

## Equity Research

### Brunswick Corporation

BC: Revising '10/'11 Ests. PV Peak Cyclical Valuation \$15-\$21

**Outperform / V**

Sector: Powersports  
Market Weight

• **Summary:** Reiterating our Outperform rating. Revising our '10/'11 EPS estimates to (\$1.28)/\$0.67 from (\$1.90)/\$0.87 to reflect (1) BC's increased production from a very low inventory base, and (2) Recent lower than expected domestic industry retail sell-through of new boats. Currently, BC shares appear to offer an attractive entry point especially for investors with a cyclical time horizon given our YE'10 present value of \$15-\$21 based on (1) '14 peak cyclical earnings of \$2.35-\$3.35, (2) Peak multiple of 12x, and (3) a 15% discount factor. Our prior \$16-\$18 valuation range was based on our previous '11 cyclical trough EPS of \$0.87. Our cyclical thesis remains intact that Brunswick is well positioned to profitably gain domestic/international share as the marine industry recovers given (1) Historical low/clean channel invs. and clearing industry invs. that should produce yr/yr revenue growth, (2) A new operating cost structure providing enhanced profitability at materially lower production levels (global low cost mfr), and (3) Strongest industry dealer network with diverse global sales. We believe shares will trade w/ positive bias given (1) Ongoing excellent mgt execution, (2) Short interest 19.2% of float (6.4 days) as of 6.30.10, and (3) Longer-term investors build positions. We would continue to utilize likely volatility to add this value cyclical name to portfolios.

• **Updated Scenario Analysis:** Our \$2.35-\$3.35 range of potential peak cycle EPS (see pgs 6-11) follows our base case and optimistic case scenarios for demand recovery through 2014. This wide variance is due to (1) Unprecedented recent cycle decline in the marine industry, (2) Severity of the U.S. economic downturn, and (3) Multiple consumer factors influencing the pace/degree of marine industry recovery (e.g., credit availability, taxes, product mix). Assuming 2014 approximates peak cyclical earnings and applying a historical average peak P/E multiple of 12x, implies a peak equity valuation of ~ \$28-\$40.

• **Q210 Preview - July 29<sup>th</sup>.** We believe BC comments will underscore that (1) Q210 domestic industry/BC sales of new boats have trailed expectations, but that international boat sales remain solid, (2) Inboard/sterndrive engines continue to exceed expectations, and (3) Outboard engines are meeting expectations. '10 industry retail boat unit sales guidance will likely be reduced to down 15-20% vs. prior expectations of down 10%. Expectations of a return to profitability in '11 will be reaffirmed, but likely w/ a higher degree of caution.

#### Valuation Range: \$15.00 to \$21.00 from \$16.00 to \$18.00

Our \$15-\$21 valuation range reflects a YE'10 present value of an assumed 12x peak P/E multiple to our base/optimistic scenario '14 EPS estimates of ~ \$2.35/\$3.35, discounted back at a 15% annual rate. Risks to our valuation include: (1) A prolonged consumer downturn, (2) Availability of credit/higher taxes limiting demand, (3) Sales mix, (4) Raw materials/component price increases, and (5) Adverse foreign exchange.

#### Investment Thesis:

Brunswick is well positioned to profitably gain domestic/int'l share as the marine industry recovers given (1) Historical low/clean channel invs and clearing industry invs that should produce yr/yr revenue growth, (2) A new operating cost structure providing enhanced profitability at materially lower production levels (global low cost mfr), and (3) Strongest industry dealer network with diverse global sales.

**Please see page 12 for rating definitions, important disclosures and required analyst certifications**

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#### Earnings Estimate Revised Down

EPS	2009A	2010E		2011E	
		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	(\$1.68)	(\$0.17) A	(1.16)	NE	
Q2 (June)	(1.90)	0.09	(0.07)	NE	
Q3 (Sep.)	(1.53)	(0.24)	(0.36)	NE	
Q4 (Dec.)	(2.45)	(0.97)	(0.32)	NE	
FY	(\$7.57)	(\$1.28)	(1.90)	\$0.67	0.87
CY	(\$7.57)	(\$1.28)		\$0.67	
FY P/E	NM	NM		22.3x	
Rev.(MM)	\$2,776	\$3,364		\$3,727	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful  
V = Volatile, \* = Company is on the Priority Stock List

Ticker	BC
Price (07/13/2010)	\$14.97
52-Week Range:	\$3-23
Shares Outstanding: (MM)	88.6
Market Cap.: (MM)	\$1,326.3
S&P 500:	1,095.34
Avg. Daily Vol.:	1,685,370
Dividend/Yield:	\$0.05/0.3%
LT Debt: (MM)	\$854.4
LT Debt/Total Cap.:	81.7%
ROE:	(185.0)%
3-5 Yr. Est. Growth Rate:	12.0%
CY 2010 Est. P/E-to-Growth:	NM
Last Reporting Date:	04/29/2010
	Before Open

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Together we'll go far



**Company Description:**

Brunswick Corporation, based in Lake Forest, Illinois, is the world's largest recreational marine company and a global leader in indoor recreation. Key marine segment brands include Mercury and Mercruiser engines and Bayliner, Boston Whaler, Cabo Yachts, Crestliner, Hatteras, Lowe, Lund, Meridian, Princecraft, Sealine, Sea Ray, Triton, and Trophy boats. Brunswick's indoor recreation segment includes bowling (equipment and recreational centers), billiards, and fitness (under Life Fitness and Hammer Strength) equipment. See [www.brunswick.com](http://www.brunswick.com)

**Investment Thesis and Valuation**

**Our outperform rating and \$15.00-\$21.00 valuation range** on Brunswick reflects:

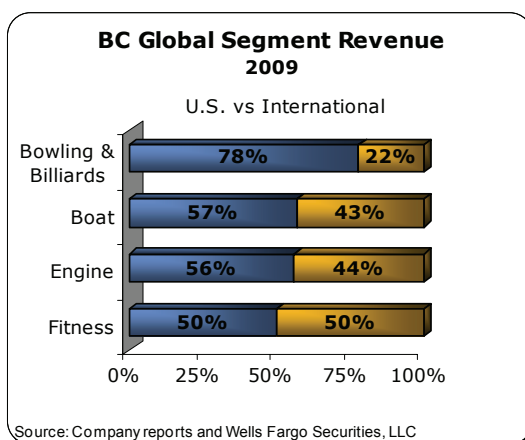
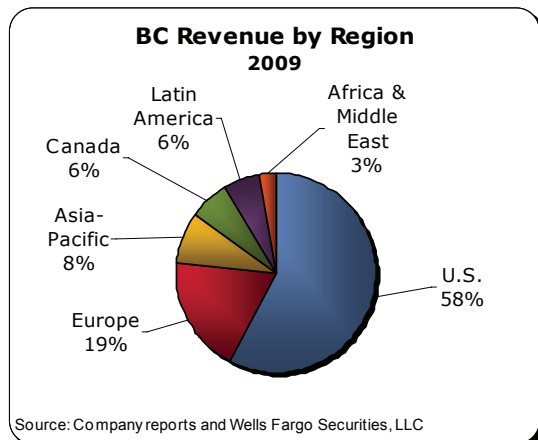
- **Historical low/clean Brunswick and clearing industry inventories (by the end of '10) should produce yr/yr shipment/revenue growth beginning in '10.** Brunswick has reduced inventories in their dealer channel to historical lows and is clean of non-current aged "new" product. The majority of competitive non-current aged "new" product should be cleared by the end of '10. This should allow for yr/yr shipment growth for BC beginning in '10.
- **New emerging cost structure should allow for improved profitability at materially lower production levels.** Management has outlined restructurings and other initiatives that have produced \$420MM of annual operating cost savings (versus 2007 levels) at the end of 2009 (exclusive of pension expense and variable compensation). Recently initiated measures in the company's Mercury engine segment should produce an additional \$40MM of annualized operating savings once fully implemented by the end of 2011. The recently announced consolidation of aluminum manufacturing plants should also provide additional savings by 2011. Currently, these savings are being overshadowed by (1) negative overhead absorption from low production levels, and (2) restructuring charges. We now believe Brunswick's breakeven level of production equates to annualized industry retail sales of 145K-150K units and management has stated that marine operating margins will ~ '05 at annualized industry retail sales of ~170K units. Brunswick's unit production equivalent to 170K units of industry retail sales should generate Brunswick operating profits similar to when industry sales ~ 300K units.
- **We believe Brunswick is well positioned to gain domestic/international market share as the low cost producer with a strong relative financial position, leading dealer network, and diverse international exposure. This should help mitigate the effects of what will likely be an elongated U.S. consumer recovery.** Admittedly, recovery in the domestic marine industry will be very gradual and elongated considering (1) the highly discretionary nature of boats, (2) unknown degree that "fire sale" industry clearance discounting in 2008-2010 will pull forward demand, (3) likelihood of slower than normal income growth/higher taxes, and (4) need to de-lever/rebuild wealth among the industry's target demographics. However, based on the company's restructuring moves, we believe Brunswick continues to further enhance its position as the industry low cost manufacturer. The company is also in a relatively strong financial condition (no material debt maturities until 2013, positive free cash flow in 2009, undrawn credit facilities, wholesale joint venture with GE) versus the industry, in our view. This should allow (1) Brunswick to gain market share versus weakened competitors (cost, quality, attracting the strongest dealers to its brands), and (2) take advantage of growing international economies (42% '09 sales international – Europe 19%, Asia-Pacific 8%, Canada 6%, Latin America 6%, and Africa/Middle East 3%) more quickly than its competitors.

