

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 **June 29, 2024**

☐ 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



(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 | <input checked="" type="checkbox"/> | Accelerated Filer | <input type="checkbox"/> |
| Non-accelerated Filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/> | | |

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 30, 2024 was 66,223,348 .

BRUNSWICK CORPORATION
INDEX TO QUARTERLY REPORT ON FORM 10-Q
June 29, 2024

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

BRUNSWICK CORPORATION Condensed Consolidated Statements of Comprehensive Income (Unaudited)

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| (in millions, except per share data) | | | | |
| Net sales | \$ 1,443.9 | \$ 1,702.3 | \$ 2,808.9 | \$ 3,445.9 |
| Cost of sales | 1,052.9 | 1,230.0 | 2,044.3 | 2,468.0 |
| Selling, general and administrative expense | 181.8 | 215.1 | 385.5 | 426.4 |
| Research and development expense | 43.0 | 48.9 | 88.8 | 97.6 |
| Restructuring, exit and impairment charges | 7.9 | 13.9 | 21.4 | 23.4 |
| Operating earnings | 158.3 | 194.4 | 268.9 | 430.5 |
| Equity earnings | 2.9 | 2.2 | 5.4 | 4.4 |
| Other (expense) income, net | (0.8) | 1.8 | (0.8) | 0.9 |
| Earnings before interest and income taxes | 160.4 | 198.4 | 273.5 | 435.8 |
| Interest expense | (32.6) | (28.8) | (61.2) | (57.0) |
| Interest income | 4.7 | 2.0 | 7.2 | 4.2 |
| Earnings before income taxes | 132.5 | 171.6 | 219.5 | 383.0 |
| Income tax provision | 27.7 | 36.3 | 46.3 | 135.3 |
| Net earnings from continuing operations | 104.8 | 135.3 | 173.2 | 247.7 |
| Net loss from discontinued operations, net of tax | (4.8) | (0.6) | (5.2) | (0.7) |
| Net earnings | \$ 100.0 | \$ 134.7 | \$ 168.0 | \$ 247.0 |
| Earnings per common share: | | | | |
| Basic | | | | |
| Earnings from continuing operations | \$ 1.55 | \$ 1.91 | \$ 2.55 | \$ 3.48 |
| Loss from discontinued operations | (0.07) | (0.01) | (0.08) | (0.01) |
| Net earnings | \$ 1.48 | \$ 1.90 | \$ 2.47 | \$ 3.47 |
| Diluted | | | | |
| Earnings from continuing operations | \$ 1.55 | \$ 1.91 | \$ 2.54 | \$ 3.47 |
| Loss from discontinued operations | (0.07) | (0.01) | (0.07) | (0.01) |
| Net earnings | \$ 1.48 | \$ 1.90 | \$ 2.47 | \$ 3.46 |
| Weighted average shares used for computation of: | | | | |
| Basic earnings per common share | 67.6 | 70.8 | 67.9 | 71.1 |
| Diluted earnings per common share | 67.6 | 70.9 | 68.1 | 71.4 |
| Comprehensive income | \$ 93.6 | \$ 131.8 | \$ 151.1 | \$ 247.7 |

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) | June 29, 2024 | December 31, 2023 | July 1, 2023 |
|---|-------------------|----------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents, at cost, which approximates fair value | \$ 494.5 | \$ 467.8 | \$ 477.5 |
| Restricted cash | 16.2 | 11.1 | 11.0 |
| Short-term investments in marketable securities | 82.5 | 0.8 | 0.8 |
| Total cash and short-term investments in marketable securities | 593.2 | 479.7 | 489.3 |
| Accounts and notes receivable, less allowances of \$ 10.0 , \$ 10.8 , \$ 10.5 | 530.0 | 493.2 | 614.5 |
| Inventories | | | |
| Finished goods | 1,008.0 | 932.0 | 839.8 |
| Work-in-process | 170.8 | 181.6 | 208.9 |
| Raw materials | 345.4 | 363.2 | 435.5 |
| Net inventories | 1,524.2 | 1,476.8 | 1,484.2 |
| Prepaid expenses and other | 80.7 | 60.0 | 84.8 |
| Current assets | 2,728.1 | 2,509.7 | 2,672.8 |
| Property | | | |
| Land | 44.0 | 44.1 | 42.8 |
| Buildings and improvements | 626.6 | 619.7 | 596.4 |
| Equipment | 1,576.3 | 1,551.5 | 1,527.3 |
| Total land, buildings and improvements and equipment | 2,246.9 | 2,215.3 | 2,166.5 |
| Accumulated depreciation | (1,176.9) | (1,135.5) | (1,094.6) |
| Net land, buildings and improvements and equipment | 1,070.0 | 1,079.8 | 1,071.9 |
| Unamortized product tooling costs | 230.3 | 236.0 | 242.2 |
| Net property | 1,300.3 | 1,315.8 | 1,314.1 |
| Other assets | | | |
| Goodwill | 1,024.1 | 1,030.7 | 974.6 |
| Other intangibles, net | 948.1 | 978.0 | 979.4 |
| Deferred income tax asset | 186.5 | 186.8 | 149.8 |
| Operating lease assets | 153.8 | 152.2 | 121.1 |
| Equity investments | 37.5 | 38.7 | 60.0 |
| Other long-term assets | 17.3 | 18.6 | 18.3 |
| Other assets | 2,367.3 | 2,405.0 | 2,303.2 |
| Total assets | \$ 6,395.7 | \$ 6,230.5 | \$ 6,290.1 |

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

| (in millions) | June 29, 2024 | December 31, 2023 | July 1, 2023 |
|---|-------------------|----------------------|-------------------|
| Liabilities and shareholders' equity | | | |
| Current liabilities | | | |
| Short-term debt and current maturities of long-term debt | \$ 454.7 | \$ 454.7 | \$ 88.3 |
| Accounts payable | 447.9 | 558.0 | 549.4 |
| Accrued expenses | 705.5 | 739.4 | 756.3 |
| Current liabilities | 1,608.1 | 1,752.1 | 1,394.0 |
| Long-term liabilities | | | |
| Debt | 2,372.4 | 1,975.7 | 2,422.0 |
| Operating lease liabilities | 135.8 | 133.9 | 105.4 |
| Postretirement benefits | 48.8 | 52.5 | 47.2 |
| Deferred income tax liability | 12.2 | 12.4 | 12.6 |
| Other | 204.8 | 216.5 | 207.5 |
| Long-term liabilities | 2,774.0 | 2,391.0 | 2,794.7 |
| Shareholders' equity | | | |
| Common stock; authorized: 200,000,000 shares, \$ 0.75 par value; issued: 102,538,000 shares; outstanding: 66,352,000 , 68,227,000 and 70,005,000 shares | 76.9 | 76.9 | 76.9 |
| Additional paid-in capital | 389.2 | 392.0 | 383.8 |
| Retained earnings | 3,708.1 | 3,596.9 | 3,478.7 |
| Treasury stock, at cost: 36,186,000 , 34,311,000 and 32,533,000 shares | (2,118.0) | (1,952.7) | (1,809.2) |
| Accumulated other comprehensive loss | (42.6) | (25.7) | (28.8) |
| Shareholders' equity | 2,013.6 | 2,087.4 | 2,101.4 |
| Total liabilities and shareholders' equity | \$ 6,395.7 | \$ 6,230.5 | \$ 6,290.1 |

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)

| | Six Months Ended | |
|--|------------------|------------------|
| | June 29, 2024 | July 1, 2023 |
| (in millions) | | |
| Cash flows from operating activities | | |
| Net earnings | \$ 168.0 | \$ 247.0 |
| Less: net loss from discontinued operations, net of tax | (5.2) | (0.7) |
| Net earnings from continuing operations | 173.2 | 247.7 |
| Depreciation and amortization | 139.8 | 132.1 |
| Stock compensation expense | 11.2 | 13.8 |
| Pension funding, net of expense | (0.6) | (0.9) |
| Asset impairment charges | 5.4 | 1.3 |
| Deferred income taxes | 7.2 | 1.4 |
| Changes in certain current assets and current liabilities | (255.4) | (162.1) |
| Long-term extended warranty contracts and other deferred revenue | 8.4 | 9.7 |
| Income taxes | (24.6) | 25.2 |
| Other, net | 3.0 | (13.8) |
| Net cash provided by operating activities of continuing operations | 67.6 | 254.4 |
| Net cash used for operating activities of discontinued operations | (10.0) | (2.3) |
| Net cash provided by operating activities | 57.6 | 252.1 |
| Cash flows from investing activities | | |
| Capital expenditures | (101.1) | (173.4) |
| Purchases of marketable securities | (80.9) | — |
| Sales or maturities of marketable securities | — | 3.8 |
| Investments | 1.2 | (6.4) |
| Acquisition of businesses, net of cash acquired | (0.6) | — |
| Proceeds from the sale of property, plant and equipment | 5.4 | 6.3 |
| Net cash used for investing activities | (176.0) | (169.7) |
| Cash flows from financing activities | | |
| Proceeds from issuances of short-term debt | 1.3 | 1.6 |
| Payments of short-term debt | (2.3) | (1.8) |
| Net proceeds from issuances of long-term debt | 396.9 | — |
| Payments of long-term debt including current maturities | (1.3) | (1.4) |
| Common stock repurchases | (170.0) | (132.2) |
| Cash dividends paid | (56.8) | (56.8) |
| Tax withholding associated with shares issued for share-based compensation | (9.2) | (13.4) |
| Other, net | (1.4) | — |
| Net cash provided by (used for) financing activities | 157.2 | (204.0) |
| Effect of exchange rate changes on cash and cash equivalents | (7.0) | 1.6 |
| Net increase (decrease) in Cash and cash equivalents and Restricted cash | 31.8 | (120.0) |
| Cash and cash equivalents and Restricted cash at beginning of period | 478.9 | 608.5 |
| Cash and cash equivalents and Restricted cash at end of period | 510.7 | 488.5 |
| Less: Restricted cash | 16.2 | 11.0 |
| Cash and cash equivalents at end of period | \$ 494.5 | \$ 477.5 |

