

# FINAL TRANSCRIPT

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## **BC - Brunswick Investor Meeting at 2011 Miami Boat Show**

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## CORPORATE PARTICIPANTS

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**Dusty McCoy**

*Brunswick Corporation - Chairman and CEO*

**Andy Graves**

*Brunswick Corporation - VP and President - Brunswick Boat Group*

**Rob Parmentier**

*Brunswick Corporation - President of Sea Ray Group*

**Kevin Roggenbuck**

*Owner - Lake Union Sea Ray*

**Mark Schwabero**

*Mercury Marine - President*

**John Pfeifer**

*Brunswick Marine International - President*

**Michael Gyrog**

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## CONFERENCE CALL PARTICIPANTS

**Paul Versailles**

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**James Hardiman**

*Longbow Research - Analyst*

## PRESENTATION

**Bruce Byots** - Brunswick Corporation - VP - Corporate and IR

Good morning, I'm Bruce Byots, Vice President, Investor Relations, and I'd like to welcome everyone to the Brunswick Investor Meeting being held at the 2011 Miami Boat Show.

We have a very full agenda planned for you today. After the formal presentation, I'll come back; one of us will be up here, giving you some directions regarding logistics for product demonstrations and the trip up to see the Hatteras-CABO Exhibit, as well.

We are webcasting this event on [brunswick.com](http://brunswick.com). So, when we do get to the Q&A period, if you could wait for me to come by and get a microphone to you and we could capture both questions and answers for those listening in on the webcast.

The exciting part, I'd like to remind everyone that, during our presentation, our comments may include certain forward-looking comments about future results. Please keep in mind that our results could differ materially from those expectations. The details and factors to consider, please, refer to our recent SEC filings. All of those are available on our website.

And now, I'd like to turn the podium over to Dusty McCoy.



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**Dusty McCoy** - Brunswick Corporation - Chairman and CEO

Good morning, everyone, and thank you, Bruce. Thank everyone in attendance. For those of you on the webcast, we have quite a roomful. And, for those of you joining us on the webcast, we thank you very much for your interest. Let's start out looking at who Brunswick is in the marine industry.

As we go back to 2010, we look at a bit different than we did, in say, 2006, 2007. Today, our marine businesses account for about 75% of our revenue. This is down from 80% to 82% in the 2004, 2005 timeframe. And it's important to know, here, the difference in the mix also. It used to be that our engine and boat businesses were about the same from a revenue perspective.

Today, you can see our engine business is nearly half of Brunswick's overall revenues and our boat business is slightly over 25%. And that's consistent with what's happened in the industry and our ability to manage through this downturn in the industry.

We can never forget, though, our two other businesses because they have been incredibly important to us, as we've gone through the difficult economic conditions that the world's now coming out of.

Now, in 2010, these businesses are about 25% of our total sales. Again, that is up from the 18%, 19%, 20% range, depending upon the year. These have been great businesses through the downturn and continue to be great businesses, and businesses about which we're actually quite excited.

Our life fitness business continues to grow, gain share, and, as you know, in looking at our numbers, it's our highest margin business in Brunswick as we came out of 2010. And believe it's a business that's beginning steadily to pull away from the competition, and one we have a lot excitement about as we go forward.

Now, our bowling and billiard businesses, they have just been impacted, obviously, by the low number of housing starts in the United States. So, we've been looking for alternative means of distribution, et cetera, and we're keeping that business alive and healthy, although it is actually not growing right now.

And our bowling business continues to do well. Our bowling retail business, in almost any circumstances, holds up well and makes nice money. And these two businesses were great cash contributors to Brunswick in the 2009, 2010 timeframe.

This slide is one that we're confident it is going to begin to change. And this is one we've been showing, now, for years and it depicts retail powerboat sales in the United States from 1965 through 2010. There's two pieces of news on this that's a bit different than you've seen before.

First, we believe 2010, while all of the final numbers are not in, is going to end up at about 132,000 powerboat units. Now, we take out of that PWCs and a few little things like that, that -- this is the area in which we compete.

The most important statement on this chart is the kicker at the bottom. It's our judgment that the significant decline in demand we began to experience back in the 2005, 2006 timeframe has likely bottomed. We are not saying that the market's going to take off in 2010. But, what -- we are saying that it isn't either. But, our view is the market has likely bottomed at the end of 2010.

And that's very important for this Company. And that's something we want you to walk out of here with as we end today. We've done a lot of work to position this Company for this particular point in time.

And what we're going to today is show -- give you lots of information and lots of view about the businesses you've not seen before, so that you can begin to understand how we've positioned ourselves to be very healthy going forward in this particular set of circumstances that we've been waiting for, frankly.



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are you comfortable being in the marine business? And our answer is, absolutely, definitely, yes. Now, we're not of the view that the marine industry's going to come running back to 300,000 units anytime quickly.

But, we're also of the view that the marine industry will begin to improve and recover and that we can be quite profitable, even in a smaller industry. And a lot of the presentations today are going help you understand how we're positioned to do that.

This particular chart is important because this shows licensed powerboats in the United States. And, now, to put this in the context, for the use a powerboat in the United States -- you've got to go to the courthouse or some other registration office. You've got to pay a fee. You've got to get a sticker; you've got to put it on your boat.

You have to undertake positive activities in order to use the boat, and make the decision that you're going to boat. And, throughout this entire time period, fundamentally, the powerboat registrations have remained at about 10,300,000 units. Little variation, but this a consistently engaged in activity in the United States of America.

Boaters have continued to boat throughout this time period, and it's our view they're going to continue to do so going forward.

Another thing that we think is important to understand is boaters actually like to boat and get out on the water a lot. And we just picked a couple of time periods -- we went back to '06 to '09. The left chart shows -- the one in green -- of the people who own a boat, how many of them on a percentage basis took their boat out in a particular year.

And you can see, in the tough times, even in '08, 85% of the time, a boat owner had their boat out on the water, 89% in 2009. And, if you look at the average days that people used boats, '08, in our judgment, was down to 26% because of the fuel prices.

But, as we see fuel prices begin to drop, in '09, we're back up to 30 days. And, my judgment is, when we get in '10, we'll see that number continuing to rise. So, people are still (inaudible) their boats and they're still using their boats, and it's an activity that they're still engaged in.

This was one we've been showing for a long time. There's good news in this one, and there's a bad news in this one. The good news is, if we look across the blue bars, we have had a slight increase in the number of people who go boating in the United States each year. So, again, it is steadily engaged in activity.

The bad news is, as a percentage of the total population in the United States, the number of people who go boating has actually declined some. And that's a challenge for us in the industry. It's something we've got to look in the eye, take on, and begin to make boating an easier activity to engage in. And, again, you'll see, in some of the presentations today, how we're beginning to think about that and how we'll be moving forward.

This slide is to address Joe. Joe and I laughed, before we got up, I said, oh, ye of little faith. A question we've been asked is, why are you calling the bottom? And I'm not going to take my presentation time; we'll do it in question and answer if it is more important. There's a whole raft of reasons, but this is one. This is where we've charted the change in boat sales. It is powerboat sales in the United States tied to GDP.

And, if you look up in the top right, if GDP is projected to grow more than 3%, in any particular year, or actually grows more than 3% in a year -- you can see, we have 19 years in which that's happened. In 12 of the 19 years, the industry was actually up. And, in nine of the 19 years, it was up more than 5% if GDP growth was more than 3%.

We are not GDP growth predictors. You can get that from a whole raft of folks. But it's clearly beginning to settle in that all of the predictors are saying; it's going to be above 3%. And, I think, the Fed came out today and almost got it to 4%. This is one of the factors we've been looking at. And we think, statistically, it's an accurate factor and one that all should consider.



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We, clearly, have been doing a lot of work in this Company to change the Company. And we've got a great member -- a great group in the management team here. And, when we go off air, so I don't take our air time, I'll introduce you to everybody who's here.

As we went into 2007, coming out of 2000 -- or coming out of 2007, I'm sorry, and going into 2008, we sat down and said, we are getting ready to go through a very difficult time. And the way for us to get through this is to understand we are value builders. We're going to create value while going through a difficult time.

Because it's very easy to go through these sorts of circumstances and destroy value, and then spend decades trying to recover it. Our view is we need to build value as we go through this time. The first thing we knew we needed to do, however, was we needed to conserve cash and we needed to get our debt in-line so that we didn't have a big cash need while we waited for the economy to recover.

In my judgment, our team did an absolutely magnificent effort. You know what our cash reserves are right now. Some of you even argue we have a little too much cash. We'll debate that with you some other time. We're quite comfortable with where we are and that, actually, came from our operating folks.

We really handled working capital magnificently as we went through the downturn, and we were able to generate cash out of every single business and in doing good working capital work. We knew we needed to do something with our debt situation. Bill Metzger, here, who's our Treasurer, he and Peter Hamilton, our CFO, were the brilliant architects around this.

So, fundamentally, we pushed our debt out to 2016. We have a little bit due coming in '13. Our net debt position has gone down dramatically. And we knew we had to get that done as a first step in order to position ourselves to begin to build value.

The second thing that we knew we had to do is, we go to market through our dealer network and we needed to protect the dealer network and keep it healthy. And our judgment was, when the market began to turn and the economy began to improve, if we had a strong and viable dealer network, and one that we had stuck with, one that we had helped grow, one that we had kept helping through the downturn, that we would be uniquely positioned going forward.

In 2009, we spent \$100 million helping our dealers liquidate inventory. Our dealer count -- we are told that the dealer count in the industry is down around 30%. Our dealer count is flat. And one of our great dealers is going to talk to you a little bit this morning about why he stuck with us and why he thinks we've been a good partner.

Well, we wanted -- knew, we had to come out of this with a strong, viable, healthy dealer network in order to be able to create value.

And, then, the third thing we said is, while we're going through this, we've got to come out different. And, coming out different means we've got to have a significantly lower cost base, we've got to be much more efficient, and we have got to be more productive.

And because it's unlike -- it was unlikely, in early 2008 in our view that the industry would race out of this. And it was unlikely, in our view that the industry would race back to 300,000 units.

We set some real targets for ourselves and we've been very open with everyone about what those targets were. At 170,000 units, our view was that our margin percentage needs to be as high or higher as it was when the industry was 300,000 units. And, at 200,000 units, our margin dollars needed to be as high or higher when the industry was 300,000 units.

