

MARINEMAX INC  
Form 10-Q  
February 11, 2008

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

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Quarterly Period Ended December 31, 2007.**

**Commission File No. 1-14173**

**MARINEMAX, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**59-3496957**

(I.R.S. Employer Identification Number)

**18167 U.S. Highway 19 North, Suite 300**

**Clearwater, Florida**

(Address of principal executive offices)

**33764**

(ZIP Code)

**727-531-1700**

(Registrant's telephone number, including area code)

Indicate by check whether the registrant: (1) has filed all reports 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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

(Do not check if a smaller reporting company)

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

The number of outstanding shares of the registrant's Common Stock on February 1, 2008 was 18,364,235.

MARINEMAX, INC. AND SUBSIDIARIES  
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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements**

**MARINEMAX, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**  
(Amounts in thousands, except share and per share data)  
(Unaudited)

|   | <b>Three Months Ended</b> |             |
|---|---------------------------|-------------|
|   | <b>December 31,</b>       |             |
|   | <b>2006</b>               | <b>2007</b> |
| Revenue   | \$ 234,031                | \$ 215,268  |
| Cost of sales   | 177,677                   | 167,144     |
| Gross profit  | 56,354                    | 48,124      |
| Selling, general, and administrative expenses   | 56,165                    | 53,191      |
| Income (loss) from operations   | 189                       | (5,067)     |
| Interest expense  | 6,540                     | 5,881       |
| Loss before income tax benefit  | (6,351)                   | (10,948)    |
| Income tax benefit  | (2,565)                   | (4,529)     |
| Net loss  | \$ (3,786)                | \$ (6,419)  |
| Basic and diluted net loss per common share   | \$ (0.21)                 | \$ (0.35)   |
| Weighted average number of common shares used in computing net loss per common share: |                           |             |
| Basic   | 18,287,781                | 18,364,676  |
| Diluted   | 18,287,781                | 18,364,676  |

See accompanying notes to condensed consolidated financial statements.

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

|   | <b>September<br/>30,<br/>2007</b> | <b>December<br/>31,<br/>2007</b><br>(Unaudited) |
|---|-----------------------------------|---|
| <b>ASSETS</b>   |                                   |   |
| <b>CURRENT ASSETS:</b>  |                                   |   |
| Cash and cash equivalents   | \$ 30,375                         | \$ 22,765                                       |
| Accounts receivable, net  | 57,333                            | 52,177  |
| Inventories, net  | 478,039                           | 532,844   |
| Prepaid expenses and other current assets   | 8,997                             | 10,186  |
| Deferred tax assets   | 6,485                             | 5,931   |
| <b>Total current assets</b>   | <b>581,229</b>                    | <b>623,903</b>                                  |
| Property and equipment, net   | 118,960                           | 119,041   |
| Goodwill and other intangible assets, net   | 121,174                           | 121,167   |
| Other long-term assets  | 4,515                             | 4,805   |
| <b>Total assets</b>   | <b>\$ 825,878</b>                 | <b>\$ 868,916</b>                               |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |                                   |   |
| <b>CURRENT LIABILITIES:</b>   |                                   |   |
| Accounts payable  | \$ 19,980                         | \$ 14,811                                       |
| Customer deposits   | 33,420                            | 21,673  |
| Accrued expenses  | 27,044                            | 25,058  |
| Short-term borrowings   | 326,000                           | 391,000   |
| Current maturities of long-term debt  | 4,396                             | 4,415   |
| <b>Total current liabilities</b>  | <b>410,840</b>                    | <b>456,957</b>                                  |
| Deferred tax liabilities  | 11,971                            | 11,405  |
| Long-term debt, net of current maturities   | 26,437                            | 25,326  |
| Other long-term liabilities   | 3,071                             | 6,108   |
| <b>Total liabilities</b>  | <b>452,319</b>                    | <b>499,796</b>                                  |
| <b>STOCKHOLDERS EQUITY:</b>   |                                   |   |
| Preferred stock, \$.001 par value, 1,000,000 shares authorized, none issued or outstanding at September 30, 2007 and December 31, 2007  |                                   |   |
| Common stock, \$.001 par value, 24,000,000 shares authorized, 18,379,864 and 18,356,775 shares issued and outstanding at September 30, 2007 and December 31, 2007, respectively | 19                                | 19  |
| Additional paid-in capital  | 167,912                           | 171,532   |
| Retained earnings   | 220,375                           | 213,402   |

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|  |            |            |
|--|------------|------------|
| Accumulated other comprehensive income (loss)  | 28         | (23)       |
| Treasury stock, at cost, 719,600 and 790,900 shares held at September 30, 2007 and December 31, 2007, respectively | (14,775)   | (15,810)   |
| Total stockholders' equity   | 373,559    | 369,120    |
| Total liabilities and stockholders' equity   | \$ 825,878 | \$ 868,916 |

See accompanying notes to condensed consolidated financial statements.

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**MARINEMAX, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Comprehensive Loss**  
**(Amounts in thousands)**  
**(Unaudited)**

|   | <b>Three Months Ended</b> |             |
|---|---------------------------|-------------|
|   | <b>December 31,</b>       |             |
|   | <b>2006</b>               | <b>2007</b> |
| Net loss  | \$(3,786)                 | \$(6,419)   |
| Other comprehensive (loss) income:  |                           |             |
| Change in fair market value of derivative instruments, net of tax benefit of \$237 and \$32 for the three months ended December 31, 2006 and 2007 | (378)                     | (51)        |
| Reclassification adjustment for losses included in net loss, net of tax benefit of \$61 for the three months ended December 31, 2006              | 98                        |             |
| Comprehensive loss  | \$(4,066)                 | \$(6,470)   |

See accompanying notes to condensed consolidated financial statements.

