Brunswick Corporation
Investor Day Q&A
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<u>Presenters</u>
Brent Dahl - Vice President, Investor Relations
David Foulkes - Chief Executive Officer
Ryan Gwillim - Chief Financial Officer
Chris Drees - President, Mercury Marine
Lauren Beckstedt - Chief Marketing Officer
Brett Dibkey - President, Advance Systems Group
Aine Denari - President, Brunswick Boat Group
Brenna Preisser - EVP and President Business Acceleration, CSO

<u>Q&A Participants</u>
Kevin Heenan - JPMorgan
James Hardiman - Citi
Joe Altobello - Raymond James
Gerrick Johnson - BMO Capital Markets
Mike Swartz - Truist Securities
Joseph Spak - RBC Capital Markets

Operator
Good afternoon and welcome to Brunswick Corporation 2022 Investor Day Q&A Follow-up Conference Call.

All participants will be in a listen-only mode, until the question-and-answer period. Today's meeting will be recorded. If you have any objections, you may disconnect, at this time.

I would now like to introduce Brent Dahl, Vice President of Investor Relations.

Brent Dahl
Hello and thank you for joining us for today's 2022 Investor Day Event Q&A Follow-Up Session.

Before we begin the discussion, I would like to remind everyone that 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 the factors to consider, please refer to our recent SEC filings. All these documents are available on our website at Brunswick.com.

Additionally, during today's discussion, we may refer to certain non-GAAP financial information. Reconciliations of GAAP to non-GAAP financial measures are provided in our previously issued current reports on 8-K, all of which are available at Brunswick.com.

I will now turn the call over to our CEO, Dave Foulkes, for some opening comments. Dave.

David Foulkes
Hi, everyone, and welcome to our 2022 Investor Day Q&A event.

We hope you enjoyed the Investor Day material, which were made available a week ago and is still available at Brunswick.com.

The presenters you saw and heard in the videos are joining me today, including our CFO, Ryan Gwillim; our CMO, Lauren Beckstedt; and our Division Presidents, Chris Drees, Brett Dibkey, Aine Denari and Brenna Preisser.

Next Wave is about combining our foundational strengths of scale and capability with investments in our core business, our ACES strategy and our advancing digital capabilities to generate multiple long-term, sustainable growth factors for our business.

When we introduced the Next Wave strategy in 2021, we articulated the vision and some of the early key performance indicators that would measure our progress. And all these KPIs are on track, or ahead of plan.

In our latest presentation, we much more directly connected to the components of Next Wave to our target of delivering revenue to $10 billion in 2025.

We're looking forward to your questions. With that, Melissa, let's open the line.

Operator
Thank you. At this time, we'll be conducting a question-and-answer session. If you would like to ask a question, please press "*", "1" on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press "*", "2" if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset, before pressing the star keys.

Our first question comes from the line of Kevin Heenan with JPMorgan. Please proceed with your question.

Kevin Heenan
Hey, guys. Thanks for taking my question. I guess, just to start high level, how would you characterize the health of the consumer, today? Are you seeing any impacts from higher gas

prices or changes to the demand environment? And any change in the way you see 2022 resell unit demand up, low singles? Thanks.

David Foulkes
Thanks for the question, Kevin. I think I would separate maybe some of the emerging pressures on the consumer, in general, which you articulated, from our current experience of retail and wholesale demand, we're continuing to see intact retail and wholesale demand. But we, of course, recognize that some things are changing, directionally, in a way that might impact us, at some point in the future.

So, we have our antenna up on that. It's just a little early for us to say. If you look back in history, though, and I mentioned this in some recent meetings and events, we see, effectively, no correlation between gas prices and either our P&A business or new boat sales.

So, there isn't an historic trend. Of course, it is possible, particularly, if gas prices will go out of historical range. And if that happens, it's possible that there will be an impact.

But history, at the moment, tells us that they would really need to go, significantly, out of historical ranges for it to be a material impact.

I think in terms of interest rates, of course, there's an upward trend but they remain, historically, very low. So, we have experienced conditions in the past with high gas prices and high interest rates in which demand remained intact.