We continued to tell you we are comfortable, that we've met those goals. And my judgment is, and we keep -- you keep, bleeding it out of us on the call somewhat, that we're probably a little better than that. We -- our first thought was we could be breakeven at 150,000 units, than 135,000.



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We think our breakeven number is below 135,000 industry units when we're on a steady state basis. But, we knew that was important because, if we were going to create value, we had to come out of this as a very different company.

And we're quite comfortable that we've created a very different company. And that we're now positioned as the economy improves and the industry improves to take advantage of that.

This is probably the last time we're going to talk about this slide, but it served a great purpose in 2008, 2009. Our goal was to help everyone understand the relationship of bleeding out inventory, taking care of retail, and then how production would have to go up. And wholesale and retail were never going to match until we got everything level set.

This has been a dream of ours in Brunswick in the marine business at least since I've been here 11 years now. Wholesale equals retail. We've gotten ourselves there. It's a place we're going to stay from here on out. But, it's also caused the discussion to be a bit different than what you've heard in the past.

what is the best weeks-on-hand; what do you think is healthy? And we would all flail around on that and it would be different by brands, it would be different by boat type.

And we -- the judgment, our judgment, today, is here's a way to think about it. We need minimum stocking levels in our dealers in order for the dealers to be successful. And those have been reached with our dealer network through a lot of discussion over the past 12 to 18 months. And, then, once minimum stocking levels had been established, the key, then, is to get those in place, keep those as current models, and then have wholesale equal retail on a going forward basis.

And we're there. 15,000 units are our minimum stocking levels right now. And you will begin to see, going forward, over an annual basis -- it may be different quarterly because we may need to get some product into the dealers to be ready for the spring selling season is the example. But, on an annual basis, in this Company, wholesale is going to equal retail going forward.

Now, we may adjust minimum stocking levels from time-to-time. So, if our view -- to give you an example, is that a particular year is going to be a lot hotter, frankly, than we've been thinking, through discuss this with the dealers we may need to increase the stocking levels, so that we can be sure they're competitive as the season comes on.

But, right now, we're comfortable with 15,000 units. And wholesale will equal retail in this Company going forward.

We've clearly positioned ourselves as a low cost producer and a very unique producer. And you'll see, in talking -- in the discussion today by both Andy and Mark that has -- is becoming a big competitive advantage in our view, and gives us the ability to grow going forward.

As we look at our boat plant, Andy and his organization have taken out more than half our boat plants. You'll get to see that every plant in our system now makes multiple brands. So, we no longer have single brand plants.

Mark and his organization have taken on the manufacturing footprint for our engine business in the United States. It's something that a decade ago we would have said could never have happened. That organization is in the process now of closing the Stillwater, Oklahoma, facility.

When that's completed, \$40 million of fixed costs will come out of the engine business. And our engine business will be uniquely positioned versus the competition going forward, with the opportunity to be more responsive to the market.

We've, behind the scenes, done an enormous amount of work internally restructuring ourselves. We are highly matrixed. We have, in our marine and corporate headcount, we're down about 60% -- think we're more productive and more efficient than we've ever been, and continually look for ways to increase productivity and efficiency.



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We're a 165-year-old company, like a lot of a 165-year-old companies -- if you've lived in a house 165 years, you go look on the shelves and you've got a lot of stuff there you don't need. Our business teams did great hard work looking through our portfolios, and saying, why do we have this, why do we have that? Let's get out of this. Let's get out of that.

So, you've seen us divest non-core brands and we sold a lot of non-strategic assets. And, frankly, we've got more to sell. And, as the real estate world improves, we'll finish those sales over time.

It was important that, as we look at becoming more efficient and more productive, we look at our brand count. Andy and his team have done a magnificent job of pruning the brand count, so that now we're in businesses that we think have the opportunity to grow, to be productive going forward, and to be profitable going forward.

But, that's all in the past. And the key to our discussion with you today is to begin to turn the page in thinking about Brunswick. We've done all of this work for a reason. And now is the time for us to take advantage of all of the work that we've done.

We've, now, rather than thinking of the three goals before you, take care of cash, take care of the dealers, position yourself for the future, our discussion internally today is, first, everybody's got to perform better than the market. And that not only includes share, it includes margin, it includes quality, it includes productivity.

We expect every business to perform better in the market because we've invested in every one of our businesses. And we've made very hard decisions in all of our businesses about how we're going to live and operate going forward. And now is the time for our business units to go demonstrate that they're as good as we believe they are.

We expect every business to demonstrate outstanding opportunity leverage. And we've said, taking out changes in our manufacturing fixed cost structure operating expenses, for every incremental dollar, our view is we will bring \$0.30. This is the Brunswick level to the bottom line going forward.

Now, I want to be clear, it will be more than that in 2011 because we've still got fixed costs that we've been working on that's going to come through and we've still got some more operating expense that's coming out. But, on a steady state going forward, that will be a 30% number.

And, we expect every business to generate a positive free cash flow. And the way to think about our use of cash flow going forward is we're going to put in four buckets. The first will be to invest in organic growth. We know how to do that.

You'll see lots of new models here that you're going to get to experience in our marine business, not our other two businesses, how our investments look and feel. And it's something we need to continue to do and something we'll grow as the economy improves, and we think it's important that we do that.

Second, we need to take care of debt and opportunistically. But, ultimately, we need to be investment grade. We know how much debt we want to get out, and Bill Metzger and his team work that every day. And you've been seeing us buying debt as it's come reasonably available on the market.

And we'll continue to work that as we need to, going forward. But, we need to be investment grade and there is a level of debt that needs to get retired over the next several years.

Again, like a lot of 165-year old companies, we had lots of pension plans. We've hard-frozen practically all of our plans. We now know what are our liabilities are. We've got to get our assets matched up with our liabilities. With the decline in the market and declining discount rates, we are under-funded in our pension plans, and that's something we need to take care of.

We will get some help from the market. We'll get some help from discount rates, but we're also going to have to contribute cash and we've got a plan to keep putting that in.



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Then, when we finish those three things, then, we will be looking at distributions or payments to shareholders. And my judgment is, someday, we will get to have that problem. It's not going to happen in the next couple of years, but our cash flow projections are such that, if the economy grows and the marine industry improves, it is something we'll get to deal with going forward. And that's how we think of layering cash.

Today's presenters are a part of a very, very strong management team. I'm blessed for two reasons. First, I have one of the great jobs in America just because this is a wonderful, wonderful company that gets to work in wonderful industries. But, I'm really blessed by being surrounded by some wonderful people.

These are not all of the great people we have in the Company, obviously. But, these are folks who have walked this Company through probably the most difficult period of its history and who really believe, if they did the work and did it well, that we would come out a stronger and better company. And, I think, when you listen to them today -- those are -- on this list of our employees, you will definitely get that feeling.

Kevin is a dealer out in the Seattle area. Kevin's a good friend of the Company, a really great dealer. He's not going to toot his horn quite as much as he should because he's a very modest guy. But, Kevin's got over a 50% market share in his markets with Brunswick.

And Kevin will be talking to you for just a few minutes about why he's chosen to keep doubling down with Brunswick. This is a good team. You're going to enjoy what they've got to present, and I think you're going to see things that we've not talked about before.

So, as we look at going forward, we have strong brands, we have great market share leadership, and we think we know how to continue to protect and grow that.

Product is really important in the industries in which we are in. And our product quality, in our view, is second to none. And, as importantly, we need to maintain our technological leadership in all of our product categories. So, as we talk about investment in organic growth, you'll see lots of investment going to maintain our technological leadership.

We are absolutely confident and comfortable we have the premier distribution network. There is no question in our mind. And, for those of you who know the industry and who do your own field research and, then, go out and talk to dealers, we are completely confident that our dealer network is unassailable as being the best dealer network.

John Pfeifer, who many of you have not met, who has the responsibility for a lot of our global operations, will talk about some real opportunities that we see outside of the United States. And you've seen us steadily grow international sales from, say, 20% to nearly 43%, 44% as we've gone through this.

It's a combination of two things. US sales have gone down, yes, but we've gotten very much more focused outside of the United States and have great people on the ground in every region of the world now looking for marine opportunities.

And then, of course, we've transformed these marine businesses. We've got this great cost structure, and we are set up now to have a very strong earnings leverage. And we're confident that, when you finish today, that you'll have the real feel for how that's going to happen.

So with that, I'm going to turn the podium over to Andy Graves. Andy's responsible for our boat divisions.



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**Andy Graves** - Brunswick Corporation - VP and President - Brunswick Boat Group

Great. Thank you very much, Dusty, and good morning, and welcome to all of you. I'd like to do three things with you all this morning. I want to give you an update on our view of the market and how we see the competitive landscape.

I want to, also, describe for you what our current competitive position is as we emerge from this downturn, and a position that Dusty referenced and I firmly believe is a unique competitive position in the industry. And, also, a position that we've structured to, clearly, outperform the competition.

And the third thing I'd like to do is talk about our strategic priorities, particularly, as we are now in the midst of our shift of a focus from survival to a focus on long-term profitable growth.

Let me add a few of my perspectives to Dusty's opening comments, specifically related to the boat market. Clearly, we see indications that the retail market's bottoming out. We are convinced, as well, that we're emerging from a cyclical downturn rather than a secular decline.

And we're also seeing a bit of an abundance of anecdotal evidence that consumers are returning to the market. We see improving showroom traffic at our dealerships, more phone calls from customers to dealers. We see a more positive tone and tenor in the communications with consumers. Consumers are more engaged in the buying process than they were a year or two years ago.

And, certainly, the early boat shows of the season are showing to be stronger and more active than those of the last year. I'd also like to touch on one of the points that Dusty made as well, and draw what I think is an important conclusion.

This slide shows the stability of boating licenses and the participation that Dusty referenced. It also shows, and our research has indicated, that the used boat market, activity and used boat buyer behavior, has been relatively unchanged through this downturn. One evidence of that is the decline in used boat sales has only been 8% from 2005 through 2010.

We also know that there are far fewer distressed boats out in the dealer inventories. And we know that the industry has shifted significantly fewer new boats into the market during the past few years. All of this, we believe, is putting significant pressure on the used boat market, both on prices and on availability, which we think, ultimately, will drive more consumers to consider and purchase new boats.