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

|   | <b>Common Stock</b> |               | <b>Additional<br/>Paid-in</b> | <b>Retained</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income</b> | <b>Treasury<br/>Stock</b> | <b>Total<br/>Stockholders<br/>Equity</b> |
|---|---------------------|---------------|-------------------------------|-----------------|---|---------------------------|--|
|   | <b>Shares</b>       | <b>Amount</b> | <b>Capital</b>                | <b>Earnings</b> | <b>(Loss)</b>   | <b>Stock</b>              | <b>Equity</b>                            |
| BALANCE, September 30, 2007   | 18,379,864          | \$ 19         | \$ 167,912                    | \$ 220,375      | \$ 28   | \$ (14,775)               | \$ 373,559                               |
| Cumulative effect of adoption of<br>FIN 48 (Note 6)                             |                     |               |                               | (554)           |   |                           | (554)                                    |
| Net loss  |                     |               |                               | (6,419)         |   |                           | (6,419)                                  |
| Purchase of treasury stock  | (71,300)            |               |                               |                 |   | (1,035)                   | (1,035)                                  |
| Shares issued under employee<br>stock purchase plan                             | 58,598              |               | 726                           |                 |   |                           | 726                                      |
| Shares issued upon exercise of<br>stock options                                 | 87,757              |               | 912                           |                 |   |                           | 912                                      |
| Stock-based compensation  | 1,856               |               | 1,785                         |                 |   |                           | 1,785                                    |
| Tax benefits of options exercised   |                     |               | 197                           |                 |   |                           | 197                                      |
| Conversion of restricted stock<br>awards to restricted stock units              | (100,000)           |               |                               |                 |   |                           |  |
| Change in fair market value of<br>derivative instruments, net of tax<br>benefit |                     |               |                               |                 | (51)  |                           | (51)                                     |
| BALANCE, December 31, 2007  | 18,356,775          | \$ 19         | \$ 171,532                    | \$ 213,402      | \$ (23)   | \$ (15,810)               | \$ 369,120                               |

See accompanying notes to condensed consolidated financial statements.



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

|   | <b>Three Months Ended</b> |             |
|---|---------------------------|-------------|
|   | <b>December 31,</b>       |             |
|   | <b>2006</b>               | <b>2007</b> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                           |             |
| Net loss  | \$ (3,786)                | \$ (6,419)  |
| Adjustments to reconcile net loss to net cash used in operating activities:         |                           |             |
| Depreciation and amortization   | 2,349                     | 2,337       |
| Deferred income tax provision   | 154                       | 20          |
| Gain on sale of property and equipment  | (10)                      | (19)        |
| Cumulative effect of adoption of FIN 48 (Note 6)                                    |                           | (554)       |
| Stock-based compensation expense  | 1,743                     | 1,785       |
| Tax benefits of options exercised   | 275                       | 197         |
| Excess tax benefits from stock-based compensation                                   | (178)                     | (168)       |
| (Increase) decrease in Accounts receivable, net                                     | 8,755                     | 5,156       |
| Inventories, net  | (82,435)                  | (54,805)    |
| Prepaid expenses and other assets   | 411                       | (1,562)     |
| (Decrease) increase in Accounts payable   | (21,810)                  | (5,169)     |
| Customer deposits   | 1,019                     | (11,747)    |
| Accrued expenses  | (1,265)                   | 1,051       |
| Net cash used in operating activities   | (94,778)                  | (69,897)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                           |             |
| Purchases of property and equipment   | (1,636)                   | (2,412)     |
| Net cash used in acquisitions of businesses, net assets, and intangible assets      | (16)                      |             |
| Proceeds from sale of property and equipment  | 13                        | 20          |
| Net cash used in investing activities   | (1,639)                   | (2,392)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                           |             |
| Net borrowings on short-term borrowings   | 84,000                    | 65,000      |
| Repayments of long-term debt  | (1,138)                   | (1,092)     |
| Net proceeds from issuance of common stock under option and employee purchase plans | 1,394                     | 1,638       |
| Purchase of treasury stock  |                           | (1,035)     |
| Excess tax benefits from stock-based compensation                                   | 178                       | 168         |
| Net cash provided by financing activities   | 84,434                    | 64,679      |
| NET DECREASE IN CASH AND CASH EQUIVALENTS   | (11,983)                  | (7,610)     |
| CASH AND CASH EQUIVALENTS, beginning of period                                      | 25,113                    | 30,375      |

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|  |           |           |
|--|-----------|-----------|
| CASH AND CASH EQUIVALENTS, end of period | \$ 13,130 | \$ 22,765 |
|--|-----------|-----------|

Supplemental Disclosures of Cash Flow Information:

Cash paid for:

|              |           |          |
|--------------|-----------|----------|
| Interest     | \$ 5,882  | \$ 5,731 |
| Income taxes | \$ 15,734 | \$ 2,027 |

See accompanying notes to condensed consolidated financial statements.

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

**1. COMPANY BACKGROUND:**

We are the largest recreational boat retailer in the United States. We engage primarily in the retail sale, brokerage, and service of new and used boats, motors, trailers, marine parts, and accessories and offer slip and storage accommodations in certain locations. In addition, we arrange related boat financing, insurance, and extended service contracts. As of December 31, 2007, we operated through 90 retail locations in 22 states, consisting of Alabama, Arizona, California, Colorado, Connecticut, Delaware, Florida, Georgia, Maryland, Minnesota, Missouri, Nevada, New Jersey, New York, North Carolina, Ohio, Oklahoma, Rhode Island, South Carolina, Tennessee, Texas, and Utah.

We are the nation's largest retailer of Sea Ray, Boston Whaler, Meridian, Cabo, and Hatteras recreational boats and yachts, all of which are manufactured by Brunswick Corporation (Brunswick). Sales of new Brunswick boats accounted for approximately 57% of our revenue in fiscal 2007. Brunswick is the world's largest manufacturer of marine products and marine engines. We believe we represented in excess of 12% of all Brunswick marine sales, including approximately 46% of its Sea Ray boat sales, during our 2007 fiscal year.

We have dealer agreements with Sea Ray, Boston Whaler, Meridian, Cabo, Hatteras Yachts, Mercury Marine, and Baja Marine Corporation, all subsidiaries or divisions of Brunswick. We also have dealer agreements with Azimut and Ferretti Group, including Bertram. 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.

