufacturers represent receivables for various manufacturer programs and parts and service work performed pursuant to the manufacturers’ warranties.

The allowance for uncollectible receivables, which was not material to the consolidated financial statements as of September 30, 2018 or 2019, was based on our consideration of customer payment practices, past transaction history with customers, and economic conditions. When an account becomes uncollectable, we expense it as a bad debt and we credit payments subsequently received to the bad debt expense account. We review the allowance for uncollectible receivables when an event or other change in circumstances results in a change in the estimate of the ultimate collectability of a specific account.

Accounts receivable, net consisted of the following as of September 30,

	2018	2019
	(Amounts in thousands)	
Trade receivables, net	\$ 18,864	\$ 29,750
Amounts due from manufacturers	14,343	11,245
Other receivables	796	1,403
	\$ 34,003	\$ 42,398

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**5. INVENTORIES:**

Inventories, net, consisted of the following as of September 30,

	2018	2019
	(Amounts in thousands)	
New boats, motors, and trailers	\$ 332,320	\$ 413,335
Used boats, motors, and trailers	35,999	56,363
Parts, accessories, and other	8,755	7,770
	<u>\$ 377,074</u>	<u>\$ 477,468</u>

**6. PROPERTY AND EQUIPMENT:**

Property and equipment consisted of the following as of September 30,

	2018	2019
	(Amounts in thousands)	
Land	\$ 56,628	\$ 56,549
Buildings and improvements	108,693	112,892
Machinery and equipment	32,155	36,368
Furniture and fixtures	3,925	4,995
Vehicles	9,328	11,292
	<u>210,729</u>	<u>222,096</u>
Accumulated depreciation and amortization	(72,013)	(77,798)
	<u>\$ 138,716</u>	<u>\$ 144,298</u>

Depreciation and amortization expense on property and equipment totaled approximately \$9.4 million, \$10.7 million, and \$11.6 million for the fiscal years ended September 30, 2017, 2018, and 2019, respectively.

**7. GOODWILL, INTANGIBLE ASSETS, AND OTHER LONG-TERM ASSETS:**

In total, current and previous acquisitions have resulted in the recording of \$27.5 million and \$64.1 million in goodwill and other intangible assets as of September 30, 2018 and 2019, respectively. Our previous acquisitions and fiscal 2019 acquisitions have not resulted in recording any significant identifiable intangible assets besides goodwill. See Note 2 of the Notes to Consolidated Financial Statements for more information about our annual impairment tests of goodwill and recent acquisitions. Other long-term assets as of September 30, 2018 and 2019 of \$5.6 million and \$7.1 million, respectively, are primarily long term deposits and other long term investments.

**8. SHORT-TERM BORROWINGS:**

In November 2019, we amended and restated our Inventory Financing Agreement (the "Amended Credit Facility"), originally entered into in June 2010, as subsequently amended, with Wells Fargo Commercial Distribution Finance LLC (formerly GE Commercial Distribution Finance Corporation). The November 2019 amendment and restatement extended the maturity date of the Credit Facility to October 2022, and the Amended Credit Facility includes two additional one-year extension periods, with lender approval. The November 2019 amendment and restatement, among other things, modified the amount of borrowing availability and maturity date of the Credit Facility. The Amended Credit Facility provides a floor plan financing commitment of up to \$440.0 million, an increase from the previous limit of \$400.0 million, subject to borrowing base availability resulting from the amount and aging of our inventory.

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

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Advances under the Amended Credit Facility are initiated by the acquisition of eligible new and used inventory or are re-advances against eligible new and used inventory that have been partially paid-off. Advances on new inventory will generally mature 1,080 days from the original invoice date. Advances on used inventory will mature 361 days from the date we acquire the used inventory. Each advance is subject to a curtailment schedule, which requires that we pay down the balance of each advance on a periodic basis starting after six months. The curtailment schedule varies based on the type and value of the inventory. The collateral for the Amended Credit Facility is primarily the Company's inventory that is financed through the Amended Credit Facility and related accounts receivable. None of our real estate has been pledged for collateral for the Amended Credit Facility. The Amended Credit Facility contemplates that other lenders may be added by the Company to finance other inventory not financed under this Facility.

As of September 30, 2018 and 2019, our indebtedness associated with financing our inventory and working capital needs totaled approximately \$212.9 million and \$312.1 million, respectively. As of September 30, 2018 and 2019, the interest rate on the outstanding short-term borrowings was approximately 5.5% and 5.6%, respectively. As of September 30, 2019, our additional available borrowings under our Amended Credit Facility were approximately \$39.9 million based upon the outstanding borrowing base availability.

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

The availability and costs of borrowed funds can adversely affect our ability to obtain adequate boat inventory and the holding costs of that inventory as well as the ability and willingness of our customers to finance boat purchases. As of September 30, 2019, we had no long-term debt. However, we rely on our Amended Credit Facility to purchase our inventory of boats. The aging of our inventory limits our borrowing capacity as defined curtailments reduce the allowable advance rate as our inventory ages. Our access to funds under our Amended Credit Facility also depends upon the ability of our lenders to meet their funding commitments, particularly if they experience shortages of capital or experience excessive volumes of borrowing requests from others during a short period of time. Unfavorable economic conditions, weak consumer spending, turmoil in the credit markets, and lender difficulties, among other potential reasons, could interfere with our ability to utilize our Amended Credit Facility to fund our operations. Any inability to utilize our Amended Credit Facility could require us to seek other sources of funding to repay amounts outstanding under the credit agreements or replace or supplement our credit agreements, which may not be possible at all or under commercially reasonable terms.

