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NEXT NEVER RESTS™

# Q4 and Full Year 2022 Earnings

Conference Call

FEBRUARY 2, 2023

# Forward-Looking Statements

Certain statements in this presentation are forward-looking statements 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," "should," "expect," "anticipate," "project," "position," "intend," "target," "plan," "seek," "estimate," "believe," "predict," "outlook," and similar expressions are intended to identify forward-looking statements. Forward-looking 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: the effect of adverse general economic conditions, including the amount of disposable income consumers have available for discretionary spending; fiscal and monetary policy concerns; adverse capital market conditions; changes in currency exchange rates; higher energy and fuel costs; competitive pricing pressures; interest-rate risk related to our debt; the coronavirus (COVID-19) pandemic and the emergence of variant strains; actual or anticipated increases in costs, disruptions of supply, or defects in raw materials, parts, or components we purchase from third parties, including as a result of pressures due to the pandemic; supplier manufacturing constraints, increased demand for shipping carriers, and transportation disruptions; managing our manufacturing footprint; adverse weather conditions, climate change events and other catastrophic event risks; international business risks, geopolitical tensions or conflicts, sanctions, embargoes, or other regulations; our ability to develop new and innovative products and services at a competitive price; our ability to meet demand in a rapidly changing environment; loss of key customers; absorbing fixed costs in production; risks associated with joint ventures that do not operate solely for our benefit; our ability to integrate acquisitions, including Navico, and the risk for associated disruption to our business; the risk that unexpected costs will be incurred in connection with the Navico transaction or the possibility that the expected synergies and value creation from the transaction will not be realized or will not be realized within the expected time period; our ability to successfully implement our strategic plan and growth initiatives; attracting and retaining skilled labor, implementing succession plans for key leadership, and executing organizational and leadership changes; our ability to identify, complete, and integrate targeted acquisitions; the risk that strategic divestitures will not provide business benefits; maintaining effective distribution; risks related to dealers and customers being able to access adequate financing; requirements for us to repurchase inventory; inventory reductions by dealers, retailers, or independent boat builders; risks related to the Freedom Boat Club franchise business model; outages, breaches, or other cybersecurity events regarding our technology systems, which could affect manufacturing and business operations and could result in lost or stolen information and associated remediation costs; our ability to protect our brands and intellectual property; changes to U.S. trade policy and tariffs; any impairment to the value of goodwill and other assets; product liability, warranty, and other claims risks; legal, environmental, and other regulatory compliance, including increased costs, fines, and reputational risks; changes in income tax legislation or enforcement; managing our share repurchases; and risks associated with certain divisive shareholder activist actions.

Additional risk factors are included in the Company's Annual Report on Form 10-K for 2021 and in subsequent Quarterly Reports on Form 10-Q. 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.

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Good morning and thank you for joining us. With me on the call this morning are Dave Foulkes, Brunswick's CEO, and Ryan Gwillim, CFO. Before we begin with our prepared remarks, I would like to remind everyone that during this call our comments will include certain forward-looking statements about future results. Please keep in mind that our actual results could differ materially from these expectations. For details on these factors to consider, please refer to our recent SEC filings and today's press release. All of these documents are available on our website at Brunswick.com.

# 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 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. In addition, in order to better align Brunswick's reported results with the internal metrics used by the Company's management to evaluate business performance as well as to provide better comparisons to prior periods and peer data, non-GAAP measures exclude the impact of purchase accounting amortization related to acquisitions, among other adjustments.

For additional information and reconciliations of GAAP to non-GAAP measures, please see Brunswick's Current Report on Form 8-K issued on February 2, 2023, which is available at www.brunswick.com, and the Appendix to this presentation.

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 restructuring, exit and impairment costs, special tax items, acquisition-related costs, and certain other unusual adjustments.

For purposes of comparison, 2022 net sales growth is also shown using 2021 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. We refer to this as "constant currency" reporting.





During our presentation, we will be referring to certain non-GAAP financial information. Reconciliations of GAAP to non-GAAP financial measures are provided in the appendix to this presentation and the reconciliation sections of the unaudited consolidated financial statements accompanying today's results. I will now turn the call over to Dave.

BRUNSWICK CORPORATION – EARNINGS RELEASE

01

# Business Overview – Dave Foulkes, CEO

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 4

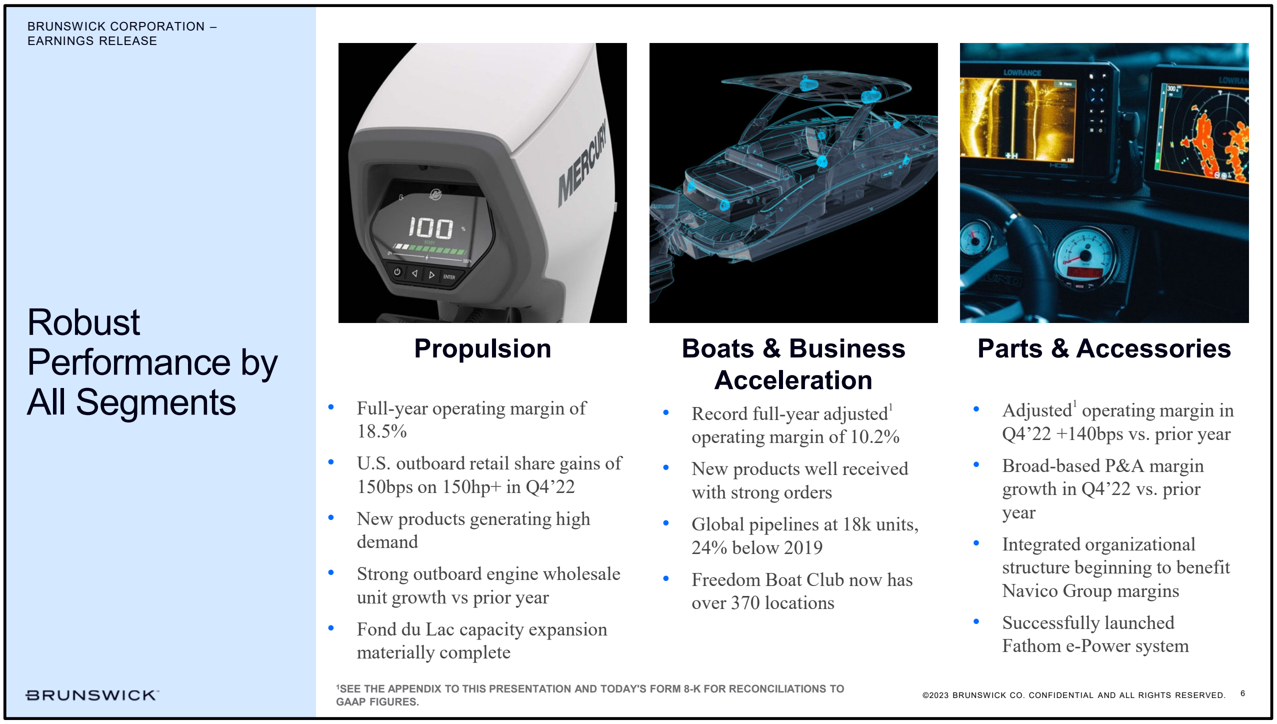
Thanks Neha, and good morning everyone.


We concluded 2022 by delivering record performance of six point eight billion dollars in net sales and almost one point zero five billion of adjusted operating earnings for the full year, continuing our exceptional history of strong operating performance and cost control in a challenging macro-economic environment. Our full year adjusted earnings per share of ten dollars and three cents highlights the strength of our businesses and leaders, and the robustness of our portfolio and earnings profile.

All our divisions contributed to the strong performance, with our boat segment exceeding ten percent full-year adjusted operating margins for the first time in company history, and the propulsion and parts and accessories segments delivering exceptional top-line and operating earnings growth versus prior year.

Boat field inventory levels are recovering but global units exiting the fourth quarter were more than five thousand units lower versus the same time in 2019 and there is no indication of material wholesale cancellations. Our boat and engine production levels finished above prior year despite some continuing supply chain challenges.

As the overall market and sector dislocation continued, we executed ninety million dollars of share repurchases in the fourth quarter, bringing our full-year share repurchases to four hundred and fifty million dollars.