And that is our current situation although, clearly, are keeping our ear to ground with customers and with our channel partners to make sure that we sense any emerging trends, as early as possible.

Kevin Heenan
Okay, thanks. And just following up. On the longer-term targets you laid out last week, specifically, the boat segment EBIT margin outlook for 13%, by 2025. I think that's about 200 basis points higher than the high end of the range you gave, last May.

I guess, what have been some of the key changes that give you confidence in that increased longer run forecast? And maybe, how would you rank order the drivers of the EBIT margin expansion, across the initiatives laid out, last week? Thanks very much.

David Foulkes
No, a good question. Thank you. So, I think it's important to look at where we came from to start with. Five or six years ago, the boat business was, essentially, a breakeven business. And we've got it up to just over 9% in 2021.

In fact, we had several quarters where it was above 10%. So, I think what we start with is a strong track record in recent years of making a lot of progress in a relatively modest amount of time.

We haven't previously projected out, as far as 2025. But of course, we did project out to 2022, I think, when we were talking about 11%, or '23 may be 11%.

The drivers, there are quite a few drivers. They are operational. We've, as you know, consolidated the footprint of our boat business, quite a lot. We have about 10 plants now versus many more in the past.

And we've also changed the way in which we organize the operating model, essentially, so that we have a lot more centralized expertise and capability, which is deployed across all of the facilities, essentially, taking operating best practices from our best plants and deploying them, across all of our plants.

We've also brought in people from outside Marine to be heavily involved in the way the plants operate, the quality systems in the plant, etc.

So, we're just more and more efficient at an operating level.

And then, operating margins really start with all the way back at Design, and we're much more disciplined now in the way in which we design our products to cost.

In addition to, of course, wanting them to be extremely competitive with all of the consumer facing attributes. But there's a much more disciplined process now that goes on with the three designs to make sure that we deliver gross margins, or standard margins that are suitable for the product.

One of the things that we have done and continue to do, as you will have seen with our capacity expansions, is emphasize production at our lowest-cost base facilities. And those are in Reynosa in Mexico and also, in Villanova in Portugal.

So, operating our plants more efficiently, making sure that we expand at our lowest-cost facilities and starting all the way back in the design process with products that meet standard margin expectations really helps.

In the future, though, we will get some tailwind from scale, as we increase our capacity from somewhere around 40,000 to somewhat above 50,000 units. And the majority of that expansion is, indeed, at Reynosa and Villanova.

So, there are other things in there, but I would say those are the top contributors. Aine, do you have anything you'd like to add there?

Aine Denari
No, thanks, I think you covered the really well, really driving that operational efficiency through operation, supply chain improvement, quality, more disciplined program management and ensuring, of course, that we have the best and most efficient footprint and, of course, ensuring that we have the best-in-class products and technology, so that we can drive the top line, too.

I think those are all the major drivers, as you highlighted.

Kevin Heenan
Great. Thanks very much.

David Foulkes
Thank you. Thank you, Kevin.

Operator
Thank you. Our next question comes from the line of James Hardiman with Citi. Please proceed with your question.

James Hardiman
Thank you. Thank you for taking--I have a couple questions here. So, as I think about the question of retail expectation, sounds like you guys are pretty confident that you can deliver what you've laid out, largely, independent of retail.

But maybe walk us through the extent to which retail plays a role in your long-term guidance. And then, I guess even if not, how do you think about retail, over the next three or four years? And then, I had a follow-up.

Ryan Gwillim
Hey, James, it's Ryan. I'll take the first stab at this and then others can chime in. The model is predicated, the projections are predicated on a relatively flattish retail market, flat slightly up, kind of what it's been in the last ten years on a rolling basis.

It is not predicated on a need for retail to be outsized growth for a handful of years.

That being said, that's just what we predicated the plan on. As Dave said in his first remark, we're not seeing anything, today, that would give a pause that we're not going to be in a healthy retail environment and both from a retail sales but, also, participation which continues to be elevated, which drives T&A and the annuity side of the business, as well.

So, we're not planning on any outsized. It's not necessary for us to reach our targets. But we think it's going to continue to be a very conducive environment.