**Our \$15-\$21 valuation range reflects a YE'10 present value of an assumed 12x peak P/E multiple to our base/optimistic scenario '14 EPS estimates of ~ \$2.35/\$3.35, discounted back at a 15% annual rate.** Considering our base case and optimistic case scenarios for demand recovery through 2014, we believe Brunswick's 2014 EPS could range from \$2.35-\$3.35. This wide variance is due to (1) Unprecedented recent cycle decline in the marine industry, (2) Severity of the U.S. economic downturn, and (3) Multiple consumer factors influencing the pace/degree of marine industry recovery (e.g., credit availability, taxes, product mix). Assuming 2014 approximates peak cyclical earnings and applying a historical average peak P/E multiple of 12x, implies a peak equity valuation of ~ \$28-\$40.

**Investment Risks**

- A prolonged consumer downturn given the highly discretionary nature of boat industry unit sales.
- Availability of consumer and corporate credit.
- Higher taxes limiting consumer demand.
- Sales mix of products being weaker than expected, negatively impacting margins.
- Raw materials/component price increases that could negatively impact gross margins.

- Adverse foreign exchange movements (e.g., strengthening of the U.S. dollar).

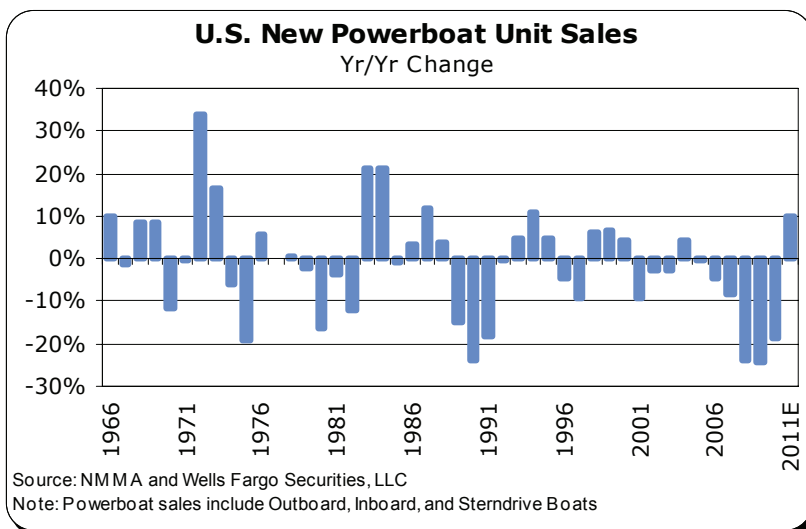
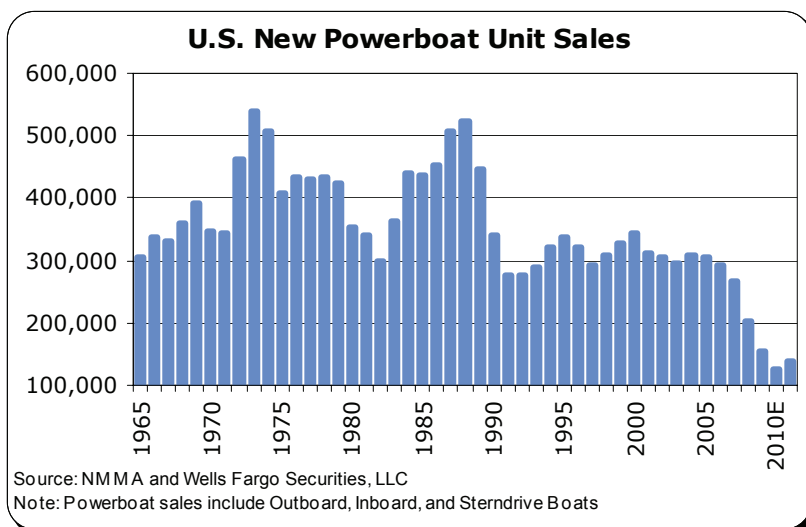


### State of the Marine Market - Boats

**U.S. retail new powerboat sales are tracking below expectations in the key months of May-July, but aged inventory is still expected to largely clear in '10.** Entering 2010, Brunswick, Marine Products and Tracker appeared to have the cleanest domestic channel inventories in the industry while most of the remainder of the industry still needed to clear aged "new" inventory via on-going discounts. BC and industry retail new unit sales were expected to be down approximately 10% with smaller boats (< 25') selling the best and larger product lagging. Through April, new U.S. boat unit sales were down approximately 15%. At that point, expectations of U.S. retail units down 10% appeared reasonable given (1) Accelerating seasonal sales trends and the key selling months of May, June, and July (each 16%, 16%, and 14% respectively of annual sales) ahead, and (2) Some modest loosening of credit for well qualified customers. However, **with an ~ 23% decline in May fiberglass sales and only a likely modest sequential improvement in June above May's yr/yr trend, we now estimate 2010 U.S. retail new powerboat unit sales (fiberglass and aluminum) will be down 17-20%.** Sales of newer boats (including aged "new" inventory) appear to be lagging original estimates due to (1) On-going sluggish economic recovery, (2) Continued availability of used/repossessed product, (3) General tightness of retail credit especially for mid/lower tier credit scores, and (4) Uncertainty among Gulf coast purchasers given the BP oil spill and forecast for a higher than average hurricane season. Since the end of April, boat sales especially in LA, MS, AL, and Western FL have been challenged. Despite these factors, **we believe clearance of aged "new" inventory will be largely accomplished in calendar '10** given (1) Discounting, (2) On-going degree of progress, and (3) The already planned delay of MY'11 shipments until October. This should result in new unit sales coming increasingly from current year model product.

**New vs. Used.** According to the National Marine Manufacturers Association (NMMA), U.S. new powerboat unit retail sales between '01-'07 remained in a tight range of 25.3-27.1% as a percent of total powerboat unit retail sales. New dropped to 21.9% in '08, as new unit sales declined 24.1% yr/yr and used units fell 8.3% yr/yr. In '09, new units declined 24.4% yr/yr while used boat units rose 7.7% yr/yr resulting in new representing just 16.4% of total U.S. industry powerboat unit retail sales. **We believe '10 will represent the trough in new unit sales as a percent of total unit sales given (1) Individuals need to "liquidate" a owned boat, and (2) Supply of repossessed recent model product, begins to materially abate.** We do not believe new boats will quickly return to the mid/upper 20% of the total unit sales mix, however a return to the 20-22% range over the next 1-2 years appears very reasonable.

**The combination of (1) Clearance of aged "new" inventory by the industry in '10, and (2) Abatement in availability of used product, should precipitate an estimated 10% recovery in new powerboat unit sales beginning in '11** (see page 7).



