

# BRUNSWICK

March 24, 2016

## **DEAR FELLOW SHAREHOLDERS:**

It is a privilege to be writing to you for the first time as Brunswick's Chairman and Chief Executive Officer. I am eager and ready to lead our outstanding team of employees in our ongoing goal to consistently grow this Company and deliver value for our shareholders.

In 2015, Brunswick reported its sixth consecutive year of improvement in operating performance. This outstanding financial performance is the product of the effort, talent and expertise of our more than 13,000 employees around the world, the great brands that we have in all of our categories and our outstanding dealers and partners.

Our foundation is built on three strategic pillars. These are:

- Product Leadership – We develop and introduce products that are intuitive, innovative and desired by consumers, through a process that is faster and better than our competitors;
- Be the Best Partner – We consistently deliver the best value to all of our business partners; and
- Have a Winning Culture - We develop and retain the best team, with a passion for delivering our plan together.

These strategic pillars will further fortify our efforts going forward as we intently focus on strategically positioning the Company for continued growth and prosperity. In 2015, these efforts included:

- Introducing a steady cadence of new product introductions across all lines of business;
- Completing and integrating several strategic acquisitions, primarily aimed at strengthening our marine parts and accessories (P&A) and fitness businesses, which are areas we believe offer the greatest opportunities for growth;
- Expanding our manufacturing footprint and capabilities to increase capacity to meet demand and enable efficiencies; and
- Attracting and retaining top talent, including the completion of a well-orchestrated management succession process for several key senior leadership positions.

## 2015 FINANCIAL HIGHLIGHTS

For 2015, consolidated net sales increased 7 percent to \$4.1 billion (11 percent on a constant currency basis.) For the year, adjusted operating earnings increased by 18 percent from 2014. This top line growth reflected:

- Strong growth rates in boats, outboard engines and marine P&A;
- Solid performance in fitness equipment; and
- Growth via acquisitions, increases in the average sale price of our products and market share gains.

Adjusted pretax earnings increased by 20 percent and we reported 2015 diluted EPS, as adjusted, of \$2.93, an increase of 21 percent versus 2014. This strong earnings growth was also supported by benefits from cost reductions including savings related to lower commodity costs and sourcing initiatives, along with a more favorable product mix, partially offset by the unfavorable effects of foreign exchange.

## OUR GROWTH STRATEGY

Clearly, our job going forward is to make Brunswick even better, and we have a solid strategy to meet this objective. Our goal is to grow revenue at rates greater than those of the global marine and fitness markets in which we compete. We will accomplish this by:

- Effectively managing and growing our core businesses and increasing market share;
- Selectively seeking and acquiring businesses; and
- Identifying adjacent markets where we can put our skills and knowledge to work creating and offering products and services to compete in new or related segments.

We begin with our core businesses – marine engines, boats and fitness – with product segments and brands where we already have a leading position, and distinct advantages and strengths. In our core operations, introducing new products, taking care of our customers and improving operating performance will provide a firm foundation from which we can grow at a rate greater than that of the market.

In addition to introducing new products, these businesses will also grow by finding bolt-on or complementary acquisitions. We have already seen this strategy at work in marine P&A. In 2015, Brunswick acquired Minnesota-based Garelick Manufacturing, a leading provider of marine seating, tables and other products, as well as Australia's BLA, which bolsters our marine P&A distribution capabilities in Asia-Pacific.

Our third strategic growth component is adjacencies, which are attractive market segments, new to Brunswick, where we will establish new businesses that leverage our existing knowledge and expertise. An example of this approach was our 2015 acquisition of SCIFIT, which places us in an attractive and growing segment with specialized fitness equipment for the active aging as well as those rehabilitating from an injury or surgery.

## CYBEX ACQUISITION

In January 2016, Brunswick completed the acquisition of Cybex International Inc., a leading maker of commercial fitness equipment. Cybex is now part of our Life Fitness division's portfolio of leading brands.

Founded in 1970, Cybex offers a full line of cardiovascular and strength products largely serving the commercial fitness market. It is an important component of our plan to double our Fitness segment revenue by 2020. The addition of this premium brand also provides our Fitness segment operations with a broader product portfolio as well as growth and cost related synergies.

## WE ARE A PRODUCT-DRIVEN COMPANY

Throughout our operations, Brunswick has a successful track record of developing innovative, differentiated products that drive market share and solidify our leadership in the segments in which we compete. For example:

- In 2015, Mercury Marine introduced four new engines – the Verado 350hp outboard, Mercury Racing Verado 400R outboard, Mercury Racing QC4v 1550 sterndrive and Mercury 4.5-liter 200hp sterndrive, as well as many other products. On average, Mercury releases a new engine or engine-related product every six weeks. Mercury's marine P&A business, which accounted for nearly a quarter of Brunswick's sales in 2015, also introduced scores of new products during the year along with broadening its parts distribution network. Mercury is on track to deliver \$350 million of P&A sales growth through acquisition by 2018.
- In the Brunswick Boat Group, new products are being developed at an unprecedented rate. Our Freshwater Group, which makes aluminum fish and pontoon boats, has a dynamic portfolio that has been updated with numerous new and refreshed models throughout its six brands. Sea Ray, part of our

Recreational Boat Group, has introduced 11 new models over the past five months alone. Our Saltwater Group, featuring the iconic Boston Whaler brand, continues to set a rapid pace in its target markets with a string of popular boats such as the Outrage 420, *Boating Magazine's* Boat of the Year.

- Our Fitness segment continues to be the leader in its segment, with such powerhouse brands as Life Fitness, Cybex, Hammer Strength and SCIFIT. To accommodate growth, plant expansions were recently completed in Kiskoros, Hungary, as well as Ramsey, Minnesota. In 2015, the Fitness segment also integrated Brunswick Billiards into its consumer business as well as separately incubated and launched a new line of business called InMovement. This business is dedicated to enabling greater levels of activity in the workplace to combat the harmful effects of a sedentary lifestyle, taking the Company into an emerging and growing market category.

#### FINANCIAL OUTLOOK

Our outlook for 2016 is generally consistent with our three-year strategic plan that we shared with the financial community at a New York investor event in late 2015. Our recent and forecasted results reflect the continued success of our strategy, as we believe we are well-positioned to generate sales and earnings growth in 2016 and beyond.

This plan reflects revenue in the \$5.2 billion to \$5.5 billion range in 2018, with averages in EPS growth rates in the mid-teen to high-teen percent range. Further, Brunswick's healthy balance sheet and strong free cash flow support a growth strategy that will enable the Company to invest in growth and meet or exceed its long-term financial targets, as well as return capital to shareholders.

Before closing, I would like to thank my friend and predecessor Dusty McCoy for his outstanding work as Brunswick's Chairman and Chief Executive Officer for ten years. His foresight, leadership, calm demeanor and boundless energy helped guide the Company through some of the most difficult and trying economic times in its history. Under Dusty's leadership, Brunswick emerged from this period a stronger, more vital company.

For more than 170 years, Brunswick has grown and prospered in both good as well as challenging economic times. We have done so by continually reinventing ourselves and delivering on our promises. We are again reinventing and reinvigorating ourselves to produce solid growth and performance. We are confident in our future, in our strategy and in the capabilities of our more than 13,000 colleagues around the world.

Sincerely,



Mark D. Schwabero  
Chairman and Chief Executive Officer  
Brunswick Corporation