

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K

(Mark One)

- ☒ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020  
Commission File No. 1-16263

**MARINE PRODUCTS CORPORATION**

Delaware  
(State of Incorporation)

58-2572419  
(I.R.S. Employer Identification No.)

2801 BUFORD HIGHWAY NE, SUITE 300  
ATLANTA, GEORGIA 30329  
(404) 321-7910

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

<i>Title of each class</i>	<i>Trading Symbol</i>	<i>Name of each exchange on which registered</i>
COMMON STOCK, \$0.10 PAR VALUE	MPX	NEW YORK STOCK EXCHANGE

Securities registered pursuant to section 12(g) of the Act: NONE

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

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

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

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

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of Marine Products Corporation common stock held by non-affiliates on June 30, 2020, the last business day of the registrant's most recent second fiscal quarter, was \$98,382,173 based on the closing price on the New York Stock Exchange on June 30, 2020 of \$13.85 per share.

Marine Products Corporation had 33,992,885 shares of common stock outstanding as of February 19, 2021.

Documents Incorporated by Reference

Portions of the Proxy Statement for the 2021 Annual Meeting of Stockholders of Marine Products Corporation are incorporated by reference into Part III, Items 10 through 14 of this report.

## PART I

References in this document to "we," "our," "us," "Marine Products," or "the Company" mean Marine Products Corporation ("MPC") and its subsidiaries, Chaparral Boats, Inc. ("Chaparral") and Robalo Boats, LLC ("Robalo"), collectively or individually, except where the context indicates otherwise.

### Forward-Looking Statements

Certain statements made in this report that are not historical facts are "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include, without limitation, the Company's belief that there are several alternative suppliers of fiberglass that could provide adequate quality and quantities of this raw material at acceptable prices; the Company's plans to continue purchasing sterndrive engines through the American Boatbuilders Association ("ABA"); the Company's belief that its allocation of production among its dealers will continue during 2021 and the level of inventories of its dealers is insufficient; the Company's belief that it is well positioned to take advantage of industry conditions; the Company's belief that its newer boat models will expand its customer base and leverage its strong dealer network and reputation for quality and styling; the Company's belief that its corporate infrastructure, marketing and sales capabilities, financial strength and nationwide presence enables it to compete effectively against its competitors; the Company's belief that it will not incur any material capital expenditures to comply with existing environmental or safety regulations; the Company's belief that the ultimate outcome of any litigation will not have a material effect on its liquidity, financial condition or results of operations; the Company's belief that the demand for new recreational boats during 2021 will be higher than demand in 2020; the Company's belief that recreational boating's appeal to the U.S. consumer is growing; the Company's belief that the recreational boating industry promotional program has incrementally benefited the industry and Marine Products; the Company's plans to continue to emphasize the Company's larger Robalo models; the Company's belief that these boat models and our Chaparral SSX and Surf Series models for 2021 will expand the Company's customer base and dealer network; the Company's plans to continue to develop additional new products for subsequent model years; the Company's belief that its liquidity, capitalization and cash expected to be generated from operations, will provide sufficient capital to meet the Company's requirements for at least the next twelve months; the Company's expectations about capital expenditures during 2021; the Company's expectation about contributions to its pension plan in 2021; the Company's estimate of the amount and timing of future contractual obligations; the Company's judgments and estimates with respect to its critical accounting policies; the Company's expectation about the impact of new accounting pronouncements on the Company's consolidated financial statements; and the Company's expectation regarding market risk of its investment portfolio.

The words "may," "should," "will," "expect," "believe," "anticipate," "intend," "plan," "seek," "project," "estimate," and similar expressions used in this document that do not relate to historical facts are intended to identify forward-looking statements. Such statements are based on certain assumptions and analyses made by our management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes to be appropriate. We caution you that such statements are only predictions and not guarantees of future performance and that actual results, developments and business decisions may differ from those envisioned by the forward-looking statements. Risk factors that could cause such future events not to occur as expected include the following: economic conditions, lack of credit availability and possible decreases in the level of consumer confidence impacting discretionary spending, business interruptions due to adverse weather conditions, increased interest rates, unanticipated changes in consumer demand and preferences, deterioration in the quality of Marine Products' network of independent boat dealers or availability of financing of their inventory, our ability to insulate financial results against increasing commodity prices, the impact of rising gasoline prices and a weak housing market on consumer demand for our products and competition from other boat manufacturers and dealers. We caution you that such statements are only predictions and not guarantees of future performance and that actual results, developments and business decisions may differ from those envisioned by the forward-looking statements. See "Risk Factors" on page 11 for a discussion of factors that may cause actual results to differ from our projections.

## Item 1. Business

Marine Products manufactures fiberglass motorized boats distributed and marketed through its independent dealer network. Marine Products' product offerings include Chaparral sterndrive, outboard and jet pleasure boats and Robalo outboard sport fishing boats.

### Organization and Overview

Marine Products is a Delaware corporation incorporated on August 31, 2000, in connection with a spin-off from RPC, Inc. (NYSE: RES) ("RPC"). Effective February 28, 2001, RPC accomplished the spin-off by contributing 100 percent of the issued and outstanding stock of Chaparral to Marine Products, a newly formed, wholly owned subsidiary of RPC, and then distributing the common stock of Marine Products to RPC stockholders.

Marine Products designs, manufactures and sells recreational fiberglass powerboats in the sportboat, sport fishing and jet boat markets. The Company sells its products to a network of 206 domestic and 89 international independent authorized dealers. Marine Products' mission is to enhance its customers' boating experience by providing them with high quality, innovative powerboats. The Company intends to remain a leading manufacturer of recreational powerboats for sale to a broad range of consumers worldwide.

Chaparral was founded in 1965 in Ft. Lauderdale, Florida. Chaparral's first boat was a 15-foot tri-hull design with a retail price of less than \$1,000. Over time Chaparral grew by offering exceptional quality and consumer value. In 1976, Chaparral moved to Nashville, Georgia, where a manufacturing facility of a former boat manufacturing company was available for purchase. This provided Chaparral an opportunity to obtain additional manufacturing space and access to a trained workforce. With over 55 years of boatbuilding experience, Chaparral continues to expand the range of its offerings through insightful, innovative product design and quality manufacturing processes in order to reach an increasingly discerning recreational boating market.

The Company manufactures Chaparral sterndrive pleasure boats including SSI and SSX, and the Chaparral Surf Series. The Company also manufactures Chaparral outboard pleasure boats which include OSX Luxury Sportboats, the 267 SSX OB, SSI outboard models and SunCoast Sportdecks. In addition to the sterndrive and outboard offerings, the Company manufactures Vortexjet boats under the Chaparral brand name.

In addition to the outboard models manufactured by Chaparral, the Company also manufactures Robalo outboard sport fishing boats. Robalo was founded in 1969 and its first boat was a 19-foot center console salt-water fishing boat, among the first of this type of boat to have an "unsinkable" hull. The models manufactured under the Robalo name include center consoles, dual consoles and Cayman Bay Boats.

The most recent available industry statistics [source: Statistical Surveys, Inc. report dated September 30, 2020] indicate that Robalo is the largest manufacturer of outboard boats in lengths from 16 to 36 feet in the United States with a market share of 5.2 percent. Additionally, the combination of Robalo and Chaparral outboards holds the highest position in the overall outboard market, with a market share of 6.5 percent.

### Products

Marine Products distinguishes itself by offering a wide range of products to the family recreational markets through its Chaparral and Vortex brands and to the sport fishing market through its Robalo brand.

The following table provides a brief description of our product lines and their particular market focus:

Product Line	Number of Models	Overall Length	Approximate Retail Price Range	Description
Chaparral – SSi Sport Boats	10	19'-23'	\$34,000 - \$80,000	Fiberglass sterndrive and outboard-powered, larger sport boats marketed as high value runabout for larger groups. Design features handling of a runabout, style of a sportboat and open concept layout. Select models offer Ski & Fish options to meet your specific needs. All marketed with National Advertised Prices.
Chaparral – SSX Sport Boats	7	23'-34'	\$71,000 - \$415,000	Fiberglass sterndrive and outboard powered bowriders that combine features of sportboats and bowriders. Marketed as high value, luxury runabouts for family groups.
Chaparral – Surf Series	4	21'-30'	\$55,000 - \$235,000	This model line features a forward-facing sterndrive engine. Fiberglass multipurpose bowriders, the Surf Series models are marketed to both experienced and value-conscious buyers. These boats are designed to enhance the wake of the boat to accommodate the popular sport of wake surfing.
Chaparral – SunCoast Bowriders	2	23'-25'	\$57,000 - \$114,000	Fiberglass multipurpose luxury bowrider with outboard power and an open bow providing high seating capacity. Large bowrider-style boat, suitable for large inland bodies of water or coastal saltwater use. Marketed with a national fixed retail price to boaters carrying large numbers of passengers.
Chaparral – OSX Sport Boats	2	28'-30'	\$177,000 - \$340,000	Fiberglass, multipurpose sport boats with outboard power featuring plentiful seating and entertaining areas, cabin and bathroom accommodations, excellent performance, and luxury finishes.
Chaparral – VortexJet Boats	6	20'-24'	\$40,000 - \$95,000	Jet-powered fiberglass pleasure boats with traditional bowrider styling. Marketed features include high seating capacity and enhanced maneuverability at low speeds. National fixed retail price includes a trailer. Also marketed as a high-performance wakeboard boat with optional surf package. Marketed to younger families and wakeboard enthusiasts.
Robalo – Center Consoles	12	16'-36'	\$23,000 - \$510,000	Fiberglass outboard sport fishing boats for large freshwater lakes or saltwater use. Marketed to experienced fishermen and families desiring extra seating. Smaller models include a trailer, and all models are marketed with a national fixed retail price. The Explorer series features extra seating options.

Robalo – Cayman Bay Boats	4	20'-24'	\$39,000 - \$120,000	Fiberglass outboard sport fishing boats for large freshwater lakes or coastal saltwater use. Marketed to experienced fishermen wanting inshore and offshore capabilities. All models marketed with a trailer at a national fixed retail price.
Robalo – Dual Consoles	4	20'-31'	\$45,000 - \$275,000	Multi-purpose fiberglass outboard-powered sport fishing boats for large freshwater lakes or saltwater use. Marketed with national fixed retail prices to experienced fishermen and families looking for both fishing and cruising features.

## Manufacturing

Marine Products' manufacturing facilities are in Nashville, Georgia. Marine Products utilizes five different plants to, among other things, manufacture interiors, design new models, create fiberglass hulls and decks, and assemble various end products. Quality control is conducted throughout the manufacturing process. When fully assembled and inspected, the boats are loaded onto either Company-owned trailers or third-party marine transport trailers for delivery to dealers. The manufacturing process begins with the design of a product to meet dealer and customer needs. Plugs are constructed in the research and development phase from designs. Plugs are used to create a mold from which prototype boats can be built. Adjustments are made to the plug design until acceptable parameters are met. The final plug is used to create the necessary number of production molds. Molds are used to produce the fiberglass hulls and decks. Fiberglass components are made by applying the outside finish or gel coat to the mold, then numerous layers of fiberglass and resin are applied during the lamination process over the gel coat. After curing, the hull and deck are removed from the molds and are trimmed and prepared for final assembly, which includes the installation of electrical and plumbing systems, engines, upholstery, accessories and graphics.

## Product Warranty

For our Chaparral and Robalo products, Marine Products provides a lifetime limited structural hull warranty and a transferable one-year limited warranty to the original owner. Chaparral also includes a five-year limited structural deck warranty. Warranties for additional items are provided for periods of one to five years and are not transferrable. Additionally, as it relates to the first subsequent owner, a five-year transferrable hull warranty and the remainder of the original one-year limited warranty on certain components are available. The five-year transferable hull warranty terminates five years after the date of the original retail purchase. Claim costs related to components are generally absorbed by the original component manufacturer.

The manufacturers of the engines, generators, and navigation electronics included on our boats provide and administer their own warranties for various lengths of time.

## Suppliers

Marine Products' three most significant cost components used in manufacturing its boats are engines, resins and fiberglass. For each of these, there is currently an adequate supply available in the market. Marine Products has not experienced any significant shortages in any of these products. Temporary shortages, when they do occur, usually involve manufacturers of these products adjusting model mixes, introducing new product lines or limiting production in response to an industry-wide reduction in boat demand. Trade negotiations between the United States and other countries have the potential to cause disruptions in the availability of fiberglass, the largest supplier of which is in a country impacted by tariffs, though we have experienced no such disruptions. Marine Products believes that there are several alternative suppliers if this supplier fails to provide adequate quality or quantities at acceptable prices.

Marine Products does not manufacture the engines installed in its boats. Engines are generally specified by the dealers at the time of ordering, usually based on anticipated customer preferences or actual customer orders. Sterndrive engines are purchased through the American Boatbuilders Association ("ABA"), which has entered into engine supply arrangements with Mercury Marine and Volvo Penta, the two currently existing suppliers of sterndrive engines. These arrangements contain incentives and discount provisions, which may reduce the cost of the engines purchased, if specified purchase volumes are met during specified periods of time. Although no minimum purchases are required, Marine Products expects to continue purchasing sterndrive engines through the ABA on a voluntary basis in order to receive volume-based purchase discounts. Marine Products does not have a long-term supply contract with the ABA. Marine Products has an outboard engine supply contract with Yamaha and a jet engine supply contract with BRP US Inc. These engine supply arrangements were not negotiated through the ABA. In the event of a sudden and extended interruption in the supply of engines from any of these suppliers, our sales and profitability could be negatively impacted. See "Risk Factors" below.

Marine Products uses other raw materials in its manufacturing processes. Among these are resins, made from hydrocarbon feedstocks, as well as copper and steel. The costs of these commodities fluctuate in response to changes in global economic conditions.

## **Sales and Distribution**

Domestic sales are generated through our independent dealer network of approximately 71 Chaparral dealers, 47 Robalo dealers and 88 dealers that sell both brands located in markets throughout the United States. Marine Products also has 89 international dealers. Most of our dealers also inventory and sell boat brands manufactured by other companies, including some that compete directly with our brands. The territories served by any dealer are not exclusive to the dealer; however, Marine Products uses discretion in establishing relationships with new dealers in an effort to protect the mutual interests of the existing dealers and the Company. Marine Products' six independent field sales representatives call upon existing dealers and develop new dealer relationships. The field sales representatives are directed by a National Sales Coordinator, who is responsible for developing the dealer distribution network for the Company's products. No single dealer accounted for 10 percent or more of net sales during 2020, 2019 or 2018. The marketing of boats to retail customers is primarily the responsibility of the dealer. Marine Products supports dealer marketing efforts by supplementing local advertising, sales and marketing follow up in boating magazines, and participation in selected regional, national, and international boat show exhibitions. In addition, Marine Products has developed virtual marketing programs which include online product demonstrations and virtual reality software and hardware which promote the features of its products. The Company's virtual marketing efforts have become increasingly important in 2020 and during the first quarter of 2021, when social distancing requirements resulting from the COVID-19 pandemic limited customer interaction at boat dealers' facilities and eliminated in-person boat shows during the winter boat show season.

Marine Products continues to seek new dealers in many areas throughout the U.S., Canada, Europe, South America, Asia, Russia and the Middle East. In general, Marine Products requires full payment prior to shipping a boat overseas. Consequently, there is no credit risk associated with these international sales or risk related to foreign currency fluctuation. The Company's international sales are affected by trends in consumer discretionary spending and the value of the U.S. dollar on global currency markets, among other things. During 2020, the Company's international net sales decreased 31.0 percent compared to 2019 due to the continued impact of trade tariffs enacted during 2018, most notably in Mexico and the European Union. International net sales as a percentage of total net sales were 4.9 percent in 2020, 5.8 percent in 2019, and 6.5 percent in 2018.

Marine Products' sales orders are indicators of strong interest from its dealers. Historically, dealers have in most cases taken delivery of all their orders. In a typical ordering, production and delivery cycle, the Company monitors dealer inventory levels in order to inform its production scheduling and to ensure that dealers do not hold excess inventory. During the third and fourth quarters of 2020 and early in 2021, however, the combination of the Company's temporary plant closure and significant increases in demand have caused dealer inventories to fall to historic lows. The combination of low inventory levels and continued high demand has forced the Company to allocate its production to dealers to fulfill as many orders as possible and rebuild dealer inventories to levels that both the Company and its dealers believe to be appropriate. Marine Products believes that this allocation of production will continue during 2021. In the past, Marine Products has been able to resell any boat for which an order has been cancelled and believes that this ability will continue during the near term.

Approximately 64 percent of Marine Products' domestic shipments are made pursuant to "floor plan financing" programs in which Marine Products' subsidiaries participate on behalf of their dealers with major third-party financing institutions. The remaining dealers finance their boat inventory with smaller regional financial institutions in local markets or self-financed. Under these established arrangements with qualified lending institutions, a dealer establishes a line of credit with one or more of these lenders for the purchase of boat inventory for sales to retail customers in their showroom or during boat show exhibitions. In general, when a dealer purchases and takes delivery of a boat pursuant to a floor plan financing arrangement, it draws against its line of credit and the lender pays the invoice cost of the boat directly to Marine Products generally within ten business days. When the dealer in turn sells the boat to a retail customer, the dealer repays the lender, thereby restoring its available credit line. Each dealer's floor plan credit facilities are secured by the dealer's inventory, letters of credit, and perhaps other personal and real property. In connection with a dealer's floor plan financing arrangements with a qualified lending institution, Marine Products or its subsidiaries have agreed to repurchase inventory which the lender repossesses from a dealer and returns to Marine Products in a "new and unused" condition subject to normal wear and tear, as defined. The contractual agreements that Marine Products or its subsidiaries have with these qualified lenders contain the Company's assumption of specified percentages of the debt obligation on repossessed boats, up to certain contractually determined dollar limits negotiated with the lender.

The Company currently has an agreement with one of the floor plan lenders whereby the contractual repurchase amount is limited to a maximum of 16 percent of the average net receivables financed by the floor plan lender for dealers during the prior 12 month period, which was \$9.7 million as of December 31, 2020. The Company has contractual repurchase agreements with additional lenders with an aggregate maximum repurchase obligation of \$3.5 million, with various expiration and cancellation terms of less than one year. Accordingly, the aggregate repurchase obligation with all financing institutions was approximately \$13.2 million as of December 31, 2020. In the event that a dealer defaults on a credit line, the qualified lender may then invoke the manufacturer's repurchase obligation with respect to that dealer. In that event, all repurchase agreements of all manufacturers supplying a defaulting dealer are generally invoked regardless of the boat or boats with respect to which the dealer has defaulted. Unlike Marine Products' obligation to repurchase boats repossessed by qualified lenders, Marine Products is under no obligation to repurchase boats directly from dealers. Marine Products does not sponsor financing programs to the retail consumer; any consumer financing promotions for a prospective boat purchaser would be the responsibility of the dealer.

Marine Products' dealer sales incentive programs are generally designed to promote early replenishment of the stock in dealer inventories depleted throughout the prime spring and summer selling seasons, and to promote the sales of older models in dealer inventory and particular models during specified periods. These programs help to stabilize Marine Products' manufacturing between the peak and off-peak periods and promote sales of certain models. For the 2021 model year (which commenced July 1, 2020), Marine Products offered its dealers several sales incentive programs based on dollar volumes and timing of dealer purchases. Program incentives offered include sales discounts, retail sales incentives and payment of floor plan financing interest charged by qualified floor plan lenders to dealers generally through April 30, 2021. After the interest payment programs end, interest costs revert to the dealer at rates set by the lender. A dealer makes periodic curtailment payments (principal payments) on outstanding obligations against its dealer inventory as set forth in the floor plan financing agreements between the dealer and its particular lender.

We believe that dealer inventories of our boat models as of December 31, 2020 are insufficient to meet the current level of retail customer demand. The sales order backlog as of December 31, 2020 was approximately 2,975 boats with estimated net sales of approximately \$164.9 million. This represents an approximate 29.8 week backlog based on recent production levels. The sales order backlog as of December 31, 2019 was approximately 921 boats with estimated net sales of approximately \$43.6 million. This represented an approximate 12.3 week backlog based on production levels at that time. The Company's backlog measured in weeks of production is significantly higher than historical averages due to the temporary plant shutdown in 2020 and the surge in retail demand which has extended beyond the traditional retail selling season, both of which are related directly or indirectly to the COVID-19 pandemic. The Company will continue to monitor the number of boats in dealer inventories and adjust its production levels as it deems necessary to manage dealer inventory levels. Approximately 89 percent of boats have been in dealer inventory less than 18 months as of December 31, 2020, approximately the same as the previous year. The Company typically does not manufacture a significant number of boats for its own inventory. The Company occasionally manufactures boats for its own inventory because the number of boats required for immediate shipment is not always the most efficient number of boats to produce in a given production schedule.