Looking at **prospects for the cyclical recovery**, we believe the answer to **three key questions will determine the shape of the boating industry recovery**:

- (1) Given that the key 25'-40' segment of fiberglass boats (the most profitable segment of the market) had the most aged inventory overhang in the industry, how much demand has been satisfied by the aggressive discounting to clear this product and will this limit the degree of normal cyclical recovery for this segment?
- (2) What impact will expiring Bush tax cuts/Obamacare taxes will have on demand for 35'+ boats (\$250K+ income customer)?
- (3) Will Gen Y consumers (born 1977-1995) view boating as much of an attractive leisure/entertainment alternative as the Baby Boomers/Gen X or will they look to other options (e.g., music, experiential travel)?

Boat Industry Profiles				
	Avid Sportsman	Family Day Tripper	Serious Cruiser	Luxury Yachtsman
<b>Boat</b>	Runabout	Express Cruiser	Sport Yacht	Motoryacht
<b>Length</b>	16'-20'	20'-35'	35'-50'	50'-100'
<b>Price</b>	\$10,000-\$25,000	\$35,000-\$150,000	\$200,000-\$1,000,000	\$750,000-
<b>Age</b>	25-44	35-54	45-64	45-64
<b>Income</b>	\$70,000+	\$100,000+	\$250,000+	\$500,000+
<b>Usage</b>	"Boat as a Tool"	"Experience Boating"	"Dedicated Boater"	"Lifestyle Boating"
	Fishing	Family fun	Friends & family	Friends & family
	Water skiing	Day outings	Entertainment	Entertainment
	Water sports	Swimming	Extended cruising	Destination cruising
<b>Purchase Factors</b>	Product price	Consumer confidence	Consumer confidence	Consumer confidence
	Employment participation	Interest rates	Confidence in economy	Confidence in economy
	Interest rates		Stock market	Stock market

Source: JD Power, NMMA, Brunswick Corporation, and Wells Fargo Securities, LLC

Considering all of these factors, **we believe a best case scenario of peak cyclical industry new retail powerboat demand is now between 180-200K units in 2014/2015.**

**Brunswick boat specifics. We estimate domestic '10 retail sales of new BC boats will slightly lag /approximate that of the U.S. industry while international sales outperform the industry.** We now estimate global BC CY'10 wholesale shipments of 24-25K units (+37.5%) vs. prior CY'10 expectations of 26-27K units (+55%) and global retail unit sales of just over 26K units (down ~ 18% yr/yr) vs. prior expectations of just under 28K units (down ~ 10% yr/yr). It appears that sales of new Brunswick boats internationally continue to outpace the U.S. at retail. We would note that ~ 8-10% of BC annual boat sales occur in LA, MS, AL, and Western FL. **Inventory levels of Brunswick product at the dealer and company level are low.** Brunswick successfully reduced the number of boat units at dealers 46.7% in 2009 to 16K units from 30K units at the end of 2008, especially commendable considering the sharp decline in retail sales. Q110 boat channel inventories stand at 29 weeks versus 35 weeks in Q109 (26 weeks in Q409), one of the lowest comparable periods since at least 2001. **The quality of BC's channel inventory continues to materially improve** as outstanding floor-plan loans on domestic inventory over 12-months old was down 38% yr/yr at year-end 2009 and down another 28% sequentially in Q110. Q110 channel inventory in units fell 38% from Q109 (or 11K units). Brunswick channel inventory should fall to 14,500 units in '10 based on our expected level of retail sales and shipments, with 15K units being a normalized level in 2011 and beyond (see page 7).

As most competitors continue to aggressively discount to clean up the remainder of aged "new" channel inventory in '10, Brunswick's inventory clearance of aged "new" inventory over the last two years should allow the company's overall level of discounts should trend lower in '10. We expect Brunswick discounts to fall to ~ 11%-12% in '10 and normalize at ~ 5%-10% beginning in '11 versus the ~ 20%-25% discounts seen in '09.

Beginning in '11, BC new powerboat retail sales should outperform the U.S. and global industry given (1) BC's significantly upgraded U.S. dealer network, (2) Historically lean channel inventories/tight inventory management, (3) engine products to begin Broadening MY'11 rollout of boats with experience enhancing Axius/Zeus engine technology allowing for share gains, and (4) Low cost manufacturing.

## State of the Marine Market - Engines

While industry statistics on engine sales are more difficult to track, **U.S. new engine unit growth is lagging that of new powerboats given that most industry participants are building limited new current boat inventory and purchasers of used boats are buying an already complete package (i.e., does not yet need a new replacement engine).** Internationally, new engine sales appear to be outpacing the U.S. at retail. As industry boat manufacturers clear aged "new" boat inventory, sales of new OEM engines should accelerate in '11 with a ramp up in boat manufacturer production.

**Brunswick engine specifics.** Brunswick sales of inboard/sterndrive engines appear to be modestly exceeding expectations though 1H10 as the company (1) Is increasingly manufacturing 17'-25' fiberglass boats with sterndrive engines, and (2) Appears to be gaining share from #2 industry player Volvo. Outboard engines appear to be tracking expectations. This is producing a positive mix impact to margins as inboard/sterndrive engines carry higher margins versus outboards. Overall, BC's international marine markets appear to be rebounding faster than domestic. Additionally, international sales in the engine segment increased 37%, currently 47% of the engine segments revenues. Specific markets cited by management as doing well include Canada, Australia, Southern Europe, and Latin America. Domestically it appears that the northern states continue to fair better YTD than some of the larger southern states (Texas, Florida, Louisiana) in retail boat sales.

**Guidance**

Management has not provided specific guidance for 2010, but has offered substantial commentary regarding its outlook. **Management expects 2010 to be another year where Brunswick produces operating losses, although the loss should be significantly reduced from 2009.** Boat wholesale shipment and production planning for 2010 is primarily built on the assumption that retail boat demand declines 10% yr/yr although contingencies for retail boat declines of 20% are considered. Boat and engine production will ramp substantially yr/yr, leading to significant revenue growth in both segments. However, the engine segment will see less robust growth on a relative basis because of (1) lagging demand for OEM engines from other boat manufacturers, and (2) a large parts and accessories component. The fitness and bowling & billiards segments are expected to experience modest growth in both revenue and operating earnings. Management will use excess cash flow to (1) supplement the currently under-funded defined benefit pension plan, and (2) reduce debt. Other components of '10 guidance include:

- Restructuring charges: ~ \$23MM, which includes planned consolidation actions for Mercury and aluminum boats. The vast majority of restructuring charges will be cash.
- Interest expense: ~ \$24 million per quarter
- Capital Expenditures: ~\$60MM
- Depreciation and Amortization: ~ \$130MM
- Pension: Expense of ~ \$40 million with cash contributions of \$25-\$30MM

**'10/'11 Estimate Revisions & Outlook**

**We are revising our '10/'11 EPS estimates to (\$1.28)/\$0.67 from (\$1.90)/\$0.87 to reflect (1) BC's increased production from a very low inventory base, and (2) Recent lower than expected domestic industry retail sell-through of new boats.**

As expected entering '10, powersports stocks have offered investors multiple opportunities to build and trim positions. Currently, we believe **BC shares appear to offer an attractive entry point especially for investors with a cyclical time horizon given our YE'10 present value of \$15-\$21 based on (1) '14 peak cyclical earnings of \$2.35-\$3.35, (2) Peak multiple of 12x, and (3) a 15% discount factor.** Reviewing the cyclical trading pattern in the last up cyclical ('01-'05), BCs stock initially ran from \$16 to \$30, retreated to \$18, ran to \$45, then pulled back to \$35 before making a final cyclical peak at \$50. While history never exactly repeats itself, we believe it is highly likely that we have completed the first leg of the cycle uptrend for the stock and are in the initial pullback wave.