Similarly, decreases in the availability of credit and increases in the cost of credit adversely affect the ability of our customers to purchase boats from us and thereby adversely affect our ability to sell our products and impact the profitability of our finance and insurance activities. Tight credit conditions during fiscal 2009, 2010 and 2011 adversely affected the ability of customers to finance boat purchases, which had a negative effect on our operating results.

**9. INCOME TAXES:**

Earnings before income taxes consisted of the following components for the fiscal years ended September 30,

	2017	2018	2019
	(Amounts in thousands)		
Earnings before income taxes:			
United States	\$ 37,808	\$ 53,280	\$ 46,986
Other	—	—	1,967
Total	<u>\$ 37,808</u>	<u>\$ 53,280</u>	<u>\$ 48,953</u>

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The components of our provision (benefit) from income taxes consisted of the following for the fiscal years ended September 30,

	2017	2018	2019
	(Amounts in thousands)		
<b>Current provision (benefit):</b>			
Federal	\$ 2,321	\$ 8,055	\$ 7,933
Foreign	—	—	516
State	(366)	195	135
<b>Total current provision</b>	<b>\$ 1,955</b>	<b>\$ 8,250</b>	<b>\$ 8,584</b>
<b>Deferred provision (benefit):</b>			
Federal	10,190	4,205	2,285
Foreign	—	—	—
State	2,116	1,513	2,099
<b>Total deferred provision</b>	<b>12,306</b>	<b>5,718</b>	<b>4,384</b>
<b>Total income tax provision</b>	<b>\$ 14,261</b>	<b>\$ 13,968</b>	<b>\$ 12,968</b>

During the fourth quarter of fiscal 2017, the Company recorded a net tax benefit of \$1.8 million primarily pertaining to a worthless stock deduction. The tax benefit of this deduction was primarily based on the write-off of the Company's investment in its British Virgin Islands subsidiary for US tax purposes.

On December 22, 2017, the Tax Act was enacted which, among a number of its provisions, lowered the U.S. corporate tax rate from 35% to 21%, effective January 1, 2018. The Company's blended statutory tax rate for fiscal year 2018 was approximately 24.5% as a result of the change in statutory rates. For fiscal year 2018, we recorded a non-cash adjustment to income tax expense of \$805,000 for the remeasurement of deferred taxes on the enactment date.

Below is a reconciliation of the statutory federal income tax rate to our effective tax rate for the fiscal years ended September 30,

	2017	2018	2019
Federal tax provision	35.0%	24.5%	21.0%
State taxes, net of federal effect	4.4%	4.1%	4.1%
Worthless stock deduction	(4.8)%	—	—
Stock based compensation	0.2%	(2.0)%	—
Valuation allowance	(0.1)%	(0.3)%	(0.1)%
Foreign rate differential	2.4%	—	0.2%
Effect of Federal Tax Reform	—	1.5%	—
Other	0.6%	(1.6)%	1.3%
<b>Effective tax rate</b>	<b>37.7%</b>	<b>26.2%</b>	<b>26.5%</b>

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Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for income tax purposes. The tax effects of these temporary differences representing the components of deferred tax assets as of September 30,

	<u>2018</u>	<u>2019</u>
	(Amounts in thousands)	
<b>Deferred tax assets:</b>		
Inventories	\$ 588	\$ 774
Accrued expenses	644	492
Stock based compensation	2,258	2,388
Tax loss carryforwards	3,910	2,316
Other	580	562
Valuation allowance	(119)	(164)
Total long-term deferred tax assets	<u>7,861</u>	<u>6,368</u>
<b>Deferred tax liabilities:</b>		
Depreciation and amortization	(4,453)	(7,510)
Total long-term deferred tax liabilities	<u>\$ (4,453)</u>	<u>\$ (7,510)</u>
Net deferred tax assets (liabilities)	<u>\$ 3,408</u>	<u>\$ (1,142)</u>

Pursuant to ASC 740, we must consider all positive and negative evidence regarding the realization of deferred tax assets. ASC 740 provides four possible sources of taxable income to realize deferred tax assets: 1) taxable income in prior carryback years, 2) reversals of existing deferred tax liabilities, 3) tax planning strategies and 4) projected future taxable income. As of September 30, 2019, we have no available taxable income in prior carryback years, limited reversals of existing deferred tax liabilities or prudent and feasible tax planning strategies. Therefore, the recoverability of our deferred tax assets is dependent upon generating future taxable income.

As of September 30, 2017, we no longer had federal net operating loss (NOL) carryforwards for federal income tax purposes. As of September 30, 2019, the Company has state NOL carryforwards of approximately \$46.5 million for state income tax purposes, which resulted in a deferred tax asset of \$2.3 million, and expire at various dates from 2029 through 2032.

