ANNUAL REPORT 2020

BRUNSWICK

BRUNSWICK

March 19, 2021

Dear fellow shareholders:

2020 was a year that challenged our organization in many ways, but the Brunswick team responded with characteristic resolve, discipline, and creativity. Amid the global pandemic and a dynamic social and political environment, our Company prioritized the health and safety of our employees, customers, and partners while delivering outstanding financial and operating performance.

In 2020, we delivered an eleventh consecutive year of adjusted earnings per share (EPS) growth, with adjusted EPS coming in at $5.07, an increase of 17 percent vs. 2019. Our consolidated net sales of $4.3B represented an increase of six percent over prior year and we generated record free cash flow of $629M and record adjusted operating earnings of $578.9M, an increase of nine percent vs. 2019.

As consumers around the world turned to boating as a recreational activity compatible with social-distancing, we gained market share in many markets and segments, and also saw a record number of first-time boat buyers enter the market and engage with our industry-leading brands via our significantly upgraded websites and other digital assets. At the same time, we added more than 40 new Freedom Boat Club locations and nearly 10,000 new memberships.

The transformational changes we are making to our business have reinforced our position as the industry leader and, together with retail and wholesale demand tailwinds, and a new generation of younger boaters that includes more women and ethnic minorities, have positioned us to deliver on our strategic plan targets. We believe 2021 will be another year of growth for our business and the marine industry.

Consumer interest in outdoor activities that enable social distancing is expected to remain strong, and the associated trend of flexible working arrangements that is allowing people more freedom for weekday recreation is also favoring our business. To ensure we can meet the demands of retail customers, and to begin refilling the depleted pipeline of products in the field, we are continuing to ramp up production across our global manufacturing facilities.

The recently launched 600HP V12 Mercury Verado outboard engine and Sea Ray Sundancer 370 Outboard, both introduced in the first quarter, represent our relentless commitment to product innovation and we will launch more innovative products through the balance of 2021. At the same time, our investments in our ACES (Autonomy, Connectivity, Electrification, Shared Access) strategy will enable us to further enhance our product, technology, and consumer experience leadership position over the long term.

We are also investing heavily in our digital go-to-market capabilities, allowing us to engage with end consumers and our channel partners in an agile and contemporary way. In 2020, with many industry boat shows and marine trade shows canceled due to COVID-19, our enterprise teams worked collaboratively to create equivalent virtual shows that proved to be extremely successful. We also created two new online businesses: Boateka, a digitally native platform for selling pre-owned boats sourced through the retirement of our Freedom fleet, and BoatClass, an immersive, on-water training program designed to teach boating safety and cultivate boater confidence on the water.

Although the 2021 Consumer Electronics Show was a virtual event, we captured the Company's first CES Innovation Award for our 1st Mate Marine Safety System. We look forward to returning in-person to CES in 2022 and continuing to showcase Brunswick's technology against the backdrop of the biggest technology brands in the world.

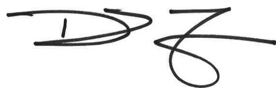
In 2020, Brunswick released our first enterprise Sustainability Report. We understand the impact our business has on society and the environment, and the opportunities we have to lead the way in sustainable, responsible practices. Newsweek recognized our progress in this area and included Brunswick on its list of America's Most Responsible Companies. Our 2020 Sustainability Report will be released shortly, and we invite you to review our goals, progress, and success stories.

2020 also saw changes to our Board and our senior leadership team. Our longtime director and non-executive Board Chair, Manny Fernandez, retired and the Board elected Nancy Cooper as the new Board Chair, the first woman to hold this position in Brunswick's 175-year history. We also added new external management talent and promoted high potential internal talent to our leadership team.

The formation of our Diversity, Equity, and Inclusion Committee will enable us to systematically communicate and promote our efforts to enhance opportunities for all Brunswick employees to engage and thrive. This and our other efforts were recognized by Forbes in 2020 with Brunswick named to its lists of Best Employers for Diversity, Best Employers for Women, and Best Employers for Veterans.

In addition, in early 2021, Brunswick was recognized by Forbes as one of America's Best Large Employers, finishing in the top ten overall, amongst and ahead of some of the largest and most well-known companies in America, and ranking first in the Manufacturing and Engineering category. This is a great honor and a testament to the efforts of our 14,000 global employees to elevate and enrich our culture, and make Brunswick such an outstanding place to work.

Thank you to our valued customers and stockholders. We are very optimistic about the future of Brunswick, and your trust in our Company and confidence in our strategic plan continue to be instrumental to our success.



David M. Foulkes
Chief Executive Officer Brunswick Corporation

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

FORM 10-K

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

For the fiscal year ended **December 31, 2020**
or

☐ 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 1-1043

BRUNSWICK

Brunswick Corporation

(Exact name of registrant as specified in its charter)

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

26125 N. Riverwoods Blvd., Suite 500, Mettawa, IL 60045-3420
(Address of principal executive offices, including zip code)

(847) 735-4700
(Registrant's telephone number, including area code)

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*

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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. (Check one):

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

As of June 27, 2020, the last business day of the registrant’s most recently completed second fiscal quarter, the aggregate market value of the voting stock of the registrant held by non-affiliates was $4,898,235,570. Such number excludes stock beneficially owned by executive officers and directors. This does not constitute an admission that they are affiliates.

The number of shares of Common Stock ($0.75 par value) of the registrant outstanding as of February 11, 2021 was 77,774,754.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this Report on Form 10-K incorporates by reference certain information that will be set forth in the Company's definitive Proxy Statement for the Annual Meeting of Shareholders scheduled to be held on May 5, 2021.

BRUNSWICK CORPORATION
INDEX TO ANNUAL REPORT ON FORM 10-K
December 31, 2020

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Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K 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 Annual Report on Form 10-K. These risks include, but are not limited to, those set forth under Item 1A of this Annual Report on 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 Annual Report.

PART I

Item 1. Business

References to "we," "us," "our," the "Company," "Brunswick," and "Brunswick Corporation" refer to Brunswick Corporation and its consolidated subsidiaries unless the context specifically states or implies otherwise.

We design, manufacture, and market recreational marine products, including leading marine propulsion products, parts and accessories, and boat brands, and operate service and shared access businesses, including the world's largest boat club. Incorporated in Delaware on December 31, 1907, Brunswick has traded on the New York Stock Exchange for nearly 95 years.

Our propulsion products include marine engines and related controls, rigging, and propellers. We manufacture and distribute a broad portfolio of parts and accessories, engine parts and consumables, electrical products, and boat parts and systems for original equipment manufacturers, aftermarket parts and accessory retailers and distributors, and for internal production. The boats we make include fiberglass sport boats, cruisers, sport fishing and center-console, offshore fishing, aluminum and fiberglass fishing, pontoon, utility, deck, inflatable, tow/wake, and heavy-gauge aluminum boats. Additionally, we offer related financing services, our shared access boat club, and we continually focus on exploring, investing in, and developing opportunities to further engage consumers and improve boater experiences.

As the global leader in recreational marine, it is our intention to define the future of recreational boating through innovation and inspiration on the water. Our strategy is focused on:

- Introducing exceptional products across our strong array of brands;
- Promoting operational and quality excellence;
- Strengthening our relationships with our channel partners, suppliers, and employees;
- Accelerating customer-centric innovation and technology in products and services, including through our ACES (Autonomy, Connectivity, Electrification & Shared Access) strategy; and
- Enhancing frictionless consumer experiences through digital engagement and advanced e-commerce capabilities.

These strategies support our aim to create exceptional experiences for customers, expand participation in recreational boating, deliver industry transforming technology, and leverage our leading marine businesses to grow earnings and enhance shareholder value. Our integrated marine business strategy is supported by a balanced capital strategy that includes allocating capital to organic growth initiatives and strategic acquisition opportunities while also managing debt levels and maturities, maintaining strong cash and liquidity positions, and continuing to return capital to shareholders through dividends and share repurchases.

Effective January 1, 2020, we changed our management reporting and updated our reportable segments to Propulsion, Parts & Accessories (P&A), and Boat to align with our strategy. The Propulsion segment manufactures and distributes marine engines and related controls, rigging, and propellers. The P&A segment includes engine parts and consumables, electrical products, boat parts and systems, and our distribution business. The Boat segment manufactures and distributes recreational boats and includes Business Acceleration, which operates Freedom Boat Club, dealer finance and ancillary services, and develops other emerging marine business models.

Refer to **Note 6 – Segment Information** and **Note 3 – Discontinued Operations** in the Notes to Consolidated Financial Statements for additional information regarding our segments and discontinued operations.

Propulsion Segment

The Propulsion segment, which we believe is a world leader in the manufacturing and sale of recreational marine engines, had 2020 net sales of $1,878.4 million.

The Propulsion segment manufactures and markets a full range of outboard, sterndrive, and inboard engines, as well as propulsion-related controls, rigging, and propellers. The Propulsion segment primarily markets under the Mercury Marine, Mercury, Mercury MerCruiser, Mariner, Mercury Racing, and Mercury Diesel brands. These products are principally sold directly to independent boat builders, local, state, and foreign governments, and Brunswick's Boat segment. In addition, the Propulsion segment sells outboard engines through a global network of more than 6,000 marine dealers and distributors, specialty marine retailers, and marine service centers.