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 loss | Total |
|--------------------------------------|----------------|----------------------------|-------------------|-----------------------|--------------------------------------|-------------------|
| Balance at December 31, 2023 | \$ 76.9 | \$ 392.0 | \$ 3,596.9 | \$ (1,952.7) | \$ (25.7) | \$ 2,087.4 |
| Net earnings | — | — | 68.0 | — | — | 68.0 |
| Other comprehensive loss | — | — | — | — | (10.5) | (10.5) |
| Dividends (\$ 0.42 per common share) | — | — | (28.6) | — | — | (28.6) |
| Compensation plans and other | — | (8.6) | — | 6.0 | — | (2.6) |
| Common stock repurchases | — | — | — | (64.1) | — | (64.1) |
| Balance at March 30, 2024 | 76.9 | 383.4 | 3,636.3 | (2,010.8) | (36.2) | 2,049.6 |
| Net earnings | — | — | 100.0 | — | — | 100.0 |
| Other comprehensive loss | — | — | — | — | (6.4) | (6.4) |
| Dividends (\$ 0.42 per common share) | — | — | (28.2) | — | — | (28.2) |
| Compensation plans and other | — | 5.8 | — | 0.2 | — | 6.0 |
| Common stock repurchases | — | — | — | (107.4) | — | (107.4) |
| Balance at June 29, 2024 | <u>\$ 76.9</u> | <u>\$ 389.2</u> | <u>\$ 3,708.1</u> | <u>\$ (2,118.0)</u> | <u>\$ (42.6)</u> | <u>\$ 2,013.6</u> |

| (in millions, except per share data) | Common Stock | Additional Paid-in Capital | Retained Earnings | Treasury Stock | Accumulated other comprehensive (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 loss | — | — | — | — | (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 | <u>\$ 76.9</u> | <u>\$ 383.8</u> | <u>\$ 3,478.7</u> | <u>\$ (1,809.2)</u> | <u>\$ (28.8)</u> | <u>\$ 2,101.4</u> |

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

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 2023 Annual Report on Form 10-K for the year ended December 31, 2023 (the 2023 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 2024 ended on June 29, 2024 and the second quarter of fiscal year 2023 ended on July 1, 2023.

Recently Issued Accounting Standards

Segment Reporting: In November 2023, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2023-07, *Segment Reporting (Topic 280) — Improvements to Reportable Segment Disclosures*, which adds new disclosure requirements related to significant segment expenses regularly provided to the chief operating decision maker (CODM) and included in each reported measure of segment profit or loss, other segment items that constitute the difference between segment revenues less significant segment expenses and the measure of profit or loss, disclosure of the CODMs title and position as well as an explanation of how the CODM uses the reported measures and expanded interim disclosures. ASU 2023-07 is effective for financial statements for annual periods beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. We are currently evaluating the potential impact of adopting this guidance on the consolidated financial statements.

Income Taxes: In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740) — Improvements to Income Tax Disclosures*. Under this ASU, entities must disclose, on an annual basis, specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. In addition, ASU 2023-09 requires entities to disclose additional information about income taxes paid. ASU 2023-09 is effective for financial statements for annual periods beginning after December 15, 2024. We are currently evaluating the potential impact of adopting this guidance on the consolidated financial statements.

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

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:

| (in millions) | Three Months Ended | | | | |
|---------------------------|--------------------|-----------------|-----------------|-----------------|-------------------|
| | June 29, 2024 | | | | |
| | Propulsion | Engine P&A | Navico Group | Boat | Total |
| Geographic Markets | | | | | |
| United States | \$ 350.6 | \$ 245.5 | \$ 125.5 | \$ 337.5 | \$ 1,059.1 |
| Europe | 97.1 | 32.1 | 59.4 | 34.5 | 223.1 |
| Asia-Pacific | 43.5 | 22.8 | 17.0 | 5.2 | 88.5 |
| Canada | 14.2 | 22.0 | 3.6 | 43.6 | 83.4 |
| Rest-of-World | 52.6 | 13.7 | 4.6 | 13.4 | 84.3 |
| Segment Eliminations | (71.5) | (2.0) | (21.0) | — | (94.5) |
| Total | \$ 486.5 | \$ 334.1 | \$ 189.1 | \$ 434.2 | \$ 1,443.9 |

| (in millions) | Three Months Ended | | | | |
|---------------------------|--------------------|-----------------|-----------------|-----------------|-------------------|
| | July 1, 2023 | | | | |
| | 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 |

| (in millions) | Six Months Ended | | | | |
|---------------------------|------------------|-----------------|-----------------|-----------------|-------------------|
| | June 29, 2024 | | | | |
| | Propulsion | Engine P&A | Navico Group | Boat | Total |
| Geographic Markets | | | | | |
| United States | \$ 729.3 | \$ 425.0 | \$ 249.0 | \$ 671.2 | \$ 2,074.5 |
| Europe | 184.1 | 59.5 | 121.1 | 74.5 | 439.2 |
| Asia-Pacific | 87.3 | 48.2 | 33.0 | 10.7 | 179.2 |
| Canada | 30.2 | 37.2 | 7.8 | 81.1 | 156.3 |
| Rest-of-World | 105.3 | 28.6 | 10.1 | 22.4 | 166.4 |
| Segment Eliminations | (153.9) | (3.7) | (49.1) | — | (206.7) |
| Total | \$ 982.3 | \$ 594.8 | \$ 371.9 | \$ 859.9 | \$ 2,808.9 |

| (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 |

BRUNSWICK CORPORATION
Notes to Condensed Consolidated Financial Statements
(unaudited)

| (in millions) | Three Months Ended | | | | |
|-----------------------------------|--------------------|-----------------|-----------------|-----------------|-------------------|
| | June 29, 2024 | | | | |
| | Propulsion | Engine P&A | Navico Group | Boat | Total |
| Major Product Lines | | | | | |
| Outboard Engines | \$ 423.1 | \$ — | \$ — | \$ — | \$ 423.1 |
| Controls, Rigging, and Propellers | 100.6 | — | — | — | 100.6 |
| Sterndrive Engines | 34.3 | — | — | — | 34.3 |
| Distribution | — | 195.8 | — | — | 195.8 |
| Products | — | 140.3 | — | — | 140.3 |
| Navico Group | — | — | 210.1 | — | 210.1 |
| Aluminum Freshwater Boats | — | — | — | 148.2 | 148.2 |
| Recreational Fiberglass Boats | — | — | — | 132.4 | 132.4 |
| Saltwater Fishing Boats | — | — | — | 110.0 | 110.0 |
| Business Acceleration | — | — | — | 54.6 | 54.6 |
| Boat Eliminations/Other | — | — | — | (11.0) | (11.0) |
| Segment Eliminations | (71.5) | (2.0) | (21.0) | — | (94.5) |
| Total | \$ 486.5 | \$ 334.1 | \$ 189.1 | \$ 434.2 | \$ 1,443.9 |

| (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 | — | 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 |

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| (in millions) | Six Months Ended | | | | |
|-----------------------------------|------------------|-----------------|-----------------|-----------------|-------------------|
| | June 29, 2024 | | | | |
| | Propulsion | Engine P&A | Navico Group | Boat | Total |
| Major Product Lines | | | | | |
| Outboard Engines | \$ 873.6 | \$ — | \$ — | \$ — | \$ 873.6 |
| Controls, Rigging, and Propellers | 191.0 | — | — | — | 191.0 |
| Sterndrive Engines | 71.6 | — | — | — | 71.6 |
| Distribution | — | 348.2 | — | — | 348.2 |
| Products | — | 250.3 | — | — | 250.3 |
| Navico Group | — | — | 421.0 | — | 421.0 |
| Aluminum Freshwater Boats | — | — | — | 298.4 | 298.4 |
| Recreational Fiberglass Boats | — | — | — | 267.7 | 267.7 |
| Saltwater Fishing Boats | — | — | — | 217.2 | 217.2 |
| Business Acceleration | — | — | — | 103.8 | 103.8 |
| Boat Eliminations/Other | — | — | — | (27.2) | (27.2) |
| Segment Eliminations | (153.9) | (3.7) | (49.1) | — | (206.7) |
| Total | \$ 982.3 | \$ 594.8 | \$ 371.9 | \$ 859.9 | \$ 2,808.9 |

| (in millions) | Six Months Ended | | | | |
|-----------------------------------|-------------------|-----------------|-----------------|-------------------|-------------------|
| | July 1, 2023 | | | | |
| | 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 | — | 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 |

As of December 31, 2023, \$ 187.1 million of contract liabilities associated with extended warranties, deferred revenue and customer deposits were reported in Accrued expenses and Other long-term liabilities, of which \$ 39.4 million were recognized as revenue during the six months ended June 29, 2024. As of June 29, 2024, total contract liabilities were \$ 198.2 million. The total amount of the transaction price allocated to unsatisfied performance obligations as of June 29, 2024 was \$ 191.6 million for contracts greater than one year, which primarily relates to extended warranties. The Company expects to recognize \$ 38.7 million of this amount in 2024, \$ 47.2 million in 2025, and \$ 105.7 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 2024.

During the three and six months ended June 29, 2024 and July 1, 2023, the Company recorded restructuring charges related to headcount reductions and related costs associated with streamlining the enterprise-wide cost structure and improving operating efficiencies. The Company also incurred charges related to the rationalization of its manufacturing footprint.

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The following table is a summary of these expenses for the three months ended June 29, 2024:

| (in millions) | Propulsion | Engine P&A | Navico Group | Boat | Corporate | Total |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| Restructuring, exit and impairment activities: | | | | | | |
| Employee termination and other benefits | \$ 0.4 | \$ 0.2 | \$ 0.4 | \$ 1.7 | \$ 0.3 | \$ 3.0 |
| Asset-related | — | — | 4.9 | — | — | 4.9 |
| Total restructuring, exit and impairment charges | <u>\$ 0.4</u> | <u>\$ 0.2</u> | <u>\$ 5.3</u> | <u>\$ 1.7</u> | <u>\$ 0.3</u> | <u>\$ 7.9</u> |
| Total cash payments for restructuring, exit and impairment charges ^(A) | | | | | | |
| | \$ 2.2 | \$ 1.1 | \$ 1.2 | \$ 0.7 | \$ 0.5 | \$ 5.7 |
| Accrued charges at end of the period ^(B) | \$ 2.3 | \$ 1.5 | \$ 0.4 | \$ 2.7 | \$ 0.4 | \$ 7.3 |

(A) Cash payments for the three months ended June 29, 2024 may include payments related to prior period charges.

(B) Restructuring, exit and impairment charges accrued as of June 29, 2024 are expected to be paid in the next twelve months.