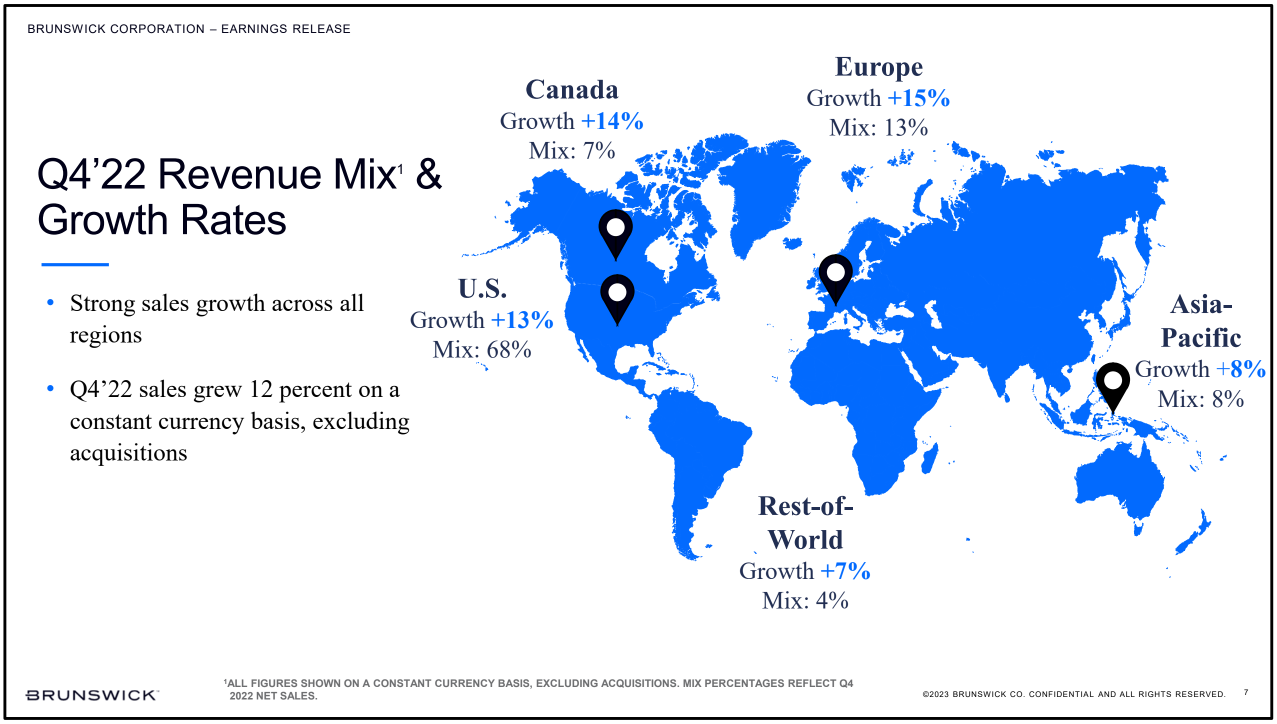

Turning to the segment highlights, each segment contributed to the robust adjusted operating margins in the fourth quarter as compared to the fourth quarter of 2021.

Despite some supply chain shortages earlier in the quarter, our propulsion business delivered exceptional results with seventeen percent top-line growth versus fourth quarter 2021 enabled by favorable product mix and pricing actions taken earlier in the year. Mercury has captured significant market share in outboard engines with approximately 300 basis points of retail share gain in the U.S. and more than 10 percentage points in over 300hp engines since December 2019, which has been a key focus area for our investments. Our new products continue to perform above expectations, with the recently launched V10 outboard engines being extremely well received in the marketplace and met with strong demand. The capacity expansion project in our Fond du Lac, WI campus, primarily for higher horsepower outboards, is materially complete and will enable increased production for recently underserved international and repower channels, together with new and existing OEM customers in 2023 and beyond.

Our boat business delivered outstanding top-line and earnings growth in the quarter, reaching 10.2 percent full-year adjusted operating margin for the first time in company history. Each product category posted strong top-line growth and delivered operating earnings expansion for the fourth quarter compared with the same prior year period. Our boat business continues to diligently manage global pipeline levels which remain healthy at 18 thousand units, or 24 percent below 2019 levels.

Freedom Boat Club had strong same store membership sales increases in the quarter, despite its Southwest Florida operations recovering from the impacts of Hurricane Ian. All hurricane impacted locations have now reopened. Freedom continues to grow globally and now has more than 370 locations and a fleet size of approximately 5,000 boats all while expanding synergies with Mercury Marine and our boat brands. Freedom also recently announced the opening of its first location in Australia.

Our parts and accessories businesses delivered solid adjusted operating earnings and operating margin growth in the fourth quarter. Operating earnings contributions were broad-based across our P&A businesses as optimized pricing and the initial benefits of the redesigned Navico Group organization more than offset the negative impact of currency and the return to more normal seasonality in the quarter. Sales were impacted by certain headwinds, including currency, leading to slightly lower top-line performance; however, on a full year basis, revenue was down less than one percent excluding the impact of currency and acquisitions versus a record 2021. Finally, we have now lapped the one-year anniversary of the P&A transactions and are very pleased with the integration of the businesses.




Shifting to revenue, we continue to deliver growth across regions on a constant currency basis, excluding acquisitions.

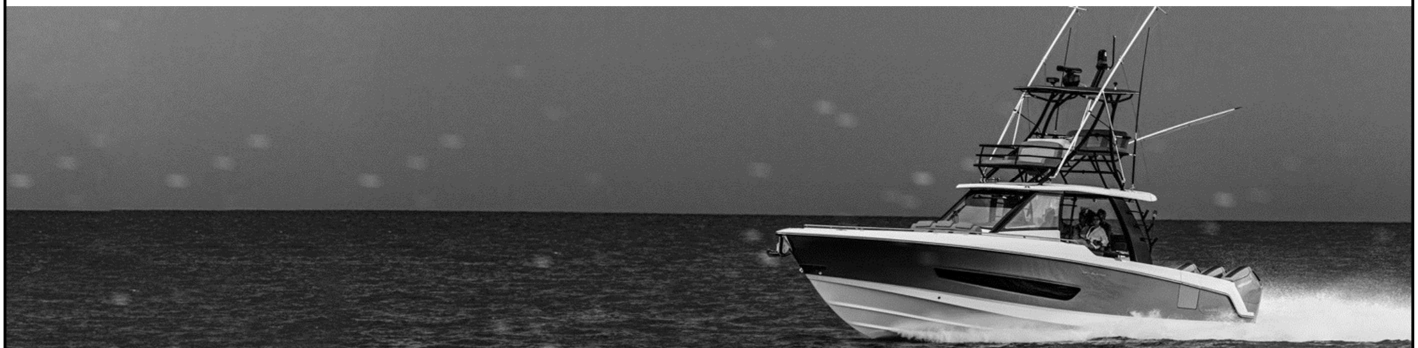
In the fourth quarter, all regions grew sales versus fourth quarter 2021. Overall, U.S. sales increased thirteen percent and international sales increased twelve percent versus the prior year quarter.

On a full-year basis, sales increased twelve percent compared to 2021 on a constant currency basis, excluding acquisitions, led by gains in our propulsion and boat segments.

Finally, with increased production capacity in high horsepower outboard engines, we anticipate further share gains via new customers, international markets and repower channels.

BRUNSWICK CORPORATION – EARNINGS RELEASE

## Landscape



### EXTERNAL FACTORS

- Supply chain disruptions generally improving but remain a challenge
- Input cost inflation moderating vs. peaks
- Interest rate increases a headwind for value segment buyers

### CONSUMER ACTIVITY

- Consumer interest and boating engagement remain strong with encouraging early season boat show attendance
- Consumers looking for value and making more considered purchase decisions
- Seasoned boaters back in the market looking to upgrade

### DEALER SENTIMENT

- Dealers still appropriately stocking while watchful about consumer health and economic environment
- New products driving excitement
- Order levels healthy with no signs of material cancelations or excess discounting