Brunswick Corp. (BC) Revenue Estimates (\$MM)								
Q210			2010			2011		
Our Est	Street	Street Range	Our Est	Street	Street Range	Our Est	Street	Street Range
\$967	\$945	\$855-\$967	\$3,364	\$3,386	\$3,357-\$3,461	\$3,727	\$3,727	\$3,646-\$3,805

Source: First Call and Wells Fargo Securities, LLC estimates

Brunswick Corp. (BC) EPS Estimates								
Q210			2010			2011		
Our Est	Street	Street Range	Our Est	Street	Street Range	Our Est	Street	Street Range
\$0.09	\$0.00	(\$0.15)-\$0.18	(\$1.28)	(\$1.03)	(\$0.78)-(\$1.28)	\$0.67	\$0.38	\$0.17-\$0.67

Source: First Call and Wells Fargo Securities, LLC estimates

## Recovery Scenario Analysis

We have revisited our scenario analysis in order to frame potential recovery estimates for Brunswick. Our two recovery scenarios (2014 peak earnings) are predicated on the following assumptions:

- Management's statement that 2010 ending channel inventories will ~ 13K-16K units with a target of ~ 15K in 2011 and beyond. Therefore, with this as the annual ending point, expected retail sell-through will determine (1) production in our channel inventory projections, (2) boat and engine sales volumes, and (3) income results.
- 2010 will likely see continued aggressive promotional activity from the majority of Brunswick's competitors looking to normalize channel inventories. This will result in Brunswick discounting new inventory ~ 10%-15% from MSRP. Beyond 2010, discounts between 5%-10% from MSRP are assumed.
- Brunswick's maximum 2010 unit production increase will ~ 45% yr/yr due primarily to the level of expected retail sales but also (1) ramp up constraints calling back previously laid off skilled workers, (2) the learning curve involved given the significant reformation of Brunswick's manufacturing footprint/process flow, and (3) quality control with suppliers and internally.
- Marine operating profits for Brunswick should approximate the last cycle peak ('05 with industry retail unit sales of new powerboats were 306,000) when industry units reach 170,000.
- Brunswick's existing manufacturing footprint will accommodate unit production equivalent to over a 200K unit annualized industry rate.
- Excess cash above a minimum comfort level (the definition of which depends on health of industry/financial markets) will likely be applied toward (1) pension funding, and (2) debt repayment.

Additionally, we would note that Brunswick is making the following changes to its business model:

- Shifting solely to a build-to-order process for most larger boats (i.e., > \$150K).
- Attempting to lead the industry away from the standard "normal" 5-8% discounting off of MSRP toward a lower firm price point.
- Utilizing technology more effectively (along with financial incentives) to facilitate visibility/ease of inventory transfer among dealers in various geographic regions.

Brunswick Channel Inventory (units)							
	2008	2009	2010E	2011E	2012E	2013E	2014E
Beg. Inventory	38,000	30,000	16,000	14,501	15,005	15,001	14,998
Wholesale Shipments	40,000	18,000	24,741	29,368	32,469	35,716	38,751
Retail Sales	(48,000)	(32,000)	(26,240)	(28,864)	(32,472)	(35,719)	(38,755)
Ending Inventory	30,000	16,000	14,501	15,005	15,001	14,998	14,994
Yr/yr Shipments		-55.0%	37.5%	18.7%	10.6%	10.0%	8.5%
Yr/yr Retail Sales		-33.3%	-18.0%	10.0%	12.5%	10.0%	8.5%
BC Retail Unit Shr		21.1%	21.1%	22.0%	23.0%	24.0%	25.0%
Prod Implied Retail Mkt Size		85,389	117,367	133,489	141,169	148,815	155,006
Implied Retail Mkt Size		151,803	124,478	131,200	141,183	148,830	155,021

Source: Company reports and Wells Fargo Securities, LLC estimates

**Note:** BC mgt goal is for ending channel inventory to approximate 14-15K units in 2010, ~15K in '11+

Brunswick Channel Inventory (units) Optimistic Scenario							
	2008	2009	2010E	2011E	2012E	2013E	2014E
Beg. Inventory	38,000	30,000	16,000	14,900	15,499	15,500	15,501
Wholesale Shipments	40,000	18,000	26,100	30,519	35,905	41,291	45,420
Retail Sales	(48,000)	(32,000)	(27,200)	(29,920)	(35,904)	(41,290)	(45,419)
Ending Inventory	30,000	16,000	14,900	15,499	15,500	15,501	15,503
Yr/yr Shipments		-55.0%	45.0%	16.9%	17.7%	15.0%	10.0%
Yr/yr Retail Sales		-33.3%	-15.0%	10.0%	20.0%	15.0%	10.0%
BC Retail Unit Shr		21.1%	21.1%	22.0%	23.0%	24.0%	25.0%
Prod Implied Retail Mkt Size		85,389	123,814	138,722	156,110	172,046	181,681
Implied Retail Mkt Size		151,803	129,032	136,000	156,104	172,040	181,674

Source: Company reports and Wells Fargo Securities, LLC estimates

**Note:** BC mgt goal is for ending channel inventory to approximate 14-15K units in 2010, ~15K in '11+

Brunswick Corporation (BC) (Dollars in millions, except per share data)  
Segment Revenue - Base Case  
Updated: 7.12.10  
Wells Fargo Securities, LLC

Segment Revenue	Annual Segment Sales - Base Case Scenario													
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E	2013E	2014E
Boats	\$1,251.3	\$1,405.3	\$1,629.3	\$2,285.0	\$2,783.4	\$2,864.4	\$2,367.5	\$1,719.5	\$615.7	\$1,007.7	\$1,216.3	\$1,344.7	\$1,479.2	\$1,605.0
Engines	1,561.6	1,705.2	1,832.1	2,167.6	2,304.3	2,271.3	2,639.5	2,207.6	1,425.0	1,731.2	1,904.3	2,014.4	2,125.2	2,228.1
Eliminations	(207.9)	(233.0)	(276.4)	(392.2)	(492.9)	(521.8)	(436.2)	(306.0)	(98.3)	(212.8)	(247.5)	(260.0)	(275.0)	(282.0)
<b>Total Marine Revenues</b>	<b>\$2,605.0</b>	<b>\$2,877.5</b>	<b>\$3,185.0</b>	<b>\$4,060.4</b>	<b>\$4,594.8</b>	<b>\$4,613.9</b>	<b>\$4,570.8</b>	<b>\$3,621.1</b>	<b>\$1,942.4</b>	<b>\$2,526.1</b>	<b>\$2,873.1</b>	<b>\$3,099.1</b>	<b>\$3,329.4</b>	<b>\$3,548.1</b>
Fitness Equipment	398.4	456.7	487.2	559.6	553.2	593.1	653.7	639.5	496.8	504.5	517.1	530.0	543.2	556.8
Bowling / Billiards	367.4	377.7	392.4	442.4	464.5	458.3	446.9	448.3	337.0	333.7	337.0	340.4	343.8	347.2
<b>Total Recreation Revenues</b>	<b>\$765.8</b>	<b>\$834.4</b>	<b>\$879.6</b>	<b>\$1,002.0</b>	<b>\$1,017.7</b>	<b>\$1,051.4</b>	<b>\$1,100.6</b>	<b>\$1,087.8</b>	<b>\$833.8</b>	<b>\$838.2</b>	<b>\$854.1</b>	<b>\$870.4</b>	<b>\$887.1</b>	<b>\$904.1</b>
Corporate / Other	0.0	0.0	(1.0)	(4.3)	(5.6)	(0.3)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
<b>Net Company Revenue</b>	<b>\$3,370.8</b>	<b>\$3,711.9</b>	<b>\$4,063.6</b>	<b>\$5,056.1</b>	<b>\$5,606.9</b>	<b>\$5,665.0</b>	<b>\$5,671.2</b>	<b>\$4,708.7</b>	<b>\$2,776.1</b>	<b>\$3,364.2</b>	<b>\$3,727.1</b>	<b>\$3,969.4</b>	<b>\$4,216.3</b>	<b>\$4,453.0</b>

