Does your Marina Meet National Industry Benchmarks?

Jim Frye, CMM, VP Westrec Marinas
President Emeritus Association of Marina Industries
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Please stop by their booth to thank them.
Financial Benchmark Study Report

- The information in this presentation is a product of the Financial Benchmark Study Report produced recently by the AMI.
- The real work here was done by Eric Kretsch, AMI Legislative Coordinator.
- He got interested in the financial benchmarking as an outgrowth of his work on the Marina Economic Impact Model that AMI has been working on for several years.
- Eric will be presenting the Economic Impact Model tomorrow, (Friday) at 2:00 so go check him out.
Agenda

• Industry Demographics
• Business Trends
• Amenities offered & Capital Expenditures
• Financial Performance
• Marina Examples of Operating Profit
• Valuation – Cap Rate / Multiples
Data Sources

2017 Industry Trends Report – partnership w/ Marina Dock Age

2018 Operations and Infrastructure Report – partnership w/ Marina Dock Age

2018 Marina Economic Impact

2018 Cost of Doing Business Survey

2015 - 2017 International Marina Institute Data
Thank you to Marina Dock Age Magazine
What is Financial Benchmarking?

• Definition: Financial benchmarking involves running a financial analysis and making a comparison of the results in order to assess a firm's overall competitiveness, efficiency and productivity.
Why should we use Benchmarking?

• **To measure performance** – knowing where we stand in the market, especially compared to those we perceive to be the “best” is a valuable tool in management.

• **To enhance goal setting** - Knowing the best practices in your business can dramatically improve your ability to know what goals are realistic and attainable.

• **To keep our eye on the ball** – using benchmarks as measurement tools reminds us to constantly evaluate and re-evaluate our goals and performance against those goals.
Why is it important to the marina industry?

• How do we use benchmarking most effectively in the marina industry?
• What are the things we’d like to measure and compare?
• Is it just financial measurements or can we measure other things like operations, customer service, quality of infrastructure....
Industry Demographics

Marinas by Type

- Marina (only wet slips) 37%
- Marina (wet slips and dry storage) 29%
- Dry storage facility only 5%
- Boatyard/service center (no slips or dry storage) 2%
- Boatyard/service center and marina (wet slips and/or dry storage) 27%
Marinas by Ownership

- Family Owned: 36%
- Private/ multiple partners: 17%
- Private/ not family owned: 10%
- Municipal Marina: 9%
- Coportation/management firm: 6%
- Condominium Marina: 6%
- Yacht club: 6%
- Harbor/port district: 5%
- County Marina: 2%
- No response: 1%
- State/National Park Concessionaire: 1%
- State Marina: 1%
Size by number of slips

- 1-99: 19%
- 100-249: 31%
- 250-449: 15%
- 450-749: 6%
- 750-1,000: 7%
- 1,000+: 15%
- No slips (boatyard only): 1%
Business Trends

Occupancy Rate

- Less than 50%
- 50 to 74%
- 75 to 84%
- 85 to 94%
- 95% to 99%
- 100%
- no slips (boatyard only)
Occupancy, as compared to previous years

2012 2013 2014 2015 2016 2017

Higher: 42% 47% 44% 53% 56.8% 49%
Lower: 29% 32% 36% 29% 28.6% 35%
Same: 23% 18% 16% 12% 10.0% 10%
I don't know: 2% 1% 1% 4% 1.8% 1%
Occupancy Rates; 2017 compared to 2016

<table>
<thead>
<tr>
<th>Range</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 50%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>50 to 74%</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>75 to 84%</td>
<td>17%</td>
<td>12%</td>
</tr>
<tr>
<td>85 to 94%</td>
<td>27%</td>
<td>24%</td>
</tr>
<tr>
<td>95% to 99%</td>
<td>20%</td>
<td>32%</td>
</tr>
<tr>
<td>100%</td>
<td>18%</td>
<td>12%</td>
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</tbody>
</table>
Profit; comparison 2016-2017

- Increase: 59%
- Decrease: 18%
- Stayed the same: 24%
Amenities offered, capital expenditures
Planned Capital Expenditures

Do you plan on capital expenditures in the next 5 years?

Yes, 58%
No, 42%

2019...

<table>
<thead>
<tr>
<th></th>
<th>1st Qtr</th>
<th>2nd Qtr</th>
<th>3rd Qtr</th>
<th>4th Qtr</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Average</strong></td>
<td>$ 60,250</td>
<td>$ 48,125</td>
<td>$ 17,500</td>
<td>$ 35,375</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>$ 20,000</td>
<td>$ 5,000</td>
<td>$ 7,500</td>
<td>$ 4,000</td>
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</table>
What is the Median vs Average?

- The **median** is the value separating the higher half from the lower half of a data sample...the **median** is the value such that a number is equally likely to fall above or below it.

- The **average** is calculated by dividing the sum of the values in the data set by their number.
Planned Capital Expenditures...

2020 - 2023

<table>
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<tr>
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<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
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<tr>
<td><strong>Average</strong></td>
<td>$ 158,750</td>
<td>$ 241,875</td>
<td>$ 160,000</td>
<td>$ 302,500</td>
</tr>
<tr>
<td><strong>Median</strong></td>
<td>$ 150,000</td>
<td>$ 200,000</td>
<td>$ 150,000</td>
<td>$ 175,000</td>
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Do you plan on purchasing a new facility in the next 5 years?