Our operating dealership subsidiaries that carry the Sea Ray product line are party to a multi-year dealer agreement with Brunswick covering Sea Ray products and are the exclusive dealers of Sea Ray boats in their geographic markets. We are party to a multi-year dealer agreement with Hatteras Yachts that gives us the exclusive right to sell Hatteras Yachts throughout the state of Florida (excluding the Florida panhandle). We are also the exclusive dealer for Hatteras Yachts throughout the state of Texas. We are also the exclusive dealer for Cabo Yachts throughout the state of Florida. We are also party to a dealer agreement with Ferretti Group and Bertram Yachts. The agreement appoints us as the exclusive dealer for Ferretti Yachts, Pershing, Riva, and Mochi Craft mega-yachts, yachts, and other recreational boats for the United States, Canada, and the Bahamas. The agreement also appoints us as the exclusive dealer for Bertram in the United States (excluding the Florida peninsula and Texas), Canada, and the Bahamas. We are also the exclusive dealer for Italy-based Azimut-Benetti Group's product lines Azimut and Atlantis mega-yachts, yachts, and other recreational boats for the Northeast United States from Maryland to Maine. We believe the non-Brunswick brands offer a migration for our existing customer base or fill a void in our product offerings, and accordingly, do not compete with the business generated from our other prominent brands.

As is typical in the industry, we deal with manufacturers, other than Sea Ray and Hatteras 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, for any reason, or changes in competitive, regulatory, or marketing practices, including rebate or incentive programs, could adversely affect our results of operations. Although there are a limited number of manufacturers of the type of boats and products that we sell, we believe that adequate alternative sources would be available to replace any manufacturer other than Brunswick 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.

Our business, as well as the entire recreational boating industry, is highly seasonal, with seasonality varying in different geographic markets. With the exception of Florida, we generally realize significantly lower sales and higher levels of inventories, and related short-term borrowings, in the quarterly periods ending December 31 and March 31. The onset of the public boat and recreation shows in January stimulates boat sales and allows us to reduce our inventory levels and related short-term borrowings throughout the remainder of the fiscal year. Our business will become substantially more seasonal as we acquire dealers that operate in colder regions of the United States.

**Table of Contents****2. BASIS OF PRESENTATION:**

These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information, the instructions to Quarterly Report on Form 10-Q, and Rule 10-01 of Regulation S-X and should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended September 30, 2007. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. All adjustments, consisting of only normal recurring adjustments considered necessary for fair presentation, have been reflected in these unaudited condensed consolidated financial statements. The operating results for the three months ended December 31, 2007 are not necessarily indicative of the results that may be expected in future periods.

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

In order to provide comparability between periods presented, certain amounts have been reclassified from the previously reported unaudited condensed consolidated financial statements to conform to the unaudited condensed consolidated financial statement presentation of the current period. The unaudited condensed consolidated financial statements include our accounts and the accounts of our subsidiaries, all of which are wholly owned. All significant intercompany transactions and accounts have been eliminated.

**3. NEW ACCOUNTING PRONOUNCEMENTS:**

During June 2006, the Financial Accounting Standard Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), an interpretation of FASB Statement No. 109, Accounting for Income Taxes (SFAS 109). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS 109. FIN 48 prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Effective October 1, 2007, we adopted FIN 48. See Note 6, Income Taxes, for the effects of adopting FIN 48 on our condensed consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, applies to other accounting pronouncements that require or permit fair value measurements and expands disclosures about fair value measurements. SFAS 157 is effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. We are currently assessing the implications of this standard and evaluating the impact of adopting SFAS 157 on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159), which permits an entity to measure certain financial assets and financial liabilities at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently assessing the implications of this standard and evaluating the impact of adopting SFAS 159 on our consolidated financial statements.

**4. GOODWILL AND OTHER INTANGIBLE ASSETS:**

We account for goodwill and identifiable intangible assets in accordance with Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142). Under this standard, we assess the impairment of goodwill and identifiable intangible assets at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying amount of goodwill or an identifiable intangible asset exceeds its fair value, we would recognize an impairment loss. We measure any potential impairment based on various business valuation methodologies, including a projected discounted cash flow method.

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We have determined that our most significant acquired identifiable intangible assets are the dealer agreements of dealerships that we have acquired, which are indefinite-lived intangible assets. We completed the annual impairment test during the fourth quarter of fiscal 2007, which resulted in no impairment of goodwill or identifiable intangible assets. We will continue to test goodwill and identifiable intangible assets for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To date, we have not recognized any impairment of goodwill or identifiable intangible assets in the application of SFAS 142.

The carrying amounts of goodwill and identifiable intangible assets for the period from September 30, 2007 to December 31, 2007 are as follows (amounts in thousands):

|                             | <b>Goodwill</b> | <b>Identifiable<br/>Intangible<br/>Assets</b> | <b>Total</b> |
|-----------------------------|-----------------|---|--------------|
| Balance, September 30, 2007 | \$ 97,446       | \$ 23,728                                     | \$ 121,174   |
| Changes during the period   |                 | (7)   | (7)          |
| Balance, December 31, 2007  | \$ 97,446       | \$ 23,721                                     | \$ 121,167   |

**5. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITY:**

We account for derivative instruments in accordance with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Certain Hedging Activities (SFAS 133), as amended by Statement of Financial Accounting Standards No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS 133 (SFAS 138) and Statement of Financial Accounting Standards No. 149, Amendment of Statement 133 on Derivative Instruments and Hedging Activities (SFAS 149), (collectively SFAS 133).

Under these standards, we record all derivative instruments as either assets or liabilities on the balance sheet at their respective fair values. Generally, if a derivative instrument is designated as a cash flow hedge, we record the change in the fair value of the derivative in other comprehensive income to the extent the derivative is effective, and recognize the change in the statement of operations when the hedged item affects earnings. If a derivative instrument is designated as a fair value hedge, we recognize the change in fair value of the derivative and of the hedged item attributable to the hedged risk in earnings in the current period. Our interest rate hedge has been determined to be effective and is designated as a cash flow hedge.

