UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **July 01, 2023**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 001-01043

Brunswick Corporation

(Exact name of registrant as specified in its charter)

Delaware	36-0848180
(State or other jurisdiction of incorporation or organization)	***(I.R.S. Employer Identification No.)***

26125 N. Riverwoods Blvd., Suite 500, Mettawa, IL 60045-3420

(Address of principal executive offices) (Zip code)

(847) 735-4700

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common stock, par value $0.75 per share	BC	*New York Stock Exchange* *Chicago Stock Exchange*
6.500% Senior Notes due 2048	BC-A	*New York Stock Exchange*
6.625% Senior Notes due 2049	BC-B	*New York Stock Exchange*
6.375% Senior Notes due 2049	BC-C	*New York Stock Exchange*

The number of shares of Common Stock ($0.75 par value) of the registrant outstanding as of July 31, 2023 was 69,834,130.

BRUNSWICK CORPORATION
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July 1, 2023

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BRUNSWICK CORPORATION
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

(in millions, except per share data)	Three Months Ended July 1, 2023	Three Months Ended July 2, 2022	Six Months Ended July 1, 2023	Six Months Ended July 2, 2022
Net sales	**$ 1,702.3**	$ 1,835.6	**$ 3,445.9**	$ 3,531.3
Cost of sales	**1,230.0**	1,299.2	**2,468.0**	2,511.3
Selling, general and administrative expense	**215.1**	207.2	**426.4**	399.9
Research and development expense	**48.9**	50.2	**97.6**	101.6
Restructuring, exit and impairment charges	**13.9**	—	**23.4**	—
Operating earnings	**194.4**	279.0	**430.5**	518.5
Equity earnings	**2.2**	0.7	**4.4**	1.5
Other income (expense), net	**1.8**	0.3	**0.9**	(1.2)
Earnings before interest and income taxes	**198.4**	280.0	**435.8**	518.8
Interest expense	**(28.8)**	(25.9)	**(57.0)**	(44.3)
Interest income	**2.0**	0.5	**4.2**	0.6
Loss on early extinguishment of debt	**—**	—	**—**	(0.1)
Earnings before income taxes	**171.6**	254.6	**383.0**	475.0
Income tax provision	**36.3**	55.8	**135.3**	102.2
Net earnings from continuing operations	**135.3**	198.8	**247.7**	372.8
Net loss from discontinued operations, net of tax	**(0.6)**	(1.5)	**(0.7)**	(1.3)
Net earnings	**$ 134.7**	$ 197.3	**$ 247.0**	$ 371.5
Earnings per common share:				
Basic				
Earnings from continuing operations	**$ 1.91**	$ 2.63	**$ 3.48**	$ 4.89
Loss from discontinued operations	**(0.01)**	(0.02)	**(0.01)**	(0.02)
Net earnings	**$ 1.90**	$ 2.61	**$ 3.47**	$ 4.87
Diluted				
Earnings from continuing operations	**$ 1.91**	$ 2.61	**$ 3.47**	$ 4.86
Loss from discontinued operations	**(0.01)**	(0.02)	**(0.01)**	(0.02)
Net earnings	**$ 1.90**	$ 2.59	**$ 3.46**	$ 4.84
Weighted average shares used for computation of:				
Basic earnings per common share	**70.8**	75.7	**71.1**	76.3
Diluted earnings per common share	**70.9**	76.1	**71.4**	76.7
Comprehensive income	**$ 131.8**	$ 185.0	**$ 247.7**	$ 369.1

The Notes to Condensed Consolidated Financial Statements are an integral part of these condensed consolidated statements.

BRUNSWICK CORPORATION
Condensed Consolidated Balance Sheets
(Unaudited)

(in millions)	July 1, 2023	December 31, 2022	July 2, 2022
Assets			
Current assets			
Cash and cash equivalents, at cost, which approximates fair value	**$ 477.5**	$ 595.6	$ 566.7
Restricted cash	**11.0**	12.9	11.9
Short-term investments in marketable securities	**0.8**	4.5	37.0
Total cash and short-term investments in marketable securities	**489.3**	613.0	615.6
Accounts and notes receivable, less allowances of $10.5, $10.2, $9.3	**614.5**	543.0	611.0
Inventories			
Finished goods	**839.8**	836.1	746.0
Work-in-process	**208.9**	209.1	201.4
Raw materials	**435.5**	426.2	425.0
Net inventories	**1,484.2**	1,471.4	1,372.4
Prepaid expenses and other	**84.8**	67.8	86.4
Current assets	**2,672.8**	2,695.2	2,685.4
Property			
Land	**42.8**	42.4	37.1
Buildings and improvements	**596.4**	564.4	520.0
Equipment	**1,527.3**	1,488.1	1,420.8
Total land, buildings and improvements and equipment	**2,166.5**	2,094.9	1,977.9
Accumulated depreciation	**(1,094.6)**	(1,051.4)	(1,016.1)
Net land, buildings and improvements and equipment	**1,071.9**	1,043.5	961.8
Unamortized product tooling costs	**242.2**	227.3	202.6
Net property	**1,314.1**	1,270.8	1,164.4
Other assets			
Goodwill	**974.6**	967.6	966.7
Other intangibles, net	**979.4**	997.4	1,038.2
Deferred income tax asset	**149.8**	203.3	128.6
Operating lease assets	**121.1**	114.8	103.0
Equity investments	**60.0**	54.0	48.0
Other long-term assets	**18.3**	18.2	32.2
Other assets	**2,303.2**	2,355.3	2,316.7
Total assets	**$ 6,290.1**	$ 6,321.3	$ 6,166.5

The Notes to Condensed Consolidated Financial Statements are an integral part of these condensed consolidated statements.

(in millions)	July 1, 2023	December 31, 2022	July 2, 2022
Liabilities and shareholders' equity			
Current liabilities			
Short-term debt and current maturities of long-term debt	**$ 88.3**	$ 89.0	$ 3.0
Accounts payable	**549.4**	662.6	644.0
Accrued expenses	**756.3**	738.3	700.7
Current liabilities	**1,394.0**	1,489.9	1,347.7
Long-term liabilities			
Debt	**2,422.0**	2,420.0	2,499.0
Operating lease liabilities	**105.4**	97.8	86.1
Postretirement benefits	**47.2**	49.5	64.0
Deferred income tax liability	**12.6**	60.7	2.7
Other	**207.5**	161.1	162.4
Long-term liabilities	**2,794.7**	2,789.1	2,814.2
Shareholders' equity			
Common stock; authorized: 200,000,000 shares, $0.75 par value; issued: 102,538,000 shares; outstanding: 70,005,000, 71,365,000 and 74,472,000 shares	**76.9**	76.9	76.9
Additional paid-in capital	**383.8**	391.3	380.8
Retained earnings	**3,478.7**	3,288.5	3,036.2
Treasury stock, at cost: 32,533,000, 31,173,000 and 28,066,000 shares	**(1,809.2)**	(1,684.9)	(1,455.4)
Accumulated other comprehensive loss	**(28.8)**	(29.5)	(33.9)
Shareholders' equity	**2,101.4**	2,042.3	2,004.6
Total liabilities and shareholders' equity	**$ 6,290.1**	$ 6,321.3	$ 6,166.5

The Notes to Condensed Consolidated Financial Statements are an integral part of these condensed consolidated statements.

BRUNSWICK CORPORATION
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(in millions)	Six Months Ended July 1, 2023	Six Months Ended July 2, 2022
Cash flows from operating activities		
Net earnings	$ 247.0	$ 371.5
Less: net loss from discontinued operations, net of tax	(0.7)	(1.3)
Net earnings from continuing operations, net of tax	247.7	372.8
Stock compensation expense	13.8	12.0
Depreciation and amortization	132.1	106.1
Pension funding, net of expense	(0.9)	(0.3)
Asset impairment charges	1.3	1.5
Deferred income taxes	1.4	10.8
Changes in certain current assets and current liabilities	(162.1)	(338.6)
Long-term extended warranty contracts and other deferred revenue	9.7	8.8
Income taxes	25.2	(5.9)
Other, net	(13.8)	(17.8)
Net cash provided by operating activities of continuing operations	254.4	149.4
Net cash used for operating activities of discontinued operations	(2.3)	(2.5)
Net cash provided by operating activities	252.1	146.9
Cash flows from investing activities		
Capital expenditures	(173.4)	(196.5)
Purchases of marketable securities	—	(36.2)
Sales or maturities of marketable securities	3.8	—
Investments	(6.4)	(4.0)
Acquisition of businesses, net of cash acquired	—	(95.7)
Proceeds from the sale of property, plant and equipment	6.3	3.0
Cross currency swap settlement	—	16.7
Net cash used for investing activities	(169.7)	(312.7)
Cash flows from financing activities		
Proceeds from issuances of short-term debt	1.6	125.9
Payments of short-term debt	(1.8)	(125.0)
Net proceeds from issuances of long-term debt	—	741.8
Payments of long-term debt including current maturities	(1.4)	(58.0)
Common stock repurchases	(132.2)	(220.0)
Cash dividends paid	(56.8)	(55.4)
Tax withholding associated with shares issued for share-based compensation	(13.4)	(16.4)
Other, net	—	(4.0)
Net cash (used for) provided by financing activities	(204.0)	388.9
Effect of exchange rate changes	1.6	(11.2)
Net (decrease) increase in Cash and cash equivalents and Restricted cash	(120.0)	211.9
Cash and cash equivalents and Restricted cash at beginning of period	608.5	366.7
Cash and cash equivalents and Restricted cash at end of period	488.5	578.6
Less: Restricted cash	11.0	11.9
Cash and cash equivalents at end of period	$ 477.5	$ 566.7

The Notes to Condensed Consolidated Financial Statements are an integral part of these condensed consolidated statements.

Brunswick Corporation
Condensed Consolidated Statements of Shareholders' Equity
(Unaudited)

(in millions, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2022	$ 76.9	$ 391.3	$ 3,288.5	$ (1,684.9)	$ (29.5)	**$ 2,042.3**
Net earnings	—	—	112.3	—	—	**112.3**
Other comprehensive income	—	—	—	—	3.6	**3.6**
Dividends ($0.40 per common share)	—	—	(28.5)	—	—	**(28.5)**
Compensation plans and other	—	(15.3)	—	8.5	—	**(6.8)**
Common stock repurchases	—	—	—	(60.4)	—	**(60.4)**
Balance at April 1, 2023	76.9	376.0	3,372.3	(1,736.8)	(25.9)	**2,062.5**
Net earnings	—	—	134.7	—	—	**134.7**
Other comprehensive income	—	—	—	—	(2.9)	**(2.9)**
Dividends ($0.40 per common share)	—	—	(28.3)	—	—	**(28.3)**
Compensation plans and other	—	7.8	—	0.5	—	**8.3**
Common stock repurchases	—	—	—	(72.9)	—	**(72.9)**
Balance at July 1, 2023	$ 76.9	$ 383.8	$ 3,478.7	$ (1,809.2)	$ (28.8)	**$ 2,101.4**

(in millions, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2021	$ 76.9	$ 394.5	$ 2,720.1	$ (1,245.8)	$ (31.5)	**$ 1,914.2**
Net earnings	—	—	174.2	—	—	**174.2**
Other comprehensive income	—	—	—	—	9.9	**9.9**
Dividends ($0.365 per common share)	—	—	(28.0)	—	—	**(28.0)**
Compensation plans and other	—	(20.0)	—	9.4	—	**(10.6)**
Common stock repurchases	—	—	—	(79.8)	—	**(79.8)**
Balance at April 2, 2022	76.9	374.5	2,866.3	(1,316.2)	(21.6)	**1,979.9**
Net earnings	—	—	197.3	—	—	**197.3**
Other comprehensive income	—	—	—	—	(12.3)	**(12.3)**
Dividends ($0.365 per common share)	—	—	(27.4)	—	—	**(27.4)**
Compensation plans and other	—	6.3	—	1.0	—	**7.3**
Common stock repurchases	—	—	—	(140.2)	—	**(140.2)**
Balance at July 2, 2022	$ 76.9	$ 380.8	$ 3,036.2	$ (1,455.4)	$ (33.9)	**$ 2,004.6**

The Notes to Condensed Consolidated Financial Statements are an integral part of these condensed consolidated statements.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1 – Significant Accounting Policies

Basis of Presentation. Effective January 1, 2023, Brunswick Corporation ("Brunswick" or "the Company") changed its management reporting and updated its reportable segments to Propulsion, Engine Parts and Accessories ("Engine P&A"), Navico Group and Boat to align with our internal operating structure. As a result of this change, the Company has recast all segment information for all prior periods presented. For further information, refer to **Note 9 – Segment Data.**

Interim Financial Statements. Brunswick's unaudited interim condensed consolidated financial statements have been prepared pursuant to SEC rules and regulations. Therefore, certain information and disclosures normally included in financial statements and related notes prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted.

These financial statements should be read in conjunction with, and have been prepared in conformity with, the accounting principles reflected in the consolidated financial statements and related notes included in Brunswick's 2022 Annual Report on Form 10-K for the year ended December 31, 2022 (the "2022 Form 10-K"). These results include, in management's opinion, all normal and recurring adjustments necessary to present fairly Brunswick's financial position, results of operations and cash flows. Due to the seasonality of Brunswick's businesses, the interim results are not necessarily indicative of the results that may be expected for the remainder of the year.

