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# Brunswick Earnings Conference Call Q2, 2017

July 27, 2017

# Brunswick Corporation - Earnings Release

## Forward-Looking Statements

Certain statements in this presentation are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations, estimates and projections about Brunswick's business and by their nature address matters that are, to different degrees, uncertain. Words such as "may," "could," "expect," "intend," "target," "plan," "seek," "estimate," "believe," "predict," "outlook" and similar expressions are intended to identify forward-looking statements. Such statements are not guarantees of future performance and involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this presentation. These risks include, but are not limited to: adverse general economic conditions, including reductions in consumer discretionary spending; negative currency trends; our ability to complete and integrate targeted acquisitions; our ability to implement our strategic plan and growth initiatives; adequate financing access for dealers and customers and our ability to access capital and credit markets; maintaining effective distribution; retaining our relationships with dealers, distributors and independent boat builders; credit and collections risks; retaining key customers; protecting our brands and intellectual property; absorbing fixed costs in production; managing expansion or consolidation of manufacturing facilities; meeting supply objectives; meeting pension funding obligations; managing our share repurchases; higher energy and fuel costs; competitive pricing pressures; developing new and innovative products at a competitive price, in legal compliance; maintaining product quality and service standards; outages or breaches of technology systems; competitor activity; product liability, warranty and other claims risks; increased costs of legal and regulatory compliance; having to record an impairment to the value of goodwill and other assets; international business risks; attracting and retaining key contributors; and weather and catastrophic event risks.

Additional risk factors are included in the Company's Annual Report on Form 10-K for 2016. Forward-looking statements speak only as of the date on which they are made and Brunswick does not undertake any obligation to update them to reflect events or circumstances after the date of this presentation or for changes by wire services or Internet service providers.

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## Use of Non-GAAP Financial Information and Constant Currency Reporting

In this presentation, Brunswick uses certain non-GAAP financial measures, which are numerical measures of a registrant's historical or future financial performance, financial position or cash flows that exclude amounts, or are subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the statements of operations, balance sheets or statements of cash flows of the registrant; or include amounts, or are subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented.

Brunswick has used certain non-GAAP financial measures that are included in this presentation for several years, both in presenting its results to shareholders and the investment community and in its internal evaluation and management of its businesses. Brunswick's management believes that these measures (including those that are non-GAAP financial measures) and the information they provide are useful to investors because they permit investors to view Brunswick's performance using the same tools that Brunswick uses and to better evaluate Brunswick's ongoing business performance. For additional information, please see Brunswick's Current Report on Form 8-K issued on July 27, 2017, which is available at [www.brunswick.com](http://www.brunswick.com).

For purposes of comparison, 2017 net sales growth is also shown using 2016 exchange rates for the comparative period to enhance the visibility of the underlying business trends, excluding the impact of translation arising from foreign currency exchange rate fluctuations.

Brunswick does not provide forward-looking guidance for certain financial measures on a GAAP basis because it is unable to predict certain items contained in the GAAP measures without unreasonable efforts. These items may include pension settlement charges, restructuring and integration costs, special tax items and certain other unusual adjustments.

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Mark Schwabero – Chairman and Chief Executive Officer

Bill Metzger – Chief Financial Officer

# Brunswick Corporation - Earnings Release

## Overview of Second Quarter 2017

- Revenue increased 8.8 percent with acquisitions contributing approximately 2 percent of growth
- Strong growth rates in all three primary boat categories as well as in our outboard engine and Fitness businesses, as well as solid contributions from parts and accessories
- Gross margin of 27.3 percent
- Diluted EPS, as adjusted<sup>1</sup>, of \$1.35, up \$0.16, or 13 percent, which includes a \$0.02 per share net tax benefit from share-based compensation activity

<sup>1</sup>Excludes restructuring, exit and integration charges, as well as special tax items, as applicable.

