



BRUNSWICK

# Brunswick Earnings Conference Call Q1, 2017

April 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 April 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, exit and integration costs, special tax items and certain other unusual adjustments.

# Brunswick Corporation – Earnings Release

Mark Schwabero – Chairman and Chief Executive Officer

Bill Metzger – Chief Financial Officer

# Brunswick Corporation – Earnings Release

## Overview of First Quarter 2017

- Revenue increased 8.4 percent with acquisitions contributing approximately 2.5 percent of growth
- Strong growth rates in all three primary boat categories as well as in our marine parts and accessories, Fitness and outboard engine businesses
- Gross margin of 25.9 percent
- Diluted EPS, as adjusted<sup>1</sup>, of \$0.84, up \$0.13, or 18 percent, which includes a \$0.06 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 Units

	Q1-16	Q2-16	Q3 - 16	Q4 - 16	2016	Q1-17
AL – Fish	12%	1%	-1%	4%	4%	2%
AL - Pontoon	25%	10%	4%	-1%	9%	3%
FG - Outboard	13%	6%	3%	0%	6%	7%
<b>Outboard Boats</b>	15%	6%	2%	1%	6%	4%
FG – SD/IB (14-30 ft.)	8%	-2%	-11%	-13%	-4%	-13%
FG – SD/IB (31-40 ft.)	-2%	5%	7%	14%	6%	-8%
FG – SD/IB (41-65 ft.)	29%	-3%	-2%	-1%	3%	-9%
<b>FG SD/IB Boats</b>	8%	-1%	-9%	-7%	-3%	-12%
<b>Main Powerboat Segments</b>	15%	5%	1%	-1%	5%	3%
<b>Total Industry (NMMA)</b>	15%	4%	1%	-1%	5%	4%

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

Source: Statistical Surveys, Inc.: 2017 preliminary data is based on 87% of January, 77% of February, 54% of March; Coast Guard data updated through 3/2017.

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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## Revenue By Region – Marine Segments

Region	2017 vs. 2016 Growth Rates*	2016 Mix**
U.S.	+8%	71%
Europe	+12%	11%
Canada	-1%	7%
Asia Pacific	+6%	7%
Latin America	+5%	3%
Africa & Middle East	-5%	1%
Total	+7%	100%

Global revenue in our combined marine segments experienced 7 percent\* gains - - outperforming the global market

\*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. The figures also exclude the impact of acquisitions.

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



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## Revenue By Region – Fitness Segment

Region	2017 vs. 2016 Growth Rates*	2016 Mix**
U.S.	-2%	56%
Europe	0%	18%
Asia Pacific	+20%	13%
Latin America	+4%	5%
Africa & Middle East	+10%	4%
Canada	-33%	4%
Total	+1%	100%

Global revenue in our Fitness segment  
increased 1 percent\*

\*On a constant currency basis, excluding acquisitions.

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



# Brunswick Corporation – Earnings Release

Mark Schwabero – Chairman and Chief Executive Officer

Bill Metzger – Chief Financial Officer

# Brunswick Corporation – Earnings Release

Q1 Net Sales increased by \$90.0 million, or 8%

Segment (\$'s in millions)	Net Sales			Acquisition Contribution
	Three Months Ended			
	April 1, 2017	April 2, 2016	% Change GAAP <sup>1</sup>	
Marine Engine	\$ 631.8	\$ 595.5	6 %	1 %
Boat	382.7	336.8	14 %	1 %
Marine eliminations	(89.8)	(80.3)		
Total Marine	924.7	852.0	9 %	1 %
Fitness	235.6	218.3	8 %	9 %
Total	\$ 1,160.3	\$ 1,070.3	8 %	3 %

Net sales increased by 8 percent

<sup>1</sup>Consolidated GAAP net sales reflected an 8% increase in the U.S., and an increase of 10% in international markets versus prior year.