During fiscal 2006, we entered into an interest rate swap agreement with a notional amount of \$4.0 million, that matures in June 2015, and is designated as a cash flow hedge and effectively converts a portion of the floating rate debt to a fixed rate of 5.67%. Since all of the critical terms of the swap exactly match those of the hedged debt, no ineffectiveness has been identified in the hedging relationship. Consequently, we record all changes in fair value as a component of other comprehensive income. We periodically determine the effectiveness of the swap by determining that the critical terms still match, determining that the future interest payments are still probable of occurrence, and evaluating the likelihood of the counterparty's compliance with the terms of the swap. At December 31, 2007, the swap agreement has a negative fair value of approximately \$38,000, which was recorded in other long-term assets on the condensed consolidated balance sheet.

**6. INCOME TAXES:**

Effective October 1, 2007, we adopted FIN 48. FIN 48 prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As a result of the adoption of FIN 48, the Company recognized a charge of \$554,313 to the October 1, 2007 retained earnings balance.

As of October 1, 2007, we had approximately \$2.2 million of gross unrecognized tax benefits, of which approximately \$1.6 million, if recognized, would impact the effective tax rate.

Consistent with our prior practices, interest and penalties related to uncertain tax positions will be recognized as a component of income tax expense. Interest and penalties represent approximately \$636,000 of the gross unrecognized

tax benefits.

Since inception we have been 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 examinations for fiscal years prior to 2004 and for the majority of the state jurisdictions we are not subject to audits prior to the 2003 fiscal year.

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It is reasonably possible that a change to the total amount of unrecognized tax benefits could occur in the next 12 months based on examinations by tax authorities, the expiration of statutes of limitations, or potential settlements of outstanding positions. It is not possible to estimate a range of the possible change at this time. However, we do not expect the change to be significant to the overall balance of unrecognized tax benefits.

**7. SHORT-TERM BORROWINGS:**

During June 2007, we entered into an amendment to extend the term of our second amended and restated credit and security agreement entered into in June 2006 with the same lenders and modified the definition of Fixed Charges Coverage Ratio. The credit facility provides us a line of credit with asset-based borrowing availability of up to \$500 million for working capital and inventory financing, with the amount of permissible borrowings determined pursuant to a borrowing base formula. The credit facility also permits approved-vendor floorplan borrowings of up to \$20 million. The credit facility accrues interest at the London Interbank Offered Rate (LIBOR) plus 150 to 260 basis points, with the interest rate based upon the ratio of our net outstanding borrowings to our tangible net worth. The credit facility is secured by our inventory, accounts receivable, equipment, furniture, and fixtures. The amended credit facility matures in May 2012, with two one-year renewal options. As of December 31, 2007, we were in compliance with all of the credit facility covenants and our additional available borrowings under our credit facility was approximately \$109.0 million.

**8. STOCKHOLDERS EQUITY:**

We issued a total of 148,211 shares of our common stock in conjunction with our 2007 Incentive Stock Plan (2007 Plan) and Employee Stock Purchase Plan (The Stock Purchase Plan) during the three months ended December 31, 2007. Our 2007 Plan provides for the grant of incentive and non-qualified stock options to acquire our common stock, the award of restricted stock and restricted stock units, the grant of common stock, the grant of stock appreciation rights, and the grant of other cash awards to key personnel, directors, consultants, independent contractors, and others providing valuable services to us. The Stock Purchase Plan is available to all our regular employees who have completed at least one year of continuous service.

In November 2005, our Board of Directors approved a share repurchase plan allowing our company to repurchase up to 1,000,000 shares of our common stock. Under the plan, we may buy back common stock from time to time in the open market or in privately negotiated blocks, dependant upon various factors, including price and availability of the shares, and general market conditions. At December 31, 2007, we had purchased an aggregate of 790,900 shares of common stock under the plan for an aggregate purchase price of approximately \$15.8 million.

**9. STOCK-BASED COMPENSATION:**

We account for stock-based compensation in accordance with Statement of Financial Accounting Standards No. 123R, Share Based Payment (SFAS 123R). Under this standard, we use the Black-Scholes valuation model for valuing all stock options and shares granted under The Stock Purchase Plan. Compensation for restricted stock awards and restricted stock units are measured 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. Compensation cost for all awards are recognized in earnings, net of estimated forfeitures, on a straight-line basis over the requisite service period for each separately vesting portion of the award.

During the three months ended December 31, 2006 and 2007, we recognized stock-based compensation expense of approximately \$1.7 million and \$1.8 million, respectively, in selling, general, and administrative expenses in the condensed consolidated statements of operations. Tax benefits realized for tax deductions from option exercises for the three months ended December 31, 2006 and 2007, were approximately \$275,000 and \$197,000, respectively.

Cash received from option exercises under all share-based payment arrangements for the three months ended December 31, 2006 and 2007, was approximately \$1.4 million and \$1.6 million, respectively. We currently expect to satisfy share-based awards with registered shares available to be issued.

**10. THE INCENTIVE STOCK PLANS:**

During February 2007, our stockholders approved a proposal to approve our 2007 Plan, which replaced our 1998 Incentive Stock Plan (1998 Plan). Our 2007 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, bonus stock, dividend equivalents, other stock related awards, and





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performance awards (collectively awards), that may be settled in cash, stock, or other property. Our 2007 Plan is designed to attract, motivate, retain, and reward our executives, employees, officers, directors, and independent contractors by providing such persons with annual and long-term performance incentives to expend their maximum efforts in the creation of stockholder value. The total number of shares of our common stock that may be subject to awards under the 2007 Plan is equal to 1,000,000 shares, plus (i) any shares available for issuance and not subject to an award under the 1998 Plan, (ii) the number of shares with respect to which awards granted under the 2007 Plan and the 1998 Plan terminate without the issuance of the shares or where the shares are forfeited or repurchased; (iii) with respect to awards granted under the 2007 Plan and the 1998 Plan, the number of shares that are not issued as a result of the award being settled for cash or otherwise not issued in connection with the exercise or payment of the award; and (iv) the number of shares that are surrendered or withheld in payment of the exercise price of any award or any tax withholding requirements in connection with any award granted under the 2007 Plan and the 1998 Plan. The 2007 Plan terminates in February 2017, and awards may be granted at any time during the life of the 2007 Plan. The date on which awards vest are determined by the Board of Directors or the Plan Administrator. The exercise prices of options are determined by the Board of Directors or the Plan Administrator and are at least equal to the fair market value of shares of common stock on the date of grant. The term of options under the 2007 Plan may not exceed ten years. The options granted have varying vesting periods. To date, we have not settled or been under any obligation to settle any awards in cash.