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 | <u>\$ 0.3</u> | <u>\$ 7.3</u> | <u>\$ 4.5</u> | <u>\$ 1.8</u> | <u>\$ 13.9</u> |
| 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 | \$ 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.

The following table is a summary of these expenses for the six months ended June 29, 2024:

| (in millions) | Propulsion | Engine P&A | Navico Group | Boat | Corporate | Total |
|---|---------------|---------------|---------------|---------------|---------------|----------------|
| Restructuring, exit and impairment activities: | | | | | | |
| Employee termination and other benefits | \$ 6.0 | \$ 3.5 | \$ 2.6 | \$ 2.7 | \$ 1.2 | \$ 16.0 |
| Asset-related | — | — | 5.4 | — | — | 5.4 |
| Total restructuring, exit and impairment charges | <u>\$ 6.0</u> | <u>\$ 3.5</u> | <u>\$ 8.0</u> | <u>\$ 2.7</u> | <u>\$ 1.2</u> | <u>\$ 21.4</u> |
| Total cash payments for restructuring, exit and impairment charges ^(A) | | | | | | |
| | \$ 4.9 | \$ 2.7 | \$ 7.4 | \$ 1.7 | \$ 1.4 | \$ 18.1 |
| Accrued charges at end of the period ^(B) | \$ 2.3 | \$ 1.5 | \$ 0.4 | \$ 2.7 | \$ 0.4 | \$ 7.3 |

(A) Cash payments for the six months ended June 29, 2024 may include payments related to prior period charges.

(B) Restructuring, exit and impairment charges accrued as of June 29, 2024 are expected to be paid in the next twelve months.

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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 | \$ 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.

Note 4 – Acquisitions

2023 Acquisitions

During the fourth quarter of 2023, the Company acquired additional Freedom Boat Club franchise operations and territories in the Southeast United States. These acquisitions should unlock operational efficiencies while providing members with additional boating destinations, as the Company plans for continued expansion across the Southeast Coastal region. These acquisitions are included as part of the Company's Boat segment.

The Company paid net cash consideration of \$ 16.0 million for these acquisitions. The opening balance sheets, which are preliminary and subject to change in the measurement period as the Company finalizes the purchase price allocation and fair value estimates, include \$ 12.9 million of goodwill and \$ 3.3 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 were not material to the Company's consolidated results of operations.

On September 1, 2023, the Company acquired all of the issued and outstanding shares of Fliteboard Pty Ltd (Fliteboard) for \$ 88.3 million net cash consideration. Fliteboard is a leader in eFoiling technology, which combines advanced hydrofoils and electric propulsion on the water. The acquisition of Fliteboard allows the Company to enter the emerging electric-foiling surfboard market and presents the opportunity for technological, manufacturing, commercial and consumer synergies with our existing portfolio. Fliteboard is included as part of the Company's Propulsion segment.

The opening balance sheet, which is preliminary and subject to change in the measurement period as the Company finalizes the purchase price allocation and fair value estimates, includes \$ 37.3 million of goodwill, \$ 20.7 million of trade names, \$ 8.4 million of customer relationships, and \$ 7.1 million of developed technology. The amounts assigned to customer relationships and developed technology will be amortized over the estimated useful lives of 15 years and 10 years, respectively. Transaction costs associated with the acquisition of \$ 1.9 million were expensed as incurred within Selling, general and administrative expense in 2023.

These 2023 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.

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 12 in the Notes to Consolidated Financial Statements in the 2023 Form 10-K for further details regarding the Company's financial instruments and hedging policies.

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Cross-Currency Swaps. The Company enters into cross-currency swaps to hedge Euro currency exposures of the net investment in certain foreign subsidiaries. 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 deferred within Accumulated other comprehensive loss and recognized upon termination of the respective investment. During the second quarter of 2024, the Company entered into \$ 50.0 million of cross-currency swap contracts. Additionally, the Company previously entered into \$ 250.0 million of cross-currency swap contracts during the fourth quarter of 2023. As of June 29, 2024 and December 31, 2023, the notional value of cross-currency swap contracts outstanding was \$ 300.0 million and \$ 250.0 million, respectively. There were no cross-currency swaps outstanding as of July 1, 2023.

Commodity Price. The Company uses commodity swaps to hedge anticipated purchases of aluminum and copper. As of June 29, 2024, December 31, 2023 and July 1, 2023, the notional value of commodity swap contracts outstanding was \$ 39.9 million, \$ 31.8 million and \$ 25.2 million, respectively, and the contracts mature through 2026. 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 June 29, 2024, the Company estimates that, during the next 12 months, it will reclassify approximately \$ 0.9 million in net gains (based on current prices) from Accumulated other comprehensive loss to Cost of sales.

Foreign Currency Derivatives. The Company enters into forward contracts to manage foreign exchange exposure related to forecasted transactions and assets and liabilities that are subject to risk from foreign currency exchange rate changes. Forward exchange contracts outstanding as of June 29, 2024, December 31, 2023 and July 1, 2023 had notional contract values of \$ 575.8 million, \$ 694.6 million and \$ 561.1 million, respectively. The forward contracts outstanding as of June 29, 2024 mature through 2026 and mainly relate to the Euro, Australian dollar, Norwegian krone and Mexican peso. As of June 29, 2024, the Company estimates that during the next 12 months, it will reclassify approximately \$ 0.9 million of net gains (based on current rates) from Accumulated other comprehensive loss to Cost of sales.

Interest-Rate Derivatives. The Company had net deferred gains associated with previously settled forward-starting interest-rate swaps and treasury-lock swaps of \$ 3.2 million, \$ 3.3 million, and \$ 3.4 million as of June 29, 2024, December 31, 2023, and July 1, 2023, respectively. These instruments were designated as cash flow hedges with gains and losses included in Accumulated other comprehensive loss. As of June 29, 2024, 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.

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As of June 29, 2024, December 31, 2023 and July 1, 2023, the fair values of the Company's derivative instruments were:

| (in millions) | | Fair Value | | |
|--|----|---------------|-------------------|--------------|
| Asset Derivatives | | June 29, 2024 | December 31, 2023 | July 1, 2023 |
| Derivatives Designated as Cash Flow Hedges | | | | |
| Foreign exchange contracts | \$ | 4.6 | \$ 4.1 | \$ 10.5 |
| Commodity contracts | | 1.3 | 0.9 | — |
| Total | \$ | 5.9 | \$ 5.0 | \$ 10.5 |
| Derivatives Designated as Net Investment Hedges | | | | |
| Cross-currency swaps | \$ | 1.8 | \$ — | \$ — |
| Other Hedging Activity | | | | |
| Foreign exchange contracts | \$ | 0.7 | \$ 0.2 | \$ 0.4 |
| Liability Derivatives | | | | |
| Derivatives Designated as Cash Flow Hedges | | | | |
| Foreign exchange contracts | \$ | 6.1 | \$ 6.1 | \$ 7.2 |
| Commodity contracts | | 0.2 | 0.8 | 3.0 |
| Total | \$ | 6.3 | \$ 6.9 | \$ 10.2 |
| Derivatives Designated as Net Investment Hedges | | | | |
| Cross-currency swaps | \$ | — | \$ 5.0 | \$ — |
| Other Hedging Activity | | | | |
| Foreign exchange contracts | \$ | 3.0 | \$ 1.8 | \$ 0.8 |

As of June 29, 2024, December 31, 2023 and July 1, 2023, 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 June 29, 2024 and July 1, 2023 is shown in the tables below.

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 | | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Foreign exchange contracts | \$ | (5.7) | \$ (0.2) | \$ 5.1 | \$ 3.1 |
| Commodity contracts | | 1.6 | (3.0) | 0.5 | (3.2) |
| Total | \$ | (4.1) | \$ (3.2) | \$ 5.6 | \$ (0.1) |
| Derivatives Designated as Net Investment Hedging Instruments | | | | | |
| Cross-currency swaps | \$ | 2.8 | \$ — | \$ 6.8 | \$ — |

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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) | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Interest-rate contracts | Interest expense | \$ 0.1 | \$ — | \$ 0.1 | \$ (0.1) |
| Foreign exchange contracts | Cost of sales | 2.5 | 4.1 | 4.4 | 11.6 |
| Commodity contracts | Cost of sales | (0.2) | (0.5) | (1.0) | (1.1) |
| Total | | <u>\$ 2.4</u> | <u>\$ 3.6</u> | <u>\$ 3.5</u> | <u>\$ 10.4</u> |

The amount of gain (loss) on derivatives recognized directly into earnings was as follows:

| (in millions) | | Three Months Ended | | Six Months Ended | |
|--|-----------------------------|--------------------|-----------------|------------------|-----------------|
| Derivatives Designated as Fair Value Hedging Instruments | Location of Gain (Loss) | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Interest-rate contracts | Interest expense | \$ — | \$ 0.1 | \$ — | \$ 0.3 |
| Other Hedging Activity | | | | | |
| Foreign exchange contracts | Cost of sales | \$ 1.5 | \$ (1.5) | \$ 3.5 | \$ (2.2) |
| Foreign exchange contracts | Other (expense) income, net | (2.2) | (0.4) | (4.9) | (0.5) |
| Total | | <u>\$ (0.7)</u> | <u>\$ (1.9)</u> | <u>\$ (1.4)</u> | <u>\$ (2.7)</u> |

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 June 29, 2024, December 31, 2023 and July 1, 2023, the fair value of the Company's long-term debt, including current maturities, and short-term debt was approximately \$ 2,640.5 million, \$ 2,228.2 million and \$ 2,267.3 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 2023 Form 10-K. The carrying value of long-term debt, including current maturities, and short-term debt was \$ 2,858.3 million, \$ 2,458.7 million and \$ 2,540.5 million as of June 29, 2024, December 31, 2023 and July 1, 2023, 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 Level | Fair Value | | |
|---|------------------|---------------|-------------------|--------------|
| | | June 29, 2024 | December 31, 2023 | July 1, 2023 |
| Cash equivalents | 1 | \$ 70.5 | \$ 0.4 | \$ 0.3 |
| Short-term investments in marketable securities | 1 | 82.5 | 0.8 | 0.8 |
| Restricted cash | 1 | 16.2 | 11.1 | 11.0 |
| Derivative assets | 2 | 8.4 | 5.2 | 10.9 |
| Derivative liabilities | 2 | 9.3 | 13.7 | 11.0 |
| Deferred compensation | 1 | 1.1 | 1.5 | 1.4 |
| Deferred compensation | 2 | 17.1 | 16.1 | 16.8 |
| Liabilities measured at net asset value | | 13.5 | 12.9 | 12.2 |