Percentage Change														
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E	2013E	2014E
Boats	-20.5%	12.3%	15.9%	40.2%	21.8%	2.9%	-17.3%	-27.4%	-64.2%	63.7%	20.7%	10.6%	10.0%	8.5%
Engines	-11.3%	9.2%	7.4%	18.3%	6.3%	-1.4%	16.2%	-16.4%	-35.5%	21.5%	10.0%	5.8%	5.5%	4.8%
<b>Total Marine Revenues</b>	<b>-14.3%</b>	<b>10.5%</b>	<b>10.7%</b>	<b>27.5%</b>	<b>13.2%</b>	<b>0.4%</b>	<b>-0.9%</b>	<b>-20.8%</b>	<b>-46.4%</b>	<b>30.0%</b>	<b>13.7%</b>	<b>7.9%</b>	<b>7.4%</b>	<b>6.6%</b>
Fitness Equipment	14.4%	14.6%	6.7%	14.9%	-1.1%	7.2%	10.2%	-2.2%	-22.3%	1.5%	2.5%	2.5%	2.5%	2.5%
Bowling / Billiards	-13.0%	2.8%	3.9%	12.7%	5.0%	-1.3%	-2.5%	0.3%	-24.8%	-1.0%	1.0%	1.0%	1.0%	1.0%
<b>Total Recreation Revenues</b>	<b>-0.6%</b>	<b>9.0%</b>	<b>5.4%</b>	<b>13.9%</b>	<b>1.6%</b>	<b>3.3%</b>	<b>4.7%</b>	<b>-1.2%</b>	<b>-23.3%</b>	<b>0.5%</b>	<b>1.9%</b>	<b>1.9%</b>	<b>1.9%</b>	<b>1.9%</b>
<b>Net Company Revenue</b>	<b>-11.6%</b>	<b>10.1%</b>	<b>9.5%</b>	<b>24.5%</b>	<b>10.8%</b>	<b>1.0%</b>	<b>0.1%</b>	<b>-17.0%</b>	<b>-41.0%</b>	<b>21.2%</b>	<b>10.8%</b>	<b>6.5%</b>	<b>6.2%</b>	<b>5.6%</b>

Percent of Period Revenue														
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E	2013E	2014E
Boats	37.1%	37.9%	40.1%	45.2%	49.6%	50.6%	41.7%	36.5%	22.2%	30.0%	32.6%	33.9%	35.1%	36.0%
Engines	46.3%	45.9%	45.1%	42.9%	41.1%	40.1%	46.5%	46.9%	51.3%	51.5%	51.1%	50.7%	50.4%	50.0%
Eliminations	-6.2%	-6.3%	-6.8%	-7.8%	-8.8%	-9.2%	-7.7%	-6.5%	-3.5%	-6.3%	-6.6%	-6.6%	-6.5%	-6.3%
<b>Total Marine Revenues</b>	<b>77.3%</b>	<b>77.5%</b>	<b>78.4%</b>	<b>80.3%</b>	<b>81.9%</b>	<b>81.4%</b>	<b>80.6%</b>	<b>76.9%</b>	<b>70.0%</b>	<b>75.1%</b>	<b>77.1%</b>	<b>78.1%</b>	<b>79.0%</b>	<b>79.7%</b>
Fitness Equipment	11.8%	12.3%	12.0%	11.1%	9.9%	10.5%	11.5%	13.6%	17.9%	15.0%	13.9%	13.4%	12.9%	12.5%
Bowling / Billiards	10.9%	10.2%	9.7%	8.7%	8.3%	8.1%	7.9%	9.5%	12.1%	9.9%	9.0%	8.6%	8.2%	7.8%
<b>Total Recreation Revenues</b>	<b>22.7%</b>	<b>22.5%</b>	<b>21.6%</b>	<b>19.8%</b>	<b>18.2%</b>	<b>18.6%</b>	<b>19.4%</b>	<b>23.1%</b>	<b>30.0%</b>	<b>24.9%</b>	<b>22.9%</b>	<b>21.9%</b>	<b>21.0%</b>	<b>20.3%</b>
<b>NET COMPANY REVENUE</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company reports and Wells Fargo Securities, LLC estimates



Brunswick Corporation (BC) (Dollars in millions, except per share data)  
Segment Revenue - Optimistic Scenario  
Updated: 7.12.10  
Wells Fargo Securities, LLC

Annual Segment Sales - Optimistic Scenario														
Segment Revenue	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E	2013E	2014E
Boats	\$1,251.3	\$1,405.3	\$1,629.3	\$2,285.0	\$2,783.4	\$2,864.4	\$2,367.5	\$1,719.5	\$615.7	\$972.8	\$1,186.1	\$1,395.4	\$1,604.8	\$1,765.2
Engines	1,561.6	1,705.2	1,832.1	2,167.6	2,304.3	2,271.3	2,639.5	2,207.6	1,425.0	1,781.3	1,985.5	2,170.6	2,344.3	2,473.2
Eliminations	(207.9)	(233.0)	(276.4)	(392.2)	(492.9)	(521.8)	(466.2)	(306.0)	(98.3)	(215.0)	(245.0)	(265.0)	(280.0)	(290.0)
<b>Total Marine Revenues</b>	<b>\$2,605.0</b>	<b>\$2,877.5</b>	<b>\$3,185.0</b>	<b>\$4,060.4</b>	<b>\$4,594.8</b>	<b>\$4,613.9</b>	<b>\$4,570.8</b>	<b>\$3,621.1</b>	<b>\$1,942.4</b>	<b>\$2,539.0</b>	<b>\$2,926.6</b>	<b>\$3,301.1</b>	<b>\$3,669.0</b>	<b>\$3,948.4</b>
Fitness Equipment	398.4	456.7	487.2	559.6	553.2	593.1	653.7	639.5	496.8	506.7	524.5	542.8	561.8	581.5
Bowling / Billiards	367.4	377.7	392.4	442.4	464.5	458.3	446.9	448.3	337.0	337.0	343.7	350.6	357.6	364.8
<b>Total Recreation Revenues</b>	<b>\$765.8</b>	<b>\$834.4</b>	<b>\$879.6</b>	<b>\$1,002.0</b>	<b>\$1,017.7</b>	<b>\$1,051.4</b>	<b>\$1,100.6</b>	<b>\$1,087.8</b>	<b>\$833.8</b>	<b>\$843.7</b>	<b>\$868.2</b>	<b>\$893.4</b>	<b>\$919.5</b>	<b>\$945.3</b>
Corporate / Other	0.0	0.0	(1.0)	(4.3)	(5.6)	(0.3)	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
<b>Net Company Revenue</b>	<b>\$3,370.8</b>	<b>\$3,711.9</b>	<b>\$4,063.6</b>	<b>\$5,058.1</b>	<b>\$5,606.9</b>	<b>\$5,665.0</b>	<b>\$5,671.2</b>	<b>\$4,708.7</b>	<b>\$2,776.1</b>	<b>\$3,382.7</b>	<b>\$3,794.7</b>	<b>\$4,194.4</b>	<b>\$4,588.4</b>	<b>\$4,894.6</b>
<b>Percentage Change</b>														
Boats	-20.5%	12.3%	15.9%	40.2%	21.8%	2.9%	-17.3%	-27.4%	-64.2%	58.0%	21.9%	17.7%	15.0%	10.0%
Engines	-11.3%	9.2%	7.4%	18.3%	6.3%	-1.4%	16.2%	-16.4%	-35.5%	25.0%	11.5%	9.3%	8.0%	5.5%
<b>Total Marine Revenues</b>	<b>-14.3%</b>	<b>10.5%</b>	<b>10.7%</b>	<b>27.5%</b>	<b>13.2%</b>	<b>0.4%</b>	<b>-0.9%</b>	<b>-20.8%</b>	<b>-46.4%</b>	<b>30.7%</b>	<b>15.3%</b>	<b>14.9%</b>	<b>11.1%</b>	<b>7.6%</b>
Fitness Equipment	14.4%	14.6%	6.7%	14.9%	-1.1%	7.2%	10.2%	-2.2%	-22.3%	2.0%	3.5%	3.5%	3.5%	3.5%
Bowling / Billiards	-13.0%	2.8%	3.9%	12.7%	5.0%	-1.3%	-2.5%	0.3%	-24.8%	0.0%	2.0%	2.0%	2.0%	2.0%
<b>Total Recreation Revenues</b>	<b>-0.6%</b>	<b>9.0%</b>	<b>5.4%</b>	<b>13.9%</b>	<b>1.6%</b>	<b>3.3%</b>	<b>4.7%</b>	<b>-1.2%</b>	<b>-23.3%</b>	<b>1.2%</b>	<b>2.9%</b>	<b>4.6%</b>	<b>2.9%</b>	<b>2.9%</b>
<b>Net Company Revenue</b>	<b>-11.6%</b>	<b>10.1%</b>	<b>9.5%</b>	<b>24.5%</b>	<b>10.8%</b>	<b>1.0%</b>	<b>0.1%</b>	<b>-17.0%</b>	<b>-41.0%</b>	<b>21.8%</b>	<b>12.2%</b>	<b>12.5%</b>	<b>9.4%</b>	<b>6.7%</b>
<b>Percent of Period Revenue</b>														
Boats	37.1%	37.9%	40.1%	45.2%	49.6%	50.6%	41.7%	36.5%	22.2%	28.8%	31.3%	33.3%	35.0%	36.1%
Engines	46.3%	45.9%	45.1%	42.9%	41.1%	40.1%	46.5%	46.9%	51.3%	52.7%	52.3%	51.8%	51.1%	50.5%
Eliminations	-6.2%	-6.3%	-6.8%	-7.8%	-8.8%	-9.2%	-7.7%	-6.5%	-3.5%	-6.4%	-6.5%	-6.3%	-6.1%	-5.9%
<b>Total Marine Revenues</b>	<b>77.3%</b>	<b>77.5%</b>	<b>78.4%</b>	<b>80.3%</b>	<b>81.9%</b>	<b>81.4%</b>	<b>80.6%</b>	<b>76.9%</b>	<b>70.0%</b>	<b>75.1%</b>	<b>77.1%</b>	<b>78.7%</b>	<b>80.0%</b>	<b>80.7%</b>
Fitness Equipment	11.8%	12.3%	12.0%	11.1%	9.9%	10.5%	11.5%	13.6%	17.9%	15.0%	17.8%	12.9%	12.2%	11.9%
Bowling / Billiards	10.9%	10.2%	9.7%	8.7%	8.3%	8.1%	7.9%	9.5%	12.1%	10.0%	9.1%	8.4%	7.8%	7.5%
<b>Total Recreation Revenues</b>	<b>22.7%</b>	<b>22.5%</b>	<b>21.6%</b>	<b>19.8%</b>	<b>18.2%</b>	<b>18.6%</b>	<b>19.4%</b>	<b>23.1%</b>	<b>30.0%</b>	<b>24.9%</b>	<b>22.9%</b>	<b>21.3%</b>	<b>20.0%</b>	<b>19.3%</b>
<b>NET COMPANY REVENUE</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company reports and Wells Fargo Securities, LLC estimates

