

# Brunswick Earnings Conference Call Q2, 2014

July 24, 2014



Helping Active People Live Active Lives

# 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. Such statements are based on current expectations, estimates and projections about Brunswick's business. Forward-looking statements by their nature address matters that are, to different degrees, uncertain and often contain words such as "may", "could", "expect", "intend", "target", "plan", "seek", "estimate", "believe", "predict", "potential" or "continue". These 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 available to consumers for discretionary purchases, tight consumer credit markets, and the level of consumer confidence on the demand for marine, fitness and billiards equipment, products and services; the ability of dealers and customers to secure adequate access to financing and the Company's ability to access capital and credit markets; the ability to maintain strong relationships with dealers, distributors and independent boat builders; the ability to maintain effective distribution and develop alternative distribution channels without disrupting incumbent distribution partners; the ability to successfully manage pipeline inventories and respond to any excess supply of repossessed and aged boats in the market; credit and collections risks, including the potential obligation to repurchase dealer inventory; the risk of losing a key account or a critical supplier; the strength and protection of the Company's brands and other intellectual property; the ability to spread fixed costs while establishing a smaller manufacturing footprint; the ability to successfully complete restructuring efforts in accordance with projected timeframes and costs; the ability to obtain components, parts and raw materials from suppliers in a timely manner and for a reasonable price; the need to meet pension funding obligations; the effect of higher energy and logistics costs, interest rates and fuel prices on the Company's results; competitive pricing pressures, including the impact of inflation and increased competition from international competitors; the ability to develop new and innovative products in response to changing retail demands and expectations that are differentiated for the global marketplace at a competitive price and in compliance with applicable laws; the effect of competition from other leisure pursuits on the level of participation in boating, fitness and billiards activities; the risk of product liability, warranty and other claims in connection with the manufacture and sale of products; the ability to respond to and minimize the negative financial impact of legislative and regulatory developments, including those related to environmental restrictions, climate change, healthcare costs, taxes and employee benefits; the ability to maintain market share, particularly in high-margin products; fluctuations in the Company's stock price due to external factors; the ability to maintain product quality and service standards expected by customers; the ability to increase manufacturing operations and meet production targets within time and budgets allowed; negative currency trends, including shifts in exchange rates; competition from new technologies; the ability to complete environmental remediation efforts and resolve claims and litigation at the cost estimated; the uncertainty and risks of doing business in international locations, including international political instability, civil unrest and other risks associated with operations in emerging markets; the risk of having to record an impairment to the value of goodwill and other assets; the effect that catastrophic events may have on consumer demand and the ability to manufacture products, including hurricanes, floods, earthquakes, and environmental spills; the effect of weather conditions on demand for marine products; the risk of losing individuals who are key contributors to the organization; and risks associated with the Company's information technology systems, including the continued use of legacy systems and the risk of a failure of or attacks on the Company's information systems, which could result in data security breaches, lost or stolen assets or information, and associated remediation costs.

Additional risk factors are included in the Company's Annual Report on Form 10-K for 2013. Such forward-looking statements speak only as of the date on which they are made and Brunswick does not undertake any obligation to update any forward-looking statements to reflect events or circumstances after the date of this presentation, or for changes made to this document by wire services or Internet service providers.

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## Use of Non-GAAP Financial Information

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 24, 2014, which is available at [www.brunswick.com](http://www.brunswick.com).

# Brunswick Corporation – Earnings Release

## Discontinued Operations

On July 17, 2014, the Company announced (1) the signing of an agreement to sell its Retail Bowling business and (2) its intention to sell its Bowling Products business. Beginning with the third quarter of 2014, Brunswick will report the results of its Bowling Retail and Products businesses, which were previously reported in the Bowling & Billiards segment, as discontinued operations. The historical and future results of the Billiards business will be reflected in the Company's Fitness segment. Also, the Company's 2014 second-half and full-year outlook statements reflect the bowling businesses as discontinued operations.