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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 June 29, 2024 and July 1, 2023:

| (in millions) | June 29, 2024 | July 1, 2023 |
|--|-----------------|-----------------|
| Balance at beginning of period | \$ 157.6 | \$ 146.7 |
| Payments | (49.3) | (40.2) |
| Provisions/additions for contracts issued/sold | 44.2 | 45.9 |
| Aggregate changes for preexisting warranties | 3.7 | 2.7 |
| Foreign currency translation | (1.0) | 0.5 |
| Other | (2.9) | 1.4 |
| Balance at end of period | <u>\$ 152.3</u> | <u>\$ 157.0</u> |

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 June 29, 2024 and July 1, 2023:

| (in millions) | June 29, 2024 | July 1, 2023 |
|--|-----------------|-----------------|
| Balance at beginning of period | \$ 127.2 | \$ 112.5 |
| Extended warranty contracts sold | 23.8 | 22.6 |
| Revenue recognized on existing extended warranty contracts | (14.8) | (12.8) |
| Foreign currency translation | (0.3) | 0.2 |
| Other | (0.3) | (0.2) |
| Balance at end of period | <u>\$ 135.6</u> | <u>\$ 122.3</u> |

Note 8 – Goodwill and Other Intangibles

Changes in the Company's goodwill during the six months ended June 29, 2024 and July 1, 2023, by segment, are summarized below:

| (in millions) | Propulsion | Engine P&A | Navico Group | Boat | Total |
|--------------------------|----------------|-----------------|-----------------|-----------------|-------------------|
| December 31, 2023 | \$ 54.1 | \$ 233.0 | \$ 599.7 | \$ 143.9 | \$ 1,030.7 |
| Adjustments | (2.1) | (0.2) | (3.0) | (1.3) | (6.6) |
| June 29, 2024 | <u>\$ 52.0</u> | <u>\$ 232.8</u> | <u>\$ 596.7</u> | <u>\$ 142.6</u> | <u>\$ 1,024.1</u> |
| 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 | <u>\$ 13.9</u> | <u>\$ 232.9</u> | <u>\$ 597.9</u> | <u>\$ 129.9</u> | <u>\$ 974.6</u> |

Adjustments in both periods include the effect of foreign currency translation on goodwill denominated in currencies other than the U.S. dollar. Adjustments during the six months ended June 29, 2024 also include \$2.2 million of purchase accounting adjustments from the 2023 Fliteboard and Freedom Boat Club acquisitions, primarily related to income taxes. 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 June 29, 2024, December 31, 2023 or July 1, 2023.

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The Company's intangible assets, included within Other intangibles, net on the Condensed Consolidated Balance Sheets as of June 29, 2024, December 31, 2023, and July 1, 2023, are summarized by intangible asset type below:

| (in millions) | June 29, 2024 | | December 31, 2023 | | July 1, 2023 | |
|------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|--------------------------|
| | Gross Amount | Accumulated Amortization | Gross Amount | Accumulated Amortization | Gross Amount | Accumulated Amortization |
| Intangible assets: | | | | | | |
| Customer relationships | \$ 906.0 | \$ (451.2) | \$ 907.3 | \$ (428.6) | \$ 897.6 | \$ (408.7) |
| Trade names | 310.8 | — | 311.5 | — | 305.5 | — |
| Developed technology | 167.3 | (29.9) | 167.5 | (24.3) | 160.0 | (18.7) |
| Other | 98.9 | (53.8) | 91.2 | (46.6) | 82.1 | (38.4) |
| Total | <u>\$ 1,483.0</u> | <u>\$ (534.9)</u> | <u>\$ 1,477.5</u> | <u>\$ (499.5)</u> | <u>\$ 1,445.2</u> | <u>\$ (465.8)</u> |

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 \$ 17.9 million and \$35.8 million for the three and six months ended June 29, 2024, respectively. Aggregate amortization expense for intangibles was \$ 17.2 million and \$33.8 million for the three and six months ended July 1, 2023, respectively.

The Company tests its intangible assets for impairment during the fourth quarter of each year, or whenever a 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 any impairment charges during the six months ended June 29, 2024 or July 1, 2023.

Note 9 – Segment Information

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

| (in millions) | Net Sales | | | | Operating Earnings (Loss) | | | |
|----------------------|--------------------|-------------------|-------------------|-------------------|---------------------------|-----------------|------------------|-----------------|
| | Three Months Ended | | Six Months Ended | | Three Months Ended | | Six Months Ended | |
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Propulsion | \$ 558.0 | \$ 703.3 | \$ 1,136.2 | \$ 1,454.9 | \$ 85.6 | \$ 111.1 | \$ 168.4 | \$ 262.2 |
| Engine P&A | 336.1 | 328.9 | 598.5 | 617.5 | 75.6 | 66.4 | 108.8 | 114.2 |
| Navico Group | 210.1 | 227.8 | 421.0 | 505.1 | (3.0) | 4.2 | (5.4) | 17.0 |
| Boat | 434.2 | 560.8 | 859.9 | 1,136.0 | 24.8 | 53.2 | 54.2 | 111.0 |
| Corporate/Other | — | — | — | — | (24.7) | (40.5) | (57.1) | (73.9) |
| Segment Eliminations | (94.5) | (118.5) | (206.7) | (267.6) | — | — | — | — |
| Total | <u>\$ 1,443.9</u> | <u>\$ 1,702.3</u> | <u>\$ 2,808.9</u> | <u>\$ 3,445.9</u> | <u>\$ 158.3</u> | <u>\$ 194.4</u> | <u>\$ 268.9</u> | <u>\$ 430.5</u> |

| (in millions) | Total Assets | | |
|-----------------|-------------------|-------------------|-------------------|
| | June 29, 2024 | December 31, 2023 | July 1, 2023 |
| Propulsion | \$ 1,742.4 | \$ 1,648.7 | \$ 1,621.7 |
| Engine P&A | 869.9 | 855.6 | 883.6 |
| Navico Group | 1,995.0 | 2,074.3 | 2,113.9 |
| Boat | 891.8 | 874.8 | 886.9 |
| Corporate/Other | 896.6 | 777.1 | 784.0 |
| Total | <u>\$ 6,395.7</u> | <u>\$ 6,230.5</u> | <u>\$ 6,290.1</u> |

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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 June 29, 2024 and July 1, 2023 are as follows:

| (in millions) | Three Months Ended | | Six Months Ended | |
|---|--------------------|--------------|------------------|--------------|
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| Net earnings | \$ 100.0 | \$ 134.7 | \$ 168.0 | \$ 247.0 |
| Other comprehensive (loss) income: | | | | |
| Foreign currency cumulative translation adjustments | (3.6) | 2.2 | (23.2) | 8.5 |
| Net change in unamortized prior service credits | (0.2) | — | (0.3) | — |
| Net change in unamortized actuarial gains (losses) | (0.2) | 0.1 | (0.3) | 0.2 |
| Net change in unrealized derivative gains (losses) | (2.4) | (5.2) | 6.9 | (8.0) |
| Total other comprehensive (loss) income | (6.4) | (2.9) | (16.9) | 0.7 |
| Comprehensive income | \$ 93.6 | \$ 131.8 | \$ 151.1 | \$ 247.7 |

The following table presents the changes in Accumulated other comprehensive loss by component, all net of tax, for the three months ended June 29, 2024:

| (in millions) | Foreign currency translation | Prior service credits | Net actuarial gains | Unrealized investment gains | Net derivative gains | Total |
|--|------------------------------|-----------------------|---------------------|-----------------------------|----------------------|-----------|
| Beginning balance | \$ (69.1) | \$ (7.5) | \$ 7.8 | \$ 0.2 | \$ 32.4 | \$ (36.2) |
| Other comprehensive loss before reclassifications ^(A) | (3.6) | — | — | — | (0.7) | (4.3) |
| Amounts reclassified from Accumulated other comprehensive loss ^{(B)(C)} | — | (0.2) | (0.2) | — | (1.7) | (2.1) |
| Net other comprehensive loss | (3.6) | (0.2) | (0.2) | — | (2.4) | (6.4) |
| Ending balance | \$ (72.7) | \$ (7.7) | \$ 7.6 | \$ 0.2 | \$ 30.0 | \$ (42.6) |

(A) The tax effects for the three months ended June 29, 2024 were \$ 1.3 million for foreign currency translation and \$ 0.6 million for derivatives.

(B) The tax effects for the three months ended June 29, 2024 were \$ 0.7 million for derivatives.

(C) The reclassification adjustments from Accumulated other comprehensive loss and associated tax effects related to defined benefit items were not material for the three months ended June 29, 2024. Refer to **Note 5 – Financial Instruments** for the reclassification adjustments from Accumulated other comprehensive loss related to derivatives.

The following table presents the changes in Accumulated other comprehensive loss by component, all net of tax, for the six months ended June 29, 2024:

| (in millions) | Foreign currency translation | Prior service credits | Net actuarial gains | Unrealized investment gains | Net derivative gains | Total |
|--|------------------------------|-----------------------|---------------------|-----------------------------|----------------------|-----------|
| Beginning balance | \$ (49.5) | \$ (7.4) | \$ 7.9 | \$ 0.2 | \$ 23.1 | \$ (25.7) |
| Other comprehensive (loss) income before reclassifications ^(A) | (23.2) | — | — | — | 9.3 | (13.9) |
| Amounts reclassified from Accumulated other comprehensive loss ^{(B)(C)} | — | (0.3) | (0.3) | — | (2.4) | (3.0) |
| Net other comprehensive (loss) income | (23.2) | (0.3) | (0.3) | — | 6.9 | (16.9) |
| Ending balance | \$ (72.7) | \$ (7.7) | \$ 7.6 | \$ 0.2 | \$ 30.0 | \$ (42.6) |

(A) The tax effects for the six months ended June 29, 2024 were \$4.3 million for foreign currency translation and \$(3.1) million for derivatives.

(B) The tax effects for the six months ended June 29, 2024 were \$1.1 million for derivatives.

(C) The reclassification adjustments from Accumulated other comprehensive loss and associated tax effects related to defined benefit items were not material for the six months ended June 29, 2024. Refer to **Note 5 – Financial Instruments** for the reclassification adjustments from Accumulated other comprehensive loss related to derivatives.