The Company maintains its financial records on the basis of a fiscal year ending on December 31, with the fiscal quarters spanning approximately thirteen weeks. The first quarter ends on the Saturday closest to the end of the first thirteen-week period. The second and third quarters are thirteen weeks in duration and the fourth quarter is the remainder of the year. The second quarter of fiscal year 2023 ended on July 1, 2023 and the second quarter of fiscal year 2022 ended on July 2, 2022.

IT Security Incident

As previously announced on June 13, 2023, the Company experienced an IT security incident that impacted some of its systems and global facilities. The Company activated its response protocols, including pausing operations in some locations, engaging leading security experts and coordinating with relevant law enforcement agencies. Normal global business operations resumed over the course of nine days following the incident. While we were able to quickly restore our operations, the incident resulted in disruption to sales as well as non-recurring costs. We will attempt to recover a portion of the lost operating earnings from lost sales and non-recurring costs from our insurance carriers. Non-recurring costs include labor while plants were idle, IT-related costs and costs for legal, consulting and other professional services directly related to this incident. During the three and six months ended July 1, 2023, we incurred non-recurring costs related to the IT security incident of $8.1 million. A portion of the non-recurring costs are included in Cost of sales and a portion in Selling, general and administrative expense in the Condensed Consolidated Statements of Comprehensive Income. We estimate the incident resulted in lost revenue of approximately $80 million to $85 million and operating earnings of $35 million to $40 million in the three and six month periods ended July 1, 2023.

Recently Adopted Accounting Standards

Supplier Finance Programs: In September 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-04, *Liabilities — Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which adds disclosure requirements associated with participation in supplier finance programs. ASU 2022-04 requires the buyer in a supplier finance program to disclose qualitative and quantitative information about the program including key terms and obligations outstanding at the end of the reporting period. ASU 2022-04 is effective for financial statements for interim and annual periods beginning after December 15, 2022. The Company adopted the guidance in ASU 2022-04 on January 1, 2023.

Notes to Condensed Consolidated Financial Statements
(unaudited)

Under our supplier finance program, the Company agrees to pay Bank of America ("the Bank") the stated amount of confirmed invoices from our suppliers on the original invoice payment due date. Our suppliers may request payment from the Bank at a date earlier than the payment due date stated on the original invoice in exchange for a fee in the form of a discounted invoice amount. Brunswick or the Bank may terminate the agreement upon at least 90 days' notice. The supplier invoices that have been confirmed as valid under the program require payment ranging from 60 to 120 days from the invoice date, consistent with the terms of the original invoice. The Company does not pay the Bank any service fees or subscription fees under the program. In addition, the Company does not pledge any assets as security or provide other forms of guarantees for the committed payment to the Bank. As of July 1, 2023, December 31, 2022, and July 2, 2022, the Company had $16.8 million, $18.2 million and $18.1 million confirmed invoices under the supplier finance program, respectively, which were included in Accounts payable on the Condensed Consolidated Balance Sheets.

Note 2 – Revenue Recognition

The following tables present the Company's revenue in categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors:

	Three Months Ended July 1, 2023				
(in millions)	Propulsion	Engine P&A	Navico Group	Boat	Total
Geographic Markets					
United States	**$ 496.8**	**$ 242.4**	**$ 139.6**	**$ 418.2**	**$ 1,297.0**
Europe	**89.9**	**28.9**	**60.5**	**56.3**	**235.6**
Asia-Pacific	**49.8**	**23.8**	**18.6**	**8.3**	**100.5**
Canada	**20.6**	**22.0**	**4.4**	**70.3**	**117.3**
Rest-of-World	**46.2**	**11.8**	**4.7**	**7.7**	**70.4**
Segment Eliminations	**(91.4)**	**(1.8)**	**(25.2)**	**(0.1)**	**(118.5)**
Total	**$ 611.9**	**$ 327.1**	**$ 202.6**	**$ 560.7**	**$ 1,702.3**

	Three Months Ended July 2, 2022				
(in millions)	Propulsion	Engine P&A	Navico Group	Boat	Total
Geographic Markets					
United States	$ 483.6	$ 276.6	$ 183.5	$ 423.1	$ 1,366.8
Europe	118.4	33.1	67.2	56.0	274.7
Asia-Pacific	59.5	27.7	24.0	7.5	118.7
Canada	24.5	28.4	8.9	70.4	132.2
Rest-of-World	48.2	13.7	2.5	11.4	75.8
Segment Eliminations	(102.3)	(2.1)	(28.0)	(0.2)	(132.6)
Total	$ 631.9	$ 377.4	$ 258.1	$ 568.2	$ 1,835.6

Notes to Condensed Consolidated Financial Statements
(unaudited)

(in millions)	Six Months Ended July 1, 2023				
	Propulsion	Engine P&A	Navico Group	Boat	Total
Geographic Markets					
United States	**$ 992.6**	**$ 445.3**	**$ 321.9**	**$ 858.2**	**$ 2,618.0**
Europe	**205.4**	**55.9**	**125.9**	**107.4**	**494.6**
Asia-Pacific	**108.3**	**51.7**	**37.2**	**15.6**	**212.8**
Canada	**49.0**	**40.8**	**9.6**	**136.2**	**235.6**
Rest-of-World	**99.6**	**23.8**	**10.5**	**18.6**	**152.5**
Segment Eliminations	**(205.1)**	**(3.8)**	**(58.3)**	**(0.4)**	**(267.6)**
Total	**$ 1,249.8**	**$ 613.7**	**$ 446.8**	**$ 1,135.6**	**$ 3,445.9**

(in millions)	Six Months Ended July 2, 2022				
	Propulsion	Engine P&A	Navico Group	Boat	Total
Geographic Markets					
United States	$ 936.3	$ 501.2	$ 386.6	$ 791.5	$ 2,615.6
Europe	231.8	68.6	140.4	101.6	542.4
Asia-Pacific	122.8	59.8	46.2	16.6	245.4
Canada	57.7	52.4	17.2	132.6	259.9
Rest-of-World	91.5	27.8	7.3	18.9	145.5
Segment Eliminations	(211.5)	(4.2)	(61.6)	(0.2)	(277.5)
Total	$ 1,228.6	$ 705.6	$ 536.1	$ 1,061.0	$ 3,531.3

Notes to Condensed Consolidated Financial Statements
(unaudited)

(in millions)	Three Months Ended July 1, 2023 Propulsion	Engine P&A	Navico Group	Boat	Total
Major Product Lines					
Outboard Engines	**$ 552.6**	**$ —**	**$ —**	**$ —**	**$ 552.6**
Controls, Rigging, and Propellers	**105.1**	**—**	**—**	**—**	**105.1**
Sterndrive Engines	**45.6**	**—**	**—**	**—**	**45.6**
Distribution Parts & Accessories	**—**	**197.2**	**—**	**—**	**197.2**
Products	**—**	**131.7**	**—**	**—**	**131.7**
Navico Group	**—**	**—**	**227.8**	**—**	**227.8**
Aluminum Freshwater Boats	**—**	**—**	**—**	**210.3**	**210.3**
Recreational Fiberglass Boats	**—**	**—**	**—**	**187.1**	**187.1**
Saltwater Fishing Boats	**—**	**—**	**—**	**124.9**	**124.9**
Business Acceleration	**—**	**—**	**—**	**46.5**	**46.5**
Boat Eliminations/Other	**—**	**—**	**—**	**(8.0)**	**(8.0)**
Segment Eliminations	**(91.4)**	**(1.8)**	**(25.2)**	**(0.1)**	**(118.5)**
Total	**$ 611.9**	**$ 327.1**	**$ 202.6**	**$ 560.7**	**$ 1,702.3**

(in millions)	Three Months Ended July 2, 2022 Propulsion	Engine P&A	Navico Group	Boat	Total
Major Product Lines					
Outboard Engines	$ 565.8	$ —	$ —	$ —	$ 565.8
Controls, Rigging, and Propellers	106.4	—	—	—	106.4
Sterndrive Engines	62.0	—	—	—	62.0
Distribution Parts & Accessories	—	231.4	—	—	231.4
Products	—	148.1	—	—	148.1
Navico Group	—	—	286.1	—	286.1
Aluminum Freshwater Boats	—	—	—	237.4	237.4
Recreational Fiberglass Boats	—	—	—	187.4	187.4
Saltwater Fishing Boats	—	—	—	110.3	110.3
Business Acceleration	—	—	—	35.8	35.8
Boat Eliminations/Other	—	—	—	(2.5)	(2.5)
Segment Eliminations	(102.3)	(2.1)	(28.0)	(0.2)	(132.6)
Total	$ 631.9	$ 377.4	$ 258.1	$ 568.2	$ 1,835.6

Notes to Condensed Consolidated Financial Statements
(unaudited)

	Six Months Ended July 1, 2023				
(in millions)	Propulsion	Engine P&A	Navico Group	Boat	Total
Major Product Lines					
Outboard Engines	**$ 1,145.8**	**$ —**	**$ —**	**$ —**	**$ 1,145.8**
Controls, Rigging, and Propellers	**211.1**	**—**	**—**	**—**	**211.1**
Sterndrive Engines	**98.0**	**—**	**—**	**—**	**98.0**
Distribution Parts & Accessories	**—**	**372.5**	**—**	**—**	**372.5**
Products	**—**	**245.0**	**—**	**—**	**245.0**
Navico Group	**—**	**—**	**505.1**	**—**	**505.1**
Aluminum Freshwater Boats	**—**	**—**	**—**	**440.7**	**440.7**
Recreational Fiberglass Boats	**—**	**—**	**—**	**385.5**	**385.5**
Saltwater Fishing Boats	**—**	**—**	**—**	**238.0**	**238.0**
Business Acceleration	**—**	**—**	**—**	**86.3**	**86.3**
Boat Eliminations/Other	**—**	**—**	**—**	**(14.5)**	**(14.5)**
Segment Eliminations	**(205.1)**	**(3.8)**	**(58.3)**	**(0.4)**	**(267.6)**
Total	**$ 1,249.8**	**$ 613.7**	**$ 446.8**	**$ 1,135.6**	**$ 3,445.9**

	Six Months Ended July 2, 2022				
(in millions)	Propulsion	Engine P&A	Navico Group	Boat	Total
Major Product Lines					
Outboard Engines	$ 1,111.9	$ —	$ —	$ —	$ 1,111.9
Controls, Rigging, and Propellers	204.9	—	—	—	204.9
Sterndrive Engines	123.3	—	—	—	123.3
Distribution Parts & Accessories	—	434.9	—	—	434.9
Products	—	274.9	—	—	274.9
Navico Group	—	—	597.7	—	597.7
Aluminum Freshwater Boats	—	—	—	458.0	458.0
Recreational Fiberglass Boats	—	—	—	351.8	351.8
Saltwater Fishing Boats	—	—	—	199.5	199.5
Business Acceleration	—	—	—	55.4	55.4
Boat Eliminations/Other	—	—	—	(3.5)	(3.5)
Segment Eliminations	(211.5)	(4.2)	(61.6)	(0.2)	(277.5)
Total	$ 1,228.6	$ 705.6	$ 536.1	$ 1,061.0	$ 3,531.3

As of December 31, 2022, $178.5 million of contract liabilities associated with extended warranties and customer deposits were reported in Accrued expenses and Other long-term liabilities, of which $14.1 million and $33.1 million were recognized as revenue during the three and six months ended July 1, 2023, respectively. As of July 1, 2023, total contract liabilities were $194.6 million. The total amount of the transaction price allocated to unsatisfied performance obligations as of July 1, 2023 was $185.6 million for contracts greater than one year, which primarily relates to extended warranties. The Company expects to recognize $36.6 million of this amount in 2023, $47.3 million in 2024, and $101.7 million thereafter.

Note 3 – Restructuring, Exit and Impairment Activities

The Company recorded restructuring, exit and impairment charges in the Condensed Consolidated Statements of Comprehensive Income in 2023.

During the three and six months ended July 1, 2023, the Company recorded restructuring charges within the Engine P&A, Navico Group, Boat and Corporate segments related to headcount reductions and related costs associated with streamlining the enterprise-wide cost structure and improving operating efficiencies. The Company estimates approximately $25 million of charges will be incurred related to these actions during 2023. The Company estimates these actions will result in approximately $30 million to $35 million of annualized cost savings.

The following table is a summary of these expenses for the three months ended July 1, 2023:

(in millions)	Engine P&A	Navico Group	Boat	Corporate	Total
Restructuring, exit and impairment activities:					
Employee termination and other benefits	$ 0.3	$ 7.1	$ 4.5	$ —	$ 11.9
Asset-related	—	0.2	—	—	0.2
Professional fees	—	—	—	1.8	1.8
Total restructuring, exit and impairment charges	$ 0.3	$ 7.3	$ 4.5	$ 1.8	$ 13.9
Total cash payments for restructuring, exit and impairment charges (A)	$ 0.3	$ 4.0	$ 4.0	$ 3.3	$ 11.6
Accrued charges at end of the period (B)	$ 0.5	$ 8.3	$ 1.2	$ 2.0	$ 12.0

(A) Cash payments for the three months ended July 1, 2023 may include payments related to prior period charges.
(B) Restructuring, exit and impairment charges accrued as of July 1, 2023 are expected to be paid in the next twelve months.