## Research and Development

Essentially the same technologies and processes are used to produce fiberglass boats by all boat manufacturers. The most common method to build fiberglass boats is with open-face molding. This is usually a labor-intensive, manual process whereby employees hand spray and apply fiberglass and resin in layers on open molds to create boat hulls, decks and other smaller fiberglass components. A single open-face mold is typically capable of producing approximately three hulls per week.

Marine Products has been a leading innovator in the recreational boating industry. One of the Company's most innovative designs is the full-length "Extended V-Plane" running surface on its Chaparral boat models. Typically, sterndrive boats have a several foot gap on the bottom rear of the hull where the engine enters the water. With the Extended V-Plane, the running surface extends the full length to the rear of the boat. The benefit of this innovation is more deck space, better planing performance and a more comfortable ride. Although the basic hull designs are similar, the Company has historically introduced a variety of new models each year and periodically replaces, updates or discontinues existing models.

Another hull design is the Hydro Lift™ used on the Robalo boat models. This variable dead rise hull design provides a smooth ride in rough water conditions. It increases the maximum speed obtainable by a given engine horsepower and weight of the boat. Robalo's current models utilize the Hydro Lift™ design and we plan to continue to provide this design on Robalo models.

A bow design known as the Wide Tech™ was first used on the Chaparral Sunesta Wide Tech™ and Xtreme models for the 2008 model year and has been used on other models since that time. The Wide Tech™ bow design provides a larger seating area, as well as additional storage space, in the front of the boat. Furthermore, it allows the models to have a non-skid walkway on the bow, which makes entering and leaving the boat easier than in other boat models. This bow design has been utilized on several models and may be incorporated on other Chaparral boat models in the future.

In support of its new product development efforts, Marine Products incurred research and development costs of \$751 thousand in 2020, \$730 thousand in 2019, and \$822 thousand in 2018.

## Industry Overview

The recreational marine market in the United States is a mature market, with 2020 retail expenditures of approximately \$42 billion spent on new and used boats, motors and engines, trailers, accessories and other associated costs as estimated by the National Marine Manufacturers Association ("NMMA"). Pleasure boats compete with all other leisure activities for consumers' limited free time.

There are currently approximately 12 million recreational boats owned in the United States, including outboard, inboard, sterndrive, jet drive, sailboats and personal watercraft. Marine Products competes in the sterndrive boating category with three lines of Chaparral boats and in the outboard category with its Robalo sport fishing boats, Chaparral SunCoast, and OSX Sport Luxury, and selected SSi and SSX models, and in the jet drive category with its Chaparral Vortex jet boats. Management believes that the five largest states for boat sales at the present time are Florida, Texas, Michigan, North Carolina and Minnesota. Marine Products has dealers in each of these states.

Industry sales of new outboard boats in the United States during 2020 totaled 61,524 units and accounted for approximately 69 percent of the total new fiberglass powerboats sold between 16 and 36 feet in hull length. Sales of new outboard boats had an estimated total retail value of \$4.0 billion, with an average retail price of approximately \$65,000. Approximately 63 percent of the Company's unit sales in 2020 were outboard boats compared to 62 percent in 2019. Sales of new sterndrive boats in the United States during 2020 totaled 10,237 units and accounted for approximately eleven percent of the total new fiberglass powerboats sold in the 19 to 34 feet hull length. Sales of new sterndrive boats had an estimated total retail value of \$1.1 billion, with an average retail price per unit of approximately \$107,000. Approximately 35 percent of the Company's unit sales in 2020 were sterndrive boats compared to 34 percent in 2019. Retail jet boat sales of 20 to 24 feet hull lengths totaled 3,634 units during 2020 and an estimated retail value of \$0.2 billion, with an average retail price of approximately \$55,000. Approximately two percent of the Company's unit sales in 2020 were jet boats compared to five percent in 2019.



The table below reflects the estimated annual sales within the recreational marine market segment by category for 2020 and 2019 (source: Info-Link Technologies, Inc.):

	2020		2019	
	Boats	Sales (\$ B)	Boats	Sales (\$ B)
Sterndrive Boats	10,237	\$ 1.1	9,551	\$ 0.9
Outboard Boats	61,524	4.0	53,384	3.0
Inboard Boats	13,882	1.7	11,382	1.3
Jet Boats	3,634	0.2	3,068	0.2
<b>TOTAL</b>	<b>89,277</b>	<b>\$ 7.0</b>	<b>77,385</b>	<b>\$ 5.3</b>

Chaparral's products are categorized as sterndrive boats, outboard boats and jet boats, and Robalo's products are categorized as outboard boats. Industry-wide sterndrive boat unit sales have declined steadily during the last three years. The Company first introduced jet boat models in 2015. Based on available market share data, Chaparral's share of the jet boat market during the latest reported period ended September 30, 2020 was approximately 6.2 percent.

The recreational boat manufacturing market remains highly fragmented except for Brunswick Corporation, which has acquired and currently operates a number of recreational boat brands. We estimate that the boat manufacturing industry includes fewer than 20 sterndrive manufacturers and approximately 75 outboard boat manufacturers with significant unit production, with the majority representing small, privately held companies with varying degrees of professional management and manufacturing skill. According to estimates provided by Statistical Surveys, Inc., during the latest reported period ended September 30, 2020, the top five sterndrive manufacturers, which includes Chaparral, have a combined market share of approximately 66 percent compared to 63 percent in the same period one year ago. Chaparral's market share in sterndrive units during this period was approximately 16.5 percent, a slight increase compared to the same period in the prior year. The Company believes that its strong market share is primarily due to the success of our larger SSX models and the Surf Series.

Several factors influence sales trends in the recreational boating industry, including general economic growth, consumer confidence, household incomes, the availability and cost of financing for our dealers and customers, weather, fuel prices, tax laws, demographics and consumers' leisure time. As noted earlier, sales trends have been impacted by the COVID-19 pandemic which resulted in a temporary plant shut down in the second quarter of 2020, as well as a significant increase in consumer demand during the third and fourth quarters of 2020 and early in 2021. Also, the value of residential and vacation real estate in coastal and recreational areas influences recreational boat sales. The most recent NMMA surveys indicate that many past boating participants do not currently participate in boating because of high costs and a lack of leisure time. The increases in the cost of certain components, international tariffs, operating costs, and the impact of environmental regulation have increased the cost of boats and boat ownership in recent years, and these trends may continue. Competition from other leisure and recreational activities for available leisure time can also affect sales of recreational boats.

Management believes Marine Products is well positioned to take advantage of the following conditions, which continue to characterize the industry:

- labor-intensive manufacturing processes that remain largely unautomated;
- increasingly strict environmental standards derived from governmental regulations and customer sensitivities;
- a lack of focus on coordinated customer service and support by dealers and manufacturers;
- a lack of financial strength among retail boat dealers and many manufacturers; and
- a high degree of fragmentation and competition among the large number of sterndrive and outboard recreational boat manufacturers.

## Business Strategies

Recreational boating is a mature industry. According to Info-Link Technologies, Inc., sales of new powerboats of all types increased at a compounded annual rate of approximately 6.7 percent between 2016 and 2020. During this period, Marine Products experienced a compounded annual decline rate of approximately 7.5 percent in the number of boats sold. The Company has historically grown its boat sales and net sales primarily through increasing market share and by expanding its number of models and product lines. At the end of 2020, the Company's dealer inventories were approximately 59.4 percent lower than they were at the end of 2019, while our unit order backlog was 223.0 percent higher than it was at the end of 2019. We believe that dealer inventories are not sufficient to meet retail demand during the 2021 retail selling season. Chaparral has grown its sterndrive market share in the 19 to 34 feet length category from 5.9 percent in fiscal 1996 to 16.5 percent during the latest reported period ended September 30, 2020 (the most recent information available to us from Statistical Surveys, Inc.).

During 2020, we continued to emphasize the Surf Series line of Chaparral models, our larger Chaparral SSX models, and our larger Robalo models. We believe that these boat models will expand our customer base and leverage our strong dealer network and reputation for quality and styling.

These models support Marine Products' overall operating strategy, which emphasizes innovative designs and manufacturing processes, and the production of a high-quality product, while also seeking to lower manufacturing costs through increased efficiencies in our facilities. In addition, we seek opportunities to leverage our buying power through economies of scale. Management believes its membership in the ABA positions Marine Products as a significant third-party customer of major suppliers of sterndrive engines. Marine Products' Chaparral subsidiary is a founding member of the ABA, which collectively represents 23 independent boat manufacturers that have formed a buying group to pool their purchasing power to achieve improved pricing on engines, fiberglass, resin and many other components. Marine Products intends to continue seeking the most advantageous purchasing arrangements from its suppliers.

Our marketing strategy seeks to increase market share by enabling Marine Products to expand its presence by building dedicated sales, marketing and distribution systems. Marine Products has a distribution network of 295 independent dealers located throughout the United States and in several international markets. Our strategy is to increase selectively the quantity of our dealers, and to improve the quality and effectiveness of our entire dealer network. Marine Products seeks to capitalize on its strong dealer network by educating its dealers on the sales and servicing of our products and helping them provide more comprehensive customer service, with the goal of increasing customer satisfaction, customer retention and future sales. Marine Products provides promotional and incentive programs to help its dealers increase product sales and customer satisfaction. During 2020 we continued to develop our nationally advertised fixed retail pricing strategy. We believe the nationally advertised fixed retail pricing gives the consumer confidence that that they are getting the best possible price resulting in higher customer satisfaction and encourages consistent pricing across our dealer network. Marine Products also realizes that innovative marketing is an increasingly important component of the full customer experience and is leading the way with marketing and branding that consistently present a luxury-oriented message and integrate themselves into the boater's entire experience.

A component of Marine Products' overall strategy is to consider making strategic acquisitions which complement existing product lines, expand its geographic presence in the marketplace and strengthen its capabilities depending upon availability, price and complementary product lines. We periodically review potential acquisition targets.

## Competition

The recreational boat industry is highly fragmented, resulting in intense competition for customers, dealers and boat show exhibition space. There is significant competition both within markets we currently serve and in new markets that we may enter. Marine Products' brands compete with several large national or regional manufacturers that have substantial financial, marketing and other resources. However, we believe that our corporate infrastructure and marketing and sales capabilities, in addition to our financial strength, and our nationwide presence, enable us to compete effectively against these companies. In each of our markets, Marine Products competes on the basis of responsiveness to customer needs, the quality and range of models offered, and the competitive pricing of those models. Additionally, Marine Products faces general competition from all other recreational businesses seeking to attract consumers' leisure time and discretionary spending dollars.

According to Statistical Surveys, Inc., the following is a list of the top ten (largest to smallest) outboard boat manufacturers in the United States based on unit sales in 2020. According to Statistical Surveys, Inc., the companies set forth below represent approximately 44 percent of all United States retail outboard boat registrations with hull lengths of 16 to 36 feet for the 12-month period ended September 30, 2020 (latest data available to us).

1. Marine Products Corporation <sup>1</sup>
2. Key West
3. Carolina Skiff
4. Bayliner <sup>2</sup>
5. Sea Hunt Boats
6. Tahoe
7. Sportsman Boats
8. Nautic Star <sup>3</sup>
9. Boston Whaler <sup>2</sup>
10. Hurricane

The sterndrive engine powered market encompasses a wide variety of boats, accounting for approximately eleven percent of traditional powerboat unit sales during 2020. Marine Products Corporation's Chaparral brand was the second largest manufacturer of sterndrive boats in lengths from 19 to 34 feet during the 12-month period ended September 30, 2020 and its share of the market during this period was approximately 16.5 percent. Primary competitors for Chaparral sterndrive market during 2020 included Cobalt <sup>4</sup>, Sea Ray <sup>2</sup>, Regal, Bayliner <sup>2</sup> and Monterey.

<sup>1</sup> Includes Chaparral and Robalo outboard units

<sup>2</sup> Division or subsidiary of Brunswick Corporation

<sup>3</sup> Division or subsidiary of MasterCraft Boat Holdings, Inc.

<sup>4</sup> Division or subsidiary of Malibu Boats, Inc.

The jet engine powered market accounted for approximately four percent of traditional powerboat unit sales during 2020. Chaparral was the second largest jet boat manufacturer in the 20 to 24 foot range during the 12-month period ended September 30, 2020, and its share of the market during this period was approximately 6.2 percent. The largest manufacturer of jet boats in the 20 to 24 foot range was Yamaha. Scarab is the only other significant competitor in this market.

### **Environmental and Regulatory Matters**

Certain materials used in boat manufacturing, including the resins used to make the decks and hulls, are toxic, flammable, corrosive, or reactive and are classified by the federal and state governments as "hazardous materials." Control of these substances is regulated by the Environmental Protection Agency ("EPA") and state pollution control agencies, which require reports and facility inspections to monitor compliance with their regulations. The Occupational Safety and Health Administration ("OSHA") standards limit the amount of emissions to which an employee may be exposed without the need for respiratory protection or upgraded plant ventilation. Marine Products' manufacturing facilities are regularly inspected by OSHA and by state and local inspection agencies and departments. Marine Products believes that its facilities comply in all material aspects with these regulations. We do not currently anticipate that any material expenditure will be required to continue to comply with existing environmental or safety regulations in connection with our existing manufacturing facilities.

Recreational powerboats sold in the United States must be manufactured to meet the standards of certification required by the United States Coast Guard. In addition, boats manufactured for sale in the European Community must be compliant with the International Organization for Standardization requirements which specify standards for the design and construction of powerboats. All boats sold by Marine Products meet these standards. In addition, safety of recreational boats is subject to federal regulation under the Boat Safety Act of 1971. The Boat Safety Act requires boat manufacturers to recall products for replacement of parts or components that have demonstrated defects affecting safety. Marine Products has from time to time instituted recalls for defective component parts produced by other manufacturers. None of the recalls has had a material adverse effect on Marine Products.

The EPA has adopted regulations stipulating that many marine propulsion engines meet an air emission standard that requires fitting a catalytic converter to the engine. These regulations also require, among other things, that the engine manufacturer provide a warranty that the engine meets EPA emission standards. The engines used in Marine Products' Chaparral and Robalo product lines are subject to these regulations. These regulations are similar to regulations adopted by the California Air Resources Board in 2007 but apply to all U.S. states and territories. This regulation has increased the cost to manufacture the majority of the Company's boat products. The additional cost of complying with these EPA regulations may reduce Marine Products' profitability, because the Company may have to absorb the increased cost. It may also reduce Marine Products' net sales, because the increased cost of owning a boat may force consumers to buy a smaller or less expensive boat or forego a boat purchase, and because increased product cost will reduce the amount of inventory that Marine Products' dealers can carry, thus reducing retail consumers' choices.

## Human Capital

The table below shows the number of employees at December 31, 2020 and 2019:

At December 31, (in thousands)	2020	2019
Employees	823	673

The recreational boating industry is cyclical and therefore headcount is subject to change based on production levels which are a function of dealer and consumer demand. The Company's key human capital management objectives are focused on fostering talent in the following areas:

*Diversity and Equality* - The Company's workforce reflects the diversity of the community in which it operates. Our dedicated team of employees work toward a common purpose. We provide employment in a small community which we have supported as the largest employer since 1976 under the same management team. Our company is strong in its values, relationships and consistency in management. The Board of Directors has a diversity committee that monitors compliance with applicable non-discrimination laws related to race, gender and other protected classes. The Committee provides a report of such incidences to the Board on an annual basis.

*Development and Training* - The Company's management team and all its employees are expected to exhibit and promote honest, ethical and respectful conduct in the workplace. We have implemented and maintained a corporate compliance program to provide guidance for everyone associated with the Company, including its employees, officers and directors (the "Code"). Annual review of the Code is required which prohibits unlawful or unethical activity, including discrimination, and directs our employees, officers, and directors to avoid actions that, even if not unlawful or unethical, might create an appearance of illegality or impropriety. In addition, the Company provides annual training for preventing, identifying, reporting and stopping any type of unlawful discrimination.

*Employee Retention* - Marine Products monitors voluntary employee turnover and reports these statistics to senior operational management. The Company rewards employee tenure through a quarterly bonus program for its hourly employees based on attendance and job performance.

*Compensation and Benefits* - The Company focuses on attracting and retaining employees by providing compensation and benefit packages that are competitive in the market, taking into account the location and responsibilities of the job. We provide competitive financial benefits such as a 401(k) retirement plan with a company match, and generally grant awards of restricted stock for certain of our salaried employees.

The Company provides a health insurance option that includes a local primary physician who provides immediate care or medical consultation to its employees at reduced or no cost, as well as certain maintenance medications at reduced or no cost. Under this program, an employee with a health concern visits the physician's office, which is close to our manufacturing facility, and either receives care or is referred to another facility for testing or additional care. We believe that this program improves employee well-being by facilitating their access to health care.

*Safety* - Marine Products monitors several safety measures and reports them to senior operational management on a regular basis. Management reviews safety incidents, and the Company works to remediate operational issues that may be potential causes of any frequent incidents. In addition, the Company awards safety bonuses to the drivers of its company-owned vehicles based on their driving records.

In response to the COVID-19 pandemic, Marine Products temporarily suspended manufacturing operations for five weeks at the end of the first quarter of 2020, out of concern for the well-being of its employees and their families, and at the recommendation of local and state authorities. The Company also coordinated testing for employees at a local physician's office. The Company has since resumed operations and implemented additional safety measures for its employees with requiring face masks, taking each employee's temperature daily, mass sanitizing and social distancing where possible.

### **Proprietary Matters**

Marine Products owns several trademarks, trade names and patents that it believes are important to its business. Except for the Chaparral and Robalo trademarks, however, Marine Products is not dependent upon any single trademark or trade name or group of trademarks or trade names. The Chaparral and Robalo trademarks are currently registered in the United States. The current duration for such registration ranges from seven to 15 years but each registration may be renewed an unlimited number of times.

Several of Chaparral's and Robalo's designs are protected under the U.S. Copyright Office's Vessel Hull Design Protection Act. This law grants an owner of an original vessel hull design certain exclusive rights. Protection is offered for hull designs that are made available to the public for purchase provided that the application is made within two years. As of December 31, 2020, there were 22 Chaparral hull designs and four Robalo hull designs registered under the Vessel Hull Design Protection Act.

### **Seasonality**

Marine Products' quarterly operating results are affected by weather and general economic conditions. Quarterly operating results for the second quarter traditionally record the highest sales volume for the year because this corresponds with the highest retail sales volume period. For similar reasons, quarterly operating results for the fourth quarter often record the lowest sales volume for the year. However, in 2020 Marine Products recorded the lowest quarterly sales volume of the year in the second quarter because of our temporary production facility closure caused by the COVID-19 pandemic, and the highest sales volume of the year in the fourth quarter, due to high retail demand which extended beyond the traditional retail selling season for recreational boats. The results for any quarter are not necessarily indicative of results to be expected in any future period.

### **Inflation**

The market prices of certain materials used in manufacturing the Company's products, especially resins that are made with hydrocarbon feedstocks, copper and steel, have at certain periods been volatile. During the first and second quarters of 2020, the prices of many of these commodities declined due to the global economic slowdown caused by the COVID-19 pandemic. During the third and fourth quarters of 2020 and the first quarter of 2021, however, the prices of oil, copper and stainless steel have increased. The Company also purchases components of which there are a limited number of suppliers, some of whom temporarily suspended their manufacturing operations due to the COVID-19 pandemic. It is possible that the cost of these components will increase as demand from recreational boat manufacturers increases. These higher component prices would increase the costs of manufacturing the Company's products and could negatively affect our profit margins.

New boat buyers typically finance their purchases. Higher inflation typically results in higher interest rates that could translate into an increased cost of boat ownership. In the event that interest rates rise, or lending standards for consumer loans become more stringent, prospective buyers may choose to forego or delay their purchases or buy a less expensive boat in the event that interest rates rise or credit is not available to finance their boat purchases. Early in 2021, the Company believes that inflation in the general economy is becoming a risk, but that interest rates will remain low due to accommodative monetary policy.

### **Availability of Filings**

Marine Products makes available free of charge on its website, MarineProductsCorp.com, the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports on the same day as they are filed with the Securities and Exchange Commission.

