Brunswick – Becoming the “Toyota of Boating”

George W. Buckley
Chairman and Chief Executive Officer
Brunswick Corporation

Miami International Boat Show
February 16, 2005
Fiberglass Pleasure Boats

16 to 100 feet - $10,000 to $10,000,000
Aluminum Fishing Boats

10 to 26 feet
Full-Range Marine Propulsion

2.5 - to 1075-hp engines in every fuel and every type
Full-Range Fitness Equipment

Cardiovascular and Strength Training

-Life Fitness-
Bowling & Billiards Products
Our Fundamental Objective

To use growth to mute and de-emphasize the cycles

*Flat industry / cyclic earnings begets a flat share price ...*

*But growth can change all that*

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**The Past**

<table>
<thead>
<tr>
<th>EPS</th>
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<td>(Long) Time</td>
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**The Future**

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Earnings Performance

Excludes $0.18 per share litigation charge in 2003
Operating Margin – Continuous Improvement

Point Change vs. Prior Year

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<th>Year</th>
<th>Q1-02</th>
<th>Q2-02</th>
<th>Q3-02</th>
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<td>2002</td>
<td>(5.2)</td>
<td>(1.1)</td>
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<td>3.5</td>
<td>0.6</td>
<td>0.5</td>
<td>0.8</td>
<td>1.0</td>
<td>2.5</td>
<td>1.7</td>
<td>1.8</td>
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<tr>
<td>2005E</td>
<td>(0.4)</td>
<td>0.7</td>
<td>1.7</td>
<td>0.7-1.0</td>
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Our Strategy Has Delivered Rapid Growth and Irrevocable Change

Transformation Strategy

Sustaining Innovation
- Product-centric e.g. Verado, Life Fitness G5
- Manufacturing e.g. Sea Ray closed mold
- Brand experience e.g. Brunswick Zone

Adjacency Growth
- Boat parts and accessories
- Marine electronics
- Castings

Operations Excellence
- Global supply chain
- High Performance Product Development
- Lean Six Sigma

Acquisitions
- Fill product white space
- Increase share of wallet
- International growth
Strategic Thrust Remains Unchanged from 2000

- Get the Product Right Across All Lines
  - Imperatives
    - Product Quality
    - Design and Styling
    - Product Performance
    - Delight the Customer
    - White Space and Brands

- Get the Distribution Right Across All Lines
  - Imperatives
    - Location, Location, Location
    - Improved Customer Service
    - Enhance Dealer Profitability
    - International Growth
Brunswick Growth Strategy

• Customer-led strategy
  – Deliver the right product
  – Better after-market service
  – Reduce hassle, effort and cost

• Drive top-line growth
  – Product innovation and technology
  – Acquisitions
  – Joint ventures
  – Adjacency plays
  – International growth

• Drive bottom-line earnings
  – Reduce costs through global sourcing
  – Efficiency through Lean Six Sigma
  – Manufacturing in low-cost locations
Our Marine Vision: Cover The Waterfront

• In all sizes of boats and engines
• Marine electronics, telematics, sat-coms and infotainment
• After-market parts and service
• Financial services
• Remanufacturing, boats as well as engines
• Developing water access via marinas
• Strong international growth
• First-class retail partners
Brunswick’s Six Competitive Platforms

- **Enhancing customer responsiveness**
- **Improving distribution effectiveness**
- **Driving product innovation through technology**
- **Aggressive brand management and brand building**
- **Leveraging size and scale for cost advantages**
- **Developing and motivating our people**

Diagram:
- Customer Service
- Distribution
- Technology
- Brands
- Cost
- People
- Supply Chain
- Lean Six Sigma
- Manufacturing Footprint
- Talent
- Processes
- Sharing Best Practices
- Market Share Focus
- Portfolio Management
- Marketing
- Consumer Segmentation
- Training
- Financial Services
- Superior Products
- Filling White Space
- High Performance Product Development
- BNT Opportunities
- Product Innovation
- Integration
Marine Industry Today

- Boat products have poor integration relative to cars
  - Have you ever considered the concept of buying a car with a blank dashboard or buying a Mercedes with a BMW engine?

- Patchy after-market service

- Unlike cars, there is no end-to-end warranty on boats

- High turnover of manufacturers and lots of customer churn

- Boats are more like “floating cities” than floating cars

- The physical environment is difficult; huge shock (and steady) loads and a corrosive saltwater environment
Exceeding Customer Expectations

High Performance Product Development

• Emulate Toyota’s design, development and portfolio management processes
• Integrated product development
  – Everything designed together to work together
  – Boats, propulsion, electronics, entertainment
• Listen to the “Voice of the Customer”
• Systems engineering process that:
  – Eliminates interfaces
  – Builds in quality
  – Enhances reliability
• Grow boating by making it easy to buy, easy to service and easy to use
Work the Interfaces and You’ll Improve Quality

• Work the visual interface through styling and good industrial design

• Work the human interfaces; the so-called HMI issues
  – Seating and the tactile feelings of the steering and controls
  – Install responsive and appropriate power
  – Improve and demystify the marine electronics; target intuitive and easy to use
  – Entertain … and absolutely delight the user

• But don’t intrude on the consumer’s harmony
  – No banshee of noise … or vibration
  – No garish styling or clashes of colors

• Over time, make it less costly to use
How This Translates at the Boat Level

Control and enhance the cockpit experience with intuitive, de-mystified electronics.