# Brunswick Corporation – Earnings Release

## Overview of Second Quarter, 2014

- Revenue increased 4 percent as growth in outboard boats and engines, parts and accessories, fitness equipment and bowling products was partially offset by revenue declines in fiberglass sterndrive boats and engines, as well as retail bowling centers
- Gross margin of 27.8 percent, an increase of 30 basis points
- Operating expenses increased by 7 percent
- Adjusted operating earnings\* increased by 3 percent compared to prior year; adjusted operating margins down 10 bps to 12.7 percent
- Net interest expense reduced by \$4.1 million
- Adjusted pretax earnings\* increased by 8 percent
- Diluted EPS, as adjusted\*, of \$0.95, a decrease of \$0.28 - - reflects higher 2014 effective tax rate, as adjusted\* (34.0 percent in 2014 versus 9.8 percent in 2013)

\* Excludes restructuring, exit and impairment charges, debt extinguishment losses and special tax items, as applicable.

# Brunswick Corporation – Earnings Release

Q2 Net Sales increased by \$41.5 million, or 4%

Segment (\$'s in millions)	Net Sales		
	Three Months Ended		
	June 28, 2014	June 29, 2013	% Change
Marine Engine	\$ 652.4	\$ 631.7	3 %
Boat	324.1	310.9	4 %
Marine eliminations	(68.5)	(66.1)	
Total Marine	908.0	876.5	4 %
Fitness	159.7	150.8	6 %
Bowling & Billiards	72.1	71.0	2 %
Total	\$ 1,139.8	\$ 1,098.3	4 %

# Brunswick Corporation – Earnings Release

First half Net Sales increased by \$15.4 million, or 1%

Segment (\$'s in millions)	Net Sales		
	Six Months Ended		
	June 28, 2014	June 29, 2013	% Change
Marine Engine	\$ 1,157.5	\$ 1,153.5	0 %
Boat	606.9	600.6	1 %
Marine eliminations	(141.6)	(133.7)	
Total Marine	1,622.8	1,620.4	0 %
Fitness	335.3	317.0	6 %
Bowling & Billiards	150.9	156.2	(3)%
Total	\$ 2,109.0	\$ 2,093.6	1 %

# Brunswick Corporation – Earnings Release

Q2 Adjusted Operating Earnings increased by \$3.7 million

Segment (\$'s in millions)	Operating Earnings - Excluding Charges		
	Three Months Ended		
	June 28, 2014	June 29, 2013	Change
Marine Engine	\$ 122.5	\$ 119.4	\$ 3.1
Boat	20.3	17.1	3.2
Total Marine	142.8	136.5	6.3
Fitness	18.7	20.8	(2.1)
Bowling & Billiards	3.3	3.1	0.2
Pension - non-service costs	(3.7)	(4.6)	0.9
Corp/Other	(16.7)	(15.1)	(1.6)
Adjusted operating earnings	144.4	140.7	3.7
Restructuring charges	(3.1)	(4.0)	0.9
GAAP operating earnings	\$ 141.3	\$ 136.7	\$ 4.6
Operating margin - excluding charges	12.7%	12.8%	-10 bps
Operating margin - including charges	12.4%	12.4%	0 bps



# Brunswick Corporation – Earnings Release

First half Adjusted Operating Earnings increased by \$2.9 million

Segment (\$'s in millions)	Operating Earnings - Excluding Charges		
	Six Months Ended		
	June 28, 2014	June 29, 2013	Change
Marine Engine	\$ 184.2	\$ 190.9	\$ (6.7)
Boat	28.7	24.4	4.3
Total Marine	212.9	215.3	(2.4)
Fitness	48.5	45.3	3.2
Bowling & Billiards	16.0	18.0	(2.0)
Pension - non-service costs	(7.4)	(9.5)	2.1
Corp/Other	(30.9)	(32.9)	2.0
Adjusted operating earnings	239.1	236.2	2.9
Restructuring charges	(3.1)	(9.6)	6.5
GAAP operating earnings	\$ 236.0	\$ 226.6	\$ 9.4
Operating margin - excluding charges	11.3%	11.3%	0 bps
Operating margin - including charges	11.2%	10.8%	+40 bps