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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 (loss) before reclassifications ^(A) | 2.2 | — | — | — | (2.6) | (0.4) |
| Amounts reclassified from Accumulated other comprehensive loss ^{(B)(C)} | — | — | 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) The tax effects for the three months ended July 1, 2023 were \$ 1.0 million for derivatives.

(C) The reclassification adjustments from Accumulated other comprehensive loss and associated tax effects related to defined benefit items were not material for the three months ended July 1, 2023. Refer to **Note 5 – Financial Instruments** for the reclassification adjustments from Accumulated other comprehensive loss related to derivatives.

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 (loss) income before reclassifications ^(A) | 8.5 | — | — | — | (0.5) | 8.0 |
| Amounts reclassified from Accumulated other comprehensive loss ^{(B)(C)} | — | — | 0.2 | — | (7.5) | (7.3) |
| Net other comprehensive income (loss) | 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) The tax effects for the six months ended July 1, 2023 were \$ 2.9 million for derivatives.

(C) The reclassification adjustments from Accumulated other comprehensive loss and associated tax effects related to defined benefit items were not material for the six months ended July 1, 2023. Refer to **Note 5 – Financial Instruments** for the reclassification adjustments from Accumulated other comprehensive loss related to derivatives.

Note 11 – Income Taxes

The effective tax rate for the three months ended June 29, 2024 and July 1, 2023 was 20.9 percent and 21.2 percent, respectively. The effective tax rate for the three months ended June 29, 2024 was lower than the same period in the prior year, primarily due to lower pretax income in high tax jurisdictions.

The effective tax rate for the six months ended June 29, 2024 and July 1, 2023 was 21.1 percent and 35.3 percent, respectively. The effective tax rate for the six months ended June 29, 2024 was lower than the same period in the prior year, primarily due to the prior year intercompany sale of certain intellectual property rights from one of our affiliates in Norway to the United States and lower pretax income in high tax jurisdictions.

The Company has evaluated the effects of the Global Anti-Base Erosion Model Rules set forth by the Organization for Economic Co-operation and Development (OECD), referred to as “Pillar Two”, which establishes a global minimum corporate tax rate of 15 percent. The Company has determined that Pillar Two legislation has been enacted in one or more of the jurisdictions in which we operate and the Company is within the scope of the legislation. The Company assessed such enacted legislation, and, as applicable, the transitional safe harbor provisions of Pillar Two, and concluded that the tax effects are not material to the financial statements.

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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 2020 through 2022 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 2016.

Note 12 – Debt

The following table provides the changes in the Company's debt for the six months ended June 29, 2024:

| (in millions) | Short-term debt and current maturities of long-term debt | Long-term debt | Total |
|--|--|-------------------|-------------------|
| Balance as of December 31, 2023 | \$ 454.7 | \$ 1,975.7 | \$ 2,430.4 |
| Proceeds from issuances of debt ^(A) | 1.3 | 396.9 | 398.2 |
| Repayments of debt | (3.6) | — | (3.6) |
| Reclassification of long-term debt | 1.3 | (1.3) | — |
| Other | 1.0 | 1.1 | 2.1 |
| Balance as of June 29, 2024 | \$ 454.7 | \$ 2,372.4 | \$ 2,827.1 |

(A) During the first quarter of 2024, \$ 400.0 million of 5.850% Senior Notes due 2029 were issued.

As of June 29, 2024, Brunswick was in compliance with the financial covenants associated with its debt.

2029 Notes

In March 2024, the Company issued an aggregate principal amount of \$ 400.0 million of 5.850% Senior Notes due 2029 (the 2029 Notes) in a public offering, which resulted in aggregate net proceeds to the Company of \$ 396.9 million. The Company intends to use the net proceeds from the sale of the 2029 Notes for general corporate purposes, which may include the repayment, repurchase or redemption of certain of its outstanding securities, including its 0.85% Senior Notes due 2024, as may be determined by management from time to time.

The 2029 Notes bear interest at a rate of 5.850% per year. Interest on the 2029 Notes is payable semiannually in arrears on March 18 and September 18 of each year, and the first interest payment date will be September 18, 2024. The 2029 Notes will mature on March 18, 2029.

The Company may, at its option, redeem the 2029 Notes, in whole or in part, at any time and from time to time prior to maturity. If the Company elects to redeem any (or all) of the 2029 Notes at any time prior to February 18, 2029 (the date that is one month prior to the maturity of the 2029 Notes), it will pay a "make-whole" redemption price set forth in the Sixth Supplemental Indenture dated as of March 18, 2024 (Sixth Supplemental Indenture) to the Indenture dated as of October 3, 2018. On or after February 18, 2029, the Company may, at its option, redeem the 2029 Notes, 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.

If the Company experiences a change of control triggering event with respect to the 2029 Notes, as defined in the Sixth Supplemental Indenture, each holder of the 2029 Notes may require the Company to repurchase some or all of its 2029 Notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest.

Debentures

During the third quarter of 2023, the Company made the remaining principal repayments, totaling \$ 79.7 million, of its 7.375% debentures due 2023. The debentures were repaid at 100 percent of the principal amount plus accrued interest in accordance with the provisions of the debentures.

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Credit Facility

The Company maintains a Revolving Credit Agreement (Credit Facility). During the six months ended June 29, 2024 and July 1, 2023, there were no borrowings under the Credit Facility. As of June 29, 2024, available borrowing capacity totaled \$ 747.0 million, net of \$ 3.0 million of letters of credit outstanding under the Credit Facility. As of July 1, 2023, available borrowing capacity totaled \$ 741.9 million, net of \$ 8.1 million of letters of credit outstanding under the Credit Facility. Refer to Note 14 in the Notes to Consolidated Financial Statements in the 2023 Form 10-K for details regarding Brunswick's Credit Facility.

Commercial Paper

The Company maintains an unsecured commercial paper program (CP Program) pursuant to which the Company may issue short-term, unsecured commercial paper notes (CP Notes). During the six months ended June 29, 2024, borrowings under the CP Program totaled \$ 425.0 million, all of which were repaid during the period. During the six months ended June 29, 2024, the maximum amount utilized under the CP Program was \$ 225.0 million. During the six months ended July 1, 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 14 in the Notes to Consolidated Financial Statements in the 2023 Form 10-K for details regarding Brunswick's CP Program.

Note 13 – Supplier Finance Program Obligations

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 June 29, 2024, December 31, 2023, and July 1, 2023, the Company had \$ 9.6 million, \$ 11.6 million and \$ 16.8 million confirmed invoices under the supplier finance program, respectively, which were included in Accounts payable on the Condensed Consolidated Balance Sheets.

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; and the discussion of our earnings includes a presentation of operating earnings and operating margin excluding restructuring, exit and impairment charges, purchase accounting amortization, acquisition, integration, and IT 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.

Acquisitions

During the fourth quarter of 2023, we acquired additional Freedom Boat Club franchise operations and territory rights as well as certain marine assets in the Southeast United States for net cash consideration of \$16.0 million. On September 1, 2023, the Company acquired all of the issued and outstanding shares of Fliteboard for \$88.3 million net cash consideration. Refer to **Note 4 – Acquisitions** in the Notes to Condensed Consolidated Financial Statements for further information.

Overview

Net sales decreased 15 percent during the second quarter of 2024 when compared with the second quarter of 2023, as the impact of continued lower wholesale ordering by dealers and OEMs, coupled with higher discounts in certain business segments, was only partially offset by annual price increases and benefits from well-received new products. Despite our Propulsion segment delivering lower sales and operating earnings versus the second quarter of 2023, year-to-date we continue to gain share in outboard engines, with more than 48 percent overall share of the U.S. outboard market. In addition, Propulsion's controls, rigging, and propeller product category had a strong quarter with operating margins ahead of the same period in 2023. Our Engine Parts and Accessories (Engine P&A) segment had a strong quarter, with sales and operating earnings up versus the second quarter of 2023, and we completed the full transition of Engine P&A distribution to our new, state-of-the-art facility in Brownsburg, Indiana. As anticipated, our Navico Group segment had lower sales and operating earnings versus the second quarter of 2023, due to reduced marine OEM order rates and persistently slow RV orders but continued to show stability, with sequential improvement in aftermarket sales and overall sales and operating earnings consistent with first quarter results. Our Boat segment had a solid performance given market conditions, with sales and operating earnings below the prior year quarter, consistent with lower planned production levels. Our international net sales decreased 8 percent and 6 percent in the second quarter on a GAAP and constant currency basis, respectively.

Net sales decreased 19 percent during the first half of 2024, when compared with the first half of 2023, due to the same factors described above. Our international net sales decreased 14 percent and 13 percent in the first half on a GAAP and constant currency basis, respectively.

Operating earnings in the second quarter of 2024 were \$158.3 million and \$180.8 million on a GAAP and As Adjusted basis, respectively. This compares to operating earnings during the second quarter of 2023 of \$194.4 million and \$234.9 million on a GAAP and As Adjusted basis, respectively.