Significant judgment is required in evaluating our uncertain tax positions. Although we believe our tax return positions are sustainable, we recognize tax benefits from uncertain tax positions in the financial statements only when it is more likely than not that the positions will not be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits and a consideration of the relevant taxing authority's administrative practices and precedents. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate, as well as the related net interest and penalties.

In fiscal 2017, the Company released a reserve for an uncertain tax position based on administrative practice in the applicable jurisdiction in the amount of \$264,000 of which approximately \$177,000 impacted the effective tax rate. As of September 30, 2018 and 2019, we had no gross unrecognized tax benefits.

We are subject to tax by both federal and state taxing authorities. Until the respective statutes of limitations expire, we are subject to income tax audits in the jurisdictions in which we operate. We are no longer subject to U.S. Federal tax assessments for fiscal years prior to 2015, we are not subject to assessments prior to the 2014 fiscal year for the majority of the State jurisdictions and we are not subject to assessments prior to the 2014 calendar year for the majority of the foreign jurisdictions.

In January 2018, the FASB released guidance on accounting for taxes on the global intangible low-taxed income ("GILTI") provisions of the Tax Act. The guidance provides that a company can, subject to an accounting policy election, either record the tax impacts of GILTI inclusions as a period cost, or account for GILTI in deferred taxes. The Company has now finalized its election and will account for the tax impacts of GILTI inclusions as a period cost.



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**10. SHAREHOLDERS' EQUITY:**

In February 2019, our Board of Directors approved a new share repurchase plan allowing the Company to repurchase up to 2.33 million shares of our common stock through February 2021. Under the plan, we may buy back common stock from time to time in the open market or in privately negotiated blocks, dependent upon various factors, including price and availability of the shares, and general market conditions. Through September 30, 2019 we had purchased an aggregate of 6,186,785 shares of common stock under the current and historical share repurchase plans for an aggregate purchase price of approximately \$103.0 million. As of September 30, 2019, approximately 626,831 shares remained available for future purchases under the share repurchase program.

**11. STOCK-BASED COMPENSATION:**

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

Cash received from option exercises under all share-based compensation arrangements for the fiscal years ended September 30, 2017, 2018 and 2019 was approximately \$3.2 million, \$7.7 million, and \$2.4 million, respectively. We currently expect to satisfy share-based awards with registered shares available to be issued.

**12. THE INCENTIVE STOCK PLANS:**

During February 2017, our shareholders approved a proposal to amend the 2011 Stock-Based Compensation Plan ("2011 Plan") to increase the 2,200,456 share threshold by 1,000,000 shares to 3,200,456 shares. During January 2011, our shareholders approved a proposal to authorize our 2011 Plan, which replaced our 2007 Incentive Compensation Plan ("2007 Plan"). Our 2011 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, stock units, bonus stock, dividend equivalents, other stock related awards, and performance awards (collectively "awards"), that may be settled in cash, stock, or other property. Our 2011 Plan is designed to attract, motivate, retain, and reward our executives, employees, officers, directors, and independent contractors by providing such persons with annual and long-term performance incentives to expend their maximum efforts in the creation of shareholder value. Subsequent to the February 2013 and the February 2017 amendment described above, the total number of shares of our common stock that may be subject to awards under the 2011 Plan is equal to 3,000,000 shares, plus: (i) any shares available for issuance and not subject to an award under the 2007 Plan, which was 200,456 shares at the time of approval of the 2011 Plan; (ii) the number of shares with respect to which awards granted under the 2011 Plan and the 2007 Plan terminate without the issuance of the shares or where the shares are forfeited or repurchased; (iii) with respect to awards granted under the 2011 Plan and the 2007 Plan, the number of shares that are not issued as a result of the award being settled for cash or otherwise not issued in connection with the exercise or payment of the award; and (iv) the number of shares that are surrendered or withheld in payment of the exercise price of any award or any tax withholding requirements in connection with any award granted under the 2011 Plan or the 2007 Plan. The 2011 Plan terminates in January 2021, and awards may be granted at any time during the life of the 2011 Plan. The date on which awards vest are determined by the Board of Directors or the Plan Administrator. The Board of Directors has appointed the Compensation Committee as the Plan Administrator. The exercise prices of options are determined by the Board of Directors or the Plan Administrator and are at least equal to the fair market value of shares of common stock on the date of grant. The term of options under the 2011 Plan may not exceed ten years. The options granted have varying vesting periods. To date, we have not settled or been under any obligation to settle any awards in cash.

**MARINEMAX, INC. AND SUBSIDIARIES**  
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The following table summarizes option activity from September 30, 2018 through September 30, 2019:

	Shares Available for Grant	Options Outstanding	Aggregate Intrinsic Value (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance as of September 30, 2018	1,047,247	611,223	\$ 5,544	\$ 12.18	4.4
Options granted	—	—	—	—	
Options cancelled/forfeited/expired	7,917	(7,917)	—	5.23	
Options exercised	—	(119,275)	—	11.65	
Restricted stock awards granted	(326,324)	—	—	—	
Restricted stock awards forfeited	36,250	—	—	—	
Additional shares of stock issued	(49,500)	—	—	—	
Balance as of September 30, 2019	<u>715,590</u>	<u>484,031</u>	<u>\$ 1,569</u>	\$ 12.42	3.7
Exercisable as of September 30, 2019		<u>482,364</u>	<u>\$ 1,569</u>	\$ 12.40	3.7

The weighted-average grant date fair value of options granted during the fiscal year ended September 30, 2018 was \$8.42. No options were granted during the fiscal years ended September 30, 2017 and September 30, 2019. The total intrinsic value of options exercised during the fiscal years ended September 30, 2017, 2018 and 2019 was approximately \$1.6 million, \$6.3 million, and \$1.4 million, respectively. The total fair value of options vested during the fiscal years ended September 30, 2017, and September 30, 2018, was approximately \$2.5 million and \$1.3 million.