## Item 1A. Risk Factors

### **Risks Related to our Business.**

*Economic Conditions, Availability of Credit and Consumer Confidence Levels Affect Marine Products' Sales Because Marine Products' Products are Purchased with Discretionary Income.*

During an economic recession or when an economic recession is perceived as a threat, Marine Products will be adversely affected as consumers have less discretionary income or are more apt to save their discretionary income rather than spend it. During times of global political or economic uncertainty, Marine Products will be negatively affected to the extent consumers forego or delay large discretionary purchases pending the resolution of those uncertainties. Historical volatility in the prices and financial returns of investments and residential real estate may force consumers to delay retirement, or to choose more modest lifestyles when they do retire. In such a case, consumers may not purchase boats, may purchase boats later in their lives, or may purchase smaller or less expensive boats. Tight lending and credit standards, which until recently have been in use by lenders in the United States, can make loans for boats harder to secure, and such loans may carry unfavorable terms, which may force consumers to forego boat purchases. These factors have also resulted in the past, and may continue to result in the future, in a reduction in the quality and number of dealers upon which Marine Products relies to sell its products.

*Marine Products Relies upon Third-Party Dealer Floor Plan Lenders Which Provide Financing to its Network of Independent Dealers.*

Marine Products sells its products to a network of independent dealers, most of whom rely on one or more third-party dealer floor plan lenders to provide financing for their inventory prior to its sale to retail customers. In general, this source of financing is vital to Marine Products' ability to sell products to its dealer network. While dealer floor plan credit is currently available for many of our dealers during the 2021 model year, the Company's sales and profitability could be adversely affected in the event of a decline in floor plan financing availability, or if financing terms change unfavorably.

*Interest Rates and Fuel Prices Affect Marine Products' Sales.*

The Company's products are often financed by our dealers and the retail boat consumers. Higher interest rates increase the borrowing costs and, accordingly, the cost of doing business for dealers and the cost of boat purchases for consumers. Fuel costs can represent a large portion of the costs to operate our products. Therefore, higher interest rates and fuel costs can adversely affect consumers' decisions relating to recreational boating purchases.

*Marine Products' Dependence on its Network of Independent Boat Dealers May Affect its Operating Results and Sales.*

Virtually all Marine Products' sales are derived from its network of independent boat dealers. Marine Products has no long-term agreements with these dealers. Competition for dealers among recreational powerboat manufacturers continues to increase based on the quality of available products, the price and value of the products, and attention to customer service. The Company faces intense competition from other recreational powerboat manufacturers in attracting and retaining independent boat dealers. The number of independent boat dealers supporting the Chaparral and Robalo trade names and the quality of their marketing and servicing efforts are essential to Marine Products' ability to generate sales. A deterioration in the number of Marine Products' network of independent boat dealers could have a material adverse effect on its boat sales. Marine Products' inability to attract new dealers and retain those dealers, or its inability to increase sales with existing dealers, could substantially impair its ability to execute its business plans. Although Marine Products' management believes that the quality of its products and services in the recreational boating market should permit it to maintain its relationship with its dealers and its market position, there can be no assurance that Marine Products will be able to sustain its current sales levels.

*Marine Products' Financial Condition and Operating Results may be Adversely Affected by Boat Dealer Defaults.*

The Company's products are sold through independent dealers and the financial health of these dealers is critical to the Company's continued success. The Company's results can be negatively affected if a dealer defaults because Marine Products or its subsidiaries may be contractually required to repurchase inventory up to certain limits, although for business reasons, the Company may decide to purchase additional boats in excess of this contractual obligation.

*Marine Products' Sales are Affected by Weather Conditions.*

Marine Products' business is subject to weather patterns that may adversely affect its sales. 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 some locations. Hurricanes and other storms could cause disruptions of our operations or damage to our boat inventories and manufacturing facilities.

*Marine Products Encounters Intense Competition Which Affects our Sales and Profits.*

The recreational boat industry is highly fragmented, resulting in intense competition for customers, dealers and boat show exhibition space. This competition affects both the markets which we currently serve and new markets that we may enter in the future. We compete with several large national or regional manufacturers that have substantial financial, marketing and other resources.

*Because Marine Products Relies on Third-party Suppliers, Marine Products may be Unable to Obtain Adequate Raw Materials, Engines and Components Which Could Adversely Affect Sales and Profit Margins.*

Marine Products is dependent on third-party suppliers to provide raw materials, engines and components essential to the construction of its various powerboats. Especially critical are the availability and cost of marine engines and commodity raw materials used in the manufacture of Marine Products' boats. While Marine Products' management believes that supplier relationships currently in place are sufficient to provide the engines and materials necessary to meet present production demands, there can be no assurance that these relationships will continue, that these suppliers will remain in operation or that the quantity or quality of materials available from these suppliers will be sufficient to meet Marine Products' future needs. Disruptions in current supplier relationships or the inability of Marine Products to continue to purchase construction materials in sufficient quantities and of sufficient quality at acceptable prices to meet ongoing production schedules could cause a decrease in sales or a sharp increase in the cost of goods sold. Additionally, because of this dependence, the volatility in commodity raw materials or current or future price increases in production materials or the inability of Marine Products' management to purchase engines and materials required to execute its growth and acquisition strategies could reduce the number of boats Marine Products may be able to produce for sale or cause a reduction in Marine Products' profit margins.

*Marine Products may be Unable to Identify, Complete or Successfully Integrate Acquisitions.*

Marine Products intends to pursue acquisitions and form strategic alliances that will enable Marine Products to acquire complementary skills and capabilities, offer new products, expand its customer base, and obtain other competitive advantages. There can be no assurance, however, that Marine Products will be able to successfully identify suitable acquisition candidates or strategic partners, obtain financing on satisfactory terms, complete acquisitions or strategic alliances, integrate acquired operations into its existing operations, or expand into new markets. Once integrated, acquired operations may not achieve anticipated levels of sales or profitability, or otherwise perform as expected. Acquisitions also involve special risks, including risks associated with unanticipated problems, liabilities and contingencies, diversion of management resources, and possible adverse effects on earnings and earnings per share resulting from increased interest costs, the issuance of additional securities, and difficulties related to the integration of the acquired business. The failure to integrate acquisitions successfully may divert management's attention from Marine Products' existing operations and may damage Marine Products' relationships with its key customers and suppliers.

**Risk Management Risks.**

*Marine Products has Potential Liability for Personal Injury and Property Damage Claims.*

The products we sell or service may expose Marine Products to potential liabilities for personal injury or property damage claims relating to the use of those products. Historically, the resolution of product liability claims has not materially affected Marine Products' business. Marine Products maintains product liability insurance that it believes to be adequate. However, there can be no assurance that Marine Products will not experience legal claims in excess of its insurance coverage or that claims will be covered by insurance. Furthermore, any significant claims against Marine Products could result in negative publicity, which could cause Marine Products' sales to decline.

*If Marine Products is Unable to Comply with Environmental and Other Regulatory Requirements, its Business may be Exposed to Liability and Fines.*

Marine Products' operations are subject to extensive regulation, supervision and licensing under various federal, state and local statutes, ordinances and regulations. While Marine Products believes that it maintains all requisite licenses and permits and is in compliance with all applicable federal, state and local regulations, there can be no assurance that Marine Products will be able to continue to maintain all requisite licenses and permits and comply with applicable laws and regulations. The failure to satisfy these and other regulatory requirements could cause Marine Products to incur fines or penalties or could increase the cost of operations. The adoption of additional laws, rules and regulations could also increase Marine Products' costs.

The U.S. Environmental Protection Agency (EPA) has adopted regulations affecting many marine propulsion engines. This regulation has increased the cost of boats subject to the regulation, which may either reduce the Company's profitability or reduce sales.

As with boat construction in general, our manufacturing processes involve the use, handling, storage and contracting for recycling or disposal of hazardous or toxic substances or wastes. Accordingly, we are subject to regulations regarding these substances, and the misuse or mishandling of such substances could expose Marine Products to liability or fines.

Additionally, certain states have required or are considering requiring a license to operate a recreational boat. While such licensing requirements are not expected to be unduly restrictive, regulations may discourage potential first-time buyers, thereby reducing future sales.

#### **Risks Related to our Labor Force.**

*Marine Products' Success Will Depend on its Key Personnel, and the Loss of any Key Personnel may Affect its Powerboat Sales.*

Marine Products' success will depend to a significant extent on the continued service of key management personnel. The loss or interruption of the services of any senior management personnel or the inability to attract and retain other qualified management, sales, marketing and technical employees could disrupt Marine Products' operations and cause a decrease in its sales and profit margins.

*Marine Products' Ability to Attract and Retain Qualified Employees is Crucial to its Results of Operations and Future Growth.*

Marine Products relies on the existence of an available hourly workforce to manufacture its products. As with many businesses, we are challenged at times to find qualified employees. There are no assurances that Marine Products will be able to attract and retain qualified employees to meet current and/or future growth needs.

#### **General Risks.**

*Marine Products' Stock Price has been Volatile.*

Historically, the market price of common stock of companies engaged in the discretionary consumer products industry has been highly volatile. Likewise, the market price of our common stock has varied significantly in the past. In addition, the availability of Marine Products common stock to the investing public is limited to the extent that shares are not sold by the executive officers, directors and their affiliates, which could negatively impact the trading price of Marine Products' common stock, increase volatility and affect the ability of minority stockholders to sell their shares. Future sales by executive officers, directors and their affiliates of all or a substantial portion of their shares could also negatively affect the trading price of Marine Products' common stock.



### **Risks Related to Our Capital and Ownership Structure.**

*Marine Products' Management has a Substantial Ownership Interest; Public Stockholders may have no Effective Voice in Marine Products' Management.*

The Company has elected the "Controlled Corporation" exemption under Section 303A of the New York Stock Exchange ("NYSE") Listed Company Manual. The Company is a "Controlled Corporation" because a group that includes the Company's Chairman of the Board, Gary W. Rollins, who is also a director of the Company, and certain companies under their control, controls in excess of fifty percent of the Company's voting power. As a "Controlled Corporation," the Company need not comply with certain NYSE rules including those requiring a majority of independent directors.

Marine Products' executive officers, directors and their affiliates hold directly or through indirect beneficial ownership, in the aggregate, approximately 73 percent of Marine Products' outstanding shares of common stock. As a result, these stockholders effectively control the operations of Marine Products, including the election of directors and approval of significant corporate transactions such as acquisitions. This concentration of ownership could also have the effect of delaying or preventing a third-party from acquiring control of Marine Products at a premium.

*Provisions in Marine Products' Certificate of Incorporation and Bylaws may Inhibit a Takeover of Marine Products.*

Marine Products' certificate of incorporation, bylaws and other documents contain provisions including advance notice requirements for stockholder proposals and staggered terms of office for the Board of Directors. These provisions may make a tender offer, change in control or takeover attempt that is opposed by Marine Products' Board of Directors more difficult or expensive.

### **Risks Related to Digital Operations, Cybersecurity and Business Disruption.**

*Our operations rely on digital systems and processes that are subject to cyber-attacks or other threats that could have a material adverse effect on our business, consolidated results of operations and consolidated financial condition.*

Our operations are dependent on digital technologies and services. We use these technologies and services for internal purposes, including data storage, processing and transmissions, as well as in our interactions with customers and suppliers. Digital technologies are subject to the risk of cyber-attacks, both from internal and external threats. Internal threats in cybersecurity are caused by the misuse of access to networks and assets by individuals within the Company by maliciously or negligently disclosing, modifying or deleting sensitive information. Individuals within the Company include current employees, contractors and partners. External threats in cybersecurity are caused by unauthorized parties attempting to gain access to our networks and assets by exploiting security vulnerabilities or through the introduction of malicious code, such as viruses, worms, Trojan horses and ransomware. In response to the risk of cyber-attacks, we regularly review and update processes to prevent unauthorized access to our networks and assets and misuse of data. We provide security awareness training for all employees, and closely manage the accounts and privileges of all employees and contractors. We also maintain an up-to-date incident response plan to quickly address cybersecurity incidents.

If our systems for protecting against cybersecurity risks prove to be insufficient, we could be adversely affected by, among other things, loss of or damage to intellectual property, proprietary or confidential information, or customer, supplier, or employee data, as well as, interruption of our business operations and increased costs required to prevent, respond to, or mitigate cybersecurity attacks. These risks could harm our reputation and our relationships with customers, suppliers, employees and other third parties, and may result in claims against us. These risks could have a material adverse effect on our business, consolidated results of operations and consolidated financial condition.

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

None.

## Item 2. Properties

Marine Products' corporate offices are in Atlanta, Georgia. These offices are currently shared with RPC and are leased. The monthly rent paid is allocated between Marine Products and RPC. Under this arrangement, Marine Products pays approximately \$3,700 per month in rent. Marine Products may cancel this arrangement at any time after giving a 30-day notice.

Chaparral owns and maintains approximately 1,162,000 square feet of space utilized for manufacturing, research and development, warehouse, sales office and operations in Nashville, Georgia. In addition, the Company owns 83,000 square feet of manufacturing space in Valdosta, Georgia. Marine Products' total square footage under roof is allocated as follows: manufacturing — 724,700, research and development — 68,500, warehousing — 315,700, office and other — 136,100.

## Item 3. Legal Proceedings

Marine Products is involved in litigation from time to time in the ordinary course of its business. Marine Products does not believe that the ultimate outcome of such litigation will have a material adverse effect on its liquidity, financial condition or results of operations.

## Item 4. Mine Safety Disclosures

Not applicable.

### Item 4A. Information About Our Executive Officers

Each of the executive officers of Marine Products was elected by the Board of Directors to serve until the Board of Directors' meeting immediately following the next annual meeting of stockholders or until his earlier removal by the Board of Directors or his resignation. The following table lists the executive officers of Marine Products and their ages, offices, and date first elected to office.

Name and Office with Registrant	Age	Date First Elected to Present Office
Richard A. Hubbell <sup>(1)</sup> President and Chief Executive Officer	76	2/28/01
Ben M. Palmer <sup>(2)</sup> Vice President, Chief Financial Officer and Corporate Secretary	60	2/28/01

(1) Richard A. Hubbell has been the President and Chief Executive Officer of Marine Products since it was spun off in 2001. He has also been President of RPC since 1987 and Chief Executive Officer since 2003. Mr. Hubbell serves on the Board of Directors of both companies.

(2) Ben M. Palmer has been Vice President, Chief Financial Officer of Marine Products since it was spun off in 2001 and has served the same roles at RPC since 1996. He assumed the responsibilities as Corporate Secretary of Marine Products and RPC in July 2018.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Marine Products' common stock is listed for trading on the New York Stock Exchange under the symbol "MPX." As of February 19, 2021, there were 33,992,885 shares of common stock outstanding and approximately 3,600 beneficial holders of our Company's common stock.

#### *Issuer Purchases of Equity Securities*

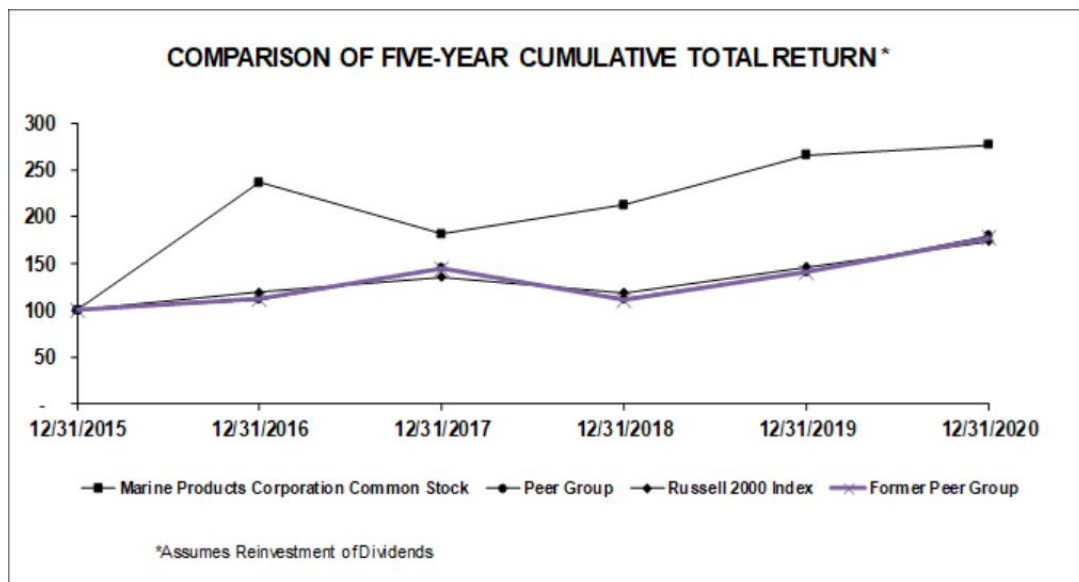
The Company's Board of Directors announced a stock buyback program on April 25, 2001 authorizing the repurchase of 2,250,000 shares in the open market and another on March 14, 2005 authorizing the repurchase of an additional 3,000,000 shares. On January 22, 2008 the Board of Directors authorized an additional 3,000,000 shares that the Company may repurchase. During the fourth quarter of 2020, there were no shares repurchased in the open market under this program and there are 1,570,428 shares that remain available for repurchase. The program does not have a predetermined expiration date.

#### *Performance Graph*

The following graph shows a five-year comparison of the cumulative total stockholder return based on the performance of the stock of the Company, assuming dividend reinvestment, as compared with both a broad equity market index and an industry or peer group index. The indices included in the following graph are the Russell 2000 Index ("Russell 2000") and a peer group which includes companies that are considered peers of the Company ("Peer Group"). The companies included in the Peer Group have been weighted according to each respective issuer's stock market capitalization at the end of each year. The companies in the Peer Group are Brunswick Corporation, MarineMax, Inc., Malibu Boats, Inc. and Mastercraft Boat Holdings, Inc. The following graph also includes the peer group used in the immediately preceding fiscal year which includes Brunswick Corporation, MarineMax, Inc. and Malibu Boats, Inc. (the "Former Peer Group"). Mastercraft Boat Holdings, Inc. was not used in previous performance graphs because it did not have five years of trading history as a public company.

The Russell 2000 is used because the Company is a component of the Russell 2000, and because the Russell 2000 is a stock index representing small capitalization U.S. stocks. During 2020, the components of the Russell 2000 had an average market capitalization of \$3.8 billion, and a median market capitalization of \$922 million.

The graph below assumes the value of \$100.00 invested on December 31, 2015.



## Item 6. Selected Financial Data

The following table summarizes certain selected financial data of Marine Products. The historical information may not be indicative of Marine Products' future results of operations. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and the Notes thereto included elsewhere in this document.

	Years Ended December 31,				
	(In thousands, except share, per share and employee data)				
	2020	2019	2018	2017 (1)	2016
<b>Statement of Operations Data:</b>					
Net sales	\$ 239,825	\$ 292,136	\$ 298,616	\$ 267,316	\$ 241,330
Cost of goods sold	186,220	226,742	232,293	208,296	190,863
Gross profit	53,605	65,394	66,323	59,020	50,467
Selling, general and administrative expenses	29,244	31,259	30,936	29,261	27,415
Operating income	24,361	34,135	35,387	29,759	23,052
Interest income	95	323	268	229	355
Income before income taxes	24,456	34,458	35,655	29,988	23,407
Income tax provision (1)	5,012	6,219	7,167	10,688	6,662
<b>Net income (1)</b>	<b>\$ 19,444</b>	<b>\$ 28,239</b>	<b>\$ 28,488</b>	<b>\$ 19,300</b>	<b>\$ 16,745</b>
<b>Earnings per share: (1)</b>					
Basic	\$ 0.57	\$ 0.83	\$ 0.83	\$ 0.55	\$ 0.44
Diluted	\$ 0.57	\$ 0.83	\$ 0.83	\$ 0.55	\$ 0.44
<b>Dividends paid per share</b>	<b>\$ 0.40</b>	<b>\$ 0.58</b>	<b>\$ 0.50</b>	<b>\$ 0.33</b>	<b>\$ 0.24</b>
<b>Other Financial and Operating Data:</b>					
Gross profit margin percent	22.4 %	22.4 %	22.2 %	22.1 %	20.9 %
Operating margin percent	10.2 %	11.7 %	11.9 %	11.1 %	9.6 %
Net cash provided by operating activities	\$ 29,874	\$ 33,917	\$ 22,775	\$ 29,639	\$ 15,837
Net cash provided by (used for) investing activities	(2,065)	5,345	3,060	(6,549)	22,575
Net cash used for financing activities	(16,040)	(28,203)	(24,774)	(18,025)	(43,779)
Capital expenditures	\$ 2,099	\$ 2,334	\$ 2,154	\$ 2,410	\$ 1,940
Employees at end of year	823	673	976	891	823
Factory and administrative space at end of year (square ft.)	1,245	1,245	1,211	1,211	1,211
<b>Balance Sheet Data at end of year:</b>					
Cash and cash equivalents	\$ 31,573	\$ 19,804	\$ 8,745	\$ 7,684	\$ 2,619
Marketable securities — current	—	—	2,966	2,636	4,109
Marketable securities — non-current	—	—	4,699	10,395	5,221
Inventories	42,310	41,553	46,770	38,006	42,488
Working capital	58,874	53,886	46,433	34,826	34,753
Property, plant and equipment, net	14,938	14,796	14,552	14,218	13,334
Total assets	119,422	104,764	100,880	95,900	88,527
Total stockholders' equity	\$ 84,519	\$ 77,212	\$ 75,212	\$ 69,604	\$ 65,445

- (1) The indicated Statement of Operations data for 2017 include the impact of a net discrete tax provision of \$1.7 million, or \$0.05 per share, recorded as a result of the TaxCuts and Jobs Act enacted during the fourth quarter of 2017.