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 8

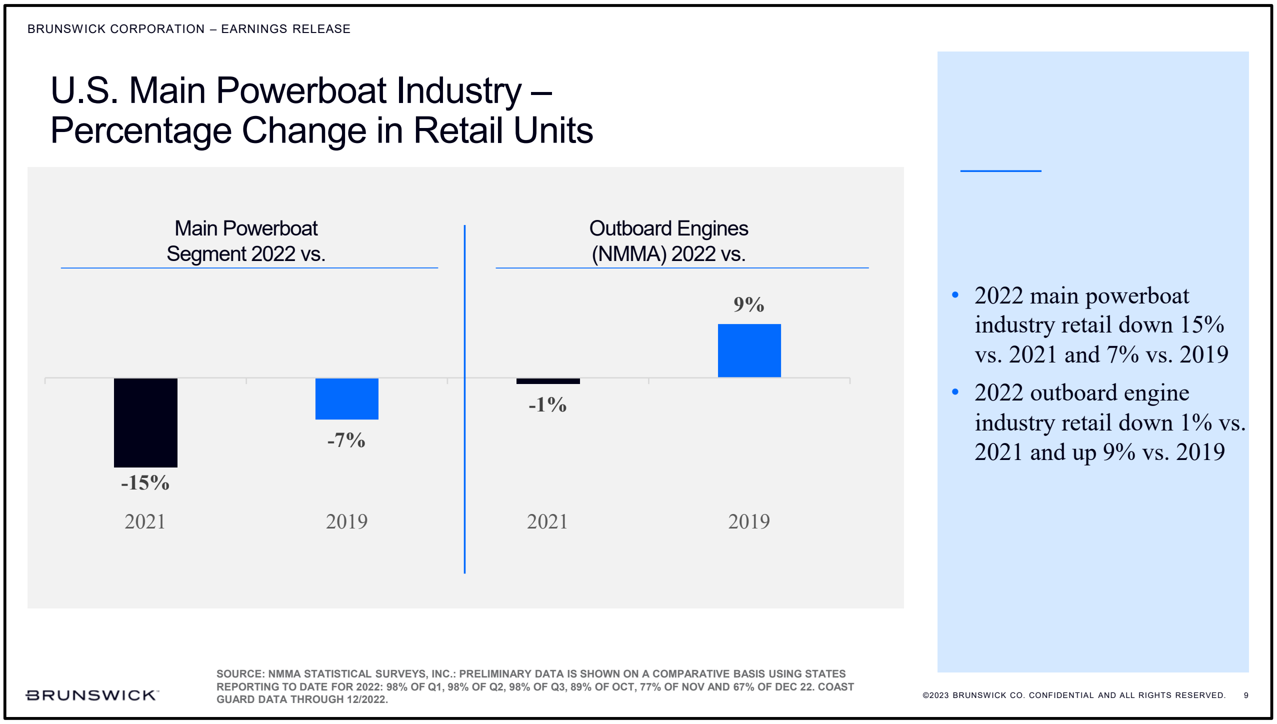
Turning to external factors, we continue to see overall improvement in supply chain stability and delivery but with some persistent issues continuing to require very active management and impacting productivity and efficiency for some product lines. Despite these challenges, our teams continue to work diligently and creatively to optimize production.

Input cost inflation has moderated, and we have essentially returned to historical pricing cadences and price increases. Higher interest rates have become a consideration mainly for buyers of value product.

Consumer interest and boating engagement remains strong with related search activity mostly in-line with pre-pandemic levels and appropriate for the low-season.

Early season boat shows have been encouraging with many shows sold out and attendance above prior year levels. We are also seeing strong attendance and activity at shows outside the U.S., notably at the very recent Dusseldorf International Show, the largest show in Europe, where our brands reported solid sales as well as strong lead generation. Mercury share of outboard engines above 150hp at the show was close to sixty percent.

From a dealer standpoint, while our channel partners are aware of the macro factors, dealers are appropriately stocking and order levels remain healthy with no signs of material wholesale cancellations.

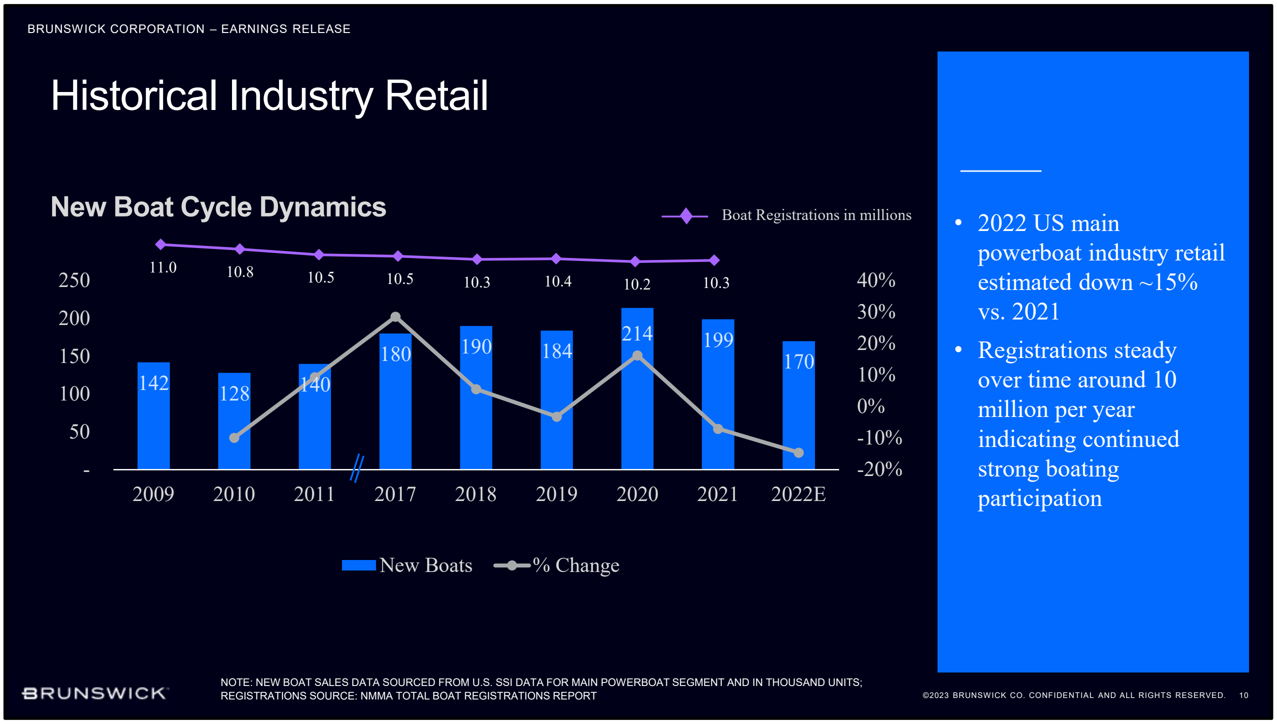



Moving now to the 2022 U.S. retail boat market, fourth quarter activity did not materially change full-year results, with the main powerboat segment down mid-teens percent from 2021, and approximately 7 percent lower than 2019.

Outboard engine industry data was more favorable, with U.S. industry registrations finishing 2022 down less than a percent versus 2021, and 9 percent ahead of 2019.

Mercury performance in the fourth quarter remained strong, especially in high-horsepower, with 360 points of retail share gain in the fourth quarter in 300+ horsepower engines vs. fourth quarter 2021.

Brunswick's boat retail unit performance in the fourth quarter and full-year was broadly consistent with the overall market performance, with outperformance in recreational fiberglass products and premium pontoons and underperformance in value aluminum, where we continue to focus successfully on margin maintenance and expansion, and have shifted production to higher margin product lines at the recent expense of some unit share of value aluminum product.



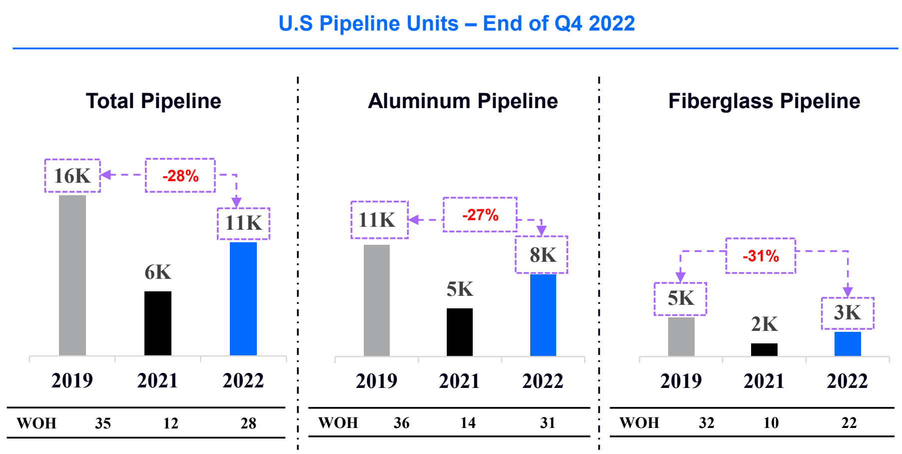

As we look to 2023, we remain confident in post-COVID boating participation rates with more than 10 million boats still being registered in the U.S. each year, and people continuing to have more flexibility in their working arrangements. Alternative participation models, including Freedom Boat Club, are also driving participation by a more diverse consumer demographic.

Over recent history, industry retail sales generally show a positive outlook. Despite softness in 2021 and 2022 caused by a combination of inventory shortages and macro-economic factors, industry retail boat sales have increased at a low to mid single digit CAGR since the end of the Great Financial Crisis. Unlike in some other industries, although boat sales were somewhat elevated in 2020, inventory constraints prevented a true COVID sales spike and subsequent dislocation between inventory and demand.

As we start 2023, industry sales of approximately 170,000 units are similar to 2016 levels, whereas with a fairly constant 10 million boats in the U.S. boat park and assuming a typical boat useful life of 30 to 35 years, replacement rates would suggest sales potential close to 300,000 units.