The implication of all of that is this, a 3.3 percentage point improvement in the ratio of new boats to total boat sales, going from 15% last year to 18%. And, remember, that our 11-year average of new boats percentage to total market of boats has been 24%.

But, a three point move from 15% to 18% will drive a 20% increase in retail boat sales -- new boat sales. That 20% increase is roughly a \$200 million increase for the top line of the boat group.

We're often asked about the mixed shift that we've seen between fiberglass and aluminum boats in the past few years. This chart shows that the mixed shift is clearly evident. As during the downturn, the number of aluminum boats has outpaced our fiberglass business. The aluminum boat segment now accounts for 55% of our wholesale shipments on a unit basis and has increased to 25% on a dollar-weighted basis.

And, as you know, our incremental gross margin dollars are slightly lower than the aluminum segment than they are in fiberglass.

Let me speak a bit on the competitive landscape. Clearly, we remain the largest boat builder of recreational boats in the world, and we have, by far, the broadest presence and participation across all the key market segments on a global basis.

No other builder competes in all these categories, nor do they manage multi-brand presence in each of these segments. We believe this breadth and scale offers us a unique advantage in the marketplace.



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As a point of reference, this chart shows the lineup of our brand portfolio, stretching from recreational boats, through fiberglass fishing, offshore fishing, our aluminum fish boat segment, pontoons, and, then, also, the large yachts and sport finishing boats offered by CABO and Hatteras.

Let me use this as a reference, and then share with you our strategies that are going to drive profitable growth going forward. This brand portfolio has allowed us to consolidate our plans into centers of excellence, which are based on producing products in the same market category.

We now have a small run out plants in Reynosa, Mexico, a large runabout plant in Tellico, a cruiser plant in Knoxville, a sport yacht and yacht plant on the east coast of Florida. Our sport fishing and yacht business in Newbern, a pontoon plant in Fort Wayne, Indiana, a fish boat plant that focuses on northern-style boats in Minnesota, an aluminum fish boat plant in Missouri that focuses on southern style boats.

We've completed the consolidation that Dustan mentioned in the second half of 2010, with the closure and subsequent consolidation of CABO and Crestliner facilities, and the sale of our Triton fiberglass business. It's important for you to know that absent the most recent of these closures, our plants are operating in this new footprint at historically high levels of both productivity and quality.

Each of these category based plants has the scale and a dedicated focus of resources, both people, facilities, and equipment, as well as a stable order backlog that no single brand-single plant competitor can replicate. These capabilities, along with our focus and improvement in expanding our production flexibility, allows us to generate I think, three critical advantages in the market.

We think we can respond more quickly to a market recovery. We know that we can ensure we build quality boats in production because we're focused on a common set of products on a repetitive basis in each of these plants. And, this structure also allows us to operate as the low cost producer.

Each of our brands is well positioned as a leader in its segment, and we continued to receive numerous industry recognitions for our designs, our product quality, and our customer satisfaction.

Sea Ray, for example, is a recent winner of JD Power in 2009, the last time the surveys were completed. Meridian occupies the leading position amongst sedan bridges. I'll speak in a second about our all new convertible family on the Hatteras side. Boston Whaler, as you know, and we've talked about last year, won European powerboat of the year and the NMMA innovation award here at Miami last year.

We won, three, Boat of The Year Awards in Europe just recently. John Pfeifer will touch on those. One of those being our Trophy brand, which was motorboat of the year at the London Boat Show for its category of segments. And, across Bayliner, Lund and a number of our aluminum brands, we've continued to win excellence in design awards, and last year, received nearly 20 CSI awards from the industry.

We're especially proud of the all new GT family within Hatteras, pictured here on the top. We've now completed the family. The lineup is three boats, 54, 60, and 63 feet. All three are out on Collins Avenue, and available for you to see this afternoon and through the balance of the week; along with the new 44 Hardtop Express from CABO.

So, I encourage you, take the time to go spend with our Hatteras folks and experience these new boats. The GT family is truly incredible.

On the lower left is our new 450 Sedan Bridge from Sea Ray. That boat is receiving its public launch here, I think, right about now, downstairs at the convention center, and it's the first public display of the 450 Sedan Bridge from Sea Ray.



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Clearly, we're acknowledged as having the industry's leading engineering capabilities and product development capabilities. And, this is a result of the investments that we've made in our engineering and design, manpower. The in-house capabilities we have for prototyping, tooling centers, and the rigorous in-house testing that we complete.

But, we've been challenged to leverage these capabilities in our investments to deliver more new products which capture the imaginations of our consumers, in a market that's much smaller, and in one which we have fewer sales to earn a return on these investments.

We focused aggressively on this challenge the past 12 months, and we've solved it. We have reengineered and leaned out our manufacturing and product development processes, such that we've reduced the cost of each development product -- project by about 50%, and the development cycle times by about 25% in the last 12 months.

We're also working very hard to launch each new model, at a product cost that's below the model it replaces in an effort to keep boating affordable to more and more people.

Let me take a step back, and talk a little bit about our brand management capabilities and activities. We have developed specific brand profiles, several of them shown here, which link our brand promises to our product development efforts. The profiles also ensure that as we compete with multiple brands and segments, that each brand competes for a distinct set of customers.

We've developed specific brand strategies and marketing plans that further strengthen the brand equity that we have, and we are convinced that our strong brand equity will allow us to compete on non-price dimensions as we go forward. And, this is an important benefit, particularly as we emerge from this post-recession.

Let me take a couple of minutes to share some of the work that we're doing across our web strategies, consumer outreach and lifecycle campaigns, and allow me to use Sea Ray as a bit of an example.

We're working on building more loyalty and consumer affinity with our brands. Sea Ray is doing this with their Sea Ray owner's club. There are nearly 200,000 members of the owner's club today. We have two -- a newsletter, and Sea Ray Living Magazine, both with 100,000 units in circulation.

We're working extensively on our websites and web activities, designing them to be interesting, interactive, and potentially go viral. We've worked with social media and Facebook, Twitter and YouTube. We have a number of e-zines, electronic magazines that can quickly and effectively provide the content that our consumers are looking for, both on video and on print, readily available via the internet.

We've done some interesting work to continue to build traffic at our dealer showrooms and to drive people to our showrooms. It's been a very difficult challenge the past couple of years. We've been very excited with the Costco program partnership that we have with Sea Ray that was rolled out last year, driving first-time boat buyers to Sea Ray dealerships.

And, in this case, we're leveraging Costco's 22 million household members to drive them towards Sea Ray. We've been successful with this. We've done a pilot with Boston Whaler, and we're now in a full national rollout to put Boston Whaler products under the Costco partnership program.

Many of you may also be aware of AquaPalooza, one of the signature events of Sea Ray. Our dealers around the world hold these weekend activities for Sea Ray and other boat owners. 96 of them were held last year. The largest was a signature event that we held at Lake Travis in Austin Texas. And you can see the picture there of a massive amount of boats that attended and joined that concert, where Brad Paisley was the headliner.

And, also, we're doing some specific customer outreach work. Last year, if you were here, you may recall that Suze Orman launched our Women and Boating program here at the Miami Boat Show last year. We have a partnership and are working with



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[peptide] water safety. And along with MerCruiser, we've done some extensive work traveling the country with the joystick revolution tour to give people around the country hands on experience with that great new technology.

It's every bit our intention to continue to build on these traffic building customer outreach and consumer experiences as we go forward in 2011.

Let me lastly touch on the distribution advantage that we have and that Dustan referenced. For me, I think it's pretty simple. We have, by far, the strongest dealer body in the industry, and that dealer body has gotten stronger through the downturn. This is evidenced by our participation, our dealer's representation in the boating industry top 100, where last November, 51 of our dealers placed in the top 100.

It's also evidenced by our commitment and our dealer's commitment to dealer certification to drive continuous improvements at all of their businesses. We also, last year, restructured our sales force to focus more distinctly on winning locally, dealer by dealer, brand by brand in the marketplace.

That's opposed to a sales force the last couple of years, which has been focused on capturing and retaining the best dealers in each of the markets, and making sure that we got through the downturn with our dealers stronger than we did before. We believe we've accomplished that, and we're now focusing our efforts at driving execution and performance improvements dealer by dealer, brand by brand, throughout the country.

Let me summarize for you why I feel so confident about 2011, even in the eyes of an uncertain market. First, we have the best dealers, and they are positioned for growth. And, Rob and Kevin, who will follow me, I think will further demonstrate this in their presentations.

Second, I believe we have the most robust and responsive supply chain and manufacturing operations in the industry. Third, and Dusty referenced this as well, we have some specific growth opportunities that we're pursuing that can increase our participation in several of the global markets and in certain product segments here in the US.

And, lastly, this is a product business, and we will continue to deliver the industry's best, most exciting innovative products, and we'll do so at a rate that outperforms our competition.

Thank you for your time and attention. And I'd like to let Rob Parmentier, President of our Sea Ray Group, talk to you specifically about the distribution advantage that Sea Ray has, and then introduce one of our best dealers, Kevin Roggenbuck.

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**Rob Parmentier** - Brunswick Corporation - President of Sea Ray Group

Good morning. Appreciate the opportunity to speak with you, and give you an idea of what sets us apart from our competitors.

A little bit about our company and our brand, we've been around 51 years. Number one consumer choice in fiberglass pleasure boats in the world. We have a comprehensive product line, most of which you can see here at the Coliseum and, also, over at the Marina at Biscayne Bay later on this afternoon; over 40 models.

As Andy mentioned, JD Power winners in two out of three categories up until '09. Of course, with the recession, they've stopped that for the last couple years. They're going to pick it back up next year, but, we currently own the small boat category and the cruiser category.

Our strength and depth of our dealer network, which I'm going to give you a little inside peak in here, 82 different countries. This is something that we are extremely proud of at Sea Ray, and Dusty has alluded to you earlier, we have not really mentioned



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this a lot to a lot of people; however, over the last 30 to 40 years, we've done a lot of work on getting international distribution. Some of these people have been with us 30 and 40 years.

We don't just have gravel lots and mom and pop dealerships, we've got bricks and mortar and very talented people located all over the world -- 82 different countries, six different continents.