- Yes, 8%
- No, 92%
Capital Expenditures

• More marinas reported improving the floating slips and bulkheads than any other category

• The infrastructure with the youngest age at replacement is floating breakwaters

• On average, marinas plan to spend greater than $100,000 in dredging project, restaurants, or utilities renovations

• The only two new construction projects reported are for floating slip expansion and upland drystack
Financial Performance of the Median Marina

Background:

Size (Revenue) - $3,330,603
Wet (# of Slips) – 138
Dry Stack Spaces (# of Units) – 45 (avg. 206)

We will cover:

Current, Quick, Debt to Equity Ratios
Gross Profit, Operating Profit, Net Profit Measurements
A/R Collection Period, A/P Payment Period, Inventory Turnover
Annual Rev. per Occ. Slip, Annual Rev. per Dry Storage Unit
## Current, Quick, Debt to Equity Ratio

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<td><strong>Current Ratio</strong></td>
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<td><strong>Debt to Equity Ratio</strong></td>
<td>0.47</td>
<td>0.44</td>
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Current Ratio Formula: Current Assets / Current Liabilities

1.83 means the typical marina has $1.83 in current assets to pay every dollar in current liabilities

Quick Ratio Formula: (Cash + Short-term securities + Net receivables) / Current Liabilities

0.52 reflects $0.52 in assets that can be quickly turned into cash, for every dollar in current liabilities

Debt-to-Equity Formula: Total Liabilities / Total Equity

0.47 indicates that for every dollar of equity the owners have in the company creditors are owed 47 cents
## Current, Quick, Debt to Equity Ratio

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### Gross Profit, Operating Profit, Pretax Profit, Net Profit

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<td>75.1%</td>
<td>85.4%</td>
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<td><strong>Operating Profit</strong></td>
<td>41.1%</td>
<td>52.2%</td>
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<td><strong>Net Profit</strong></td>
<td>8.8%</td>
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Gross Profit Formula: Gross Profit / Total Sales x 100

75.1% indicates that for every dollar of sales, the typical marina makes about 75 cents at the gross profit level.

Operating Profit Formula: Net Profit (before tax) / Total Sales x 100

41.1% means that for every dollar in sales, the typical marina makes about 41 cents at the operating profit level

Net Profit Formula: Net Profit / Total Sales x 100

8.8% meant that for every dollar in sales the typical marina makes about 9 cents in profit
Two kinds of marina Revenue:

- Passive Income: storage, lease income, rents in general...

- Active Income: anything with a cost of sales; gas, retail, service and repair, all based upon using the boat.
How does Operating Profit relate to EBITDA?

• E – Earnings
• B – Before
• I – Interest
• T – Taxes (Income)
• D – Depreciation, and
• A – Amortization
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A few examples of Operating Profit (EBITDA) (Calculated as a % of Gross Revenue)

- Harbour Towne Marina - Dania, FL 41%
- Hall of Fame Marina – Ft Lauderdale, FL 39%
- Camachee Cove Yacht Harbor – St Augustine, FL 30%
- Holiday Marina - Lake Lanier, GA 38%
- Allatoona Landing Marina – Cartersville, GA 32%
- Cabrillo Way Marina - Port of Los Angeles, CA 48%

Average Operating Profit (EBITDA) % 38%
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<td>18</td>
<td>19</td>
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<td>A/P Payment Period - Days</td>
<td>18</td>
<td>23</td>
</tr>
<tr>
<td>Inventory Turnover – Days</td>
<td>64</td>
<td>73</td>
</tr>
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Accounts Receivable Collection Period (Days) Formula:
\[
\text{Accounts Receivable} / \text{Total Sales} \times 365
\]
*The typical marina takes 18 days to collect their receivables*

Accounts Payable Period (Days) Formula
\[
\text{Accounts Payable} / \text{Total Sales} \times 365
\]
*The typical marina takes 18 days to pay its suppliers*

Inventory Turnover Period (Days) Formula:
\[
\text{Inventory} / \text{Cost of Sales} \times 365
\]
*The typical marina turns over its inventory every 64 days*
### A/R Collection Period, A/P Payment Period, Inventory Turn Over

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### Annual Revenue per Occ. Slip, Annual Revenue per Dry Storage Unit

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<td>$3735</td>
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<td><strong>Annual Revenue per Dry Storage Unit</strong></td>
<td>$2038</td>
<td>$2116</td>
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Average sales per Occupied Slip Formula:

Total Dockage Revenue / (# of slips x occupancy rate)

The typical marina makes $3735 per occupied slip

Average Sales per Dry Storage Unit

Total Dry Storage Revenue / (# Dry Rack Storage) Units

The typical marina makes $2038 per dry-rack storage unit
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Cap Rates and Multiples

- There are two ways to quickly “ball park” or estimate the value of a marina using EBIDA... (Earnings Before Interest, Depreciation, Taxes and Amortization) (Remember not all NOI is EBIDA)

- **Cap Rate:**
  - EBIDA divided by projected cap rate = Value
  - $1,000,000 (EBIDTA) / .12 (12% cap rate) = $8,333,333
  - $1,000,000 (EBIDTA) / .08 (8% cap rate) = $12,500,000

- **Multiple:**
  - EBIDA multiplied by a “multiple” = Value
  - $1,000,000 (EBIDTA) X 12 (multiple of 12) = $12,000,000
  - $1,000,000 (EBIDTA) X 8 (multiple of 8) = $8,000,000
Does your Marina Meet National Industry Benchmarks?

Questions?
Let’s talk about your financial.