The following table is a summary of these expenses for the six months ended July 1, 2023:

(in millions)	Engine P&A	Navico Group	Boat	Corporate	Total
Restructuring, exit and impairment activities:					
Employee termination and other benefits	$ 1.0	$ 9.5	$ 5.9	$ 0.7	$ 17.1
Asset-related	—	1.4	—	—	1.4
Professional fees	—	—	—	4.9	4.9
Total restructuring, exit and impairment charges	$ 1.0	$ 10.9	$ 5.9	$ 5.6	$ 23.4
Total cash payments for restructuring, exit and impairment charges (A)	$ 0.5	$ 5.3	$ 4.7	$ 3.6	$ 14.1
Accrued charges at end of the period (B)	$ 0.5	$ 8.3	$ 1.2	$ 2.0	$ 12.0

(A) Cash payments for the six months ended July 1, 2023 may include payments related to prior period charges.
(B) Restructuring, exit and impairment charges accrued as of July 1, 2023 are expected to be paid in the next twelve months.

Note 4 – Acquisitions

2022 Acquisitions

During the second quarter of 2022, the Company acquired certain Freedom Boat Club franchise operations and territory rights as well as certain marine assets in the Southeast United States. These acquisitions enable opportunities across a wide spectrum, building upon the growth Brunswick has cultivated throughout the Company's shared access portfolio and new digital platforms. These acquisitions are included as part of the Company's Boat segment.

The Company paid net cash consideration of $93.9 million for these acquisitions. The opening balance sheets include $71.4 million of goodwill and $11.9 million of customer relationships. The amount assigned to customer relationships will be amortized over the estimated useful life of 10 years. Transaction costs associated with these acquisitions of $1.4 million were expensed as incurred within Selling, general and administrative expense in 2022. The acquisitions are not material to the Company's net sales, results of operations, or total assets during any period presented. Accordingly, the Company's consolidated results of operations do not differ materially from historical performance as a result of the acquisitions, and pro forma results for prior periods are not presented. Purchase accounting for these acquisitions is final as of July 1, 2023.

Note 5 – Financial Instruments

The Company operates globally with manufacturing and sales facilities around the world. Due to the Company’s global operations, the Company engages in activities involving both financial and market risks. The Company utilizes normal operating and financing activities, along with derivative financial instruments, to minimize these risks. See Note 13 in the Notes to Consolidated Financial Statements in the 2022 Form 10-K for further details regarding the Company's financial instruments and hedging policies.

Cross-Currency Swaps. The Company enters into cross-currency swaps to hedge Euro currency exposures of the net investment in certain foreign subsidiaries. During 2022, the Company settled $450.0 million of cross-currency swap contracts resulting in a deferred gain of $ 42.5 million within Accumulated other comprehensive loss. As a result, there were no cross-currency swaps outstanding as of July 1, 2023 and December 31, 2022, respectively. As of July 2, 2022, the notional value of cross-currency swap contracts outstanding was $250.0 million. The cross-currency swaps were designated as net investment hedges, with the amount of gain or loss associated with the change in fair value of these instruments included within Accumulated other comprehensive loss and recognized upon termination of the respective investment. In the first quarter of 2022, the Company settled $200.0 million of cross-currency swap contracts resulting in a deferred gain of $16.7 million within Accumulated other comprehensive loss.

Commodity Price. The Company uses commodity swaps to hedge anticipated purchases of aluminum and copper. As of July 1, 2023, December 31, 2022 and July 2, 2022, the notional value of commodity swap contracts outstanding was $25.2 million, $24.1 million and $22.6 million, respectively, and the contracts mature through 2024. The amount of gain or loss associated with the change in fair value of these instruments is deferred in Accumulated other comprehensive loss and recognized in Cost of sales in the same period or periods during which the hedged transaction affects earnings. As of July 1, 2023, the Company estimates that, during the next 12 months, it will reclassify approximately $2.7 million in net losses (based on current prices) from Accumulated other comprehensive loss to Cost of sales.

Foreign Currency Derivatives. Forward exchange contracts outstanding as of July 1, 2023, December 31, 2022 and July 2, 2022 had notional contract values of $561.1 million, $684.8 million and $650.0 million, respectively. The forward contracts outstanding as of July 1, 2023 mature through 2024 and mainly relate to the Euro, Australian dollar, Canadian dollar, and Mexican peso. As of July 1, 2023, the Company estimates that during the next 12 months, it will reclassify approximately $4.1 million of net gains (based on current rates) from Accumulated other comprehensive loss to Cost of sales.

Interest-Rate Derivatives. During the first quarter of 2022, the Company entered into and settled a series of treasury-lock swaps to hedge the interest-rate risk associated with debt issuances, resulting in a net deferred gain of $5.1 million. There were no treasury-lock swaps outstanding as of July 1, 2023, December 31, 2022 or July 2, 2022.

The Company had net deferred gains associated with previously settled forward-starting interest-rate swaps and the treasury-lock swaps discussed above of $3.4 million, $3.2 million, and $3.0 million as of July 1, 2023, December 31, 2022, and July 2, 2022, respectively. These instruments were designated as cash flow hedges with gains and losses included in Accumulated other comprehensive loss. As of July 1, 2023, the Company estimates that during the next 12 months, it will reclassify approximately $0.1 million of net gains from Accumulated other comprehensive loss to Interest expense.

As of July 1, 2023, December 31, 2022 and July 2, 2022, the fair values of the Company's derivative instruments were:

(in millions)	**Fair Value**		
Asset Derivatives	**July 1, 2023**	**December 31, 2022**	**July 2, 2022**
Derivatives Designated as Cash Flow Hedges			
Foreign exchange contracts	**$ 10.5**	$ 15.2	$ 24.3
Commodity contracts	**—**	0.3	—
Total	**$ 10.5**	$ 15.5	$ 24.3
Derivatives Designated as Net Investment Hedges			
Cross-currency swaps	**$ —**	$ —	$ 14.2
Other Hedging Activity			
Foreign exchange contracts	**$ 0.4**	$ 0.6	$ 2.0
Liability Derivatives			
Derivatives Designated as Cash Flow Hedges			
Foreign exchange contracts	**$ 7.2**	$ 8.0	$ 1.9
Commodity contracts	**3.0**	1.1	2.4
Total	**$ 10.2**	$ 9.1	$ 4.3
Other Hedging Activity			
Foreign exchange contracts	**$ 0.8**	$ 0.8	$ 0.1

As of July 1, 2023, December 31, 2022 and July 2, 2022, asset derivatives are included within Prepaid expenses and other and Other long-term assets, and liability derivatives are included within Accrued expenses and Other long-term liabilities in the Condensed Consolidated Balance Sheets.

The effect of derivative instruments on the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended July 1, 2023 and July 2, 2022 is as shown in the tables below.

Notes to Condensed Consolidated Financial Statements (unaudited)

The amount of gain (loss) on derivatives recognized in Accumulated other comprehensive loss was as follows:

(in millions)	Three Months Ended		Six Months Ended	
Derivatives Designated as Cash Flow Hedging Instruments	**July 1, 2023**	**July 2, 2022**	**July 1, 2023**	**July 2, 2022**
Interest-rate contracts	**$ —**	$ —	$ —	$ 5.3
Foreign exchange contracts	**(0.2)**	25.3	3.1	27.9
Commodity contracts	**(3.0)**	(5.7)	(3.2)	(0.7)
Total	**$ (3.2)**	$ 19.6	**$ (0.1)**	$ 32.5
Derivatives Designated as Net Investment Hedging Instruments				
Cross-currency swaps	**$ —**	$ 15.2	$ —	$ 16.6

The amount of gain (loss) reclassified from Accumulated other comprehensive loss into earnings was as follows:

(in millions)		Three Months Ended		Six Months Ended	
Derivatives Designated as Cash Flow Hedging Instruments	**Location of Gain (Loss)**	**July 1, 2023**	**July 2, 2022**	**July 1, 2023**	**July 2, 2022**
Interest-rate contracts	Interest expense	**$ —**	$ (0.1)	**$ (0.1)**	$ (0.1)
Foreign exchange contracts	Cost of sales	**4.1**	5.3	11.6	8.0
Commodity contracts	Cost of sales	**(0.5)**	2.3	(1.1)	3.9
Total		**$ 3.6**	$ 7.5	**$ 10.4**	$ 11.8
Derivatives Designated as Fair Value Hedging Instruments					
Interest-rate contracts	Interest expense	**$ 0.1**	$ 0.1	$ 0.3	$ 0.3
Other Hedging Activity					
Foreign exchange contracts	Cost of sales	**$ (1.5)**	$ 5.4	$ (2.2)	$ 1.8
Foreign exchange contracts	Other expense, net	**(0.4)**	0.2	(0.5)	0.2
Total		**$ (1.9)**	$ 5.6	**$ (2.7)**	$ 2.0

Fair Value of Other Financial Instruments. The carrying values of the Company's short-term financial instruments, including cash and cash equivalents and accounts and notes receivable, approximate their fair values because of the short maturity of these instruments. As of July 1, 2023, December 31, 2022 and July 2, 2022, the fair value of the Company’s long-term debt, including current maturities, and short-term debt was approximately $2,267.3 million, $2,225.0 million and $2,272.0 million, respectively, and was determined using Level 1 and Level 2 inputs described in Note 6 to the Notes to Consolidated Financial Statements in the 2022 Form 10-K. The carrying value of long-term debt, including current maturities, and short-term debt was $2,540.5 million, $2,540.5 million and $2,534.9 million as of July 1, 2023, December 31, 2022 and July 2, 2022, respectively.

Note 6 – Fair Value Measurements

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis:

(in millions)		Fair Value		
Category	Fair Value Level	July 1, 2023	December 31, 2022	July 2, 2022
Cash equivalents	1	**$ 0.3**	$ 0.4	$ 39.2
Short-term investments in marketable securities	1	**0.8**	4.5	37.0
Restricted cash	1	**11.0**	12.9	11.9
Derivative assets	2	**10.9**	16.1	40.5
Derivative liabilities	2	**11.0**	9.9	4.4
Deferred compensation	1	**1.4**	1.6	1.4
Deferred compensation	2	**16.8**	14.1	14.2
Liabilities measured at net asset value		**12.2**	10.4	10.4

Note 7 – Commitments and Contingencies

Product Warranties

The following activity related to product warranty liabilities was recorded in Accrued expenses during the six months ended July 1, 2023 and July 2, 2022:

(in millions)	July 1, 2023	July 2, 2022
Balance at beginning of period	**$ 146.7**	$ 129.3
Payments	**(40.2)**	(29.2)
Provisions/additions for contracts issued/sold	**45.9**	41.1
Aggregate changes for preexisting warranties	**2.7**	(0.2)
Foreign currency translation	**0.5**	(1.3)
Other	**1.4**	(0.9)
Balance at end of period	**$ 157.0**	$ 138.8

Extended Product Warranties

The following activity related to deferred revenue for extended product warranty contracts was recorded in Accrued expenses and Other long-term liabilities during the six months ended July 1, 2023 and July 2, 2022:

(in millions)	July 1, 2023	July 2, 2022
Balance at beginning of period	**$ 112.5**	$ 99.5
Extended warranty contracts sold	**22.6**	20.1
Revenue recognized on existing extended warranty contracts	**(12.8)**	(11.0)
Foreign currency translation	**0.2**	—
Other	**(0.2)**	(0.3)
Balance at end of period	**$ 122.3**	$ 108.3

Note 8 – Goodwill and Other Intangibles

Changes in the Company's goodwill during the six months ended July 1, 2023 and July 2, 2022, by segment, are summarized below:

(in millions)	Propulsion	Engine P&A	Navico Group	Boat	Total
December 31, 2022	$ 14.0	$ 232.8	$ 595.8	$ 125.0	$ 967.6
Adjustments	(0.1)	0.1	2.1	4.9	7.0
July 1, 2023	**$ 13.9**	**$ 232.9**	**$ 597.9**	**$ 129.9**	**$ 974.6**
December 31, 2021	$ 14.7	$ 233.1	$ 581.8	$ 58.8	$ 888.4
Acquisitions	—	—	—	79.5	79.5
Adjustments	(0.8)	(0.4)	(0.1)	0.1	(1.2)
July 2, 2022	**$ 13.9**	**$ 232.7**	**$ 581.7**	**$ 138.4**	**$ 966.7**

Adjustments in both periods include the effect of foreign currency translation on goodwill denominated in currencies other than the U.S. dollar. In addition, adjustments during the six months ended July 1, 2023 also include $4.8 million of purchase accounting adjustments from the 2022 Freedom Boat Club acquisitions, a majority of which relate to boat fleet fair market value adjustments. There was no accumulated impairment loss on goodwill as of July 1, 2023, December 31, 2022 or July 2, 2022.

