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# Brunswick Earnings Conference Call Q3, 2017

October 26, 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 October 26, 2017, which is available at [www.brunswick.com](http://www.brunswick.com).

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

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. We refer to this as "constant currency" reporting.

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Mark Schwabero – Chairman and Chief Executive Officer

Bill Metzger – Chief Financial Officer

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## Overview of Third Quarter 2017

- Global marine market is healthy and performing in line with our expectations
- Challenges in the boat segment related to large fiberglass sterndrive / inboard boat category and hurricane activity
- Changing global market environment affecting the Fitness business

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## Overview of Third Quarter 2017

- Revenue increased 4.4 percent over third quarter 2016
- Gross margin of 27.4 percent
- Diluted EPS, as adjusted<sup>1</sup>, of \$0.91, equal to third quarter 2016
- Strong growth in the outboard engine and aluminum outboard boat businesses
- Solid growth in parts and accessories businesses
- Share repurchases of \$60 million; raised quarterly dividend by 15 percent to \$0.19 in October

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

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

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

Year-to-date 2017 preliminary U.S. total industry (NMMA) shipments increased 5 percent versus 2016

Source: NMMA Statistical Surveys, Inc.: 2017 preliminary data is based on 97% of Q1, 95% of Q2, 91% of July, 75% of Aug. and 57% of Sept. market reporting; Coast Guard data updated through 9/2017.

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

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

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## Review of Brunswick Boat segment retail sales metrics

	Retail Boat (units) Growth Rates <sup>1</sup>	
	U.S.	Global
Q3 2017	9%	4%
YTD 2017	4%	3%
FY 2015	9%	3%
FY 2016	8%	3%

Brunswick's internal boat registrations continue to show year-over-year retail growth in the U.S. and globally in line with expectations

<sup>1</sup>Growth rates determined through internal US retail boat registrations.



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

Region	2017 vs. 2016 Growth Rates <sup>1</sup>	2016 Mix <sup>2</sup>
U.S.	6%	71%
Europe	10%	11%
Canada	6%	7%
Asia Pacific	8%	7%
Latin America	12%	3%
Africa & Middle East	1%	1%
Total	6%	100%

Global revenue in our combined marine segments experienced 6 percent<sup>1</sup> year-to-date gains -- outperforming the global market

<sup>1</sup>On a constant currency basis, excluding acquisitions.

<sup>2</sup>Mix for the full-year 2016, on a constant currency basis.

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

Region	2017 vs. 2016 Growth Rates <sup>1</sup>	2016 Mix <sup>2</sup>
U.S.	1%	56%
Europe	(5)%	18%
Asia Pacific	19%	13%
Latin America	13%	5%
Africa & Middle East	(1)%	4%
Canada	(14)%	4%
Total	2%	100%

Global revenue in our Fitness segment experienced 2 percent<sup>1</sup> year-to-date growth

<sup>1</sup>On a constant currency basis, excluding acquisitions.

<sup>2</sup>Mix for the full-year 2016, on a constant currency basis.

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Mark Schwabero – Chairman and Chief Executive Officer

Bill Metzger – Chief Financial Officer

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Q3 Net Sales increased by \$48.5 million, or 4%

Segments (\$'s in millions)	Net Sales		
	Three Months Ended		
	Sep 30, 2017	Oct 1, 2016	% Change GAAP <sup>1</sup>
Marine Engine	\$ 669.2	\$ 625.7	7.0%
Boat	309.3	307.0	0.7%
Marine eliminations	(79.8)	(77.3)	
Total Marine	898.7	855.4	5.1%
Fitness	242.8	237.6	2.2%
Total	\$ 1,141.5	\$ 1,093.0	4.4%

Net sales increased by 4 percent

<sup>1</sup>Consolidated GAAP net sales reflected an increase of 3% in the U.S., and an increase of 8% in international markets versus prior year.

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First Nine Months Net Sales increased by \$248.3 million, or 7%

Segments (\$'s in millions)	Net Sales		
	Nine Months Ended		
	Sep 30, 2017	Oct 1, 2016	% Change GAAP <sup>1</sup>
Marine Engine	\$ 2,067.2	\$ 1,940.9	6.5%
Boat	1,104.1	1,011.9	9.1%
Marine eliminations	(246.4)	(233.0)	
Total Marine	2,924.9	2,719.8	7.5%
Fitness	728.9	685.7	6.3%
Total	<u>\$ 3,653.8</u>	<u>\$ 3,405.5</u>	7.3%

Net sales increased by 7 percent

<sup>1</sup>Consolidated GAAP net sales reflected an increase of 6% in the U.S. and an increase of 10% in international markets versus prior year.