Beautiful brand new dealership opened a couple years ago in Qatar, our Meridian dealer, Ronautica. I've been to this facility, it's absolutely unbelievable. Right in the background, they also have a brand new mall there. If any of you have ever been out by Doha and the Persian Gulf, he's just done a super job for us.

In the upper right-hand corner, Dilos Extreme, and Perm, for those of you that have ever been to Siberia. In Siberia, that's a pretty snappy building. He sells quite a few Sea Rays for us believe it or not. He sold 12 boats last year, which we're very proud of, once again.

Nautix, El Gouna, Egypt. I was just there a year ago. Thank god I wasn't there recently, just sold a 27-foot Sea Ray. I talked to Maghdi last Friday, and his customer wants to know when he can get his boat, now that the turmoil has somewhat subsided. A beautiful facility.

Barcares Yachting, down in the Cote D'Azur in South France, carries Meridian and soon to be Sea Ray. It is another beautiful facility. And, SAMACO Marine in Jeddah, Saudi Arabia. Also, Sheik Sharbatly, whose been with us for almost 40 years, and he carries Sea Ray and Meridian and Hatteras -- does a superb job for us.

We offer a partnership with our distribution. We are not just OEMs and dealers. We live and breathe with these people, a Dusty as mentioned earlier, and Andy. It is a partnership, in many cases, they are friends, and they are like a family with us.

We have been through some tough times, and what's happened in the last 24 months, we've been able to not only help them through a very, very difficult period, and we've been able to help ourselves with carrying. In every major city in the world, we have either the number-one or the number-two dealer, and we're pretty proud of that, as you should be, too.

During the downturn, we only lost nine dealers. I think Dusty had mentioned -- the Company is, essentially, flat. The Sea Ray group has gained 49 dealers in two years. We've been able to upgrade a lot of our current distribution. And, in some instances, we've been able to put a hurt on some of our competitors.

What do we offer? Continuous growth and investment, customer friendly desired features on our products, consistent quality, top technology, as Andy mentioned. Hands-on craftsmanship, our average tenure in our plant is 16 years.

Our average tenure in our dealerships is 23 years. I can tell you that means something to the consumer right now, who is not only looking for value, but he's looking for customer service.

Our Sea Ray dealers, a little bit about our Sea Ray dealers; knowledgeable of the market, entrepreneurial spirit. Business acumen, in order for them to make it in the last couple tough years, we've got some very, very talented business people.

As I mentioned, average tenure of 23 years, and we have over 400 dealers on six different continents. I think Andy mentioned that 51 of the top 100 dealers are Brunswick dealers. Six of the top ten are Sea Ray dealers.

They also -- our Sea Ray distribution, over 30 of our dealers also carry Meridian, Bayliner, and Harris FloteBote. As we are moving towards a Brunswick exclusive, I will introduce you to Kevin Roggenbuck here in a little while, and he'll kind of explain to you, as he is our model child for that.



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A little bit about our ambassador program, and Andy touched on this briefly. It's Brunswick dealer certification. It ensures operational excellence. A program that helps our dealers deliver a superior boating experience. Sea Ray first introduced us back in 1996. We've now melted the best practices of Sea Ray, Boston Whaler, Bayliner, the NMMA, and the MRAA.

It's over 100 lean process tracking, best practice requirements. The reviews are web based, and then biannually, we send out a third party auditor to check on these 100 processes. It has really, really helped our distribution step up their game. We had metrics in place that we know that dealers that are certified have a better market share, better CSI, and most important to them, a better profit margin.

With that said, I'd now like to say a little bit about Mr. Roggenbuck. As Dustan had mentioned, he's out of Seattle, Washington. He's got five locations, 50% market share with Brunswick product. Number one Sea Ray dealer on the entire West Coast, number one Bayliner dealer worldwide, number one Trophy dealer worldwide, number one Meridian Yacht dealer worldwide, and a top ten Boston Whaler.

Without further ado, Mr. Roggenbuck. Thank you, very much.

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**Kevin Roggenbuck** - Owner - Lake Union Sea Ray

Wow, thanks Rob. Thanks Andy and Dusty. I appreciate those very kind words. We don't focus on those as much as we probably could sometimes, as Dusty mentioned, but they do make us proud.

I'd like to start by just talking about a little overview of who, like you can see right here, we are a family owned company and was founded in 1986. As Rob said, we have five locations, four sales locations in a separate service location in the Seattle area.

Two of our dealerships are on the water. One of them on Puget Island up north in Bellingham, 100 miles north of Seattle, and then one in downtown Seattle, right on Lake Union in the shadow of the space needle.

Our two other sales locations are inland locations. One south of Seattle in Tacoma and one in the Redmond area of the Seattle market. Most you know that's a high tech industry where Microsoft does business as well. So, we started business 25 years ago, and I didn't realize this until just recently, until my wife mentioned that it is our 25 year anniversary in business.

And, I'll tell you, it's amazing how time flies. I remember starting this Company 25 years ago. Rob was there to help, and we started our partnership back then.

It's incredible how much support that this company has given my company over the years. We are an ambassador dealer in all our locations, which, as Rob mentioned, is really -- there's 95 different business operational assessments that we're measured on and these performance targets, which include customer CSI and how we put our signs up and whether or not our restrooms are clean and how we operate our business is something that really has benefited our company incredibly well.

When this thing came out, it was a cumbersome kind of project to undertake, but it has made us more profitable and, certainly, better at what we do, our CSI, our customer CSI indexes have raised as a result of that.

We are one of the 51 dealers in the top 100. We have been for five consecutive years. We're now sitting comfortably in the top 20, and we employ about 100 employees during the height of the season. Which, collectively, have over 1,100 years of marine industry experience. So, we have a professional group that runs this company.

Our mission is to sell and provide superior service for the highest quality boats that are conducive to an active and efficient lifestyle for our customers. And, of course, our success is predicated on respect for all of our business partners, customers, employees, vendors, and the community as well.



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And, at Lake Union Sea Ray we often measure our balance sheet not in the traditional sense all the time, but also by the number of great boating experiences that our customers have.

Most of our employees are boaters and they get out. We all get out with our customers and boat along with them. And, we have a chance to see what kind of boating lifestyle they have, how much fun they have, and we participate in it at that level, as well as at the core business level.

What's amazing to me is how it -- this is an industry where people come in the door and they write checks that represent a lot of hard earned cash, and they do so with a smile on their face and they thank us. And, I just can't even imagine another business out there where people give you this much money and smile and thank you. And, it's incredible to watch, frankly.

Our business integrity is really the driving force for our everyday life. We empower every employee to do whatever it takes to make our customers happy. I've learned this from Sea Ray a long time ago. That's what they do with us. That's what we do with our customers and today, I can tell you that over half of the new Sea Rays that we sell are the customers that we've done business with in the past.

And, these dedicated boaters stick around. They -- a lot of them have gone around and bought boats from other dealers or other manufacturers, but they all come back to us. And, I tell you, that's really reassuring.

Brunswick's portfolio is -- I can talk only about these five brands, the Sea Ray, Boston Whaler, Meridian, and Trophy and Bayliner brands. And, I can tell you that 25 years ago when I started this company, we started with just Sea Ray yachts and sport yachts. And, at that time, it wasn't a very well-known brand locally, but, nationally, it was the #1 brand. And, it was what made me choose Sea Ray at the time.

Later, we grew into the sport boat and cruiser segment of Sea Ray, and became a full line dealer. Then, in 1995, we added Boston Whaler, which was a perfect fit for our branding that we were doing, offering high quality boats and service to these customers, and not only did the brand fit, but the demographic of that customer fit well too.

So, we didn't have a lot of adjustments to make in terms of our marketing or advertising or anything else. It was, really, essentially, just learning to know what our ports were about, because, at that time, we had no idea. So, that's been a great brand for us.

Then, two years ago, the local Bayliner trophy and Meridian yachts dealer went broke, and I bought the assets of this company and added those three great brands to our product offering portfolio.

And, I'll tell you, it was a challenge at first because the first thing we had to do is divest ourselves of two or three other non-Brunswick brands that really weren't performing in our market like we really wanted them to in the first place anyway.

So, we took on this challenge, and built a new infrastructure of the company. Built new message, we had different training, of course, and a lot of things that had to change to add those lines to our portfolio. And, of course, we did this at a time when other dealers were cutting budgets and closing stores. We were actually hiring people and opening new stores.

And, I knew at the time that we were probably the first and only dealer out there that had all of these five different brands at the same time. And, three of them were our biggest competitors for a long, long time.

And, so, it was a challenge and we had to make some mental adjustments to make this happen, but we found that as we rebuilt this thing it started to work. In fact, our market share grew above what our collective market share was with the previous dealer as a competitor after one year of doing business.

So, it did work for us, and it will be -- it's a long term investment, but it will work for us in the long term.



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Brand strength and market reach, these brands that we represent are the #1 choice around the world and today, we enjoy a very strong position in our marketplace among over 20 dealers in our market. At one time, there were 33 or 34, and we've lost, I think, you know, 13 or 14 of them, 30% to 35% of the dealers, and we enjoy a very strong position as a result of that.

Brunswick is the industry leader in what I consider some of the various obvious reasons. They produce the very top brands in the boating community, and the five that we represent offer huge depth and breadth with 83 different models to offer the customer. So, they've got, really, something for everybody.

In terms of JD Power winners, they're NMMA CSI award winners as well. And, really, all their awards and accolades as a result of their technological advances really helped to provide a great deal of confidence in our sales staff and hits the target that most customers are looking for today in today's tough market. So, they hit a home run in all those things they're doing there.

In terms of dealer support, Brunswick, as mentioned earlier, starts by assembling the best of the best in the dealer network out there. Their distribution is second to none. And, you know, we're not a bunch of mom and pop's like this industry has been driven by for a long, long time. We're dedicated, we know what brands we need, we know what brands are the best brands out there, and we really work hard at making sure that we're partnered with them as well.

In the downturn, they've offered us a great deal of help, not just in terms of incentives, but really the partnership that we have with them has helped us to get our inventory moving out the door to the consumer, in spite of all the, shall we say, challenged merchandise that hit the market in the last two or three years.

In terms of financial strength, from the outside, we look at Brunswick as a partner, and it's comforting to know that they have managed their cash, their balance sheet, and their distribution, and, especially, they've managed in this downturn market.