As discussed in **Note 1 – Significant Accounting Policies**, effective January 1, 2023, we changed our reportable segments. Concurrent with the change in reportable segments, the Navico Group operating segment is now also the reporting unit at which we evaluate goodwill for impairment. As a result of this change, we evaluated impairment indicators at the previous reporting units immediately prior to the change and at the Navico Group reporting unit immediately following the change and concluded there were no indicators of impairment.

The Company's intangible assets, included within Other intangibles, net on the Condensed Consolidated Balance Sheets as of July 1, 2023, December 31, 2022 and July 2, 2022, are summarized by intangible asset type below:

	July 1, 2023		December 31, 2022		July 2, 2022	
(in millions)	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets:						
Customer relationships	**$ 897.6**	**$ (408.7)**	$ 897.4	$ (386.1)	$ 897.4	$ (362.4)
Trade names	**305.5**	**—**	305.4	—	305.4	—
Developed technology	**160.0**	**(18.7)**	160.0	(13.3)	160.0	(8.0)
Other	**82.1**	**(38.4)**	67.6	(33.6)	74.3	(28.5)
Total	**$ 1,445.2**	**$ (465.8)**	$ 1,430.4	$ (433.0)	$ 1,437.1	$ (398.9)

Other intangible assets primarily consist of software, patents and franchise agreements. Gross amounts and related accumulated amortization amounts include adjustments related to the impact of foreign currency translation. Aggregate amortization expense for intangibles was $17.2 million and $33.8 million for three and six months ended July 1, 2023, respectively. Aggregate amortization expense for intangibles was $ 15.4 million and $31.3 million for three and six months ended July 2, 2022, respectively.

The Company tests its intangible assets for impairment during the fourth quarter of each year, or whenever a significant change in events and circumstances (triggering event) occurs that indicates the fair value of intangible assets may be below their carrying values. The Company did not record an impairment charge during the six months ended July 1, 2023 or July 2, 2022.

Note 9 – Segment Data

Change in Reportable Segments

Effective January 1, 2023, the Company changed its management reporting and updated its reportable segments to Propulsion, Engine P&A, Navico Group and Boat to align with our internal operating structure.

Reportable Segments

The Company's segments are defined by management's reporting structure and operating activities. The Company's reportable segments are the following:

Propulsion. The Propulsion segment manufactures and markets a full range of outboard, sterndrive, and inboard engines, as well as propulsion-related controls, rigging, and propellers. These products are principally sold directly to boat builders, including Brunswick's Boat segment, and through marine retail dealers worldwide. The Propulsion segment primarily markets under the Mercury, Mercury MerCruiser, Mariner, Mercury Racing, and Mercury Diesel brands. The segment's engine manufacturing plants are located mainly in the United States and China, along with a joint venture in Japan, with sales mainly to markets in the Americas, Europe, and Asia-Pacific.

Engine P&A. The Engine P&A segment manufactures, markets, supplies and distributes products for both marine and non-marine markets. These products are designed for and sold mostly to aftermarket retailers, distributors, and distribution businesses, as well as original equipment manufacturers (including Brunswick brands). Company-branded products include consumables, such as engine oils and lubricants, and are sold under the Mercury, Mercury Precision Parts, Quicksilver, and Seachoice brands. The Engine P&A segment also includes distribution businesses such as Land 'N' Sea, Kellogg Marine Supply, Lankhorst Taselaar, BLA, and Payne's Marine Group, which distribute third-party and Company products. These businesses are leading distributors of marine parts and accessories throughout North America, Europe, and Asia-Pacific. The segment's manufacturing and distribution facilities are primarily located in North America, Europe, Australia, and New Zealand.

Navico Group. The Navico Group segment designs, develops, manufactures, and markets products and systems for the marine, RV, specialty vehicle and industrial markets. Navico Group's brand portfolio includes the Ancor, Attwood, B&G, BEP, Blue Sea Systems, C-MAP, CZone, Garelick, Lenco, Lowrance, Marinco, Mastervolt, MotorGuide, Progressive Industries, ProMariner, RELiON, Simrad and Whale brand names. These brands span multiple categories, including marine electronics, sensors, control systems, instruments, power systems, and general accessories. The segment's manufacturing and distribution facilities are primarily located in North America, Europe, Australia, and New Zealand.

Boat. The Boat segment designs, manufactures, and markets the following boat brands and products: Sea Ray sport boats and cruisers; Bayliner sport cruisers, runabouts, and Heyday wake boats; Boston Whaler fiberglass offshore boats; Lund fiberglass fishing boats; Crestliner, Cypress Cay, Harris, Lowe, Lund and Princecraft aluminum fishing, utility, pontoon boats, and deck boats; Thunder Jet heavy-gauge aluminum boats; and Veer recreational and fishing boats designed specifically to support electric propulsion. The Boat segment procures substantially all of its outboard engines, gasoline sterndrive engines, and gasoline inboard engines from Brunswick's Propulsion segment. The Boat segment also includes Brunswick boat brands based in Europe and Asia-Pacific, which include Quicksilver, Uttern, and Rayglass (including Protector and Legend). The Boat segment's products are manufactured mainly in the United States, Europe, Mexico, and Canada and sold through a global network of dealer and distributor locations, primarily in North America and Europe.

The Boat segment includes Business Acceleration which, through innovative service models, shared access solutions, including the Freedom Boat Club business acquired in 2019, dealer services and emerging technology, aims to provide exceptional experiences to attract a wide range of customers to the marine industry and shape the future of boating.

The Company evaluates performance based on segment operating earnings. Segment operating earnings do not include the expenses of corporate administration, impairments or gains on the sale of equity investments, earnings from unconsolidated affiliates, other expenses and income of a non-operating nature, transaction financing charges, interest expense, and income or provisions or benefits for income taxes.

Corporate/Other results include items such as corporate staff and administrative costs, investments in technology solutions, business development and other growth-related expenses, including IT enhancements. Corporate/Other total assets consist of mainly cash, cash equivalents and investments in short-term marketable securities, restricted cash, income tax balances and investments in unconsolidated affiliates.

Segment eliminations adjust for sales between the Company's reportable segments and primarily relate to the sale of engines and parts and accessories to various boat brands, which are consummated at established arm's length transfer prices as the intersegment pricing for these engines and parts and accessories are based upon and consistent with selling prices to third-party customers.

Information about the operations of Brunswick's reportable segments is set forth below:

	Net Sales				Operating Earnings (Loss)			
	Three Months Ended		Six Months Ended		Three Months Ended		Six Months Ended	
(in millions)	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Propulsion	**$ 703.3**	$ 734.2	**$ 1,454.9**	$ 1,440.1	**$ 111.1**	$ 142.0	**$ 262.2**	$ 267.3
Engine P&A	**328.9**	379.5	**617.5**	709.8	**66.4**	85.8	**114.2**	146.8
Navico Group	**227.8**	286.1	**505.1**	597.7	**4.2**	22.4	**17.0**	53.0
Boat	**560.8**	568.4	**1,136.0**	1,061.2	**53.2**	58.9	**111.0**	104.2
Corporate/Other	**—**	—	**—**	—	**(40.5)**	(30.1)	**(73.9)**	(52.8)
Segment Eliminations	**(118.5)**	(132.6)	**(267.6)**	(277.5)	**—**	—	**—**	—
Total	**$ 1,702.3**	$ 1,835.6	**$ 3,445.9**	$ 3,531.3	**$ 194.4**	$ 279.0	**$ 430.5**	$ 518.5

	Total Assets		
(in millions)	July 1, 2023	December 31, 2022	July 2, 2022
Propulsion	**$ 1,621.7**	$ 1,516.7	$ 1,400.0
Engine P&A	**883.6**	868.6	902.6
Navico Group	**2,113.9**	2,169.0	2,152.7
Boat	**886.9**	829.8	816.4
Corporate/Other	**784.0**	937.2	894.8
Total	**$ 6,290.1**	$ 6,321.3	$ 6,166.5

Note 10 – Comprehensive Income

Accumulated other comprehensive loss in the Condensed Consolidated Balance Sheets includes foreign currency cumulative translation adjustments; prior service costs and credits and net actuarial gains and losses for defined benefit plans; and unrealized derivative gains and losses, all net of tax. Changes in the components of Accumulated other comprehensive loss, all net of tax, for the three and six months ended July 1, 2023 and July 2, 2022 are as follows:

	Three Months Ended		Six Months Ended	
(in millions)	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net earnings	**$ 134.7**	$ 197.3	**$ 247.0**	$ 371.5
Other comprehensive income (loss):				
Foreign currency cumulative translation adjustments	**2.2**	(32.6)	**8.5**	(30.5)
Net change in unamortized actuarial gains	**0.1**	0.3	**0.2**	0.5
Net change in unrealized derivative gains	**(5.2)**	20.0	**(8.0)**	27.6
Total other comprehensive (loss) income	**(2.9)**	(12.3)	**0.7**	(2.4)
Comprehensive income	**$ 131.8**	$ 185.0	**$ 247.7**	$ 369.1

Notes to Condensed Consolidated Financial Statements
(unaudited)

The following table presents the changes in Accumulated other comprehensive loss by component, all net of tax, for the three months ended July 1, 2023:

(in millions)	Foreign currency translation	Prior service credits	Net actuarial gains	Unrealized investment gains	Net derivative gains	Total
Beginning balance	$ (65.0)	$ (4.1)	$ 9.8	$ 0.2	$ 33.2	**$ (25.9)**
Other comprehensive income before reclassifications (A)	2.2	—	—	—	(2.6)	**(0.4)**
Amounts reclassified from Accumulated other comprehensive loss (B)	—	—	0.1	—	(2.6)	**(2.5)**
Net other comprehensive income (loss)	2.2	—	0.1	—	(5.2)	**(2.9)**
Ending balance	$ (62.8)	$ (4.1)	$ 9.9	$ 0.2	$ 28.0	**$ (28.8)**

(A) The tax effects for the three months ended July 1, 2023 were $(0.4) million for foreign currency translation and $0.6 million for derivatives.
(B) See the table depicting reclassification adjustments out of Accumulated other comprehensive loss below for the tax effects for the three months ended July 1, 2023.

The following table presents the changes in Accumulated other comprehensive loss by component, all net of tax, for the six months ended July 1, 2023:

(in millions)	Foreign currency translation	Prior service credits	Net actuarial gains	Unrealized investment gains	Net derivative gains	Total
Beginning balance	$ (71.3)	$ (4.1)	$ 9.7	$ 0.2	$ 36.0	**$ (29.5)**
Other comprehensive income before reclassifications (A)	8.5	—	—	—	(0.5)	**8.0**
Amounts reclassified from Accumulated other comprehensive loss (B)	—	—	0.2	—	(7.5)	**(7.3)**
Net other comprehensive income	8.5	—	0.2	—	(8.0)	**0.7**
Ending balance	$ (62.8)	$ (4.1)	$ 9.9	$ 0.2	$ 28.0	**$ (28.8)**

(A) The tax effects for the six months ended July 1, 2023 were $(0.5) million for foreign currency translation and $(0.4) million for derivatives.
(B) See the table depicting reclassification adjustments out of Accumulated other comprehensive loss below for the tax effects for the six months ended July 1, 2023

The following table presents the changes in Accumulated other comprehensive loss by component, all net of tax, for the three months ended July 2, 2022:

(in millions)	Foreign currency translation	Prior service credits	Net actuarial losses	Unrealized investment gains	Net derivative gains	Total
Beginning balance	$ (32.4)	$ (3.7)	$ (3.2)	$ 0.2	$ 17.5	**$ (21.6)**
Other comprehensive income before reclassifications (A)	(32.6)	—	—	—	25.6	**(7.0)**
Amounts reclassified from Accumulated other comprehensive loss (B)	—	—	0.3	—	(5.6)	**(5.3)**
Net other comprehensive income (loss)	(32.6)	—	0.3	—	20.0	**(12.3)**
Ending balance	$ (65.0)	$ (3.7)	$ (2.9)	$ 0.2	$ 37.5	**$ (33.9)**

(A) The tax effects for the three months ended July 2, 2022 were $1.5 million for foreign currency translation and $(9.2) million for derivatives.
(B) See the table depicting reclassification adjustments out of Accumulated other comprehensive loss below for the tax effects for the three months ended July 2, 2022.