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## U.S. Powerboat Industry - Percentage Change in Retail Units

	FY 15	FY 16	1H-16	2H-16	Q1-17	Q2-17	1H-17
AL – Fish	8%	4%	4%	2%	3%	2%	2%
AL - Pontoon	8%	9%	11%	3%	1%	7%	6%
FG - Outboard	9%	6%	6%	2%	6%	6%	6%
<b>Outboard Boats <sup>(1)</sup></b>	8%	5%	7%	2%	4%	5%	5%
FG – SD/IB (14-30 ft.)	(7)%	(4)%	(3)%	(11)%	(10)%	(8)%	(8)%
FG – SD/IB (31-40 ft.)	(2)%	6%	2%	9%	(4)%	(16)%	(12)%
FG – SD/IB (41-65 ft.)	12%	3%	7%	(2)%	(14)%	(27)%	(21)%
<b>FG SD/IB Boats</b>	(6)%	(9)%	(2)%	(9)%	(9)%	(10)%	(9)%
<b>Main Powerboat Segments</b>	7%	5%	6%	1%	3%	4%	3%
<b>Total Industry (NMMA) <sup>(2)</sup></b>	6%	5%	4%	1%	3%	5%	4%
<b>Outboard Engines (NMMA)</b>	9%	7%	8%	5%	9%	6%	7%

First half 2017 preliminary U.S. total industry (NMMA) shipments increased 4 percent versus 2016

Source: NMMA Statistical Surveys, Inc.: 2017 preliminary data is based on 90% of April, 80% of May, 57% of June; Coast Guard data updated through 6/2017.

1) For the full-year 2016, outboard powered boats represented 91% of the total units.

2) Total Industry (NMMA) also includes the fiberglass and aluminum lengths outside the ranges stated above, as well as ski boats, but excludes house and jet boats.

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Review of Brunswick Boat segment retail sales metrics

	Second Quarter		YTD	
	Global	U.S.	Global	U.S.
Retail (units)	0%	(2)%	3%	2%

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## Year-to-date Revenue By Region - Marine Segments

Region	2017 vs. 2016 Growth Rates*	2016 Mix**
U.S.	8%	71%
Europe	10%	11%
Canada	7%	7%
Asia Pacific	7%	7%
Latin America	15%	3%
Africa & Middle East	(9)%	1%
Total	8%	100%

Global revenue in our combined marine segments experienced 8 percent\* year-to-date gains - - outperforming the global market

\*For purposes of comparison, 2017 net sales growth is shown using 2016 exchange rates for the comparative period to enhance the visibility of the underlying business trends, excluding the impact of translation arising from foreign currency exchange rate fluctuations. The figures also exclude the impact of acquisitions.

\*\*Mix for the full-year 2016, on a constant currency basis.



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## Year-to-date Revenue By Region - Fitness Segment

Region	2017 vs. 2016 Growth Rates*	2016 Mix**
U.S.	0%	56%
Europe	3%	18%
Asia Pacific	17%	13%
Latin America	8%	5%
Africa & Middle East	15%	4%
Canada	(9)%	4%
Total	4%	100%

Global revenue in our fitness segment experienced 4 percent\* year-to-date growth

\*On a constant currency basis, excluding acquisitions.

\*\*Mix for the full-year 2016, on a constant currency basis.

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Mark Schwabero – Chairman and Chief Executive Officer

Bill Metzger – Chief Financial Officer

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Q2 Net Sales increased by \$109.8 million, or 9%

Segments (\$'s in millions)	Net Sales			Acquisition Contribution
	Three Months Ended			
	July 1, 2017	July 2, 2016	% Change GAAP <sup>1</sup>	
Marine Engine	\$ 766.2	\$ 719.7	6.5%	0.9%
Boat	412.1	368.1	12.0%	1.5%
Marine eliminations	(76.8)	(75.4)		
Total Marine	1,101.5	1,012.4	8.8%	1.2%
Fitness	250.5	229.8	9.0%	4.0%
Total	\$ 1,352.0	\$ 1,242.2	8.8%	1.7%

Net sales increased by 9 percent

<sup>1</sup>Consolidated GAAP net sales reflected an increase of 7% in the U.S., and an increase of 12% in international markets versus prior year.