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

### Presentation

The following discussion should be read in conjunction with "Selected Financial Data" and the Consolidated Financial Statements included elsewhere in this document. See also "Forward-Looking Statements" on page 2. Discussions of 2019 items and year-to-year comparisons of 2019 and 2018 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2019, which Item is incorporated herein by reference.

### Overview

Marine Products, through our wholly owned subsidiaries Chaparral and Robalo, is a leading manufacturer of recreational fiberglass powerboats. Our sales and profits are generated by selling the products that we manufacture to a network of independent dealers who in turn sell the products to retail consumers. These dealers are located throughout the continental United States and in several international markets. Dealers either remit payment upon receipt of the product or finance their inventory through third-party floor plan lenders, who pay Marine Products generally within ten days of delivery of the products to the dealers.

We manage our Company by focusing on the execution of the following business and financial strategies:

- Manufacturing high-quality, stylish, and innovative powerboats for our dealers and retail consumers which are competitive in the market,
- Providing our independent dealer network appropriate incentives, training, and other support to enhance their success and their customers' satisfaction, thereby facilitating their continued relationship with us,
- Managing our production and dealer order backlog to optimize operating results and reduce risk in the event of a downturn in sales of our products,
- Maintaining a flexible, variable cost structure which can be reduced quickly when deemed appropriate,
- Designing our products and marketing strategies to create a positive, memorable experience for our customers, within an evolving environment which calls for the increased use of technology to conduct virtual marketing and product demonstration,
- Monitoring the recreational boat market for strong complementary product lines which we may enter through new product development or acquisition,
- Extending our brand name recognition to enhance the success of new boat models that complement our existing offerings,
- Improving our sales and profits by increasing the utilization of our manufacturing capacity,
- Monitoring the activities and financial condition of our dealers and of the third-party floor plan lenders who finance our dealers' inventories,
- Maximizing stockholder return by optimizing the balance of cash invested in the Company's productive assets, the payment of dividends to stockholders, and the repurchase of the Company's common stock on the open market, and
- Aligning the interests of our management and stockholders.

In executing these strategies and attempting to optimize our financial returns, management closely monitors dealer orders and inventories, the production mix of various models, and indications of near term demand such as consumer confidence, evolving customer preferences for socially distanced recreational activities, interest rates, dealer orders placed at our annual dealer conferences, and retail attendance and orders at annual winter boat show exhibitions and through virtual marketing events. We also consider trends related to certain key financial and other data, including our historical and forecasted financial results, market share, unit sales of our products, average selling price per boat, and gross profit margins, among others, as indicators of the success of our strategies. Marine Products' financial results are affected by consumer confidence and preferences, because pleasure boating is a discretionary expenditure and consumers have many competing activities for their leisure time. Pleasure boating is also impacted by interest rates, the availability of financing and shifting consumer preferences towards safe activities which do not involve large crowds.

During 2020, aggregate retail sales of the boating segments in which Marine Products operates increased by approximately 11.3 percent. Sales in each segment in which we operate increased during the year. Our consolidated net sales declined in 2020 compared to 2019 due to a decrease in unit sales caused by the temporary suspension of operations in our production facility during the second quarter due to the impact of the COVID-19 pandemic as well as declines in our Chaparral H2O models due to our de-emphasis of this product line. These unit sales declines were partially offset by higher average selling prices resulting from a favorable model mix. Unit sales in 2020 decreased by 23.5 percent compared to 2019. Management will continue to monitor retail demand among the various segments in the recreational boat market, the actions of our competitors, dealer inventory levels and the availability of dealer and consumer financing for the purchase of our products and adjust our production levels as deemed appropriate.

We periodically monitor our market share in the 19 to 34 foot sterndrive category as one indicator of the success of our strategies and the market's acceptance of our products. For the 12 month period ended September 30, 2020 (latest data available to us), Chaparral's market share in the 19 to 34 foot sterndrive category was 16.5 percent, a slight increase in comparison to the prior year same period, the second highest market share in this category during this period. For the 12-month period ended September 30, 2020, Robalo's share of the 16 to 36 foot outboard sport fishing boat market was 5.2 percent, the highest market share within this category. Marine Products Corporation's share of the outboard recreational market, including both Robalo and Chaparral's outboard units, was 6.5 percent of the total market within its size range for the 12 months ended September 30, 2020. Moreover, the Company held the highest share among manufacturers of various outboard brands during the period. We will continue to monitor our market share and believe it to be important, but we believe that maximizing profitability takes precedence over growing our market share. Furthermore, as we continue to expand the breadth of our product offerings within our core category and new categories, we consider our overall market share across the various powerboat categories to be of greater importance to the long-term health of our company than our market share within any specific type of recreational boat.

## **Outlook**

We believe that retail demand for new recreational boats during 2021 will be higher than demand in 2020 due to the impact on consumer preferences caused by the COVID-19 pandemic. In addition, interest rates have fallen, which decreases the cost of boat ownership and encourage consumers to consider purchasing recreational boats. The Company believes that recreational boating's appeal to U.S. consumers is growing because people perceive it to be a safe outdoor activity which does not involve large groups of people. During 2020, many consumers chose recreational boating when they temporarily left urban areas to spend time in vacation homes or in smaller groups, often located near recreational bodies of water.

Preliminary industry data indicate that retail boat sales in 2020 exceeded boat sales generated during the previous cyclical peak in 2007. Fluctuations in fuel prices can impact our industry, and although they declined in 2020, they have remained relatively stable and we do not believe that they have recently impacted sales. In general, the overall cost of boat ownership has increased over the last several years, especially in the sterndrive recreational boat market segment, which comprised approximately 35 percent of the Company's unit sales during 2020. The higher cost of boat ownership can discourage consumers from purchasing recreational boats. For years, Marine Products and other boat manufacturers have been improving their customer service capabilities, marketing strategies and sales promotions to attract more consumers to recreational boating as well as improve consumers' boating experiences. The Company provides financial incentives to its dealers for receiving favorable customer satisfaction surveys. In addition, the recreational boating industry conducts a promotional program which involves advertising and consumer targeting efforts, as well as other activities designed to increase the potential consumer market for pleasure boats. Many manufacturers, including Marine Products, participate in this program. Management believes that these efforts have incrementally benefited the industry and Marine Products. As in past years, Marine Products enhanced its selection of models for the 2021 model year which began on July 1, 2020 by broadening the size range of its product offerings and adding several new models. In a typical year, Marine Products and its dealers present our new models to retail customers during the winter boat show season, which takes place during the fourth and first calendar quarters. During the 2021 model year, however, most winter boat shows have been cancelled due to the COVID-19 pandemic. As a result of these cancellations, the Company and its dealers have replaced their physical boat show presences with virtual marketing efforts. The Company believes that these efforts are effective and competitive with our peers. For the new model year, we continue to emphasize our larger Robalo center console models. In addition, we have introduced two larger Chaparral SSX and Surf Series models for the 2021 model year. We believe that these boat models will appeal to our customer base and dealer network. We plan to continue to develop and produce additional new products for subsequent model years.

Our financial results will depend on a number of factors, including health of American consumers and economic recovery from the pandemic, potential changes in consumer behavior as society recovers from the pandemic, interest rates, consumer confidence, the availability of credit to our dealers and consumers, fuel costs, the continued acceptance of our new products in the recreational boating market, the near-term effectiveness of our marketing efforts, the availability and cost of labor and certain of our raw materials and key components used in manufacturing our products.

## Results of Operations

(\$'s in thousands)	Years ended December 31,		
	2020	2019	2018
Total number of boats sold to dealers	3,689	4,825	5,340
Average gross selling price per boat	\$ 56.1	\$ 52.6	\$ 48.7
Net sales	\$ 239,825	\$ 292,136	\$ 298,616
Percentage of gross profit to net sales	22.4 %	22.4 %	22.2 %
Percentage of selling, general and administrative expenses to net sales	12.2 %	10.7 %	10.4 %
Operating income	\$ 24,361	\$ 34,135	\$ 35,387
Warranty expense	\$ 2,845	\$ 3,807	\$ 4,178

### Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

*Net Sales.* Marine Products' net sales decreased by \$52.3 million or 17.9 percent in 2020 compared to 2019. The decrease was primarily due to a 23.5 percent decrease in the number of boats sold, as well as a decrease in parts and accessories sales, partially offset by 6.7 percent increase in the average gross selling price per boat. Unit sales decreased due to the temporary suspension of operations in our production facility due to the impact of the COVID-19 pandemic during the second quarter, as well as declines in our Chaparral H2O models due to our de-emphasis of this product line. Average selling prices increased primarily due to a favorable model mix which included increased sales of our larger boats and reduced incentive costs. Domestic net sales were \$228.1 million, a decrease of 17.1 percent compared to the prior year. International sales decreased 31.0 percent during 2020 compared to 2019 due to continued tariffs imposed on boat imports into Mexico and the European Union.

*Cost of Goods Sold.* Cost of goods sold decreased 17.9 percent in 2020 compared to 2019 consistent with decrease in net sales. As a percentage of net sales, cost of goods sold were 77.6 percent in 2020 and 2019.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses decreased by 6.4 percent in 2020 compared to 2019 primarily due to decreases in incentive compensation and warranty expense consistent with the decline in net sales. This decrease was partially offset by a reduction in a research and development state tax credit by \$1.2 million in 2020 compared to prior year, as well as \$963 thousand in deferred compensation expense associated with the accelerated vesting of restricted stock due to the death of the Company's Chairman in the third quarter of 2020 coupled with a non-cash pension settlement loss of \$647 thousand recorded during the fourth quarter of 2020. Selling, general and administrative expenses as a percentage of sales increased to 12.2 percent in 2020 from 10.7 percent in 2019. As a percentage of net sales, warranty expense decreased to 1.2 percent in 2020, compared to 1.3 percent in 2019.

*Interest Income.* Interest income decreased to \$95 thousand in 2020 compared to \$323 thousand in 2019. Marine Products generated interest income in 2020 primarily from investments in money market funds. This decrease was primarily due to a lower percentage investment yield due to lower interest rates, partially offset by an increase in the average investable balance of cash and cash equivalents.

*Income Tax Provision.* The income tax provision decreased to \$5.0 million in 2020 compared to \$6.2 million in 2019. The effective tax rate was 20.5 percent in 2020 compared to 18.0 percent in 2019. The increase in the 2020 effective tax rate resulted from a non-deductible permanent item related to stock compensation coupled with a detrimental provision to return discrete adjustment compared to a beneficial discrete adjustment in 2019.



## Liquidity and Capital Resources

### Cash and Cash Flows

The Company's cash and cash equivalents were \$31.6 million at December 31, 2020, \$19.8 million at December 31, 2019 and \$8.7 million at December 31, 2018. The following table sets forth the historical cash flows for the twelve months ended December 31:

(in thousands)	2020	2019	2018
Net cash provided by operating activities	\$ 29,874	\$ 33,917	\$ 22,775
Net cash (used for) provided by investing activities	(2,065)	5,345	3,060
Net cash used for financing activities	(16,040)	(28,203)	(24,774)

Cash provided by operating activities decreased by \$4.0 million in 2020 compared to 2019. This decrease is primarily due to a decrease in net income partially offset by a favorable change in working capital.

The major components of the net favorable change in working capital were as follows: a favorable change of \$1.9 million in accounts receivable due to lower revenues and the timing of receipts in comparison to the prior year; a favorable change of \$0.9 million in income taxes receivable; an unfavorable change of \$0.8 million in inventories primarily due to the timing of shipments of finished boats and receipts of raw materials and key components; and favorable changes of \$2.2 million in accounts payable and \$2.4 million in other accrued expenses due to the timing of payments.

Cash used for investing activities for 2020 was \$2.1 million compared to \$5.3 million of cash provided by investing activities for 2019. The unfavorable change in cash used for investing activities is primarily due to net sales of marketable securities during the first quarter of 2019 resulting from a change in investment strategy, partially offset by a decrease in capital expenditures during 2020 in comparison to the prior year.

Cash used for financing activities for 2020 decreased \$12.2 million compared to 2019 primarily due to a reduction in the cost of open market share repurchases coupled with lower common stock dividends paid to shareholders in 2020 compared to the prior year.

### Cash Requirements

Management expects that capital expenditures during 2021 will be approximately \$3.3 million.

The Company participates in a multiple employer Retirement Income Plan, sponsored by RPC. During 2020, the Company made a cash contribution of \$0.6 million to this plan. We do not currently expect that additional contributions by the Company to the Retirement Income Plan will be made in 2021.

On January 26, 2021, the Board of Directors approved a quarterly cash dividend of \$0.10 per common share payable March 10, 2021 to stockholders of record at the close of business on February 10, 2021.

The Company has a contractual agreement with one employee that provides for a monthly payment equal to 10 percent of profits (defined as pretax income before goodwill amortization and certain allocated corporate expenses).

In January 2008, the Board of Directors authorized an additional 3,000,000 shares that the Company may repurchase for a total aggregate authorization of 8,250,000 shares. The Company repurchased 97,940 shares in the open market during 2020, and 1,570,428 shares remain available for repurchase under this program.

The Company has entered into agreements with third-party floor plan lenders where it has agreed, in the event of default by a qualifying dealer, to repurchase MPC boats repossessed from the dealer. These arrangements are subject to maximum repurchase amounts and the associated risk is mitigated by the value of the boats repurchased. The Company had no repurchases of dealer inventory in 2020 and repurchases totaled \$3.4 million under contractual agreements during 2019. See further information regarding repurchase obligations in "NOTE 10: COMMITMENTS AND CONTINGENCIES" of the Consolidated Financial Statements which is incorporated herein by reference.

The Company believes that the liquidity provided by its existing cash and cash equivalents, marketable securities, and cash expected to be generated from operations will provide sufficient capital to meet its requirements for at least the next twelve months.

The Company's decisions about the amount of cash to be used for investing and financing purposes are influenced by its capital position and the expected amount of cash to be provided by operations.

### Contractual Obligations

The following table summarizes the Company's contractual obligations as of December 31, 2020:

Contractual Obligations (in thousands)	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt	\$ —	\$ —	\$ —	\$ —	\$ —
Capital lease obligation	—	—	—	—	—
Operating leases (1)	127	55	68	4	—
Purchase obligations (2)	—	—	—	—	—
Due to floor plan lenders (3)	—	—	—	—	—
Other long-term liabilities (4)	768	192	384	192	—
<b>Total</b>	<b>\$ 895</b>	<b>\$ 247</b>	<b>\$ 452</b>	<b>\$ 196</b>	<b>\$ —</b>

- (1) Operating leases represent agreements for various office equipment.
- (2) As part of the normal course of business the Company enters into purchase commitments to manage its various operating needs. However, the Company does not have any obligations that are non-cancelable or subject to a penalty if canceled.
- (3) The Company has agreements with various third-party lenders where it guarantees varying amounts of debt for qualifying dealers on boats in dealer inventory. As of December 31, 2020, there are no outstanding cash obligations to floor plan lenders.
- (4) Represents amounts related to the usage of a corporate aircraft.

### Fair Value Measurements

The Company's assets and liabilities measured at fair value are classified in the fair value hierarchy (Level 1, 2 or 3) based on the inputs used for valuation. Assets and liabilities that are traded on an exchange with a quoted price are classified as Level 1. Assets and liabilities that are valued using significant observable inputs in addition to quoted market prices are classified as Level 2. The Company currently has no assets or liabilities measured on a recurring basis that are valued using unobservable inputs and therefore no assets or liabilities measured on a recurring basis are classified as Level 3. For defined benefit plan and Supplemental Executive Retirement Plan ("SERP") investments measured at net asset value, the values are computed using inputs such as cost, discounted future cash flows, independent appraisals and market based comparable data or on net asset values calculated by the fund and not publicly available.

### Off Balance Sheet Arrangements

To assist dealers in obtaining financing for the purchase of its boats for inventory, the Company has entered into agreements with various third-party floor plan lenders whereby the Company guarantees varying amounts of debt for qualifying dealers on boats in dealer inventory. The Company's obligation under these guarantees becomes effective in the case of a default under the financing arrangement between the dealer and the third-party lender. The agreements typically provide for the return of all repossessed boats in "new and unused" condition subject to normal wear and tear, as defined, to the Company, in exchange for the Company's assumption of specified percentages of the debt obligation on those boats, up to certain contractually determined dollar limits which vary by lender. The Company had no repurchases of dealer inventory under contractual agreements during 2020 and had repurchases totaled \$3.4 million during 2019.

Management continues to monitor the risk of additional defaults and resulting repurchase obligation based primarily upon information provided by the third-party floor plan lenders and to adjust the guarantee liability at the end of each reporting period based on information reasonably available at that time. As of December 31, 2020, the Company believes the fair value of its guarantee liability is immaterial. See further information regarding repurchase obligations in "NOTE 10: COMMITMENTS AND CONTINGENCIES" of the Consolidated Financial Statements which is incorporated herein by reference.

The Company currently has an agreement with one of the floor plan lenders whereby the contractual repurchase obligation is limited to a maximum of 16 percent of the average net receivables financed by the floor plan lender for dealers during the prior 12 month period, which was \$9.7 million as of December 31, 2020. The Company has contractual repurchase agreements with additional lenders with an aggregate maximum repurchase obligation of \$3.5 million, with various expiration and cancellation terms of less than one year. Accordingly, the aggregate repurchase obligation with all financing institutions is \$13.2 million as of December 31, 2020. Although the Company has these agreements with financial institutions, in certain situations, the Company may decide for business reasons to repurchase boats in excess of these contractual amounts.

#### **Related Party Transactions**

See "NOTE 12: RELATED PARTY TRANSACTIONS" of the Consolidated Financial Statements, which is incorporated herein by reference, for a description of related party transactions.

#### **Critical Accounting Policies**

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require significant judgment by management in selecting the appropriate assumptions for calculating accounting estimates. These judgments are based on our historical experience, terms of existing contracts, trends in the industry, and information available from other outside sources, as appropriate. Senior management has discussed the development, selection and disclosure of its critical accounting policies that require significant judgments or estimates with the Audit Committee of our Board of Directors. The Company believes that, of its significant accounting policies, the following may involve a higher degree of judgment and complexity.

**Sales recognition** - The Company sells its boats through its network of independent dealers and recognizes revenues from contracts with its customers based on the consideration received in exchange for the goods sold. Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. Satisfaction of contract terms occur with the transfer of title of our boats, accessories, and parts to our dealers. Net sale is measured as the amount of consideration we expect to receive in exchange for transferring the goods to the dealer and consists of the sales price adjusted for dealer incentives.

**Sales incentives and discounts** – The Company records incentives as a reduction of sales or as a cost of sales as appropriate. Using historical trends and management estimates, adjusted for current changes, the Company estimates the amount of incentives that will be paid in the future on boats sold and accrues an estimated liability. The Company offers various incentives that promote sales to dealers, and to a lesser extent, retail customers. These incentives are designed to encourage timely replenishment of dealer inventories after peak selling seasons, stabilize manufacturing volumes throughout the year, and improve production model mix. The dealer incentive programs are a combination of annual volume commitment discounts, and additional discounts at time of invoice for those dealers who do not finance their inventory through specified floor plan financing agreements. The annual dealer volume discounts are primarily based on July 1 through June 30 model year purchases. In addition, the Company offers at various times other time-specific or model-specific incentives.