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Q2 Adjusted Pretax Earnings increased by \$9.9 million

(\$'s in millions)	Adjusted Pretax Earnings		
	Three Months Ended		
	June 28, 2014	June 29, 2013	Change
Adjusted operating earnings	\$ 144.4	\$ 140.7	\$ 3.7
Net interest expense	(8.2)	(12.3)	4.1
Other income (expense)	1.2	(0.9)	2.1
<b>Adjusted pretax earnings</b>	<b>137.4</b>	<b>127.5</b>	<b>9.9</b>
Restructuring Charges	(3.1)	(4.0)	0.9
Loss on early extinguishment of debt	-	(32.3)	32.3
GAAP pretax earnings	<u>\$ 134.3</u>	<u>\$ 91.2</u>	<u>\$ 43.1</u>

# Brunswick Corporation – Earnings Release

First half Adjusted Pretax Earnings increased by \$14.8 million

(\$'s in millions)	Adjusted Pretax Earnings		
	Six Months Ended		
	June 28, 2014	June 29, 2013	Change
Adjusted operating earnings	\$ 239.1	\$ 236.2	\$ 2.9
Net interest expense	(16.5)	(26.3)	9.8
Other income	2.2	0.1	2.1
<b>Adjusted pretax earnings</b>	<b>224.8</b>	<b>210.0</b>	<b>14.8</b>
Restructuring Charges	(3.1)	(9.6)	6.5
Loss on early extinguishment of debt	-	(32.4)	32.4
GAAP pretax earnings	<u>\$ 221.7</u>	<u>\$ 168.0</u>	<u>\$ 53.7</u>

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Q2 Diluted EPS, as adjusted, decreased by \$0.28

	Earnings Per Share	
	Three Months Ended	
	June 28, 2014	June 29, 2013
Diluted EPS from continuing operations	\$ 0.93	\$ 0.85
Restructuring, exit and impairment charges	0.02	0.04
Loss on early extinguishment of debt	-	0.32
Special tax items	0.00	0.02
Diluted EPS from continuing operations, as adjusted	\$ 0.95	\$ 1.23
Effective tax rate, as adjusted	34.0%	9.8%

# Brunswick Corporation – Earnings Release

First half Diluted EPS, as adjusted, decreased by \$0.43

	Earnings Per Share	
	Six Months Ended	
	June 28, 2014	June 29, 2013
Diluted EPS from continuing operations	\$ 1.53	\$ 1.43
Restructuring, exit and impairment charges	0.02	0.10
Loss on early extinguishment of debt	-	0.32
Special tax items	0.01	0.14
<b>Diluted EPS from continuing operations, as adjusted</b>	<b>\$ 1.56</b>	<b>\$ 1.99</b>
Effective tax rate, as adjusted	34.1%	11.3%

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## U.S. Powerboat Industry - June, 2014 (Preliminary Results)

2014 vs. 2013 - YoY Growth %				Q1	Q2	YTD
16->	All	Aluminum	Aluminum Fish	2.1%	4.2%	3.4%
			Pontoon	0.4%	3.6%	2.9%
11-40 ft*	OB	Fiberglass	All (Inshore/Offshore)	4.6%	9.0%	7.2%
14-30 ft	IB/IO	Fiberglass	All (Bowrider/ Deck)	-14.2%	-7.9%	-9.8%
31-40 ft*	IB/IO	Fiberglass	All (Cruiser)	-13.8%	19.0%	5.4%
41-62 ft*	IB/IO	Fiberglass	All (Yacht)	-4.3%	1.1%	-0.9%
<b>Main Powerboat Segments</b>				<b>0.8%</b>	<b>4.0%</b>	<b>2.9%</b>
<b>Total Industry (NMMA)</b>				<b>1.1%</b>	<b>4.2%</b>	<b>3.2%</b>
<b>Rolling 12 months (NMMA)</b>				<b>6.3%</b>	<b>6.3%</b>	<b>6.3%</b>