The following table summarizes option activity from September 30, 2007 through December 31, 2007:

|                                     | <b>Shares<br/>Available<br/>for Grant</b> | <b>Options<br/>Outstanding</b> | <b>Aggregate<br/>Intrinsic<br/>Value (in<br/>thousands)</b> | <b>Weighted<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted<br/>Average<br/>Remaining<br/>Contractual<br/>Life</b> |
|-------------------------------------|---|--------------------------------|---|--|--|
| Balance at September 30, 2007       | 1,230,841                                 | 2,156,545                      | \$4,993   | \$17.36  | 5.2  |
| Options authorized                  |   |                                |   |  |  |
| Options granted                     | (12,500)                                  | 12,500                         |   | \$15.50  |  |
| Options cancelled/forfeited/expired | 10,347                                    | (10,347)                       |   | \$20.62  |  |
| Restricted stock units issued       | (150,000)                                 |                                |   |  |  |
| Options exercised                   |   | (87,757)                       |   | \$10.16  |  |
| Balance at December 31, 2007        | 1,078,688                                 | 2,070,941                      | \$5,535   | \$17.63  | 5.1  |
| Exercisable at December 31, 2007    |   | 1,152,201                      | \$4,586   | \$13.67  | 3.6  |

The weighted-average grant date fair value of options granted during the three months ended December 31, 2006 and 2007, was \$11.48 and \$8.12, respectively. The total intrinsic value of options exercised during the three months ended December 31, 2006 and 2007 was approximately \$756,000 and \$485,000, respectively.

As of December 31, 2007, there was approximately \$2.7 million of unrecognized compensation costs related to non-vested options that is expected to be recognized over a weighted average period of 3.1 years. The total fair value of options vested during the three months ended December 31, 2006 and 2007 was approximately \$1.2 million and \$1.1 million, respectively.

We continued using the Black-Scholes model to estimate the fair value of options granted during fiscal 2008. The expected term of options granted is derived from the output of the option pricing model and represents the period of time that options granted are expected to be outstanding. Volatility is based on the historical volatility of our common stock. The risk-free rate for periods within the contractual term of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

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

|                         | <b>Three Months Ended<br/>December 31,</b> |             |
|-------------------------|--|-------------|
|                         | <b>2006</b>                                | <b>2007</b> |
| Dividend yield          | 0.0%                                       | 0.0%        |
| Risk-free interest rate | 4.6%                                       | 3.7%        |
| Volatility              | 41.7%                                      | 43.4%       |
| Expected life           | 4.8 years                                  | 7.5 years   |

**Table of Contents****11. EMPLOYEE STOCK PURCHASE PLAN:**

The Stock Purchase Plan provides for up to 750,000 shares of common stock to be available for purchase by our regular employees who have completed at least one year of continuous service. The Stock Purchase Plan provides for implementation of up to 10 annual offerings beginning on the first day of October starting in 1998, with each offering terminating on September 30 of the following year. Each annual offering may be divided into two six-month offerings. For each offering, the purchase price per share will be the lower of (i) 85% of the closing price of the common stock on the first day of the offering or (ii) 85% of the closing price of the common stock on the last day of the offering. The purchase price is paid through periodic payroll deductions not to exceed 10% of the participant's earnings during each offering period. However, no participant may purchase more than \$25,000 worth of common stock annually.

We continued using the Black-Scholes model to estimate the fair value of options granted during fiscal 2007 and 2008. The expected term of options granted is derived from the output of the option pricing model and represents the period of time that options granted are expected to be outstanding. Volatility is based on the historical volatility of our common stock. The risk-free rate for periods within the contractual term of the options is based on the U.S. Treasury yield curve in effect at the time of grant.

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

|                         | <b>Three Months Ended</b> |             |
|-------------------------|---------------------------|-------------|
|                         | <b>December 31,</b>       |             |
|                         | <b>2006</b>               | <b>2007</b> |
| Dividend yield          | 0.0%                      | 0.0%        |
| Risk-free interest rate | 5.1%                      | 3.7%        |
| Volatility              | 39.8%                     | 46.9%       |
| Expected life           | six-months                | six-months  |

**12. RESTRICTED STOCK AWARDS:**

During the first quarter of fiscal 2007, we granted restricted stock units to certain key employees pursuant to the 1998 Plan. The restricted stock units have vesting periods that become fully vested at the end of year five. The stock underlying the vested restricted stock units will be delivered upon vesting. We accounted for the restricted stock units using the measurement and recognition provisions of SFAS 123R. Accordingly, the fair value of the restricted stock units is measured on the grant date and recognized in earnings over the requisite service period for each separately vesting portion of the award.

During the first quarter of fiscal 2008, we granted restricted stock units, with both time-based and performance-based criteria, to certain key employees pursuant to the 2007 Plan. These shares vest ratably over a four year period based on achieving certain financial performance targets. Under SFAS 123R, we will recognize compensation costs, net of forfeitures, over the vesting period for awards with performance conditions only if it is probable that the condition will be satisfied. If the financial performance targets are not reached, or if an employee terminates their employment prior to the end of the vesting period, the corresponding performance-based restricted stock units will not be issued and the expense previously recognized will be reversed. During the current quarter, we recognized compensation costs associated with the performance-based restricted stock units based on our belief that obtaining the maximum performance targets is probable. Performance-based restricted stock units are presented in the table below at the maximum number of restricted stock units that would vest if the maximum performance targets are met.