## U.S. Pipeline Metrics

- U.S. unit pipeline levels increasing but remain 28% below 2019
- U.S. Fiberglass pipeline remains 31% below 2019
- Global pipeline 24% below 2019

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On the subject of pipelines, U.S. unit inventory remains 28 percent, or almost 5,000 units below 2019 levels. Fiberglass inventory levels remains even lighter, with 31 percent fewer units in dealer hands at the end of 2022 than in 2019. Boat inventories at dealers outside the U.S. are at similar weeks-on-hand levels. Dealer inventory is very fresh and our brands have done a fantastic job getting our many very exciting new products to our dealers ahead of the prime 2023 selling season.

As always, we are continuing to monitor inventory levels and will adjust production accordingly. Our initial plan for the year is generally to match wholesale with retail, except in premium fiberglass categories where it is still necessary to rebuild from current low levels.

02

# Financial Overview – Ryan Gwillim, CFO

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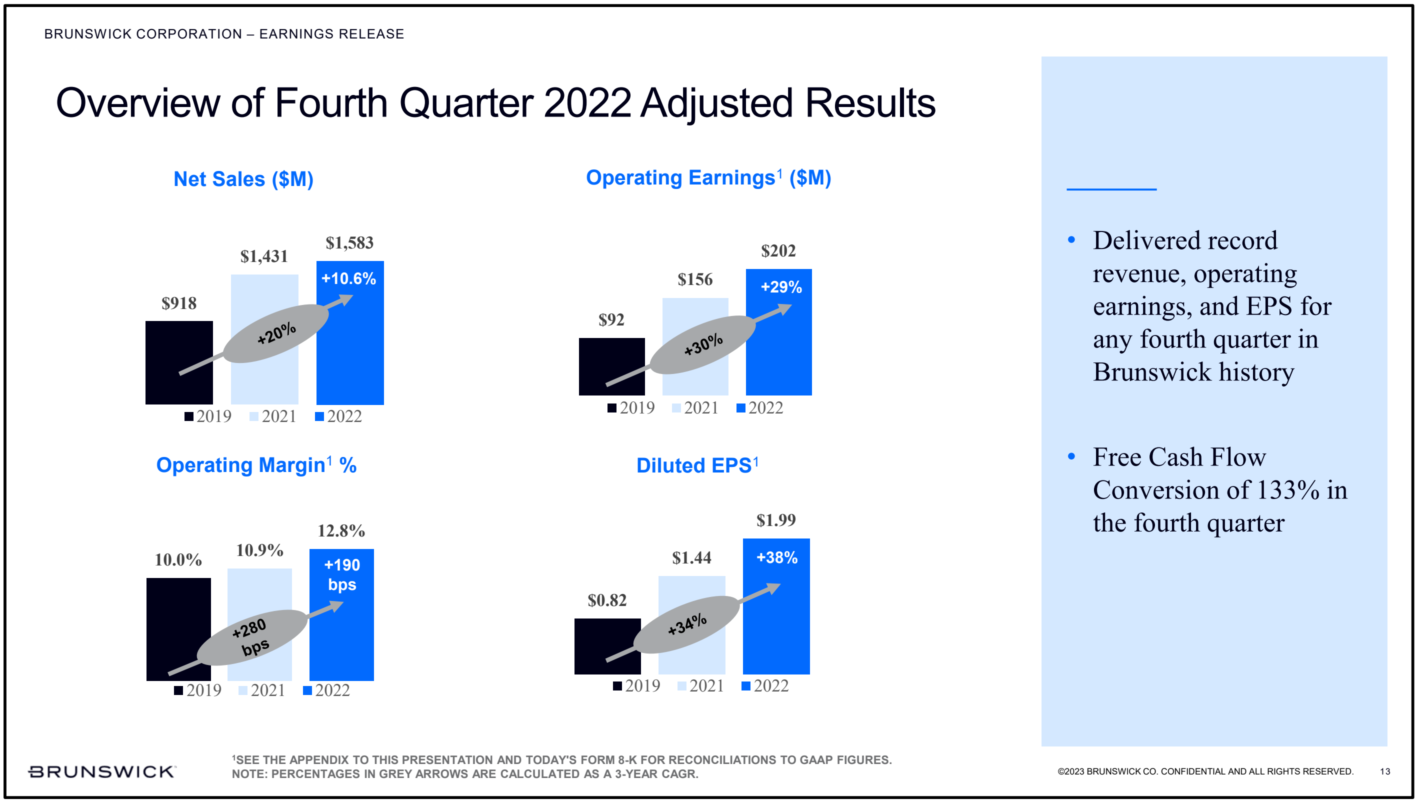
I will now turn the call over to Ryan for additional comments on our financial performance.




Thanks Dave, and good morning everyone.

Brunswick delivered an excellent fourth quarter, with record sales, operating earnings and EPS for any fourth quarter in our history. When compared to prior year, fourth quarter net sales were up 10.6 percent, with adjusted operating margins of 12.8 percent, up 190 basis points. Operating earnings on an as adjusted basis increased by 29 percent and adjusted diluted EPS of $1.99 increased by 38 percent.

Sales growth resulted from steady demand, new product performance, and pricing implemented in previous quarters, partially offset by unfavorable changes in foreign currency exchange rates. All segments contributed to the strong operating earnings and margin growth versus the fourth quarter of 2021, with the net sales growth, coupled with prudent cost containment efforts, partially offset by continued elevated inflationary pressures and spending on growth initiatives, ACES, and new product technology.

Lastly, we delivered free cash flow of $193M in the fourth quarter, which equates to a FCF conversion of 133%.

# Overview of Full Year 2022 Adjusted Results


- Delivered another record year of sales, operating earnings and margin, and EPS

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[1]SEE THE APPENDIX TO THIS PRESENTATION AND TODAY'S FORM 8-K FOR RECONCILIATIONS TO GAAP FIGURES.
NOTE: PERCENTAGES IN GREY ARROWS ARE CALCULATED AS A 3-YEAR CAGR.

 

On a full-year basis, Brunswick has also delivered record results, including net sales of over $6.8 billion and adjusted diluted EPS of $10.03. We also increased our adjusted operating margins versus a record 2021, a testament to our ability to operate efficiently in a challenging external environment.


We successfully executed our capital strategy in 2022, ending the year with over $600M of cash, while funding growth in our businesses and returning capital to shareholders.

We deployed $388 million for capital expenditures on exciting new products and capacity projects across our businesses, which we believe will drive future revenue and earnings growth. In addition, as Dave mentioned, we took advantage of market and Brunswick share value dislocation, repurchasing $450 million of our shares, representing approximately 6 million shares or 8% of the company. We also increased our dividend for the 10$^{th}$ consecutive year.

Finally, our investment grade credit rating remains strong, reflecting a healthy balance sheet where net leverage is at 1.6x, and there are no material debt maturities until the back-half of 2024. In addition, our strong liquidity and cash flow generation capabilities continue to provide investment and spending flexibility across the enterprise.

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## Propulsion Segment – Q4’22 Performance

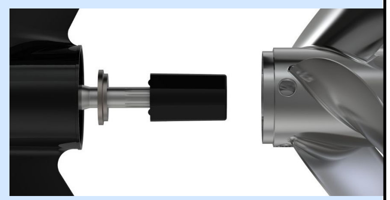
Outstanding quarter with operating earnings up 24% and operating margins up 90 bps

| PRODUCT CATEGORY | SALES ($M) | % CHANGE VS. 2021 | % CHANGE VS. 2019 |
|---|---|---|---|
| Outboard Engines | $544.4 | 21% | 84% |
| Sterndrive Engines | $44.8 | (4)% | 12% |
| Controls, Rigging and Propellers | $80.3 | 9% | 72% |
| **Total** | **$669.5** | **17%** | **75%** |

Operating Margin of –

**16.8%**

**Up 90 bps vs. Q4 ’21**



Operating Earnings of –

**$112.6M**

**Up 24% vs. Q4 ’21**

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Turning to our segments, our propulsion business delivered yet another quarter of outstanding top-line, earnings, and operating margin performance.

Revenue increased 17 percent versus the fourth quarter of 2021 as higher sales were driven by continued gains in global sales volume, favorable product mix, and higher prices as compared to prior year. Operating margins were up 90 basis points and operating earnings up 24 percent, each enabled by the increased sales and lower operating expenses, slightly offset by higher inflationary costs and investments in new products and capacity expansion.

Note that the previously discussed capacity expansion at the Fond du Lac, Wisconsin facility, which is adding more than 50% capacity in the 175 horsepower and higher categories, is materially complete and will enable increased sales to underserved repower, international, and consumer markets while also ensuring our OEM partners have the engines they need for the 2023 retail season.