You see manufacturers that are really shutting down, and I can't even imagine being a dealer for one of those OEM's that you don't know whether they're going to be in business next month, or even producing boats next month.

And, once again, as a result of that, they're in a strong position to continue their dominance within the industry as well, and that's comforting to us as dealers. Because, everything we do depends on how they run their business as well. It gives not just our sales people the confidence, but also gives customers confidence of what they're investing in.

And, in terms of consumer recognition and trust, Brunswick is really fortunate to own the most consumer-recognizable boats on the market. And, I really don't think anybody can come close to even talking about that. This is a very enviable position to be in, and I think that my company is in an enviable position as well, having the opportunity to represent those brands.

Their breadth of portfolio is amazing. As I said, with the five brands that we offer, there's 83 different models. There are sport boats, boat riders, runabouts, wakeboard boats, fishing boats, small cruisers, and medium size cruisers. There's sport yachts, there's luxury fishing boats, and, really, everything in between.

And, these boats are positioned in the market to be offered to customers that are either new to the sport or experienced boaters that have been boating their entire lives. So, they, really, once again, have something for everybody.

Brunswick's close relationship with Mercury Marine has helped them build the perfectly matched boat between the engine and hull. I mean, that communication that they have is designed to make the perfect running boat. It's efficient, it runs better, it drives better, and they're built as a partnership rather than an add-on later.

So, I guess, the bottom line is this; my partnership with Brunswick has helped to build and strengthen my company over the past 25 years. And, so, with all that said, I can say that Lake Union Sea Ray has a stronger foundation than ever before in 25 years.



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In this recovery market, we are really confident with our partnership and are prepared to continue our share dominance as we look forward to expanding our market in the next 25 years. Thank you.

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**Kevin Grodzki** - *Mercury Sales, Marketing & Commercial Operations - Vice President and President*

I guess Dusty.

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**Dusty McCoy** - *Brunswick Corporation - Chairman and CEO*

Thank you, Kevin. Now, we're going to switch gears. We're going to bring Mark up to talk about the engine business. He'll be followed by Mike Gyorog to talk about the P&A business and then we'll close with John Pfeifer talking about our global operations.

So, Mark, who's President of Mercury Marine.

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**Mark Schwabero** - *Mercury Marine - President*

Good afternoon. You have to understand that it's really great not only to be at the Miami Boat Show, but it's really with excitement today to be able to talk about all the opportunities and the things we have really going on within Mercury Marine. The excitement that we're all feeling back at the Company.

And what I really wanted to, the first couple of points on the agenda today -- the first three are talking a little bit about things going on in the market, the business and with our products.

But I really want to take my few moments with you today to talk about the growth opportunities that we see with the product line-up we have today, with alliances that we have in place today and with things that we believe we can do with new products and new markets.

And as Dusty indicated then we'll bring up Mike Gyorog to get into more detail about our parts and accessories because I think that you're going to find a number of learnings as we go through that. And then John from a global perspective to talk about all the things we have going on around the world.

The current environment that we're really dealing with and I put these up -- we all recognize that there's tightening global regulations. It's fundamental to our business. Mercury's been around now 72 years. We're known for technology and performance and we understand what needs to happen and are dealing with that regulatory environment.

I think one of the learnings that's come out of this entire recession and thus, we talked about it from the standpoint of some pipelines, but also, I think everyone that we do business with is expecting to have less and less waste in the supply chain.

And obviously, another way of saying that, people just don't want to carry as much inventory and the need and desire and the capabilities of having a lean supply chain gets to be critical.

We have some great relationships and partnerships in the business I'll speak to, but clearly they allow us to get into other segments of the market and parts of the world and to again, complete the entire breadth of the product line that's so essential in this market.

We're seeing more and more things that people are expecting vehicles, boats, engines, interfaces between the propulsion and the operator, the consumer to be more automotive-like in terms of the information they're getting about the vessel or about the performance of the engine.

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We understand that and that's fundamental to technologies and things we're working on and even if you think about -- a lot of the conversations about bottoming or flat or where we're at, we're just excited because we think there's still a tremendous number of growth opportunities for us to participate in.

If you look at the current environment again, you'll see that from a Mercury perspective, we're number one in the outboard in the US and number two in the world. And our stern drive product on MerCruiser clearly is number one around the world. We're positioned with a great product line.

We're positioned with extensive distribution networks and to some of the earlier comments I'd add back on the US side you see our number one stern drive and our number one outboard. With those same dealer ratings, Mercury had 83 of the top 100 dealers were Mercury dealers and carried Mercury products.

When we look at the product offering, the reason I say we're not really a one trick pony and the excitement we have is around the breadth here. You'll see and I think you know and understand at this point, the wide range of product we have on the outboard side and it being 55 -- or the engine side being 55% of the business.

But I think when I get a little further in the presentation, you'll see some of the breadth and the opportunities we really feel on the stern drive side as well. We know our parts business is a large part of the business and when we go through, probably the most you've ever seen in that business, you'll understand that there are still a lot of opportunities for us going forward.

In the regions, we clearly have depth with the breadth and the distribution we have to grow there as well. Dusty mentioned the consolidation we initiated, the consolidation plan in the fall of 2009. A lot of different pieces came in place to make that happen.

The execution is on time, on budget and in fact, we should have everything completed as we originally communicated by the end of this calendar year -- by the end of 2011 and we deliver on the \$40 million of savings that we've communicated to you in the past.

One of the things to put in perspective, we're going through remodeling your house while you're living in it. We're closing a large assembly operation -- manufacturing and assembling, casting, machining and assembly in Stillwater, Oklahoma and moving that into the Fond du Lac operations and I thought we could do it all in, but we've had to add about 33,000 square feet to put that in perspective closing several hundred thousand square feet.

To give you some of the cooperation and progress and things we've been able to do -- the upper left, from the time we broke ground until we had the walls and everything up, until we actually had the docks in and were using this manufacturing space was a total of six weeks. We're getting excellent cooperation and moving aggressively to bring the savings home and complete the consolidation.

If you talk about -- again this about the current product -- and again, why we really feel great about what we've been able to do, if you look at that product line, it goes from on the outboard side from 2.5 horsepower to 350 horsepower and essentially, it's a new up-to-date product line. Almost everything's fitting in that array has been developed in just about the last five to six years.

We're not sitting here worried that we've got real wholes or dated product. It's a very, very contemporary product to serve the market. As you see in the lower left, essentially, we have the ability to satisfy all the boat segments that are out there.

Some of the things you'll see here and continued enhancements we do -- as a Verado product is taken on stronger and stronger positions and boats are getting bigger and heavier and going, particularly, in salt water, greater distances and even some of the commercial applications.



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So we've taken advantage of our capabilities there and have come out with a larger gear case, obviously giving more life and meeting those customer needs, we've got four stroke product to go into the angler fishing segment for those who want to move from a two stroke product to a four stroke.

But not to be forgotten is we still have our full range of DFI product or OptiMax Pro XS which is still the leader in the bass and angler market for propulsion. This is one of the slides that I, again -- you probably don't recognize and it's something we are really feeling upbeat about in the market.

We basically have an entire catalogue product line going across the MerCruisers starting with, as you see on the far left, with 135 hp three liter continuing all the way through the range up to our 8.2 liter product. That full line meets all the requirements of both the EPA and CARB, and everything that essentially we're looking at anywhere in the near term about emission regulation.

One of the excitements about that is -- one of our competitors in this product arena has exited the three liter market. They're not there at all. And number two; they have also not catalyzed their 4.3 liter product. Essentially, we have the ability at the three liter and the 4.3 -- in one case, they have the only product offering and then in the other case, they have the only catalyzed version of the 4.3 in the market. So, we see opportunity there.

We're excited about what that can do of supplying many of the OEMs, particularly, in the US because of the emissions' side. The other thing I think always surprises people is that as we brought this new product out, not only as we generated the reduced emissions, but we've also seen better fuel economy and lower inhalation in the cruise range of the operating of that product.

All of these new products are available with the whole listing of other things that we have from our controls, our riggings, our props -- everything that goes along with that product.

As Bruce will cover with you as we close out the session today, we really would love to see you take the time to go down to the marinas and get out on some of the product that's out there. The best way to sell is to get somebody experiencing these things first hand.

We have a number of strategic alliances and I think a lot of times when people think about growth, you think about it again, if you're looking at it organically, you think about the organic growth maybe within your four walls. We've got some tremendous partnering and alliances that are available to us.

We've got the leverage with the joint venture with Cummins and the opportunity, of course, to expand our diesel portfolio through that. Late in 2010, we've also announced our alliance with Volkswagen marine to basically give us high-speed diesel offerings at lower horse powers.

The combination of the Cummins and the Volkswagen -- we're excited about the ability to expand that portfolio, but also because both those are very well known and renown names, Volkswagen and Cummins in the diesel environment.

Shifting a little from things we're doing and the products we have, we have a lot of new product offerings. To be able to do it, in 2010, if you look across the array of whether you're talking engines or parts side of the business, or things that we've been able to do from props and riggings, et cetera, we were bringing a new product out in 2010. The drumbeat was literally every four to six weeks, we had something new going into the marketplace.

We didn't cut off the technology or the life blood as we were going through these times. We had continued to be able to bring product forward. We still have and are working the opportunities still in saltwater applications. And as I mentioned earlier, some of the things we've done with the Verado just positions us more and more to be able to grow our share within the saltwater environment -- some of the offshore fishing and other applications.



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We are not going to lose sight of the bread and butter. That's our traditional leadership we've had in our Pontoon and fishing markets.

Again, I'm coming back that we have the ability through a great set of suppliers, as well as, the relationships and alliances to really continue doing what Mercury is all about and that's keeping technological products and being leaders in the industry and maintaining our position as number one on the water.

Mike's going to cover this in some detail, but I wanted to just start teeing this up a little bit. When you look at our parts and accessories business and you see the breadth of it, you're going to see that we have the ability to continuously and are bringing new products forward into the segment.

We really have some great opportunities, whether you're talking about some of the non-traditional channels of retailers or internet and all the traditional channels through dealers and distribution, but some great, great opportunities to continue growing our presence through this channel.