The following table summarizes restricted stock award activity from September 30, 2007 through December 31, 2007:

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|  | Shares  | Weighted<br>Average<br>Grant Date<br>Fair Value |
|--|---------|---|
| Non-vested balance at September 30, 2007 | 500,100 | \$28.30   |
| Changes during the period Awards granted | 150,000 | \$15.80   |
| Awards vested                            |         |   |
| Awards forfeited                         |         |   |
| Non-vested balance at December 31, 2007  | 650,100 | \$25.41   |

As of December 31, 2007, there was approximately \$9.3 million of total unrecognized compensation cost related to restricted stock units and restricted stock awards that is expected to be recognized over a weighted-average period of 3.4 years. These unrecognized compensation costs assume that the maximum performance targets are met for the respective restricted stock units.

**13. NET LOSS PER SHARE:**

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

|   | <b>Three Months Ended<br/>December 31,</b> |             |
|---|--|-------------|
|   | <b>2006</b>                                | <b>2007</b> |
| Weighted average common shares outstanding used in calculating basic loss per share             | 18,287,781                                 | 18,364,676  |
| Effect of dilutive options  |  |             |
| Weighted average common and common equivalent shares used in calculating diluted loss per share | 18,287,781                                 | 18,364,676  |

The dilutive effect of options to purchase 896,784 and 403,903 shares of common stock were outstanding at December 31, 2006 and 2007, respectively, but as a result of our net loss, were not included in the computation of diluted loss per share because their effect would be anti-dilutive. Options to purchase 669,100 and 1,222,200 shares of common stock were outstanding at December 31, 2006 and 2007, respectively, but were not included in the computation of loss per share because the options exercise prices were greater than the average market price of our common stock, and therefore, their effect would be anti-dilutive.

**14. COMMITMENTS AND CONTINGENCIES:**

We are party to various legal actions arising in the ordinary course of business. The ultimate liability, if any, associated with these matters was not material at December 31, 2007. While it is not feasible to determine the actual outcome of these actions as of December 31, 2007, we do not believe that these matters will have a material adverse effect on our consolidated financial condition, results of operations, or cash flows.

**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements include statements relating to our future economic performance, plans and objectives for future operations, and projections of revenue and other financial items that are based on our beliefs as well as assumptions made by and information currently available to us. Actual results could differ materially from those currently anticipated as a result of a number of factors, including those listed under "Business-Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended September 30, 2007.

**General**

We are the largest recreational boat retailer in the United States with fiscal 2007 revenue of approximately \$1.3 billion. Through 90 retail locations in 22 states, we sell new and used recreational boats and related marine products, including engines, trailers, parts, and accessories. We also arrange related boat financing, insurance, and extended warranty contracts; provide boat repair and maintenance services; offer yacht and boat brokerage services; and, where available, offer slip and storage accommodations.

MarineMax was incorporated in January 1998. We commenced with the acquisition of five independent recreational boat dealers on March 1, 1998. Since the initial acquisitions in March 1998, we have significantly expanded our operations through the acquisition of 20 recreational boat dealers, two boat brokerage operations, and two full-service yacht repair facilities. As a part of our acquisition strategy, we frequently engage in discussions with various recreational boat dealers regarding their potential acquisition by us. Potential acquisition discussions frequently take place over a long period of time and involve difficult business integration and other issues, including in some cases, management succession and related matters. As a result of these and other factors, a number of potential acquisitions that from time to time appear likely to occur do not result in binding legal agreements and are not consummated.

**Application of Critical Accounting Policies**

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

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

***Revenue Recognition***

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

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disability, and hull insurance products sold by third-party insurance companies at the later of customer acceptance of the insurance product as evidenced by contract execution, or when the related boat sale is recognized. We also recognize commissions earned on extended warranty service contracts sold on behalf of third-party insurance companies at the later of customer acceptance of the service contract terms as evidenced by contract execution, or recognition of the related boat sale. We are charged back for a portion of these commissions should the customer terminate or default on the service contract prior to its scheduled maturity.

***Vendor Consideration Received***

We account for consideration received from our vendors in accordance with Emerging Issues Task Force Issue No. 02-16, *Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor* (EITF 02-16). EITF 02-16 most significantly requires us to classify interest assistance received from manufacturers as a reduction of inventory cost and related cost of sales as opposed to netting the assistance against our interest expense incurred with our lenders. Pursuant to EITF 02-16, amounts received by us under our co-op assistance programs from our manufacturers, are netted against related advertising expenses.

***Inventories***

Inventory costs consist of the amount paid to acquire the inventory, net of vendor consideration and purchase discounts, the cost of equipment added, reconditioning costs, and transportation costs relating to acquiring inventory for sale. We state new and used boat, motor, and trailer inventories at the lower of cost, determined on a specific-identification basis, or market. We state parts and accessories at the lower of cost, determined on the first-in, first-out basis, or market. If the carrying amount of our inventory exceeds its fair value, we reduce the carrying amount to reflect fair value. We utilize our historical experience and consideration of current sales trends as the basis for our lower of cost or market analysis. If events occur and market conditions change, causing the fair value to fall below carrying value, further reductions may be required.

***Valuation of Goodwill and Other Intangible Assets***

We account for goodwill and identifiable intangible assets in accordance with Statement of Financial Accounting Standards No. 141, *Business Combinations* (SFAS 141), and Statement of Financial Accounting Standards No. 142, *Goodwill and other Intangible Assets* (SFAS 142). SFAS 141 requires that all business combinations initiated after June 30, 2001 be accounted for using the purchase method of accounting and identifiable intangible assets acquired in a business combination be recognized as assets and reported separately from goodwill. We have determined that our most significant acquired identifiable intangible assets are dealer agreements, which are indefinite-lived intangible assets. SFAS 142 requires that goodwill and indefinite-lived intangible assets no longer be amortized, but instead tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the carrying amount of goodwill or an identifiable intangible asset exceeds its fair value, we would recognize an impairment loss. We measure any potential impairment based on various business valuation methodologies, including a projected discounted cash flow method. We completed our last annual impairment test during the fourth quarter of fiscal 2007, based on financial information as of the third quarter of fiscal 2007, which resulted in no impairment of goodwill or identifiable intangible assets. To date, we have not recognized any impairment of goodwill or identifiable intangible assets in the application of SFAS 142. We will continue to test goodwill and identifiable intangible assets for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Prior to the adoption of SFAS 142, all purchase price in excess of the net tangible assets was recorded as goodwill and no identifiable intangible assets were recognized. Net goodwill and identifiable intangible assets amounted to approximately \$97.4 million and \$23.7 million, respectively, as of December 31, 2007.