## Parts and Accessories Segment – Q4'22 Performance[1]

Strong operating margin growth drives higher operating earnings despite slight sales decrease (down 5% on a constant currency basis)

| PRODUCT CATEGORY | SALES ($M) | % CHANGE VS. 2021 | % CHANGE VS. 2019 |
|---|---|---|---|
| Engine Parts and Accessories | $100.2 | (8)% | 30% |
| Distribution | $139.0 | (6)% | 20% |
| Navico Group[2] | $227.4 | (8)% | N/A |
| **Total** | **$466.6** | **(8)%** | **65%** |

Adjusted Operating Margin of

**13.6%**

**Up 140 bps vs. Q4 '21**

(GAAP Operating Margin of 10.6% up 490 bps vs. Q4'21)


Adjusted Operating Earnings of

**$63.6M**

**Up 3% vs. Q4 '21**

(GAAP Operating Earnings of $49.3M up 71% vs. Q4'21)

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[1]SEE THE APPENDIX TO THIS PRESENTATION AND TODAY'S FORM 8-K FOR RECONCILIATIONS TO GAAP FIGURES.
[2]NAVICO GROUP INCLUDES LEGACY ADVANCED SYSTEMS GROUP BUSINESS PLUS THE 2021 ACQUISITIONS OF NAVICO, RELION, AND SEMAHTRONIX.

 17

Our parts and accessories business leveraged strong operating margin performance to drive earnings growth vs. the fourth quarter of 2021 despite sales being down 8 percent, or down 5 percent on a constant currency basis. Note that there is no acquisition impact in the quarter as we have now lapped the anniversary of the 2021 P&A acquisitions.

Aside from the negative impact of currency, fourth quarter P&A sales showed the return to more normal seasonality in the marine channel, while RV OEM customers, primarily in the Navico Group and distribution businesses, deferred purchases into later periods to match their revised production schedule. On the Navico Group side, retailer restocking continues to trail point of sale retail performance, but trends here continue to improve. Finally, the destruction caused by Hurricane Ian in Southwest Florida did impact our distribution businesses in the area.

For the full year, despite the U.S. retail boat market being down mid-teens percent, our total P&A business net sales were down less than 1 percent once you remove the impact of currency and acquisitions, or still 21% higher than 2020 and 32% higher than 2019, all reinforcing the stability of this annuity-based business.

## Boat Segment – Q4'22 Performance[1]

Another fantastic quarter with strong revenue growth and double-digit adjusted operating margins for the third consecutive quarter

| PRODUCT CATEGORY | SALES ($M) | % CHANGE VS. 2021 | % CHANGE VS. 2019 |
|---|---|---|---|
| Aluminum Freshwater | $207.9 | 18% | 67% |
| Recreational Fiberglass | $194.8 | 33% | 82% |
| Saltwater Fishing | $118.2 | 24% | 54% |
| Business Acceleration | $31.9 | 93% | NM |
| **Total** | **$547.5[2]** | **26%** | **73%** |

Adjusted Operating Margin of
**10.0%**
**Up 210 bps vs. Q4 '21**
(GAAP Operating Margin of 10.8% up 330 bps vs. Q4'21)

Adjusted Operating Earnings of
**$54.8M**
**Up 60% vs. Q4 '21**
(GAAP Operating Earnings of $58.9M up 82% vs. Q4'21)

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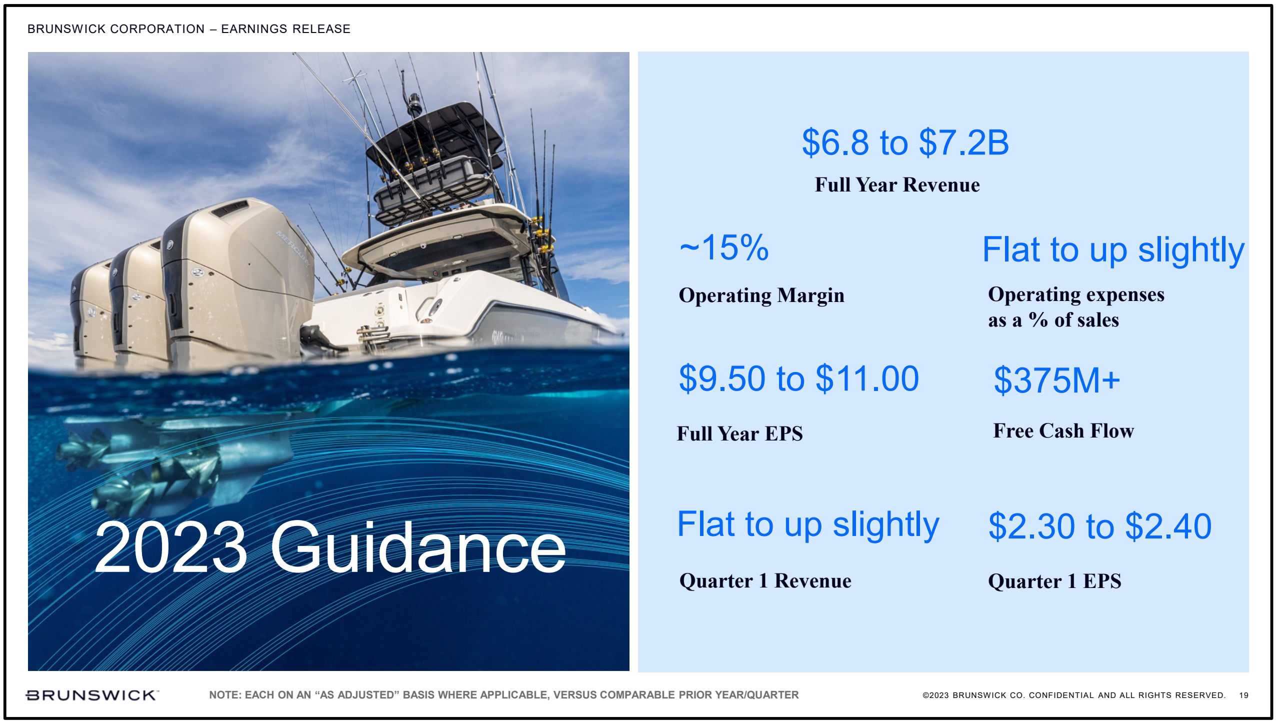
[1]SEE THE APPENDIX TO THIS PRESENTATION AND TODAY'S FORM 8-K FOR RECONCILIATIONS TO GAAP FIGURES.
[2]INCLUDES BOAT ELIMINATIONS OF $5.3 MILLION.

 18

Our boat segment had another fantastic quarter, delivering strong top-line and earnings growth, together with double-digit operating margins for the third straight quarter. As Dave mentioned earlier, the boat business reported full-year adjusted operating margins of 10.2 percent, reaching double-digits for the first time in Brunswick's history.

The boat segment reported a 26 percent increase in net sales and a 60 percent increase in adjusted operating earnings in the quarter. Segment operating earnings and margin growth were enabled by the increased sales volumes, together with operational efficiencies and positive mix, partially offset by continued cost inflation and limited discounting.

Freedom Boat Club, which is included in Business Acceleration, contributed approximately 5 percent of the boat segment's revenue during the quarter.

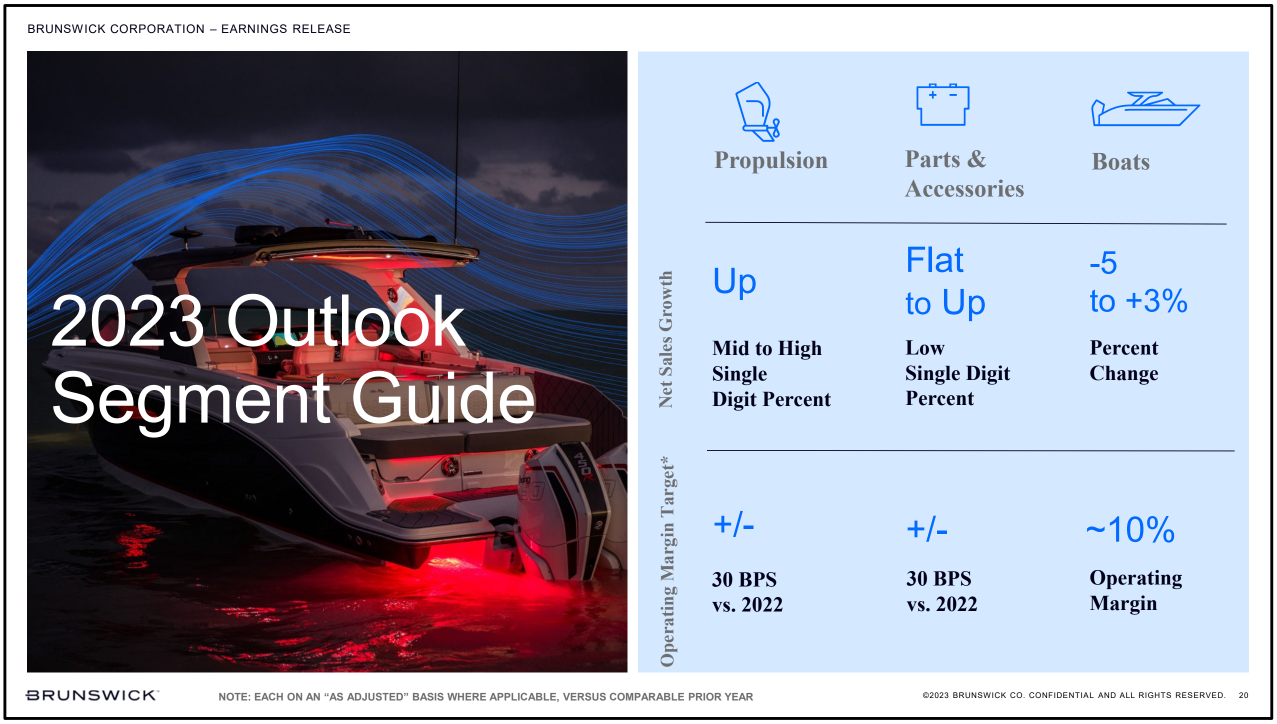



Moving to our 2023 outlook, we enter the year with the momentum created by a strong 2022, and we remain extremely focused on executing our strategic plan and leading the marine industry in growth and innovation. We do however, recognize that uncertainties in the macro-economy may impact our consumers and the markets in which we participate. Our 2023 guidance still remains biased to growth versus 2022 but allows for more variable outcomes should economic conditions worsen. As a result, we anticipate:

- Net sales between $6.8 and $7.2 billion;
- Adjusted operating margin of approximately 15 percent;
- A continued focus on operating expenses with a slight increase as a percentage of sales; and
- Adjusted diluted EPS in the range of $9.50 to $11.00

We also plan to continue our emphasis on generating more cash in 2023 and anticipate free cash flow generation to be in excess of $375 million – I will discuss the various factors in a few slides.

Lastly, we're also providing directional guidance regarding the first quarter, where we anticipate flat to slight growth in net sales vs. the first quarter of 2022, with EPS between $2.30 and $2.40.




Turning next to our segment outlook, we anticipate that each of our businesses will play a role in our 2023 success.

Our propulsion business looks to leverage the new capacity for high-horsepower engines to satisfy demand around the world and grow market share from new and existing OEM customers, while still having the available products to reach the recently underserved market channels. The result is anticipated top-line growth in the mid to high single digit percent, with operating margins plus or minus 30 bps vs. 2022.

Our P&A segment sees a top-line that is flat to slightly up, with benefits from a steady marine market, market share gains, and pricing offsetting continued currency headwinds and a slower RV channel for the early part of the year. Similar to our propulsion outlook, we believe that P&A operating margins look flattish to 2022, with a bias towards growth.

Lastly, our boat segment comes off a record 2022 and believes its top line will look similar to 2022, with potential upsides in premium boat products and growth in Freedom, balanced against possible reductions in sales of value boat products. As Dave mentioned earlier, we plan to be very prudent with pipeline inventories and believe we can reach our 2023 goals without adding unnecessary units into the market. Finally, we also believe we can maintain our double-digit segment margin in the current environment.


## 2023 Outlook – P&L and Cash Flow Assumptions

**~$100 Million**
Working Capital Usage

**~$190 Million**
Depreciation & Amortization[1]

**~$55 Million**
Acquisition Amortization

**~23%**
Effective Book Tax Rate

**~71.5 Million**
Average Diluted Shares Outstanding

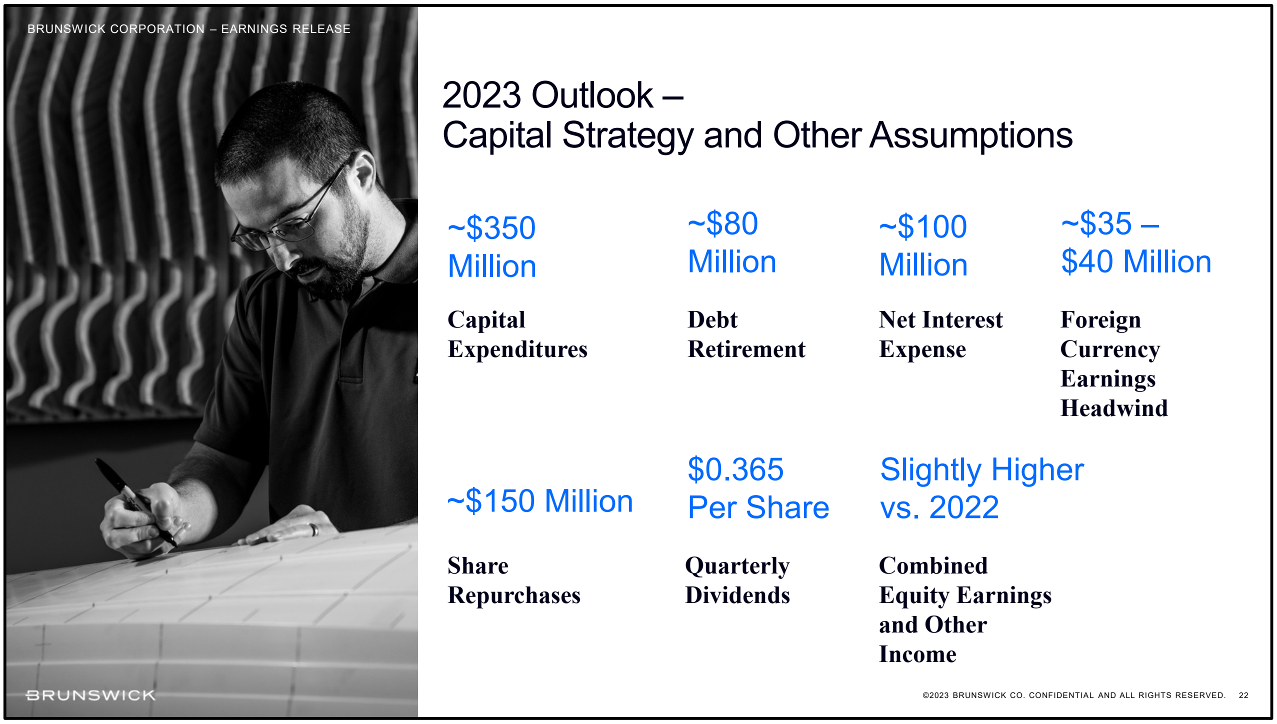
[1]EXCLUDES PURCHASE ACCOUNTING AMORTIZATION FROM ACQUISITIONS.

 21

I will conclude with an update on certain items that will impact our P&L and cash flow for 2023.

We anticipate working capital usage during the first half of the year, but have a keen enterprise-wide focus on generating working capital in the back half of the year and continuing the second-half 2022 trend of moderating inventory levels. Depreciation and amortization will be higher than 2022 reflecting the increased capital spend in recent years on new products and capacity, with acquisition amortization expected to be similar to 2022.

On taxes, and assuming no material changes to the federal tax legislation, we anticipate a federal effective tax rate of approximately 23 percent, with a slightly lower cash tax rate.