Legislation sometimes brings opportunities and one of the things we'll cover with you is the fact that we'll be from Mercury standpoint, going into integrated and portable fuel systems with some of the new evaporated emissions we are launching and will be an integral part of providing those fuel systems to the OEMs since they have to integrate those into their products to comply with emissions and evaporative emission requirements.

Last, but not least, I think you'll get a little excited today when you see the sum of the things we're doing in the marine space from category management and on the retail side.

John's going to come up and talk to you of the global, you'll see there the color designating whether we're there from a dealer standpoint or a distribution standpoint, but we're not a US company exporting product. We're a global manufacturing supplier and distributor of marine propulsion systems.

My last slide, as Mike starts coming up, is really what are the priorities we are really focused on right now and why do we have some of the excitement we really have? And that with the product line we have, we have a phenomenal opportunity to grow our share. We've grown share this last year and we're even feeling more comfortable with share growth in 2011.

We're going to maintain a very, very comprehensive and complete product line. We're very comfortable with our ability to do that and we'll continue that in today's regulatory environment.

We'll leverage these key alliances we've talked about to not only expand things within our engine and our gas side of the business, but diesel and we've got some real opportunities to take the things that we've learned and done well in some of the US markets to share outside of the United States.

As we mentioned with having 83 of the top 100 and great dealers and distributors around the world, we really intend to leverage our service capabilities there as well. There's market, there's growth that can come through the products we have, there's growth that come through regions and segments and we won't lose sight of the last point up there.

As we've gone through the last couple of years, it's been painful -- all the costs and decisions that we've had to make to have our self in the competitive position we are in today to go forward.

We'll continue to watch those costs, we'll continue to work those operating improvements because at the end of the day, as Dusty said in the opening, we intend to bring significant profitability forward by leveraging that growth.

So, with that I'll have Mike come forward. Thank you.



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**Michael Gyroog** - *Service and Marine Parts & Accessories, Mercury Marine - Vice President*

Good afternoon. It's my pleasure to be able to share with you some information regarding our parts and accessories business. What I'd like to do is go ahead and start by talking about some of the core strengths in that business for you. First of all, we're the leading manufacturer and producer of P&A products in the marketplace and we also are the leader in the P&A distribution.

I'm going to explain the distinction between products and distributions a little more detail in just a moment. We're very profitable and poised for growth, domestically and internationally. We benefit from our original equipment demand going to boat manufacturers, as well as, after market demand for our products over the life of boats and engines.

We also benefit from new product development that takes place in our engines and boat operations, as well as, the market share growth the experience out on the marketplace as a result of their success. The P&A business is much less cyclical than the new boat sales businesses and I'll share some details about that with you too.

Finally, we have a superior after sales support and delivery mechanism in place to be able to create a competitive advantage for us out on the marketplace in terms of the delivery of our products for our distribution operations.

I mentioned the P&A sales are less cyclical than boat sales. You've seen the blue chart up here before. That's the (inaudible) data associated with new boat sales that occur on an annual basis. You can see how it's declined over time.

The red data on this chart are aftermarket accessory sales at the retail level that have occurred during the same time period. Those annual retail sales of accessories include items like service parts, oils and lubricants, propellers, trolling motors, boating accessories, but they do exclude items like trailers or fishing equipment.

You'll note that the year-over-year percentage change in those P&A sales tends to fall more in the plus or minus single-digit range. While you can see as you look at the relative percentage changes that can occur in the boat sales business, the boat sales can vary much more dramatically. So, we have a much more stable business.

The reason that those P&A sales are less cyclical and more stable is as Dusty had mentioned earlier when he showed you the slide that described the number of power boats in use in the United States, that number has been relatively constant at a little over \$10 million in the recent past.

As consumer use their boats, that results in a demand being created for parts and accessories to be able to support the boat from either maintenance or a repair perspective.

We have a stable of brands that we use to be able to support our business, both on the product side, on the left hand side of the chart and also our distribution businesses, on the right hand side of the chart. All of these brands are very well known out on the marketplace and are very well respected.

Some of the brands on the right-hand side, from a distribution perspective, are really associated with our businesses that we do on a wholesale basis within the trade and the brands on the right also apply to our retail businesses and have a good strong demand with the retail consumer.

Under the Mercury Quick Silver Attwood Motor Guide and Swivel-Eze brands, we offer the most extensive lines of P&A products in the marine industry. We offer products that meet almost every boating need that a consumer may have for their boat.

We have products that range from propellers at the back of the boat, all the way to trolling motors and navigation lights on the bow of the boat and virtually everything in between. As I mentioned, we have two categories of businesses.



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The products businesses and the distribution businesses; the products businesses design and develop high quality innovative products which are integrated into and support our boats and our engines. We also have distribution businesses which compete by providing superior P&A delivery service to other wholesale customers.

The P&A products flow through the distribution channels, as shown on this particular chart. Our distribution business is shown in green, act as channel intermediaries between the products manufacturers and the variety of different retailers who end up delivering the products to the retail consumers. They also distribute our brands of products that you note in blue.

We have a variety of competitive advantages associated with both our products and our distribution businesses that present us growth opportunities in the future. I'd like to take a few minutes to talk about a couple of those.

First, on the retail side, Attwood has had a relationship with Wal-Mart for over 25 years. Based on the strength of that relationship, Wal-Mart appointed Attwood as the marine category advisor.

In that role as a category advisor, we get the opportunity then to suggest to Wal-Mart what products they ought to stock and put in their retail store sets, how they ought to be priced and that sort of thing. As a result of our success of our relationship working with them, they've granted us additional stores for 2011 that will be stocked with Attwood branded products.

Our distribution businesses, composed of land and sea, Kellogg Marine Supply and Diversified Marine Products, have the most extensive coast-to-coast wholesale distribution capability in the United States. We have our distribution warehouses strategically located throughout the US. They are in the largest boat sales markets.

Our ability to offer one order, one shipment and one invoice with same day or next day delivery of P&A products is a real competitive strength for us out on the marketplace and it's the reason that our wholesale customers find it very easy to do business with us.

Mark mentioned the evaporative emissions and the regulations that are coming from the EPA. Those regulations have created a real big business opportunity for our Attwood business. We've been involved in fuel system products for a long period of time. Those new regulations get phased in starting in July of 2011 and we've been working for an extended period of time now developing new products to comply with those requirements.

Attwood has the advantage of being able to have access to extensive technical support information for Mercury Marine on engine technology, as well as, working with Brunswick Boat Divisions on boat design and manufacturing. Through the collective efforts of those organizations, we've been able to develop the next generation of fuel systems that will be very successful on the marketplace.

We also have extensive new product development opportunities in the Mercury Engine P&A segment of the business. We develop many of our own new innovative P&A products on our own, but we're also the beneficiary of many of the major investments the company makes in new engine technologies. Those new engine technologies end up delivering products to us that we support from a P&A perspective, and provide us additional sales opportunities.

A recent example of one of these innovative product developments is shown up here. It's the smart graph MercMonitor ECO-Screen display. This display helps boaters when they're operating the boat maximize the fuel economy while they're running the boat. It assists the operator to adjust the trim properly and adjust the throttle to a setting that gets them the maximum fuel economy while they're running the boat.

It was the winner of the 2010 West Marine Green Product of the Year Award. Then, I'd like to summarize by just hitting on a few of the key points. We're building a superior after sales support capability to distribute our extensive product line into the large, stable and very profitable P&A market.



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We're executing on our plans to improve customer satisfaction and grow our domestic and international P&A businesses and finally, we're leveraging new product developments across the entire organization of Brunswick to be able to help drive our P&A business.

I'd like to thank you for your attention and I encourage all of you who are here to please stop down and see us in the Mercury booth. We have a display of many of these parts and accessories, propellers, remote controls, trolling motors in the Mercury booth. We also have a separate inflatable boat booth that you can stop over and see if you're interested as well.

With that, it's my pleasure now to introduce John Pfeifer.

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**John Pfeifer** - *Brunswick Marine International - President*

Thanks, Mike. Today, I'm going to specifically talk about our business outside of the United States and from a very high level, we separate the business into two fundamental areas. That's, of course, our engine business and our boat business.

In the engine side of the business, essentially, what we do around the world is we have distribution operations that provide everything from marketing to technical service and support, applications engineering and supply chain operations that allow us to take all of the engine, the gas engine product line, the diesel engine product line and the more than 30,000 unique SKUs in our parts and accessories line to market in essentially every corner of the world.

We go through hundreds of distributors and thousands of retail dealers around the world. On the boat side of the business, we are essentially a combination of our large, global brands and distribution of those large, global brands.

Those are brands that you are likely familiar with that Sea Ray, Boston Whaler, Bayliner, et cetera and we combine those with internationally-based boat brands to serve some of the unique and diverse needs of marine markets in certain parts of the world, such as, Scandinavia or New Zealand.

Now, this is a chart that shows that our business outside the United States is becoming an increasingly important part of Brunswick. We are now over \$1 billion in revenue outside of the United States. That's 41% of our marine sales. That number continues to increase with every quarter and every year. This chart is organized by major geography.

When we look at the marine markets around the world, it's important to recognize that there are developed marine markets. Those are primarily recreational-oriented markets. That's areas like Western Europe, Australia, New Zealand.

These markets in the developed world of the marine industry have gone through the same downturn through '07 to '09 that Dusty talked about the US market going through. We've lost 50% in that period of time of our total market size.

We're at a position now where the marine markets around the world have stabilized for the most part. Boater participation still remains very healthy and we have an opportunity to grow our business again along with GDP growth rates and growth rates in employment and discretionary income.

On the other side of the marine market around the world is the developing or the emerging market. These are markets that today are still predominantly commercial and government-oriented. We supply a lot of engine product into these emerging markets. That's not a bad thing, that's a good thing, because those are good markets for us. We're able to compete and they're profitable market segments for us. Now, what we're seeing is we're seeing a lot of growth in some of these emerging markets.

We're very happy with our growth rates in China, Brazil, Russia, Malaysia and we look at this as a unique growth opportunity over the long-term, because what's happening is in some of these emerging markets, the recreational segment is starting to pick up. That provides us with long-term growth opportunity.



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We also have an international manufacturing footprint. This enables us to combine low cost together with local manufacturing and a very competitive delivery capability for our customers around the world. We have made enormous improvement to this manufacturing footprint throughout the downturn.