The factors that complicate the calculation of the cost of these incentives are the ability to forecast sales of the Company and individual dealers, the volume and timing of inventory financed by specific dealers, identification of which boats have been sold subject to an incentive, and the estimated lag time between sales and payment of incentives. Settlement of the incentives generally occurs from three to twelve months after the sale. The Company regularly analyzes the historical incentive trends and adjusts recorded liabilities for changes in trends and terms of incentive programs. Total cost of incentives recorded in net sales as a percentage of gross sales was 6.7 percent in 2020, 7.0 percent in 2019, and 7.2 percent in 2018. A 0.25 percentage point change in cost of incentives as a percentage of gross sales during 2020 would have increased or decreased net sales, gross margin and operating income by approximately \$0.5 million.

Warranty costs -The Company records as part of selling, general and administrative expenses an experience-based estimate of the future warranty costs to be incurred when sales are recognized. The Company evaluates its warranty obligation for each product line on a model year basis. The Company provides warranties against manufacturing defects for various components of the boats, primarily the fiberglass deck and hull, with warranty periods extending up to a lifetime. Warranty costs, if any, on other components of the boats are generally absorbed by the original component manufacturer. Warranty costs can vary depending upon the size and number of components in the boats sold, the pre-sale warranty claims, and the desired level of customer service. While we focus on high quality manufacturing programs and processes, including actively monitoring the quality of our component suppliers and managing the dealer and customer service warranty experience and reimbursements, our estimated warranty obligation is based upon the warranty terms and the Company's enforcement of those terms over time, manufacturing defects or issues, repair costs, and the volume and mix of boat sales. The estimate of warranty costs is regularly analyzed and is adjusted based on several factors including the actual claims that occur. Warranty expense as a percentage of net sales was 1.2 percent in 2020, 1.3 percent in 2019, and 1.4 percent in 2018. A 0.10 percentage point increase in the estimated warranty expense as a percentage of net sales during 2020 would have increased selling, general and administrative expenses and reduced operating income by approximately \$0.2 million.

**Impact of Recent Accounting Pronouncements:**

See "NOTE 1: SIGNIFICANT ACCOUNTING POLICIES" of the Consolidated Financial Statements, which is incorporated herein by reference, for a description of recent accounting pronouncements, including the expected dates of adoption and expected effects on results of operations and financial condition, if known.

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

Marine Products holds no derivative financial instruments which could expose the Company to significant market risk. Marine Products maintain investments primarily in money market funds which are not subject to material interest rate risk exposure. Marine Products does not expect any material changes in market risk exposures or how those risks are managed.

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Stockholders of Marine Products Corporation:

The management of Marine Products Corporation is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Marine Products Corporation maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded against loss or unauthorized use and that the financial records are adequate and can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control system is augmented by written policies and procedures, an internal audit program and the selection and training of qualified personnel. This system includes policies that require adherence to ethical business standards and compliance with all applicable laws and regulations.

There are inherent limitations to the effectiveness of any controls system. A controls system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the controls system are met. Also, no evaluation of controls can provide absolute assurance that all control issues and any instances of fraud, if any, within the Company will be detected. Further, the design of a controls system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. The Company intends to continually improve and refine its internal controls.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operations of our internal control over financial reporting, as of December 31, 2020 based on criteria established in *2013 Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management's assessment is that Marine Products Corporation maintained effective internal control over financial reporting as of December 31, 2020.

The independent registered public accounting firm, Grant Thornton LLP, has audited the consolidated financial statements as of and for the year ended December 31, 2020, and has also issued their report on the effectiveness of the Company's internal control over financial reporting, included in this report on page 30.

/s/ Richard A. Hubbell

Richard A. Hubbell  
President and Chief Executive Officer

Atlanta, Georgia  
February 26, 2021

/s/ Ben M. Palmer

Ben M. Palmer  
Vice President, Chief Financial Officer and Corporate Secretary

Board of Directors and Stockholders  
Marine Products Corporation

**Opinion on internal control over financial reporting**

We have audited the internal control over financial reporting of Marine Products Corporation (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of and for the year ended December 31, 2020, and our report dated February 26, 2021 expressed an unqualified opinion on those financial statements.

**Basis for opinion**

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

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

**Definition and limitations of internal control over financial reporting**

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

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

/s/ GRANT THORNTON LLP

Atlanta, Georgia  
February 26, 2021

Board of Directors and Stockholders  
Marine Products Corporation

**Opinion on the financial statements**

We have audited the accompanying consolidated balance sheets of Marine Products Corporation (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes and financial statement schedule under Item 15(2) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in the 2013 *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated February 26, 2021 expressed an unqualified opinion.

**Basis for opinion**

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

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

**Critical audit matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Accrued Warranty Claims**

As described further in Note 1 to the consolidated financial statements, the Company provides a lifetime limited structural hull warranty, a five-year structural deck warranty, and a one-year limited warranty to the original owner for all boats sold to dealers. The cost of these warranty claims is recorded by the Company at the time of the boat sale based on historical claims experience and may subsequently be adjusted based on items such as production quality. We identified accrued warranty claims ("warranty") as a critical audit matter.

The principal consideration for our determination that warranty is a critical audit matter is that the accrual for warranty claims has a higher risk of estimation uncertainty related to the estimation of anticipated future warranty claims. The estimation uncertainty and subjectivity in adjusting the accrual resulted in the need for auditor judgement when assessing whether management's accrual for warranty was determined utilizing a reasonable basis and that the amount is materially correct.

The following are the primary procedures we performed to address the critical audit matter. We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's warranty accrual estimation process. For example, we tested controls over the development of the assumptions and the verification of the completeness and accuracy of the information used in developing the warranty accrual. We tested the process used to develop the estimate using information related to recent production trends and the historical experience of the Company. We also compared the Company's prior year warranty liability related to anticipated claims in the current year to actual claims paid in the current year to evaluate the historical accuracy of the Company's estimate.

/s/ GRANT THORNTON LLP

We have served as the Company's auditor since 2004.

Atlanta, Georgia  
February 26, 2021



**CONSOLIDATED BALANCE SHEETS**  
**MARINE PRODUCTS CORPORATION AND SUBSIDIARIES**  
(in thousands except share information)

December 31,	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 31,573	\$ 19,804
Accounts receivable, net	4,706	6,607
Inventories	42,310	41,553
Income taxes receivable	—	907
Prepaid expenses and other current assets	1,947	2,056
Current assets	80,536	70,927
Property, plant and equipment, net	14,938	14,796
Goodwill	3,308	3,308
Other intangibles, net	465	465
Deferred income taxes	4,075	3,990
Other assets	16,100	11,278
Total assets	\$ 119,422	\$ 104,764
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable	\$ 6,079	\$ 3,886
Accrued expenses and other liabilities	15,583	13,155
Current liabilities	21,662	17,041
Pension liabilities	12,524	9,980
Other long-term liabilities	717	531
Total liabilities	34,903	27,552
Commitments and contingencies (Note 10)		
<b>Stockholders' Equity</b>		
Preferred stock, \$0.10 par value, 1,000,000 shares authorized, none issued	—	—
Common stock, \$0.10 par value, 74,000,000 shares authorized, issued and outstanding – 33,868,624 shares in 2020, 33,869,817 shares in 2019	3,387	3,387
Capital in excess of par value	—	—
Retained earnings	83,079	76,573
Accumulated other comprehensive loss	(1,947)	(2,748)
Total stockholders' equity	84,519	77,212
Total liabilities and stockholders' equity	\$ 119,422	\$ 104,764

The accompanying notes are an integral part of these statements.

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**MARINE PRODUCTS CORPORATION AND SUBSIDIARIES**  
(in thousands except per share data)

<b>Years ended December 31,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net sales	\$ 239,825	\$ 292,136	\$ 298,616
Cost of goods sold	186,220	226,742	232,293
Gross profit	53,605	65,394	66,323
Selling, general and administrative expenses	29,244	31,259	30,936
Operating income	24,361	34,135	35,387
Interest income	95	323	268
<b>Income before income taxes</b>	<b>24,456</b>	<b>34,458</b>	<b>35,655</b>
Income tax provision	5,012	6,219	7,167
<b>Net income</b>	<b>\$ 19,444</b>	<b>\$ 28,239</b>	<b>\$ 28,488</b>
<b>EARNINGS PER SHARE</b>			
Basic	\$ 0.57	\$ 0.83	\$ 0.83
Diluted	0.57	0.83	0.83
<b>Dividends paid per share</b>	<b>\$ 0.40</b>	<b>\$ 0.58</b>	<b>\$ 0.50</b>

*The accompanying notes are an integral part of these statements.*

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**MARINE PRODUCTS CORPORATION AND SUBSIDIARIES**  
(in thousands)

Years ended December 31,	2020	2019	2018
<b>Net income</b>	\$ 19,444	\$ 28,239	\$ 28,488
Other comprehensive income, net of taxes:			
Pension adjustment	801	(166)	(242)
Unrealized gain on securities, net of reclassification adjustments	—	7	47
<b>Comprehensive income</b>	<u>\$ 20,245</u>	<u>\$ 28,080</u>	<u>\$ 28,293</u>

*The accompanying notes are an integral part of these statements.*

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**MARINE PRODUCTS CORPORATION AND SUBSIDIARIES**  
(in thousands)

	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
Balance, December 31, 2017	34,572	\$ 3,457	\$ —	\$ 68,127	\$ (1,980)	\$ 69,604
Stock issued for stock incentive plans, net	190	19	2,070	—	—	2,089
Stock purchased and retired	(434)	(43)	(2,070)	(5,409)	—	(7,522)
Net income	—	—	—	28,488	—	28,488
Pension adjustment, net of taxes	—	—	—	—	(242)	(242)
Unrealized gain on securities, net of taxes and reclassification adjustments	—	—	—	—	47	47
Dividends declared	—	—	—	(17,252)	—	(17,252)
Balance, December 31, 2018	34,328	\$ 3,433	\$ —	\$ 73,954	\$ (2,175)	\$ 75,212
Stock issued for stock incentive plans, net	129	13	2,110	—	—	2,123
Adoption of accounting standard (Note 1)	—	—	—	414	(414)	—
Stock purchased and retired	(587)	(59)	(2,110)	(6,278)	—	(8,447)
Net income	—	—	—	28,239	—	28,239
Pension adjustment, net of taxes	—	—	—	—	(166)	(166)
Unrealized gain on securities, net of taxes and reclassification adjustments	—	—	—	—	7	7
Dividends declared	—	—	—	(19,756)	—	(19,756)
Balance, December 31, 2019	33,870	\$ 3,387	\$ —	\$ 76,573	\$ (2,748)	\$ 77,212
Stock issued for stock incentive plans, net	173	17	3,085	—	—	3,102
Stock purchased and retired	(174)	(17)	(3,085)	612	—	(2,490)
Net income	—	—	—	19,444	—	19,444
Pension adjustment, net of taxes	—	—	—	—	801	801
Dividends declared	—	—	—	(13,550)	—	(13,550)
Balance, December 31, 2020	33,869	\$ 3,387	\$ —	\$ 83,079	\$ (1,947)	\$ 84,519

*The accompanying notes are an integral part of these statements.*

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**MARINE PRODUCTS CORPORATION AND SUBSIDIARIES**  
(in thousands)

Years ended December 31,	2020	2019	2018
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 19,444	\$ 28,239	\$ 28,488
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation expense	1,954	2,090	1,820
Gain on sale of equipment and property	(31)	—	—
(Accretion) of discount/ amortization of premium related to marketable securities	—	(5)	213
Stock-based compensation expense	3,102	2,123	2,089
Deferred income tax (benefit) provision	(311)	(620)	378
Pension settlement loss	647	—	—
(Increase) decrease in assets:			
Accounts receivable	1,901	(2,735)	(821)
Income taxes receivable	907	(455)	262
Inventories	(757)	5,217	(8,764)
Prepaid expenses and other current assets	109	(261)	301
Other non-current assets	(4,428)	(1,355)	(563)
Increase (decrease) in liabilities:			
Accounts payable	2,193	(787)	(689)
Other accrued expenses	2,426	(386)	(505)
Other long-term liabilities	2,718	2,852	566
Net cash provided by operating activities	29,874	33,917	22,775
<b>INVESTING ACTIVITIES</b>			
Capital expenditures	(2,099)	(2,334)	(2,154)
Proceeds from sale of assets	34	—	—
Sales and maturities of marketable securities	—	7,978	21,423
Purchases of marketable securities	—	(299)	(16,209)
Net cash (used for) provided by investing activities	(2,065)	5,345	3,060
<b>FINANCING ACTIVITIES</b>			
Payment of dividends	(13,550)	(19,756)	(17,252)
Cash paid for common stock purchased and retired	(2,490)	(8,447)	(7,522)
Net cash used for financing activities	(16,040)	(28,203)	(24,774)
Net increase in cash and cash equivalents	11,769	11,059	1,061
Cash and cash equivalents at beginning of year	19,804	8,745	7,684
Cash and cash equivalents at end of year	\$ 31,573	\$ 19,804	\$ 8,745

*The accompanying notes are an integral part of these statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marine Products Corporation and Subsidiaries  
Years ended December 31, 2020, 2019 and 2018

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

*Basis of Consolidation and Presentation* — The consolidated financial statements include the accounts of Marine Products Corporation (a Delaware corporation) and its wholly owned subsidiaries ("Marine Products" or the "Company").

The consolidated financial statements included herein may not necessarily be indicative of the future results of operations, financial position and cash flows of Marine Products.

The Company has one reportable segment — its Powerboat Manufacturing business. The Company's results of operations and its financial condition are not significantly reliant upon any single customer or product model. No single dealer accounted for 10 percent or more of net sales during 2020, 2019 or 2018. Net sales to the Company's international dealers were approximately \$11.8 million in 2020, \$17.0 million in 2019, and \$19.4 million in 2018.

*Common Stock* — Marine Products is authorized to issue 74,000,000 shares of common stock, \$0.10 par value. Holders of common stock are entitled to receive dividends when, as, and if declared by our Board of Directors out of legally available funds. Each share of common stock is entitled to one vote on all matters submitted to a vote of stockholders. Holders of common stock do not have cumulative voting rights. In the event of any liquidation, dissolution or winding up of the Company, holders of common stock are entitled to ratable distribution of the remaining assets available for distribution to stockholders.

*Preferred Stock* — Marine Products is authorized to issue up to 1,000,000 shares of preferred stock, \$0.10 par value. As of December 31, 2020, there were no shares of preferred stock issued. The Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of preferred stock as a class without series or, if so determined from time to time, in one or more series, and by filing a certificate pursuant to the applicable laws of the state of Delaware and to fix the designations, powers, preferences and rights, exchangeability for shares of any other class or classes of stock. Any preferred stock to be issued could rank prior to the common stock with respect to dividend rights and rights on liquidation.

*Share Repurchases* — The Company records the cost of share repurchases in stockholders' equity as a reduction to common stock to the extent of par value of the shares acquired and the remainder is allocated to capital in excess of par value and retained earnings if capital in excess of par value is depleted. The Company tracks capital in excess of par value on a cumulative basis and for each reporting period, discloses the excess over capital in excess of par value as part of stock purchased and retired in the consolidated statements of stockholders' equity.

*Dividend* — On January 26, 2021, the Board of Directors declared a regular cash dividend of \$0.10 per share payable March 10, 2021 to stockholders of record at the close of business on February 10, 2021. Subject to industry conditions and Marine Products' earnings, financial condition, and other relevant factors, the Company expects to continue to pay regular quarterly cash dividends to common stockholders.

*Use of Estimates in the Preparation of Financial Statements* — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 financial statements and the reported amounts of sales and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are used in the determination of sales, sales incentives and discounts, and warranty costs.

*Sales Recognition* — Marine Products recognizes revenues from contracts with its customers based on the amount of consideration it receives in exchange for the goods sold. See Note 2 for additional information.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marine Products Corporation and Subsidiaries  
Years ended December 31, 2020, 2019 and 2018

*Advertising* — Advertising expenses are charged to expense during the period in which they are incurred. Expenses associated with product brochures and other inventoriable marketing materials are deferred and amortized over the related model year which approximates the consumption of these materials. The Company had prepaid expenses related to unamortized product brochure costs of \$194,000 as of December 31, 2020 and \$269,000 as of December 31, 2019. Advertising expenses totaled approximately \$2,013,000 in 2020, \$2,543,000 in 2019 and \$2,468,000 in 2018 and are recorded in selling, general and administrative expenses.

*Cash and Cash Equivalents* — Highly liquid investments with original maturities of three months or less when acquired are considered to be cash equivalents. The Company maintains its cash in bank accounts, which at times, may exceed federally insured limits.

*Marketable Securities* — During the first quarter of 2019, the Company changed its investment strategy and as of December 31, 2019, no longer held investments in marketable securities. Prior to 2019, Marine Products maintained investments at a large, well-capitalized financial institution. Marine Products' investment policy did not allow investment in any securities rated less than "investment grade" by national rating services.

Management determined the appropriate classification of debt securities at the time of purchase and re-evaluates such designations as of each balance sheet date. Debt securities were classified as available-for-sale because the Company did not have the intent to hold the securities to maturity. Available-for-sale securities are stated at their fair values, with the unrealized gains and losses, net of taxes, reported as a separate component of stockholders' equity. The cost of securities sold is based on the specific identification method. Realized gains and losses, declines in value judged to be other than temporary, interest and dividends on available-for-sale securities are included in interest income. Net realized gains (losses) on marketable securities totaled \$4,000 in 2019 and \$(81,000) in 2018. Of the total (losses) gains realized, reclassification from other comprehensive income totaled \$4,000 in 2019 and \$(81,000) in 2018. There were no gross unrealized gains or losses on marketable securities as of December 31, 2020 and 2019.

*Accounts Receivable* — The majority of the Company's accounts receivable is due from dealers located in markets throughout the United States. Approximately 64 percent of Marine Products' domestic shipments are made pursuant to "floor plan financing" programs in which Marine Products' subsidiaries participate on behalf of their dealers with various major third-party financing institutions. Under these arrangements, a dealer establishes lines of credit with one or more of these third-party lenders for the purchase of boat inventory for sales to retail customers in their show room or during boat show exhibitions. When a dealer purchases and takes delivery of a boat pursuant to a floor plan financing arrangement, it draws against its line of credit and the lender pays the invoice cost of the boat directly to Marine Products within approximately ten business days. The Company determines its credit loss allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance.

*Inventories* — Inventories are stated at the lower of cost (determined on a first-in, first-out basis) and net realizable value. When evidence exists that the net realizable value of inventory is lower than its cost, the Company recognizes the difference as a loss in earnings in the period in which it occurs. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

*Property, Plant and Equipment* — Property, plant and equipment is carried at cost. Depreciation is provided principally on a straight-line basis over the estimated useful lives of the assets. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal with the resulting gain or loss credited or charged to income. Expenditures for additions, major renewals, and betterments are capitalized while expenditures for routine maintenance and repairs are expensed as incurred. Depreciation expense on operating equipment used in production is included in cost of goods sold in the accompanying consolidated statements of operations. All other depreciation is included in selling, general and administrative expenses in the accompanying consolidated statements of operations. Property, plant and equipment are reviewed for impairment when indicators of impairment exist.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marine Products Corporation and Subsidiaries  
Years ended December 31, 2020, 2019 and 2018

**Goodwill and Other Intangibles** — Intangibles consist primarily of goodwill and trade names related to businesses acquired. Goodwill represents the excess of the purchase price over the fair value of net assets of businesses acquired. The carrying amount of goodwill was \$3,308,000 as of December 31, 2020 and 2019. The Company evaluates whether goodwill is impaired by comparing its market capitalization based on its closing stock price (Level 1 input) to the book value of its equity on the annual evaluation date. The Company also periodically performs a valuation of its trade names and has concluded that the fair value of these assets is not impaired. Based on these evaluations, the Company concluded that no impairment of its goodwill or trade names has occurred for the years ended December 31, 2020, 2019 and 2018.

**Investments** — The Company maintains certain securities in the non-qualified Supplemental Executive Retirement Plan that have been classified as trading. See Note 11 for further information regarding these securities.

**Warranty Costs** — The Company provides a lifetime limited structural hull warranty, a five-year limited structural deck warranty, and a transferable one-year limited warranty to the original owner. Warranties for additional items are provided for periods of one to five years and are not transferable. Additionally, as it relates to the first subsequent owner, a five-year transferable hull warranty and the remainder of the original one-year limited warranty on certain components are available. The five-year transferable hull warranty terminates five years after the date of the original retail purchase. Claim costs related to components are generally absorbed by the original component manufacturer. The Company accrues for estimated future warranty costs at the time of the sale based on its historical claims experience. An analysis of the warranty accruals for the years ended December 31, 2020 and 2019 is as follows:

(in thousands)	2020	2019
Balance at beginning of year	\$ 5,410	\$ 5,607
Less: Payments made during the year	(3,225)	(4,004)
Add: Warranty provision for the current year	3,095	3,788
Changes to warranty provision for prior years	(250)	19
Balance at end of year	<u>\$ 5,030</u>	<u>\$ 5,410</u>

**Insurance Accruals** — The Company fully insures its risks related to general liability, product liability and vehicle liability, whereas the health insurance plan up to a maximum annual claim amount for each covered employee and related dependents and workers' compensation are self-funded. The estimated cost of claims under the self-insurance program is accrued as the claims are incurred and may subsequently be revised based on developments relating to such claims.