Notes to Condensed Consolidated Financial Statements
(unaudited)

The following table presents the changes in Accumulated other comprehensive loss by component, all net of tax, for the six months ended July 2, 2022:

(in millions)	Foreign currency translation	Prior service credits	Net actuarial losses	Unrealized investment gains	Net derivative gains	Total
Beginning balance	$ (34.5)	$ (3.7)	$ (3.4)	$ 0.2	$ 9.9	**$ (31.5)**
Other comprehensive (loss) income before reclassifications (A)	(30.5)	—	—	—	36.4	**5.9**
Amounts reclassified from Accumulated other comprehensive loss (B)	—	—	0.5	—	(8.8)	**(8.3)**
Net other comprehensive income	(30.5)	—	0.5	—	27.6	**(2.4)**
Ending balance	$ (65.0)	$ (3.7)	$ (2.9)	$ 0.2	$ 37.5	**$ (33.9)**

(A) The tax effects for the six months ended July 2, 2022 were $3.1 million for foreign currency translation and $(12.7) million for derivatives.
(B) See the table depicting reclassification adjustments out of Accumulated other comprehensive loss below for the tax effects for the six months ended July 2, 2022

The following table presents reclassification adjustments out of Accumulated other comprehensive loss during the three and six months ended July 1, 2023 and July 2, 2022:

Details about Accumulated other comprehensive (loss) income components (in millions)	Three Months Ended July 1, 2023	Three Months Ended July 2, 2022	Six Months Ended July 1, 2023	Six Months Ended July 2, 2022	Affected line item in the statement where net income is presented
Amortization of defined benefit items:					
Net actuarial losses	**$ (0.1)**	$ (0.3)	**$ (0.2)**	$ (0.5)	Other income (expense), net
	(0.1)	(0.3)	**(0.2)**	(0.5)	Earnings before income taxes
	—	—	**—**	—	Income tax provision
	$ (0.1)	$ (0.3)	**$ (0.2)**	$ (0.5)	Net earnings from continuing operations
Amount of gain (loss) reclassified into earnings on derivative contracts:					
Interest-rate contracts	**$ —**	$ (0.1)	**$ (0.1)**	$ (0.1)	Interest expense
Foreign exchange contracts	**4.1**	5.3	**11.6**	8.0	Cost of sales
Commodity contracts	**(0.5)**	2.3	**(1.1)**	3.9	Cost of sales
	3.6	7.5	**10.4**	11.8	Earnings before income taxes
	(1.0)	(1.9)	**(2.9)**	(3.0)	Income tax provision
	$ 2.6	$ 5.6	**$ 7.5**	$ 8.8	Net earnings from continuing operations

Note 11 – Income Taxes

The effective tax rate for the three months ended July 1, 2023 and July 2, 2022 was 21.2 percent and 21.9 percent, respectively. The effective tax rate for the three months ended July 1, 2023 was lower than the same period in the prior year primarily due to the mix in earnings and the increase to the domestic benefit of export sales.

The effective tax rate for the six months ended July 1, 2023 and July 2, 2022 was 35.3 percent and 21.5 percent, respectively. The effective tax rate for the six months ended July 1, 2023 was higher than the same period in the prior year primarily due to an intercompany sale of certain intellectual property rights (“IP rights”) in the first quarter of 2023, to better align the ownership of these rights with how our business operates. The completion of this sale from one of our affiliates in Norway to the United States resulted in a discrete income tax expense of $52.9 million in the first quarter of 2023, which will be paid over time, as permitted under current Norwegian tax law.

The Company is regularly audited by federal, state and foreign tax authorities. The Internal Revenue Service ("IRS") has completed its field examination and has issued its Revenue Agents Report through the 2014 tax year and all open issues have been resolved. The Company is currently open to tax examinations by the IRS for the 2019 through 2021 tax years. The Company is open to state and local tax audits in major tax jurisdictions dating back to the 2017 taxable year. The Company is no longer subject to income tax examinations by any major foreign tax jurisdiction for years prior to 2015.

Note 12 – Debt

The following table provides the changes in the Company's debt for the six months ended July 1, 2023:

(in millions)	Short-term debt and current maturities of long-term debt	Long-term debt	Total
Balance as of December 31, 2022	$ 89.0	$ 2,420.0	$ 2,509.0
Proceeds from issuances of debt	1.6	—	**1.6**
Repayments of debt	(2.6)	(0.6)	**(3.2)**
Reclassification of long-term debt	0.3	(0.3)	**—**
Other	—	2.9	**2.9**
Balance as of July 1, 2023	**$ 88.3**	**$ 2,422.0**	**$ 2,510.3**

As of July 1, 2023, Brunswick was in compliance with the financial covenants associated with its debt.

2032 and 2052 Notes

In March 2022, the Company issued an aggregate principal amount of $ 450.0 million of 4.400% Senior Notes due 2032 (the "2032 Notes") and $300.0 million of 5.100% Senior Notes due 2052 (the "2052 Notes" and, together with the 2032 Notes, the "Notes") in a public offering, which resulted in aggregate net proceeds to the Company of $741.8 million. The Company used the net proceeds from the sale of the Notes for general corporate purposes.

The 2032 Notes bear interest at a rate of 4.400% per year and the 2052 Notes bear interest at a rate of 5.100% per year. Interest on the 2032 Notes is payable semiannually in arrears on March 15 and September 15 of each year, and the first interest payment date was September 15, 2022. Interest on the 2052 Notes is payable semiannually in arrears on April 1 and October 1 of each year, and the first interest payment date was October 1, 2022. The 2032 Notes will mature on September 15, 2032, and the 2052 Notes will mature on April 1, 2052.

The Company may redeem the Notes of each series, in whole or in part, at any time and from time to time prior to maturity. If the Company elects to redeem the Notes at any time prior to (i) with respect to the 2032 Notes, June 15, 2032 (the date that is three months prior to the maturity of the 2032 Notes) or (ii) with respect to the 2052 Notes, October 1, 2051 (the date that is six months prior to the maturity of the 2052 Notes), it will pay a “make-whole” redemption price set forth in the Fifth Supplemental Indenture dated as of March 29, 2022 ("Fifth Supplemental Indenture"). On or after June 15, 2032, in the case of the 2032 Notes, or October 1, 2051, in the case of the 2052 Notes, the Company may, at its option, redeem the Notes of each series, in whole or in part at any time and from time to time, at a redemption price equal to 100% of the principal amount thereof. In addition to the redemption price, the Company will pay accrued and unpaid interest, if any, to, but not including, the redemption date.

If the Company experiences a change-of-control triggering event with respect to a series of Notes, as defined in the Fifth Supplemental Indenture, each holder of such series of Notes may require the Company to repurchase some or all of its Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest to, but not including, the repurchase date.

Term Loan

During the six months ended July 2, 2022, the Company made the remaining principal repayments, totaling $ 56.3 million, of its 2023 floating-rate term loan. The term loan was redeemed at 100 percent of the principal amount plus accrued interest in accordance with the redemption provisions of the term loan. The Company recognized a loss on early extinguishment of debt of $0.1 million related to the term loan redemption.

Credit Facility

The Company maintains a Revolving Credit Agreement ("Credit Facility"). In March 2022, the Company amended its Credit Facility with certain wholly-owned subsidiaries of the Company as subsidiary borrowers and lenders as parties, and JPMorgan Chase Bank, N.A., as administrative agent. This amends and restates the Credit Facility, dated as of March 21, 2011, as amended and restated on July 16, 2021. The amended Credit Facility increased the revolving commitments to $750.0 million, with the capacity to add up to $ 100.0 million of additional revolving commitments, and amended the Credit Facility in certain respects, including, among other things:

- Extending the maturity date to March 31, 2027, with up to two one-year extensions available.

- Transitioning the reference rate for loans denominated in U.S. dollars from the London Interbank Offered Rate ("LIBOR") to the term Secured Overnight Financing Rate ("SOFR"), with a credit-spread adjustment of 10 basis points to be added to the reference rate for borrowings of U.S. dollar loans for each interest period.

During the six months ended July 1, 2023, there were no borrowings under the Credit Facility, and available borrowing capacity totaled $741.9 million, net of $8.1 million of letters of credit outstanding, under the Credit Facility.

During the six months ended July 2, 2022, gross borrowings under the Credit Facility totaled $ 125.0 million. As of July 2, 2022, there were no borrowings outstanding and available borrowing capacity totaled $747.2 million, net of $2.8 million of letters of credit outstanding, under the Credit Facility. The maximum amount utilized under the Credit Facility during the six months ended July 2, 2022, including letters of credit outstanding under the Credit Facility, was $127.8 million. Refer to Note 15 in the Notes to Consolidated Financial Statements in the 2022 Form 10-K for details regarding Brunswick's Credit Facility.

Commercial Paper

In December 2019, the Company entered into an unsecured commercial paper program ("CP Program") pursuant to which the Company may issue short-term, unsecured commercial paper notes ("CP Notes"). During the second quarter of 2022, the Company increased the size of its CP Program to allow the issuance of CP Notes in an aggregate principal amount not to exceed $500.0 million outstanding at any time. Amounts available under the CP Program may be borrowed, repaid and re-borrowed from time to time, with the aggregate principal amount of CP Notes outstanding under the CP Program at any time not exceeding the lower of $500.0 million or the available borrowing amount under the Credit Facility. During the first six months of 2023, borrowings under the CP Program totaled $285.0 million, all of which were repaid during the period. During the six months ended July 1, 2023, the maximum amount utilized under the CP Program was $100.0 million. Refer to Note 15 in the Notes to Consolidated Financial Statements in the 2022 Form 10-K for details regarding Brunswick's CP Program.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in Management's Discussion and Analysis of Financial Condition and Results of Operations of Brunswick Corporation (the Company, we, us, our) are forward-looking statements. Forward-looking statements are based on current expectations, estimates, and projections about our business and by their nature address matters that are, to different degrees, uncertain. Actual results may differ materially from expectations and projections as of the date of this filing due to various risks and uncertainties. For additional information regarding forward-looking statements, refer to ***Forward-Looking Statements*** below.

Certain statements in Management's Discussion and Analysis are based on non-GAAP financial measures. GAAP refers to generally accepted accounting principles in the United States. A "non-GAAP financial measure" is a numerical measure of a registrant's historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the consolidated statements of operations, balance sheets or statements of cash flows of the issuer; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measure so calculated and presented. For example, the discussion of our cash flows includes an analysis of free cash flows and total liquidity; the discussion of our net sales includes net sales on a constant currency basis; the discussion of our net sales includes net sales excluding acquisitions; the discussion of our earnings includes a presentation of operating earnings and operating margin excluding restructuring, exit and impairment charges, purchase accounting amortization, acquisition-related costs, IT security incident costs and other applicable charges and of diluted earnings per common share, as adjusted. Non-GAAP financial measures do not include operating and statistical measures.

We include non-GAAP financial measures in Management's Discussion and Analysis as management believes these measures and the information they provide are useful to investors because they permit investors to view our performance using the same tools that management uses to evaluate our ongoing business performance. In order to better align our reported results with the internal metrics management uses to evaluate business performance as well as to provide better comparisons to prior periods and peer data, non-GAAP measures exclude the impact of purchase accounting amortization related to acquisitions, among other adjustments.

We do not provide forward-looking guidance for certain financial measures on a GAAP basis because we are unable to predict certain items contained in the GAAP measures without unreasonable efforts. These items may include restructuring, exit and impairment costs, special tax items, acquisition-related costs, and certain other unusual adjustments.

IT Security Incident

As previously announced on June 13, 2023, the Company experienced an IT security incident that impacted some of its systems and global facilities. Please refer to **Note 1 – Significant Accounting Policies** for further details.

Change in Reportable Segments

Effective January 1, 2023, the Company changed its management reporting and updated its reportable segments to Propulsion, Engine P&A, Navico Group and Boat to align with its internal operating structure. For further information, refer to **Note 9 – Segment Data** in the Notes to Condensed Consolidated Financial Statements.

Acquisitions

During the second quarter of 2022, we acquired certain Freedom Boat Club franchise operations and territory rights as well as certain marine assets in the Southeast United States for net cash consideration of $93.9 million. Refer to **Note 4 – Acquisitions** in the Notes to Condensed Consolidated Financial Statements for further information.

Overview

Net sales decreased 7 percent during the second quarter of 2023 when compared with the second quarter of 2022. Our Propulsion segment results were below initial expectations solely due to the lost production days resulting from the IT security incident. Prior to the disruption, our high-horsepower outboard engine production ramp up was progressing and has since resumed, allowing us to increase shipments to repower customers and original equipment manufacturing ("OEM") partners. Our Engine P&A segment performed as expected, excluding the impact of the IT security incident, reflecting anticipated sales and earnings declines versus a record second quarter of 2022. As anticipated, Navico Group posted lower second quarter sales versus 2022 as both marine and RV OEM orders slowed versus a record prior year quarter. Our Boat segment delivered a solid quarter with sales slightly below prior year. Our international net sales decreased 13 percent and 12 percent in the second quarter on a GAAP and constant currency basis, respectively.

Net sales decreased 2 percent during the first half of 2023, when compared with the first half of 2022, due to the same factors described above. Our international net sales decreased 8 percent and 5 percent in the first half on a GAAP and constant currency basis, respectively.

Operating earnings in the second quarter of 2023 were $194.4 million and $234.9 million on a GAAP and As Adjusted basis, respectively. This compares to operating earnings during the second quarter of 2022 of $279.0 million and $300.2 million on a GAAP and an As Adjusted basis, respectively.

Operating earnings in the first half of 2023 were $430.5 million and $497.3 million on a GAAP and As Adjusted basis, respectively. This compares to operating earnings during the first half of 2022 of $518.5 million and $567.7 million on a GAAP and an As Adjusted basis, respectively.