Mercury Marine manufactures four-stroke outboard engine models ranging from 2.5 to 600 horsepower. Mercury Marine's four-stroke outboard engines include Verado, ProXS, SeaPro, and Race variations that include naturally aspirated and supercharged engines offered in a multitude of configurations designed for use in recreational, commercial, and racing applications. Mercury Marine and Mercury Racing manufacture inboard and sterndrive engine models ranging from 115 to 1,750 horsepower. Mercury Marine also manufactures two-stroke, non-DFI engines for certain markets outside the United States. Most of Mercury Marine's sterndrive and inboard engines are available with catalyst exhaust treatment and monitoring systems, and all are compliant with applicable U.S. state and federal environmental regulations. Mercury Marine's engines also comply with applicable global emissions and noise regulations.

In terms of innovation and technology development, the Propulsion segment continues to excel. In 2020, Mercury Marine launched the Bravo Four S forward-facing drive with Smart-Tow control system. Mercury Racing won an NMMA Innovation Award at the 2020 Miami International Boat Show for its 450R engine, and successfully launched the new 360APX competition four-stroke V8 outboard engine, designed for tunnel-boat racing competition on the Powerboat Formula 1 World Championship circuit. In December 2020, the Consumer Technology Association (CES) announced that Mercury's 1st Mate Marine Safety and Security System had been named a CES 2021 Innovation Awards Best of Innovation Honoree as part of an annual competition honoring outstanding design and engineering in consumer technology products.

Mercury Marine produces gasoline outboard and sterndrive engines domestically in Fond du Lac, Wisconsin. Mercury Marine manufactures 40, 50, and 60 horsepower four-stroke outboard engines in a facility in China, and produces smaller outboard engines in Japan pursuant to a joint venture with its partner, Tohatsu Corporation. Mercury Marine sources engine components from a global supply base and manufactures additional engine component parts at its Fond du Lac facility and plants in Florida and Mexico. Mercury Marine also operates a remanufacturing business for engines and service parts in Wisconsin.

The Propulsion segment continues to be dedicated to its sustainability efforts and programs:

- In 2020, for the tenth consecutive year, the Wisconsin Sustainable Business Council (Council) awarded Mercury Marine a "Green Masters" designation under a program that measures a broad range of sustainability issues including energy and water conservation, waste management, community outreach, and education.
- Mercury Marine's commitment to sustainability is highlighted in its 2019/2020 Sustainability Report, detailing specific goals Mercury Marine has met or exceeded related to energy, environment, products, and people.
- Mercury Marine was named a winner of the 2020 Energy Efficiency Excellence Award by Wisconsin's Focus on Energy program. The award honors Wisconsin businesses, organizations, and communities that make outstanding efforts toward energy efficiency.

In addition to marine engines and propulsion systems, Mercury Marine manufactures, markets, and supplies propulsion-related controls, rigging, and propellers. These products are designed for and sold to original equipment manufacturers (including Brunswick brands) and aftermarket retailers, distributors, and distribution businesses.

Intercompany sales to our Boat segment represented approximately 14 percent of the Propulsion segment's sales in 2020. Domestic demand for the Propulsion segment's products is typically seasonal, with sales generally highest in the second quarter of the calendar year.

Parts & Accessories Segment

The P&A segment consists of the Engine Parts and Accessories and the Advanced Systems Group operating segments, which are aggregated and presented as a single reportable segment. P&A manufactures and markets parts and accessories, including engine parts and consumables, electrical products, and boat parts and systems, and supplies parts and accessories through the distribution business. These products are designed for and sold mostly to aftermarket retailers, distributors, and distribution businesses, as well as original equipment manufacturers (including Brunswick brands) for both marine and non-marine markets. The P&A segment had 2020 net sales of $1,508.8 million.

Branded Engine Parts and Accessories include consumables, such as engine oils and lubricants, and are sold under the Mercury, Mercury Precision Parts, Quicksilver, and Seachoice brands. Engine Parts and Accessories distribution businesses include Land 'N' Sea, Kellogg Marine Supply, Lankhorst Taselaar, BLA, and Payne's Marine Group. These businesses are leading distributors of both third party and Company marine parts and accessories throughout North America, Europe, and Asia-Pacific, offering same-day or next-day delivery service to a broad array of marine service facilities.

Brunswick formed the Advanced Systems Group (ASG) effective January 1, 2020. ASG includes the collection of brands

acquired with Power Products in 2018 and certain other parts and accessories brands. ASG conducts business under the Ancor, Attwood, BEP, Blue Sea Systems, CZone, DelCity, Garelick, Lenco Marine, Marinco, Mastervolt, MotorGuide, NAUTIC-On, ParkPower, Progressive Industries, ProMariner, and Whale brand names. ASG products include marine electronics and control systems, instruments, trolling motors, fuel systems, and electrical systems, as well as specialty vehicle, mobile, and transportation aftermarket products.

The P&A segment is similarly invested in developing innovative products. In 2020, Attwood launched several new products, including the all new Sahara Mk2 Automatic Bilge Pump Series, which won a 2020 IBEX Innovation Award in the Mechanical Systems Category. Progressive Industries developed a Portable Surge Protector Kit which protects recreational vehicles (RVs) from faulty pedestal wiring and dangerous power surges, and has been named the Aftermarket Product of the Year by the RV Industry Association (RVIA). The P&A businesses are also engaged in sustainability efforts, including focusing on electrification initiatives and reducing packaging.

P&A's manufacturing and distribution facilities are primarily located in North America, Europe, Australia, and New Zealand. Intercompany sales to our Boat segment represented approximately 2 percent of the segment's sales in 2020. Domestic demand for the P&A segment's products is typically seasonal, with sales generally highest in the second quarter of the calendar year.

Boat Segment

The Boat segment consists of the Brunswick Boat Group, which manufactures and distributes recreational boats, and Business Acceleration, which provides innovative service models, shared access solutions, dealer services, and emerging technology to attract a wide range of customers to the marine industry. We believe that the Boat segment, which had net sales of $1,250.3 million during 2020, is a world leader in the manufacture and sale of pleasure motorboats.

The Boat segment manages Brunswick's boat brands; evaluates and optimizes the Boat segment's boat portfolio; promotes recreational boating services and activities to enhance the consumer experience and dealer profitability, including through its Business Acceleration initiatives; and speeds the introduction of new technologies into boat manufacturing and design processes.

The Boat Group designs, manufactures, and markets the following boat brands and products: Sea Ray sport boats and cruisers; Bayliner sport cruisers and runabouts; Boston Whaler fiberglass offshore boats; Lund fiberglass fishing boats; Crestliner, Cypress Cay, Harris, Lowe, Lund, and Princecraft aluminum fishing, utility, pontoon boats, and deck boats; Heyday tow/wake boats; and Thunder Jet heavy-gauge aluminum boats. The Boat segment procures substantially all of its outboard engines, gasoline sterndrive engines, and gasoline inboard engines from Brunswick's Propulsion segment.

The Boat Group also includes Brunswick boat brands based in Europe and Asia-Pacific, which include Quicksilver, Uttern, and Rayglass (including Protector and Legend) that are typically equipped with Mercury Marine engines and often include other parts and accessories supplied by the Propulsion and P&A segments.

The Boat segment's manufacturing facilities include Florida, Indiana, Minnesota, Missouri, Tennessee, Washington, Canada, Mexico, New Zealand, and Portugal. The Boat Group also uses two contract manufacturing facilities in Poland.

The Boat Group continues to invest in new product development, innovation, and services, experiences, and products for the next generation of boaters. Sea Ray won a National Marine Manufacturers Association Innovation Award at the 2020 Miami International Boat Show for its groundbreaking SLX-R 400e outboard which debuted at CES earlier in the year. In addition, the Bayliner Trophy 22CC was named a finalist for the prestigious European Powerboat of the Year Award for 2021, and the Quicksilver 805 Pilothouse won the Best of Boats 2020 Award.

The Boat Group is also advancing its sustainability initiatives, with our Fort Wayne Operations achieving Zero Waste to Landfill Status in 2020, with more than 90% of the plant's waste materials being recycled, reused, or otherwise sustainably eliminated. Forbes named Brunswick on its annual list of America's Best-In-State Employers 2020 in Minnesota, where the Boat Group's New York Mills Operation is located, and the Minneapolis Star Tribune named the New York Mills Operation a Top 150 Workplace in 2020 for the second consecutive year. In 2020, we also announced the formation of Ripl, a consumer advisory board dedicated to shaping the future of recreational boating through perspectives of boating and other marine consumers.

The Boat Group sells its products through a global network of more than 1,300 dealers and distributors, with some dealers operating in more than one location and some dealers carrying more than one of our boat brands. Sales to the Boat Group's

largest dealer, MarineMax, Inc., which has multiple locations and carries a number of the Boat Group's product lines, represented approximately 27 percent of Boat Group sales in 2020. Domestic demand for pleasure boats is typically seasonal, with sales generally highest in the second quarter of the calendar year.

Business Acceleration

The Business Acceleration Group is dedicated to developing emerging and disruptive business models, focusing on services and subscriptions, engaging the next generation of boaters, and investing in early-stage innovative marine companies. Business Acceleration businesses accounted for 3 percent of Boat segment sales in 2020.

Business Acceleration businesses include Freedom Boat Club (FBC), which we believe is the world's leading boat club network. FBC is made up of more than 250 Company-owned and franchised boat club locations across the U.S., Canada, and Europe. These locations sell memberships comprised of an initiation fee and ongoing monthly payment in exchange for which members gain shared access to their local club’s diverse fleet of boats and reciprocal privileges at other FBC locations. We believe this boat club membership model provides access to the boating lifestyle in a way that attracts new entrants, keeps disaffected boaters in the fold, and helps grow the broader boating community. FBC also provides a channel for sales of our boats, marine engines, parts and accessories, and various other services we offer. In 2020, Entrepreneur Magazine named FBC among the 150 "Top Growth Franchises," an award for companies that have achieved the greatest positive franchisee unit growth in North America over a three-year period.