James Hardiman
That's helpful. And then, I guess, if we just hone in on 2022. But I know this call is less about sort of the 2022 outlook. But as we think about this low single-digit industry expectation that you guys have for the year.

Should we expect a fairly uniform growth rate from quarter to quarter, or are there reasons to believe that that accelerates, as we work our way through the year. And I guess, to some degree, that's--it's another way of asking, is this sort of a supply driven growth story-as you get better product availability, should we expect an acceleration in retail? Thanks.

David Foulkes
I think yes is the answer, James. The--it's--we're clearly, still in a very supply constrained situation with no inventory, so there's no buffer, really, between retail and wholesale, at the moment, since we can make work, or we can sell what we can make.

And that continues to be the situation, as we go through Q1.

We are hoping that there will be some alleviation of the supply chain constraints, as we get into the back half of the year. Certainly, the first quarter has continued to be somewhat the same as the fourth quarter of the back half of 2021, at the moment.

Without a single specific source of shortage or disruptions, just multiple things working their way through the system, but we continue to manage that very well.

And in certain areas, there is some signs of improvement, which we hope will continue.

So, yeah, I think we will, gradually, work up our production, and that is part of the 2022 plan that we articulated. We think that we can bring the supply base with us, in terms of the plan that we set out.

Upside to that, I think depends on, primarily, the supply base. I think our capacity actions, internally, are proceeding exactly to plan, at the moment.

James Hardiman
Okay, and it just begs the one more question. I apologize. The signs of improvement, I've got to ask. What are the signs of improvement?

David Foulkes
There are certain areas where we're seeing improvements versus where we were at the end of last year in deliveries from Southeast Asia.

James Hardiman
Got it. Very helpful.

David Foulkes
And we also had a--and some of the constraints that we were seeing actually on commodities have really alleviated quite a lot, I would say.

James Hardiman
Good, thank you.

Operator
Thank you. Our next question comes from the line Joe Altobello with Raymond James. Please proceed with your question.

Joe Altobello
Thanks. Hey, guys, good morning. So, first I appreciate the EPS sensitivity analysis that you guys gave us. Under scenarios where boat retail is down, I think 30% to 40%. But if we did see a more moderate decline, let's say, 5% or 10%, at what point does that start to impact your wholesale shipments, given where we are on the inventory side?

Ryan Gwillim
So, Joe, I think you can do the math. Right now, we are, as just Brunswick, we're probably 12,000 units below what we were at the end of 2019.

So, at the end of 2019, we had about 25,000 units in the field. Start this year, we had about 12. So, if you take retail down five or 10 points, it's not going to make a difference in the short term because you still need to make up that 10,000 – 12,000 units.

And that's going to take, even in your scenario where retail is down 5% or 10% which, again, we have zero view that that's happening, it would still take two years, really, to have wholesale cover retail and go back to pipeline.

So, still a 2024, 2025 issue, even in a retail down model scenario.

Joe Altobello
Okay, that's helpful. And maybe just a follow-up. Given the progress you guys have made in T&A, in particular, in your Advance Systems Group, is there a way to quantify how much of the content of the average Brunswick boat is supplied by Brunswick, across the portion T&A in electronics versus where that stood, let's say, a few years ago, for example?

David Foulkes
I think it's a great question. I think we'll have to develop an answer for that, Joe. You're not the first to ask that question. So, we'll try, maybe as soon as the next earnings call to give you more quantification.

In terms of specific examples, though, the one that I quoted, recently, is the new 360-Boston Whaler 360 Outrage, which has Mercury's V-12 engines, ASG's Fathom generator replacement system on it, ASG's digital switching system, CZone. And then also, now, Simrad's radar, sonar and display systems.

So, it is a very substantial boat material content from ASG and Mercury.

But a great question, and we'll develop a better answer.

Joe Altobello
Okay, thanks, guys.

Operator
Thank you. Our next question comes from the line of Gerrick Johnson with BMO Capital Markets. Please proceed with your question.

Gerrick Johnson
Hey, good morning. I actually have three questions, if I may. First, related to kind of the first question we heard about the consumer. In terms of boat shows, investors tend to go to Miami, New York, Fort Lauderdale, the sexy high horsepower 40-footer kind of boat show.