Brunswick Corporation (BC) (Dollars in millions, except per share data)  
Income Statement - Base Case  
Updated: 7.12.10  
Wells Fargo Securities, LLC

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E	2013E	2014E
<b>Net Revenues</b>	\$3,370.8	\$3,711.9	\$4,063.6	\$5,068.1	\$5,606.9	\$5,665.0	\$5,671.2	\$4,708.7	\$2,776.1	\$3,364.2	\$3,727.1	\$3,989.4	\$4,216.3	\$4,453.0
Cost of Sales	(2,587.4)	(2,852.0)	(3,199.8)	(3,809.6)	(4,285.3)	(4,439.3)	(4,513.4)	(3,841.4)	(2,480.5)	(2,711.7)	(2,832.6)	(2,987.0)	(3,162.3)	(3,328.6)
Gross Profit	783.4	859.9	863.8	1,258.5	1,321.6	1,225.7	1,157.8	867.3	315.6	652.5	894.5	1,002.4	1,054.1	1,124.4
Operating Expenses	(592.3)	(663.3)	(725.2)	(853.7)	(884.5)	(884.5)	(884.2)	(970.4)	(886.1)	(858.8)	(747.6)	(750.8)	(748.3)	(759.4)
<b>Operating Profit</b>	<b>\$191.1</b>	<b>\$196.6</b>	<b>\$248.6</b>	<b>\$394.8</b>	<b>\$468.7</b>	<b>\$341.2</b>	<b>\$173.6</b>	<b>(\$103.1)</b>	<b>(\$570.5)</b>	<b>(\$6.3)</b>	<b>\$146.9</b>	<b>\$231.7</b>	<b>\$305.8</b>	<b>\$365.0</b>
Equity Earnings	-	-	-	-	18.1	14.9	21.3	6.5	(15.7)	(1.2)	-	6.5	14.5	22.0
Other Income/(Expense)	(6.0)	8.3	10.0	13.6	(1.5)	(1.8)	7.8	(0.5)	(2.5)	2.0	-	-	-	-
<b>EBT Adjusted</b>	<b>185.1</b>	<b>204.9</b>	<b>258.6</b>	<b>408.4</b>	<b>485.3</b>	<b>354.3</b>	<b>202.7</b>	<b>(97.1)</b>	<b>(588.7)</b>	<b>(6.5)</b>	<b>146.9</b>	<b>238.2</b>	<b>320.3</b>	<b>387.0</b>
Interest Expense	(52.9)	(43.3)	(29.6)	(35.1)	(48.3)	(60.5)	(52.3)	(64.2)	(86.2)	(96.2)	(86.2)	(85.0)	(75.0)	(65.0)
Interest Income	0.0	0.0	0.0	0.0	10.1	10.1	8.7	6.7	3.2	4.0	4.0	4.0	4.0	4.0
<b>Income (Loss) Before Taxes</b>	<b>132.2</b>	<b>161.6</b>	<b>229.0</b>	<b>373.3</b>	<b>447.1</b>	<b>309.8</b>	<b>159.1</b>	<b>(144.6)</b>	<b>(671.6)</b>	<b>(97.7)</b>	<b>64.7</b>	<b>157.2</b>	<b>249.3</b>	<b>326.0</b>
Taxes	(47.5)	(58.1)	(78.0)	(119.5)	(138.0)	(93.7)	(47.9)	77.0	1.9	(16.0)	(47.1)	(47.1)	(81.0)	(106.0)
Accounting Change	(2.9)	(25.1)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net Income</b>	<b>\$84.7</b>	<b>\$103.5</b>	<b>\$153.1</b>	<b>\$253.8</b>	<b>\$309.1</b>	<b>\$216.1</b>	<b>\$111.2</b>	<b>(\$67.6)</b>	<b>(\$689.7)</b>	<b>(\$13.7)</b>	<b>\$59.5</b>	<b>\$110.0</b>	<b>\$168.3</b>	<b>\$220.1</b>
<b>EPS - Diluted</b>	<b>\$0.96</b>	<b>\$1.14</b>	<b>\$1.66</b>	<b>\$2.61</b>	<b>\$3.13</b>	<b>\$2.28</b>	<b>\$1.23</b>	<b>(\$0.77)</b>	<b>(\$1.28)</b>	<b>(\$0.77)</b>	<b>\$0.67</b>	<b>\$1.22</b>	<b>\$1.84</b>	<b>\$2.35</b>
<b>Dividends</b>	<b>\$0.50</b>	<b>\$0.50</b>	<b>\$0.50</b>	<b>\$0.60</b>	<b>\$0.60</b>	<b>\$0.60</b>	<b>\$0.60</b>	<b>\$0.05</b>	<b>\$0.05</b>	<b>\$0.05</b>	<b>\$0.05</b>	<b>\$0.05</b>	<b>\$0.05</b>	<b>\$0.05</b>
EBITDA	\$351.5	\$345.0	\$396.0	\$550.1	\$625.0	\$508.5	\$353.7	\$74.1	(\$413.2)	\$123.7	\$291.9	\$381.7	\$460.8	\$525.0
EBITDA/Share	\$3.99	\$3.80	\$4.31	\$6.32	\$6.37	\$5.37	\$3.92	\$0.84	(\$4.67)	\$1.40	\$3.29	\$4.27	\$5.10	\$5.69
Average Shares - Basic	87,850	89,975	91,200	86,625	97,625	93,950	88,860	88,275	88,425	88,800	88,860	89,350	90,350	92,350
Average Shares - Diluted	88,100	90,675	91,925	87,325	98,825	94,700	90,150	88,300	88,425	88,800	89,350	90,250	91,350	93,550
<b>YoY % Change</b>														