We have enhanced our capability to provide product at low cost. We have increased our globalization of manufacturing by putting Bayliner into places like Argentina and Portugal, and improved our Sea Ray production in Poland, along with all of our international brands of manufacturing capability.

I'm going to talk just a little bit about the engine business, in particular. Our engine business distribution capability that we have around the world is a unique competitive advantage for us. It is this capability that has brought us to the number one or number two position in essentially every marine market around the world.

We have outstanding retail marketing capability. We have outstanding supply chain capability, which is primarily measured by if you use one metric to track it, you'd use on-time delivery. We have world class on-time delivery essentially everywhere we do business, which means that when a dealer needs a product and there are more than 30,000 SKUs, 95% of time he's going to get it within 24 hours.

We have great OEM programs and we partner with the hundreds, if not, thousands OEM boat builders around the world. We have product applications to meet local needs of the markets in different areas of the world. We have an enormous opportunity to continue our growth rate in emerging markets. We talked about China and Brazil.

Rapid growth rates on the marine power side of those markets, mostly in commercial and government, but now starting to happen in recreational as well. In the P&A product area, we have a specific growth platform there.

We are the largest supplier of marine parts and accessories in the world. We have the ability and opportunity to even enhance our product line further in the markets around the world where we do business and also improve our channel penetration with some products using alternative channels to market.

Of course, Mercury is a great producer of advanced and new drive and engine systems and we have the ability to get it to market very efficiently. Just very quickly, I talked about the commercial and government orientation of so many of the world's markets in the developing regions.

We supply product in the commercial fishing, water taxis, water ferries, patrol boats, coast guard boats, just about any segment you can think of that is commercial and government oriented, we supply product. This is a shot of a police coast guard vessel, which is a segment of the industry that demands high performance and whenever high performance is demanded, we have a very strong position in that market.

This is a shot of Dubai in the United Arab Emirates. Dubai is a market that demands very high performance and very big marine power product. If you walk through the Dubai marina, it's like walking through a Verado showroom because they like high performing products, so we're extremely strong in those types of markets.

This is a shot of a F1 racing boat in China. Mercury Racing is an extremely important part of our business for two reasons. First and foremost, Mercury racing is at the forefront of marine engine and drive technology.

Mercury racing being at the forefront of technology in the marine power world helps to keep Mercury, in total, at the forefront of marine technology and performance. Then, secondarily, we use that as a platform to build our brands, particularly, in emerging markets.



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F1 racing is very popular and getting more popular in places like China, the Middle East and a lot of other areas around the world. We are very prevalent in racing around the world. These are well marketed, well publicized, well attended events that give us a great platform to build our brand reputation in all of these emerging markets.

Now, on the boat side of the business, I talked about the fact that we've got a combination of our big global brands, like Sea Ray, together with internationally based brands to serve some diverse markets around the world. There are very important markets around the world which require unique characteristics and very diverse characteristics of a boat.

Scandinavia is one of them. Scandinavia is a market that is the leader in terms of per capita boat ownership, but the Scandinavian consumer in the marine industry also demands a very unique style of boat and very unique features and characteristics of a boat. This allows us to combine our global portfolio together with locally based companies to meet those important segments that we need to be competitive with them.

On the boat side, Sea Ray, of course, as Rob talked about, is the most powerful boat brand in the world. No question about it. We've got a brand in Europe called QuickSilver, which is actually Europe's leading brand of under-30-foot powerboat.

We've got Bella a new turn leading in the Nordics and Rayglass leading in New Zealand. It's a great portfolio of products to meet the most important segments of the market. We have completely transformed our capability with our boat business in international markets during the downturn.

We've transformed our organizational capability. We've transformed our manufacturing footprint and as we have been able to generate a healthy cash flow, we have used that to focus on very specific product development activity and making sure that our products are unique and distinctive and that our brands are unique and distinctive so that as we come out of the downturn, we've got a portfolio of products that has been developed in the past year to two years that is even more powerful than we've ever had before.

This is a shot of a QuickSilver boat. This is European brand. We just released this a few months ago. It is helping us to take market share as we speak at the retail level and it was awarded with the Prestigious European Powerboat of the Year Award at the Dusseldorf Boat Show a few weeks ago in the category of under-30-feet. This boat provides the combination of unique European styling with versatility and comfort that is demanded by European consumers.

On the larger boat categories, this boat is a C-Line F42. This was introduced in September. This boat is also taking share as we speak. It was also awarded with the Prestigious Powerboat of the Year Award in the category of fly bridge under-55-feet. Another example of how we're using our strength to perform in the marketplace.

In summary, we have a fantastic distribution capability for our products, both on the engine side, as well as, on the boat side of the business. We've got a very strong portfolio, which combines our global brands with our local brands in international markets.

We have significant opportunities to continue to drive our penetration in emerging markets around the world. We've got a global manufacturing footprint which allows us to deliver what the customer requires when they need it.

Thank you very much.

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## QUESTIONS AND ANSWERS

**Kevin Grodzki** - *Mercury Sales, Marketing & Commercial Operations - Vice President and President*

Okay, 91 slides is a hell of a lot of information. We want you to walk away with two things in mind. First, if the marine market improves, we are clearly going to be a great beneficiary because we positioned ourselves to be so.

To some, the message in there is even if the markets do not take off, we believe we're positioned to grow and be profitable notwithstanding the markets beginning to move quickly for us. We are given you guidance for the year.

We've terminated guidance just because I was not smart enough or ain't none of us were smart enough to figure out how to do it and we have given you guidance for the year and underlying that guidance is we don't need the markets to take off in order to be profitable, but clearly if markets do, we are going to do very well. That's the message we'd like you to walk away from.

We'll take questions as long as we can. We have run over fairly substantially and that is fairly normal for us because we love to talk about our business. Bruce is going to hand around the microphones and we'll start with Ed. Then I'll try to bring other people up, if I can.

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**Bruce Byots** - *Brunswick Corporation - VP - Corporate and IR*

Okay, thanks. I wanted to just go a little bit deeper into the new-used relationship. I definitely understand the opportunity there, but there's still a pretty big price jump that the consumer needs to take to go from used to new.

And I just wondered how it all plays out when you consider that there was quite a bit of AFP growth, that over a 15 or 20-year period before the recession; just kind of wondering your thoughts on that?

And then any opportunity that you might have just for any more product-wise given your scale of damage and what that might enable you to do to bring products to the market at a good price point and maybe within that, Kevin, I am just curious to get your take on your business with that new-used relationship.

Marine Max talked about in their quarter that they saw a nice improvement in that mix last quarter and I am just wondering if you've seen anything similar.

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**Dusty McCoy** - *Brunswick Corporation - Chairman and CEO*

Andy, do you want to come up first? Why don't we let Kevin come up and talk about what he seen in the new/used.

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**Kevin Grodzki** - *Mercury Sales, Marketing & Commercial Operations - Vice President and President*

We have definitely seen an increase in the used boat market. I think, mostly because the pressure on the new boat prices has pushed down used boat prices along with that. With the new boat prices starting to rebound, the used boat pricing hasn't followed suit and I expect to see that this year. We had a huge increase in our used boat sales last year and expect that to decrease again this year in favor of new boats.

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**Dusty McCoy** - *Brunswick Corporation - Chairman and CEO*

Kevin, would it be fair to say in your business to say that we're beginning to see a spread between new and used boats begin to close?

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**Kevin Grodzki** - Mercury Sales, Marketing & Commercial Operations - Vice President and President

Absolutely.

**Dusty McCoy** - Brunswick Corporation - Chairman and CEO

I think that is part of the answer there, Ed. Andy, the part --

**Andy Graves** - Brunswick Corporation - VP and President - Brunswick Boat Group

Maybe one other part of that is, clearly, last year, boat prices or a lot of the stress inventory that was out there the last year or two years ago was repossessed from retail customers by banks, et cetera or more wholesale dealers. There were tremendous deals out there in the last 12 months, 30% -- 40%, 50% off.

And I think as it started to come out from that significant sticker shock when people who had quoted a boat six months, came into today and it was quoted at \$400,000, now you're telling me it \$450,000. What's going on? Significant sticker shock. That's kind of gone away.

I think people understand that the days of stress inventories and exceptional deals, that's no longer. There's few and far between. People get that. It's now another year or so between that and a bit of the sticker shock is gone. We're not hearing that as much from consumers. I think part of its also, as Kevin said, the gap between new and used has closed and we're actually seeing people who are moving from consumer used boats to brokerage boats even and moving across and buying new.

We've seeing some of the guys in winning some of that business today, whereas, a year and two years ago, not even in the conversation.

**Dusty McCoy** - Brunswick Corporation - Chairman and CEO

There's just one more piece as I recall it. You were talking about how are we going to approach the -- slowing the -- what has been an enormous increase on the year-to-year basis of the price and cost of a new boat. Andy had that up on his slide and we wanted to talk for one minute about that.

**Andy Graves** - Brunswick Corporation - VP and President - Brunswick Boat Group

We kind of believe that once the economic cycle improves more, one of the bigger barriers to grow in the industry is affordability. That's the life cycle cost of boating. Right? Everything from the cost of the new boat, ongoing service for it, insurance, everything all on and we know that as we make boating more affordable, more people will come in and stay in the industry.

We're focused on doing that and one of the key things we are focused in is trying to keep product cost down year-over-year. We used to and the market liked to have more and more featured boats, more technology, more gadgets, more glitz, you could put all that on in kind of the days of excess a bit.

People wanted it and they would pay for it. In fact, they proudly paid for it. If I have five TVs and you have three TVs on your boat, I was the winner. In today's world, the consumer's opposite that.

If I said I have five TVs on my sporting yacht, you have three, I am thinking you are probably smarter than me, why do I need five? So, we have a more value conscience guy, he wants to make sure he has all the substance on the boat.



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So, we are committed to providing that same experience, comfort experience features that people want on the boat, not to cheapen the boat, but to use our engineering skills and design to lower the cost of the products, but still provide that great experience people are expecting.

We have, as we are chartering all our new products, we have very specific mandates that we are trying to take the cost out by the time we launch the next product so that we are equal or lower than we've been in this past history of really stronger than inflationary growth on boat prices.