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First Half Net Sales increased by \$199.8 million, or 9%

Segments (\$'s in millions)	Net Sales			Acquisition Contribution
	Six Months Ended			
	July 1, 2017	July 2, 2016	% Change GAAP <sup>1</sup>	
Marine Engine	\$ 1,398.0	\$ 1,315.2	6.3%	1.0%
Boat	794.8	704.9	12.8%	1.3%
Marine eliminations	(166.6)	(155.7)		
Total Marine	2,026.2	1,864.4	8.7%	1.2%
Fitness	486.1	448.1	8.5%	5.7%
Total	\$ 2,512.3	\$ 2,312.5	8.6%	2.1%

Net sales increased by 9 percent

<sup>1</sup>Consolidated GAAP net sales reflected an increase of 7% in the U.S. and an increase of 11% in international markets versus prior year.

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## Marine Engine segment - Q2 sales by region



2016 FY revenue by region: U.S. 70%, Europe 13%, Asia Pacific 8%, Canada 4%, Latin America 3% and Africa & Middle East 2%

Region	Q2 - 2017 % of Sales	% Change	
		GAAP	Constant Currency
United States	72%	5%	5%
Europe	12%	4%	8%
Rest-of-World	16%	16%	17%
Total	100%	6%	7%

### Based on Constant Currency

- Strong U.S. growth in outboard engines and slight increases in parts and accessories
- European sales growth was driven by outboard engines and parts and accessories
- Rest-of-World revenue increased due to growth in Canada, Asia Pacific and Latin America

Sales for the second quarter, on a constant currency basis excluding acquisitions, increased by 6 percent

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## Q2 Outboard and Sterndrive Engines



### Outboard

- Favorable retail demand particularly in higher horsepower categories
- Benefits from market share gains in targeted saltwater, repower and commercial markets reflecting recently launched products



### Sterndrive

- Unfavorable global retail demand trends continue
- Market share remains strong; growing adoption of recently introduced purpose-built engines

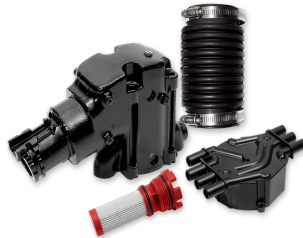
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## Q2 Marine Engine segment's Parts & Accessories

Boating Accessories



Service Parts



Propellers



Oil & Lubes



Trolling Motors



Controls/Rigging



- Solid sales growth in the quarter with most of the increase in international markets
- Revenue benefited from a recent acquisition, new product launches and international growth strategy





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## Factors affecting Marine Engine segment's Q2 operating earnings



### Key Factors

- Higher sales
- Cost efficiencies
- Unfavorable foreign exchange impacts
- Increases in growth-related investments

Q2 operating margin at 19.3%



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## Boat segment - Q2 sales by region



2016 FY revenue by region: U.S. 74%, Canada 12%, Europe 10%, Asia Pacific 2%, Latin America 2%, Africa & Middle East 0%

Region	Q2 - 2017 % of Sales	% Change	
		GAAP	Constant Currency
United States	73%	12%	12%
Europe	10%	7%	11%
Rest-of-World	17%	13%	14%
Total	100%	12%	12%

- Strong sales growth in each of our three primary boat categories
- Growth rates up double digits in all geographic regions
- Overall sales growth benefited from increases in average selling prices and wholesale unit demand, including the impact of new products

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Review of Brunswick Boat segment sales metrics versus prior year

	Second Quarter		YTD	
	Global	U.S.	Global	U.S.
Wholesale (units)	2%	3%	7%	8%
Net Sales (dollars)*	12%	12%	13%	14%

\*Growth in constant currency

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## Review of Brunswick Boat segment pipeline metrics

Pipeline Levels	Ending Weeks on Hand	Change Versus Prior Year	% Change in Wholesale Units	% Change in Retail Units
YTD 15	31	-3 weeks	2%	7%
YTD 16	29	-2 weeks	(1)%	6%
YTD 17	30	+1 week	7%	3%
FY 15	35	Flat	2%	4%
FY 16	35	Flat	2%	3%
FY 17	Consistent with prior year		Similar wholesale and retail growth rates	

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Factors affecting Boat segment's Q2 operating earnings\*



## Key Factors

- Higher sales
- Unfavorable increases in warranty costs and legal expenses

Q2 adjusted operating margin at 6.3%;  
On a GAAP basis at 6.0%

\*As adjusted, excluding restructuring, exit and integration charges.