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

We review property, plant, and equipment for impairment in accordance with Statement of Financial Accounting Standards No.144, *Accounting for Impairment or Disposal of Long-Lived Assets* (SFAS 144). SFAS 144 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

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may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to the 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 management's best estimate based on currently available information and reasonable and supportable assumptions. Any impairment recognized in accordance with SFAS 144 is permanent and may not be restored. To date, we have not recognized any impairment of long-lived assets in connection with SFAS 144.

***Stock-Based Compensation***

Effective October 1, 2005, we adopted the provisions of Statement of Financial Accounting Standards No. 123R, Share-Based Payment (SFAS 123R) for our share-based compensation plans. We adopted SFAS 123R using the modified prospective transition method. Under this transition method, compensation cost recognized includes (a) the compensation cost for all share-based awards granted prior to, but not yet vested as of October 1, 2005, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123 and (b) the compensation cost for all share-based awards granted subsequent to September 30, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. Results for prior periods have not been restated.

***Income Taxes***

We account for income taxes in accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes (SFAS 109) and Financial Accounting Standard Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). Under SFAS 109, 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 those temporary differences are expected to be recovered or settled. Effective October 1, 2007, we adopted FIN 48 and established a recognition threshold and measurement principles for the financial statement recognition and measurement of a tax positions taken or expected to be taken on a tax return. We also follow the guidance provided by FIN 48 on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

We operate in multiple states with varying tax laws and are subject to both federal and state audits of our tax filings. We make estimates to determine that our tax reserves are adequate to cover audit adjustments, if any. Actual audit results could vary from the estimates recorded by us. As the number of years that are open for tax audits vary depending on tax jurisdiction, a number of years may elapse before a particular matter is audited and finally resolved. While it is often difficult to predict the final outcome or timing of resolution of a particular tax matter, we believe that our consolidated financial statements reflect the appropriate outcome of known tax contingencies.

***Consolidated Results of Operations***

The following discussion compares the three months ended December 31, 2007 with the three months ended December 31, 2006 and should be read in conjunction with the Condensed Consolidated Financial Statements, including the related notes thereto, appearing elsewhere in this Report.

***Three Months Ended December 31, 2007 Compared with Three Months Ended December 31, 2006***

**Revenue.** Revenue decreased \$18.7 million, or 8.0%, to \$215.3 million for the three months ended December 31, 2007 from \$234.0 million for the three months ended December 31, 2006. Of this decrease, \$20.0 million was attributable to an 8.6% decline in comparable-store sales, partially offset by approximately \$1.3 million attributable to stores opened that are not eligible for inclusion in the comparable store base for the three months ended December 31, 2007. The decline in our same-store sales was due to softer economic conditions, which have adversely impacted our retail sales.

**Gross Profit.** Gross profit decreased \$8.3 million, or 14.6%, to \$48.1 million for the three months ended December 31, 2007 from \$56.4 million for the three months ended December 31, 2006. Gross profit as a percentage of revenue decreased to 22.4% for the three months ended December 31, 2007 from 24.1% for the three months ended December 31, 2006. The decrease in gross profit as a percentage of revenue was due primarily to a shift in product mix to larger yacht sales, which historically carry a lower gross margin, and the increased discounting due to unfavorable retail environment.





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*Selling, General, and Administrative Expenses.* Selling, general, and administrative expenses decreased \$3.0 million, or 5.3%, to \$53.2 million for the three months ended December 31, 2007 from \$56.2 million for the three months ended December 31, 2006. Selling, general, and administrative expenses as a percentage of revenue increased approximately 70 basis points to 24.7% for the three months ended December 31, 2007 from 24.0% for the three months ended December 31, 2006. The increase in selling, general, and administrative expenses as a percentage of revenue was due to the lack of leverage caused by the decline in same-store sales.

*Interest Expense.* Interest expense decreased \$660,000, or 10.1%, to \$5.9 million for the three months ended December 31, 2007 from \$6.5 million for the three months ended December 31, 2006. Interest expense as a percentage of revenue decreased to 2.7% for the three months ended December 31, 2007 from 2.8% for the three months ended December 31, 2006. The decrease was primarily a result of decreased borrowings on our revolving credit facility and mortgages coupled with the more favorable interest rate environment.

*Income Tax Benefit.* Income tax benefit increased \$1.9 million, or 76.6%, to \$4.5 million for the three months ended December 31, 2007 from \$2.6 million for the three months ended December 31, 2006. Our effective income tax rate remained fairly constant at approximately 41.4% for the three months ended December 31, 2007.

**Liquidity and Capital Resources**

Our cash needs are primarily for working capital to support operations, including new and used boat and related parts inventories, off-season liquidity, and growth through acquisitions and new store openings. We regularly monitor the aging of our inventories and current market trends to evaluate our current and future inventory needs. We also use this evaluation in conjunction with our review of our current and expected operating performance and expected growth to determine the adequacy of our financing needs. These cash needs have historically been financed with cash generated from operations and borrowings under our line of credit facility. We currently depend upon dividends and other payments from our consolidated operating subsidiaries and our line of credit facility to fund our current operations and meet our cash needs. Currently, no agreements exist that restrict this flow of funds from our operating subsidiaries.