And we've seen no significant push back on pricing there. It's high end, a frenzied pace to get product.

But can you talk about what you're seeing at some of the smaller regional shows, perhaps, more blue-collar shows, where you do sell a lot more units, albeit, at a lower price.

What do you see from those consumers at those shows, and how are they reacting to price increases, inflation, etc.?

David Foulkes
Yeah, hi, Gerrick. I don't think we're seeing a lot of difference between the different shows, in terms of consumer behavior. I think, even at the big shows like Miami, I think we're kind of surprised that, even with longer wait times, lead times than normal, people are still equally prepared to put down their orders.

So, of course, each regional show has a little bit of a different character. The U.S. boat market is not homogenous. There are regional changes in brands and boat types and to some extent, behaviors.

But I would say that we haven't had a disappointing show. We continue to have very strong shows from an engine and boat perspective. And nothing at a notable level, in terms of push back.

I'm sure there's discussion, but it's not translating in any way into what we see, in terms of retail behaviors or wholesale behaviors.

Gerrick Johnson
Okay, great. And I'll ask just one more. This one's to Ryan, please. You mentioned capacity expansion 17 times in your presentation.

You mentioned incremental investments, whether they be digital assets, technology, etc., another 22 times.

You mentioned vertically integrating over 30 product lines to optimize logistics. So, you know where I'm going here. You mentioned the current six cost basis about 1.25 billion, and that's about 20% of your '22 cost.

Where does it go, after all these initiatives? And then, how quickly can you compress, once we've hit that 30 weeks of dealer inventory and perhaps, a slowdown in overall retail?

And then lastly, how do we compare now versus '06 or '07, pre-global financial crisis, in terms of fixed cost base?

Ryan Gwillim
Yeah, thanks, Gerrick. I'll start it and maybe Dave has some additional comments. But you're right. We are--we have our eye on the ball on cost.

Obviously, our revenues and earnings have also been, have been growing at a pretty strong clip and a little bit of fixed cost has to come along with it.

There's only three buckets of fixed cost. You have the fixed cost of goods, which is about 5-ish percent, 5 ½%. That hasn't moved, materially, at all as a percentage of sales and after all the cost take out we took in 2009, 2010, you've got SG&A, which is pretty flexible.

That's call it $700 million-$800 million. That number, that could be trimmed relatively--I mean, it could be trimmed, relatively quickly in NEB. That number looked like fun 550 or 600 as recent as a couple years ago.

But all the spending that you're seeing is on growth initiatives and things that generate earnings and revenue, moving forward.

And in the other bucket is R&D. And R&D we're not going to take the foot off the pedal. So, when I look at those three buckets, the only one that really, that we keep an eye on from a spending standpoint, is the SG&A. And I'm quite comfortable at the percentage of the overall revenue and the percentage of the cost that it's appropriate for the growth story.

But you know us very well. We took 500 million, or so, out of fixed cost from ’08 to 2011. We don’t have nearly that need, even in a downturn scenario, today. The downturn scenario that you saw in the deck assumes a modest level of cost take out but nothing that the business couldn’t do without a whole lot of pain. We would not be sacrificing growth initiatives.

David Foulkes
Yeah, we also, when we also took 50 million out in 2019.

Ryan Gwillim
In 2019, yeah.

David Foulkes
Which was really--as we separated Life Fitness and moved towards a more focused organization, we took that opportunity to slim things down, a lot.

And we’re extremely careful as an organization about adding back cost. But revenues and demand and market share gains demand that we make investments. But we also are very, very careful about how we do it, in terms of expected returns and invest things in the most efficient way in the most efficient facilities.

I didn’t miss the great count that you gave us. I think we need more variety, next time. Thank you for that comment.

But I would say that what we did talk about is that we continue to invest in the most efficient way, possible, inside our existing footprint where we can, adding automation where we can, investing in Reynosa and Villanova, repurposing existing facilities.

Where very, very careful about the way that we utilize our capital, and I think we were very efficient.