The Business Acceleration Group also includes Boating Services Network, a dealer finance and ancillary service business unit that provides floor plan finance through Brunswick Acceptance Company (USA) and Brunswick Commercial Finance (Canada), retail finance through Blue Water Finance and Mercury Repower Finance, retail extended warranties under the Passport and Passport Premier brands through Brunswick Product Protection Corporation, retail insurance through Boater's Choice Insurance, and close to 50 name brand marine dealer service providers through Brunswick Dealer Advantage. Each offering allows us to deliver a more complete line of financial services and product offerings to our boat and marine engine dealers and their customers. See the "Financing Joint Venture" section below for details about our related financing joint venture that operates closely with the Boating Services Network.

Financing Joint Venture

Through our Brunswick Financial Services Corporation subsidiary, we own a 49 percent interest in a joint venture, Brunswick Acceptance Company, LLC (BAC). Under the terms of the joint venture agreement (JV Agreement), BAC provides secured wholesale inventory floorplan financing to our boat and engine dealers. A subsidiary of Wells Fargo & Company owns the remaining 51 percent.

The JV Agreement contains a financial covenant that conforms to the maximum leverage ratio test in the Credit Facility described in **Note 16 – Debt** in the Notes to Consolidated Financial Statements. The JV Agreement contains provisions allowing for the renewal of the JV Agreement or the purchase of the other party's interest in the joint venture at the end of its term. Alternatively, either partner may terminate the JV Agreement at the end of its term.

Refer to **Note 10 – Financing Joint Venture** in the Notes to Consolidated Financial Statements for more information about our financial services offered through BAC.

Distribution

We utilize independent distributors, dealers, and retailers (Dealers) for the majority of our boat sales and some sales of marine engines as well. We have over 16,000 active Dealers serving our business segments worldwide. Our marine Dealers typically carry one or more of the following product categories: boats, engines, and parts and accessories.

We own Land 'N' Sea, Kellogg Marine Supply, Payne's Marine Group, BLA, and Lankhorst Taselaar, which comprise our primary P&A distribution platforms. We believe that these businesses, collectively, are leading distributors of marine parts and accessories, with a network of distribution warehouses located throughout the markets they service, offering same-day or next-day delivery service to a broad array of marine service facilities and Dealers.

Our Dealers are independent companies or proprietors that range in size from small, family-owned businesses to a large, publicly-traded corporation with substantial revenues and multiple locations. Some Dealers sell our products exclusively, while a majority also carry competitor and complementary products. We partner with our boat dealer network to improve quality, service, distribution, and delivery of parts and accessories to enhance the boating customer's experience.

Demand for a significant portion of our products is seasonal, and a number of our Dealers are relatively small and/or highly-leveraged. As a result, many Dealers secure floor plan financing from BAC or other third party finance companies, enabling them to stock product in advance of the peak selling season and provide stable channels for our products. In addition to the financing BAC offers, we may also provide our Dealers with incentive programs, loan guarantees, inventory repurchase commitments, and financing receivable arrangements, under which we are obligated to repurchase inventory or receivables from a finance company in the event of a Dealer's default. We believe that these arrangements are in our best interest; however, these arrangements expose us to credit and business risk. Our business units, along with BAC, maintain active credit operations to manage this financial exposure, and we continually seek opportunities to sustain and improve the financial health of our various distribution channel partners. Refer to **Note 8 – Financing Receivables** and **Note 13 – Commitments and Contingencies** in the Notes to Consolidated Financial Statements for further discussion of these arrangements.

Technology and Innovation

We believe Brunswick is uniquely positioned to define the future of the global marine industry. We are continuously and consistently innovating the future of recreational boating through growing service, connectivity, and alternative participation capabilities and businesses. To support our goal, we have established cross functional and cross business investments and initiatives, and hired new leaders with strong technology experience. We continue to develop solutions to further improve boater experiences both by advancing the efficiency and capabilities of our core product lines and through our ACES strategy. An example of this strategy is Mercury's Joystick Piloting System with advanced capabilities, including docking assistance. In addition, we continue to invest in electrification technology, personnel, and programs. The Fathom e-Power system, introduced in 2020 on the Sea Ray SLX-R 400e Outboard model, replaces a traditional gas-powered generator with a first-of-its-kind boat electrification feature. The Fathom system includes a high-capacity lithium-ion battery pack with an intuitive power management system to power the boat’s accessory systems for a longer, quieter, and more eco-friendly day on the water. We are driving the implementation of a full portfolio of 'digital first' initiatives that span our business units and product categories, and the consistent expansion of Freedom Boat Club demonstrates our commitment to shared access models. We also continue to partner with TechNexus Holdings, LLC to identify and incubate innovative start-up ventures with strategic marine applications to help drive long-term growth.

International Operations

Non-U.S. sales are set forth in **Note 6 – Segment Information** and **Note 2 – Revenue Recognition** in the Notes to Consolidated Financial Statements and are also included in the table below, which details our non-U.S. sales by region:

(in millions)	2020	2019	2018
Europe	**$ 550.1**	$ 516.7	$ 494.3
Canada	**246.3**	279.9	287.3
Asia-Pacific	**383.9**	274.9	262.0
Rest-of-World	**169.2**	165.8	159.3
Total	**$ 1,349.5**	$ 1,237.3	$ 1,202.9
Total International Sales as a Percentage of Net Sales	**31 %**	30 %	29 %

We transact a portion of our sales in non-U.S. markets in local currencies, while a meaningful portion of our product costs are denominated in U.S. dollars as a result of our U.S. manufacturing operations. As a result, the strengthening or weakening of the U.S. dollar affects the financial results of our non-U.S. operations.

Propulsion non-U.S. sales represented approximately 47 percent of our non-U.S. sales in 2020. The segment's principal non-U.S. operations include the following:

- Distribution, sales, service, engineering, or representative offices in Australia, Belgium, Brazil, Canada, China, Dubai, Finland, France, Italy, Japan, New Zealand, the Netherlands, Norway, Russia, Singapore, Sweden, and Switzerland;
- Light assembly facilities in Mexico;
- An outboard engine assembly plant in Suzhou, China; and
- An outboard engine assembly plant operated by a joint venture in Japan.

P&A non-U.S. sales comprised approximately 31 percent of our non-U.S. sales in 2020. P&A's principal non-U.S. operations include manufacturing and distribution facilities in Europe, Australia, New Zealand, and Mexico.

Boat non-U.S. sales comprised approximately 22 percent of our non-U.S. sales in 2020. The Boat Group manufactures or assembles a portion of its products in Canada, Mexico, New Zealand, and Portugal, as well as in boat plants owned and operated by third parties in Poland that perform contract manufacturing for us, which are sold mostly in international markets through Dealers. The Boat Group has sales or import offices in Belgium, Canada, France, Italy, the Netherlands, New Zealand, Norway, Poland, and Sweden. Of our boat sales in Canada and Europe, approximately 48 percent and 92 percent of the units, respectively, were produced in the region.

Raw Materials and Supplies

We purchase a wide variety of raw materials from our supplier base, including commodities such as aluminum, resins, oil, and steel, as well as product parts and components, such as engine blocks and boat windshields. The prices for these raw materials, parts, and components fluctuate depending on market conditions. Significant increases in the cost of such materials would raise our production costs, which could reduce profitability if we did not recoup the increased costs through higher product prices or improved efficiencies.

Our global procurement operations continue to better leverage purchasing power across our divisions and to improve supply chain and cost efficiencies. We mitigate commodity price risk on certain raw material purchases by entering into fixed priced contracts or derivatives to mitigate exposure related to changes in commodity prices.

Intellectual Property

We have, and continue to obtain, patent rights covering certain features of our products and processes. By law, our patent rights, which consist of patents and patent licenses, have limited lives and expire periodically. We believe that our patent rights are important to our competitive position in all of our business segments. Our trademark rights have indefinite lives, and many are well known to the public and are considered to be valuable assets. Most of our intellectual property is owned by U.S. entities.

In Propulsion, patent rights principally relate to features of outboard engines and inboard-outboard drives, hybrid drives, and pod drives, including: die-cast powerheads; cooling and exhaust systems; drivetrain, clutch, and gearshift mechanisms; boat/engine mountings; shock-absorbing tilt mechanisms; ignition systems; propellers; marine vessel control systems; fuel and oil injection systems; supercharged engines; outboard mid-section structures; segmented cowls; hydraulic trim, tilt and steering; screw compressor charge air cooling systems; a range of proprietary metal alloys; and airflow silencers.

In P&A, patent rights principally relate to features of trolling motors as well as parts and accessories for marine and recreational vehicles.

Boat patent rights principally relate to processes for manufacturing fiberglass hulls, decks, and components for boat products, as well as patent rights related to boat design, features, and components.

In addition to "Brunswick," the following are our principal trademarks and brands:

Propulsion: Axius, Mariner, MerCruiser, Mercury, Mercury Marine, Mercury Propellers, Mercury Racing, OptiMax, SeaPro, SmartCraft, Sport-Jet, Valiant, Verado, VesselView, and Zeus.