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## Fitness segment - Q2 sales by region



2016 FY revenue by region: U.S. 56%, Europe 18%, Asia Pacific 13%, Latin America 5%, Africa & Middle East 4% and Canada 4%

Region	Q2 - 2017 % of Sales	GAAP	% Change	
			Constant Currency	Ex. Acquisition
United States	52%	3%	3%	1%
Europe	18%	9%	14%	6%
Rest-of-World	30%	22%	22%	16%
Total	100%	9%	10%	6%

- Sales in the U.S. (excluding acquisitions) benefited from improved commercial demand, led by growth in sales to franchise club customers
- International sales reflected growth in all regions, particularly in Asia Pacific

Sales for the second quarter, on a constant currency basis, excluding acquisitions, increased by 6 percent



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## Factors affecting Fitness segment's Q2 operating earnings\*



### Key Factors

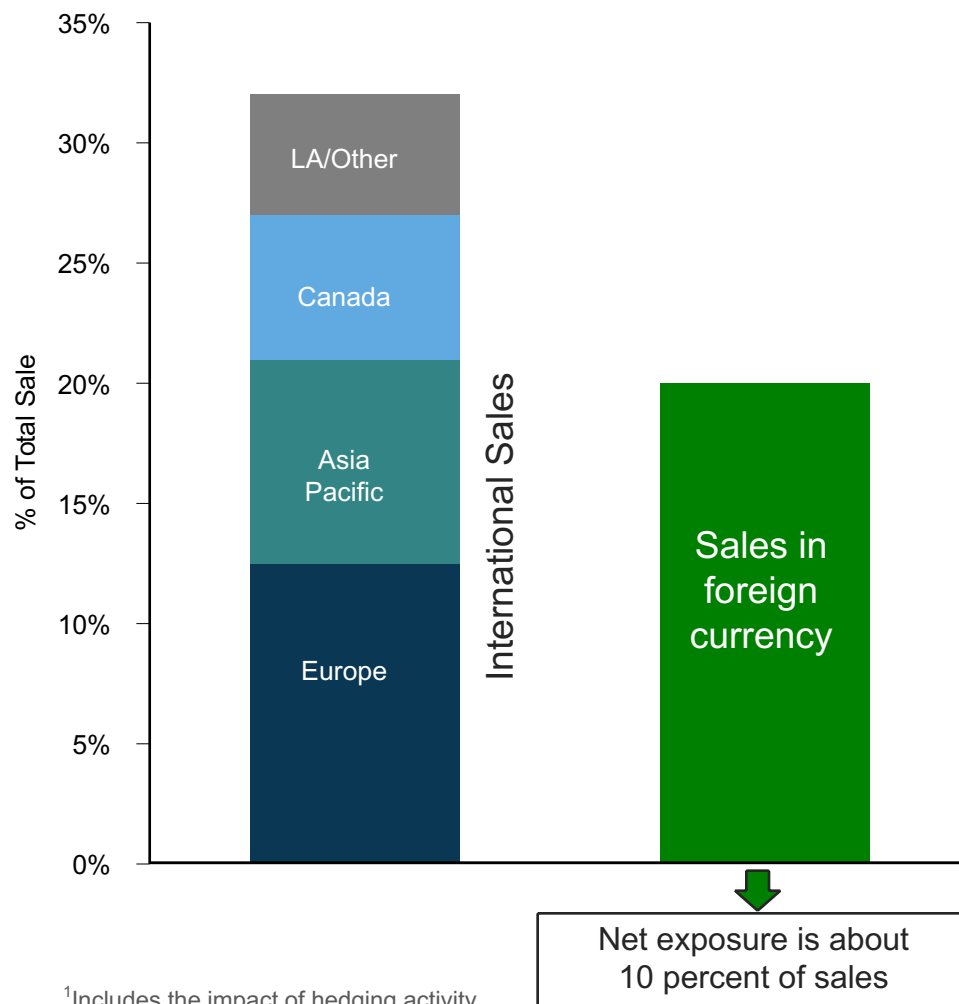
- Higher sales
- Acquisition benefits and cost reduction actions
- Net unfavorable margin impact of changes in sales mix
- Impact of planned costs associated with capacity expansions, new products and manufacturing facility transitions
- Net unfavorable impact of non-recurring adjustments in both years
- Unfavorable foreign exchange impacts