We used the Black-Scholes model to estimate the fair value of options granted. The expected term of options granted is estimated based on historical experience. 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.

Below are the weighted-average assumptions used for the fiscal year ended September 30, 2018. No options were granted for the fiscal years ended September 30, 2017 or September 30, 2019.

	2017	2018	2019
Dividend yield	—	0.0%	—
Risk-free interest rate	—	2.7%	—
Volatility	—	45.4%	—
Expected life	—	5.0 years	—

**13. EMPLOYEE STOCK PURCHASE PLAN:**

During February 2012, our shareholders approved a proposal to amend our 2008 Employee Stock Purchase Plan (“Stock Purchase Plan”) to increase the number of shares available under that plan by 500,000 shares. During February 2018, our Board of Directors approved a proposal to amend the Stock Purchase Plan to extend it such that the final annual offering will be in 2027. During February 2019, our shareholders approved a proposal to amend the Stock Purchase Plan to increase the number of shares available under that plan by 500,000 shares. The Stock Purchase Plan as amended provides for up to 1,500,000 shares of common stock to be available for purchase by our regular employees who have completed at least one year of continuous service. In addition, there were 52,837 shares of common stock available under our 1998 Employee Stock Purchase Plan, which have been made available for issuance under our Stock Purchase Plan. The Stock Purchase Plan provides for implementation of up to 20 annual offerings beginning on the first day of October starting in 2008, with each offering terminating on September 30 of the following year. Each annual offering may be divided into two six-month offerings. For each offering, the purchase price per share will be the lower of (i) 85% of the closing price of the common stock on the first day of the offering or (ii) 85% of the closing price of the common stock on the last day of the offering. The purchase price is paid through periodic payroll deductions not to exceed 10% of the participant’s earnings during each offering period. However, no participant may purchase more than \$25,000 worth of common stock annually.

We used the Black-Scholes model to estimate the fair value of options granted to purchase shares issued pursuant to the Stock Purchase Plan. The expected term of options granted is derived from the output of the option pricing model and represents the period of time that options granted are expected to be outstanding. Volatility is based on the historical volatility of our common stock. The

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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 the fiscal years ended September 30,

	2017	2018	2019
Dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	0.7%	1.5%	2.4%
Volatility	40.9%	49.9%	48.3%
Expected life	Six months	Six months	Six months

As of September 30, 2019, we had issued 922,822 shares of common stock under our Stock Purchase Plan.

**14. RESTRICTED STOCK AWARDS:**

We have granted non-vested (restricted) stock awards (“restricted stock”) and restricted stock units (“RSUs”) to employees and Officers pursuant to the 2011 Plan and the 2007 Plan. The restricted stock awards and RSUs have varying vesting periods, but generally become fully vested between two and four years after the grant date, depending on the specific award, performance targets met for performance based awards granted to Officers, and vesting period for time based awards. Officer performance based awards are granted at the target amount of shares that may be earned and the actual amount of the award earned generally could range from 0% to 200% of the target number of shares based on the actual specified performance target met. We accounted for the restricted stock awards granted using the measurement and recognition provisions of ASC 718. Accordingly, the fair value of the restricted stock awards, including performance based 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, 2018 through September 30, 2019:

	Shares/ Units	Weighted Average Grant Date Fair Value
Non-vested balance as of September 30, 2018	704,326	\$ 17.61
Changes during the period		
Awards granted	326,324	\$ 20.81
Awards vested	(214,773)	\$ 18.18
Awards forfeited	(36,250)	\$ 19.39
Non-vested balance as of September 30, 2019	<u>779,627</u>	<u>\$ 18.71</u>

As of September 30, 2019, we had approximately \$6.7 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 2.1 years.

**15. NET INCOME PER SHARE:**

The following is a reconciliation of the shares used in the denominator for calculating basic and diluted net income per share for the fiscal years ended September 30,

	2017	2018	2019
Weighted average common shares outstanding used in calculating basic income per share	23,966,611	22,269,378	22,294,114
Effect of dilutive options and non-vested restricted stock awards	712,189	761,284	587,033
Weighted average common and common equivalent shares used in calculating diluted income per share	<u>24,678,800</u>	<u>23,030,662</u>	<u>22,881,147</u>

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During the fiscal years ended September 30, 2017, 2018, and 2019 there were 18,526, 1,288, and 10,988 weighted average shares of options outstanding, respectively, that were not included in the computation of diluted income per share because the options' exercise prices were greater than the average market price of our common stock, and therefore, their effect would be anti-dilutive.