**Research and Development Costs** — The Company expenses research and development costs for new products and components as incurred. Research and development costs are included in selling, general and administrative expenses and totaled \$751,000 in 2020, \$730,000 in 2019, and \$822,000 in 2018.

**Repurchase Obligations** — The Company has entered into agreements with third-party floor plan lenders where it has agreed, in the event of default by the dealer, to repurchase MPC boats repossessed from the dealer. These arrangements are subject to maximum repurchase amounts and the associated risk is mitigated by the value of the boats repurchased. The Company accrues estimated losses when a loss, due primarily to the default of one of our dealers, is determined to be probable and the amount of the loss can be reasonably estimated.

**Income Taxes** — Deferred tax liabilities and assets are determined based on the difference between the financial and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance against the carrying value of deferred tax assets if the Company concludes that it is more likely than not that the asset will not be realized through future taxable income.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marine Products Corporation and Subsidiaries  
Years ended December 31, 2020, 2019 and 2018

*Retirement Income Plan* — Marine Products participates in the tax-qualified, defined benefit, noncontributory, trustee retirement income plan sponsored by RPC, Inc. ("RPC") that provides monthly benefits upon normal retirement at age 65 or early retirement at age 59 1/2 to eligible employees with at least one year of service prior to 2002. In 2002, RPC's Board of Directors approved a resolution to cease all future retirement benefit accruals under the defined benefit pension plan. See Note 11 for a full description of this plan and the related accounting and funding policies.

*Stock-Based Compensation* — Stock-based compensation expense is recognized for all share-based payment awards, net of an estimated forfeiture rate. Thus, compensation cost is amortized for those shares expected to vest on a straight-line basis over the requisite service period of the award. See Note 11 for additional information.

*Earnings per Share* — Basic and diluted earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the respective periods. In addition, the Company has periodically issued share-based payment awards that contain non-forfeitable rights to dividends and are therefore considered participating securities. See Note 11 for further information on restricted stock granted to employees.

Restricted shares of common stock (participating securities) outstanding and a reconciliation of weighted average shares outstanding is as follows:

(In thousands)	2020	2019	2018
Net income available for stockholders	\$ 19,444	\$ 28,239	\$ 28,488
Less: Adjustments for earnings attributable to participating securities	(416)	(669)	(762)
Net income used in calculating earnings per share	\$ 19,028	\$ 27,570	\$ 27,726
Weighted average shares outstanding (including participating securities)	33,926	34,061	34,529
Adjustment for participating securities	(734)	(831)	(959)
Shares used in calculating diluted earnings per share	33,192	33,230	33,570

*Fair Value of Financial Instruments* — The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and marketable securities. The carrying value of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values because of the short-term nature of such instruments. The Company's marketable securities are held in the non-qualified Supplemental Executive Retirement Plan ("SERP") which are classified as trading securities. All of these securities are carried at fair value in the accompanying consolidated balance sheets. See Note 9 for further information regarding the fair value measurement of assets and liabilities.

*Concentration of Suppliers* — The Company has only four suppliers for the three types of engines it purchases. This concentration of suppliers could impact our sales and profitability in the event of a sudden interruption in the delivery of these engines.

*Recent Accounting Pronouncements* — The FASB issued the following Accounting Standards Updates (ASUs):

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marine Products Corporation and Subsidiaries  
Years ended December 31, 2020, 2019 and 2018

### Recently Adopted Accounting Standards:

**ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*.** The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The ASU introduced a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses and additional disclosures related to credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for recognition. The expected credit losses are adjusted each period for changes in expected lifetime. The Company adopted the provisions of the standard in the first quarter of 2020 and the adoption did not have a material impact on its consolidated financial statements.

**ASU No. 2017-04—*Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*.** To simplify the subsequent measurement of goodwill, the amendments eliminate Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Company adopted these provisions in the first quarter of 2020, on a prospective basis.

**ASU No. 2018-15—*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*.** The amendments reduce the complexity for the accounting for costs of implementing a cloud computing service arrangement and align the requirements for capitalizing implementation costs that are incurred in a hosting arrangement that is a service contract with the costs incurred to develop or obtain internal-use software. The Company adopted these provisions in the first quarter of 2020 and the adoption did not have a material impact on its consolidated financial statements.

### Recently Issued Accounting Standards Not Yet Adopted:

**ASU No. 2019-12—*Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*.** The amendments in this ASU simplify the accounting for income taxes by removing the exceptions to the incremental approach for intra-period tax allocation in certain situations, requirement to recognize a deferred tax liability for a change in the status of a foreign investment, and the general methodology for computing income taxes in an interim period when year-to-date loss exceeds the anticipated loss for the year. The amendments also simplify the accounting for income taxes with regard to franchise tax, evaluation of step up in the tax basis of goodwill in certain business combinations, allocating current and deferred tax expense to legal entities that are not subject to tax and enacted change in tax laws or rates. The Company will adopt these provisions in the first quarter of 2021 and the adoption is not expected to have a material impact on its consolidated financial statements.

## NOTE 2: NET SALES

**Accounting Policy** - MPC's contract revenues are generated principally from selling: (1) fiberglass motorized boats and accessories and (2) parts to independent dealers. Revenue is recognized when obligations under the terms of a contract with our customer are satisfied. Satisfaction of contract terms occur with the transfer of title of our boats, accessories, and parts to our dealers. Net sale is measured as the amount of consideration we expect to receive in exchange for transferring the goods to the dealer. The amount of consideration we expect to receive consists of the sales price adjusted for dealer incentives. The expected costs associated with our base warranties continue to be recognized as expense when the products are sold as they are deemed to be assurance-type warranties (see Note 1). Incidental promotional items that are immaterial in the context of the contract are recognized as expense. Fees charged to customers for shipping and handling are included in net sales in the accompanying consolidated statements of operations and the related costs incurred by the Company are included in cost of goods sold.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*Marine Products Corporation and Subsidiaries*  
Years ended December 31, 2020, 2019 and 2018

Nature of goods - MPC's performance obligations within its contracts consists of: (1) boats and accessories and (2) parts. The Company transfers control and recognizes revenue on the satisfaction of its performance obligations (point in time) as follows:

- Boats and accessories (domestic sales) – upon delivery and acceptance by the dealer.
- Boats and accessories (international sales) – upon delivery to shipping port.
- Parts – upon shipment/delivery to carrier.

Payment terms - For most domestic customers, MPC manufactures and delivers boats and accessories and parts ahead of payment - i.e., MPC has fulfilled its performance obligations prior to submitting an invoice to the dealer. MPC invoices the customer when the products are delivered and receives the related compensation, typically within seven to ten business days after invoicing. For some domestic customers and all international customers, MPC requires payment prior to transferring control of the goods. These amounts are classified as deferred revenue and recognized when control has transferred, which generally occurs within three months of receiving the payment.

When the Company enters into contracts with its customers, it generally expects there to be no significant timing difference between the date the goods have been delivered to the customer (satisfaction of the performance obligation) and the date cash consideration is received. Accordingly, there is no financing component to the Company's arrangements with its customers.

### Significant judgments

Determining the transaction price - The transaction price for MPC's boats and accessories is the invoice price adjusted for dealer incentives. Key inputs and assumptions utilized in determining variable consideration related to dealer incentives include:

- *Inputs:* Current model year boat sales, total potential program incentive percentage, prior model year results of dealer incentive activity (i.e., incentive earned as a percentage of total incentive potential).
- *Assumption:* Current model year incentive activity will closely reflect prior model year actual results, adjusted as necessary for dealer purchasing trends or economic factors.

*Other* - Our contracts with dealers do not provide them with a right of return. Accordingly, we do not have any obligations recorded for returns or refunds.

### Disaggregation of revenues

The following table disaggregates our sales by major source:

(in thousands)	2020	2019	2018
Boats and accessories	\$ 235,097	\$ 287,837	\$ 294,537
Parts	4,728	4,299	4,079
Net sales	<u>\$ 239,825</u>	<u>\$ 292,136</u>	<u>\$ 298,616</u>

The following table disaggregates our revenues between domestic and international:

(in thousands)	2020	2019	2018
Domestic	\$ 228,092	\$ 275,133	\$ 279,175
International	11,733	17,003	19,441
Net sales	<u>\$ 239,825</u>	<u>\$ 292,136</u>	<u>\$ 298,616</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marine Products Corporation and Subsidiaries  
Years ended December 31, 2020, 2019 and 2018

Timing of revenue recognition for each of the periods presented is shown below:

(in thousands)	2020	2019	2018
Products transferred at a point in time	\$ 239,825	\$ 292,136	\$ 298,616
Products transferred over time	—	—	—
Net sales	<u>\$ 239,825</u>	<u>\$ 292,136</u>	<u>\$ 298,616</u>

*Contract balances* -Amounts received from international and certain domestic dealers toward the purchase of boats are classified as deferred revenue and are included in Accrued expenses and other liabilities on the Consolidated Balance Sheets.

(in thousands)	2020	2019
Deferred revenue	\$ 1,245	\$ 295

Substantially all of the amounts of deferred revenue as of December 31, 2020 and December 31, 2019 were recognized as sales during the following quarter, when control transferred.

## NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

December 31, (in thousands)	2020	2019
Trade receivables	\$ 3,253	\$ 2,319
Other	1,469	4,308
Total	4,722	6,627
Less: allowance for credit losses	(16)	(20)
Net accounts receivable	<u>\$ 4,706</u>	<u>\$ 6,607</u>

Trade receivables consist primarily of balances related to the sales of boats which are shipped pursuant to "floor-plan financing" programs with qualified lenders. Other receivables consist primarily of rebate receivables from various suppliers and also a state incentive receivable in 2020 and 2019. Changes in the Company's allowance for credit losses are disclosed in Schedule II on page 66 of this report.

## NOTE 4: INVENTORIES

Inventories consist of the following:

December 31, (in thousands)	2020	2019
Raw materials	\$ 21,754	\$ 24,993
Work in process	11,378	7,731
Finished goods	9,178	8,829
Total inventories	<u>\$ 42,310</u>	<u>\$ 41,553</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marine Products Corporation and Subsidiaries  
Years ended December 31, 2020, 2019 and 2018

## NOTE 5: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are presented at cost, net of accumulated depreciation, and consist of the following:

December 31, (in thousands)	Estimated Useful Lives	2020	2019
Land	N/A	\$ 878	\$ 878
Buildings	7-40	20,966	20,552
Operating equipment and property	3-15	12,923	11,891
Furniture and fixtures	5-7	2,560	1,999
Vehicles	5-10	7,677	7,734
Gross property, plant and equipment		45,004	43,054
Less: accumulated depreciation		(30,066)	(28,258)
Net property, plant and equipment		<u>\$ 14,938</u>	<u>\$ 14,796</u>

Depreciation expense was \$1,954,000 in 2020, \$2,090,000 in 2019 and \$1,820,000 in 2018. The Company's accounts payable for purchases of property and equipment was immaterial as of December 31, 2020, December 31, 2019 and December 31, 2018.

## NOTE 6: ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following:

December 31, (in thousands)	2020	2019
Accrued payroll and related expenses	\$ 4,458	\$ 3,021
Accrued sales incentives and discounts	3,292	3,716
Accrued warranty costs	5,030	5,410
Deferred revenue	1,245	295
Other	1,558	713
Total accrued expenses and other liabilities	<u>\$ 15,583</u>	<u>\$ 13,155</u>

## NOTE 7: INCOME TAXES

On March 27, 2020, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which provided a variety of tax incentives for businesses to counter the effects of the COVID-19 pandemic. The CARES Act did not have a material impact on the Company's consolidated financial statements.

The Tax Cuts and Jobs Act of 2017 ("the Act"), effective January 1, 2018, included a reduction to the US federal tax rate from 35 percent to 21 percent and resulted in adjustments in the carrying amounts of deferred tax assets and liabilities for the new corporate income tax rate, and modified the calculation of deductible compensation of our executive officers. Included among other international provisions, the Act provides for a deduction on certain qualifying income related to export sales of property or services referred to as Foreign Derived Intangible Income ("FDII"), and the elimination of the US manufacturing deduction.

In accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 118, the Company completed its accounting for the provisional amounts recognized under the Act as of December 31, 2017 and recorded a reduction in tax expense of \$0.1 million, in the fourth quarter of 2018. The 2020 tax expense includes an estimated tax benefit associated with FDII of \$103 thousand.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Marine Products Corporation and Subsidiaries*  
Years ended December 31, 2020, 2019 and 2018

The following table lists the components of the provision for income taxes:

<b>Years ended December 31,</b> <b>(in thousands)</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current provision:			
Federal	\$ 4,741	\$ 6,637	\$ 6,173
State	582	202	616
Deferred (benefit) provision:			
Federal	(410)	(715)	384
State	99	95	(6)
Total income tax provision	<u>\$ 5,012</u>	<u>\$ 6,219</u>	<u>\$ 7,167</u>

A reconciliation between the federal statutory rate and Marine Products' effective tax rate is as follows:

<b>Years ended December 31,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Federal statutory rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal benefit	1.4	1.0	1.5
Research and experimentation credit	(1.5)	(1.2)	(0.8)
Non-deductible expenses	0.1	(0.7)	0.4
Change in contingencies	0.1	(0.1)	0.4
Adjustments related to the Act	—	—	(0.3)
Adjustments related to vesting of restricted stock	(1.5)	(1.5)	(1.8)
Other	0.9	(0.5)	(0.3)
Effective tax rate	<u>20.5 %</u>	<u>18.0 %</u>	<u>20.1 %</u>

Significant components of the Company's deferred tax assets and liabilities are as follows:

<b>December 31,</b> <b>(in thousands)</b>	<b>2020</b>	<b>2019</b>
Deferred tax assets:		
Warranty costs	\$ 1,107	\$ 1,190
Sales incentives and discounts	278	404
Stock-based compensation	717	696
Pension	2,365	2,002
State NOL's	423	484
State credits	1,818	1,818
All others	635	560
Valuation allowance	(1,818)	(1,818)
Total deferred tax assets	<u>5,525</u>	<u>5,336</u>
Deferred tax liabilities:		
Depreciation and amortization expense	(965)	(947)
Basis differences in joint venture	(485)	(399)
Net deferred tax assets	<u>\$ 4,075</u>	<u>\$ 3,990</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***Marine Products Corporation and Subsidiaries**Years ended December 31, 2020, 2019 and 2018*

Total net income tax payments were \$4,099,000 in 2020, \$7,330,000 in 2019, and \$6,290,000 in 2018. As of December 31, 2020, the Company had net operating loss carryforwards related to state income taxes of approximately \$10.6 million and other state credits of approximately \$2.3 million (gross) that will expire between 2021 and 2035. The Company does not have a valuation allowance related to net operating loss carryforwards due to implemented tax planning strategies. The Company has a valuation allowance against the corresponding deferred tax asset on all state tax credits because, at this time, the Company does not expect to utilize them.

The Company's policy is to record interest and penalties related to income tax matters as income tax expense. Accrued interest and penalties were immaterial as of December 31, 2020 and 2019.

During 2020, the Company recognized an increase in its liability for unrecognized tax benefits related primarily to state income taxes. The liability, if recognized, would affect our effective rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2020	2019
Balance at January 1	\$ 358,000	\$ 393,000
Additions (reductions) based on tax positions related to the current year	34,000	(28,000)
Additions (reductions) for tax positions of prior years	9,000	(7,000)
Balance at December 31	<u>\$ 401,000</u>	<u>\$ 358,000</u>

It is reasonably possible that the amount of the unrecognized benefits with respect to the Company's unrecognized tax positions will increase or decrease in the next 12 months. These changes may be the result of, among other things, state tax settlements under voluntary disclosure agreements. However, quantification of an estimated range cannot be made at this time.

The Company and its subsidiaries are subject to U.S. federal and state income tax in multiple jurisdictions. In many cases, the uncertain tax positions are related to tax returns that remain open and subject to examination by the relevant taxing authorities. The Company's 2016 through 2019 tax returns remain open to examination. Additional years may be open to the extent attributes are being carried forward to an open year.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Marine Products Corporation and Subsidiaries*  
Years ended December 31, 2020, 2019 and 2018

**NOTE 8: ACCUMULATED OTHER COMPREHENSIVE LOSS**

Accumulated other comprehensive loss consists of the following:

	<b>Pension Adjustment</b>	<b>Unrealized Gain (Loss) on Securities</b>	<b>Total</b>
<b>(in thousands)</b>			
Balance at December 31, 2018	\$ (2,178)	\$ 3	\$ (2,175)
Adoption of accounting standard (Note 1)	(404)	(10)	(414)
Before-tax amount	(300)	13	(287)
Tax benefit	66	(3)	63
Reclassification adjustment, net of taxes			
Amortization of net loss	68	—	68
Net realized loss	—	(3)	(3)
Total activity in 2019	(570)	(3)	(573)
Balance at December 31, 2019	\$ (2,748)	\$ —	\$ (2,748)
Before-tax amount	250		250
Tax expense	(30)		(30)
Reclassification adjustment, net of taxes			
Amortization of net loss	76		76
Pension settlement loss	505		505
Total activity in 2020	801		801
Balance at December 31, 2020	\$ (1,947)	\$ —	\$ (1,947)

**NOTE 9: FAIR VALUE MEASUREMENTS**

The various inputs used to measure assets at fair value establish a hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The hierarchy consists of three broad levels as follows:

1. Level 1 – Quoted market prices in active markets for identical assets or liabilities.
2. Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
3. Level 3 – Unobservable inputs developed using the Company's estimates and assumptions, which reflect those that market participants would use.

The Company determines the fair value of the marketable securities that are available-for-sale through quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active. There are no available-for-sale securities held as of December 31, 2020 and 2019. Trading securities are comprised of SERP assets, as described in Note 11, and are recorded primarily at their net cash surrender values calculated using their net asset values, which approximate fair value, as provided by the issuing insurance company. Trading securities were \$10,622,000 as of December 31, 2020 and \$6,716,000 as of December 31, 2019. Significant observable inputs, in addition to quoted market prices, were used to value the trading securities. The Company's policy is to recognize transfers between levels at the beginning of quarterly reporting periods. For the year ended December 31, 2020 there were no significant transfers in or out of levels 1, 2 or 3.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*Marine Products Corporation and Subsidiaries*  
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The carrying amount of other financial instruments reported in the balance sheet for current assets and current liabilities approximate their fair values because of the short-term maturity of these instruments. The Company currently does not use the fair value option to measure any of its existing financial instruments and has not determined whether or not it will elect this option for financial instruments it may acquire in the future.

### NOTE 10: COMMITMENTS AND CONTINGENCIES

*Lawsuits* — The Company is a defendant in certain lawsuits which allege that plaintiffs have been damaged as a result of the use of the Company's products. The Company is vigorously contesting these actions. Management, after consultation with legal counsel, is of the opinion that the outcome of these lawsuits will not have a material adverse effect on the financial position, results of operations or liquidity of Marine Products.

*Dealer Floor Plan Financing* — To assist dealers in obtaining financing for the purchase of its boats for inventory, the Company has entered into agreements with various dealers and selected third-party floor plan lenders to guarantee varying amounts of qualifying dealers' debt obligations. The Company's obligation under these guarantees becomes effective in the case of a default under the financing arrangement between the dealer and the third party lender. The agreements provide for the return of repossessed boats to the Company in new and unused condition subject to normal wear and tear as defined, in exchange for the Company's assumption of specified percentages of the debt obligation on those boats, up to certain contractually determined dollar limits by lender.

The Company had no repurchases of dealer inventory under contractual agreements during 2020 and had repurchases totaling \$3.4 million during 2019 as a result of dealer defaults. During 2019, the Company redistributed \$3.1 million of these boats among existing and replacement dealers. As of December 31, 2020, no liability related to repurchases remains outstanding to floor plan lenders. The remaining repurchased boats were included in inventory as of December 31, 2019 and were recorded at a net realizable value of \$0.3 million. The Company recorded \$0.1 million for costs associated with these repurchases in 2019 including a reserve for estimated transportation costs and the write down of repurchased inventory to net realizable value. As of December 31, 2020, no liability related to this repurchase remains outstanding.