2014 - Units				Q1	Q2	YTD
16->	All	Aluminum	Aluminum Fish	8,465	13,335	21,800
			Pontoon	4,604	15,974	20,578
11-40 ft*	OB	Fiberglass	All (Inshore/Offshore)	8,271	13,017	21,288
14-30 ft	IB/IO	Fiberglass	All (Bowrider/ Deck)	1,899	4,722	6,621
31-40 ft*	IB/IO	Fiberglass	All (Cruiser)	243	477	720
41-62 ft*	IB/IO	Fiberglass	All (Yacht)	154	269	423
<b>Main Powerboat Segments</b>				<b>23,636</b>	<b>47,794</b>	<b>71,430</b>
<b>Total Industry (NMMA)</b>				<b>28,365</b>	<b>56,673</b>	<b>85,038</b>

2013 - Units				Q1	Q2	YTD
16->	All	Aluminum	Aluminum Fish	8,287	12,793	21,080
			Pontoon	4,587	15,415	20,002
11-40 ft*	OB	Fiberglass	All (Inshore/Offshore)	7,911	11,940	19,851
14-30 ft	IB/IO	Fiberglass	All (Bowrider/ Deck)	2,214	5,129	7,343
31-40 ft*	IB/IO	Fiberglass	All (Cruiser)	282	401	683
41-62 ft*	IB/IO	Fiberglass	All (Yacht)	161	266	427
<b>Main Powerboat Segments</b>				<b>23,442</b>	<b>45,944</b>	<b>69,386</b>
<b>Total Industry (NMMA)</b>				<b>28,043</b>	<b>54,371</b>	<b>82,414</b>

Source: Statistical Surveys, Inc.: 2014 preliminary data is based on 99% of Q1, 97% of April, 78% of May and 65% of June market reporting; Coast Guard data updated through 6/2014.

Note: 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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## Marine Engine segment – sales by region



2013 FY revenue by region\*: U.S. 65%, Europe 12%, Asia Pacific 9%, Latin America 7%, Canada 4%, Africa & Middle East 3%

\*Excluding sales to the Boat segment.

Region	Q2 - 2014 % of Sales*	Change vs. Prior Year
United States	67%	3 %
Europe	14%	5 %
Rest-of-World	19%	1 %
Total	100%	3 %

- U.S. sales increased in outboard engines and parts and accessories, partially offset by lower sterndrive/inboard engine revenues
- European parts and accessories sales increased, partially offset by lower outboard and sterndrive/inboard engine revenues
- Rest-of-World revenue gains in outboard engines, partially offset by lower parts and accessories and sterndrive/inboard engine revenues

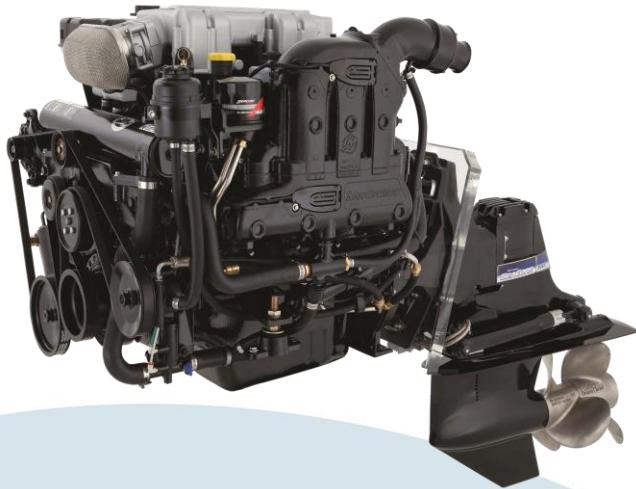
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## Q2 Outboard and Sterndrive engines



### Outboard

- Favorable retail demand environment continues in overall U.S. outboard boat categories - - demand trends strengthened in Q2
- International markets down slightly