**16. COMMITMENTS AND CONTINGENCIES:**

**Lease Commitments**

We lease certain land, buildings, wet slips, machinery, equipment, and vehicles related to our dealerships under non-cancelable third-party operating leases. Certain of our leases include options for renewal periods and provisions for escalation. Rental expenses, including month-to-month rentals, were approximately \$8.3 million, \$8.4 million and \$8.9 million for the fiscal years ended September 30, 2017, 2018, and 2019, respectively.

Future minimum lease payments under non-cancelable operating leases as of September 30, 2019, were as follows:

	<b>(Amounts in thousands)</b>
2020	9,480
2021	8,148
2022	6,906
2023	6,329
2024	5,003
Thereafter	29,111
Total	<u>\$ 64,977</u>

**Other Commitments and Contingencies**

We are party to various legal actions arising in the ordinary course of business. We believe that these matters should not have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

During the fiscal years ended September 30, 2017, 2018, and 2019, we incurred costs associated with store closings and lease terminations of approximately \$88,000, \$0, and \$3.1 million, respectively. These costs primarily related to the future minimum operating lease payments of the closed locations. The store closings were a key component in our effort to better match our fixed costs with the decline in retail business caused by the soft economic conditions. The store closing costs have been included in selling, general, and administrative expenses in the consolidated statements of operations during the fiscal years ended September 30, 2017, 2018, and 2019.

In connection with certain of our workers' compensation insurance policies, we maintain standby letters of credit for our insurance carriers in the amount of \$1.3 million relating primarily to retained risk on our workers compensation claims.

We are subject to federal and state environmental regulations, including rules relating to air and water pollution and the storage and disposal of gasoline, oil, other chemicals and waste. We believe that we are in compliance with such regulations.

**17. EMPLOYEE 401(k) PROFIT SHARING PLANS:**

Employees are eligible to participate in our 401(k) Profit Sharing Plan (the "Plan") following their 90-day introductory period starting either April 1 or October 1, provided that they are 21 years of age. Under the Plan, we matched 25% of participants' contributions, up to a maximum of 5% of each participant's compensation, in fiscal 2017, and 50% of participants' contributions, up to a maximum of 5% of each participant's compensation in fiscal 2018 and fiscal 2019. We contributed, under the Plan, or pursuant to previous similar plans, approximately \$765,000, \$1.9 million, and \$2.3 million for the fiscal years ended September 30, 2017, 2018 and 2019, respectively.

**MARINEMAX, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**18. QUARTERLY FINANCIAL DATA (UNAUDITED):**

The following table sets forth certain unaudited quarterly financial data for each of our last eight quarters. The information has been derived from unaudited financial statements that we believe reflect all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of such quarterly financial information.

	December 31, 2017	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019
	(Amounts in thousands except share and per share data)							
Revenue	\$ 236,921	\$ 270,605	\$ 361,254	\$ 308,591	\$ 241,937	\$ 303,586	\$ 383,494	\$ 308,136
Cost of sales	177,672	201,312	270,567	229,587	178,459	229,384	285,784	220,694
Gross profit	59,249	69,293	90,687	79,004	63,478	74,202	97,710	87,442
Selling, general and administrative expenses	50,246	58,659	64,089	62,056	54,492	63,976	68,968	74,864
Income from operations	9,003	10,634	26,598	16,948	8,986	10,226	28,742	12,578
Interest expense	2,542	2,840	2,499	2,022	2,516	3,033	2,936	3,094
Income before income tax provision	6,461	7,794	24,099	14,926	6,470	7,193	25,806	9,484
Income tax provision	2,249	1,610	6,723	3,386	1,560	1,890	6,719	2,799
Net income	<u>\$ 4,212</u>	<u>\$ 6,184</u>	<u>\$ 17,376</u>	<u>\$ 11,540</u>	<u>\$ 4,910</u>	<u>\$ 5,303</u>	<u>\$ 19,087</u>	<u>\$ 6,685</u>
Net income per share:								
Diluted	<u>\$ 0.19</u>	<u>\$ 0.27</u>	<u>0.75</u>	<u>0.50</u>	<u>\$ 0.21</u>	<u>\$ 0.23</u>	<u>0.84</u>	<u>0.31</u>
Weighted average number of shares:								
Diluted	<u>22,712,648</u>	<u>22,940,594</u>	<u>23,182,546</u>	<u>23,286,206</u>	<u>23,400,685</u>	<u>23,417,688</u>	<u>22,821,202</u>	<u>21,896,257</u>

NOTE: PORTIONS OF THIS EXHIBIT INDICATED BY “[\*\*\*\*]” HAVE BEEN OMITTED FROM THIS EXHIBIT AS THESE PORTIONS ARE NOT MATERIAL AND WOULD LIKELY CAUSE COMPETITIVE HARM IF PUBLICLY DISCLOSED.

**FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED  
INVENTORY FINANCING AGREEMENT, FIFTH AMENDED AND RESTATED  
PROGRAM TERMS LETTER, AND FOURTH AMENDED AND RESTATED**

[\*\*\*\*]

THIS FIRST AMENDMENT TO FOURTH AMENDED AND RESTATED INVENTORY FINANCING AGREEMENT, FIFTH AMENDED AND RESTATED PROGRAM TERMS LETTER, AND FOURTH AMENDED AND RESTATED [\*\*\*\*] (this “*Amendment*”) dated as of July \_\_, 2019, is made to that certain FOURTH AMENDED AND RESTATED INVENTORY FINANCING AGREEMENT (as amended, supplemented, restated or modified, the “*IFA*”) by and among WELLS FARGO COMMERCIAL DISTRIBUTION FINANCE, LLC (“*CDF*”) as Agent (in such capacity as agent, the “*Agent*”) for the several financial institutions that may from time to time become party thereto (collectively, “*Lenders*,” and individually, each a “*Lender*”) and Dealers that may from time to time become party thereto (collectively, “*Dealers*” and individually, each a “*Dealer*”), FIFTH AMENDED AND RESTATED PROGRAM TERMS LETTER (as amended, restated, supplemented or otherwise modified from time to time, the “*PTL*”) by and among CDF and Dealers, and FOURTH AMENDED AND RESTATED [\*\*\*\*] (as amended, restated, supplemented or otherwise modified from time to time, the [\*\*\*\*] and together with the IFA and PTL, the “*Agreements*”) by and among Agent and Existing Dealers (as defined below), each dated as of October 26, 2018. All capitalized terms not otherwise defined in this Amendment shall have the respective meanings assigned to them in the IFA.

Recitals

A. Reference is hereby made to that certain Consent Agreement dated July 2, 2019 by and among Agent and Dealers (the “*Consent Agreement*”), pursuant to which Agent and Required Lenders consented to the Stock Purchase (as defined in the Consent Agreement).

B. As a result of the Stock Purchase, certain of Dealers acquired new subsidiaries. Pursuant to the IFA and the Consent Agreement, such Acquired Persons are required to become Dealers under the IFA and the other Agreements (such Acquired Persons joining the Agreements pursuant to this Amendment, as set forth on the signature pages hereto, collectively, the “*New Dealers*”; and Dealers party to the Agreement prior to the date hereof, are referred to herein collectively as the “*Existing Dealers*”).

C. Agent and Dealers desire to make certain amendments to the Agreements in order to join the New Dealers as parties to the Agreements in accordance with the terms and conditions of this Amendment.

Agreement

NOW, THEREFORE, in consideration of the premises and of the mutual promises contained herein and in the Agreement the receipt and sufficiency of which is hereby acknowledged, Agent and Dealers agree as follows:

1. Section 28; List of Dealers. Section 28 of the IFA is hereby deleted in its entirety and replaced with the following:

“28. **List of Dealers.** The following persons are parties to this Agreement as Dealers:

<u>DEALER NAME</u>	<u>TYPE OF ENTITY</u>	<u>JURISDICTION</u>
MarineMax, Inc.	corporation	Florida
MarineMax East, Inc.	corporation	Delaware
MarineMax Services, Inc.	corporation	Delaware
MarineMax Northeast, LLC	limited liability company	Delaware
Boating Gear Center, LLC	limited liability company	Delaware
US Liquidators, LLC	limited liability company	Delaware
Newcoast Financial Services, LLC	limited liability company	Delaware
My Web Services, LLC	limited liability company	Delaware
MarineMax Charter Services, LLC	limited liability company	Delaware
[****]	limited liability company	Florida
Gulfport Marina, LLC	limited liability company	Delaware
FWW, LLC	limited liability company	Florida
Fraser Yachts Florida, Inc.	corporation	[Florida]
Fraser Yachts California, Inc.	corporation	[California]

9. Joinder of New Dealers. Each New Dealer hereby (a) agrees to become primarily and jointly and severally liable for all obligations and liabilities under the Agreements, including all Obligations under the IFA, whether arising prior to, on or after the date hereof; (b) restates all representations, warranties and covenants of Dealers under the Agreements as if each representation, warranty and covenant contained therein is, contemporaneously herewith, issued by, and relates to New Dealers, individually and jointly; (c) agrees that all references in the Agreements to “Dealers” include, for all purposes, such New Dealer and the other Dealers, and for the avoidance of doubt, the Agreements are hereby amended to include each New Dealer in such references; and (d) restates the grant of security interest in all Collateral owned by New Dealers, whether now owned or hereafter acquired. Each New Dealer intends that this Section 9 constitutes an agreement that the IFA is effective to create a security interest in such New Dealer’s property, as contemplated by Section 9-203(d)(2) of the UCC. Each New Dealer further reaffirms the obligations of all Dealers under the Agreements and agrees that all transactions between New Dealers and Agent shall be governed by the Agreements, as determined by Agent in its sole and absolute discretion.

10. Release. In consideration of the agreements of Agent contained in this Amendment and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each Dealer (including, for avoidance of doubt, New Dealers) (collectively, the “**Releasors**”), on behalf of itself and its successors, assigns, and other legal representatives, hereby absolutely, unconditionally and irrevocably releases, remises and forever discharges Agent and each Lender, each of their successors and assigns, each of their respective affiliates, and their respective affiliates’ present and former shareholders, members, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, Lenders and all such other Persons being hereinafter referred to collectively as the “**Releasees**,” and individually as a “**Releasee**”), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever (individually a “**Claim**” and collectively, “**Claims**”) of every name and nature, either known or unknown, both at law and in equity, which Releasors, or any of them, or any of their successors, assigns or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon,

or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the date hereof, including, without limitation, for or on the account of, or in relation to, or in any way in connection with the IFA, the other Agreements, any other Loan Document or any of other agreement, document, or instrument related thereto or transactions thereunder or related thereto.