Beautiful styling

Control the living spaces with imagination and flair through styling, ambience, information and entertainment.

Complete car-like integration of power, electronics, and the living environment of the boat.

Control and integrate boat propulsion regardless of engine size or fuel.
Manufacturing Innovation

Transition from Open Mold to Closed Mold

Open Mold

Closed Mold
Closed Mold Manufacturing

The Strategic Opportunity

- Craft-based to engineered composite
  - Lower labor costs, reduced waste and improved product quality

- Dimensional accuracy every time
  - Prep stage for high volume automotive-like manufacturing
  - Enables robotics - eliminates trim-to-fit

- Significantly reduces styrene emissions
  - High asset utilization - shorter cycle times increases plant capacity
  - Lower labor turnover
Verado - Becoming an Overnight Legend

- World’s only supercharged outboard
- Four-stroke engine that exceeds two-stroke performance
- Family of seven engines from 135 hp to 275 hp with 95% common parts
- Sets new standards in quietness
- Winner of 2004 Innovation Award from International Boat Builders’ Exhibition
It All Begins With the Consumer

• Deliver what the boater wants
  – Meets their needs
    • Fishing, skiing, cruising, parties
  – Meets their price
  – Reliability and durability
  – Safety
  – Good value
  – Good service network
  – Choice of brands
  – Features and benefits
  – Trade-in value
  – Water access
  – Makes them happy

• Deliver what the dealer wants
  – Provide good margin opportunity
  – Brand support and building
  – Easy to maintain
  – Great parts service
  – Security of relationship
  – Differentiating technology
  – Good brands

If we meet these needs simultaneously, we will win the market battle
Better Distribution by Embracing the Dealer

- New Dealer Agreement
- Exclusive BBG Product
- Buyout Provision
- Protected Territories
- Multi-Year Agreement

Expand Dealer Relationships

Financial Services

Brunswick Acceptance Company

BBG DEALER

Full Line Product

Integrated DMS

Dealer cert. and training

Superior Parts Service

End-to-End Warranty

Water Access

Sea Schools

Used Boats

Financial Services

• IDS

• Master Dealer
• Pro Dealer

• Land ‘N’ Sea
• Attwood

• Certified Pre-Owned
# Boater Profiles

## Avid Sportsman
- **Boat:** Runabout
- **Length:** 16 - 20 ft.
- **Retail Price:** $10,000 - $25,000
- **Boater:**
  - **Age (60%)**: 25 - 44
  - **Education (50%)**: College Degree
  - **Gender (90%)**: Male
  - **Marital Status (85%)**: Married
  - **Income (75%)**: $70,000 +
- **Usage**: "Boat as a Tool"
  - Fishing
  - Water skiing
  - Water sports
- **Purchase Factors**:
  - Product price
  - Employment participation
  - Interest rates

## Family Day Tripper
- **Boat:** Express Cruiser
- **Length:** 20 - 35 ft.
- **Retail Price:** $35,000 - $150,000
- **Boater:**
  - **Age (60%)**: 35 - 54
  - **Education (50%)**: College Degree
  - **Gender (90%)**: Male
  - **Marital Status (85%)**: Married
  - **Income (75%)**: $100,000 +
- **Usage**: "Experience Boating"
  - Family Fun
  - Day Outings
  - Swimming
- **Purchase Factors**:
  - Consumer confidence
  - Interest rates

## Luxury Yachtsman
- **Boat:** Motoryacht
- **Length:** 50 - 100 ft.
- **Retail Price:** $750,000 - $10,000,000
- **Boater:**
  - **Age (60%)**: 45 - 64
  - **Education (50%)**: College Degree
  - **Gender (90%)**: Male
  - **Marital Status (85%)**: Married
  - **Income (75%)**: $500,000 +
- **Usage**: "Lifestyle Boating"
  - Friends and family
  - Entertaining
  - Destination cruising
- **Purchase Factors**:
  - Consumer confidence
  - Confidence in economy
  - Stock market

*Source: J.D. Power, National Marine Manufacturers Association, Company estimates*
Demographic Trends Support Future Growth

U.S. Population Projections

Source: U.S. Census Bureau
Marine Industry Outlook

Where are we in the cycle?

- Generally last 10 to 11 years
  - 8 years feast, 3 years of famine
- Cycles are lessening in severity
- 2004 first up-year since 2000
  - We appear to be early in cycle
  - Estimating retail up 6% in 2005
- Service and part expansion will lessen severity
- International cycles asynchronous

Source: NMMA and Company estimates
Brunswick Outlook

2005 Estimates

• Assumes an organic sales growth 11 to 12 percent
  – Higher rate of channel fill in support of higher retail demand
  – Share gains driven by innovative new products
  – Modest price increases

• Assumes operating margin improvement of 70 to 100 bps
  – Lower cost manufacturing base + cost management
  – Operating efficiencies on higher volume
  – Gains offset by $50 million incremental spending for R&D, new product launches, plant openings and IT investments

• 2005 EPS estimate $3.15 to $3.30

• Margins accelerate after completed investments in 2005

See Forward-Looking Statements section in Jan. 27, 2005, press release