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Q1 Adjusted Operating Earnings increased by \$4.4 million, or 4%

Segment (\$'s in millions)	Operating Earnings - Excluding Charges		
	Three Months Ended		
	April 1, 2017	April 2, 2016	Change
Marine Engine	\$ 88.5	\$ 78.3	\$ 10.2
Boat	13.6	16.4	(2.8)
Total Marine	102.1	94.7	7.4
Fitness	20.7	23.9	(3.2)
Pension	(2.3)	(3.7)	1.4
Corp/Other	(16.3)	(15.1)	(1.2)
Adjusted operating earnings	104.2	99.8	4.4
Other charges <sup>1</sup>	(15.2)	(3.8)	(11.4)
GAAP operating earnings	\$ 89.0	\$ 96.0	\$ (7.0)
Operating margin - excluding charges	9.0%	9.3%	(30) bps
Operating margin - including charges	7.7%	9.0%	(130) bps

<sup>1</sup>Other charges reflect restructuring, exit and integration charges.

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## Marine Engine segment – Q1 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	Q1 - 2017 % of Sales*	% Change	
		GAAP*	Constant Currency*
United States	69%	5 %	5 %
Europe	14%	5 %	9 %
Rest-of-World	17%	12 %	8 %
Total	100%	6 %	6 %

### Based on Constant Currency

- U.S. sales increased in outboard engines and parts and accessories
- European sales growth was driven by parts and accessories and outboard engines
- Rest-of-World revenue increased by 8 percent

Sales for the first quarter, excluding acquisitions, increased by 5 percent

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## Q1 Outboard and Sterndrive Engines



### Outboard

- Strong growth in Q1 sales particularly in higher horsepower categories
- Favorable retail demand
- 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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## Q1 Marine Engine segment's Parts & Accessories

Boating Accessories



Service Parts



Propellers



- Revenue benefited from market share gains, a recent acquisition and new product launches

Oil & Lubes



Trolling Motors



Controls/Rigging



**QUICKSILVER®**



**MotorGuide®**





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## Factors affecting Marine Engine segment's Q1 operating earnings



### Key Factors

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

Q1 operating margin at 14.0%,  
an increase of 90 basis points



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## Boat segment – Q1 sales by region



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

Region	Q1 - 2017 % of Sales	% Change	
		GAAP	Constant Currency
United States	76%	15%	15%
Europe	9%	10%	12%
Rest-of-World	15%	9%	7%
Total	100%	14%	14%

### Based on Constant Currency

- In addition to favorable retail demand, U.S. sales continue to benefit from recently introduced new products and market share gains
- Sales growth in Europe benefited from recent product introductions and market growth
- Rest-of-World sales increased due to an acquisition and modest improvement in wholesale demand

Sales for the first quarter on a constant currency basis increased by 14 percent

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## Review of Brunswick Boat segment sales metrics

	U.S		Global	
	Q1 16	Q1 17	Q1 16	Q1 17
Retail (units)	14%	9%	10%	11%
Wholesale (units)	(1)%	14%	(6)%	13%
Net Sales (dollars)*	14%	15%	7%	14%

Wholesale unit growth rate anticipated to be in balance with retail unit growth rate for full-year

\*Growth in constant currency

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Review of Brunswick Boat segment global pipeline metrics

Pipeline Levels	Ending Weeks on Hand	Change Versus Prior Year	% Change in Wholesale Units	% Change in Retail Units
FY 14	35	+1 week	1%	2%
FY 15	35	Flat	2%	4%
FY 16	35	Flat	2%	3%
Q1 16	38	-2 weeks	(6)%	10%
Q2 16	29	-2 weeks	3%	4%
Q3 16	26	-1 week	12%	1%
Q4 16	35	Flat	3%	(8)%
Q1 17	38	Flat	13%	11%

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## Factors affecting Boat segment's Q1 operating earnings\*



### Key Factors

- Fiberglass outboard boat performance
- Unfavorable cost absorption and reserve adjustments in large fiberglass sterndrive / inboard boats
- Net unfavorable changes in sales mix and higher commodity costs affected our aluminum boat business

Q1 adjusted operating margin at 3.6%;  
On a GAAP basis at 0.8%

\*As adjusted, see slide 23 for discussion of restructuring, exit and integration charges.

