

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

MarineMax, Inc. (NYSE:HZO)



W. BRETT MCGILL has served as Chief Executive Officer of MarineMax, Inc. since October 2018 and continues to serve as President, having been promoted to that position in October 2017. Previously, he served as Chief Operating Officer of the company from October 2016 to October 2018. He was Executive Vice President of Operations since October 2015 and Executive Vice President of West Operations since May 2012. He was appointed as an executive officer by the board of directors in November 2012 and as a director of the company in February 2019. Mr. McGill served as one of MarineMax's regional presidents from March 2006 to May 2012, as Vice President of Information Technology, Service and Parts 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.

SECTOR — RETAIL

TWST: I am hoping you would start by telling our readers a bit about MarineMax, with a snapshot of the company's history and an overview of what the business looks like today.

Mr. McGill: MarineMax was formed with the vision to change the industry. As a larger organization, we felt we would have a larger voice to bring about customer-focused change. We took the company public in 1998, and before that, we were independent boat retailers. We wanted to create a larger footprint across the country to provide a better boating and service experience for customers. MarineMax evolved with the idea of enhancing the customer's experience by creating events that we call Getaways out on the water for them once they buy a boat.

Also, as we grew over time, we were able to provide a comprehensive coast-to-coast boating platform with locations ranging from, say, Boston all the way to Miami. Therefore, a customer can buy a boat, and if it is big enough, they can travel back and forth between different areas of the country and have a great MarineMax-supported experience.

Over the past 30-plus years, we have grown the company by acquiring targeted boat dealers while also expanding our brands and product lines and higher-margin offerings. More recently, we've focused on creating an environment where we have full-service operations including marinas and restaurants. Today, in many locations, MarineMax has become more of a destination for our customers, and it creates a stickier kind of revenue model.

Specifically, once a customer joins our family after buying a boat, we can now provide them with a one-stop solution. We can

provide parts, accessories, storage and winterization, insurance and off-balance-sheet financing solutions if needed. MarineMax covers the full gamut. Our goal is to provide a comprehensive yet simple solution that today is supported by technology and is available on our MarineMax app or our website.

TWST: You just reported your third-quarter results, and I noted revenues grew by 30% compared to the same quarter last year. What part or parts of the business accounted for that growth? What was driving those results, and were you expecting that, or were you surprised by it?

Mr. McGill: We were excited by our third-quarter results. It was not only a powerful quarter, and we achieved record results in the midst of a pandemic, making it an interesting quarter, for sure. As most of the country went into March facing the sudden impact of stay-at-home orders, we had to modify our approach and, most importantly, ensure that our employees and communities were safe.

By the end of March and the beginning of April, just like every business out there, we really weren't sure what was going to happen. We quickly were able to migrate from a store-based retailer to a virtual retailer as a result of our digital investments, all while keeping our customers safe on the water. It wasn't too long after that, that people really reengaged in their passion for boating — maybe they had been away from it for a long time, and those that had a boat were getting out more than ever. And so as we moved through the quarter, more and more people were getting out on the water, more and more people wanted to go boating that hadn't been boating for a long time, and we were seeing new leads coming into our company driven by our enhanced digital tools.

Certainly, we didn't expect the increase in activity when the stay-at-home orders were announced in March, but as the time-at-home order lengthened, we understood because, candidly, for 20-plus years that has been our marketing approach — that there's not a better recreation than staying close to home and spending time with your family and friends on the water, even if you have to social distance. Our competition is probably cruise lines, international travel and European travel, so boating is something that people just found their way back to. This was apparent in our results and resulted in a 37% increase in same-store sales fueled entirely from unit growth. We have other elements of our business that also grew, but they were dwarfed by the boat sales element that drove that growth.

“We had to sell boats without ever coming in contact with a customer. That solution was driven by our digital marketing and our ability to work with the customer remotely and allow them to see, almost feel and experience our products without physically having to come to the dealership. Our trusted brands and digital capabilities made it easy for our customers to conduct business quickly and remotely.”

TWST: Do you anticipate that kind of increased activity going forward? I wondered if this was, to some extent, a one-time boost in sales because everybody wanted to get out of the house, combined with summer approaching. What are your thoughts and outlook in that regard?

Mr. McGill: My team has been in this business quite some time, and we've been through multiple cycles over the years, including four or five different recessionary periods. We go back and look at our lessons learned. In our experience, the more new people you get into boating, the more they use their boat, and as we put it, “good things happen.”

Typically, once people buy a boat, they're kind of hooked. And then there's that concept of, “Well, jeez, maybe we should have bought a little bit bigger boat. We thought we just wanted to go out during the day, but we want to spend the night.” So then they get a boat with a cabin. Or maybe they want a faster boat. There are varying needs. We think that there will be a continuation of steadier growth as the industry is attracting and adding a new foundational layer of customers to the boating lifestyle.

TWST: How important to your business are boat shows and other events, and what has the impact been there?