For the three months ended December 31, 2006 and 2007, cash used in operating activities approximated \$94.8 million and \$69.9 million, respectively. For the three months ended December 31, 2006 and 2007, cash used in operating activities was primarily used to increase inventories to ensure appropriate inventory levels, decrease accounts payable to tax authorities and a decrease in customer deposits, partially offset by decreased accounts receivable from our manufacturers.

For the three months ended December 31, 2006 and 2007, cash used in investing activities approximated \$1.6 million and \$2.4 million, respectively, and was primarily used to purchase property and equipment associated with opening new retail facilities or improving and relocating existing retail facilities.

For the three months ended December 31, 2006 and 2007, cash provided by financing activities approximated \$84.4 million and \$64.7 million, respectively, and was primarily attributable to net borrowings of short-term borrowings as a result of increased inventory levels and net proceeds from common shares issued upon the exercise of stock options and stock purchases under our Employee Stock Purchase Plan, partially offset by repayments of long-term debt.

During June 2007, we entered into an amendment to extend the term of our second amended and restated credit and security agreement entered into in June 2006 with the same lenders and modified the definition of Fixed Charges Coverage Ratio. The credit facility provides us a line of credit with asset-based borrowing availability of up to \$500 million for working capital and inventory financing, with the amount of permissible borrowings determined pursuant to a borrowing base formula. The credit facility also permits approved-vendor floorplan borrowings of up to \$20 million. The credit facility accrues interest at the London Interbank Offered Rate (LIBOR) plus 150 to 260 basis points, with the interest rate based upon the ratio of our net outstanding borrowings to our tangible net worth. The credit facility is secured by our inventory, accounts receivable, equipment, furniture, and fixtures. The amended credit facility matures in May 2012, with two one-year renewal options. At December 31, 2007, we were in compliance with all of the credit facility covenants.

As of December 31, 2007, our indebtedness totaled approximately \$420.7 million, of which approximately \$29.7 million was associated with our real estate holdings and approximately \$391.0 million was associated with

financing

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our inventory and working capital needs. At December 31, 2006 and 2007, the interest rate on the outstanding short-term borrowings was 6.8% and 6.7%, respectively. At December 31, 2007, our additional available borrowings under our credit facility were approximately \$109.0 million.

We issued a total of 148,211 shares of our common stock in conjunction with our Incentive Stock Plans and Employee Stock Purchase Plan during the three months ended December 31, 2007 in exchange for approximately \$1.6 million in cash. Our Incentive Stock Plans provide for the grant of incentive and non-qualified stock options to acquire our common stock, the grant of restricted stock awards and restricted stock units, the grant of common stock, the grant of stock appreciation rights, and the grant of other cash awards to key personnel, directors, consultants, independent contractors, and others providing valuable services to us. Our Employee Stock Purchase Plan is available to all our regular employees who have completed at least one year of continuous service.

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

**Impact of Seasonality and Weather on Operations**

Our business, as well as the entire recreational boating industry, is highly seasonal, with seasonality varying in different geographic markets. With the exception of Florida, we generally realize significantly lower sales and higher levels of inventories, and related short-term borrowings, in the quarterly periods ending December 31 and March 31. The onset of the public boat and recreation shows in January stimulates boat sales and allows us to reduce our inventory levels and related short-term borrowings throughout the remainder of the fiscal year. Our business will become substantially more seasonal as we acquire dealers that operate in colder regions of the United States.

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

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

At December 31, 2007, approximately 98.6% of our short- and long-term debt bore interest at variable rates, generally tied to a reference rate such as the LIBOR rate or the prime rate of interest of certain banks. Changes in interest rates on loans from these financial institutions could affect our earnings because of interest rates charged on certain underlying obligations that are variable. At December 31, 2007, a hypothetical 100 basis point increase in interest rates on our variable rate obligations would have resulted in an increase of approximately \$4.1 million in annual pre-tax interest expense. This estimated increase is based upon the outstanding balances of all of our variable rate obligations and assumes no mitigating changes by us to reduce the outstanding balances or additional interest assistance that would be received from vendors due to the hypothetical interest rate increase.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation as required by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of our disclosure controls and procedures as of December 31, 2007. Based on this evaluation, our CEO and CFO have each concluded that our disclosure controls and procedures are effective to ensure that we record, process, summarize, and report information required to be disclosed by us in our reports filed under the Securities Exchange Act within the time periods specified by the Securities and Exchange Commission's rules and forms.

**Changes in Internal Controls**

During the quarter ended December 31, 2007, there were no changes in our internal controls over financial reporting that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

**Limitations on the Effectiveness of Controls**

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

**CEO and CFO Certifications**

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

**Table of Contents****PART II  
OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

Not applicable.

**ITEM 1A. RISK FACTORS**

Not applicable.

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

At December 31, 2007, we had purchased an aggregate of 790,900 shares of common stock under the share repurchase plan for an aggregate purchase price of approximately \$15.8 million. The number and average price of shares purchased in each month of the first quarter of fiscal 2008 are set forth in the table below:

| <b>Period</b>                | <b>Total<br/>Number of<br/>Shares<br/>Purchased</b> | <b>Average<br/>Price Paid<br/>per Share</b> | <b>Total<br/>Number of<br/>Shares<br/>Purchased as<br/>Part of Publicly<br/>Announced<br/>Program</b> | <b>Maximum<br/>Number of<br/>Shares<br/>that May Yet<br/>Be<br/>Purchased<br/>Under<br/>the Plan</b> |
|------------------------------|---|---|---|--|
| Oct. 1, 2007 - Oct. 31, 2007 |   |   |   | 310,400  |
| Nov. 1, 2007 - Nov. 30, 2007 | 71,300  | \$ 14.48                                    | 71,300  | 239,100  |
| Dec. 1, 2007 - Dec. 31, 2007 |   |   |   | 239,100  |

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

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

Not applicable.

**ITEM 5. OTHER INFORMATION**

Not applicable.

**ITEM 6. EXHIBITS**

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended.
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a), promulgated under the Securities Exchange Act of 1934, as amended.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**MARINEMAX, INC.**

February 11, 2008

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

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**INDEX TO EXHIBITS**

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