Operating earnings in the first half of 2024 were \$268.9 million and \$322.3 million on a GAAP and As Adjusted basis, respectively. This compares to operating earnings during the first half of 2023 of \$430.5 million and \$497.3 million on a GAAP and 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 26 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 | | 2024 vs. 2023 | | | | Net Sales | | 2024 vs. 2023 | | | |
| | June 29, 2024 | July 1, 2023 | GAAP | Currency Impact | Acquisition Impact | | June 29, 2024 | July 1, 2023 | GAAP | Currency Impact | Acquisition Impact | |
| (in millions) | | | | | | | | | | | | |
| Propulsion | \$ 558.0 | \$ 703.3 | (20.7)% | (0.5) % | 2.2 % | | \$ 1,136.2 | \$ 1,454.9 | (21.9)% | (0.2) % | 1.5 % | |
| Engine P&A | 336.1 | 328.9 | 2.2 % | (0.4) % | — % | | 598.5 | 617.5 | (3.1)% | (0.3) % | — % | |
| Navico Group | 210.1 | 227.8 | (7.8)% | (0.4) % | — % | | 421.0 | 505.1 | (16.7)% | (0.1) % | — % | |
| Boat | 434.2 | 560.8 | (22.6)% | (0.1) % | 0.4 % | | 859.9 | 1,136.0 | (24.3)% | — % | 0.4 % | |
| Segment Eliminations | (94.5) | (118.5) | (20.3)% | (0.1) % | — % | | (206.7) | (267.6) | (22.8)% | (0.1) % | — % | |
| Total | <u>\$ 1,443.9</u> | <u>\$ 1,702.3</u> | (15.2)% | (0.4) % | 1.1 % | | <u>\$ 2,808.9</u> | <u>\$ 3,445.9</u> | (18.5)% | (0.2) % | 0.8 % | |

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 | | 2024 vs. 2023 | | Six Months Ended | | 2024 vs. 2023 | |
|--|--------------------|-----------------|---------------|-------------|------------------|-----------------|---------------|-------------|
| | June 29, 2024 | July 1, 2023 | \$ Change | % Change | June 29, 2024 | July 1, 2023 | \$ Change | % Change |
| (in millions, except per share data) | | | | | | | | |
| Net sales | \$ 1,443.9 | \$ 1,702.3 | \$ (258.4) | (15.2)% | \$ 2,808.9 | \$ 3,445.9 | \$ (637.0) | (18.5)% |
| Gross margin ^(A) | 391.0 | 472.3 | (81.3) | (17.2)% | 764.6 | 977.9 | (213.3) | (21.8)% |
| Restructuring, exit and impairment charges | 7.9 | 13.9 | (6.0) | (43.2)% | 21.4 | 23.4 | (2.0) | (8.5)% |
| Operating earnings | 158.3 | 194.4 | (36.1) | (18.6)% | 268.9 | 430.5 | (161.6) | (37.5)% |
| Net earnings from continuing operations | 104.8 | 135.3 | (30.5) | (22.5)% | 173.2 | 247.7 | (74.5) | (30.1)% |
| Diluted earnings per common share from continuing operations | \$ 1.55 | \$ 1.91 | \$ (0.36) | (18.8)% | \$ 2.54 | \$ 3.47 | \$ (0.93) | (26.8)% |

Expressed as a percentage of Net sales:

| | | | | | | | | | | |
|---|------|---|------|---|----------|------|---|------|---|-----------|
| Gross margin ^(A) | 27.1 | % | 27.7 | % | (60) bps | 27.2 | % | 28.4 | % | (120) bps |
| Selling, general and administrative expense | 12.6 | % | 12.6 | % | NM | 13.7 | % | 12.4 | % | 130 bps |
| Research and development expense | 3.0 | % | 2.9 | % | 10 bps | 3.2 | % | 2.8 | % | 40 bps |
| Restructuring, exit and impairment charges | 0.5 | % | 0.8 | % | (30) bps | 0.8 | % | 0.7 | % | 10 bps |
| Operating margin | 11.0 | % | 11.4 | % | (40) bps | 9.6 | % | 12.5 | % | (290) bps |

NM = not meaningful

bps = basis points

(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 reconciliation of our non-GAAP measures, adjusted operating earnings and adjusted diluted earnings per common share from continuing operations for the three and six months ended June 29, 2024 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 | |
| | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 | June 29, 2024 | July 1, 2023 |
| (in millions, except per share data) | | | | | | | | |
| GAAP | \$ 158.3 | \$ 194.4 | \$ 1.55 | \$ 1.91 | \$ 268.9 | \$ 430.5 | \$ 2.54 | \$ 3.47 |
| Restructuring, exit and impairment charges | 7.9 | 13.9 | 0.09 | 0.15 | 21.4 | 23.4 | 0.24 | 0.25 |
| Purchase accounting amortization | 14.5 | 14.1 | 0.16 | 0.15 | 29.3 | 28.3 | 0.33 | 0.30 |
| Acquisition, integration, and IT related costs | 0.1 | 4.4 | — | 0.05 | 2.4 | 7.0 | 0.03 | 0.08 |
| IT security incident costs ^(A) | — | 8.1 | — | 0.09 | 0.3 | 8.1 | — | 0.09 |
| Special tax items | — | — | — | — | — | — | — | 0.72 |
| As Adjusted | \$ 180.8 | \$ 234.9 | \$ 1.80 | \$ 2.35 | \$ 322.3 | \$ 497.3 | \$ 3.14 | \$ 4.91 |
| GAAP operating margin | 11.0 | % | 11.4 | % | 9.6 | % | 12.5 | % |
| Adjusted operating margin | 12.5 | % | 13.8 | % | 11.5 | % | 14.4 | % |

(A) We incurred non-recurring costs related to the 2023 IT security incident during the six months ended June 29, 2024 as well as during the three and six months ended July 1, 2023.

Net sales decreased 15 percent during the second quarter of 2024 and 19 percent during the first half of 2024 when compared with the same prior year periods. The components of the consolidated net sales change were as follows:

| | Percent change in net sales compared to the prior comparative period | |
|-----------------------|--|------------------|
| | June 29, 2024 | |
| | Three Months Ended | Six Months Ended |
| Volume | (17.2)% | (20.2)% |
| Product Mix and Price | 1.3 % | 1.1 % |
| Currency | (0.4)% | (0.2)% |
| Acquisitions | 1.1 % | 0.8 % |
| | (15.2)% | (18.5)% |

Gross margin decreased 60 basis points in the second quarter of 2024 when compared to the same prior year period, driven by higher manufacturing costs including absorption (210 bps), material and labor inflation (65 bps) and depreciation (15 bps), partially offset by unfavorable timing of capitalized variances in the prior year (170 bps), favorable foreign currency exchange-rate fluctuations (20 bps), sales-related drivers (20 bps) and acquisitions (20 bps).

Gross margin decreased 120 basis points in the first half of 2024 when compared to the same prior year period, driven by higher manufacturing costs including absorption (120 bps) and depreciation (20 bps) as well as foreign currency exchange-rate fluctuations (20 bps), partially offset by sales-related drivers (25 bps) and acquisitions (15 bps).

Selling, general and administrative expense as a percentage of net sales was flat during the second quarter of 2024 when compared with the same prior year period, due to lower sales (230 bps), offset by cost control measures across the enterprise, including lower employee compensation costs associated with headcount reductions and lower variable compensation (230 bps). Research and development expense decreased in the second quarter of 2024 versus the same period in 2023.

Selling, general and administrative expense as a percentage of net sales increased 130 basis points during the first half of 2024 when compared with the same prior year period, due to lower sales (280 bps), partially offset by cost control measures across the enterprise, including lower employee compensation costs associated with headcount reductions and lower variable compensation (150 bps). Research and development expense decreased in the first half of 2024 versus the same period in 2023.

We recorded Restructuring, exit and impairment charges of \$7.9 million and \$21.4 million during the three and six months ended June 29, 2024, respectively. 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 estimate the first half 2024 actions will result in approximately \$14 million of cost savings. 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 \$2.9 million and \$5.4 million in the three and six months ended June 29, 2024, respectively, which were primarily related to our marine and technology-related joint ventures. This compares with Equity earnings of \$2.2 million and \$4.4 million in the three and six months ended July 1, 2023, respectively.

We recognized \$(0.8) million of Other (expense) income, net in the three and six months ended June 29, 2024, respectively. This compares with \$1.8 million and \$0.9 million of Other (expense) income, net in the three and six months ended July 1, 2023, respectively. Other (expense) income, 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 June 29, 2024 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 14 – Debt** in the Notes to Consolidated Financial Statements in the 2023 Form 10-K.

We recognized an income tax provision for the three and six months ended June 29, 2024 of \$27.7 million and \$46.3 million, respectively, compared to \$36.3 million and \$135.3 million for the three and six months ended July 1, 2023, respectively. The decrease in the income tax provision for the three months ended June 29, 2024 is due to lower pretax income in high tax jurisdictions. The decrease in the income tax provision for the six months ended June 29, 2024 is due to the prior year intercompany sale of certain intellectual property rights and lower pretax income in high tax jurisdictions. We have also evaluated the effects of Pillar Two legislation and concluded that the tax effects are not material to the financial statements. Refer to **Note 11 – Income Taxes** in the Notes to Condensed Consolidated Financial Statements for further information.

The effective tax rate, which is calculated as the income tax provision as a percentage of earnings before income taxes, was 20.9 percent and 21.1 percent for the three and six months ended June 29, 2024, respectively. The effective tax rate for the three and six months ended July 1, 2023 was 21.2 percent and 35.3 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 both the three and six months ended June 29, 2024 when compared with the same prior year period.

Propulsion Segment

The following table sets forth Propulsion segment results and a reconciliation to our non-GAAP measure of adjusted operating earnings for the three and six months ended:

| | Three Months Ended | | 2024 vs. 2023 | | Six Months Ended | | 2024 vs. 2023 | |
|--|--------------------|--------------|---------------|----------|------------------|--------------|---------------|-----------|
| | June 29, 2024 | July 1, 2023 | \$ Change | % Change | June 29, 2024 | July 1, 2023 | \$ Change | % Change |
| (in millions) | | | | | | | | |
| Net sales | \$ 558.0 | \$ 703.3 | \$ (145.3) | (20.7)% | \$ 1,136.2 | \$ 1,454.9 | \$ (318.7) | (21.9)% |
| GAAP operating earnings | \$ 85.6 | \$ 111.1 | \$ (25.5) | (23.0)% | \$ 168.4 | \$ 262.2 | \$ (93.8) | (35.8)% |
| Restructuring, exit and impairment charges | 0.4 | — | 0.4 | NM | 6.0 | — | 6.0 | NM |
| Purchase accounting amortization | 0.3 | — | 0.3 | NM | 0.9 | — | 0.9 | NM |
| Acquisition, integration, and IT related costs | 0.4 | — | 0.4 | NM | 0.9 | — | 0.9 | NM |
| IT security incident costs | — | 3.4 | (3.4) | NM | — | 3.4 | (3.4) | NM |
| Adjusted operating earnings | \$ 86.7 | \$ 114.5 | \$ (27.8) | (24.3)% | \$ 176.2 | \$ 265.6 | \$ (89.4) | (33.7)% |
| GAAP operating margin | 15.3 % | 15.8 % | | (50) bps | 14.8 % | 18.0 % | | (320) bps |
| Adjusted operating margin | 15.5 % | 16.3 % | | (80) bps | 15.5 % | 18.3 % | | (280) bps |

NM = not meaningful

bps = basis points

Propulsion segment's net sales decreased in the second quarter of 2024 compared to the second quarter of 2023, with lower production rates at OEM boat manufacturers resulting in fewer engine orders in the quarter, while repower shipments were slightly up versus the same prior year period.