<b>Net Revenue</b>	-11.6%	10.1%	9.5%	24.5%	10.8%	1.0%	0.1%	-17.0%	-41.0%	21.2%	10.8%	6.5%	6.2%	5.6%
Cost of Sales	-5.0%	10.2%	8.3%	23.3%	12.5%	3.6%	1.7%	-14.9%	-35.9%	10.2%	4.5%	5.5%	5.9%	5.3%
<b>Gross Profit</b>	-28.0%	9.8%	13.2%	28.2%	5.9%	-7.3%	-5.5%	-25.1%	-63.6%	106.7%	37.1%	9.8%	7.3%	6.7%
Operating Expenses	-6.9%	12.0%	9.3%	17.7%	-0.1%	3.7%	11.3%	-1.4%	-8.7%	-25.7%	13.5%	0.4%	-0.3%	1.5%
<b>Operating Profit</b>	-57.7%	2.9%	26.4%	58.8%	18.7%	-27.2%	-49.1%	-159.4%	453.5%	-88.9%	-2419.3%	57.7%	32.0%	19.4%
EPS	-64.8%	18.7%	45.9%	56.6%	19.9%	-15.1%	-26.9%	-78.6%	889.3%	-129.9%	135.4%	30.0%	19.4%	27.7%
EBITDA/Share	-41.1%	-4.6%	13.2%	31.2%	11.9%	-15.1%	-26.9%	-78.6%	-656.6%	-129.9%	135.4%	30.0%	19.4%	27.7%
Average Shares - Diluted	-0.7%	2.9%	1.4%	5.9%	1.5%	-4.2%	-4.8%	-2.1%	0.1%	0.2%	0.8%	1.0%	1.2%	2.4%
<b>Margin Analysis</b>														
Cost of Goods Sold (%)	76.76	76.83	76.04	75.32	76.43	76.36	79.58	81.56	88.63	80.61	76.00	75.25	75.00	74.75
Operating Expense (%)	17.57	17.87	17.85	16.88	15.21	15.61	17.35	20.61	31.92	19.58	20.06	18.91	17.75	17.05
Interest Expense, net (%)	1.57	1.17	0.73	0.69	1.04	1.35	1.08	1.29	3.22	2.98	2.42	2.24	1.87	1.55
Effective Tax Rate (%)	35.93	35.95	33.17	32.01	30.87	30.25	30.11	53.24	0.28	-16.38	8.00	30.00	32.50	32.50
Gross Margin (%)	23.24	23.17	23.96	24.68	23.57	21.64	20.42	18.42	11.37	19.39	24.00	24.75	25.00	25.25
Operating Margin (%)	5.67	5.30	6.12	7.81	8.36	6.02	3.06	-2.19	-20.55	-0.19	3.94	5.84	7.25	8.20
EBITDA Margin (%)	10.43	9.29	9.75	10.88	11.15	8.98	6.24	1.57	-14.88	3.68	7.83	9.61	10.93	11.79
Pretax Margin (%)	3.92	4.35	5.64	7.38	7.57	5.47	2.81	-3.07	-24.19	-2.90	1.74	3.96	5.91	7.32
Net Margin (%)	2.51	2.79	3.77	5.02	5.51	3.81	1.96	-1.44	-24.12	-3.38	1.60	2.77	3.99	4.94
Return on Sales (Net Income/Sales) x	2.5%	2.8%	3.8%	5.0%	5.5%	3.8%	2.0%	-1.4%	-24.1%	-3.4%	1.6%	2.77	3.99	4.94
Asset Turnover (Sales/Avg. Assets) =	106.0%	114.7%	117.5%	127.3%	125.0%	124.9%	128.7%	124.1%	93.6%	127.6%	145.7%	145.7%	145.7%	145.7%
<b>Return on Avg. Assets (%)</b>	<b>2.7%</b>	<b>3.2%</b>	<b>4.4%</b>	<b>6.4%</b>	<b>6.9%</b>	<b>4.8%</b>	<b>2.5%</b>	<b>-1.8%</b>	<b>-22.6%</b>	<b>-4.3%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.3%</b>	<b>2.3%</b>
Financial Leverage (Avg. Assets/Avg. Equity) =	291.97%	292.5%	285.3%	261.9%	243.0%	235.6%	234.2%	289.4%	631.1%	176.0%	2206.6%	2206.6%	2206.6%	2206.6%
<b>TTM Return on Avg. Equity (%)</b>	<b>7.8%</b>	<b>9.4%</b>	<b>12.6%</b>	<b>16.7%</b>	<b>16.7%</b>	<b>11.2%</b>	<b>5.9%</b>	<b>-5.2%</b>	<b>-142.5%</b>	<b>-76.1%</b>	<b>51.3%</b>	<b>51.3%</b>	<b>51.3%</b>	<b>51.3%</b>
Return on Avg. Invested Capital (%)	4.7%	6.0%	8.4%	11.6%	12.0%	8.1%	4.3%	-3.3%	-53.1%	-11.3%	6.6%	6.6%	6.6%	6.6%
<b>Cash Return on Avg. Invested Capital (%)</b>	<b>8.0%</b>	<b>14.7%</b>	<b>10.4%</b>	<b>9.4%</b>	<b>5.4%</b>	<b>3.4%</b>	<b>3.2%</b>	<b>-5.8%</b>	<b>7.0%</b>	<b>4.2%</b>	<b>13.2%</b>	<b>13.2%</b>	<b>13.2%</b>	<b>13.2%</b>

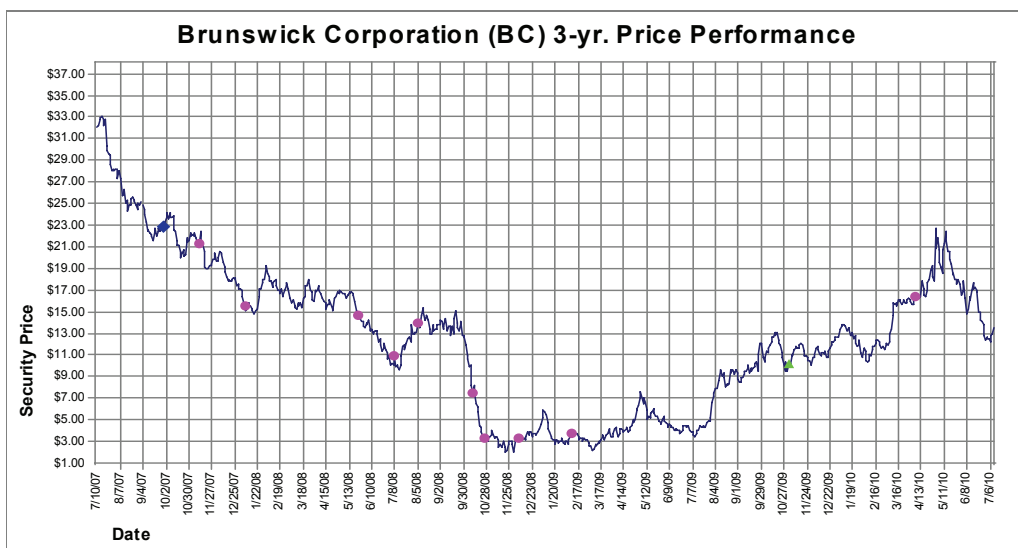
Source: Company reports and Wells Fargo Securities, LLC estimates

Brunswick Corporation (BC) (Dollars in millions, except per share data)  
Income Statement - Optimistic Scenario  
Updated: 7.12.10  
Wells Fargo Securities, LLC