Not just us, but within the industry, that we abate that and it starts to move in the other direction and bring in more and more people into boating. Not so much as a competitive issue, but an industry issue in terms of bringing more consumers in and, of course, if we can solve that riddle for others, the win will be ours.

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**Dusty McCoy** - Brunswick Corporation - Chairman and CEO

In the back of the room, we have two folks who get to live this every day. [Ron Berman] is responsible for product development for all of our outboard products around the world. [Terry McNew] is responsible for all of our stern drive inboard products and at launch, you can talk to them, they are feeling the pressure to deliver on this.

Andy's team's goal is that every new product needs to have the goal of costing less than the product it replaced. We've never done that in this industry before.

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**Andy Graves** - Brunswick Corporation - VP and President - Brunswick Boat Group

And we are having success.

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**Dusty McCoy** - Brunswick Corporation - Chairman and CEO

It's the biggest assignment than the one we're jumping into.

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**Paul Versailles** - Welsh Capital Management - Analyst

This is [Paul Versailles] with Welsh Capital Management. One of the graphics in your presentation showed that in the two years, '08 and '09, licensed powerboat registrations dropped by about 200,000. If we don't get back to sales of about 300,000 units, that looks sort of like a secular decline to me with new unit sales below what appears to be replacement demand.

Now, Andy Graves says that we're merging from a cyclical decline, not a secular decline. That said, I've got two questions. Number one, do you think that we can get back to the 300,000 annual unit level in the domestic market? And, how much do you expect to get any benefit from the aging out of the 2.75 million units that were sold from 1984 to 1989?

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**Dusty McCoy** - Brunswick Corporation - Chairman and CEO

There's a lot in that question. First, let's work on definition. \$200,000 on \$10.3 million doesn't yet feel to me like a secular decline at all. Now, clearly, in the last two years, we have a chart and done a lot of work that says when the industry was around 300,000 units, around 300 we are going out, 300 were coming in.

Clearly, the last two years, that's not been the case. We've had a 150 coming in and still 300 going out and that is where you are getting the 200,000 number.

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Our view is that that it's still consistent with an economic downturn and buyers continue to trade the used boats and not wanting the new, but there are a certain number of boats that always want to leave ever year.

The real question is going to be if the economy begins to improve, will we see people then begin to come back in the new and if they do? And Andy gave you the percentages, it starts to show just on a small percentage increases, of used versus new, massive gains in the new boat market.

Our view today is it's not secular, and it's consistent with cyclical, and we are going to have to wait for time to play this out. We're not worried about the 200,000 units at all right now. If that had begun to be 500,000 for two or three years, we might have a different discussion. I forgot the second piece?

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**Paul Versailles** - *Welsh Capital Management - Analyst*

(inaudible) of the 2.75 million units sold. (inaudible.)

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**Dusty McCoy** - *Brunswick Corporation - Chairman and CEO*

We have done this before and maybe we should have brought these slides. Once a boat, the used boat, reaches an age of about 25 years, those things don't get traded anymore. Then if you go at the number of boats that have been sold at retail beginning back in 1965, and you see these big spikes, '88, '89, we were at 0.5 million units generally.

400,000 units over a long period of time and then we dropped down to 300,000 units and we're about 20 years into that. Now, what is going to begin to happen over the next five to ten years is that there's going to be a whole bunch of boats that are going to get aged over 25 years that are not going to be sold or used anymore, if the pattern stays the same.

Then as that begins to play out and the boating continues to remain and consistently engaged in activity in America, the people are going to have to come to new because those used boats that have been there that had been traded are going to go away.

One of our jobs now is to ensure, and one of the jobs of the industry, is to continue to ensure that people recognize boating as this wonderful family recreational activity and continue to move it.

In the MMA yesterday and many of our marine folks play heroes and the MMA leadership and the MMA is now refocused as an example on row boating and we have made the decision as an industry to refund that just like the RV industry and others have. That's something that as an industry we will take care of and will get better at as we continue to work our way through this economic downturn and the after turn.

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**James Hardiman** - *Longbow Research - Analyst*

Thanks, James Hardiman, Longbow Research. A couple of questions for you Dusty. Both sort of related to your distribution, your supply chain. First, obviously the new boat market is down pretty dramatically, say 60%. You cut back here, your manufacturing, basically in half in both boats and engines. You cut back your brands. The industry, I think the number you threw out there was that the dealer base industry wide is going to be down 30%.

Can you talk about why it is the right choice for you to basically keep your dealers flat rather than, maybe, scale back, a little bit and try to have the same levels of distribution with smaller touch points?



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Then -- so the second question, years past you talked about this evolution from built to stock to build to order. Can you give us an update of where we stand with that, maybe in the context of that? Minimum stocking level of 15,000 units, is that a number that's come down? Should we expect better improvement on that front? Thanks.

**Andy Graves** - Brunswick Corporation - VP and President - Brunswick Boat Group

Sure, this is Andy. Let me address first the distribution piece. When we talk about our distribution, we talk about brand location points. So, Kevin Roggenbuck is five dealers to us. Right? He's a Whaler, a Sea Ray, Meridian, Trophy, et cetera.

We count him as five. Which is kind of appropriate because that tells you what our points of distribution are and, of course, if you looked it up against any other brand in the marketplace, that's what they would be doing. But, you have to understand that Kevin is also only one dealer.

So, in his market, we've one dealer there and the industry is the distribution is consolidated around him, but we have our five brands there that we think make the most sense for maximizing our sales and his profitability in that market.

Our number of dealers, the unique dealers has declined. I do not have the number of Whalers, but it has declined. What our guiding factor is that we want the strongest dealer in the territory and we want to give him the brand of line-up that makes sense for him to succeed and us to succeed in the market.

I see you are sitting next to Larry Russo who is our Boston dealer. Larry is a long term Sea Ray and Boston Whaler dealer. Recently taking on Bayliner and Trophy. We do not have representation in the last 18, 24 months of those brands in his market. We were there historically. Those dealers had failed.

We've gone to Larry. He can manage it. He can be more profitable and we can bring those brands that are wanted by the marketplace in those markets. We are trying to provide a profitable perspective to it and then also, a consumer perspective of how many dealers do we need to meet the consumer's needs? How close does the dealer need to be to his consumer so that he can actually attract the service of the dealer?

I think we are pretty comfortable that our dealer brand location number has held flat in terms of points of representation, but it is with fewer dealers. We're allowing some of that consolidation to take place. Make sense? Okay.

The second question is on our stocking levels. We have moved to a minimum stocking level that kind of do a couple of things. One is to make sure that the brand is adequately displayed at the dealer so that when a consumer comes into the showroom, he's seeing the product that's most profitable and most likely to be sold in that area and can demonstrate the breadth and the depth of that product line.

Each dealer has a different market, whether he's selling cruisers or sport boats or small, whatever the mix is right for his location, for stocking his dealership so he's got the right presentation for dealers. And it looks like, and he has, that a dealer has a wherewithal and can manage and service that dealer.

Second, those stocking amounts have to be financially capable. The dealer has to be financially capable of carrying that stock. Fortunately, with our dealers, we have the best capitalized dealers in the industry.

We're probably one of the few guys, and you can talk to other dealers in the industry, we have the inventory we want in the market right now. We have the credit capacity, dealers have the credit capacity and the dealers have the financial wherewithal in terms of their sales and operating profits to stock and manage that amount of inventory.



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We can't put so much stock that their financial returns can't pay for it. That wouldn't make sense. It is founded by that as well. We think those minimum stocking levels for what they need, plus their financial performance, kind of put a balance on it. And for us, it is the right amount of inventory that we think the market needs today.

Our minimum stocking levels have come down a little bit. Very, very slightly in the last 12 months. I don't expect them to change much. They'll move in step function. If the market's up 20% or 30%, we'll undoubtedly raise the stocking levels a little bit. If the market goes down 20% or 30%, we'd probably take them down a little bit. But, they will not move on a variable basis, so that's why the weeks on hand is not a very good indicator.

I think for the next 12 months, we are very comfortable of where we are and the stock that is out there can expect to hold pretty firm around those stocking levels.

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#### Unidentified Audience Member

I'd like to ask Kevin a couple of questions. Put the customers in two buckets. Your customer that comes in, maybe every so many years, and replaces a boat and trades up, they're long-term customer, what would the average, with maybe every five or six years they would buy a new boat?

Did those customers hold back the last couple of years and do you think now they will come back and you might get a bump in the number of up sales just because they held off?

The second question is, when someone's come in to look for a used boat, you have had a lot to sell them? Are we at the point where the used inventory is so low or it is just boats that nobody wants anyway or even if they want a used boat, there is really nothing else to sell them?

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#### Andy Graves - Brunswick Corporation - VP and President - Brunswick Boat Group

Yes, about five years ago we did some research on returning customers as we were, at the time, just a Sea Ray and Boston Whaler dealer. And the average retail customer that came through our retail doors replaced their boat about every 3.3 years. In a ten-year period, that's four boats. We used that as a marketing strategy to continue to work with those customers and we developed those customers to continue to come through the door.

Our biggest segment of those customers was people from the cruiser segment from 24, 25 to 28, and 29 and, of course, the bigger boats, from 40, 50 and so on. But, yes, I think that, and we haven't done a bunch of solid research today, but my guess is that customer now is about five to 5.5 years between purchases.

We've seen that customer kind of hold off an extra year or two. Mostly because of the downturn in the economy and mostly because their comfort level in making that investment is just going to be put off a little bit longer.

We would anticipate in the next year or two to see that come back to the original numbers and will probably see some pent-up demand as a result of that. So, we are cognizant of that and trying to manage our inventory accordingly.

Your second question was used boats. Yes, as I said earlier, the used boat market took off last year because of the Delta and pricing between the new ones and used ones.

Almost all of that used boat inventory that we've seen out there is gone away. The good stuff has gone away. While the new used boats that are coming on to the market are coming on at a very much slower pace than last year. We're actually budgeting for less than half the used boats sales for 2011 as we had in 2010. It's diminished dramatically just simply because the Delta has come down.



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### Unidentified Company Representative

Unfortunately, that is all the questions and answers we can do at this point in time. We've a pretty full agenda like I mentioned at the beginning. So that is going to conclude our webcast for today and we appreciate you all listening and spending a couple of hours with us. Thank you.

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