Propulsion segment's net sales decreased in the first half of 2024 versus 2023 due to the same 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 | |
|-----------------------|--|------------------|
| | June 29, 2024 | |
| | Three Months Ended | Six Months Ended |
| Volume | (23.1)% | (22.7)% |
| Product Mix and Price | 0.7 % | (0.5)% |
| Currency | (0.5)% | (0.2)% |
| Acquisitions | 2.2 % | 1.5 % |
| | (20.7)% | (21.9)% |

International sales were 37 percent of the Propulsion segment's net sales in the second quarter of 2024 and were flat from the prior year on a GAAP basis. On a constant currency basis, international sales increased 2 percent.

International sales were 36 percent of the Propulsion segment's net sales in the first half of 2024 and decreased 12 percent from the prior year on a GAAP basis. On a constant currency basis, international sales decreased 11 percent in the first half of 2024.

Propulsion segment's operating earnings in the second quarter of 2024 decreased when compared to the second quarter of 2023, due to the impact of lower net sales and higher manufacturing costs, including absorption from lower production, partially offset by the lapping of prior year unfavorable capitalized inventory variances and accelerated cost control measures.

Operating earnings for the first half of 2024 decreased due to the impact of lower net sales and higher manufacturing costs, including absorption from lower production, partially offset by accelerated cost control measures.

Engine P&A Segment

The following table sets forth Engine P&A segment results and a reconciliation to our non-GAAP measure of adjusted operating earnings for the three and six months ended:

| | Three Months Ended | | 2024 vs. 2023 | | Six Months Ended | | 2024 vs. 2023 | |
|--|--------------------|--------------|---------------|----------|------------------|--------------|---------------|----------|
| | June 29, 2024 | July 1, 2023 | \$ Change | % Change | June 29, 2024 | July 1, 2023 | \$ Change | % Change |
| (in millions) | | | | | | | | |
| Net sales | \$ 336.1 | \$ 328.9 | \$ 7.2 | 2.2% | \$ 598.5 | \$ 617.5 | \$ (19.0) | (3.1)% |
| GAAP operating earnings | \$ 75.6 | \$ 66.4 | \$ 9.2 | 13.9% | \$ 108.8 | \$ 114.2 | \$ (5.4) | (4.7)% |
| Restructuring, exit and impairment charges | 0.2 | 0.3 | (0.1) | (33.3)% | 3.5 | 1.0 | 2.5 | NM |
| IT security incident costs | — | 0.5 | (0.5) | NM | — | 0.5 | (0.5) | NM |
| Adjusted operating earnings | \$ 75.8 | \$ 67.2 | \$ 8.6 | 12.8% | \$ 112.3 | \$ 115.7 | \$ (3.4) | (2.9)% |
| GAAP operating margin | 22.5 % | 20.2 % | | 230 bps | 18.2 % | 18.5 % | | (30) bps |
| Adjusted operating margin | 22.6 % | 20.4 % | | 220 bps | 18.8 % | 18.7 % | | 10 bps |

NM = not meaningful

bps = basis points

Engine P&A segment's net sales increased in the second quarter of 2024 compared to the second quarter of 2023, due to the completed transition to the Brownsburg, Indiana distribution facility as this business was able to service product to customers around the globe, leading to year-over-year sales increases in both the U.S. and international markets.

Engine P&A segment's net sales decreased in the first half of 2024 versus prior year as strong second quarter results only partially offset the lower sales in the first quarter of 2024.

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 | |
|-----------------------|--|------------------|
| | June 29, 2024 | |
| | Three Months Ended | Six Months Ended |
| Volume | 2.0 % | (3.7) % |
| Product Mix and Price | 0.6 % | 0.9 % |
| Currency | (0.4) % | (0.3) % |
| | 2.2 % | (3.1) % |

International sales were 27 percent of the Engine P&A segment's net sales in the second quarter of 2024 and increased 5 percent from the prior year on a GAAP basis. On a constant currency basis, international sales increased 6 percent.

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International sales were 29 percent of the Engine P&A segment's net sales in the first half of 2024 and increased 1 percent from the prior year on a GAAP basis. On a constant currency basis, international sales increased 2 percent in the first half of 2024.

Engine P&A segment's operating earnings in the second quarter of 2024 increased compared to the second quarter of 2023, due to increased sales and the impact of pricing and cost control.

Operating earnings for the first half of 2024 decreased as strong second quarter results only partially offset the lower operating earnings in the first quarter of 2024.

Navico Group Segment

The following table sets forth Navico Group segment results and a reconciliation to our non-GAAP measure of adjusted operating earnings for the three and six months ended:

| (in millions) | Three Months Ended | | 2024 vs. 2023 | | Six Months Ended | | 2024 vs. 2023 | |
|--|--------------------|--------------|---------------|-----------|------------------|--------------|---------------|-----------|
| | June 29, 2024 | July 1, 2023 | \$ Change | % Change | June 29, 2024 | July 1, 2023 | \$ Change | % Change |
| Net sales | \$ 210.1 | \$ 227.8 | \$ (17.7) | (7.8)% | \$ 421.0 | \$ 505.1 | \$ (84.1) | (16.7)% |
| GAAP operating (loss) earnings | \$ (3.0) | \$ 4.2 | \$ (7.2) | NM | \$ (5.4) | \$ 17.0 | \$ (22.4) | NM |
| Restructuring, exit and impairment charges | 5.3 | 7.3 | (2.0) | (27.4)% | 8.0 | 10.9 | (2.9) | (26.6)% |
| Purchase accounting amortization | 13.2 | 13.2 | — | NM | 26.4 | 26.5 | (0.1) | (0.4)% |
| Acquisition, integration, and IT related costs | 0.1 | 0.7 | (0.6) | (85.7)% | 1.7 | 1.5 | 0.2 | 13.3% |
| IT security incident costs | — | 0.5 | (0.5) | NM | — | 0.5 | (0.5) | NM |
| Adjusted operating earnings | \$ 15.6 | \$ 25.9 | \$ (10.3) | (39.8)% | \$ 30.7 | \$ 56.4 | \$ (25.7) | (45.6)% |
| GAAP operating margin | (1.4)% | 1.8 % | | (320) bps | (1.3)% | 3.4 % | | (470) bps |
| Adjusted operating margin | 7.4 % | 11.4 % | | (400) bps | 7.3 % | 11.2 % | | (390) bps |

NM = not meaningful

bps = basis points

Navico Group segment's net sales decreased in the second quarter of 2024 compared to the second quarter of 2023, driven by reduced sales to marine OEMs as they balance production levels to match retail ordering patterns, partially offset by strong new product momentum and, while slow, some improvements in RV sales trends.

Navico Group segment's net sales decreased in the first half of 2024 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 | |
|-----------------------|--|------------------|
| | June 29, 2024 | |
| | Three Months Ended | Six Months Ended |
| Volume | (7.1)% | (16.1)% |
| Product Mix and Price | (0.3)% | (0.5)% |
| Currency | (0.4)% | (0.1)% |
| | (7.8)% | (16.7)% |

International sales were 40 percent of the Navico Group segment's net sales in the second quarter of 2024 and decreased 4 percent year over year on a GAAP basis. On a constant currency basis, international sales decreased 3 percent.

International sales were 41 percent of the Navico Group segment's net sales in the first half of 2024 and decreased 6 percent year over year on a GAAP and constant currency basis.

Navico Group segment's operating earnings in the second quarter of 2024 decreased when compared to the second quarter of 2023, as the impact from lower sales and increased discount activity was only partially offset by lower operating expenses.

Operating earnings for the first half of 2024 decreased as a result of the same factors described above.

Boat Segment

The following table sets forth Boat segment results and a reconciliation to our non-GAAP measure of adjusted operating earnings for the three and six months ended:

| (in millions) | Three Months Ended | | 2024 vs. 2023 | | Six Months Ended | | 2024 vs. 2023 | |
|--|--------------------|--------------|---------------|-----------|------------------|--------------|---------------|-----------|
| | June 29, 2024 | July 1, 2023 | \$ Change | % Change | June 29, 2024 | July 1, 2023 | \$ Change | % Change |
| Net sales | \$ 434.2 | \$ 560.8 | \$ (126.6) | (22.6)% | \$ 859.9 | \$ 1,136.0 | \$ (276.1) | (24.3)% |
| GAAP operating earnings | \$ 24.8 | \$ 53.2 | \$ (28.4) | (53.4)% | \$ 54.2 | \$ 111.0 | \$ (56.8) | (51.2)% |
| Restructuring, exit and impairment charges | 1.7 | 4.5 | (2.8) | (62.2)% | 2.7 | 5.9 | (3.2) | (54.2)% |
| Purchase accounting amortization | 1.0 | 0.9 | 0.1 | 11.1% | 2.0 | 1.8 | 0.2 | 11.1% |
| Acquisition, integration, and IT related costs | (0.4) | 3.1 | (3.5) | NM | (0.2) | 4.1 | (4.3) | NM |
| IT security incident costs | — | 0.8 | (0.8) | NM | — | 0.8 | (0.8) | NM |
| Adjusted operating earnings | \$ 27.1 | \$ 62.5 | \$ (35.4) | (56.6)% | \$ 58.7 | \$ 123.6 | \$ (64.9) | (52.5)% |
| GAAP operating margin | 5.7 % | 9.5 % | | (380) bps | 6.3 % | 9.8 % | | (350) bps |
| Adjusted operating margin | 6.2 % | 11.1 % | | (490) bps | 6.8 % | 10.9 % | | (410) bps |

NM = not meaningful

bps = basis points

Boat segment's net sales decreased in the second quarter of 2024 compared to the second quarter of 2023, due to softer wholesale orders as channel partners continue to order cautiously, partially offset by the favorable impact of modest model-year pricing and share gains.

Boat segment's net sales decreased in the first half of 2024 versus the first half of 2023 due to the same factors described above.

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

| | Percent change in net sales compared to the prior comparative period | |
|-----------------------|--|------------------|
| | June 29, 2024 | |
| | Three Months Ended | Six Months Ended |
| Volume | (21.3)% | (23.2)% |
| Product Mix and Price | (1.6)% | (1.5)% |
| Currency | (0.1)% | — % |
| Acquisitions | 0.4 % | 0.4 % |
| | (22.6)% | (24.3)% |

International sales were 22 percent of the Boat segment's net sales in both the second quarter and first half of 2024 and decreased 32 percent on a GAAP and constant currency basis versus the same periods in 2023.