P&A: Ancor, Attwood, BEP, Blue Sea Systems, CZone, Del City, FulTyme RV, Garelick, Kellogg Marine Supply, Land 'N' Sea, Lenco Marine, Marinco, Mastervolt, Mercury Precision Parts, MotorGuide, NAUTIC-ON, ParkPower, Power Products, Progressive Industries, ProMariner, Quicksilver, Seachoice, Swivl-Eze, Talamex, and Whale.

Boat: Bayliner, Boston Whaler, Crestliner, Cypress Cay, Freedom Boat Club, Harris, Heyday, Legend, Lowe, Lund, Master Dealer, Princecraft, Protector, Quicksilver, Rayglass, Sea Ray, Thunder Jet, and Uttern.

Competitive Conditions and Position

We believe that we have a reputation for quality in each of our highly competitive lines of business. We compete in various markets by: utilizing efficient production techniques; developing and strengthening our leading brands; developing and promoting innovative technological advancements; undertaking effective marketing, advertising, and sales efforts; providing high-quality, innovative products at competitive prices; and offering extensive aftermarket products.

Strong competition exists in each of our product groups, but no single enterprise competes with us in all product groups. In each product area, competitors range in size from large, highly-diversified companies to small, single-product businesses. We also indirectly compete with businesses that offer alternative leisure products or activities.

The following summarizes our competitive position in each segment:

Propulsion: We believe the Propulsion segment is a world leader in the manufacture and sale of recreational and commercial marine engines and related controls, rigging, and propellers. The marine engine market is highly competitive among several major international companies that comprise the majority of the market, including Japanese-based outboard engine manufacturers, as well as several smaller companies including Chinese manufacturers. Competitive advantage in this segment is a function of product features, technological leadership, quality, service, pricing, performance, manufacturing capabilities, depth of product portfolio, intuitive product controls, and durability, along with effective promotion and distribution.

P&A: We believe the P&A segment is a world leader in manufacturing, marketing, and distributing parts and accessories, including engine parts and consumables, electrical products, and boat parts and systems. The parts and accessories and distribution market is highly competitive and fragmented. Our competitive advantage in this market includes our product breadth, proprietary parts and technology, global distribution network, extensive portfolio of recognized brands, sales team, delivery timing, and service.

Boat: We believe the Boat segment is a world leader in the manufacture and sale of pleasure motorboats. There are several major manufacturers of pleasure and offshore fishing boats, along with hundreds of smaller manufacturers. However, few major manufacturers compete in the breadth of categories or geographies in which our Boat segment competes. Consequently, this business is highly competitive by category but also highly fragmented. In all of our boat operations, we compete on the bases of product features, technology, quality, brand strength, dealer service, pricing, performance, value, durability and styling, along with effective promotion and distribution. In addition, we believe Freedom Boat Club is the largest operator of boat club locations in the world, with more than 250 locations, either Company-owned or franchised. This operating model providers boaters a unique and lower cost means to participate in boating.

Human Capital Resources

Our business strategy relies on attracting, training, developing, and retaining a skilled workforce. We provide opportunities for continuous learning and development, such as Brunswick University, a program that offers courses in leadership and innovation, effective communication, and strategic thinking. In addition, we have instituted rotational leadership programs to attract, develop, and retain management and financial talent. We recognize that we operate in competitive marketplaces when it comes to finding top talent, particularly in technical fields. We strive to offer our employees career-specific tools and resources and support development opportunities through apprenticeships and robust training opportunities.

Employee safety is a top priority. We foster an environment with a strong emphasis on understanding, proactively identifying, and addressing potential safety risks in our business and operations. With respect to the current COVID-19 pandemic, we have updated and implemented our pandemic plans and operations to ensure the continuation of safe and reliable service to customers and to maintain the safety of our employees, as well as to incorporate any new governmental guidance, rules, and regulations regarding workplace safety.

Our compensation philosophy is to encourage performance that creates sustainable, long-term shareholder value, motivates achievement of financial and strategic goals, attracts, retains, and motivates talent, and reinforces our pay-for-performance culture. We continuously evolve our benefits programs, for example, by implementing paid parental leave and by instituting a long-standing, robust wellness program to encourage employees to build and maintain healthy lifestyles.

We are dedicated to enhancing diversity and inclusion in our workforce, because we believe both are key to the most successful business outcomes. We strive to embrace a global, ethical, and respectful work culture. In 2020, we established an enterprise-wide Diversity, Equity and Inclusion (DEI) team, designed to influence our actions and collectively drive progress to ensure DEI becomes more clearly visible and firmly embedded in our workplace culture. Also in 2020, we were proud that Forbes named Brunswick to its lists of Best Employers for Veterans and Women and America's Best-in-State Employers for both Wisconsin and Minnesota.

As of December 31, 2020, we employed 14,382 people around the world. Less than 20% of our U.S. employees belong to labor unions, and we believe that the relationships between our employees, the unions, and the Company remain stable. The collective bargaining agreement between Mercury Marine and its largest union, the International Association of Machinists and Aerospace Workers (IAM) Lodge 1947, remains in place until August 26, 2023.

Discontinued Operations

Refer to **Note 3 – Discontinued Operations** in the Notes to Consolidated Financial Statements for additional information regarding discontinued operations.

Environmental Requirements

Refer to **Note 13 – Commitments and Contingencies** in the Notes to Consolidated Financial Statements for a description of certain environmental proceedings.

Available Information

Brunswick maintains an Internet website at http://www.brunswick.com that includes links to our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, and Proxy Statements (SEC Filings). The SEC Filings are available without charge as soon as reasonably practicable following the time that they are filed with, or furnished to, the SEC. Shareholders and other interested parties may request email notification of the posting of these documents through the Investors section of our website. Brunswick's SEC Filings are also available on the SEC's website at http://www.sec.gov.

Item 1A. Risk Factors

Our operations and financial results are subject to certain risks and uncertainties, including those described below, which could adversely affect our business, financial condition, results of operations, cash flows, and the trading price of our common stock.

RISKS RELATED TO ECONOMIC AND MARKET CONDITIONS

Worldwide economic conditions significantly affect our industries and businesses, and economic decline can materially impact our financial results.

In times of economic uncertainty or recession, consumers tend to have less discretionary income and to defer significant spending on non-essential items, which may adversely affect our financial performance. Although portions of the marine industry have experienced positive trends as a result of the unique consumer environment resulting from the COVID-19 pandemic, these trends may not continue, and the accompanying economic uncertainty caused by the pandemic may lead to unfavorable business outcomes. We continue to develop our portfolio with new and/or expanded technologies, business models, services, and solutions that are less susceptible to economic cycles, but a portion of our business remains cyclical and sensitive to consumer spending on new engines, boats, and associated parts and accessories.

Deterioration in general economic conditions that in turn diminishes consumer confidence or discretionary income may reduce our sales, or we may decide to lower pricing for our products, thus adversely affecting our financial results, including increasing the potential for future impairment charges. Further, most of our products are recreational, and consumers' limited discretionary income in times of economic hardship may be diverted to other activities that occupy their time, such as other forms of recreational, religious, cultural, or community activities. We cannot predict the strength of global economies or the timing of economic recovery, either worldwide or in the specific markets in which we compete.

Fiscal concerns and policy changes may negatively impact worldwide economic and credit conditions and adversely affect our industries, businesses, and financial condition.

Fiscal policy could have a material adverse impact on worldwide economic conditions, the financial markets, and availability of credit and, consequently, may negatively affect our industries, businesses, and overall financial condition. Customers often finance purchases of our products, particularly boats, and as interest rates rise, the cost of financing the purchase also increases. While credit availability is adequate to support demand and interest rates remain relatively low, if credit conditions worsen and adversely affect the ability of customers to finance potential purchases at acceptable terms and interest rates, it could result in a decrease in sales or delay improvement in sales.

Adverse credit and capital market conditions could have a negative impact on our financial results.

Adverse global economic conditions, market volatility, and regulatory uncertainty could lead to volatility and disruptions in the capital and credit markets. We may rely on short-term capital markets to meet our working capital requirements, fund capital expenditures, pay dividends, or fund employee benefit programs, and we maintain short-term borrowing facilities that can be used to meet these capital requirements. In addition, over the long term, we may determine that it is necessary to access the capital markets to refinance existing long-term indebtedness or to raise capital for other initiatives. Adverse economic, credit, and capital market conditions could negatively affect our ability to access capital and credit markets or increase the cost to do so, which could adversely impact our business, financial results, and competitive position.

In addition, our variable rate indebtedness and financing programs, including wholesale financing arrangements through BAC, may use LIBOR as a benchmark for establishing the rate. As announced in July 2017, LIBOR is expected to be phased out by the end of 2021. Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely impact the availability and cost of borrowings.

Changes in currency exchange rates can adversely affect our results.

Some of our sales are denominated in a currency other than the U.S. dollar. Consequently, a strong U.S. dollar may adversely affect reported revenues and our profitability. We have hedging programs in place to reduce our risk to currency fluctuations; however, we cannot hedge against all currency risks, especially over the long term. We maintain a portion of our cost structure in currencies other than the U.S. dollar, which partially mitigates the impact of a strengthening U.S. dollar. This includes manufacturing operations for boats in Europe and Canada, and smaller outboard engines manufactured in China and

purchased from our joint venture in Japan. We also continue to evaluate the supply chain and cost structure for opportunities to further mitigate foreign currency risks.