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E	2012E	2013E	2014E
<b>Net Revenues</b>	\$3,370.8	\$3,711.9	\$4,063.6	\$5,058.1	\$5,606.9	\$5,665.0	\$5,671.2	\$4,708.7	\$2,776.1	\$3,382.7	\$3,794.7	\$4,194.4	\$4,588.4	\$4,894.6
Cost of Sales	(2,587.4)	(2,852.0)	(3,089.8)	(3,809.6)	(4,285.3)	(4,439.3)	(4,513.4)	(3,841.4)	(2,480.5)	(2,752.6)	(2,872.6)	(3,145.8)	(3,428.8)	(3,646.5)
Gross Profit	783.4	859.9	973.8	1,248.5	1,321.6	1,225.7	1,157.8	867.3	315.6	625.8	922.1	1,048.6	1,159.6	1,248.1
Operating Expenses	(592.3)	(663.3)	(725.2)	(863.7)	(882.9)	(884.5)	(934.2)	(970.4)	(886.1)	(822.4)	(763.9)	(750.8)	(768.6)	(768.2)
Operating Profit	\$191.1	\$196.6	\$248.6	\$394.8	\$468.7	\$341.2	\$173.6	(\$103.1)	(\$97.9)	\$3.4	\$168.2	\$297.8	\$390.0	\$481.9
Equity Earnings	(6.0)	8.3	10.0	13.6	18.1	14.9	21.3	6.5	(15.7)	-	5.0	15.0	21.0	28.0
Other Income/(Expense)	185.1	204.9	258.6	408.4	485.3	354.3	202.7	(97.1)	(588.7)	3.4	173.2	312.8	411.0	509.9
EBIT Adjusted	(52.9)	(43.3)	(29.6)	(35.1)	(48.3)	(60.5)	(8.7)	(6.1)	(86.1)	(65.9)	(86.2)	(75.0)	(55.0)	(30.0)
Interest Income	0.0	0.0	0.0	0.0	10.1	16.0	8.7	3.2	3.2	4.0	4.0	4.0	4.0	4.0
Income (Loss) Before Taxes	132.2	161.6	229.0	373.3	447.1	309.8	159.1	(144.6)	(671.6)	(69.0)	91.0	241.8	360.0	478.9
Taxes	(47.5)	(58.1)	(76.0)	(119.5)	(138.0)	(93.7)	(47.9)	77.0	1.9	(14.7)	-	(72.5)	(117.0)	(155.6)
Accounting Change	(2.9)	(25.1)	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	\$84.7	\$103.5	\$153.1	\$253.8	\$309.1	\$216.1	\$111.2	(\$67.6)	(\$669.7)	(\$103.7)	\$91.0	\$169.3	\$243.0	\$323.2
EPS - Diluted	\$0.96	\$1.14	\$1.66	\$2.61	\$3.13	\$2.28	\$1.23	(\$0.77)	(\$7.57)	(\$1.17)	\$1.01	\$1.87	\$2.63	\$3.34
Dividends	\$0.50	\$0.50	\$0.50	\$0.60	\$0.60	\$0.60	\$0.60	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
EBITDA	\$351.5	\$345.0	\$396.0	\$650.1	\$625.0	\$508.5	\$353.7	\$74.1	(\$413.2)	\$133.4	\$313.2	\$447.8	\$545.0	\$641.9
EBITDA/Share	\$3.99	\$3.80	\$4.31	\$5.65	\$5.37	\$5.37	\$3.92	\$0.84	(\$4.67)	\$1.51	\$3.52	\$5.01	\$5.96	\$6.73
Average Shares - Basic	87,850	89,975	91,200	95,625	97,625	93,950	89,850	88,275	88,425	88,425	88,925	89,425	91,425	95,425
Average Shares - Diluted	88,100	90,675	91,925	97,325	98,825	94,700	90,150	88,300	88,425	88,925	89,675	90,325	92,525	96,725
<b>YoY % Change</b>														
Net Revenue	-11.6%	10.1%	9.5%	24.5%	10.8%	1.0%	0.1%	-17.0%	-41.0%	21.8%	12.2%	24.0%	9.4%	6.7%
Cost of Sales	-5.0%	10.2%	8.3%	23.3%	12.5%	3.6%	1.7%	-14.9%	-35.9%	12.0%	4.2%	14.1%	9.0%	6.3%
Gross Profit	-28.0%	9.8%	13.2%	28.2%	5.9%	-7.3%	-5.5%	-25.1%	-63.6%	98.3%	47.4%	67.6%	10.5%	7.7%
Operating Expenses	-6.9%	12.0%	9.3%	17.7%	-0.1%	3.7%	11.3%	-1.4%	-8.7%	-29.8%	21.1%	20.6%	2.4%	-0.3%
Operating Profit	-57.7%	2.9%	26.4%	58.8%	18.7%	-27.2%	-49.1%	-159.4%	453.5%	-100.6%	4871.8%	8703.8%	31.0%	23.6%
EPS	-64.8%	18.7%	45.9%	56.6%	19.9%	-27.0%	-45.9%	-162.1%	889.3%	-84.6%	-187.0%	-260.7%	40.2%	27.2%
EBITDA/Share	-41.1%	-4.6%	13.2%	31.2%	11.9%	-15.1%	-76.6%	-656.6%	0.1%	-132.0%	133.5%	232.0%	19.0%	12.8%
Average Shares - Diluted	-0.7%	2.9%	1.4%	5.9%	1.5%	-4.2%	-4.8%	-2.1%	0.1%	0.8%	0.8%	1.6%	2.4%	4.5%
<b>Margin Analysis</b>														
Cost of Goods Sold (%)	76.76	76.83	76.04	75.32	76.43	78.36	79.58	81.58	88.63	81.50	75.70	75.00	74.75	74.50
Operating Expenses (%)	17.57	17.87	17.85	16.88	15.21	15.61	17.35	20.61	31.92	18.40	19.87	17.90	16.75	15.66
Interest Expense, net (%)	1.57	1.17	0.73	0.69	1.04	1.35	1.08	1.29	3.22	2.94	2.38	1.88	1.29	0.80
Effective Tax Rate (%)	35.93	35.95	33.17	32.01	30.87	30.25	30.11	53.24	0.28	-16.50	0.00	30.00	32.50	32.50
Gross Margin (%)	23.24	23.17	23.96	24.68	23.57	21.64	20.42	18.42	11.37	18.50	24.30	25.00	25.25	25.50
Operating Margin (%)	5.67	5.30	6.12	7.81	8.36	6.02	3.06	-2.19	-20.55	0.10	4.43	7.10	8.50	9.85
EBITDA Margin (%)	10.43	9.29	9.75	10.88	11.15	8.98	6.24	1.57	-14.88	3.94	8.25	10.68	11.88	13.11
Pretax Margin (%)	3.92	4.35	5.64	7.38	7.97	5.47	2.81	-3.07	-24.19	-2.63	2.40	5.76	7.85	9.78
Net Margin (%)	2.51	2.79	3.77	5.02	5.51	3.81	1.96	-1.44	-24.12	-3.06	2.40	4.04	5.30	6.60

Source: Company reports and Wells Fargo Securities, LLC estimates

## Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
	7/10/2007		Conder			
	7/10/2007	NA	2	NE	NE	32.07
◆	9/28/2007	NA	NR	NE	NE	22.86
◆	11/12/2007	22.41	2	20.00	23.00	21.27
●	1/7/2008	15.74	2	17.00	19.00	15.54
●	5/23/2008	15.04	2	15.00	17.00	14.67
●	7/8/2008	10.11	2	10.00	12.00	10.94
●	8/5/2008	13.01	2	12.00	14.00	13.93
●	10/10/2008	8.12	2	8.00	10.00	7.49
●	10/24/2008	3.48	2	6.50	8.00	3.29
●	12/5/2008	3.05	2	6.50	7.50	3.36
●	2/9/2009	3.45	2	4.00	4.50	3.71
▲	11/2/2009	9.48	1	14.00	16.00	10.16
●	4/6/2010	16.45	1	16.00	18.00	16.45

Source: Wells Fargo Securities, LLC estimates and Reuters data

<b>Symbol Key</b>		<b>Rating Code Key</b>					
▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend	1	Outperform/Buy	SR	Suspended
▲	Rating Upgrade	■	Analyst Change	2	Market Perform/Hold	NR	Not Rated
●	Valuation Range Change	□	Split Adjustment	3	Underperform/Sell	NE	No Estimate

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**O=Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

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**U=Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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As of: July 14, 2010

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