Gerrick Johnson
Okay. I’d love to explore this line further, but I’ll drop off and I’ll let other people have a chance. Thank you very much.

David Foulkes
We need to do a count, though, don’t we? That’s a very good comment.

Operator
Thank you. Ladies and gentlemen, as a reminder, if you’d like to join the question queue, please press “*”, “1” on your telephone keypad. Our next question comes from the line of Mike Swartz with Truist Securities. Please proceed with your question.

Mike Swartz
Hey, guys. Good afternoon. I have a couple questions for you. I guess, just starting off, and I know it's a small part of the business, today, but the e-commerce side of things. I think in your 2025 plan you want to--it looks like nearly triple that business.

Just trying to understand what's driving that. Is it more product accessibility? Is it distribution capabilities? Is it maybe new consumer facing technologies? Help us understand that ramp a little bit.

David Foulkes
Yeah, well, I think you--hey, Mike, thank you for the question. I'll start and then others can come in.

I mean, it's really across our business. But I think it's, initially, really driven by consumer expectation and new business norms, to some extent.

I think people want to conduct more just purchase a process online, now. And so, we're providing them with the opportunity to do that through configurators and more advanced and richer materials, as part of our websites and other assets which, in turn, gives us the opportunity for more up sale, over time.

And then, with a much closer connection between what they do online with us and then the final fulfillment process.

Certainly, some parts of our business utilize e-commerce more than others, particularly, our P&A sales. So, if you think about product that can be sold that doesn't, necessarily, require a Visa deal, dealer installation or some significant amount of professional effort, afterwards.

That is a significant growth area for us. And some of our channel partners are online, as well. But maybe I'll ask Brett Dibkey for an ASG perspective. Brett.

Brett Dibkey
Yeah, no, I would agree with Dave, largely, that consumer expectations are changing. I think the pandemic, in many respects, helped accelerate that change in buying behavior and, increasingly, with the types of products we sell, they're going to go to sources they trust.

And I think we're well-positioned to provide the right content to help them through the purchase journey. So, it's a combination of technology and content strategies and just the general shift in consumer buying behaviors that allow us to be, I think, a definitive source for direct-to-consumer selling.

Mike Swartz

Okay, great. And just one follow up. I think you've announced eight new electric outboard engines, by calendar year '25, if I was reading that, correctly. And you showed one at Miami.

I guess at a much higher level, how do we think about electric as maybe a percentage of outboard mix, over the next couple years? And what is the ability to platform electric product or technologies with your existing internal combustion lineup?

David Foulkes
Yeah, as we have said, Mike, we think that there is a viable market for electric outboard product, but it is lower horsepower product. It's an existing market. It's almost entirely in Europe, and it's almost entirely based around regulated lakes.

But the fact is, there are many thousands of electric outboards sold, every year, and the number is increasing. But 90% of them are lower than 5 horsepower.

So, there's clearly a gap in that when we sell internal combustion engines from 2 ½ horsepower up to 600 horsepower, as you know. So, the overlap with our existing product line is modest and, clearly, at the lower end.

But as we--as technology develops, the ability to go to higher power, obviously, increases with more efficient weights and cost-effective battery technology, particularly.

So, we are starting with lower horsepower and moving up. Our expectations, at the moment, are that how far we can go up is still quite limited and making something that is, broadly, a good value to the consumer and will have a reasonable scale of market.

But it is a real market, and we intend to be a very, very active participant in it. And we are--we have the same expectations for return on investment for our electrified product that we do have for the rest of our product line.

In terms of the ability to platform, it is possible to platform, if you think through motors, converters, even some of the housings and other things within certain horsepower ranges.

So, you might--and this is completely hypothetical--have a platform that covers like one to five, another platform that covers 10 to 20. This is hypothetical. But it is possible to derive a number of horsepower nodes from a single or closely associated platform of components.

And just as we have done with our internal combustion engines, we will take that approach with our electric product.

I would not, though, neglect the work that we've already done and continue to do on generator replacements. There is a way that electrification can make its way into larger boats. It's just not necessarily through propulsion. But there is that other engine on most large boats that can be replaced.