### Sterndrive

- Unfavorable global retail demand trends continue



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## Q2 Marine Engine segment's Parts & Accessories

Boating Accessories



Service Parts



Propellers



- Growth in U.S. and European sales, partially offset by declines in Rest-of-World
- Revenue benefited from new product launches and market share gains

Oil & Lubes



Trolling Motors



Controls/Rigging



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



### Key Factors

- Higher sales
- Absence of favorable insurance settlements in Q2, 2013
- Investments in growth initiatives

Q2 operating margin at 18.8%

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## Boat segment – sales by region



2013 FY revenue by region: U.S. 64%, Canada 19%, Europe 8%, Latin America 5%, Asia Pacific 3%, Africa & Middle East 1%

Region	Q2 - 2014 % of Sales	Change vs. Prior Year
United States	65%	7%
Europe	11%	27%
Rest-of-World	24%	(9)%
Total	100%	4%

- U.S. sales continue to benefit from overall retail growth in outboard boat categories; fiberglass sterndrive/inboard boats declined modestly
- Europe sales growth resulted from new product introductions for our European outboard brands
- Rest-of-World sales decreased in Canada and Latin America

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## Review of Brunswick Boat segment metrics

### Wholesale and Retail Metrics

- In the second quarter, Brunswick's global retail unit sales decreased by 2 percent compared to prior year; global wholesale unit shipments decreased by 2 percent
- Wholesale unit growth rate should be consistent with retail unit growth rate for the full-year

### Pipeline Metrics

- Q2, 2014 ended with 34 weeks of product-on-hand, compared to 32 weeks at the end of Q2, 2013
- Pipelines in units for aluminum and fiberglass outboard products are up compared to last year; fiberglass sterndrive/inboard pipelines are down versus the prior year

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## Factors affecting Boat segment's Q2 operating earnings



### Key Factors

- Higher sales
- Cost reduction activities and improved net operating efficiencies

Q2 operating margin, excluding charges, at 6.3%;  
on a GAAP basis at 6.1%



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## Fitness segment - sales by region



2013 FY revenue by region: U.S. 50%, Europe 23%, Asia Pacific 12%, Latin America 7%, Canada 4%, Africa & Middle East 4%

Region	Q2 - 2014 % of Sales	Change vs. Prior Year
United States	49%	9%
Europe	20%	(3)%
Rest-of-World	31%	8%
Total	100%	6%

- Solid growth in sales reflects gains in the U.S. to health clubs
- Modest net sales growth experienced in international markets

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## Factors affecting Life Fitness segment's Q2 operating earnings



### Key Factors

- Higher sales
- Increased investment in growth initiatives

Q2 operating margin at 11.7%

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## Bowling & Billiards segment sales and operating earnings



2013 FY revenue by region: U.S. 80%, Europe 10%, Asia Pacific 4%, Canada 4%, Latin America 1%, Africa & Middle East 1%

Region	Q2 - 2014 % of Sales	Change vs. Prior Year
United States	85%	8%
Europe	7%	(34)%
Rest-of-World	8%	(17)%
Total	100%	2%

- Gains in bowling products, as well as in equivalent retail center sales, including increases at pilot centers
- Partially offset by a reduced retail center count, particularly in Europe, along with a decrease in billiards sales

Q2 operating margin at 4.6%



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## Foreign currency impact\*

### Second quarter 2014:

- Slight net unfavorable impact on consolidated sales and operating earnings

### Full-year 2014:

- Slight net unfavorable impact on consolidated sales and minimal impact on operating earnings

\* Includes the impact of hedging activity.

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## Tax provision

Note: Effective tax rates for 2014 exclude any potential benefit from extension of U.S. R&D tax credit

(\$'s in millions)	Q2		First half	
	2014	2013	2014	2013
Effective tax rate - GAAP	34.0%	13.0%	34.3%	20.1%
Effective tax rate, as adjusted*	34.0%	9.8%	34.1%	11.3%

Estimated full-year 2014: Effective Book Tax Rate, as adjusted, is approximately 34 percent; Effective Cash Tax Rate to approximate low double-digit percent levels.