Q2 adjusted operating margin at 9.2%;  
On a GAAP basis at 7.4%

\*As adjusted, excluding restructuring, exit and integration charges.

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## Review of foreign currency impact<sup>1</sup>



### Q2 2017:

- Unfavorable impact on sales of less than one percent
- Unfavorable impact on operating earnings of approximately \$4 million

### Outlook 2017:

- Minimal impact on consolidated sales and operating earnings<sup>2</sup>

<sup>1</sup>Includes the impact of hedging activity.

<sup>2</sup>Estimates for the full-year assume that rates remain consistent with current rates for the remainder of the year.

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## Tax Provision

	Q2		Year-to-date	
	2017	2016	2017	2016
Effective tax rate - GAAP	28.3%	30.8%	27.3%	30.8%
Effective tax rate, as adjusted <sup>(1)</sup> <sup>(2)</sup>	28.9%	30.9%	27.4%	30.9%
Effective tax rate, ex. share-based comp. tax benefits <sup>(2)</sup>	30.3%	30.9%	30.2%	30.9%

Change in second quarter effective tax rate, as adjusted, between years includes net benefits from share-based compensation activity

2017 effective book tax rate, as adjusted, is approximately 29 percent; cash tax rate to be in the low to mid-teen percent range

(1) Tax provision, as adjusted, excludes \$0.2 million of net benefit for special tax items for Q2 2017.

(2) As a result of new accounting guidance adopted in Q1 2017, the Company recorded \$5.3 million and \$2.3 million of net excess tax benefits related to share-based compensation activity in Q1 and Q2 2017, respectively.



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## Cash Flow - Continuing Operations

(\$'s in millions)	Six Months Ended	
	2017	2016
<b>Net earnings*</b>	\$ 184.3	\$ 171.3
Depreciation and amortization	55.2	50.6
Pension funding, net of expense	(37.5)	(29.5)
Changes in certain current assets and current liabilities	(88.8)	(36.7)
Income taxes	45.8	60.4
Other, net	12.8	5.2
<b>Net cash provided by operating activities **</b>	<b>\$ 171.8</b>	<b>\$ 221.3</b>

Net cash provided by operating activities\*\* decreased by \$50 million

\*Continuing operations only.

\*\* Continuing operations only; as a result of adopting new accounting guidance both years include amounts related to net excess tax benefits or deficiencies resulting from share-based compensation activity.

# Brunswick Corporation - Earnings Release

## Free Cash Flow - Continuing Operations

(\$'s in millions)	Six Months Ended	
	2017	2016
<b>Net cash provided by operating activities*</b>	\$ 171.8	\$ 221.3
Net cash provided by (used for):		
Capital expenditures	(107.9)	(90.0)
Proceeds from sale of property, plant and equipment	7.8	1.6
Effect of exchange rate changes	4.5	5.6
<b>Total free cash flow</b>	<b><u>\$ 76.2</u></b>	<b><u>\$ 138.5</u></b>

Free cash flow lower by \$62 million in year-to-date 2017

\* Continuing operations only; as a result of adopting new accounting guidance both years include amounts related to net excess tax benefits or deficiencies resulting from share-based compensation activity.

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## 2017 Outlook - P&L

	2017 Estimate	Change from Prior Conference Call
Depreciation and amortization	~\$120 million	No change
Pension expense	~\$10 million	No change
Net interest expense	~\$25 million	Change
Combined equity earnings and other income	Higher than 2016	Change
Effective book tax rate *	~29 percent	No change
Average diluted shares outstanding	~90.5 million	Change

\*As adjusted.