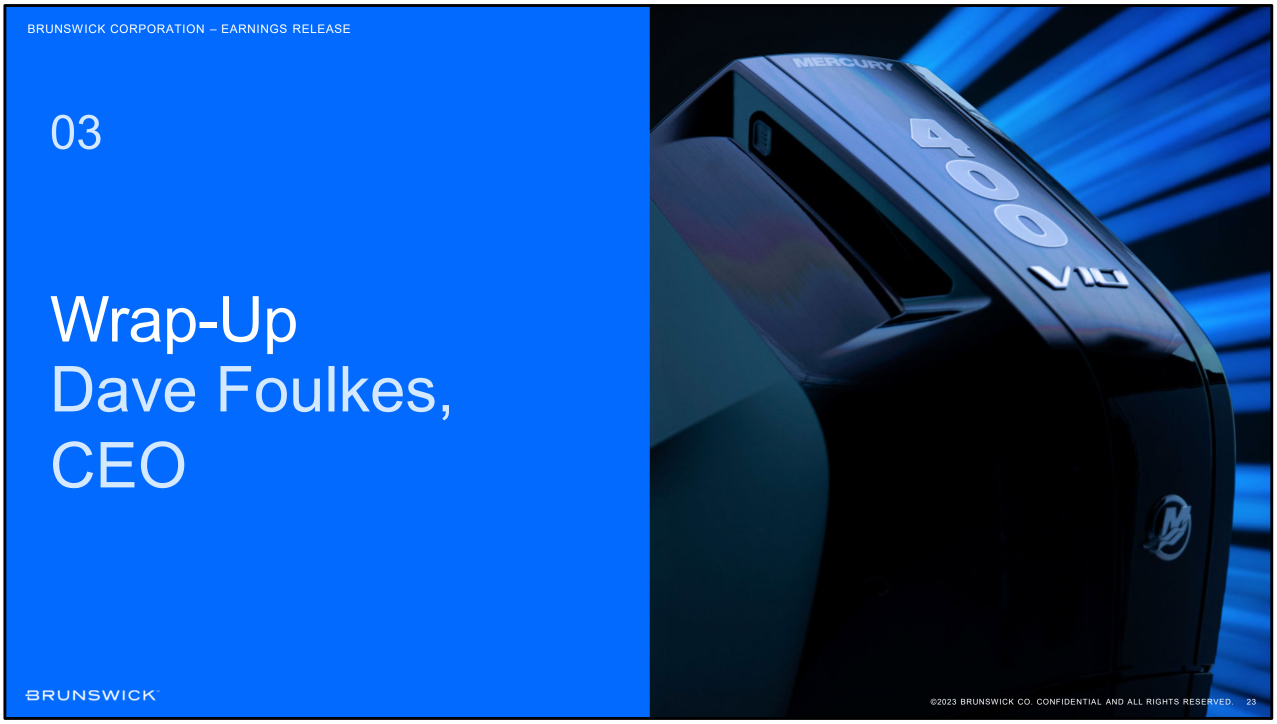



Lastly, consistent with the past several years, we expect to execute a balanced capital strategy in 2023, leveraging our strong cash position and liquidity. With the Mercury capacity project mainly behind us, we believe our capital expenditures will decrease vs. 2022, resulting in ~$350 million of capex spend for the year, primarily used for new product investments, cost reduction and automation projects in all our businesses. Note that we have the ability to significantly reduce this capital spend during the year should economic conditions dictate.

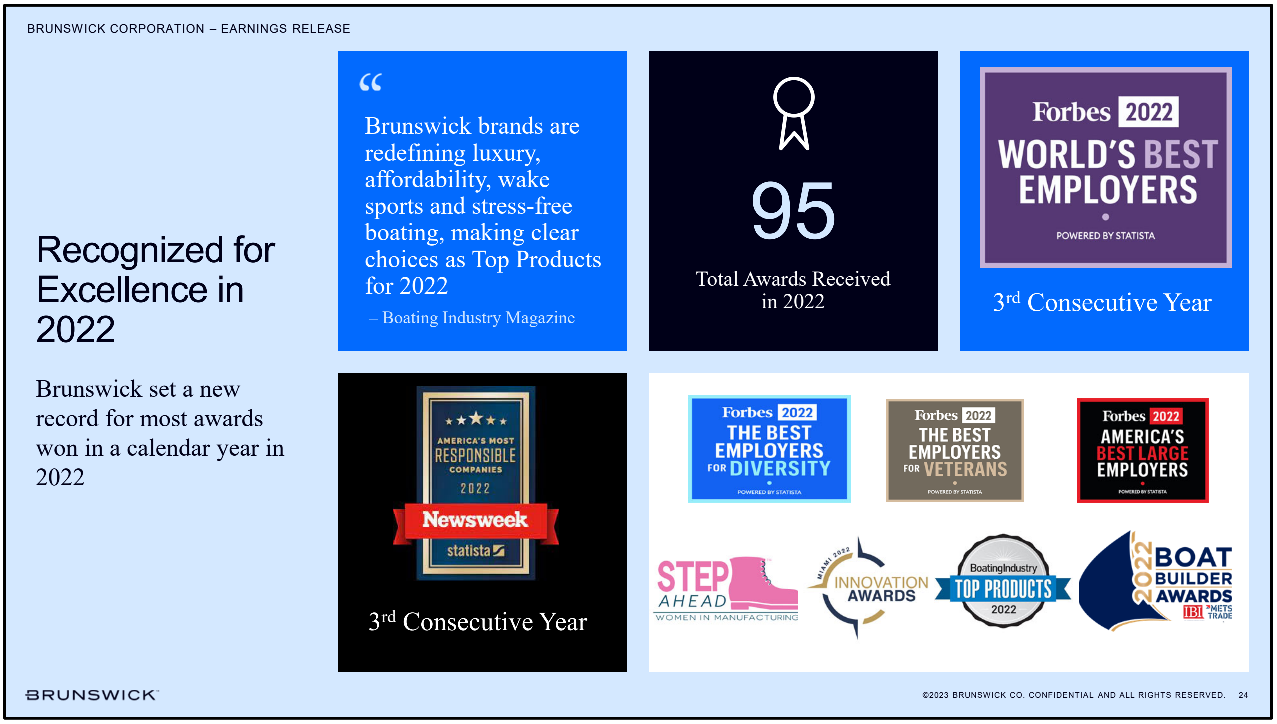
We plan to spend around $150 million on share repurchases, but similar to 2022, we have the ability to aggressively increase this figure should market conditions or a dislocated share price create opportunities to be more aggressive. I will note that we have already purchased almost $15 million of shares this month.

We have approximately $80 million of long-term debt coming due in 2023, but given our fixed debt profile and low cost of debt, we do not plan to retire additional debt during the year. Our net interest expense is estimated to be approximately $100 million.

Note that FX will continue to be a headwind despite recent rate moderation. From a currency exposure perspective, favorable EUR rate movements will be more than offset by unfavorable CAD, AUD and JPY comparisons. In addition, our hedging benefits will be lower due to a less favorable effective hedge rate which reflects the trailing impact of USD strength. We continue to execute our systematic hedging strategy which effectively reduces year-over-year volatility.




I will now turn the call back to Dave for concluding remarks.




Thanks Ryan.

Before we close out, I wanted to share a few more recent updates.

In 2022, we received 95 awards recognizing exceptional product, business and individual performance across our enterprise; the highest number of awards we have won in a calendar year!

I am extremely proud of this recognition which reflects the extraordinary talent across our organization, our inclusive culture, and our commitment to moving our Company and industry forward.

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NEXT NEVER RESTS™

“

Brunswick (BC), the world’s largest consumer marine company behind brands like Boston Whaler, Sea Ray, and Mercury is making waves at the Consumer Electronics Show (CES) in land-locked Las Vegas this year.

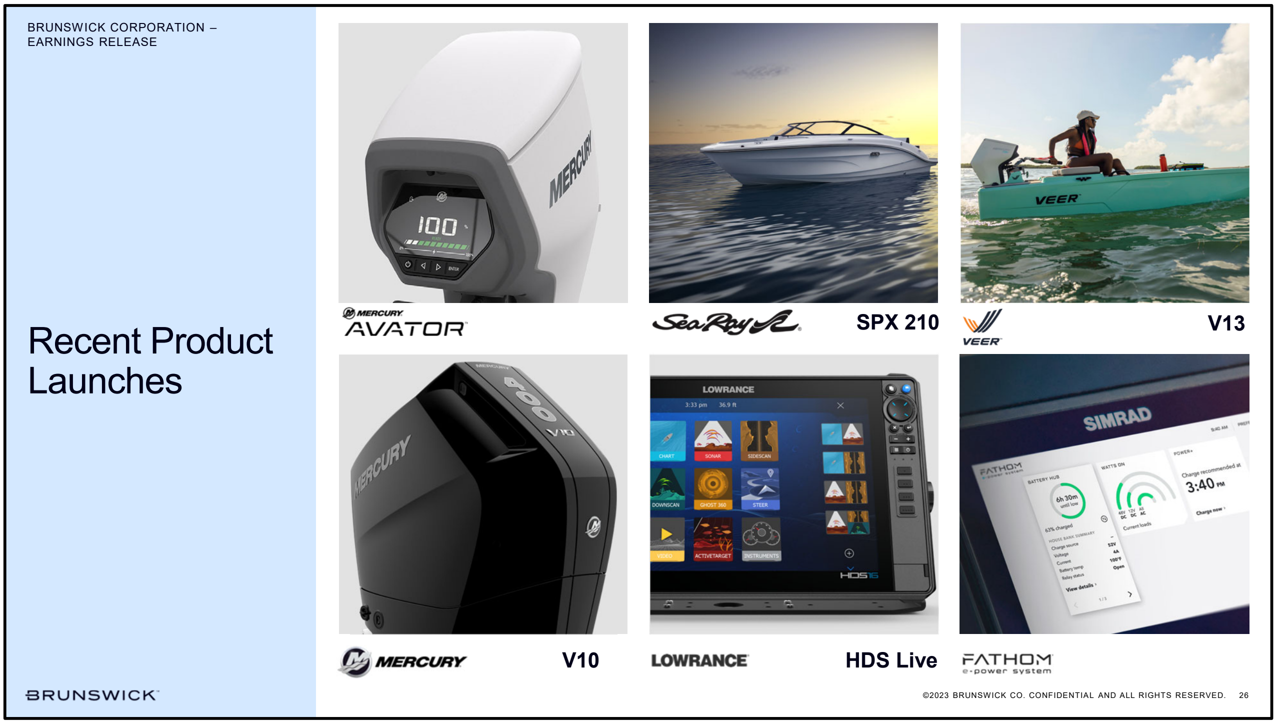
Yahoo Finance


Brunswick Booth CES 2023

We began a new year at the 2023 Consumer Electronics Show in Las Vegas with a very exciting exhibit and the launch of a major refresh of the Brunswick brand, including a new company tagline, Next Never Rests, that signifies our long-term commitment to technological and business model innovation.