\*Tax provision excludes (1) \$0.1 million and \$0.5 million charge for special tax items for 2014 Q2 and first half, respectively and a \$1.1 million benefit from restructuring, exit and impairment charges for both 2014 Q2 and first half and (2) \$2.2 million and \$13.3 million charge of special tax items for 2013 Q2 and first half, respectively and a \$2.8 million and \$3.2 million benefit from restructuring, exit and impairment charges and losses on early extinguishment of debt for 2013 Q2 and first half, respectively.

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## Cash Flow

(\$'s in millions)	Six Months Ended	
	June 28, 2014	June 29, 2013
Net earnings from continuing operations	\$ 145.6	\$ 134.2
Depreciation and amortization	45.3	43.1
Pension funding, net of expense	(11.5)	(3.0)
Excess tax benefits from share-based compensation	(3.9)	(11.3)
Deferred income taxes	53.8	3.4
Loss on early extinguishment of debt	-	32.4
Changes in certain current assets and current liabilities	(171.8)	(104.8)
Income taxes	11.7	13.5
Other, net	7.8	(0.5)
<b>Net cash provided by operating activities of continuing operations</b>	<b>\$ 77.0</b>	<b>\$ 107.0</b>

Net cash provided by operating activities  
decreased by \$30.0 million

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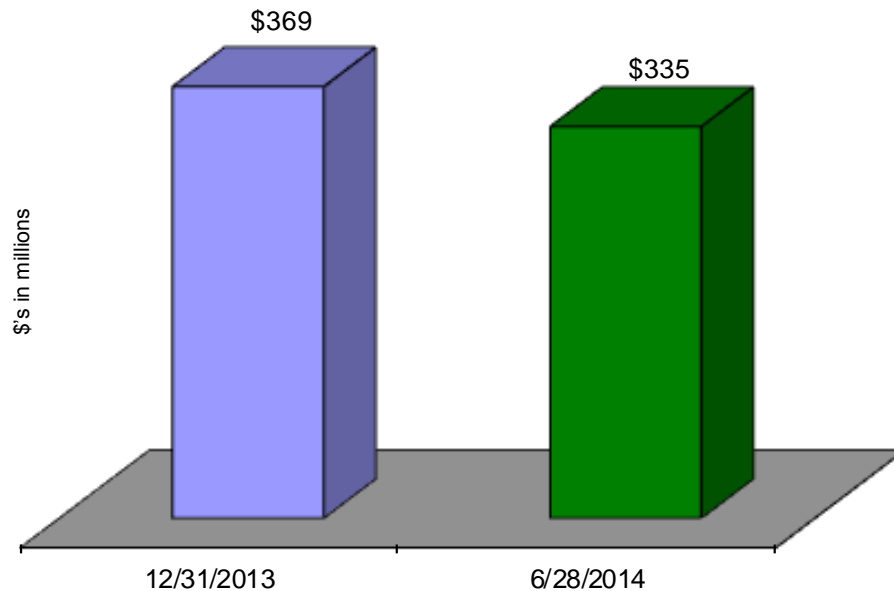
## Free Cash Flow – Continuing Operations

(\$'s in millions)	Six Months Ended	
	June 28, 2014	June 29, 2013
<b>Net cash provided by operating activities of continuing operations</b>	\$ 77.0	\$ 107.0
Net cash provided by (used for):		
<b>Capital expenditures</b>	<b>(52.9)</b>	<b>(61.3)</b>
Proceeds from sale of property, plant and equipment	3.2	7.0
Other investing, net	-	0.9
<b>Total free cash flow</b>	<b>\$ 27.3</b>	<b>\$ 53.6</b>

Free cash flow lower by \$26.3 million

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## Cash and Marketable Securities



### Main factors affecting cash balances

- Free cash flow of \$27 million
- Dividends paid of \$19 million
- Acquisition of \$29 million

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## 2014 Outlook – P&L – Adjusted for Divestitures