We sell products manufactured in the U.S. into certain international markets in U.S. dollars, including to Canada, Europe, and Latin America. Demand for our products in these markets may be diminished by a strengthening U.S. dollar, or we may need to lower prices to remain competitive. Some of our competitors with cost positions based outside the U.S., including Asian-based outboard engine manufacturers and European-based large fiberglass boat manufacturers, may have an improved cost position due to a strengthening U.S. dollar, which could result in pricing pressures on our products. Although these factors have existed for several years, we do not believe they have had a material adverse effect on our competitive position.

Higher energy and fuel costs can affect our results.

Higher energy and fuel costs increase operating expenses at our manufacturing facilities and the cost of shipping products to customers. In addition, increases in energy costs can adversely affect the pricing and availability of petroleum-based raw materials such as resins and foam that are used in many of our marine products. Higher fuel prices may also have an adverse effect on demand for our parts and accessories businesses, as they increase the cost of boat ownership and possibly affect product use.

Our profitability may suffer as a result of competitive pricing and other pressures.

The introduction of lower-priced alternative products or services by other companies can hurt our competitive position in all of our businesses. We are constantly subject to competitive pressures in which predominantly international manufacturers may pursue a strategy of aggressive pricing, particularly during periods when their local currency weakens versus the U.S. dollar. Such pricing pressure may limit our ability to increase prices for our products in response to raw material and other cost increases and negatively affect our profit margins.

In addition, our independent boat builder customers may react negatively to potential competition for their products from Brunswick's own boat brands, which can lead them to purchase marine engines, boat systems, and marine engine supplies from competing marine engine manufacturers and may negatively affect demand for our products.

RISKS RELATED TO OUR BUSINESS AND OPERATIONS

Actual or potential public health emergencies, epidemics, or pandemics, such as the current coronavirus (COVID-19) pandemic, could have a material adverse effect on our business, results of operations, or financial condition.

The impact of actual or potential public health emergencies, epidemics, or pandemics on the Company, our suppliers, dealers, and customers, and the general economy could be wide-ranging and significant, depending on the nature of the issue, governmental actions taken in response, and the public reaction. The impact of the current COVID-19 pandemic includes illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in economic activity, widespread unemployment, and supply chain interruptions, which collectively have caused significant disruptions to global economies and financial markets.

Despite the COVID-19 pandemic, demand in our products increased in the last two fiscal quarters of 2020 versus the same periods in 2019, but the pandemic could result in future significant volatility in demand, positively or negatively, for one or more of our products. Demand volatility may be caused by, among other things: the temporary inability of consumers to purchase our products due to illness, quarantine, or other travel restrictions; dealership closures due to illness or government restrictions; a reduction in boating activity as a result of governmental actions or self-quarantine measures; shifts in demand away from discretionary products; and reduced options for marketing and promotion of products or other restrictions in connection with COVID-19. If such events occurred over a prolonged period, they could increase our costs and difficulty of operating our business, including accurately planning and forecasting for our operations and inventory levels, which may adversely impact our results.

The COVID-19 pandemic has resulted in, and may continue to result in, disruption, uncertainty, and volatility in the global financial and credit markets. Such volatility could impact our access to capital resources and liquidity in the future, including making credit difficult to obtain or only available on less favorable terms. The COVID-19 pandemic may continue to have an impact on our operations, which could be material. For example, many of our facilities have experienced absenteeism caused by illness or quarantine measures. The continuing impact on our business operations could include, but are not limited to, significant numbers of employees contracting COVID-19; facility closures as a result of state and local "shelter-in-place" orders, safety precautions, employee illness, or self-quarantine measures; reductions in our operating effectiveness as our

employees work from home or as a result of new workplace safety measures; unavailability of key personnel necessary to conduct our business activities; project delays; and supply chain or distribution interruptions and constraints. Additionally, we rely on original equipment manufacturers, dealers, and distributors to market and sell most of our products, and effects on their businesses or financial condition as a result of the COVID-19 pandemic could result in various adverse operational impacts including, but not limited to, lower sales, delayed cash payments, interrupted customer warranty service, and increased credit risk.

Our efforts to manage, mitigate, and remedy these impacts may prove unsuccessful as the ultimate impact of the COVID-19 pandemic depends on factors beyond our knowledge or control, including the duration and severity of the pandemic, public safety actions taken by government authorities, long-term economic recovery, and resulting consumer response.

Successfully managing our manufacturing activity is critical to our operating and financial results.

Over the past several years, we have made strategic capital investments in capacity expansion activities to successfully capture growth opportunities and enhance product offerings, including expansions at Mercury Marine in Fond du Lac, Wisconsin and Boston Whaler in Edgewater, Florida. We also continue to implement manufacturing efficiency enhancements that are important to our success. Conversely, we may make decisions to reduce our manufacturing footprint in accordance with our business strategy. We must carefully manage these capital improvement projects, expansions, efficiency enhancements, and any consolidation efforts to ensure they meet cost targets, comply with applicable environmental, safety, and other regulations, and uphold high-quality workmanship.

Moving production to a different plant, expanding capacity at an existing facility, or ceasing production at a facility involves risks, including difficulties initiating production within the cost and timeframe estimated, supplying product to customers when expected, integrating new products, and attracting sufficient skilled workers to handle additional production demands. If we fail to meet these objectives, it could adversely affect our ability to meet customer demand for products and increase the cost of production versus projections, both of which could result in a significant adverse impact on operating and financial results. Additionally, plant consolidation or expansion can result in manufacturing inefficiencies, additional expenses, including higher wages or severance costs, and cost inefficiencies, which could negatively impact financial results.

Adverse weather conditions and climate change events can have a negative effect on revenues.

Changes in seasonal weather conditions can have a significant effect on our operating and financial results. Sales of our marine products are typically stronger just before and during spring and summer, and favorable weather during these months generally has had a positive effect on consumer demand. Conversely, unseasonably cool weather, excessive rainfall, or drought conditions during these periods can reduce or change the timing of demand. Climate change could have an impact on longer-term natural weather trends, resulting in environmental changes including, but not limited to, increases in severe weather, changing sea levels, changes in sea, land and air temperatures, poor water conditions, or reduced access to water, could disrupt or negatively affect our business.

Catastrophic events, including natural and environmental disasters, acts of terrorism, or civil unrest, could have a negative effect on our operations and financial results.

Hurricanes, floods, earthquakes, storms, and catastrophic natural or environmental disasters, as well as acts of terrorism or civil unrest, could disrupt our distribution channel, operations, or supply chain and decrease consumer demand. If a catastrophic event takes place in one of our major sales markets, our sales could be diminished. Additionally, if such an event occurs near our business locations, manufacturing facilities or key supplier facilities, business operations, and/or operating systems could be interrupted. We could be uniquely affected by weather-related catastrophic events due to the location of certain of our boat facilities in coastal Florida and the size of the manufacturing operation in Fond du Lac, Wisconsin.

A significant portion of our revenue is derived from international sources, which creates additional uncertainty.

We intend to continue to expand our international operations and customer base as part of our growth strategy. Sales outside the United States, especially in emerging markets, are subject to various risks, including government embargoes or foreign trade restrictions, foreign currency effects, tariffs, customs duties, inflation, difficulties in enforcing agreements and collecting receivables through foreign legal systems, compliance with international laws, treaties, and regulations, and unexpected changes in regulatory environments, disruptions in distribution, dependence on foreign personnel and unions, economic and social instability, and public health crises, including the outbreak of pandemic or contagious disease, such as

COVID-19. In addition, there may be tax inefficiencies in repatriating cash from non-U.S. subsidiaries, or tax laws that affect this process may change.

Instability, including, but not limited to, political events, civil unrest, and an increase in criminal activity, in locations where we maintain a significant presence could adversely impact our manufacturing and business operations. Decreased stability poses a risk of business interruption and delays in shipments of materials, components, and finished goods, as well as a risk of decreased local retail demand for our products.

The decision of the United Kingdom (UK) to exit from the European Union (EU) (Brexit) could cause disruptions to, and create uncertainty surrounding, our business, which could affect our relationships with existing and potential customers. In addition, new rules in place in January 2021 in response to the December 2020 agreement reached between the EU and UK could lead to legal uncertainty and potentially divergent national laws and regulations, as the UK determines which EU laws to replace or replicate. We cannot predict what consequences Brexit may have on regulations applicable to our business or on our future operations.

In addition, political and economic uncertainty and shifts pose risks of volatility in other global markets, which could affect our operations and financial results. Changes in U.S. policy regarding foreign trade or manufacturing may create negative sentiment about the U.S. among non-U.S. customers, employees, or prospective employees, which could adversely affect our business, sales, hiring, and employee retention. If we continue to expand our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other risks, which could materially impact international operations or the business as a whole.

Our ability to remain competitive depends on successfully introducing new products and services that meet customer expectations.

We believe that our customers look for and expect quality, innovation, and advanced features when evaluating and making purchasing decisions about products and services in the marketplace. Our ability to remain competitive and meet our growth objectives may be adversely affected by difficulties or delays in product development, such as an inability to develop viable new products or customer solutions, gain market acceptance of new products, generate sufficient capital to fund new product development, or obtain adequate intellectual property protection for new products. To meet ever-changing consumer demands, both timing of market entry and pricing of new products are critical. As a result, we may not be able to introduce new products that are necessary to remain competitive in all markets that we serve. Furthermore, we must continue to meet or exceed customers' expectations regarding product quality and after-sales service or our operating results could suffer.

Our ability to meet demand in a rapidly changing environment may adversely affect our results of operations.