So, our strategy does not neglect higher horsepower and larger boats. It's just a different strategy, different way of replacing combustion engines. Brett.

Brett Dibkey
Yeah, maybe I would just make one build or add on Dave's comment around generator replacement. And I couldn't agree more. It's a huge opportunity.

I just wanted to make the point that it's not only limited to the Marine industry, as well. There's a pretty sizable, addressable market outside Marine, in RV, in work trucks that we're accessing, today.

So, it's not a theoretical opportunity. It's a very real opportunity that we're capitalizing on in market.

Mike Swartz
Thank you.

Operator
Thank you. Our next question comes from the line of Xian Siew with BNP Paribas Exane. Please proceed with your question.

Xian Siew
Hi, guys, thanks for taking the question. I appreciate you guys sizing the downside scenarios, but I just want to maybe dig in a little bit more on those.

For example, for the P&A, can you maybe just aggregate how much of your P&A business is parts that are necessary for annual maintenance versus maybe some parts or accessories that are more discretionary and can be, maybe deferred out?

Trying to get a better sense of what's really required annual maintenance.

Ryan Gwillim
Yeah, I'll take that and, Chris, maybe you can also add in. We believe about 75% of our P&A business is aftermarket. And a large, large majority of that we would consider necessary maintenance and things you just have to either consume, right, consumables, oils, lube, filters, or things that just need to be repaired, replaced on normal usage.

I think a lot of nice-to-haves, right, the things that you could do without, a lot of those are in the boat parts and systems side of things, which is generally kind of a bit of the lower margin and more commodity type products.

We're happy to sell them. We distribute them same day, next day, obviously, through our distribution business. But the large majority of that aftermarket is required and necessary.

David Foulkes
I'm sorry, Chris, I didn't mean to interrupt. But I would say, though, that if you look historically, even in the financial crisis, P&A only went down about 5%. So, it isn't as though, even in very tough financial circumstances, you see some huge change, a change in behavior around after market items on a boat. We actually saw that be extremely consistent.

And I would say that, and we mentioned it recently, that consumers, in a lot of cases, will keep a boat for a while, but they don't want old electronics. They want new technology. They want to be able to catch fish better and easier than they did before, better and easier than their friends can.

And so, we now have ways of satisfying that, including things like over the air updates. So, we have new ways of delivering technology that make us even more robust, I think, than we were in the past.

Sorry, Chris. Please go ahead. Chris Drees.

Chris Drees
No. And thanks, Dave. When you look at the Mercury and the replacement parts, those are really necessities to replace the propeller, to keep your engine running.

I would consider all the Mercury P&A, for the most part, necessity to keep your boat and engine running smoothly.

Xien Siew
Okay, yeah. That's really helpful. And then maybe just on the propulsion site, as well. You showed how potentially down less than boat retail. Maybe you can help which that gap, as well, a bit more.

Are you thinking about things like share gains and more repower sales or just some more dimensionalization of that would be helpful. Thanks.

Chris Drees
Dave and group, I can grab this one a little bit. If you think about some of the markets that we have a lot of opportunity yet in the commercial market, certainly, we're just touching the surface on some of that.

Then as it as it goes on, the repower market opens up more broadly. And also, the new OEMs. As we continue to launch new products, we're seeing great acceptance by new OEMs in the market place.

And that's after we fill current backorders. So, certainly, a lot of potential on the propulsion side.

Xien Siew
Okay, very helpful. Thank you, guys.

David Foulkes
Thank you.

Operator
Thank you. Our next question comes from the line of Joseph Spak with RBC Capital Markets. Please proceed with your questions.

Joseph Spak
Thanks so much. Thanks for us on this call. You touched a bunch on some of the near-term issues here. I guess I wanted to ask a couple of bigger picture questions.

With all the initiatives and plans you have in place but also, everything else going on in the world, and I realize you might not haven't said yet but I'm curious just sort of getting your thoughts as how you're thinking about this.

Like, how do you reimagine your supply and value chains because it seems like everything's going to require sort of a rethink for what might be a different world for the next 10 versus the prior time?

And then, secondarily, just for the initiatives that are aligned with your ACES view and the digital journey, you're trying to take the customer on.