Matters Affecting Comparability

Changes in Foreign Currency Rates. Percentage changes in net sales expressed in constant currency reflect the impact that changes in currency exchange rates had on comparisons of net sales. To determine this information, net sales transacted in currencies other than the U.S. dollar have been translated to U.S. dollars using the average exchange rates that were in effect during the comparative period. The percentage change in net sales expressed on a constant currency basis better reflects the changes in the underlying business trends, excluding the impact of translation arising from foreign currency exchange-rate fluctuations. Approximately 24 percent of our annual net sales are transacted in a currency other than the U.S. dollar. Our most material exposures include sales in Euros, Canadian dollars, Australian dollars, and Brazilian real.

The table below summarizes the impact of changes in currency exchange rates and also the impact of acquisitions on our net sales:

	Three Months Ended					Six Months Ended				
	Net Sales		2023 vs. 2022			Net Sales		2023 vs. 2022		
(in millions)	July 1, 2023	July 2, 2022	GAAP	Currency Impact	Acquisition Benefit	July 1, 2023	July 2, 2022	GAAP	Currency Impact	Acquisition Benefit
Propulsion	**$ 703.3**	$ 734.2	(4.2)%	(0.4) %	— %	**$ 1,454.9**	$ 1,440.1	1.0 %	(1.0) %	— %
Engine P&A	**328.9**	379.5	(13.3)%	(0.5) %	— %	**617.5**	709.8	(13.0)%	(0.9) %	— %
Navico Group	**227.8**	286.1	(20.4)%	(0.1) %	— %	**505.1**	597.7	(15.5)%	(0.8) %	— %
Boat	**560.8**	568.4	(1.3)%	(0.1) %	1.0 %	**1,136.0**	1,061.2	7.0 %	(0.6) %	2.0 %
Segment Eliminations	**(118.5)**	(132.6)	(10.6)%	(0.2) %	— %	**(267.6)**	(277.5)	(3.6)%	(0.5) %	— %
Total	**$ 1,702.3**	$ 1,835.6	(7.3)%	(0.3) %	0.3 %	**$ 3,445.9**	$ 3,531.3	(2.4)%	(0.8) %	0.6 %

Results of Operations

Consolidated

The following table sets forth certain amounts, ratios and relationships calculated from the Condensed Consolidated Statements of Comprehensive Income for the three and six months ended:

	Three Months Ended		2023 vs. 2022		Six Months Ended		2023 vs. 2022	
(in millions, except per share data)	July 1, 2023	July 2, 2022	$ Change	% Change	July 1, 2023	July 2, 2022	$ Change	% Change
Net sales	**$ 1,702.3**	$ 1,835.6	$ (133.3)	(7.3)%	**$ 3,445.9**	$ 3,531.3	$ (85.4)	(2.4)%
Gross margin(A)	**472.3**	536.4	(64.1)	(12.0)%	**977.9**	1,020.0	(42.1)	(4.1)%
Restructuring, exit and impairment charges	**13.9**	—	13.9	NM	**23.4**	—	23.4	NM
Operating earnings	**194.4**	279.0	(84.6)	(30.3)%	**430.5**	518.5	(88.0)	(17.0)%
Net earnings from continuing operations	**135.3**	198.8	(63.5)	(31.9)%	**247.7**	372.8	(125.1)	(33.6)%
Diluted earnings per common share from continuing operations	**$ 1.91**	$ 2.61	$ (0.70)	(26.8)%	**$ 3.47**	$ 4.86	$ (1.39)	(28.6)%
Expressed as a percentage of Net sales:								
Gross margin (A)	**27.7 %**	29.2 %		(150) bps	**28.4 %**	28.9 %		(50) bps
Selling, general and administrative expense	**12.6 %**	11.3 %		130 bps	**12.4 %**	11.3 %		110 bps
Research and development expense	**2.9 %**	2.7 %		20 bps	**2.8 %**	2.9 %		(10) bps
Restructuring, exit and impairment charges	**0.8 %**	— %		80 bps	**0.7 %**	— %		70 bps
Operating margin	**11.4 %**	15.2 %		(380) bps	**12.5 %**	14.7 %		(220) bps

bps = basis points
NM = not meaningful

(A) Gross margin is defined as Net sales less Cost of sales as presented in the Condensed Consolidated Statements of Comprehensive Income.

The following is a summary of Adjusted operating earnings and Adjusted diluted earnings per common share from continuing operations for the three and six months ended July 1, 2023 when compared with the same prior year comparative period:

	Three Months Ended				Six Months Ended			
	Operating Earnings		Diluted Earnings Per Share		Operating Earnings		Diluted Earnings Per Share	
(in millions, except per share data)	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
GAAP	**$ 194.4**	$ 279.0	**$ 1.91**	$ 2.61	**$ 430.5**	$ 518.5	**$ 3.47**	$ 4.86
Restructuring, exit and impairment charges	**13.9**	—	**0.15**	—	**23.4**	—	**0.25**	—
Purchase accounting amortization	**14.1**	14.1	**0.15**	0.14	**28.3**	37.1	**0.30**	0.37
IT security incident costs	**8.1**	—	**0.09**	—	**8.1**	—	**0.09**	—
Acquisition, integration and IT-related costs	**4.4**	7.1	**0.05**	0.07	**7.0**	12.1	**0.08**	0.12
Special tax items	**—**	—	**—**	—	**—**	—	**0.72**	—
As Adjusted	**$ 234.9**	$ 300.2	**$ 2.35**	$ 2.82	**$ 497.3**	$ 567.7	**$ 4.91**	$ 5.35
GAAP operating margin	**11.4 %**	15.2 %			**12.5 %**	14.7 %		
Adjusted operating margin	**13.8 %**	16.4 %			**14.4 %**	16.1 %		

Net sales decreased 7 percent during the second quarter of 2023 and 2 percent during the first half of 2023 when compared with the same prior year period. The components of the consolidated net sales change were as follows:

	Percent change in net sales compared to the prior comparative period	
	Three Months Ended	**Six Months Ended**
	July 1, 2023	**July 1, 2023**
Volume	**(10.2)%**	**(9.9) %**
Product Mix and Price	**7.3 %**	**10.0 %**
IT Security Incident	**(4.4)%**	**(2.3) %**
Acquisitions	**0.3 %**	**0.6 %**
Currency	**(0.3)%**	**(0.8) %**
	(7.3)%	**(2.4) %**

Gross margin decreased 150 basis points in the second quarter of 2023 when compared to the same prior year period, driven by higher manufacturing costs including material and labor inflation (270 bps), the IT security incident (110 bps), unfavorable timing of capitalized variances (70 bps), depreciation (50 bps) and unfavorable foreign currency exchange rate fluctuations (40 bps), partially offset by sales-related drivers (380 bps) and acquisitions (10 bps).

Gross margin decreased 50 basis points in the first half of 2023 when compared to the same prior year period, driven by higher manufacturing costs including material and labor inflation (350 bps), the IT security incident (60 bps), depreciation (60 bps) and unfavorable foreign currency exchange rate fluctuations (30 bps), partially offset by sales-related drivers (410 bps) and acquisitions (40 bps).

Selling, general and administrative expense as a percentage of net sales increased 130 basis points during the second quarter of 2023 when compared with the same prior year period, due to lower sales and increased relative spending on sales and marketing (60 bps), information technology (40 bps) and variable compensation (30 bps). Research and development expense decreased in the second quarter of 2023 versus the same period in 2022.

Selling, general and administrative expense as a percentage of net sales increased 110 basis points during the first half of 2023 when compared with the same prior year period, due to lower sales and increased relative spending on sales and marketing (60 bps), information technology (30 bps) and variable compensation (20 bps). Research and development expense decreased in the first half of 2023 versus the same period in 2022.

We recorded Restructuring, exit and impairment charges of $13.9 million and $23.4 million during the three and six months ended July 1, 2023, respectively. We did not recognize any Restructuring, exit and impairment charges during the three and six months ended July 2, 2022, respectively. Refer to **Note 3 – Restructuring, Exit and Impairment Activities** in the Notes to Condensed Consolidated Financial Statements for further information.

We recorded Equity earnings of $2.2 million and $4.4 million in the three and six months ended July 1, 2023, respectively, which were mainly related to our marine and technology-related joint ventures. This compares with Equity earnings of $0.7 million and $1.5 million in the three and six months ended July 2, 2022, respectively.

We recognized $1.8 million and $0.9 million in Other income (expense), net in the three and six months ended July 1, 2023, respectively. This compares with $0.3 million and $(1.2) million recognized in Other income (expense), net in the three and six months ended July 2, 2022, respectively. Other income (expense), net primarily includes remeasurement gains and losses resulting from changes in foreign currency rates and other postretirement benefit costs.

Net interest expense increased for the three and six months ended July 1, 2023 when compared with the same prior year period due to an increase in average daily debt outstanding, which was influenced by the timing of debt issuances. Refer to **Note 12 – Debt** in the Notes to Condensed Consolidated Financial Statements and Note 15 – Debt in the Notes to Consolidated Financial Statements in the 2022 Form 10-K.

We recognized an Income tax provision for the three and six months ended July 1, 2023 of $36.3 million and $135.3 million, respectively, compared to $55.8 million and $102.2 million for the three and six months ended July 2, 2022, respectively. The increase in the income tax provision for the six months ended July 1, 2023 is due to a discrete income tax expense recorded in connection with the intercompany sale of intellectual property rights in the first quarter of 2023.

The effective tax rate, which is calculated as the Income tax provision as a percentage of Earnings before income taxes, for the three and six months ended July 1, 2023 was 21.2 percent and 35.3 percent, respectively. The effective tax rate for the three and six months ended July 2, 2022 was 21.9 percent and 21.5 percent, respectively.

Due to the factors described in the preceding paragraphs, Operating earnings, Net earnings from continuing operations, and Diluted earnings per common share from continuing operations decreased during the second quarter and first half of 2023 when compared with the same prior year period.

Propulsion Segment

The following table sets forth Propulsion segment's results for the three and six months ended:

	Three Months Ended		2023 vs. 2022		Six Months Ended		2023 vs. 2022	
(in millions)	**July 1, 2023**	**July 2, 2022**	**$ Change**	**% Change**	**July 1, 2023**	**July 2, 2022**	**$ Change**	**% Change**
Net sales	**$ 703.3**	$ 734.2	$ (30.9)	(4.2)%	**$ 1,454.9**	$ 1,440.1	$ 14.8	1.0%
GAAP operating earnings	**$ 111.1**	$ 142.0	$ (30.9)	(21.8)%	**$ 262.2**	$ 267.3	$ (5.1)	(1.9)%
IT security incident costs	**3.4**	—	3.4	NM	**3.4**	—	3.4	NM
Adjusted operating earnings	**$ 114.5**	$ 142.0	$ (27.5)	(19.4)%	**$ 265.6**	$ 267.3	$ (1.7)	(0.6)%
GAAP operating margin	**15.8 %**	19.3 %		(350) bps	**18.0 %**	18.6 %		(60) bps
Adjusted operating margin	**16.3 %**	19.3 %		(300) bps	**18.3 %**	18.6 %		(30) bps

NM = not meaningful
bps = basis points

Propulsion segment's net sales decreased $30.9 million, or 4 percent, in the second quarter of 2023 compared to the second quarter of 2022 as benefits from pricing, favorable product mix related to continued strong high-horsepower outboard engine demand and higher sales to repower customers, were offset by the impact of production stoppages related to the IT security incident and planned reductions in lower horsepower outboard engine and sterndrive engine sales and production.

Propulsion segment's net sales increased $14.8 million, or 1 percent, in the first half of 2023 versus 2022 due to continued increased sales of high-horsepower outboard engines offsetting the negative factors described above.

The components of the Propulsion segment's net sales change were as follows:

	Percent change in net sales compared to the prior comparative period	
	Three Months Ended	**Six Months Ended**
	July 1, 2023	**July 1, 2023**
Product Mix and Price	**9.2 %**	**16.6 %**
Volume	**(6.9) %**	**(11.5)%**
IT Security Incident	**(6.1) %**	**(3.1)%**
Currency	**(0.4) %**	**(1.0)%**
	(4.2) %	**1.0 %**

International sales were 29 percent of the Propulsion segment's net sales in the second quarter of 2023, and decreased 18 percent from the same period of the prior year on a GAAP basis. On a constant currency basis, international sales decreased 16 percent.

International sales were 32 percent of the Propulsion segment's net sales in the first half of 2023 and decreased 8 percent from the prior year on a GAAP basis. On a constant currency basis, international sales decreased 5 percent in the first half of 2023.

Propulsion segment's operating earnings in the second quarter of 2023 were $111.1 million, a decrease of 22 percent when compared to the second quarter of 2022, as lower sales, higher input costs, and the timing of capitalized inventory variances offset very aggressive cost control. Operating earnings for the first half of 2023 were $262.2 million, a decrease of 2 percent, as a result of the same factors described above.