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## Fitness segment – Q1 sales by region



Region	Q1 - 2017 % of Sales	GAAP	% Change	
			Constant Currency	Ex. Acquisition*
United States	54%	6%	6%	(2)%
Europe	18%	4%	10%	0%
Rest-of-World	28%	16%	14%	7%
<b>Total</b>	<b>100%</b>	<b>8%</b>	<b>9%</b>	<b>1%</b>

- Sales in the U.S. (excluding acquisitions) reflect declines in Cybex sales and stable overall commercial fitness demand trends
- Europe benefiting from ICG acquisition
- Rest-of-World growth led by gains in Asia Pacific

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

Sales for the first quarter on a constant currency basis, excluding acquisitions, increased by 1 percent

\*Cybex results for February and March 2016 and 2017 are included in the ex. acquisition growth rate



# Brunswick Corporation – Earnings Release

## Factors affecting Fitness segment's Q1 operating earnings\*



### Key Factors

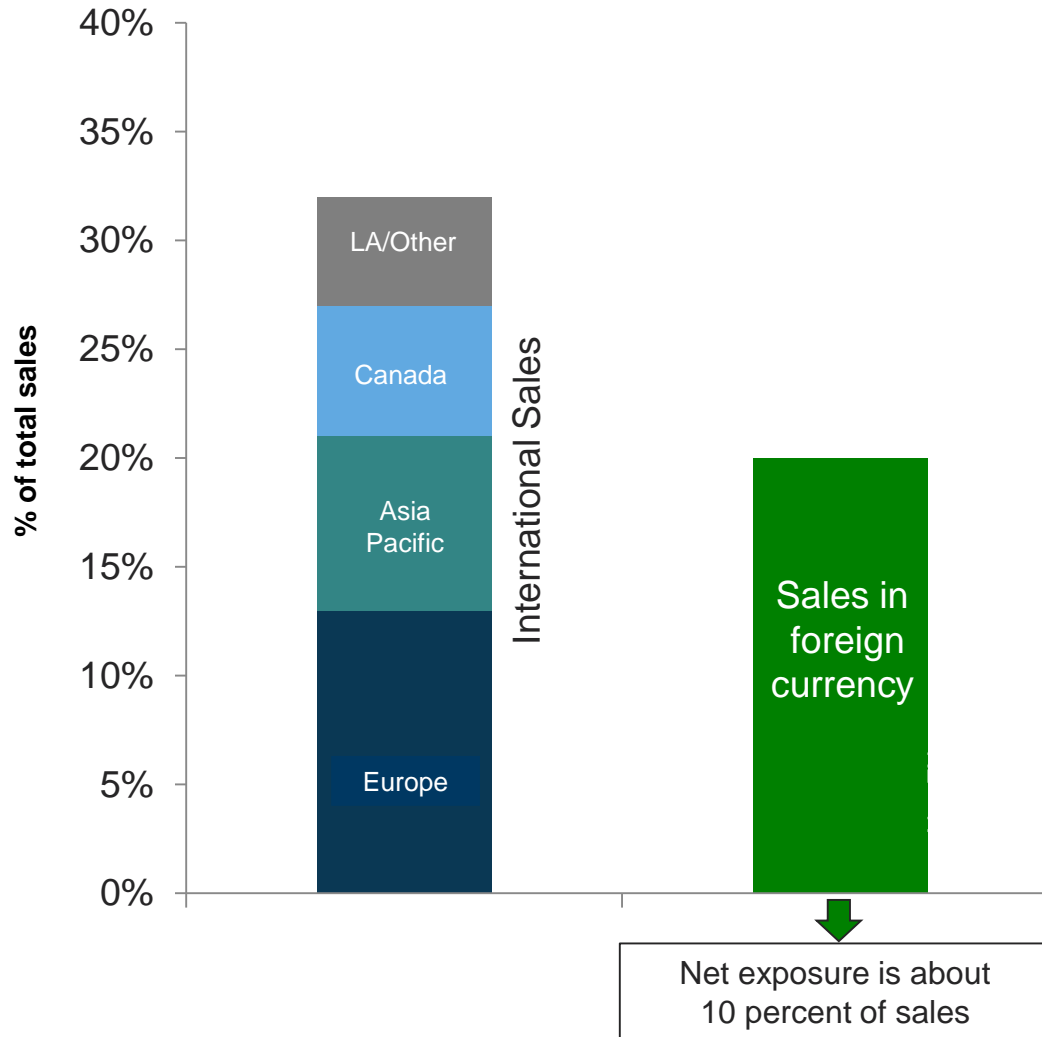
- Contribution from ICG acquisition
- Benefit of Cybex acquisition synergies
- Net unfavorable impact of change in sales mix
- Impact of planned costs associated with capacity expansions, new products and manufacturing facility transitions