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## Marine Engine segment - Q3 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	Q3 - 2017 % of Sales	% Change	
		GAAP	Constant Currency
United States	70%	4%	4%
Europe	10%	7%	4%
Rest-of-World	20%	18%	16%
Total	100%	7%	6%

- Solid growth in the U.S. and Europe driven by outboard engines and parts and accessories
- Rest-of-World revenue increased due to growth in Asia-Pacific and Canada

Sales for the third quarter increased by 7 percent

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## Q3 Outboard and Sterndrive Engines



### Outboard

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



### Sterndrive

- Unfavorable global retail demand trends continue

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## Q3 Marine Engine segment's Parts & Accessories

Boating Accessories



Service Parts



Propellers



Oil & Lubes



Trolling Motors



Controls/Rigging



- Solid sales growth in the quarter, with strong increases in international markets
- Revenue benefited from recent acquisitions, new product launches and international growth strategy



Lankhorst Taselaar



MotorGuide®





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## Factors affecting Marine Engine segment's Q3 operating earnings



### Key Factors

- Higher sales
- Cost efficiencies
- Favorable foreign exchange impacts
- Increases in growth-related investments in advance of new product introductions

Q3 operating margin at 17.2%

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## Boat segment - Q3 sales by region



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

Region	Q3 - 2017 % of Sales	% Change	
		GAAP	Constant Currency
United States	78%	(1)%	(1)%
Europe	8%	28%	22%
Rest-of-World	14%	(1)%	(2)%
Total	100%	1%	0%

- Strong sales growth in the aluminum outboard boat business
- Demand-related production reductions in the large fiberglass sterndrive/inboard category
- Loss of production days at Florida-based manufacturing facilities caused by Hurricane Irma
- Strong growth in Europe

Sales for the third quarter increased by 1 percent

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Review of Brunswick Boat segment sales metrics versus prior year

	Third Quarter		YTD	
	Global	U.S.	Global	U.S.
Wholesale (units)	6%	8%	7%	8%
Net Sales (dollars) <sup>1</sup>	0%	(1)%	9%	9%

<sup>1</sup>Growth in constant currency.

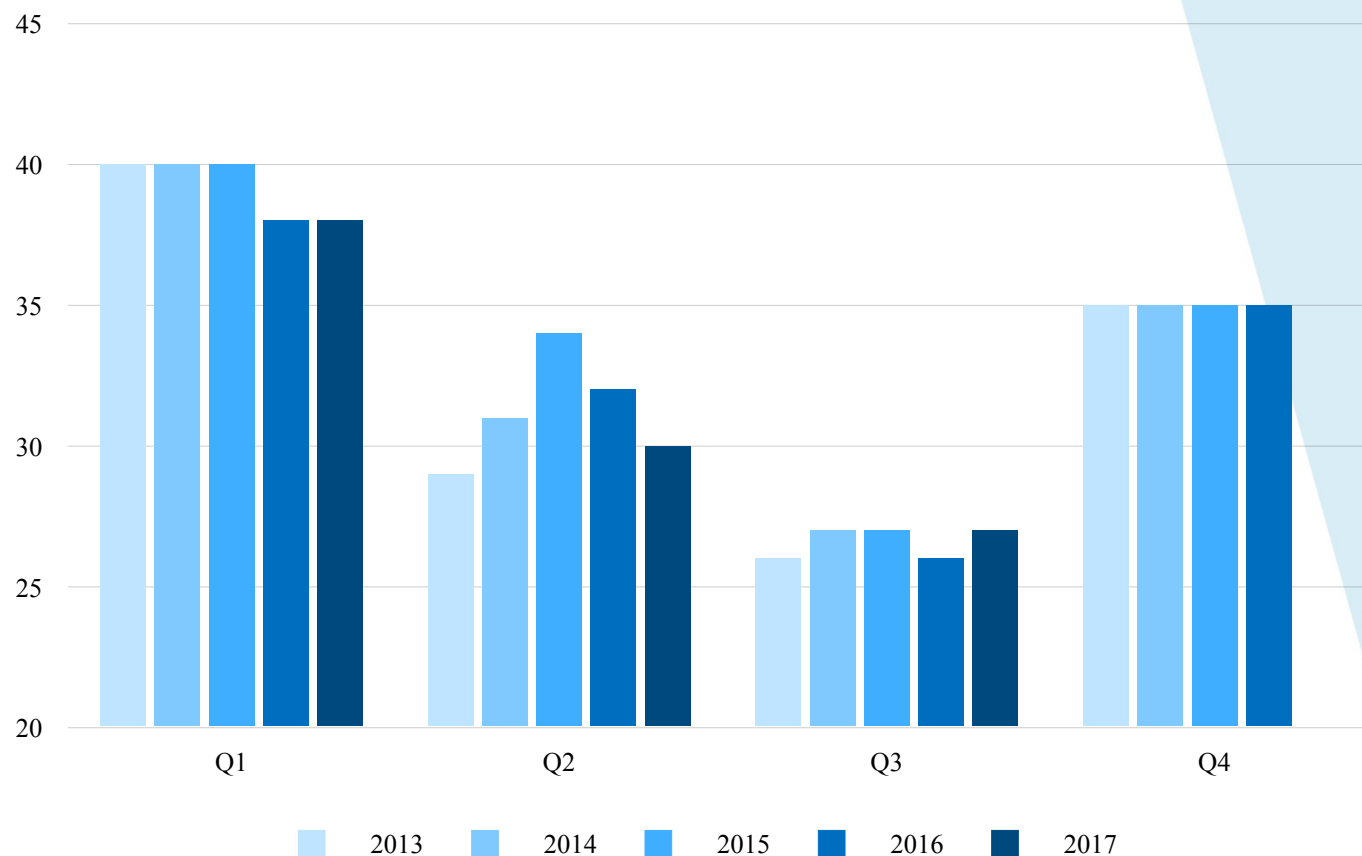
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## Review of Brunswick Boat segment pipeline metrics