Production and sales levels throughout 2020 fluctuated due in large part to the COVID-19 pandemic. Although we have remained focused on applying and enhancing our COVID-19 health and safety protocols while continuing to ramp-up global production, our businesses may experience difficulty in adapting to the rapidly changing production and sales volumes. We may not be able to recruit or maintain sufficient skilled labor or our suppliers may not be able to deliver sufficient quantities of parts and components for us to match production with rapid changes in forecasted demand. In addition, consumers may pursue other recreational activities if dealer pipeline inventories fall too low and it is not convenient to purchase our products, consumers may purchase from competitors, or our fixed costs may grow in response to increased demand. A failure to adjust dealer pipeline inventory levels to meet demand could adversely impact our results of operations.

Loss of key customers could harm our business.

In each segment, we have important relationships with key customers, including White River Marine Group, LLC and MarineMax, Inc. From time to time, contracts with these customers come up for renewal. We cannot be certain we will renew such contracts, or renew them on favorable terms. If we lose a key customer, or a significant portion of its business, we could be adversely affected. In addition, certain customers could try to negotiate more favorable pricing of our products, which could depress earnings. In an effort to mitigate the risk associated with reliance on key customer accounts, we continually monitor such relationships and maintain a complete and competitive product lineup.

Our financial results may be adversely affected by our third party suppliers' increased costs or inability to meet required production levels due to increased demand or disruption of supply of raw materials, parts, and product components.

We rely on third parties to supply raw materials used in the manufacturing process, including oil, aluminum, copper, steel, and resins, as well as product parts and components. The prices for these raw materials, parts, and components fluctuate

depending on market conditions and, in some instances, commodity prices or trade policies, including tariffs. Substantial increases in the prices of raw materials, parts, and components would increase our operating costs, and could reduce our profitability if we are unable to recoup the increased costs through higher product prices or improved operating efficiencies. Similarly, if a critical supplier were to close its operations, cease manufacturing, or otherwise fail to deliver an essential component necessary to our manufacturing operations, that could detrimentally affect our ability to manufacture and sell our products, resulting in an interruption in business operations and/or a loss of sales.

In addition, some components used in our manufacturing processes, including certain engine components, furniture, upholstery, and boat windshields, are available from a sole supplier or a limited number of suppliers. Operational and financial difficulties that these or other suppliers may face in the future could adversely affect their ability to supply us with the parts and components we need, which could significantly disrupt our operations. It may be difficult to find a replacement supplier for a limited or sole source raw material, part, or component without significant delay or on commercially reasonable terms. In addition, an uncorrected defect or supplier's variation in a raw material, part, or component, either unknown to us or incompatible with our manufacturing process, could jeopardize our ability to manufacture products.

Some additional supply risks that could disrupt our operations, impair our ability to deliver products to customers, and negatively affect our financial results include:

- an outbreak of disease or facility closures due to the COVID-19 pandemic, or similar public health threat;
- a deterioration of our relationships with suppliers;
- events such as natural disasters, power outages, or labor strikes;
- financial pressures on our suppliers due to a weakening economy or unfavorable conditions in other end markets;
- supplier manufacturing constraints and investment requirements; or
- disruption at major global ports and shipping hubs.

These risks are exacerbated in the case of single-source suppliers, and the exclusive supplier of a key component could potentially exert significant bargaining power over price, quality, warranty claims, or other terms.

We continue to increase production; consequently, our need for raw materials and supplies continues to increase. Our suppliers must be prepared to ramp-up operations and, in many cases, hire additional workers and/or expand capacity in order to fulfill our orders and those of other customers. Cost increases, defects, or sustained interruptions in the supply of raw materials, parts, or components due to delayed start-up periods our suppliers experience as they increase production efforts create risks to our operations and financial results. The Company experienced periodic supply shortages and increases in costs to certain materials in 2020. We continue to address these issues by identifying alternative suppliers for key materials and components, working to secure adequate inventories of critical supplies, and continually monitoring the capabilities of our supplier base. In the future, however, we may experience shortages, delayed delivery, and/or increased prices for key materials, parts, and supplies that are essential to our manufacturing operations.

We have a fixed cost base that can affect our profitability if demand decreases.

The fixed cost levels of operating production facilities can put pressure on profit margins when sales and production decline. We have maintained discipline over our fixed cost base, and improvements in gross margin can help mitigate the risks related to a fixed cost base. However, our profitability is dependent, in part, on our ability to absorb fixed costs over an increasing number of products sold and shipped. Decreased demand or the need to reduce inventories can lower our production levels and impact our ability to absorb fixed costs, consequently materially impacting our results.

Some of our operations are conducted by joint ventures that are not operated solely for our benefit.

We share ownership and management responsibilities with jointly owned companies such as BAC and Tohatsu Marine Corporation. These joint ventures may not have the same goals, strategies, priorities, or resources as the Company because they are intended to be operated for the benefit of all co-owners, rather than for our exclusive benefit. If such a conflict occurred, it could negatively impact our sales or financial results.

RISKS RELATED TO OUR STRATEGIC PLANS

Failure to successfully implement our strategic plan and growth initiatives could have a material adverse effect on our business and financial condition.

Our ability to continue generating strong cash flow and profits depends partly on the sustained successful execution of our strategic plan and growth initiatives, including optimizing our business and product portfolio, making acquisitions, improving operating efficiency, and expanding into new adjacent markets. To address risks associated with our plan and growth initiatives, we have established processes to regularly review, manage, and modify our plans, and we believe we have appropriate oversight to monitor initiatives and their impact. However, our strategic plan and growth initiatives may require significant investment and management attention, which could result in the diversion of these resources from the core business and other business issues and opportunities. Additionally, any new initiative is subject to certain risks, including customer acceptance, competition, the ability to manufacture products on schedule and to specification, the ability to create the necessary supply chain, and/or the ability to attract and retain qualified management and other personnel. There is no assurance that we will be able to develop and successfully implement our strategic plan and growth initiatives in a manner that fully achieves our strategic objectives.

Our business and operations are dependent on the expertise of our key contributors, our successful implementation of succession plans, and our ability to attract and retain management employees and skilled labor.

The talents and efforts of our employees, particularly key managers, are vital to our success. Our management team has significant industry experience and would be difficult to replace. We may be unable to retain them or to attract other highly qualified employees. Failure to hire, develop, and retain highly qualified and diverse employee talent and to develop and implement an adequate succession plan for the management team could disrupt our operations and adversely affect our business and our future success. During 2020, we added several new members to our senior leadership team, including our Chief Financial Officer, President of the Boat Group, President of the Advanced Systems Group, Vice President - Enterprise Technologies, and Chief Information Officer. We perform an annual review of management succession plans with the Board of Directors, including reviewing executive officer and other important positions to substantially mitigate the risk associated with key contributor transitions, but we cannot ensure that all transitions will be implemented successfully.

Our ability to continue to execute our growth strategy could potentially be adversely affected by the effectiveness of organizational changes. Any disruption or uncertainty resulting from such changes could have a material adverse impact on our business, results of operations, and financial condition.

Much of our future success depends on, among other factors, our ability to attract and retain skilled labor. In 2020, nearly all facilities sought to increase production and to hire and retain sufficient skilled hourly labor to meet increased demand for our products. In the future, if we are not successful in these efforts, we may be unable to meet our operating goals and plans, which may impact our financial results. We continually invest in automation and improve our efficiency, but availability and retention of skilled hourly workers remains critical to our operations. In order to manage this risk, we regularly monitor and make improvements to wages and benefit programs, as well as develop and improve recruiting, training, and safety programs to attract and retain an experienced and skilled workforce.

An inability to identify and complete targeted acquisitions could negatively impact financial results.

Our growth initiatives include making strategic acquisitions, which depend on the availability of suitable targets at acceptable terms and our ability to complete the transactions. In managing our acquisition strategy, we conduct rigorous due diligence, involve various functions, and continually review target acquisitions, all of which we believe mitigates some of our acquisition risks. However, we cannot assure that suitable acquisitions will be identified or consummated or that, if consummated, they will be successful. Acquisitions include a number of risks, including our ability to project and evaluate market demand, realize potential synergies and cost savings, and make accurate accounting estimates, as well as diversion of management attention. Uncertainties exist in assessing the value, risks, profitability, and liabilities associated with certain businesses or assets, negotiating acceptable terms, obtaining financing on acceptable terms, and receiving any necessary regulatory approvals. As we continue to grow, in part, through acquisitions, our success depends on our ability to anticipate and effectively manage these risks. Our failure to successfully do so could have a material adverse effect on our financial condition and results of operations.

The inability to successfully integrate acquisitions could negatively impact financial results.

Our strategic acquisitions pose risks, such as our ability to project and evaluate market demand; maximize potential synergies and cost savings; make accurate accounting estimates; and achieve anticipated business objectives. Our recent acquisitions of Power Products and Freedom Boat Club, and other acquisitions we may complete in the future, present these and other integration risks, including:

- disruptions in core, adjacent, or acquired businesses that could make it more difficult to maintain business and operational relationships, including customer and supplier relationships;
- the possibility that the expected synergies and value creation will not be realized or will not be realized within the expected time period;
- the risk that unexpected costs and liabilities will be incurred;
- diversion of management attention; and
- difficulties retaining employees.

If we fail to timely and successfully integrate new businesses into existing operations, we may see higher costs, lost sales, or otherwise diminished earnings and financial results.

There can be no assurance that strategic divestitures or restructurings will provide business benefits.