Q1 adjusted operating margin at 8.8%;  
On a GAAP basis at 7.8%

\*As adjusted, see slide 24 for discussion of restructuring, exit and integration charges.

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



### Q1 2017:

- Minimal unfavorable impact on sales
- Unfavorable impact on operating earnings of approximately \$2 million

### Outlook 2017:

- Slight unfavorable impact on sales 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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## Other factors affecting GAAP pre-tax earnings

<u>\$ in millions</u>	<u>Q1</u>	
	<u>2017</u>	<u>2016</u>
Restructuring, exit and integration charges	\$ 15.2	\$ 3.8

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

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## Tax provision

	Q1	
	2017	2016
Effective tax rate - GAAP	25.3%	30.9%
Effective tax rate, as adjusted*	24.9%	31.0%
Effective tax rate, ex. share-based comp. tax benefits**	30.1%	31.0%

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

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

\*Tax provision, as adjusted, excludes \$0.5 million of net benefits for special tax items for Q1 2017.

\*\*As a result of to new accounting guidance adopted in Q1 2017, the Company recorded a \$5.3 million net excess tax benefit related to share-based compensation activity in Q1 2017.

# Brunswick Corporation – Earnings Release

## Cash Flow – Continuing Operations

(\$'s in millions)	Three Months Ended	
	2017	2016
<b>Net earnings*</b>	\$ 64.9	\$ 64.8
Depreciation and amortization	27.2	25.4
Pension (funding), net of expense	(33.6)	(32.2)
Changes in certain current assets and current liabilities	(162.1)	(153.1)
Income taxes	13.7	16.1
Other, net**	3.6	(3.8)
<b>Net cash used for operating activities*</b>	<b>\$ (86.3)</b>	<b>\$ (82.8)</b>

Net cash used for operating activities\*  
increased by \$4 million

\*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)	Three Months Ended	
	2017	2016
<b>Net cash used for operating activities*</b>	\$ (86.3)	\$ (82.8)
Net cash provided by (used for):		
Capital expenditures	(60.8)	(46.2)
Proceeds from sale of property, plant and equipment	7.6	0.1
Effect of exchange rate changes on cash balances	3.0	2.9
<b>Total free cash flow*</b>	<b>\$ (136.5)</b>	<b>\$ (126.0)</b>

Free cash flow lower by \$11 million in the first quarter

\* 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

## 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	~\$26 million	No change
Combined equity earnings and other income	Slightly higher than 2016	No change
Effective book tax rate	~29 percent	<b>Change</b>
Average diluted shares outstanding	90 million - 90.5 million	No change

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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

# Brunswick Corporation – Earnings Release

Mark Schwabero – Chairman and Chief Executive Officer

Bill Metzger – Chief Financial Officer



# Outlook for Brunswick 2017

## 2017 Financial Targets

- Revenue growth of 6 percent to 8 percent
- Improvement in gross margin levels
- Operating expenses, as a percent of sales, to be slightly lower than prior year
- Gains in operating margins
- Operating leverage of high-teen percentage
- Diluted EPS, as adjusted, of \$3.95 to \$4.10