Engine P&A Segment

The following table sets forth Engine P&A segment's results for the three and six months ended:

	Three Months Ended		2023 vs. 2022		Six Months Ended		2023 vs. 2022	
(in millions)	**July 1, 2023**	**July 2, 2022**	**$ Change**	**% Change**	**July 1, 2023**	**July 2, 2022**	**$ Change**	**% Change**
Net sales	**$ 328.9**	$ 379.5	$ (50.6)	(13.3)%	**$ 617.5**	$ 709.8	$ (92.3)	(13.0)%
GAAP operating earnings	**$ 66.4**	$ 85.8	$ (19.4)	(22.6)%	**$ 114.2**	$ 146.8	$ (32.6)	(22.2)%
Restructuring, exit and impairment charges	**0.3**	—	0.3	NM	**1.0**	—	1.0	NM
IT security incident costs	**0.5**	—	0.5	NM	**0.5**	—	0.5	NM
Adjusted operating earnings	**$ 67.2**	$ 85.8	$ (18.6)	(21.7)%	**$ 115.7**	$ 146.8	$ (31.1)	(21.2)%
GAAP operating margin	**20.2 %**	22.6 %		(240) bps	**18.5 %**	20.7 %		(220) bps
Adjusted operating margin	**20.4 %**	22.6 %		(220) bps	**18.7 %**	20.7 %		(200) bps

NM = not meaningful
bps = basis points

Engine P&A segment's net sales decreased $50.6 million, or 13 percent, in the second quarter of 2023 versus the second quarter of 2022, due to the impact of the IT security incident and lower sales in our third-party distribution businesses and international markets.

Engine P&A segment's net sales decreased $92.3 millions, or 13 percent, in the first half of 2023 versus prior year as a result of the same factors described above.

The components of the Engine P&A segment's net sales change were as follows:

	Percent change in net sales compared to the prior comparative period	
	Three Months Ended	**Six Months Ended**
	July 1, 2023	**July 1, 2023**
Volume	**(10.7)%**	**(13.6)%**
IT Security Incident	**(5.9)%**	**(3.2)%**
Product Mix and Price	**3.8 %**	**4.7 %**
Currency	**(0.5)%**	**(0.9)%**
	(13.3)%	**(13.0)%**

International sales were 26 percent of the Engine P&A segment's net sales in the second quarter of 2023 and decreased 16 percent year over year on a GAAP basis. On a constant currency basis, international sales decreased 14 percent.

International sales were 28 percent of the Engine P&A segment's net sales in the first half of 2023 and decreased 17 percent year over year on a GAAP basis. On a constant currency basis, international sales decreased 14 percent in the first half of 2023.

Engine P&A segment's operating earnings in the second quarter of 2023 were $66.4 million, a decrease of 23 percent compared to the second quarter of 2022, due to the net sales factors described above together with slight increases in input costs and the carry-over of start-up costs related to the newly opened Brownsburg distribution center, which collectively offset benefits from cost control measures. Operating earnings for the first half of 2023 were $114.2 million, a decrease of 22 percent, as a result of the same factors described above.

Navico Group Segment

The following table sets forth Navico Group segment's results for the three and six months ended:

	Three Months Ended		2023 vs. 2022		Six Months Ended		2023 vs. 2022	
(in millions)	**July 1, 2023**	**July 2, 2022**	**$ Change**	**% Change**	**July 1, 2023**	**July 2, 2022**	**$ Change**	**% Change**
Net sales	**$ 227.8**	$ 286.1	$ (58.3)	(20.4)%	**$ 505.1**	$ 597.7	$ (92.6)	(15.5)%
GAAP operating earnings	**$ 4.2**	$ 22.4	$ (18.2)	(81.3)%	**$ 17.0**	$ 53.0	$ (36.0)	(67.9)%
Restructuring, exit and impairment charges	**7.3**	—	7.3	NM	**10.9**	—	10.9	NM
Purchase accounting amortization	**13.2**	13.4	(0.2)	(1.5)%	**26.5**	35.8	(9.3)	(26.0)%
Acquisition, integration, and IT-related costs	**0.7**	5.3	(4.6)	(86.8)%	**1.5**	7.9	(6.4)	(81.0)%
IT security incident costs	**0.5**	—	0.5	NM	**0.5**	—	0.5	NM
Adjusted operating earnings	**$ 25.9**	$ 41.1	$ (15.2)	(37.0)%	**$ 56.4**	$ 96.7	$ (40.3)	(41.7)%
GAAP operating margin	**1.8 %**	7.8 %		(600) bps	**3.4 %**	8.9 %		(550) bps
Adjusted operating margin	**11.4 %**	14.4 %		(300) bps	**11.2 %**	16.2 %		(500) bps

NM = not meaningful
bps = basis points

Navico Group segment's net sales decreased $58.3 million, or 20 percent, in the second quarter of 2023 versus the second quarter of 2022, driven by lower orders versus a very strong second quarter of 2022 together with the slow recovery of RV OEM production, which was partially offset by strong new product performance.

Navico Group segment's net sales decreased $92.6 million, or 16 percent, in the first half of 2023 versus prior year as a result of the same factors described above.

The components of the Navico Group segment's net sales change were as follows:

	Percent change in net sales compared to the prior comparative period	
	Three Months Ended	**Six Months Ended**
	July 1, 2023	**July 1, 2023**
Volume	**(17.2)%**	**(14.3)%**
IT Security Incident	**(4.5)%**	**(2.2)%**
Product Mix and Price	**1.4 %**	**1.8 %**
Currency	**(0.1)%**	**(0.8)%**
	(20.4)%	**(15.5)%**

International sales were 39 percent of the Navico Group segment's net sales in the second quarter of 2023 and decreased 14 percent year over year on a GAAP basis. On a constant currency basis, international sales decreased 14 percent.

International sales were 36 percent of the Navico Group segment's net sales in the first half of 2023 and decreased 13 percent year over year on a GAAP basis. On a constant currency basis, international sales decreased 11 percent in the first half of 2023.

Navico Group segment's operating earnings in the second quarter of 2023 were $ 4.2 million, a decrease of 81 percent compared to the second quarter of 2022 as a result of lower sales, slightly elevated input costs and restructuring charges associated with actions executed in the quarter, which were partially offset by benefits from ongoing cost reduction actions and reorganization efforts. Operating earnings for the first half of 2023 were $17.0 million, a decrease of 68 percent, as a result of the same factors described above.

Boat Segment

The following table sets forth Boat segment's results for the three and six months ended:

	Three Months Ended		2023 vs. 2022		Six Months Ended		2023 vs. 2022	
(in millions)	**July 1, 2023**	**July 2, 2022**	**$ Change**	**% Change**	**July 1, 2023**	**July 2, 2022**	**$ Change**	**% Change**
Net sales	**$ 560.8**	$ 568.4	$ (7.6)	(1.3)%	**$ 1,136.0**	$ 1,061.2	$ 74.8	7.0%
GAAP operating earnings	**$ 53.2**	$ 58.9	$ (5.7)	(9.7)%	**$ 111.0**	$ 104.2	$ 6.8	6.5%
Restructuring, exit and impairment charges	**4.5**	—	4.5	NM	**5.9**	—	5.9	NM
Acquisition, integration, and IT-related costs	**3.1**	1.8	1.3	72.2%	**4.1**	4.2	(0.1)	(2.4)%
Purchase accounting amortization	**0.9**	0.7	0.2	28.6%	**1.8**	1.3	0.5	38.5%
IT security incident costs	**0.8**	—	0.8	NM	**0.8**	—	0.8	NM
Adjusted operating earnings	**$ 62.5**	$ 61.4	$ 1.1	1.8%	**$ 123.6**	$ 109.7	$ 13.9	12.7%
GAAP operating margin	**9.5 %**	10.4 %		(90) bps	**9.8 %**	9.8 %		NM
Adjusted operating margin	**11.1 %**	10.8 %		30 bps	**10.9 %**	10.3 %		60 bps

NM = not meaningful
bps = basis points

Boat segment's net sales decreased $7.6 million, or 1 percent, in the second quarter of 2023 versus the second quarter of 2022, due to the favorable impact of prior year pricing actions and favorable mix toward premium products being offset by the impact of lower value product shipments and higher discount levels.

Boat segment's net sales increased $74.8 million, or 7 percent, in the first half of 2023 due to positive mix and price and acquisitions.

The components of the Boat segment's net sales change were as follows:

	Percent change in net sales compared to the prior comparative period	
	Three Months Ended	**Six Months Ended**
	July 1, 2023	**July 1, 2023**
Volume	**(8.6) %**	**(0.5) %**
Product Mix and Price	**6.4 %**	**6.1 %**
Acquisitions	**1.0 %**	**2.0 %**
Currency	**(0.1) %**	**(0.6) %**
	(1.3) %	**7.0 %**

International sales were 25 percent of the Boat segment's net sales in the second quarter of 2023 and decreased 2 percent on a GAAP basis. On a constant currency basis, international sales decreased 1 percent.

International sales were 24 percent of the Boat segment's net sales in the first half of 2023 and increased 3 percent on a GAAP basis. On a constant currency basis, international sales increased 5 percent in the first half of 2023.

Boat segment's operating earnings in the second quarter of 2023 were $53.2 million, a decrease of 10 percent when compared to the second quarter of 2022, driven by restructuring charges associated with actions executed in the quarter and the IT security incident, partially offset by share gains and sustained operational productivity gains. Operating earnings in the first half of 2023 were $111.0 million, an increase of 7 percent, as increased sales were partially offset by the negative factors above.

Corporate/Other

The following table sets forth Corporate/Other results for the three and six months ended:

	Three Months Ended		2023 vs. 2022		Six Months Ended		2023 vs. 2022	
(in millions)	**July 1, 2023**	**July 2, 2022**	**$ Change**	**% Change**	**July 1, 2023**	**July 2, 2022**	**$ Change**	**% Change**
Operating loss	**$ (40.5)**	$ (30.1)	$ (10.4)	34.6%	**$ (73.9)**	$ (52.8)	$ (21.1)	40.0%
Restructuring, exit and impairment charges	**1.8**	—	1.8	NM	**5.6**	—	5.6	NM
IT security incident costs	**2.9**	—	2.9	NM	**2.9**	—	2.9	NM
Acquisition, integration, and IT-related costs	**0.6**	—	0.6	NM	**1.4**	—	1.4	NM
Adjusted operating loss	**$ (35.2)**	$ (30.1)	$ (5.1)	16.9%	**$ (64.0)**	$ (52.8)	$ (11.2)	21.2%

NM = not meaningful

Corporate operating expenses in the second quarter of 2023 were $40.5 million, an increase of 35 percent when compared to the second quarter of 2022, primarily due to increased spending on enterprise growth initiatives, the IT security incident and restructuring charges associated with actions executed in the quarter.

Corporate operating expenses increased 40 percent in the first half of 2023 versus 2022, resulting from the same factors described above.

Cash Flow, Liquidity and Capital Resources

The following table sets forth an analysis of free cash flow for the six months ended:

(in millions)	**July 1, 2023**	**July 2, 2022**
Net cash provided by operating activities of continuing operations	**$ 254.4**	$ 149.4
Net cash (used for) provided by:		
Plus: Capital expenditures	**(173.4)**	(196.5)
Plus: Proceeds from the sale of property, plant and equipment	**6.3**	3.0
Plus: Effect of exchange rate changes	**1.6**	(11.2)
Total free cash flow (A)	**$ 88.9**	$ (55.3)

(A) We define "Free cash flow" as cash flow from operating and investing activities of continuing operations (excluding cash provided by or used for acquisitions, investments, purchases or sales/maturities of marketable securities and other investing activities) and the effect of exchange rate changes on cash and cash equivalents. Free cash flow is not intended as an alternative measure of cash flow from operations, as determined in accordance with GAAP in the United States. We use this financial measure both in presenting our results to shareholders and the investment community and in our internal evaluation and management of our businesses. We believe that this financial measure and the information it provides are useful to investors because it permits investors to view our performance using the same tool that we use to gauge progress in achieving our goals. We believe that the non-GAAP financial measure "Free cash flow" is also useful to investors because it is an indication of cash flow that may be available to fund investments in future growth initiatives.

Our major sources of funds for capital investments, acquisitions, share-repurchase programs and dividend payments are cash generated from operating activities, available cash and marketable securities balances, divestitures and borrowings. We evaluate potential acquisitions, divestitures and joint ventures in the ordinary course of business.

2023 Cash Flow

Net cash provided by operating activities of continuing operations in the six months ended July 1, 2023 totaled $254.4 million versus $149.4 million in the comparable period of 2022. The increase is primarily due to decreases in working capital usage, partially offset by lower net earnings. Working capital is defined as Accounts and notes receivable, Inventories and Prepaid expenses and other, net of Accounts payable and Accrued expenses as presented in the Condensed Consolidated Balance Sheets, excluding the impact of acquisitions and non-cash adjustments.

The primary drivers of net cash provided by operating activities of continuing operations in the six months ended July 1, 2023 were net earnings, net of non-cash items, partially offset by seasonal increases in working capital. Accounts and notes receivable increased $69.0 million, primarily due to timing of sales. Inventory increased $22.0 million driven by seasonal inventory purchases and cost inflation. Accounts payable decreased $93.2 million, primarily due to timing of payments. Accrued expenses increased $16.1 million, primarily driven by increased expenses associated with restructuring actions executed during the year and the IT security incident.

Net cash used for investing activities of continuing operations was $169.7 million, which included $173.4 million of capital expenditures and $6.4 million of investments in our joint venture, partially offset by $6.3 million of sales of property, plant and equipment and $3.8 million of sales or maturities of marketable securities. Our capital spending was focused on investments in capacity expansion, new products, and technologies.