Pipeline Levels	Ending Weeks on Hand	Change Versus Prior Year	% Change in Wholesale Units	% Change in Retail Units
YTD 15	27	Flat	4%	4%
YTD 16	26	-1 week	2%	4%
YTD 17	27	+1 week	7%	3%
FY 15	35	Flat	2%	4%
FY 16	35	Flat	2%	3%
FY 17	Consistent with prior year		Slightly below YTD performance	Slightly higher than YTD performance

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## Boat Segment Ending Weeks On Hand



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## Factors affecting Boat segment's Q3 operating earnings<sup>1</sup>



### Key Factors

- Slightly higher sales
- Unfavorable changes in sales mix
- Manufacturing inefficiencies, including costs related to the hurricane preparation and recovery efforts.

Year-to-date as adjusted operating margin  
at 3.6 percent

<sup>1</sup>As adjusted, excluding restructuring, exit and integration charges.



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## Fitness segment - Q3 sales by region



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

Region	Q3 - 2017 % of Sales	GAAP	% Change	
			Constant Currency	Ex. Acquisition
United States	53%	5%	5%	3%
Europe	19%	(2)%	(5)%	(9)%
Rest-of-World	28%	(0)%	1%	(1)%
Total	100%	2%	2%	(0)%

- Revenue increases resulted from the ICG acquisition completed in 2016
- Sales comparisons also reflected flat overall global market demand, with growth in sales to value-oriented clubs being offset by softness in sales to traditional clubs and other vertical markets

Sales for the third quarter increased by 2 percent

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## Factors affecting Fitness segment's Q3 operating earnings<sup>1</sup>



### Key Factors

- Benefits from acquisitions and cost reduction efforts
- More challenging competitive dynamics in certain international markets
- Unfavorable changes in sales mix