# Marine Engine Segment

## Solid Revenue 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

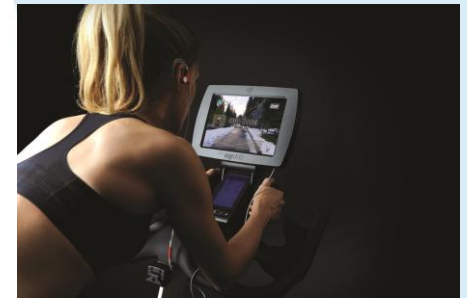


## 2017 Financial Targets

- Revenue growth in the high-single-digits
- Improvement in operating margin of approximately 60 - 80 basis points

# Fitness Segment

## Strong Revenue Growth with Strong Margins



### 2017 Financial Targets

- Revenue growth in the high-single digits
- Improved operating margins



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## Brunswick Earnings Conference Call Q1, 2017





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**Appendix**

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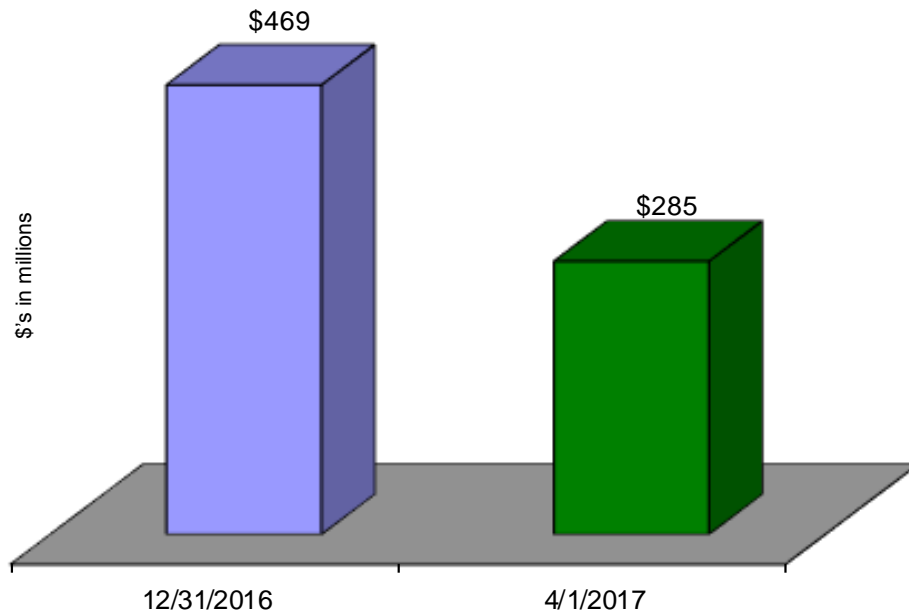
Q1 Adjusted Pretax Earnings increased by \$6.9 million, or 7%

(\$'s in millions)	Adjusted Pretax Earnings		
	Three Months Ended		
	April 1, 2017	April 2, 2016	Change
Adjusted operating earnings	\$ 104.2	\$ 99.8	\$ 4.4
Net interest expense	(6.1)	(6.4)	0.3
Other income	4.0	1.8	2.2
<b>Adjusted pretax earnings</b>	<b>102.1</b>	<b>95.2</b>	<b>6.9</b>
Restructuring, exit and integration charges	(15.2)	(3.8)	(11.4)
GAAP pretax earnings	\$ 86.9	\$ 91.4	\$ (4.5)



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## Cash and Marketable Securities



### Main Factors Affecting Changes in Cash Balances

- Free cash outflow of \$137 million
- Share repurchases of \$20 million (approximately 0.3 million shares)
- Dividends paid of \$15 million

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Q1 Diluted EPS, as adjusted, increased by \$0.13, or 18%

	Earnings Per Share	
	Three Months Ended	
	April 1, 2017	April 2, 2016
Diluted EPS from continuing operations	\$ 0.71	\$ 0.68
Restructuring, exit and integration charges	0.14	0.03
Special tax items	(0.01)	0.00
Diluted EPS from continuing operations, as adjusted	<u>\$ 0.84</u>	<u>\$ 0.71</u>