Net cash used for financing activities was $204.0 million and primarily related to common stock repurchases and cash dividends paid to common shareholders.

2022 Cash Flow

Net cash provided by operating activities of continuing operations in the first six months of 2022 totaled $149.4 million versus $350.5 million in the comparable period of 2021. The decrease is primarily due to increases in working capital, partially offset by higher net earnings during the quarter.

The primary drivers of net cash provided by operating activities of continuing operations in the first six months of 2022 were net earnings, net of non-cash items, partially offset by increases in working capital. Accounts and notes receivable increased $125.1 million, primarily due to increased sales across all segments. Inventory increased $162.3 million, driven primarily by increases in work-in-process and raw materials to support higher production volumes. Accrued expenses decreased $30.9 million, primarily driven by payment of prior year variable compensation which had been accrued as of December 31, 2021.

Net cash used for investing activities of continuing operations was $312.7 million, which included $196.5 million of capital expenditures, $95.7 million of cash paid for acquisitions, net of cash acquired and $36.2 million of purchases of marketable securities, partially offset by $16.7 million of cross-currency swap settlements. Our capital spending was focused on investments in new products and technologies.

Net cash provided by financing activities was $388.9 million and primarily related to proceeds of issuances of long-term debt, partially offset by common stock repurchases, payments of long-term debt including current maturities, and cash dividends paid to common shareholders. Refer to **Note 12 – Debt** in the Notes to Condensed Consolidated Financial Statements for further details on our debt activity during the quarter.

Liquidity and Capital Resources

We view our highly liquid assets as of July 1, 2023, December 31, 2022 and July 2, 2022 as:

(in millions)	**July 1, 2023**	**December 31, 2022**	**July 2, 2022**
Cash and cash equivalents	**$ 477.5**	$ 595.6	$ 566.7
Short-term investments in marketable securities	**0.8**	4.5	37.0
Total cash, cash equivalents and marketable securities	**$ 478.3**	$ 600.1	$ 603.7

The following table sets forth an analysis of total liquidity as of July 1, 2023, December 31, 2022 and July 2, 2022:

(in millions)	**July 1, 2023**	**December 31, 2022**	**July 2, 2022**
Cash, cash equivalents and marketable securities	**$ 478.3**	$ 600.1	$ 603.7
Amounts available under lending facility [(A)]	**741.9**	747.2	747.2
Total liquidity [(B)]	**$ 1,220.2**	$ 1,347.3	$ 1,350.9

(A) See **Note 12 – Debt** in the Notes to Condensed Consolidated Financial Statements for further details on our lending facility.
(B) We define Total liquidity as Cash and cash equivalents and Short-term investments in marketable securities as presented in the Condensed Consolidated Balance Sheets, plus amounts available for borrowing under its lending facilities. Total liquidity is not intended as an alternative measure to Cash and cash equivalents and Short-term investments in marketable securities as determined in accordance with GAAP in the United States. We use this financial measure both in presenting our results to shareholders and the investment community and in our internal evaluation and management of our businesses. We believe that this financial measure and the information it provides are useful to investors because it permits investors to view our performance using the same metric that we use to gauge progress in achieving our goals. We believe that the non-GAAP financial measure "Total liquidity" is also useful to investors because it is an indication of our available highly liquid assets and immediate sources of financing.

Cash, cash equivalents and marketable securities totaled $478.3 million as of July 1, 2023, a decrease of $121.8 million from $600.1 million as of December 31, 2022, and a decrease of $125.4 million from $603.7 million as of July 2, 2022. Total debt as of July 1, 2023, December 31, 2022 and July 2, 2022 was $2,510.3 million, $2,509.0 million and $2,502.0 million, respectively. Our debt-to-capitalization ratio was 54 percent as of July 1, 2023, a decrease from 55 percent as of December 31, 2022 and from 56 percent as of July 2, 2022.

There were no borrowings under the Credit Facility during the six months ended July 1, 2023, and thus we did not have any borrowings outstanding under the Credit Facility as of July 1, 2023. Available borrowing capacity under the Credit Facility totaled $741.9 million, net of $8.1 million of letters of credit outstanding. During the six months ended July 1, 2023, the maximum amount utilized under the CP Program was $100 million. Refer to **Note 12 – Debt** in the Notes to Condensed Consolidated Financial Statements and Note 15 - Debt in the Notes to Consolidated Financial Statements in the 2022 Form 10-K, for further details.

The levels of borrowing capacity under our Credit Facility and CP Program are limited by both a leverage and interest coverage test. These covenants also pertain to termination provisions included in our wholesale financing joint-venture arrangements with Wells Fargo Commercial Distribution Finance. Based on our anticipated earnings generation throughout the year, we expect to maintain sufficient cushion against the existing debt covenants.

2023 Capital Strategy

Our expected full-year capital expenditures remain at approximately $350 million and our estimate of full-year interest expense remains at approximately $100 million. We increased our anticipated share repurchases for 2023 to now exceed $250 million, lowering our expected average diluted shares outstanding for the year to 70.5 million shares. Additionally, our estimate of working capital usage remains at approximately $100 million for the year.

Financing Joint Venture

Details of our Financing Joint Venture are outlined in the 2022 Form 10-K. There have been no material changes in our Financing Joint Venture since December 31, 2022.

Off-Balance Sheet Arrangements and Contractual Obligations

Our off-balance sheet arrangements and contractual obligations as of December 31, 2022 are detailed in the 2022 Form 10-K. There have been no material changes in these arrangements and obligations outside the ordinary course of business since December 31, 2022.

Environmental Regulation

There were no material changes in our environmental regulatory requirements since the filing of our 2022 Form 10-K.

Critical Accounting Policies

There were no material changes in our critical accounting policies since the filing of our 2022 Form 10-K.

As discussed in the 2022 Form 10-K, the preparation of the consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and revenues and expenses during the periods reported. Actual results may differ from those estimates.

Recent Accounting Pronouncements

Recent accounting pronouncements that have been adopted during the three months ended July 1, 2023, or will be adopted in future periods, are included in **Note 1 – Significant Accounting Policies** in the Notes to Condensed Consolidated Financial Statements.

Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations, estimates, and projections about Brunswick's business and by their nature address matters that are, to different degrees, uncertain. Words such as "may," "could," "should," "expect," "anticipate," "project," "position," "intend," "target," "plan," "seek," "estimate," "believe," "predict," "outlook," and similar expressions are intended to identify forward-looking statements. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties that may cause actual results to differ materially from expectations as of the date of this report. These risks include, but are not limited to: the effect of adverse general economic conditions, including the amount of disposable income consumers have available for discretionary spending; changes in currency exchange rates; fiscal and monetary policy changes; higher energy and fuel costs; competitive pricing pressures; adverse capital market conditions; actual or anticipated increases in costs, disruptions of supply, or defects in raw materials, parts, or components we purchase from third parties; supplier manufacturing constraints, increased demand for shipping carriers, and transportation disruptions; managing our manufacturing footprint; international business risks, geopolitical tensions or conflicts, sanctions, embargoes, or other regulations; public health emergencies or pandemics, such as the coronavirus (COVID-19) pandemic; adverse weather conditions, climate change events and other catastrophic event risks; our ability to develop new and innovative products and services at a competitive price; loss of key customers; our ability to meet demand in a rapidly changing environment; absorbing fixed costs in production; risks associated with joint ventures that do not operate solely for our benefit; our ability to integrate acquisitions, including Navico, and the risk for associated disruption to our business; our ability to successfully implement our strategic plan and growth initiatives; attracting and retaining skilled labor, implementing succession plans for key leadership, and executing organizational and leadership changes; our ability to identify, complete, and integrate targeted acquisitions; the risk that restructuring or strategic divestitures will not provide business benefits; maintaining effective distribution; dealers and customers being able to access adequate financing; requirements for us to repurchase inventory; inventory reductions by dealers, retailers, or independent boat builders; risks related to the Freedom Boat Club franchise business model; outages, breaches, or other cybersecurity events regarding our technology systems, which have affected and could further affect manufacturing and business operations and could result in lost or stolen information and associated remediation costs; our ability to protect our brands and intellectual property; changes to U.S. trade policy and tariffs; any impairment to the value of goodwill and other assets; product liability, warranty, and other claims risks; legal, environmental, and other regulatory compliance, including increased costs, fines, and reputational risks; changes in income tax legislation or enforcement; managing our share repurchases; and risks associated with certain divisive shareholder activist actions.

Additional risk factors are included in the 2022 Form 10-K. Forward-looking statements speak only as of the date on which they are made, and Brunswick does not undertake any obligation to update them to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in foreign currency exchange rates, interest rates and commodity prices. We enter into various hedging transactions to mitigate these risks in accordance with guidelines established by our management. We do not use financial instruments for trading or speculative purposes. Our risk management objectives are described in **Note 5 – Financial Instruments** in the Notes to Condensed Consolidated Financial Statements and Note 14 in the Notes to Consolidated Financial Statements in the 2022 Form 10-K.

There have been no significant changes to our market risk since December 31, 2022. For a discussion of exposure to market risk, refer to Part II, Item 7A – Quantitative and Qualitative Disclosures about Market Risk, set forth in the 2022 Form 10-K.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and the Chief Financial Officer (our principal executive officer and principal financial officer, respectively), we have evaluated our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective. There were no changes in our internal control over financial reporting during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Part I, "Item 1A. Risk Factors" in our 2022 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On July 19, 2022, our Board of Directors approved a $500 million increase to our share repurchase authorization. During the six months ended July 1, 2023, we repurchased $132.2 million of stock, and the remaining authorization was $264.3 million as of July 1, 2023.

We repurchased the following shares of common stock during the three months ended July 1, 2023:

Period	Total Number of Shares Purchased	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Amount of Dollars that May Yet Be Used to Purchase Shares Under the Program
April 2 to April 29	183,118	$ 81.91	183,118	
April 30 to May 27	331,651	78.84	331,651	
May 28 to July 1	387,673	80.03	387,673	
Total	902,442	$ 79.98	902,442	$ 264,268,446

Item 5. Other Information

Frequency of Say-on-Pay

At the May 3, 2023 Annual Meeting of Shareholders of the Company, shareholders voted for a non-binding resolution approving annual (every one year) advisory votes to approve the compensation of the Company's named executive officers. Based on the Board's recommendation, as set forth in our Proxy Statement, and the shareholder voting results, the Company has determined that we will continue to hold an advisory vote on executive compensation on an annual basis.

Securities Trading Plans of Executive Officers and Directors

Rule 10b5-1 under the Exchange Act provides an affirmative defense that enables pre-arranged transactions in securities in a manner that avoids concerns about initiating transactions at a future date while possibly in possession of material nonpublic information. Our Insider Trading and Unauthorized Disclosures Policy permits our officers and directors to enter into trading plans designed to comply with Rule 10b5-1.

During the quarterly period ended July 1, 2023 , none of our officers (as defined in Rule 16a-1(f) under the Exchange Act) or directors adopted or terminated a Rule 10b5-1 trading plan or adopted or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

Item 6. Exhibits

31.1	Certification of CEO Pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of CFO Pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of CEO Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of CFO Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	BRUNSWICK CORPORATION
August 3, 2023	By: /s/ RANDALL S. ALTMAN
	Randall S. Altman
	Senior Vice President and Controller*

*Mr. Altman is signing this report both as a duly authorized officer and as the principal accounting officer.

Exhibit 31.1

Certification Pursuant to
Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Amended

I, David M. Foulkes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brunswick Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

BRUNSWICK CORPORATION

August 3, 2023

By: /s/ DAVID M. FOULKES
David M. Foulkes
Chief Executive Officer

Exhibit 31.2

Certification Pursuant to
Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Amended

I, Ryan M. Gwillim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Brunswick Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

BRUNSWICK CORPORATION

August 3, 2023

By: /s/ RYAN M. GWILLIM
Ryan M. Gwillim
Executive Vice President and Chief Financial Officer

Exhibit 32.1

**Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code**

I, David M. Foulkes, Chief Executive Officer of Brunswick Corporation, certify that: (i) Brunswick Corporation’s Quarterly Report on Form 10-Q for the quarterly period ended July 01, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (ii) the information contained in Brunswick Corporation’s Quarterly Report on Form 10-Q for the quarterly period ended July 01, 2023 fairly presents, in all material respects, the financial condition and results of operations of Brunswick Corporation.

	BRUNSWICK CORPORATION
August 3, 2023	By: /s/ DAVID M. FOULKES
	David M. Foulkes
	Chief Executive Officer

Exhibit 32.2

Certification Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

I, Ryan M. Gwillim, Chief Financial Officer of Brunswick Corporation, certify that: (i) Brunswick Corporation's Quarterly Report on Form 10-Q for the quarterly period ended July 01, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (ii) the information contained in Brunswick Corporation's Quarterly Report on Form 10-Q for the quarterly period ended July 01, 2023 fairly presents, in all material respects, the financial condition and results of operations of Brunswick Corporation.

BRUNSWICK CORPORATION

August 3, 2023

By: /s/ RYAN M. GWILLIM
Ryan M. Gwillim
Executive Vice President and Chief Financial Officer