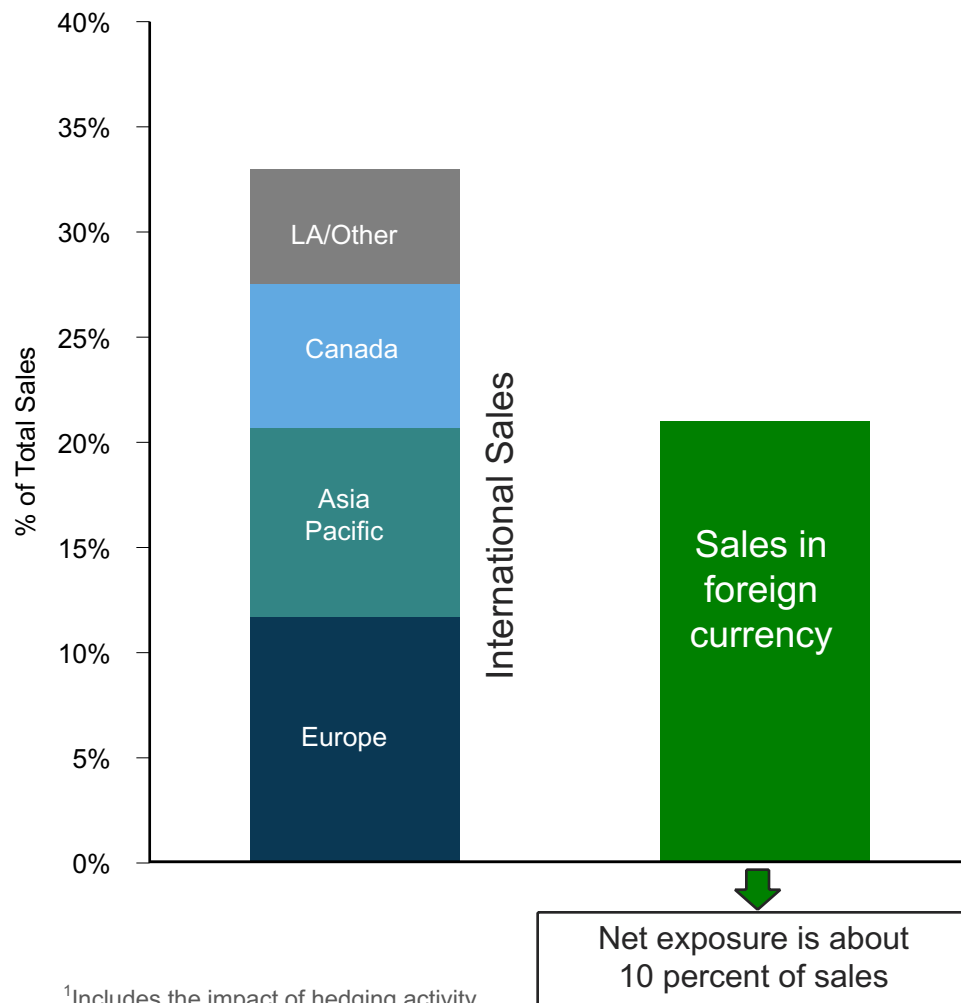
Q3 as adjusted operating margin at 10.8%; On a GAAP basis at 8.0%

<sup>1</sup>As adjusted, excluding restructuring, exit and integration charges.



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

### Q3 2017:

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

### Outlook 2017:

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

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## Tax Provision

	Q3		Year-to-date	
	2017	2016	2017	2016
Effective tax rate - GAAP	27.5%	27.8%	27.3%	29.8%
Effective tax rate, as adjusted <sup>(1)</sup> <sup>(2)</sup>	29.1%	30.5%	27.9%	30.8%
Effective tax rate, ex. share-based comp. tax benefits <sup>(2)</sup>	29.2%	30.5%	29.9%	30.8%

Estimated 2017 effective book tax rate, as adjusted, is approximately 28.0 to 28.5% percent; cash tax rate to be in the low to mid-teen percent range

<sup>1</sup>Tax provision, as adjusted, excludes \$0.7 million of net benefits for special tax items for Q3 2017.

<sup>2</sup> As a result of new accounting guidance adopted in Q1 2017, the Company recorded \$0.1 million and \$7.7 million of net excess tax benefits related to share-based compensation activity for the QTD and YTD Q3 2017 period, respectively.

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## Cash Flow - Continuing Operations

(\$'s in millions)	Nine Months Ended	
	2017	2016
<b>Net earnings<sup>1</sup></b>	\$ 263.3	\$ 256.6
Depreciation and amortization	83.2	77.0
Pension funding, net of expense	(51.0)	(61.7)
Changes in certain current assets and current liabilities	(100.6)	(66.5)
Income taxes	33.5	81.7
Other, net	26.7	6.1
<b>Net cash provided by operating activities<sup>2</sup></b>	<b>\$ 255.1</b>	<b>\$ 293.2</b>

Net cash provided by operating activities<sup>2</sup> decreased by \$38 million

<sup>1</sup>Continuing operations only.

<sup>2</sup>Continuing operations only; as a result of adopting new accounting guidance both years include amounts related to net excess tax benefits or deficiencies resulting from share-based compensation activity.

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## Free Cash Flow - Continuing Operations

(\$'s in millions)	Nine Months Ended	
	2017	2016
<b>Net cash provided by operating activities<sup>1</sup></b>	\$ 255.1	\$ 293.2
Net cash provided by (used for):		
Capital expenditures	(153.4)	(131.9)
Proceeds from sale of property, plant and equipment	8.0	1.7
Effect of exchange rate changes	9.0	5.6
<b>Total free cash flow</b>	<b>\$ 118.7</b>	<b>\$ 168.6</b>

Free cash flow lower by \$50 million in year-to-date 2017

<sup>1</sup>Continuing operations only; as a result of adopting new accounting guidance both years include amounts related to net excess tax benefits or deficiencies resulting from share-based compensation activity.