Management continues to monitor the risk of additional defaults and resulting repurchase obligations based in part on information provided by the third-party floor plan lenders and will adjust the guarantee liability at the end of each reporting period based on information reasonably available at that time.

The Company currently has an agreement with one of the floor plan lenders whereby the contractual repurchase limit is not to exceed 16 percent of the average net receivables financed by the floor plan lender for dealers during the prior 12 month period, which was \$9.7 million as of December 31, 2020. The Company has contractual repurchase agreements with additional lenders with an aggregate maximum repurchase obligation of approximately \$3.5 million, with various expiration and cancellation terms of less than one year, for an aggregate repurchase obligation with all financing institutions of approximately \$13.2 million as of December 31, 2020. This repurchase obligation risk is mitigated by the value of the boat repurchased.

*Income Taxes* — The amount of income taxes the Company pays is subject to ongoing audits by federal and state tax authorities, which often result in proposed assessments. Other long-term liabilities included the Company's estimated liabilities for these probable assessments and totaled approximately \$401,000 as of December 31, 2020 compared to \$358,000 as of December 31, 2019.

*Employment Agreement* — The Company has a contractual agreement with one employee, that provides for a monthly payment to the employee equal to 10 percent of profits (defined as pretax income before goodwill adjustments and certain allocated corporate expenses) in addition to a base salary. The expense under this agreement totaled approximately \$3,586,000 in 2020, \$4,487,000 in 2019 and \$4,630,000 in 2018 and is included in selling, general and administrative expenses in the accompanying consolidated statements of operations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marine Products Corporation and Subsidiaries  
Years ended December 31, 2020, 2019 and 2018

### NOTE 11: EMPLOYEE BENEFIT PLANS

*Supplemental Executive Retirement Plan ("SERP")* - The Company permits selected highly compensated employees to defer a portion of their compensation into the SERP. The SERP assets are invested primarily in company-owned life insurance ("COLI") policies as a funding source to satisfy the obligation of the SERP. The assets are subject to claims by creditors, and the Company can designate them to another purpose at any time. Investments in COLI policies consist of variable life insurance policies of \$8.6 million as of December 31, 2020 and \$7.2 million as of December 31, 2019. In the COLI policies, the Company is able to allocate assets across a set of choices provided by the insurance underwriter, including fixed income securities and equity funds. The COLI policies are recorded at their net cash surrender values, which approximates fair value, as provided by the issuing insurance company, whose Standard & Poor's credit rating was A+.

The Company classifies the SERP assets as trading securities as described in Note 1. The fair value of these assets totaled \$10,622,000 as of December 31, 2020 and \$6,716,000 as of December 31, 2019. The SERP assets are reported in other assets on the consolidated balance sheets and changes related to the fair value of the assets are included in selling, general and administrative expenses in the consolidated statements of operations. Trading (losses) gains related to the SERP assets totaled \$906,000 in 2020, \$1,197,000 in 2019 and \$(544,000) in 2018. The SERP liabilities are recorded on the balance sheet in pension liabilities with any change in the fair value of the SERP liabilities recorded as selling, general and administrative expenses in the consolidated statements of operations.

*Retirement Income Plan* — Marine Products participates in the tax-qualified, defined benefit, noncontributory, trustee retirement income plan sponsored by RPC that covers substantially all employees with at least one year of service prior to 2002.

In October 2020, the Company amended the Retirement Income Plan to add a limited lump-sum payment window for vested terminated participants who had terminated employment before July 1, 2020 and for active employees who reached age 59 ½ by December 1, 2020, with a vested balance. The participants could elect to receive their vested balance immediately as a lump-sum or a monthly annuity payment. The lump-sum payment window offering ended during the fourth quarter of 2020 and plan assets were used to fund participant elections. The resulting non-cash settlement charges represent the accelerated recognition of actuarial losses reflected in accumulated other comprehensive income (AOCI). A settlement loss of \$0.6 million associated with the acceptance of these lump-sum payments is included as part of selling, general and administrative expenses in the consolidated statements of operations.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Marine Products Corporation and Subsidiaries*  
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The Company's fair value of the plan assets exceeded the projected benefit obligation for its Retirement Income Plan by \$1,775,000 and thus the plan was over-funded as of December 31, 2020. The following table sets forth the funded status of the Retirement Income Plan and the amounts recognized in Marine Products' consolidated balance sheets:

<b>December 31,</b> <b>(in thousands)</b>	<b>2020</b>	<b>2019</b>
ACCUMULATED BENEFIT OBLIGATION, END OF YEAR	\$ 5,576	\$ 6,433
CHANGE IN PROJECTED BENEFIT OBLIGATION:		
Benefit obligation at beginning of year	\$ 6,433	\$ 5,833
Service cost	—	—
Interest cost	230	255
Actuarial loss	622	570
Benefits paid	(264)	(225)
Settlement	(1,445)	—
Projected benefit obligation at end of year	\$ 5,576	\$ 6,433
CHANGE IN PLAN ASSETS:		
Fair value of plan assets at beginning of year	\$ 7,314	\$ 6,802
Actual return on plan assets	1,196	737
Employer contributions	550	—
Benefits paid	(264)	(225)
Settlements	(1,445)	—
Fair value of plan assets at end of year	\$ 7,351	\$ 7,314
Funded status at end of year	\$ 1,775	\$ 881
<b>December 31,</b> <b>(in thousands)</b>	<b>2020</b>	<b>2019</b>
AMOUNTS RECOGNIZED IN THE CONSOLIDATED BALANCE SHEETS CONSIST OF:		
Noncurrent assets	\$ 1,775	\$ 881
Current liabilities	—	—
Noncurrent liabilities	—	—
	\$ 1,775	\$ 881

The funded status of the Retirement Income Plan was recorded in the consolidated balance sheets in other assets as of both December 31, 2020 and December 31, 2019.

<b>December 31,</b> <b>(in thousands)</b>	<b>2020</b>	<b>2019</b>
AMOUNTS (PRE-TAX) RECOGNIZED IN ACCUMULATED OTHER COMPREHENSIVE LOSS CONSIST OF:		
Net loss	\$ 2,496	\$ 3,524
Prior service cost (credit)	—	—
Net transition obligation (asset)	—	—
	\$ 2,496	\$ 3,524

The accumulated benefit obligation for the Retirement Income Plan as of December 31, 2020 and 2019 has been disclosed above. The Company uses a December 31 measurement date for this qualified plan.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marine Products Corporation and Subsidiaries  
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Amounts recorded in the consolidated balance sheet as pension liabilities consist of:

December 31, (in thousands)	2020	2019
SERP liability	\$ (12,524)	\$ (9,980)
Funded status of Retirement Income Plan	—	—
Pension liabilities	<u>\$ (12,524)</u>	<u>\$ (9,980)</u>

Marine Products' funding policy is to contribute to the Retirement Income Plan the amount required, if any, under the Employee Retirement Income Security Act of 1974. The Company contributed \$550,000 during 2020 and \$770,000 during 2019 to the plan. The components of net periodic benefit cost of the Retirement Income Plan are summarized as follows:

Years ended December 31, (in thousands)	2020	2019	2018
Service cost for benefits earned during the period	\$ —	\$ —	\$ —
Interest cost on projected benefit obligation	230	255	251
Expected return on plan assets	(292)	(468)	(501)
Amortization of net loss	98	87	81
Settlement loss	647	—	—
	<u>\$ 683</u>	<u>\$ (126)</u>	<u>\$ (169)</u>

The Company recognized pre-tax decreases to the funded status in accumulated other comprehensive loss of \$899,000 in 2020 and other comprehensive income of \$213,000 in 2019 and \$314,000 in 2018. There were no previously unrecognized prior service costs during 2020, 2019 and 2018. The pre-tax amounts recognized in other comprehensive income for the years ended December 31, 2020, 2019 and 2018 are summarized as follows:

(in thousands)	2020	2019	2018
Net loss (gain)	\$ (154)	\$ 300	\$ 395
Amortization of net loss	(98)	(87)	(81)
Net transition obligation (asset)	—	—	—
Settlement loss	(647)	—	—
Amount recognized in accumulated other comprehensive (loss) income	<u>\$ (899)</u>	<u>\$ 213</u>	<u>\$ 314</u>

The weighted average assumptions as of December 31 used to determine the projected benefit obligation and net benefit cost were as follows:

December 31,	2020	2019	2018
<b>PROJECTED BENEFIT OBLIGATION:</b>			
Discount rate	2.70 %	3.70 %	4.65 %
Rate of compensation increase	N/A	N/A	N/A
<b>NET BENEFIT COST:</b>			
Discount rate	3.70 %	4.65 %	4.05 %
Expected return on plan assets	4.00 %	7.00 %	7.00 %
Rate of compensation increase	N/A	N/A	N/A

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The Company's expected return on assets assumption is derived from a detailed periodic assessment by its management and investment advisor. It includes a review of anticipated future long-term performance of individual asset classes and consideration of the appropriate asset allocation strategy given the anticipated requirements of the plan to determine the average rate of earnings expected on the funds invested to provide for the pension plan benefits. While the assessment considers recent fund performance and historical returns, the rate of return assumption is derived primarily from a long-term, prospective view. Based on its recent assessment, the Company has concluded that its expected long-term return assumption of four percent is reasonable.

The plan's weighted average asset allocation at December 31, 2020 and 2019 by asset category along with the target allocation for 2020 are as follows:

Asset Category	Target Allocation for 2021		Percentage of Plan Assets as of December 31, 2020	Percentage of Plan Assets as of December 31, 2019
Cash and Cash Equivalents	0 % -	5 %	2.0 %	1.3 %
Fixed Income Securities	15 % -	100 %	98.0	91.7
Investments measured at net asset value	— %		—	7.0
Total	100.0 %		100.0 %	100.0 %

The Company's investments consist primarily of fixed-income securities that include corporate bonds, mortgage-backed securities, sovereign bonds, and U.S. Treasuries. For each of the asset categories in the pension plan, the investment strategy is identical – maximize the long-term rate of return on plan assets while minimizing the level of risk to minimize the cost of providing pension benefits. The investment policy establishes a target allocation for each asset class which is rebalanced as required. The plan utilizes a number of investment approaches, including but not limited to individual market securities, equity and fixed income funds in which the underlying securities are marketable, and debt funds to achieve this target allocation. Although not required, the Company is currently evaluating the cash contributions to the pension plan during fiscal year 2021.

The following tables present our plan assets using the fair value hierarchy as of December 31, 2020 and 2019. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. See Note 8 for a brief description of the three levels under the fair value hierarchy.

Fair Value Hierarchy as of December 31, 2020:

Investments (in thousands)		Total	Level 1	Level 2
Cash and Cash Equivalents	(1)	\$ 138	\$ 138	\$ —
Fixed Income Securities	(2)	7,213	—	7,213
Total Assets in the Fair Value Hierarchy		\$ 7,351	\$ 138	\$ 7,213
Investments Measured at Net Asset Value		—		
Investments at Fair Value		\$ 7,351		

Fair Value Hierarchy as of December 31, 2019:

Investments (in thousands)		Total	Level 1	Level 2
Cash and Cash Equivalents	(1)	\$ 92	\$ 92	\$ —
Fixed Income Securities	(2)	6,708	—	6,708
Total Assets in the Fair Value Hierarchy		\$ 6,800	\$ 92	\$ 6,708
Investments Measured at Net Asset Value		514		
Investments at Fair Value		\$ 7,314		

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS***Marine Products Corporation and Subsidiaries**Years ended December 31, 2020, 2019 and 2018*

- (1) Cash and cash equivalents, which are used to pay benefits and plan administrative expenses, are held in Rule 2a-7 money market funds.
- (2) Fixed income securities are primarily valued using a market approach with inputs that include broker quotes, benchmark yields, base spreads and reported trades.

The Company estimates that the future benefits payable for the Retirement Income Plan over the next ten years are as follows:

(in thousands)	
2021	\$ 264
2022	264
2023	266
2024	266
2025	264
2026-2030	\$ 1,384

**401(k) Plan**— Marine Products participates in a defined contribution 401(k) plan sponsored by RPC that is available to substantially all full-time employees with more than 90 days of service. Prior to 2019, this plan allowed employees to make tax-deferred contributions of up to 25 percent of their annual compensation, not exceeding the permissible deduction imposed by the Internal Revenue Code. During 2018, the Company matched 50 percent of each employee's contributions that did not exceed six percent of the employee's compensation, as defined by the 401(k) plan.

Effective January 1, 2019, the Company began matching 100 percent of employee's contributions for each dollar of a participant's contribution to the 401(k) Plan for the first three percent of his or her annual compensation, and fifty percent for each dollar of a participant's contribution to the 401(k) Plan for the next three percent of his or her annual compensation. Employees vest in the Company's contributions after three years of service. The charges to expense for Marine Products' contributions to the 401(k) plan were \$603,000 in 2020, \$796,000 in 2019 and \$319,000 in 2018.

**Stock Incentive Plan**— The Company reserved 3,000,000 shares of common stock under the 2014 Stock Incentive Plan with a term of ten years expiring in April 2024. All future equity compensation awards by the Company will be issued under the 2014 plan. This plan provides for the issuance of various forms of stock incentives, including among others, incentive and non-qualified stock options and restricted shares. As of December 31, 2020, there were 1,569,700 shares available for grant.

The Company recognizes compensation expense for the unvested portion of awards outstanding over the remainder of the service period. The compensation cost recorded for these awards will be based on their fair value at grant date less the cost of estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods to reflect actual forfeitures.

Pre-tax stock-based employee compensation expense was approximately \$3,102,000 (\$2,420,000 after tax) for 2020, \$2,123,000 (\$1,656,000 after tax) for 2019, and \$2,089,000 (\$1,629,000 after tax) for 2018.

**Stock Options**— Stock options are granted at an exercise price equal to the fair market value of the Company's common stock at the date of grant except for grants of incentive stock options to owners of greater than 10 percent of the Company's voting securities which must be made at 110 percent of the fair market value of the Company's common stock. Options generally vest ratably over a period of five years and expire in 10 years, except to owners of greater than 10 percent of the Company's voting securities, which expire in five years.

The Company estimates the fair value of stock options as of the date of grant using the Black-Scholes option pricing model. The Company has not granted stock options to employees since 2004. There were no options exercised in 2020, 2019 or 2018 and there are no stock options outstanding as of December 31, 2020.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*Marine Products Corporation and Subsidiaries*  
Years ended December 31, 2020, 2019 and 2018

**Restricted Stock**—Marine Products grants selected employees time lapse restricted stock that vest after a certain stipulated number of years from the grant date, depending on the terms of the issue. The Company has currently issued time lapse restricted shares that vest in 20 percent increments starting with the second anniversary of the grant, over the six-year period beginning on the date of grant. During these years, grantees receive all dividends declared and retain voting rights for the shares.

The agreements under which the restricted stock is issued provide that shares awarded may not be sold or otherwise transferred until restrictions established under the stock plans have lapsed. Upon termination of employment from the Company, with the exception of death (fully vests), disability or retirement (partially vests based on duration of service), shares with restrictions are forfeited in accordance with the plan.

The following is a summary of the changes in non-vested restricted shares for the year ended December 31, 2020:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested shares at January 1, 2020	815,540	\$ 11.29
Granted	179,000	15.00
Vested	(310,520)	9.91
Forfeited	(5,800)	13.09
Non-vested shares at December 31, 2020	678,220	\$ 12.89

The following is a summary of the changes in non-vested restricted shares for the year ended December 31, 2019:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested shares at January 1, 2019	947,710	\$ 9.41
Granted	141,600	17.21
Vested	(260,770)	7.65
Forfeited	(13,000)	11.68
Non-vested shares at December 31, 2019	815,540	\$ 11.29

The fair value of restricted stock awards is based on the market price of the Company's stock on the date of grant and is amortized to compensation expense on a straight-line basis over the requisite service period. The weighted average grant date fair value of these restricted stock awards was \$15.00 in 2020, \$17.21 in 2019 and \$13.97 in 2018. The total fair value of shares vested was approximately \$4,431,000 in 2020, \$3,818,000 in 2019 and \$4,289,000 during 2018.

For the year ending December 31, 2020 approximately \$363,000 of excess tax benefits for stock-based compensation awards were recorded as a discrete tax adjustment and classified within operating activities in the consolidated statements of cash flows compared to approximately \$517,000 for the year ending December 31, 2019.

**Other Information**—As of December 31, 2020 total unrecognized compensation cost related to non-vested restricted shares was approximately \$6,970,000 which is expected to be recognized over a weighted-average period of 3.1 years.

### NOTE 12: RELATED PARTY TRANSACTIONS

In conjunction with its spin-off from RPC in 2001, the Company and RPC entered into various agreements that define the companies' relationship after the spin-off.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*Marine Products Corporation and Subsidiaries*  
*Years ended December 31, 2020, 2019 and 2018*

The Transition Support Services Agreement provides for RPC to provide certain services, including financial reporting and income tax administration, acquisition assistance, etc., to Marine Products until the agreement is terminated by either party. Marine Products reimbursed RPC for its estimated allocable share of administrative costs incurred for services rendered on behalf of Marine Products totaling \$846,000 in 2020, \$865,000 in 2019, and \$873,000 in 2018. The Company's payable to RPC for these services was \$49,000 as of December 31, 2020 and \$56,000 as of December 31, 2019. Many of the Company's directors are also directors of RPC and the Company's executive officers are employees of both the Company and RPC.

The Employee Benefits Agreement provides for, among other things, the Company's employees to continue participating subsequent to the spin-off in two RPC sponsored benefit plans, specifically, the defined contribution 401(k) plan and the defined benefit retirement income plan.

RPC and Marine Products own 50 percent each of a limited liability company called 255 RC, LLC that was created for the joint purchase and ownership of a corporate aircraft. The purchase was funded primarily by a \$2,554,000 contribution by each company to 255 RC, LLC. Each of RPC and Marine Products is currently a party to an operating lease agreement with 255 RC, LLC for a period of five years. Marine Products recorded certain net operating costs comprised of rent and an allocable share of fixed costs of \$160,000 in 2020 and \$159,000 in 2019 and 2018 for the corporate aircraft. The Company has a payable to 255 RC LLC of \$1.2 million as of December 31, 2020 and \$1.0 million as of December 31, 2019. The Company accounts for this investment using the equity method and its proportionate share of income or loss is recorded in selling, general and administrative expenses. As of December 31, 2020, the investment closely approximates the underlying equity in the net assets of 255 RC, LLC and the undistributed earnings represented in retained earnings was approximately \$462,000.

A group that includes the Company's Chairman of the Board, Gary W. Rollins, who is also director of the Company, and certain companies under their control, controls in excess of fifty percent of the Company's voting power.

### NOTE 13: LEASES

The Company adopted ASU No. 2016-02, Leases (Topic 842) on January 1, 2019 and recognized leases with duration greater than 12 months on the balance sheet using the modified retrospective approach. In addition, the Company elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed for a carry-forward of the historical lease classification. For leases with terms greater than 12 months, the Company has recorded the related Right-Of-Use asset and liability at the present value of lease payments over the term. Renewal options have been factored into the determination of lease payments when appropriate. There are no residual value guarantees on the existing leases. The Company estimates its incremental borrowing rate, at lease commencement, to determine the present value of lease payments, since most of the Company's leases do not provide an implicit rate of return.

The Company's lease population consists primarily of office equipment. The Company does not have any finance leases. The Company determines at contract inception, if an arrangement is a lease or contains a lease based on whether the Company obtains the right to control the use of specifically identifiable property, plant and equipment for a period of time in exchange for consideration. The Company has elected not to separate non-lease components from lease components for its leases. Variable lease payments are recognized as expense when incurred.

As of December 31, 2020, the Company had no operating leases that had not yet commenced.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Marine Products Corporation and Subsidiaries

Years ended December 31, 2020, 2019 and 2018

## Lease position:

The table below presents the assets and liabilities related to operating leases recorded on the balance sheet:

	Classification on Consolidated Balance Sheet	December 31,	
(in thousands)		2020	2019
Assets:			
Operating lease right-of-use assets	Other assets	\$ 124	\$ 159
Liabilities:			
Current portion of operating lease liabilities	Accrued expenses and other liabilities	\$ 52	\$ 47
Long-term operating lease liabilities	Other long-term liabilities	70	110
Total lease liabilities		\$ 122	\$ 157

## Lease Costs:

The components of lease expense are included in selling, general and administrative expenses in the consolidated statements of operations as disclosed below:

Year ended December 31,	2020	2019
<b>(in thousands)</b>		
Operating lease cost	\$ 54	\$ 52
Short-term lease cost	2	3
Total lease cost	\$ 56	\$ 55

Total rental expense, charged to operations related to operating leases under the previous lease standard, was \$191,000 in 2018.