- Depreciation and amortization estimate of approximately \$80 million to \$85 million
- Pension expense of approximately \$15 million, a decrease of \$4 million
- Net interest expense of approximately \$28 million to \$30 million
- Effective book tax rate of approximately 34 percent
- Anticipate nominal restructuring, exit and impairment charges
- Diluted shares outstanding of approximately 95 million to 96 million

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## 2014 Outlook: Cash Flow Assumptions – Adjusted for Bowling Divestitures

- Pension cash contributions of approximately \$75 million to \$80 million
- Current plan anticipates working capital changes to result in a modest usage of cash
- Capital expenditure levels of approximately \$140 million
- Generate positive free cash flow of approximately \$100 million to \$135 million



# Outlook for Brunswick 2014

## Adjusted for Bowling Divestitures

### 2014 Financial Targets

- Revenue growth at 5 percent to 6 percent
- Solid improvement in gross margin levels
- Operating expenses, as a percent of sales, to be lower than prior year
- Adjusted pretax earnings growth of 24 percent to 30 percent
- EPS, as adjusted, of \$2.25 to \$2.35





# Outlook for Brunswick 2014

## Adjusted for Bowling Divestitures

### Second half - 2014 Outlook

- Revenue growth to approximate 10 percent to 12 percent
- Solid improvement in gross margin levels
- Operating expenses, as a percent of sales, to be lower than prior year - - Q3 growth rate comparable to Q2
- Increase in adjusted pretax earnings growth rate

Full-year results reflect  
strong second half growth

# New Mercury Products in 2014





# Marine Engine Segment

## Continued Revenue and Operating Earnings Growth



### Summary of Growth Strategy

- Drive consistent, profitable growth
  - Product leadership
  - Be the best partner
  - Enhance the winning culture
- Outboard Engines
  - Protect the core from low-cost entrants and grow share in underserved markets
- Sterndrive Engines
  - Stabilize engine platform technology
  - Grow share in gas and diesel applications
- Parts & Accessories (P&A)
  - Achieve growth through global share gain and portfolio expansion
- Adjacencies
  - Leverage competencies to drive growth and diversification

### Financial Targets

- **2014 to 2016 Targets**
  - Revenue CAGR in mid-single digit percent range
  - Operating margins in the 14 percent to 15 percent range
- **2014 Targets**
  - Revenue growth in mid-single digit percent range
  - Solid improvement in operating margins

# Boat Group Segment

## Gain Market Share and Improve Profitability



### Summary of Growth Strategy

- Establishing product leadership through repeated product feature innovation on key consumer values
- Leveraging scale across functions
- Driving product and business cost reductions to reduce consumers' investment to participate in boating
- Deeply understanding consumers' needs and motivations and incorporating those into products and marketing
- Maximizing dealer network through increased coverage, improved sales tools and enhanced consumer engagement activities

### Financial Targets

- **2014 to 2016 Targets**
  - Revenue CAGR in mid-single to high-single digit range
  - Operating margins in the 4 percent to 6 percent range
- **2014 Targets**
  - Revenue growth in high-single digit range
  - Solid improvement in operating margins
- **Q3, 2014 Outlook**
  - Significant year-over-year operating improvement - modest operating loss



# Life Fitness Segment

## Continued Revenue Growth with Strong Margins



### Summary of Growth Strategy

- Aggressively leverage innovation to achieve competitive differentiation
- Develop new products and services complementary to existing portfolio that may extend into new markets
- Leverage brand and distribution to enter product categories with high growth potential
- Continued innovation drives market share in cardio, strength and group training categories

### Financial Targets

- **2014 to 2016 Targets**
  - Revenue CAGR in mid-single to high-single digit range
  - Operating margins in the 14 percent to 16 percent range
- **2014 Targets**
  - Revenue growth in mid-single to high-single digit range
  - Slight decline in operating margins
- **Q3, 2014 Outlook**
  - Operating margin lower than prior year

# Brunswick Earnings Conference Call Q2, 2014



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