As part of our strategy, we continuously evaluate our portfolio of businesses to further maximize shareholder value. In recent years, we have divested our Fitness and Bowling businesses and restructured our Sea Ray business to remove Sport Yachts and Yachts from the portfolio. We have previously and may in the future make other changes to our portfolio, and the changes may be material. Divestitures involve risks, including difficulties in the separation of operations, services, products, and personnel, disruption in our operations or businesses, finding a suitable purchaser, the diversion of management's attention from our other businesses, the potential loss of key employees, adverse effects on relationships with our dealer or supplier partners or their businesses, the erosion of employee morale or customer confidence, and the retention of contingent liabilities related to the divested business. If we do not successfully manage the risks associated with divestitures, our business, financial condition, and results of operations could be adversely affected as the potential strategic benefits may not be realized or may take longer to realize than expected.

RISKS RELATED TO OUR DEALERS, DISTRIBUTORS, AND FRANCHISEES

Our financial results could be adversely affected if we are unable to maintain effective distribution.

We rely on third-party dealers and distributors to sell most of our products. Maintaining a reliable network of dealers is essential to our success. We face competition from other manufacturers in attracting and retaining distributors and independent boat dealers. A significant deterioration in the number or effectiveness of our dealers and distributors could have a material adverse effect on our financial results.

Although at present we believe dealer health to be generally favorable, weakening demand for marine products could hurt our dealers’ financial performance. In particular, reduced cash flow from decreases in sales and tightening credit markets could impair dealers' ability to fund operations. Inability to fund operations can force dealers to cease business, and we may be unable to obtain alternate distribution in the vacated market. An inability to obtain alternate distribution could unfavorably affect our net sales through reduced market presence. If economic conditions deteriorate, we anticipate that dealer failures or voluntary market exits would increase, especially if overall retail demand materially declines.

Dealer or distributor inability to secure adequate access to capital could adversely affect our sales.

Our dealers require adequate liquidity to finance their operations, including purchasing our products. Dealers are subject to numerous risks and uncertainties that could unfavorably affect their liquidity positions, including, among other things, continued access to adequate financing sources on a timely basis on reasonable terms. These financing sources are vital to our ability to sell products through our distribution network, particularly to boat and engine dealers. Entities affiliated with Wells Fargo & Company, including BAC, the Company’s 49 percent owned joint venture, finance a significant portion of our boat and engine sales to dealers through floorplan financing to marine dealers.

Many factors continue to influence the availability and terms of financing that our dealer floorplan financing providers offer, including:

- their ability to access certain capital markets, such as the securitization and the commercial paper markets, and to fund their operations in a cost effective manner;
- the performance of their overall credit portfolios;
- their willingness to accept the risks associated with lending to marine dealers;
- the overall creditworthiness of those dealers; and
- the overall aging and level of pipeline inventories.

Our sales could be adversely affected if financing terms change unfavorably or if BAC were to be terminated. This could require dealers to find alternative sources of financing, including our direct financing to dealers, which could require additional capital to fund the associated receivables.

We may be required to repurchase inventory or accounts of certain dealers.

We have agreements with certain third-party finance companies to provide financing to our customers, enabling them to purchase our products. In connection with these agreements, we may either have obligations to repurchase our products from the finance company or have recourse obligations. These obligations may be triggered if our dealers default on their payment or other obligations to the finance companies.

Our maximum contingent obligation to repurchase inventory and our maximum contingent recourse obligations on customer receivables are less than the total balances of dealer financings outstanding under these programs, because our obligations under certain of these arrangements are subject to caps, or are limited based on the age of product. Our risk related to these arrangements is partially mitigated by the proceeds we receive on the resale of repurchased product to other dealers, or by recoveries on receivables purchased under the recourse obligations.

Our inventory repurchase obligations relate primarily to the inventory floorplan credit facilities of our boat and engine dealers. Our actual historical repurchase experience related to these arrangements has been substantially less than our maximum contractual obligations. If dealers default on their obligations, file for bankruptcy, or cease operations, however, we could incur losses associated with the repurchase of our products. In addition, our net sales and earnings may be unfavorably affected due to reduced market coverage and an associated decline in sales.

Future declines in marine industry demand could cause an increase in repurchase activity, or could require us to incur losses in excess of established reserves. In addition, our cash flow and loss experience could be adversely affected if repurchased inventory is not successfully distributed to other dealers in a timely manner, or if the recovery rate on the resale of the product declines. The finance companies could require changes in repurchase or recourse terms that would result in an increase in our contractual contingent obligations.

Inventory reductions by major dealers, retailers, and independent boat builders could adversely affect our financial results.

If demand begins to trail forecasted levels or if new product introductions are expected to replace existing products, the Company and our dealers, retailers, and other distributors could decide to reduce the number of units they hold. These actions could result in wholesale sales reductions in excess of retail sales reductions and would likely result in lower production levels of certain of our products, potentially causing lower rates of absorption of fixed costs in our manufacturing facilities and lower margins. While we have processes in place to help manage dealer inventories at appropriate levels, potential inventory reductions remain a risk to our future sales and results of operations.

The franchise business model of Freedom Boat Club presents risks.

Our franchisees are an integral part of our Freedom Boat Club business and its growth strategies. We may be unable to successfully implement the growth strategies if our franchisees do not participate in the implementation of those strategies or if we are unable to attract a sufficient number of qualified franchisees.

While our franchisees are required to comply with our franchise and related agreements, our franchisees are independent and manage their boat clubs as independent businesses, responsible for all day-to-day operations of their boat clubs. If these franchisees fail to maintain or act in accordance with applicable brand standards; experience service, safety, or other operational problems, including any data breach involving club member information; or project a brand image inconsistent with ours, our image and reputation could suffer, which in turn could hurt our business and operating results.

RISKS RELATED TO CYBERSECURITY AND TECHNOLOGY

Our business operations could be negatively impacted by an outage or breach of our information technology systems, operational technology systems, or a cybersecurity event.

We manage our global business operations through a variety of information technology (IT) and operational technology systems which we continually enhance to increase efficiency and security. We depend on these systems for commercial transactions, customer interactions, manufacturing, branding, employee tracking, and other applications. Some of the systems are based on legacy technology and operate with a minimal level of available support, and recent acquisitions using other

systems have added to the complexity of our IT infrastructure. New system implementations across the enterprise also pose risks of outages or disruptions, which could affect our suppliers, commercial operations, and customers. We continue to upgrade, streamline, and integrate these systems and have invested in strategies to prevent a failure or breach but, like those of other companies, our systems are susceptible to outages due to natural disasters, power loss, computer viruses, security breaches, hardware or software vulnerabilities, disruptions, and similar events. If a legacy system or another of the Company's key systems were to fail or if our IT systems were unable to communicate effectively, this could result in missed or delayed sales or lost opportunities for cost reduction or efficient cash management.

We exchange information with many trading partners across all aspects of our commercial operations through our IT systems. A breakdown, outage, malicious intrusion, breach, random attack, or other disruption of communications could result in erroneous or fraudulent transactions, disclosure of confidential information, loss of reputation and confidence, and may also result in legal claims or proceedings, penalties, and remediation costs. We have numerous e-commerce and e-marketing portals and our systems may contain personal information of customers or employees; therefore, we must continue to be diligent in protecting against malicious cyber attacks. We have been the target of attempted cyber attacks and other security threats and we may be subject to breaches of our IT systems. We have programs in place that are intended to detect, contain, and respond to data security incidents and that provide employee awareness training regarding phishing, malware, and other cyber risks. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect, we may be unable to anticipate these techniques or implement adequate preventive measures. If our security measures are breached or fail, unauthorized persons may be able to obtain access to or acquire personal or other confidential data. Depending on the nature of the information compromised, we may also have obligations to notify consumers and/or employees about the incident, and we may need to provide some form of remedy, such as a subscription to a credit monitoring service, for the individuals affected by the incident. This could negatively affect our relationships with customers or trading partners, lead to potential claims against the Company, and damage our image and reputation.

We rely on third parties for computing, storage, processing, and similar services. Any disruption of or interference with our use of these third-party services could have an adverse effect on our business, financial condition, and operating results.

Most of our business systems reside on third-party outsourced cloud infrastructure providers. We are therefore vulnerable to service interruptions experienced by these providers and could experience interruptions, delays, or outages in service availability in the future due to a variety of factors, including infrastructure changes, human, hardware or software errors, hosting disruptions, and capacity constraints. While we have mitigation and service redundancy plans in place, outages and/or capacity constraints could still arise from a number of causes such as technical failures, natural disasters, fraud, or internal or third-party security attacks, which could negatively impact our ability to manufacture and/or operate our business.

We collect, store, process, share, and use personal information, and rely on third parties that are not directly under our control to do so as well, which subjects us to legal obligations, laws and regulations related to security and privacy, and any actual or perceived failure to meet those obligations could harm our business.

We are subject to various data protection and privacy laws and regulations in the countries where we operate because we collect, store, process, share, and use personal information, and we rely on third parties that are not directly under our control to do so as well. The General Data Protection Regulation (GDPR) in the European Union (EU) went into effect in May 2018 and the California Consumer Privacy Act (CCPA) became effective January 1, 2020. Although we have implemented plans to comply with these laws, GDPR, CCPA, and future laws and regulations could impose an even greater compliance burden and risk with respect to privacy and data security than prior laws. The EU (through the GDPR) and a growing number of legislative and regulatory bodies elsewhere in the world have adopted consumer notification requirements in the event of unauthorized access to or acquisition of certain types of personal information. These breach notification laws continue to evolve and may be inconsistent from one jurisdiction to another. Complying with these obligations could cause us to incur substantial costs, require significant management time and attention, and increase negative publicity surrounding any incident that compromises personal information.