Mr. McGill: Boat shows and events have been a big part of our business. When you look at the marine industry, it is something that really revolves around the excitement of a boat show, and there are boat shows all over the country. However, our marketing focus has always been on our Getaways and our events, our event-based marketing and experiences.

So when a customer purchases a boat from MarineMax, they are able to join other MarineMax customers in the Bahamas or other key destinations around the country like Key West or Nantucket. Those events really drive sales, and then it's repeat and referral. We've been able to successfully supplement these events with our success with boat shows, so we haven't been dependent on the shows.

And now with this crisis, some shows were canceled, yet MarineMax and many others in the industry achieved record results. I believe many dealers potentially realized that the shows may not be necessary. Future boat shows, I believe, will be different. Consumer patterns and buying behaviors have evolved. Shows are fun, and they're exciting to go to, but they can be very costly and take a lot of time, effort and require travel.

Things will be different for the short term, which means a lot of them can be canceled, and then beyond that they will be different. Our business model does not revolve around boat shows. Given our technology and our ability to mine the data we have amassed over the years, we can generate very qualified leads online, allowing us to outperform without the boat shows.

TWST: Beyond the increase in revenues that we talked about, are there any other highlights that you'd point to from your quarterly results?

Mr. McGill: We were able to quickly adapt and leverage our technology platform. We've invested for the last several years in a new digital platform. This provided a jumpstart for us to get to where we wanted to be sooner than the competitors.

We had to work remotely. We had to sell boats without ever coming in contact with a customer. That solution was driven by our digital marketing and our ability to work with the customer remotely and allow them to see, almost feel and experience our products without physically having to come to the dealership. Our trusted brands and digital capabilities made it easy for our customers to conduct business quickly and remotely. I think the timing was perfect for us. Our strategic digital investments supported the surge in boating demand, and we are now even more efficient with better visibility.

TWST: Earlier in the year, you acquired a digital platform called Boatyard. And more recently, you purchased Northrop & Johnson and Private Insurance Services. Would you tell us a little bit about these entities, why they were a good fit for MarineMax and what the acquisitions mean for your business going forward?

Mr. McGill: They all fall under the category of our strategic higher-margin businesses. Historically, our focus has been to buy boat dealerships in very strategic markets while adding new boat brands to drive our new and used boat sales. Now, we're continuing to build out that business, but we are focused on higher margins and more recurring revenue.

Looking at our technology acquisition earlier this year, called Boatyard, it provides us the necessary technology to enhance the MarineMax digital experience. It also lets us venture into other high-margin services outside of our brick-and-mortar stores.

When you look at the Northrop & Johnson acquisition, they're one of the larger superyacht companies, and it adds to our Fraser

superyacht acquisition from about a year ago. Fraser is a yacht services business where clients charter big yachts, and we provide crew placement and plan and execute the events. These are asset-light, high-margin businesses. You will see us continue to look at other digitally focused and high-margin business opportunities as we move forward.

TWST: And the Private Insurance Services?

Mr. McGill: It falls right in there. This is an insurance service that's related to the superyacht operations and business, and it dovetailed well with the Northrop & Johnson purchase. We definitely see that as a big opportunity for future growth.

TWST: In your earnings release, you made mention of being well-capitalized in order to make strategic acquisitions. Are there particular areas that you're looking to expand in, whether it's an area of business or a geographic area?

Mr. McGill: Yes. We're definitely out there looking at boat dealerships, more of those in areas where maybe we don't have coverage or an area where there are marina opportunities to add a bigger footprint. We are actively looking, and the pipeline is pretty full in that regard. We will also be looking to grow our higher-margin businesses, and some of it may be to expand further with the businesses we have with Fraser, Northrop & Johnson and the insurance side of things. So it'll be focused aggressively in both areas.

TWST: Many of the more traditional retailers took actions to increase their liquidity and ensure financial flexibility in these uncertain times. Was there anything in particular that you did in that regard, and what would you say about your balance sheet as it stands right now?

Mr. McGill: We have, over the years, always prided ourselves as having a very solid balance sheet. And so yes, when the stay-at-home orders and everything went into place, and everybody was pulling down credit lines, we actively took steps to line things up. We own over half

of our properties, they are unlevered, and so we have a strong liquidity position. Our balance sheet was strong when we entered the crisis, and it's even stronger now with over \$180 million in liquidity before considering our sizable unleveraged real estate portfolio.

TWST: Is there anything else you'd want an investor readership to know about MarineMax's business or your industry?

Mr. McGill: Again, an industry-leading fortified balance sheet, a best-in-class team, delivering the best products and services to families and friends to maximize their enjoyment on the water. We have a lot of growth opportunities in front of us, and we have a state-of-the-art technology platform supporting our growth. We're going to continue to focus on our high-margin businesses and leverage our digital capabilities to maximize value for all stakeholders.

And we're excited that the industry is reporting record growth, and we're seeing it as a new foundational layer of customers coming into the boating lifestyle. That's creating quite a bit of opportunity now, and we feel like that's something that the marine industry hasn't seen for years. This new foundational layer of boaters should provide incremental growth for our industry going forward for at least the next several years.

TWST: Thank you.

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