At the show, we officially launched the Mercury Avator 7.5e electric outboard engine and our new boat brand, Veer.  Avator and Veer generated huge interest from consumers, channel partners and dealers.




As I previewed earlier in the year, 2022 and early 2023 has been an extraordinary period for new product introductions across our businesses.

In November, Mercury introduced the all-new V10 350 and 400hp Verado® outboard engines, the smoothest, lightest and quietest engines in their class running 45 percent quieter than a leading competitor at cruise. In addition, the new engines come with optional dual-mode 48 volt/12volt alternators, a first in marine, to seamlessly pair with Navico Group's new Fathom II e-Power System, providing boaters the opportunity to eliminate the onboard generator system. Demand has been outstanding and we expect to see many at the upcoming Miami Boat Show.

As I mentioned, at the beginning the year, we began the launch of the Mercury Avator electric outboard family, with the unveiling of the Mercury Avator 7.5e which has now begun mass production. These engines are designed with the same outstanding customer-focused features, quality, and durability as all Mercury products, and consumer interest is very high.

Also in January, we launched Veer, an all-new boat brand designed to support electric propulsion and expand access to boating. The first model, the V13, is a 13-foot fishing and multi-purpose vessel built from durable rotomolded polyethylene designed to be powered by Mercury Avator electric propulsion systems and conventional Mercury outboards.

In addition to the Fathom II ePower system, our Navico Group launched two new fishfinders – the Lowrance HDS Live and HDS Pro, and finally, last week we launched the next generation Sea Ray SPX 210, with the new Sea Ray design DNA and the new Bayliner M19, at the Dusseldorf International Boat Show.


And the excitement is not over – we will be launching more new products at the upcoming Miami Boat Show.

So, before I close, I would like to remind you about our Investor and Analyst Event on February 16, 2023 at the Miami International Boat Show, where we look forward to hosting you to see our latest products and technologies from across our brands and businesses as well as meet with members of our management team.

Thank you for joining the call, that concludes our prepared remarks.

We'll now open the line for questions.

# Appendix

# GAAP to Non-GAAP Reconciliations – Q4

| | Operating Earnings | | Diluted Earnings per Share | |
|---|---|---|---|---|
| (in millions, except per share data) | Q4 2022 | Q4 2021 | Q4 2022 | Q4 2021 |
| GAAP | $191.6 | $121.8 | $1.93 | $1.31 |
| Restructuring, exit and impairment charges | 0.5 | 0.1 | — | — |
| Purchase accounting amortization | 13.5 | 23.0 | 0.14 | 0.23 |
| Acquisition, integration and IT related costs | (3.4) | 11.4 | (0.04) | 0.11 |
| Special tax items | — | — | (0.04) | (0.21) |
| **As Adjusted** | **$202.2** | **$156.3** | **$1.99** | **$1.44** |

| | | |
|---|---|---|
| GAAP operating margin | 12.1% | 8.5% |
| **Adjusted operating margin** | **12.8%** | **10.9%** |



# GAAP to Non-GAAP Reconciliations – Full Year

| | Operating Earnings | | Diluted Earnings per Share | |
|---|---|---|---|---|
| (in millions, except per share data) | FY 2022 | FY 2021 | FY 2022 | FY 2021 |
| GAAP | $947.8 | $812.9 | $9.06 | $7.59 |
| Restructuring, exit and impairment charges | 25.1 | 0.8 | 0.25 | 0.01 |
| Purchase accounting amortization | 65.0 | 45.7 | 0.65 | 0.46 |
| Acquisition, Integration and IT related costs | 10.8 | 24.3 | 0.11 | 0.27 |
| Sport Yacht & Yachts | — | 3.8 | — | 0.04 |
| Palm Coast reclassified from held-for-sale | — | 0.8 | — | 0.01 |
| Gain on sale of assets | — | (1.5) | — | (0.01) |
| Special tax items | — | — | (0.04) | (0.13) |
| Loss on early extinguishment of debt | — | — | — | 0.04 |
| **As Adjusted** | **$1,048.7** | **$886.8** | **$10.03** | **$8.28** |

| | FY 2022 | FY 2021 |
|---|---|---|
| GAAP operating margin | 13.9% | 13.9% |
| **Adjusted operating margin** | **15.4%** | **15.2%** |



# Net Sales and Growth – Q4

## Net Sales increased by $151.7 million, or 11 percent

**NET SALES** (in millions)

| Segments | Q4 2022 | Q4 2021 | % Change |
|---|---|---|---|
| Propulsion | $669.5 | $570.5 | 17% |
| Parts & Accessories | 466.6 | 505.6 | -8% |
| Boat | 547.5 | 433.0 | 26% |
| Segment Eliminations | (100.9) | (78.1) | |
| **Total** | **$1,582.7** | **$1,431.0** | **11%** |

**SALES GROWTH**

| Region | Q4 2022 % of Sales | % Change | Constant Currency % Change |
|---|---|---|---|
| United States | 70% | 14% | 14% |
| Europe | 12% | 2% | 15% |
| Asia-Pacific | 7% | -1% | 8% |
| Canada | 7% | 9% | 14% |
| Rest-of-World | 4% | 8% | 7% |
| Total International | 30% | 3% | 12% |
| **Consolidated** | | **11%** | **13%** |

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# Net Sales and Growth – Full Year

## Net Sales increased by $966.0 million, or 17 percent

**NET SALES** (in millions)

| Segments | FY 2022 | FY 2021 | % Change |
|---|---|---|---|
| Propulsion | $2,824.0 | $2,504.7 | 13% |
| Parts & Accessories | 2,323.7 | 2,008.1 | 16% |
| Boat | 2,119.4 | 1,703.1 | 24% |
| Segment Eliminations | (454.9) | (369.7) | |
| **Total** | **$6,812.2** | **$5,846.2** | **17%** |

**SALES GROWTH**

| Region | FY 2022 % of Sales | % Change | Constant Currency % Change |
|---|---|---|---|
| United States | 69% | 19% | 19% |
| Europe | 13% | 14% | 26% |
| Asia-Pacific | 7% | 6% | 12% |
| Canada | 7% | 11% | 14% |
| Rest-of-World | 4% | 20% | 19% |
| Total International | 31% | 12% | 19% |
| **Consolidated** | | **17%** | **19%** |

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## Sales Growth Drivers

**Q4 2022 VS. Q4 2021**

| | % Change - GAAP | Currency Impact | Acquisitions Impact |
|---|---|---|---|
| Propulsion | 17% | (3%) | - |
| Parts & Accessories | (8%) | (3%) | - |
| Boat | 26% | (2%) | 3% |
| **Brunswick** | **11%** | **(2%)** | **1%** |

**FY 2022 VS. FY 2021**

| | % Change - GAAP | Currency Impact | Acquisitions Impact |
|---|---|---|---|
| Propulsion | 13% | (2%) | - |
| Parts & Accessories | 16% | (2%) | 19% |
| Boat | 24% | (2%) | 3% |
| **Brunswick** | **17%** | **(2%)** | **7%** |


 

# Tax Rate

## Q4 ’22 Effective Tax Rate at ~14%

**Quarter 4**

| | Q4 2022 | Q4 2021 |
|---|---|---|
| Effective Tax Rate - GAAP | 14.4% | (0.4%) |
| Effective Tax Rate - As Adjusted [1] | 17.0% | 17.3% |

**Full Year**

| | FY 2022 | FY 2021 |
|---|---|---|
| Effective Tax Rate - GAAP | 20.2% | 19.1% |
| Effective Tax Rate - As Adjusted [1] | 21.0% | 20.7% |

[1] TAX PROVISION, AS ADJUSTED, EXCLUDES \$(2.8) MILLION AND \$(16.5) MILLION OF NET BENEFITS FOR SPECIAL TAX ITEMS FOR Q4 2022 AND Q4 2021 PERIODS, RESPECTIVELY, AND \$(3.1) MILLION AND \$(9.7) MILLION OF NET BENEFITS FOR SPECIAL TAX ITEMS FOR YTD 2022 AND YTD 2021 PERIODS, RESPECTIVELY.



 

# Free Cash Flow

| (in millions) | FY 2022 | FY 2021 |
|---|---|---|
| **Net cash provided by operating activities from continuing operations** | **$580.4** | **$586.2** |
| **Net cash (used for) provided by:** | | |
| Capital expenditures | (388.3) | (267.1) |
| Proceeds from sale of property, plant, equipment | 11.3 | 7.2 |
| Effect of exchange rate changes | (11.9) | (5.5) |
| **Free Cash Flow** | **$191.5** | **$320.8** |



 