Boat segment's operating earnings in the second quarter of 2024 decreased when compared to the second quarter of 2023, as the impact of the net sales declines and lower absorption from reduced production were only partially offset by pricing and continued cost control.

Operating earnings in the first half of 2024 decreased due to the same factors above.

Corporate/Other

The following table sets forth Corporate/Other results and a reconciliation to our non-GAAP measure of adjusted operating loss for the three and six months ended:

| (in millions) | Three Months Ended | | 2024 vs. 2023 | | Six Months Ended | | 2024 vs. 2023 | |
|--|--------------------|------------------|----------------|----------------|------------------|------------------|---------------|----------------|
| | June 29, 2024 | July 1, 2023 | \$ Change | % Change | June 29, 2024 | July 1, 2023 | \$ Change | % Change |
| GAAP operating loss | \$ (24.7) | \$ (40.5) | \$ 15.8 | (39.0)% | \$ (57.1) | \$ (73.9) | \$ 16.8 | (22.7)% |
| Restructuring, exit and impairment charges | 0.3 | 1.8 | (1.5) | (83.3)% | 1.2 | 5.6 | (4.4) | (78.6)% |
| Acquisition, integration, and IT related costs | — | 0.6 | (0.6) | NM | — | 1.4 | (1.4) | NM |
| IT security incident costs | — | 2.9 | (2.9) | NM | 0.3 | 2.9 | (2.6) | (89.7)% |
| Adjusted operating loss | <u>\$ (24.4)</u> | <u>\$ (35.2)</u> | <u>\$ 10.8</u> | <u>(30.7)%</u> | <u>\$ (55.6)</u> | <u>\$ (64.0)</u> | <u>\$ 8.4</u> | <u>(13.1)%</u> |

NM = not meaningful

Corporate operating loss in the second quarter of 2024 decreased when compared to the second quarter of 2023, driven by lower variable compensation along with the impact of both the IT security incident and restructuring charges in the prior year.

Corporate operating loss decreased in the first half of 2024 versus 2023, 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) | June 29, 2024 | July 1, 2023 |
|--|------------------|-----------------|
| Net cash provided by operating activities of continuing operations | \$ 67.6 | \$ 254.4 |
| Net cash (used for) provided by: | | |
| Plus: Capital expenditures | (101.1) | (173.4) |
| Plus: Proceeds from the sale of property, plant and equipment | 5.4 | 6.3 |
| Plus: Effect of exchange rate changes on cash and cash equivalents | (7.0) | 1.6 |
| Total free cash flow ^(A) | <u>\$ (35.1)</u> | <u>\$ 88.9</u> |

(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, net of tax) 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.

2024 Cash Flow

Net cash provided by operating activities of continuing operations in the six months ended June 29, 2024 totaled \$67.6 million compared to \$254.4 million in the six months ended July 1, 2023. The decrease is primarily due to a higher build of working capital and 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.

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The primary drivers of net cash provided by operating activities of continuing operations in the six months ended June 29, 2024 was net earnings, net of non-cash items, partially offset by working capital. Accounts and notes receivable increased \$46.0 million, primarily due to the timing of collections. Inventory increased \$87.3 million due to seasonal inventory build. Accounts payable decreased \$88.1 million, primarily due to timing of payments. Accrued expenses decreased \$29.9 million, primarily driven by lower accrued variable compensation expense.

Net cash used for investing activities was \$176.0 million, primarily related to \$101.1 million of capital expenditures and \$80.9 million of purchases of marketable securities. Our capital spending was focused on investments in new products and technologies.

Net cash provided by financing activities was \$157.2 million and primarily related to long-term debt issuances, partially offset by common stock repurchases and cash dividends paid to common shareholders.

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.

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 was \$169.7 million, which included \$173.4 million of capital expenditures and \$6.4 million of investment 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.

Liquidity and Capital Resources

We view our highly liquid assets as of June 29, 2024, December 31, 2023 and July 1, 2023 as:

| (in millions) | June 29, 2024 | December 31, 2023 | July 1, 2023 |
|---|------------------|----------------------|-----------------|
| Cash and cash equivalents, at cost, which approximates fair value | \$ 494.5 | \$ 467.8 | \$ 477.5 |
| Short-term investments in marketable securities | 82.5 | 0.8 | 0.8 |
| Total cash, cash equivalents and marketable securities | <u>\$ 577.0</u> | <u>\$ 468.6</u> | <u>\$ 478.3</u> |

The following table sets forth an analysis of total liquidity as of June 29, 2024, December 31, 2023 and July 1, 2023:

| (in millions) | June 29, 2024 | December 31, 2023 | July 1, 2023 |
|---|-------------------|----------------------|-------------------|
| Cash, cash equivalents and marketable securities | \$ 577.0 | \$ 468.6 | \$ 478.3 |
| Amounts available under lending facility ^(A) | 747.0 | 741.9 | 741.9 |
| Total liquidity ^(B) | <u>\$ 1,324.0</u> | <u>\$ 1,210.5</u> | <u>\$ 1,220.2</u> |

(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.

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Cash, cash equivalents and marketable securities totaled \$577.0 million as of June 29, 2024, an increase of \$108.4 million from \$468.6 million as of December 31, 2023, and an increase of \$98.7 million from \$478.3 million as of July 1, 2023. Total debt as of June 29, 2024, December 31, 2023 and July 1, 2023 was \$2,827.1 million, \$2,430.4 million and \$2,510.3 million, respectively. Our debt-to-capitalization ratio was 58 percent as of June 29, 2024, an increase from 54 percent as of both December 31, 2023 and July 1, 2023.

There were no borrowings under the Revolving Credit Agreement (Credit Facility) during the six months ended June 29, 2024 and we did not have any borrowings outstanding as of June 29, 2024. Available borrowing capacity under the Credit Facility as of June 29, 2024 totaled \$747.0 million, net of \$3.0 million of letters of credit outstanding. During the six months ended June 29, 2024, the maximum amount utilized under the CP Program was \$225.0 million, all of which was repaid during the period. Refer to **Note 12 – Debt** in the Notes to Condensed Consolidated Financial Statements and Note 14 - Debt in the Notes to Consolidated Financial Statements in the 2023 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.

[2024 Capital Strategy](#)

We continue to moderate our capital expenditure spending for the year and now anticipate less than \$175 million of spending for the year. We have revised our share repurchase plan and now anticipate share repurchases between \$200 and \$220 million of shares in 2024, consistent with our initial assumptions for the year.

[Financing Joint Venture](#)

Details of our Financing Joint Venture are outlined in the 2023 Form 10-K. There have been no material changes in our Financing Joint Venture since December 31, 2023.

[Off-Balance Sheet Arrangements and Contractual Obligations](#)

Our off-balance sheet arrangements and contractual obligations as of December 31, 2023 are detailed in the 2023 Form 10-K. There have been no material changes in these arrangements and obligations outside the ordinary course of business since December 31, 2023.

[Environmental Regulation](#)

There were no material changes in our environmental regulatory requirements since the filing of our 2023 Form 10-K.

[Critical Accounting Policies](#)

There were no material changes in our critical accounting policies since the filing of our 2023 Form 10-K.

As discussed in the 2023 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 six months ended June 29, 2024, 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 rising interest rates, and the amount of disposable income consumers have available for discretionary spending; changes in currency exchange rates; fiscal and monetary policy changes; adverse capital market conditions; competitive pricing pressures; higher energy and fuel costs; managing our manufacturing footprint and operations; loss of key customers; international business risks, geopolitical tensions or conflicts, sanctions, embargoes, or other regulations; 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; 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; our ability to meet demand in a rapidly changing environment; absorbing fixed costs in production; public health emergencies or pandemics, such as the coronavirus (COVID-19) pandemic; risks associated with joint ventures that do not operate solely for our benefit; 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 integrate acquisitions and the risk for associated disruption to our business; 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; inventory reductions by dealers, retailers, or independent boat builders; requirements for us to repurchase inventory; 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 trade policy and tariffs; an 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 2023 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 12 in the Notes to Consolidated Financial Statements in the 2023 Form 10-K.

There have been no significant changes to our market risk since December 31, 2023. 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 2023 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 2023 Form 10-K.

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

On January 30, 2024, our Board of Directors approved a \$500 million increase to our share repurchase authorization. During the six months ended June 29, 2024, we repurchased \$170.0 million of stock, and the remaining authorization was \$451.5 million as of June 29, 2024.

We repurchased the following shares of common stock during the three months ended June 29, 2024:

| 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 |
|----------------------|----------------------------------|---------------------------------------|--|---|
| March 31 to April 27 | 126,199 | \$ 89.96 | 126,199 | |
| April 28 to May 25 | 475,104 | 81.83 | 475,104 | |
| May 26 to June 29 | 743,406 | 75.49 | 743,406 | |
| Total | <u>1,344,709</u> | <u>\$ 79.09</u> | <u>1,344,709</u> | <u>\$ 451,467,016</u> |

Item 5. Other Information

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 June 29, 2024, 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

| | |
|-----------------------------|--|
| <u>31.1</u> | <u>Certification of CEO Pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| <u>31.2</u> | <u>Certification of CFO Pursuant to 15 U.S.C. Section 7241, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| <u>32.1</u> | <u>Certification of CEO Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| <u>32.2</u> | <u>Certification of CFO Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |
| 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 1, 2024

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.

**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.

August 1, 2024

BRUNSWICK CORPORATION

By: /s/ DAVID M. FOULKES

David M. Foulkes

Chief Executive Officer

**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.

August 1, 2024

BRUNSWICK CORPORATION

By: /s/ RYAN M. GWILLIM

Ryan M. Gwillim

Executive Vice President and Chief Financial and Strategy Officer

**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 June 29, 2024 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 June 29, 2024 fairly presents, in all material respects, the financial condition and results of operations of Brunswick Corporation.

August 1, 2024

BRUNSWICK CORPORATION

By: /s/ DAVID M. FOULKES

David M. Foulkes

Chief Executive Officer

**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 June 29, 2024 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 June 29, 2024 fairly presents, in all material respects, the financial condition and results of operations of Brunswick Corporation.

August 1, 2024

BRUNSWICK CORPORATION

By: /s/ RYAN M. GWILLIM

Ryan M. Gwillim

Executive Vice President and Chief Financial and Strategy Officer