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## 2017 Outlook: Cash Flow Assumptions

	2017 Estimate Usage of	Change from Prior Conference Call
Working capital usage	~\$30 - \$50 million	No change
Capital expenditures	~\$185 - \$195 million	No change
Pension cash contributions	~\$75 million	No change
Cash taxes	Low-to-mid-teens percentage	No change
Free cash flow	Greater than \$250 million	No change
Share repurchases	~\$100 million	No change
Quarterly dividends	Remain at current levels	No change

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Mark Schwabero – Chairman and Chief Executive Officer

Bill Metzger – Chief Financial Officer

# Outlook for Brunswick 2017

## 2017 Financial Targets

- Revenue growth of 7 to 8 percent
- Operating expenses, as a percent of sales, to be lower than prior year
- Slight improvement in operating margins
- Operating leverage of mid-teen percentage
- Diluted EPS, as adjusted, of \$4.00 to \$4.10

# Marine Engine Segment

Solid Revenue Growth and Strong Margins



## 2017 Financial Targets

- Revenue growth in the mid-single digits
- Solid improvement in operating margin

# Boat Group Segment

Strong Revenue Growth with Improved Profitability



## 2017 Financial Targets

- Revenue growth in the high-single digits
- Improvement in operating margin



# Fitness Segment

Strong Revenue Growth with Strong Margins



## 2017 Financial Targets

- Revenue growth in the high-single digits
- Slight reduction in operating margins



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## Brunswick Earnings Conference Call Q2, 2017



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**Appendix**

# Brunswick Corporation - Earnings Release

Q2 Adjusted Operating Earnings increased by \$9.8 million, or 6%

Segment (\$'s in millions)	Operating Earnings - Excluding Charges		
	Three Months Ended		
	July 1, 2017	July 2, 2016	Change
Marine Engine	\$ 148.2	\$ 139.0	\$ 9.2
Boat	25.9	22.7	3.2
Total Marine	174.1	161.7	12.4
Fitness	23.0	26.7	(3.7)
Pension	(2.4)	(3.7)	1.3
Corp/Other	(20.4)	(20.2)	(0.2)
Adjusted operating earnings	174.3	164.5	9.8
Restructuring, exit and integration charges	(5.7)	(2.6)	(3.1)
GAAP operating earnings	\$ 168.6	\$ 161.9	\$ 6.7
Operating margin - excluding charges	12.9%	13.2%	-30 bps
Operating margin - including charges	12.5%	13.0%	-50 bps



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First Half Adjusted Operating Earnings increased by \$14.2 million, or 5%

Segment (\$'s in millions)	Operating Earnings - Excluding Charges		
	Six Months Ended		
	July 1, 2017	July 2, 2016	Change
Marine Engine	\$ 236.7	\$ 217.3	\$ 19.4
Boat	39.5	39.1	0.4
Total Marine	276.2	256.4	19.8
Fitness	43.7	50.6	(6.9)
Pension	(4.7)	(7.4)	2.7
Corp/Other	(36.7)	(35.3)	(1.4)
Adjusted operating earnings	278.5	264.3	14.2
Restructuring, exit and integration charges	(20.9)	(6.4)	(14.5)
GAAP operating earnings	\$ 257.6	\$ 257.9	\$ (0.3)
Operating margin - excluding charges	11.1%	11.4%	-30 bps
Operating margin - including charges	10.3%	11.2%	-90 bps

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Other factors affecting GAAP pre-tax earnings

\$ in millions	Q2		Year-to-date	
	2017	2016	2017	2016
Restructuring, exit and integration charges	\$5.7	\$2.6	\$20.9	\$6.4

In 2017, we are planning to incur \$26 to \$28 million of restructuring, exit and integration costs associated with the Fitness and Boat segments. These costs have not been included in our earnings guidance, as adjusted, or related metrics.

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## Year-to-Date U.S. Boat Market Regional Trends

Region	% of Total	SSI	OB Registrations
Southeast	39%	6%	9%
Northeast	14%	(2)%	5%
Midwest	28%	3%	8%
Southwest	8%	4%	4%
Northwest	12%	(3)%	3%
Total	100%	3%	7%