How are you finding your ability to attract the right talent to execute on that?

David Foulkes
a really good question. Thank you, Joe, very much. I think on the supply chain is not our reimagining, if you like. A supply chain is a more continuous process than you might think.

A lot of things that have occurred over the past several years, tariffs, for example, would be one, that cause you to rethink the way that you source product.

Certainly, we've mentioned, recently, the high degree of vertical integration that we have, particularly, in Mercury and with the investments that we're making now that the vertical integration will be further increased.

And then, the acquisitions that we're making and the technologies that we're developing, organically, all mean that we have more capability product systems that we generate, internally.

And I think the--clearly, people are moving, and we are moving less JIT and more towards supply chain robustness. And that is clearly a new theme, if you like, over the past several years, but we're well along with that in sourcing of certain product lines.

One of the advantages we have is there aren't many people big enough to insource some of this stuff and for the volume still to make sense. But for us, it can really make sense, especially, if it avoids disruption.

So, as we mentioned, sourcing patterns are changing. The products that we get delivered are changing. The amount we insource is changing. And our continued investment of vertical integration, overall, continues to help us a lot.

Does anybody else have any comments on that?

Aine Denari
I guess I just would say, from a boat perspective, of course, we're doing all of the vertical integration that we talked about. I think it's very helpful for us with our sister divisions, as well. That certainly enables us to manage the supply chain.

And I think just this kind of longer-term visibility and more, just kind of more holistic contracts in place, I think, is really helping us. But this longer-term viewpoint that we're taking and, to your point, less of the just in time and more robustness has really been helping, together with the sister division relationships is enormously helpful.

David Foulkes
On the second question, Joe, I think we're doing extremely well sourcing talent. I think the investments that we make in our culture and our compensation systems and our inclusiveness programs, of course, they're the right thing to do, but they genuinely, really help us.

We have a great culture that's really well recognized. When we get external recognition by brands like Forbes and we place really high, not just in our industry but across industries, it is a huge benefit for us.

And we're getting a really strong return on it. We have hired incredible management and technical talent from multiple industries at senior management levels and throughout the organization, just over the past two or three years, and continue to do that.

The market is certainly--it's quite aggressive. We have to move, quickly. We have to present the right kind of proposition. But in our space, I think nobody else is better equipped to do that than we are. And I think we're being very successful.

If you think, just in the senior leadership team, recently, we have Aine from Tier 1 Automotive. We have Brett from Consumer Goods. We have John Reed from AG. So, a lot of people coming into the business with, exactly, the capabilities that we want and the talent who view Brunswick as strong growth and with the right culture to be able to develop their careers.

The operating model we put together really helps, too. I think having four divisions, instead of just two, gives everybody more opportunity to demonstrate their capabilities and shine and participate in the multiple growth factors that we have.

So, everybody's highly motivated, and we're getting really, really strong talent, still. And actually, you'll see more of that in the coming months.

Joseph Spak
Yeah, sounds like--

Brenna Preisser
--Sorry, this is Brenna. Sorry, Joe. I just build on I love the question and the reimagine. What we haven't talked about yet, I would also say we are reimagining the future of participation in Marine.

And so, if we look at the future, it is not just a sudden discrete transaction, but Brunswick is positioned, in position really to win with consumers of the future, over the course of their boating lifetime. And as we are bringing in and winning with new consumers, you can imagine the next five to 10 years, the Marine industry is going to look different, runs differently.

Brunswick is thus, positioned to win. And in addition, just the synergies within the organization in our portfolio, as we think about the connection points to, ultimately, build a better experience.

So, we have a very strong optimistic view of the future and participation.

Brett Dibkey
Yeah, this is Brett. I just wanted to build, I think, on points that underpin what Dave and Brenna shared. I think we've had remarkably good luck at attracting top tier talent from a variety of different industries.

And I think that's driven, in part, not only by the industry is one that elicits a lot of passion but as Brenna was kind of alluding to, I think people, generally, understand and really connect to the narrative of Brunswick and our ability not just to participate in the transformation of the industry but to really help drive it and lead it.