11. References. Each reference in the Agreements and the Loan Documents to the Agreements shall be deemed to refer to the Agreements as amended by this Amendment.

12. Ratification. Dealers, including New Dealers, hereby ratify and confirm the Agreements, as amended hereby, and each other Loan Document executed by such Dealer in all respects. All terms and provisions of the Agreements not specifically amended by this Amendment shall remain unchanged and in full force and effect.

13. Conditions Precedent to Effectiveness of Amendment. This Amendment shall not be effective unless and until each of the following conditions precedent has been satisfied or waived in the sole and absolute discretion of Agent:

- a. Agent shall have received an original copy of this Amendment, executed by Dealers.
- b. Agent shall have received any and all fees payable to Agent by Dealers in connection with this Amendment and the transactions contemplated hereby.
- c. Agent shall have received an updated corporate organizational chart of MaineMax, Inc. giving effect to the transactions consummated under the Stock Purchase.
- d. Agent shall have received updated insurance certificates and endorsements which include the New Dealers.
- e. Agent shall have prepared UCC-1 financing statements for New Dealers, describing Agent as "Secured Party" and each New Dealer as "Debtor" indicating the Collateral.

14. Assignment. This Amendment shall be binding upon, inure to the benefit of and be enforceable by the parties hereto and their participants, successors and assigns.

15. Counterparts. This Amendment may be executed in any number of counterparts, each of which counterparts, once they are executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute but one and the same agreement. This Amendment may be executed by any party to this Amendment by original signature, facsimile and/or electronic signature.

*[Signature pages follow]*



IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment as of the date first above written.

**DEALERS:**

MARINEMAX, INC.,  
a Florida corporation

By: \_\_\_\_\_  
Print Name: Michael H. McLamb  
Title: Executive Vice President, Chief Financial Officer, Secretary,

MARINEMAX EAST, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Print Name: Michael H. McLamb  
Title: President, Secretary, Treasurer

MARINEMAX SERVICES, INC.,  
a Delaware corporation

By: \_\_\_\_\_  
Print Name: Michael H. McLamb  
Title: Vice President, Secretary, Treasurer

MARINEMAX NORTHEAST, LLC,  
a Delaware limited liability company

By: MARINEMAX EAST, INC.  
the sole member of MarineMax Northeast, LLC

By: \_\_\_\_\_  
Print Name: Michael H. McLamb  
Title: President, Secretary, Treasurer

[Signature Page to 1st Amendment to IFA, PTL, and [\*\*\*\*]]

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By: MARINEMAX EAST, INC.,  
the sole member of Boating Gear Center, LLC

By: \_\_\_\_\_  
Print Name: Michael H. McLamb  
Title: President, Secretary, Treasurer

US LIQUIDATORS, LLC  
a Delaware limited liability company  
By: MARINEMAX, INC.  
the sole member of US Liquidators, LLC

By: \_\_\_\_\_  
Print Name: Michael H. McLamb  
Title: Executive Vice President, Chief Financial Officer, Secretary,

MY WEB SERVICES, LLC,  
a Delaware limited liability company  
By: MARINEMAX EAST, INC.,  
the sole member of My Web Services, LLC

By: \_\_\_\_\_  
Print Name: Michael H. McLamb  
Title: President, Secretary and Treasurer,

MARINEMAX CHARTER SERVICES, LLC,  
a Delaware limited liability company  
By: MARINEMAX EAST, INC.,  
the sole member of MarineMax Charter Services,  
LLC

By: \_\_\_\_\_  
Print Name: Michael H. McLamb  
Title: President, Secretary, Treasurer

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[Signature Page to 1st Amendment to IFA, PTL, and [\*\*\*\*]]

NEWCOAST FINANCIAL SERVICES, LLC,  
a Delaware limited liability company  
By: MARINEMAX EAST, INC.  
the sole member of Newcoast Financial Services, LLC

By:  
Print Name: Michael H. McLamb  
Title: President, Secretary, Treasurer

[\*\*\*\*],  
a Florida limited liability company

By: MY WEB SERVICES, LLC,  
the sole member of [\*\*\*\*]  
By: MARINEMAX EAST, INC.,  
the sole member of My Web Services, LLC

By:  
Print Name: Michael H. McLamb  
Title: President, Secretary and Treasurer  
Tax ID: 27-4689836  
Org. ID (if any): 4933499

GULFPORT MARINA, LLC,  
a Delaware limited liability company  
By: MARINEMAX EAST, INC.,  
the sole member of Gulfport Marina, LLC

By:  
Print Name: Michael H. McLamb  
Title: President, Secretary and Treasurer  
Tax ID: 27-4689836  
Org. ID (if any): 4933499

*[Signature Page to 1st Amendment to IFA, PTL, and [\*\*\*\*]]*

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**NEW DEALERS:**

FWW, LLC,

a Florida limited liability company  
By: MARINEMAX EAST, INC.  
the sole member of FWW, LLC

By: \_\_\_\_\_  
Print Name: Michael H. McLamb  
Title: President, Secretary, Treasurer

FRASER YACHTS FLORIDA, INC.,

a [Florida] corporation  
By: FWW, LLC  
the sole member of Fraser Yachts Florida, Inc.