## Other information:

As of December 31,	2020	2019
Cash paid for amounts included in the measurement of lease liabilities – operating leases <i>(in thousands)</i>	\$ 49	\$ 46
ROU assets obtained in exchange for operating lease liabilities <i>(in thousands)</i>	\$ 14	\$ —
Weighted average remaining lease term – operating leases (years)	2.5	3.3
Weighted average discount rate – operating leases	3.48 %	3.68 %

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*Marine Products Corporation and Subsidiaries*

*Years ended December 31, 2020, 2019 and 2018*

**Lease Commitments:**

**Maturity of lease liabilities - Operating Leases:**

<u>As of December 31,</u> <u>(in thousands)</u>	<u>2020</u>	<u>2019</u>
2020	\$ —	\$ 52
2021	55	52
2022	55	52
2023	13	10
2024	3	—
2025	1	—
Total lease payments	127	166
Less: Amounts representing interest	(5)	(9)
Present value of lease liabilities	<u>\$ 122</u>	<u>\$ 157</u>

In the second quarter of 2019, the company entered into an operating lease as the lessor for certain real estate leased to a third party under an operating lease with an initial term of 36 months. The lease requires fixed monthly payments and does not contain clauses for future rent escalations or renewal options. There are no terms and conditions under which the lessee has the option to purchase this asset. As of December 31, 2020, projected future lease income on this lease totaled \$294,375 scheduled to be received as follows: 2021 - \$235,500 and 2022 - \$58,875. During the year ended December 31, 2020, the company recorded rental income of \$236,000 that is classified as part of selling, general and administrative expenses on the consolidated statements of operations.

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

None.

**Item 9A. Controls and Procedures**

*Evaluation of disclosure controls and procedures* — The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and that such information is accumulated and communicated to its management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, December 31, 2020 (the "Evaluation Date"), the Company carried out an evaluation, under the supervision and with the participation of its management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures. Based upon this evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of the Evaluation Date.

*Management's report on internal control over financial reporting* — Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management's report on internal control over financial reporting is included on page 29 of this report. Grant Thornton LLP, the Company's independent registered public accounting firm, has audited the effectiveness of internal control as of December 31, 2020 and issued a report thereon which is included on page 30 of this report.

*Changes in internal control over financial reporting* — Management's evaluation of changes in internal control did not identify any changes in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information**

None.

## **PART III**

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

Information concerning directors and executive officers will be included in the Marine Products Proxy Statement for its 2021 Annual Meeting of Stockholders, in the section titled "Election of Directors." This information is incorporated herein by reference. Information about executive officers is contained on page 18 of this document.

#### ***Audit Committee and Audit Committee Financial Expert***

Information concerning the Audit Committee of the Company and the Audit Committee Financial Expert(s) will be included in the Marine Products Proxy Statement for its 2021 Annual Meeting of Stockholders, in the section titled "Corporate Governance and Board of Directors, Committees and Meetings – Audit Committee." This information is incorporated herein by reference.

#### ***Code of Ethics***

Marine Products has a Code of Business Conduct that applies to all employees. In addition, the Company has a Code of Business Conduct and Ethics for Directors and Executive Officers and Related Party Transaction Policy. Both of these documents are available on the Company's website at [MarineProductsCorp.com](http://MarineProductsCorp.com). Copies are also available at no extra charge by writing to Attn: Human Resources, Marine Products Corporation, 2801 Buford Highway NE, Suite 300, Atlanta, Georgia 30329. Marine Products intends to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of its code of ethics that relates to any elements of the code of ethics definition enumerated in SEC rules by posting such information on its internet website, the address of which is provided above.

#### ***Section 16(a) Beneficial Ownership Reporting Compliance***

Information regarding compliance with Section 16(a) of the Exchange Act will be included under "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement for its 2021 Annual Meeting of Stockholders, which is incorporated herein by reference.

### **Item 11. Executive Compensation**

Information concerning director and executive compensation will be included in the Marine Products Proxy Statement for its 2021 Annual Meeting of Stockholders, in the sections titled "Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Compensation Discussion and Analysis" and "Executive Compensation." This information is incorporated herein by reference.

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

Information concerning security ownership will be included in the Marine Products Proxy Statement for its 2021 Annual Meeting of Stockholders in the sections titled "Capital Stock" and "Election of Directors." This information is incorporated herein by reference.

The following table sets forth certain information regarding equity compensation plans as of December 31, 2020.

Plan Category	(A) Number of Securities To Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(B) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(C) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A))
Equity compensation plans approved by security holders	—	\$ —	1,569,700 <sup>(1)</sup>
Equity compensation plans not approved by security holders	—	—	—
Total	—	\$ —	1,569,700

(1) All of the securities can be issued in the form of restricted stock or other stock awards.

See "NOTE 11: EMPLOYEE BENEFIT PLANS" to the Consolidated Financial Statements for information regarding the material terms of the equity compensation plans.

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

Information concerning certain relationships and related party transactions will be included in the Marine Products Proxy Statement for its 2021 Annual Meeting of Stockholders, in the section titled "Certain Relationships and Related Party Transactions." Information regarding director independence will be included in the Marine Products Proxy Statement for its 2021 Annual Meeting of Stockholders in the section titled "Director Independence and NYSE Requirements." This information is incorporated herein by reference.

### Item 14. Principal Accounting Fees and Services

Information regarding principal accountant fees and services will be included in the section titled, "Independent Registered Public Accountants" in the Marine Products Proxy Statement for its 2021 Annual Meeting of Stockholders. This information is incorporated herein by reference.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

#### *Consolidated Financial Statements, Financial Statement Schedule and Exhibits*

1. Consolidated financial statements listed in the accompanying Index to Consolidated Financial Statements and Schedule are filed as part of this report.
2. The financial statement schedule listed in the accompanying Index to Consolidated Financial Statements and Schedule is filed as part of this report.
3. Exhibits listed in the accompanying Index to Exhibits are filed as part of this report. The following such exhibits are management contracts or compensatory plans or arrangements:

- [10.5 Marine Products Corporation 2004 Stock Incentive Plan \(incorporated herein by reference to Appendix B to the Definitive Proxy Statement filed on March 24, 2004\).](#)
- [10.6 Form of time lapse restricted stock grant agreement under the 2004 Stock Incentive Plan \(incorporated herein by reference to Exhibit 10.2 to the Form 10-Q filed on November 1, 2004\).](#)
- [10.7 Form of performance restricted stock grant agreement under the 2004 Stock Incentive Plan \(incorporated herein by reference to Exhibit 10.3 to the Form 10-Q filed on November 1, 2004\).](#)
- [10.8 Supplemental Retirement Plan \(incorporated herein by reference to Exhibit 10.16 to the Form 10-K filed on March 15, 2005\).](#)
- [10.9 First Amendment to 2001 Employee Stock Incentive Plan and 2004 Stock Incentive Plan \(incorporated by reference to Exhibit 10.19 to the Form 10-K filed on March 2, 2007\).](#)
- [10.10 Summary of 'At-Will' compensation arrangements with the Executive Officers as of February 28, 2009 \(incorporated herein by reference to Exhibit 10.20 to the Form 10-K filed on March 5, 2009\).](#)
- [10.11 Form of time lapse restricted stock agreement under the 2004 Stock Incentive Plan \(incorporated herein by reference to Exhibit 10.1 to the Form 10-Q filed on May 2, 2013\).](#)
- [10.12 Summary of compensation arrangements with non-employee directors \(incorporated herein by reference to Exhibit 10.16 to the Form 10-K filed on February 28, 2019\).](#)
- [10.13 2014 Stock Incentive Plan \(incorporated herein by reference to Appendix A to the Registrant's definitive Proxy Statement filed on March 17, 2014\).](#)
- [10.14 Marine Products Corporation Cash Based Incentives \(Discretionary\) Acknowledgement of Cash Based Incentives for Executive Officers \(incorporated herein by reference to Exhibit 10.18 to the Form 10-K filed on February 28, 2017\).](#)

**Exhibits (inclusive of item 3 above):**

<b>Exhibit Number</b>	<b>Description</b>
<a href="#"><u>3.1</u></a>	<a href="#"><u>(a) Articles of Incorporation of Marine Products Corporation (incorporated herein by reference to Exhibit 3.1 to the Form 10 filed on February 13, 2001).</u></a> <a href="#"><u>(b) Certificate of Amendment of Certificate of Incorporation of Marine Products Corporation executed on June 8, 2005 (incorporated herein by reference to Exhibit 99.1 to the current report on Form 8-K filed on June 9, 2005).</u></a>
<a href="#"><u>3.2</u></a>	<a href="#"><u>Amended and Restated Bylaws of Marine Products Corporation (incorporated herein by reference to Exhibit 99 to the Form 8-K filed on February 2, 2021).</u></a>
<a href="#"><u>4.1</u></a>	<a href="#"><u>Form of Common Stock Certificate of Marine Products Corporation (incorporated herein by reference to Exhibit 4.1 to the Form 10 filed on February 13, 2001).</u></a>
<a href="#"><u>4.2</u></a>	<a href="#"><u>Description of Registrant's Securities (incorporated herein by reference to Exhibit 4.2 to the Form 10-K filed on February 28, 2020).</u></a>
<a href="#"><u>10.1</u></a>	<a href="#"><u>Agreement Regarding Distribution and Plan of Reorganization, dated February 12, 2001, by and between RPC, Inc. and Marine Products Corporation (incorporated herein by reference to Exhibit 10.2 to the Form 10 filed on February 13, 2001).</u></a>
<a href="#"><u>10.2</u></a>	<a href="#"><u>Employee Benefits Agreement, dated February 12, 2001, by and between RPC, Inc., Chaparral Boats, Inc. and Marine Products Corporation (incorporated herein by reference to Exhibit 10.3 to the Form 10 filed on February 13, 2002).</u></a>
<a href="#"><u>10.3</u></a>	<a href="#"><u>Transition Support Services Agreement, dated February 12, 2001, by and between RPC, Inc. and Marine Products Corporation (incorporated herein by reference to Exhibit 10.4 to the Form 10 filed on February 13, 2001).</u></a>
<a href="#"><u>10.4</u></a>	<a href="#"><u>Tax Sharing Agreement, dated February 12, 2001, by and between RPC, Inc. and Marine Products Corporation (incorporated herein by reference to Exhibit 10.5 to the Form 10 filed on February 13, 2001).</u></a>
<a href="#"><u>10.5</u></a>	<a href="#"><u>Marine Products Corporation 2004 Stock Incentive Plan (incorporated herein by reference to Appendix B to the Definitive Proxy Statement filed on March 24, 2004).</u></a>
<a href="#"><u>10.6</u></a>	<a href="#"><u>Form of time lapse restricted stock grant agreement under the 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the Form 10-Q filed on November 1, 2004).</u></a>
<a href="#"><u>10.7</u></a>	<a href="#"><u>Form of performance restricted stock grant agreement under the 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.3 to the Form 10-Q filed on November 1, 2004).</u></a>
<a href="#"><u>10.8</u></a>	<a href="#"><u>Supplemental Retirement Plan (incorporated herein by reference to Exhibit 10.16 to the Form 10-K filed on March 15, 2005).</u></a>
<a href="#"><u>10.9</u></a>	<a href="#"><u>First Amendment to 2001 Employee Stock Incentive Plan and 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.19 to the Form 10-K filed on March 2, 2007).</u></a>
<a href="#"><u>10.10</u></a>	<a href="#"><u>Summary of 'At-Will' compensation arrangements with the Executive Officers as of February 28, 2009 (incorporated herein by reference to Exhibit 10.20 to the Form 10-K filed on March 5, 2009).</u></a>
<a href="#"><u>10.11</u></a>	<a href="#"><u>Form of time lapse restricted stock agreement under the 2004 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Form 10-Q filed on May 2, 2013).</u></a>
<a href="#"><u>10.12</u></a>	<a href="#"><u>Summary of compensation arrangements with non-employee directors (incorporated herein by reference to Exhibit 10.16 to the Form 10-K filed on February 28, 2019).</u></a>
<a href="#"><u>10.13</u></a>	<a href="#"><u>2014 Stock Incentive Plan (incorporated herein by reference to Appendix A to the Registrant's definitive Proxy Statement filed on March 17, 2014).</u></a>
<a href="#"><u>10.14</u></a>	<a href="#"><u>Marine Products Corporation Cash Based Incentives (Discretionary) Acknowledgement of Cash Based Incentives for Executive Officers (incorporated herein by reference to Exhibit 10.18 to the Form 10-K filed on February 28, 2017).</u></a>
<a href="#"><u>21</u></a>	<a href="#"><u>Subsidiaries of Marine Products Corporation (incorporated herein by reference to Exhibit 21 to the Form 10-K filed on March 4, 2008).</u></a>
<a href="#"><u>23</u></a>	<a href="#"><u>Consent of Grant Thornton LLP</u></a>
<a href="#"><u>24</u></a>	<a href="#"><u>Powers of Attorney for Directors</u></a>
<a href="#"><u>31.1</u></a>	<a href="#"><u>Section 302 certification for Chief Executive Officer</u></a>
<a href="#"><u>31.2</u></a>	<a href="#"><u>Section 302 certification for Chief Financial Officer</u></a>
<a href="#"><u>32.1</u></a>	<a href="#"><u>Section 906 certification for Chief Executive Officer and Chief Financial Officer</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document

<b>Exhibit Number</b>	<b>Description</b>
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

Any schedules not shown above have been omitted because they are not applicable.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Marine Products Corporation

/s/ Richard A. Hubbell

Richard A. Hubbell

President and Chief Executive Officer

February 26, 2021

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

Name	Title	Date
/s/ Richard A. Hubbell Richard A. Hubbell	President and Chief Executive Officer (Principal Executive Officer)	February 26, 2021
/s/ Ben M. Palmer Ben M. Palmer	Vice President, Chief Financial Officer and Corporate Secretary (Principal Financial and Accounting Officer)	February 26, 2021

The Directors of Marine Products Corporation (listed below) executed a power of attorney, appointing Richard A. Hubbell their attorney-in-fact, empowering him to sign this report on their behalf.

Gary W. Rollins, Director  
Susan R. Bell, Director  
Harry J. Cynkus, Director  
Patrick J. Gunning, Director

Timothy C. Rollins, Director  
Pamela R. Rollins, Director  
Jerry W. Nix, Director

/s/ Richard A. Hubbell

Richard A. Hubbell

Director and as Attorney-in-fact

February 26, 2021

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS, REPORTS AND SCHEDULE

The following documents are filed as part of this report.

FINANCIAL STATEMENTS AND REPORTS	PAGE
<a href="#">Management's Report on Internal Control Over Financial Reporting</a>	29
<a href="#">Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting</a>	30
<a href="#">Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements</a>	31
<a href="#">Consolidated Balance Sheets as of December 31, 2020 and 2019</a>	33
<a href="#">Consolidated Statements of Operations for each of the three years ended December 31, 2020</a>	34
<a href="#">Consolidated Statements of Comprehensive Income for each of the three years ended December 31, 2020</a>	35
<a href="#">Consolidated Statements of Stockholders' Equity for each of the three years ended December 31, 2020</a>	36
<a href="#">Consolidated Statements of Cash Flows for each of the three years ended December 31, 2020</a>	37
<a href="#">Notes to Consolidated Financial Statements</a>	38-56
<b>SCHEDULE</b>	
<a href="#">Schedule II — Valuation and Qualifying Accounts</a>	66

Schedules not listed above have been omitted because they are not applicable or the required information is included in the consolidated financial statements or notes thereto.

### SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS

#### MARINE PRODUCTS CORPORATION AND SUBSIDIARIES (in thousands of dollars)

Description	For the years ended December 31, 2020, 2019 and 2018			
	Balance at Beginning of Period	Charged to Costs and Expenses	Net (Write-Offs)/ Recoveries	Balance at End of Period
Year ended December 31, 2020				
Credit loss allowance for accounts receivable	\$ 20	\$ 8	\$ (12)	\$ 16
Deferred tax asset valuation allowance	\$ 1,818	\$ —	\$ —	\$ 1,818
Year ended December 31, 2019				
Credit loss allowance for accounts receivable	\$ 25	\$ 14	\$ (19)	\$ 20
Deferred tax asset valuation allowance	\$ 2,794	\$ —	\$ (976)	\$ 1,818
Year ended December 31, 2018				
Credit loss allowance for accounts receivable	\$ 25	\$ —	\$ —	\$ 25
Deferred tax asset valuation allowance	\$ 5,447	\$ —	\$ (2,653)	\$ 2,794

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We have issued our reports dated February 26, 2021, with respect to the consolidated financial statements and internal control over financial reporting included in the Annual Report of Marine Products Corporation on Form 10-K for the year ended December 31, 2020. We consent to the incorporation by reference of said reports in the Registration Statements of Marine Products Corporation on Forms S-8 (File No. 333-59886; File No. 333-117837; and File No. 333-195425).

/s/ GRANT THORNTON LLP

Atlanta, Georgia  
February 26, 2021

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**POWER OF ATTORNEY**

Know All Men By These Presents, that the undersigned constitutes and appoints Richard A. Hubbell as her true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Marine Products Corporation on Form 10-K, Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 16th day of February 2021.

/s/ Susan R. Bell

Susan R. Bell, Director

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**POWER OF ATTORNEY**

Know All Men By These Presents, that the undersigned constitutes and appoints Richard A. Hubbell as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Marine Products Corporation on Form 10-K, Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 16th day of February 2021.

/s/ Harry J. Cynkus

Harry J. Cynkus, Director

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**POWER OF ATTORNEY**

Know All Men By These Presents, that the undersigned constitutes and appoints Richard A. Hubbell as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Marine Products Corporation on Form 10-K, Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 16th day of February 2021.

/s/ Patrick J. Gunning

Patrick J. Gunning, Director

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**POWER OF ATTORNEY**

Know All Men By These Presents, that the undersigned constitutes and appoints Richard A. Hubbell as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Marine Products Corporation on Form 10-K, Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 16th day of February 2021.

/s/ Jerry W. Nix

Jerry W. Nix, Director

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**POWER OF ATTORNEY**

Know All Men By These Presents, that the undersigned constitutes and appoints Richard A. Hubbell as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Marine Products Corporation on Form 10-K, Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 16th day of February 2021.

/s/ Gary W. Rollins

Gary W. Rollins, Director

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**POWER OF ATTORNEY**

Know All Men By These Presents, that the undersigned constitutes and appoints Richard A. Hubbell as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Marine Products Corporation on Form 10-K, Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 16th day of February 2021.

/s/ Pamela R. Rollins

Pamela R. Rollins, Director

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**POWER OF ATTORNEY**

Know All Men By These Presents, that the undersigned constitutes and appoints Richard A. Hubbell as his true and lawful attorney-in-fact and agent in any and all capacities to sign filings by Marine Products Corporation on Form 10-K, Annual Reports and any and all amendments thereto (including post-effective amendments) and to file the same, with all exhibits, and any other documents in connection therewith, with the Securities and Exchange Commission.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney, in the capacities indicated, as of this 16th day of February 2021.

/s/ Timothy C. Rollins

Timothy C. Rollins, Director

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## CERTIFICATIONS

I, Richard A. Hubbell, certify that:

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

Date: February 26, 2021

/s/ Richard A. Hubbell

Richard A. Hubbell  
 President and Chief Executive Officer  
 (Principal Executive Officer)

I, Ben M. Palmer, certify that:

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

Date: February 26, 2021

/s/ Ben M. Palmer

Ben M. Palmer  
Vice President, Chief Financial Officer and Corporate Secretary  
(Principal Financial and Accounting Officer)

## CERTIFICATION OF PERIODIC FINANCIAL REPORTS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

To the best of their knowledge the undersigned hereby certify that the Annual Report on Form 10-K of Marine Products Corporation for the period ended December 31, 2020, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. Sec. 78m) and that the information contained in the Annual Report fairly presents, in all material respects, the financial condition and results of operations of Marine Products Corporation.

Date: February 26, 2021

/s/ Richard A. Hubbell

Richard A. Hubbell

President and Chief Executive Officer  
(Principal Executive Officer)

Date: February 26, 2021

/s/ Ben M. Palmer

Ben M. Palmer

Vice President, Chief Financial Officer and Corporate Secretary  
(Principal Financial and Accounting Officer)

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