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## 2017 Outlook - P&L

	2017 Estimate	Change from Prior Guidance
Depreciation and amortization	~\$115 - \$120 million	Change
Pension expense	~\$10 million	No change
Net interest expense	~\$25 million	No change
Combined equity earnings and other income	Higher than 2016	No change
Effective book tax rate <sup>1</sup>	28.0 - 28.5 percent	Change
Average diluted shares outstanding	~90.2 million	Change

<sup>1</sup>As adjusted to exclude net benefits for special tax items.

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## 2017 Outlook: Cash Flow Assumptions

	2017 Estimate	Change from Prior Guidance
Free cash flow	Greater than \$250 million	No change
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
Share repurchases	~\$120 million	Change
Quarterly dividends	Increased to \$0.19 per share	Change

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Mark Schwabero – Chairman and Chief Executive Officer

Bill Metzger – Chief Financial Officer

# Outlook for Brunswick 2017

## 2017 Financial Targets

- Revenue growth of approximately 7 percent
- Operating expenses, as a percent of sales, to be lower than prior year
- Modest decline in operating margins
- Operating leverage of mid-to-high-single digit percentage
- 2017 Diluted EPS, as adjusted, of \$3.85 to \$3.87



# Outlook for Brunswick 2018

## 2018 Financial Target

- 2016-2018 plan, previously communicated, included 2018 Diluted EPS, as adjusted, target to \$4.55 to \$4.95
- Updated 2018 Diluted EPS, as adjusted, guidance of \$4.20 to \$4.40<sup>1</sup>

<sup>1</sup>Includes estimated share repurchases of \$100 million in 2018, but excludes the potential impact of any incremental M&A activity.

# Marine Engine Segment

Solid Revenue Growth and Strong Margins



## 2017 Financial Targets

- Revenue growth of 6 to 7 percent
- Modest improvement in operating margin

# Boat Group Segment

Strong Revenue Growth with Continued Profitability



## 2017 Financial Targets

- Revenue growth of 7 to 8 percent
- Decrease in operating margin

# Fitness Segment

Solid Revenue Growth with Decreased Margins



## 2017 Financial Targets

- Revenue growth of 5 to 6 percent
- Decrease in operating margin



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**Appendix**

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Q3 Adjusted Operating Earnings decreased by \$6.4 million, or 5%

Segment (\$'s in millions)	Operating Earnings - Excluding Charges		
	Three Months Ended		
	September 30, 2017	October 1, 2016	Change
Marine Engine	\$ 115.2	\$ 109.5	\$ 5.7
Boat	0.1	6.8	(6.7)
Total Marine	115.3	116.3	(1.0)
Fitness	26.2	31.5	(5.3)
Pension	(2.3)	(3.6)	1.3
Corp/Other	(20.7)	(19.3)	(1.4)
Adjusted operating earnings	118.5	124.9	(6.4)
Restructuring, exit and integration charges	(6.8)	(2.4)	(4.4)
GAAP operating earnings	\$ 111.7	\$ 122.5	\$ (10.8)
Operating margin - excluding charges	10.4%	11.4%	-100 bps
Operating margin - including charges	9.8%	11.2%	-140 bps

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First Nine Months Adjusted Operating Earnings increased by \$7.8 million, or 2%

Segment (\$'s in millions)	Operating Earnings - Excluding Charges		
	Nine Months Ended		
	September 30, 2017	October 1, 2016	Change
Marine Engine	\$ 351.9	\$ 326.8	\$ 25.1
Boat	39.6	45.9	(6.3)
Total Marine	391.5	372.7	18.8
Fitness	69.9	82.1	(12.2)
Pension	(7.0)	(11.0)	4.0
Corp/Other	(57.4)	(54.6)	(2.8)
Adjusted operating earnings	397.0	389.2	7.8
Restructuring, exit and integration charges	(27.7)	(8.8)	(18.9)
GAAP operating earnings	\$ 369.3	\$ 380.4	\$ (11.1)
Operating margin - excluding charges	10.9%	11.4%	-50 bps
Operating margin - including charges	10.1%	11.2%	-110 bps



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Other factors affecting GAAP pre-tax earnings

\$ in millions	Q3		Year-to-date	
	2017	2016	2017	2016
Restructuring, exit and integration charges	\$6.8	\$2.4	\$27.7	\$8.8

In 2017, we are planning to incur \$33 to \$34 million of restructuring, exit and integration costs associated with the Fitness and Boat segments. These costs have not been included in our earnings guidance, as adjusted, or related metrics.