By: \_\_\_\_\_  
Print Name: Michael H. McLamb  
Title: President, Secretary, Treasurer

FRASER YACHTS CALIFORNIA, INC.,

a [California] corporation  
By: FRASER YACHTS FLORIDA, INC.  
the sole member of Fraser Yachts California, Inc.

By: \_\_\_\_\_  
Print Name: Michael H. McLamb  
Title: President, Secretary, Treasurer

*[Signature Page to 1<sup>st</sup> Amendment to IFA, PTL, and [\*\*\*\*]]*

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**WELLS FARGO DISTRIBUTION FINANCE, LLC, as Agent**

By:  
Name:  
Title:

*[Signature Page to 1<sup>st</sup> Amendment to IFA, PTL, and [\*\*\*]]*

**LIST OF SUBSIDIARIES**

<b><u>Name</u></b>	<b><u>State or Jurisdiction of Incorporation or Organization</u></b>
MarineMax East, Inc. (1)	Delaware
MarineMax Services, Inc. (2)	Delaware
MarineMax Northeast, LLC (2)	Delaware
Boating Gear Center, LLC (2)	Delaware
US Liquidators, LLC (1)	Delaware
Newcoast Financial Services, LLC (2)	Delaware
My Web Services, LLC (1)	Delaware
MarineMax Charter Services, LLC (2)	Delaware
MarineMax Vacations, LTD (2)	British Virgin Islands
Gulfport Marina, LLC (2)	Delaware
FWW, LLC (2)	Florida
FWW, UK Limited (3)	United Kingdom
Fraser Yachts Florida, Inc.(3)	Florida
TCN Antibes S.A.R.L.(4)	France
Fraser Yachts Limited (4)	United Kingdom
Fraser Worldwide S.A.M. (4)	Monaco
Fraser Yachts Group S.R.L. (4)	Italy
Fraser Yachts Spain SLU (5)	Spain
Fraser Yachts California, Inc.(5)	California

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- (1) Wholly owned subsidiary of MarineMax, Inc.
  - (2) Wholly owned subsidiary of MarineMax East, Inc.
  - (3) Wholly owned subsidiary of FWW, LLC.
  - (4) Wholly owned subsidiary of FWW UK Limited.
  - (5) Wholly owned subsidiary of Fraser Yachts Florida, Inc.

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders  
MarineMax, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333-221933) on Form S-3 and (No. 333-141657, 333-83332, 333-63307, 333-156358, 333-177019, 333-218563 and 333-218566) on Form S-8 of MarineMax, Inc. and subsidiaries of our reports dated December 3, 2019, with respect to the consolidated balance sheets of MarineMax, Inc. and subsidiaries as of September 30, 2019 and 2018, and the related consolidated statement of operations, comprehensive income, shareholders' equity, and cash flows for each of the years in the three year period ended September 30, 2019, and related notes (collectively, the "consolidated financial statements"), and the effectiveness of internal control over financial reporting as of September 30, 2019, which reports appear in the September 30, 2019 annual report on the Form 10-K of MarineMax, Inc.

Our report dated December 3, 2019, on the effectiveness of internal control over financial reporting as of September 30, 2019, contains an explanatory paragraph that states Fraser Yacht Group S.L.R. was excluded from management's assessment of internal control over financial reporting and our audit of internal control over financial reporting also excludes an evaluation of the internal control over financial reporting of Fraser Yacht Group S.L.R.

Our report dated December 3, 2019, on the consolidated financial statements as of September 30, 2019 and September 30, 2018 and for each of the years in the three-year period ended September 30, 2019, contains an explanatory paragraph that states that the Company has changed its method of accounting for revenue from contracts with customers effective October 1, 2018 due to the adoption of Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)" and all subsequent ASUs that modified Topic 606.

/s/ KPMG LLP

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Tampa, Florida  
December 3, 2019  
Certified Public Accountants

**CERTIFICATION**

I, W. Brett McGill, certify that:

1. I have reviewed this report on Form 10-K of MarineMax, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ W. BRETT MCGILL

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W. Brett McGill

*Chief Executive Officer and President*

*(Principal Executive Officer)*

Date: December 3, 2019



## CERTIFICATION

I, Michael H. McLamb, certify that:

1. I have reviewed this report on Form 10-K of MarineMax, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL H. McLAMB

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Michael H. McLamb  
Chief Financial Officer  
(Principal Financial Officer)

Date: December 3, 2019

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of MarineMax, Inc. (the "Company") for the year ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. Brett McGill, Chief Executive Officer of the Company, certify, to my best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ W. BRETT MCGILL

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W. Brett McGill  
Chief Executive Officer

Date: December 3, 2019

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of MarineMax, Inc. (the "Company") for the year ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael H. McLamb, Chief Financial Officer of the Company, certify, to my best knowledge and belief, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MICHAEL H. MCLAMB

Michael H. McLamb

Chief Financial Officer

Date: December 3, 2019