And so, when you couple that with an industry like ours that's fun and, again, elicits passion, I think it becomes a really attractive value proposition for top talent in the industry

And I think we're seeing evidence of that, every day, in our recruiting efforts.

Joseph Spak
Got it. It sounds like your scale and positioning is of itself a competitive advantage for what's a rapidly changing world. So, appreciate your thoughtful perspective, team. Appreciate it.

David Foulkes
Thank you, thank you very much.

Operator
Thank you. Ladies and gentlemen, as another reminder, it is "*", "1" to join the question queue. Our next question is a follow-up from the line of Gerrick Johnson with BMO Capital Markets. Please proceed with your question.

Gerrick Johnson
Hey, thank you. David, you mentioned consumer centric innovations in your presentation. I'd love to hear more about that process and how you gain those consumer insights to develop that consumer centric innovation.

David Foulkes
Thank you for the question, Gerrick. We talked quite a bit about, and I'll send this over to Lauren Beckstedt in a second.

But about unique ways that we have developed, over time, partly, I think out of always looking for something that is an advantage, partly because the consumer dynamics are changing so fast, that allow us to get more real time insights into consumer behaviors.

And then, I think we benefit a lot from the breadth of our portfolio. We have just a lot of touch points with consumers from value boats to premium boats, from participation models like Freedom.

And so maybe, I'll turn it over to Lauren to expand on that. And then we can talk about how that drives innovation.

Lauren Beckstedt
Yeah, I think to finish the point, as it relates to portfolio, one of our competitive advantages, especially, consumers interact with our brands more and more digitally, every day, we get a macro view that nobody else has.

And so, looking at those big picture aggregate trends around the consumer helps us stay more nimble and dynamic. And then, other things we've put in place, like Ripl, which is our consumer community. That gives us real-time feedback about consumer interests, preferences, behaviors, that we can really turn on, at any point, during the year cycle to see and touch and stay close to trends.

So, and that's just one example. I think we've got lots of different mechanisms to stay close to the consumer to inform our innovation process. But those are two of the stronger competitive advantages that we nurture.

David Foulkes
How it drives innovation, I think, a couple of examples might be product innovation and then, business model innovation.

So, on product innovation, of course, we share some of the high-level feedback that we get from the Ripl online community, which is, I think, probably coming up on 5,000 members. But actually, we work with that community in a lot more depth.

So, for example, as we developed our electrification strategy, we were able to try and understand adoption rates, what does an early adopter look like, what does a late adopter look like, what are the attributes that they might be prepared to trade off on.

So, as we go into the process of designing a product, we understand range, speed, performance, aesthetics, other attributes, digital attributes, for example, connectivity.

And how, where in the case of electrification, where there's almost always some level of trade-off, where are people not willing to make a trade-off and where are they willing to make a trade-off.

So, that has driven a lot of the direction of our electrification strategy.

And then, in terms of business model, you can imagine that, in a business like Freedom, there are lots of, inside that, a lot of programs, a lot of pricing opportunities, a lot of different ways to participate.

But I don't know if you wanted to--

Lauren Beckstedt

--Strategy side. We have a direct line of communication with 50,000 boaters that in there is factor, very diverse.

In addition, Boateka is a great example of the business model that was born out of an insight where consumers want trust and transparency in preowned boat purchasing.

And so, we've learned, as we've designed the business and we continue to do a lot of learning by doing, we're refining the business model. So, we're agile and we pivot, but consumer insight is really what's driving how we design our business model and build a competitive advantage.

David Foulkes
Thank you, Gerrick. Great question.

Operator
Thank you. That concludes our question-and-answer session. At this time, I'd like to turn the floor back to Dave for any concluding remarks.

David Foulkes
Thank you, Melissa, very much. And thank you, all, very, very much for taking the time to join us, today, and for the excellent questions.

I am very pleased that you had the opportunity to interact with our outstanding team, today.

As you can tell, we're all very excited about Brunswick's progress and the future potential of all of our businesses. And in the coming months, you will see many more examples of our unique Next Wave strategy being brought to life.

Thank you, all, very much for your time and have a great day.

Operator
Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.