RISKS RELATED TO OUR INTELLECTUAL PROPERTY

Our success depends upon the continued strength of our brands.

We believe that our brands, particularly including Mercury Marine, Sea Ray, Boston Whaler, and Lund, significantly contribute to our success, and that maintaining and enhancing these brands is important to expanding our customer base. A failure to adequately promote, protect, and strengthen our brands could adversely affect our business and results of operations. Further, in connection with the divestiture of the bowling and billiards businesses, we licensed certain trademarks and

servicemarks, including use of the name "Brunswick," to the acquiring companies. Our reputation may be adversely affected by the purchasers' inappropriate use of the marks or of the name Brunswick, including potential negative publicity, loss of confidence, or other damage to our image due to this licensed use.

Either inadequate intellectual property protection that could allow others to use our technologies and impair our ability to compete, or failure to successfully defend against patent infringement claims could have a material adverse effect on our financial condition and results of operations.

We regard much of the technology underlying our products as proprietary. We rely on a combination of patents, trademark, copyright, and trade secret laws; employee and third-party non-disclosure agreements; and other contracts to establish and protect our technology and other intellectual property rights. However, we remain subject to risks, including:

- the steps we take to protect our proprietary technology may be inadequate to prevent misappropriation of our technology;
- third parties may independently develop similar technology;
- agreements containing protections may be breached or terminated;
- we may not have adequate remedies for breaches;
- existing patent, trademark, copyright, and trade secret laws may afford limited protection;
- a third party could copy or otherwise obtain and use our products or technology without authorization; or
- we may be required to litigate to enforce our intellectual property rights, and we may not be successful.

Policing unauthorized use of our intellectual property is difficult, particularly outside the U.S., and litigating intellectual property claims may result in substantial cost and divert management’s attention.

In addition, we may be required to defend our products against patent or other intellectual property infringement claims or litigation. Besides defense expenses and costs, we may not prevail in such cases, forcing us to seek licenses or royalty arrangements from third parties, which we may not be able to obtain on reasonable terms, or subjecting us to an order or requirement to stop manufacturing, using, selling, or distributing products that included challenged intellectual property, which could harm our business and financial results.

RISKS RELATED TO OUR REGULATORY, ACCOUNTING, LEGAL, AND TAX ENVIRONMENT

Changes to U.S. trade policy, tariffs, and import/export regulations may have a material adverse effect on our business, financial condition, and results of operations.

Changes in laws and policies governing foreign trade, which may occur under a new U.S. presidential administration, could adversely affect our business and trigger retaliatory actions by affected countries. Although we were granted exclusion from Section 301 tariffs for Mercury Marine 40, 50, and 60 horsepower engines through the end of 2019, these exclusions were not renewed for 2020 and the denial of exemption requests have and may continue to negatively affect our business. We continue to be subject to meaningful tariffs, and there is no assurance that we will be granted exclusions in the future. Like many other multinational corporations, we do a significant amount of business that would be affected by changes to the trade policies of the U.S. and foreign countries (including governmental action related to tariffs and international trade agreements). Such changes have the potential to adversely impact the U.S. economy, our industry, our suppliers, and global demand for our products and, as a result, could have a material adverse effect on our business, financial condition, and results of operations.

An impairment in the carrying value of goodwill, trade names, and other long-lived assets could negatively affect our consolidated results of operations and net worth.

Goodwill and indefinite-lived intangible assets, such as our trade names, are recorded at fair value at the time of acquisition and are not amortized, but are reviewed for impairment at least annually or more frequently if impairment indicators arise. In evaluating the potential for impairment of goodwill and trade names, we make assumptions regarding future operating performance, business trends, and market and economic conditions. Such analyses further require us to make certain assumptions about sales, operating margins, growth rates, and discount rates. Uncertainties are inherent in evaluating and applying these factors to the assessment of goodwill and trade name recoverability. We could be required to evaluate the recoverability of goodwill or trade names prior to the annual assessment if we experience business disruptions, unexpected significant declines in operating results, a divestiture of a significant component of our business, or declines in market capitalization.

We also continually evaluate whether events or circumstances have occurred that indicate the remaining estimated useful lives of our definite-lived intangible assets and other long-lived assets may warrant revision or whether the remaining balance of such assets may not be recoverable. We use an estimate of the related undiscounted cash flow over the remaining life of the asset in measuring whether the asset is recoverable.

As of December 31, 2020, the balance of total goodwill and indefinite lived intangible assets was $584 million, which represents approximately 15 percent of total assets. If the future operating performance of either the Company or individual operating segments is not sufficient, we could be required to record non-cash impairment charges. Impairment charges could substantially affect our reported earnings in the periods such charges are recorded. In addition, impairment charges could indicate a reduction in business value which could limit our ability to obtain adequate financing in the future.

We manufacture and sell products that create exposure to potential claims and litigation.

Our manufacturing operations and the products we produce could result in product quality, warranty, personal injury, property damage, and other issues, thereby increasing the risk of litigation and potential liability, as well as regulatory fines. To manage this risk, we have established a global, enterprise-wide program charged with the responsibility for reviewing, addressing, and reporting on product integrity issues. Historically, the resolution of such claims has not had a materially adverse effect on our business, and we maintain what we believe to be adequate insurance coverage to mitigate a portion of these risks. However, we may experience material losses in the future, incur significant costs to defend claims or issue product recalls, experience claims in excess of our insurance coverage or that are not covered by insurance, or be subjected to fines or penalties. Our reputation may be adversely affected by such claims, whether or not successful, including potential negative publicity about our products. We record accruals for known potential liabilities, but there is the possibility that actual losses may exceed these accruals and therefore negatively impact earnings.

Compliance with environmental, health, safety, zoning, and other laws and regulations may increase costs and reduce demand for our products.

We are subject to federal, state, local, and foreign laws and regulations, including product safety, environmental, health and safety, and other regulations. While we believe that we maintain the requisite licenses and permits and that we are in material compliance with applicable laws and regulations, a failure to satisfy these and other regulatory requirements could result in fines or penalties, and compliance could increase the cost of operations. The adoption of additional laws, rules, and regulations, including stricter emissions standards, could increase our manufacturing costs, require additional product development investment, increase consumer pricing, and reduce consumer demand for our products or boat club operations.

Environmental restrictions, boat plant emission restrictions, and permitting and zoning requirements can limit production capacity, access to water for boating and marinas, and storage space. While future licensing requirements, including any licenses imposed on recreational boating, are not expected to be unduly restrictive, they may deter potential customers, thereby reducing our sales. Furthermore, regulations allowing the sale of fuel containing higher levels of ethanol for automobiles, which is not appropriate or intended for use in marine engines, may nonetheless result in increased warranty, service costs, customer dissatisfaction with products, and other claims against the Company if boaters mistakenly use this fuel in marine engines, causing damage to and the degradation of components in their marine engines. Many of our customers use our products for fishing and related recreational activities. Regulatory or commercial policies and practices impacting access to water, including availability of slip locations and/or the ability to transfer boats among different waterways, access to fisheries, or the ability to fish in some areas could negatively affect demand for our products.

Our manufacturing processes involve the use, handling, storage, and contracting for recycling or disposal of hazardous or toxic substances or wastes. Accordingly, we are subject to regulations regarding these substances, and the misuse or mishandling of such substances could expose us to liabilities, including claims for property, personal injury, or natural resources damages, or fines. We are also subject to laws requiring the cleanup of contaminated property, including cleanup efforts currently underway. If a release of hazardous substances occurs at or from one of our current or former properties or another location where we have disposed of hazardous materials, we may be held liable for the contamination, regardless of knowledge or whether we were at fault, and the amount of such liability could be material.

Additionally, we are subject to laws governing our relationships with employees, including, but not limited to, employment obligations as a federal contractor and employee wage, hour, and benefits issues, such as health care benefits. Compliance with these rules and regulations, and compliance with any changes to current regulations, could increase the cost of our operations.

Changes in income tax laws or enforcement could have a material adverse impact on our financial results.

The US federal Tax Cuts and Jobs Act (TCJA), signed into law on December 22, 2017, continues to have an overall positive impact on our financial statements, but certain expiring tax provisions (e.g., research and development and tangible property immediate expensing), administrative, and legislative changes that may result from the recent U.S. general elections as well as new or amended government regulations or guidance could have a negative impact. In addition, other changes in international and domestic tax laws, including developments at the Organization for Economic Co-operation and Development that may change global taxing norms, and changes in tax law enforcement, could negatively impact our tax provision, cash flows, and/or tax related balance sheet amounts, including our deferred tax asset values. Changes in U.S. and international tax laws may have broader implications, including impacts on the economy, currency markets, inflation, consumer behavior, and competitive dynamics, which are difficult to predict, and may positively or negatively impact the Company and our results.

RISKS RELATED TO OUR COMMON STOCK

The timing and amount of our share repurchases are subject to a number of uncertainties.

The Board of Directors has authorized the Company's discretionary repurchase of outstanding common stock, to be systematically completed in the open market or through privately negotiated transactions. In 2020, we repurchased $118 million of shares, and we plan to continue share repurchases in 2021 and beyond. The amount and timing of share repurchases are based on a variety of factors. Important considerations that could cause us to limit, suspend, or delay future stock repurchases include:

- unfavorable market and economic conditions;
- the trading price of our common stock;
- the nature and magnitude of other investment opportunities available to us from time to time; and
- the availability of cash.

Delaying, limiting, or suspending our stock repurchase program may negatively affect performance versus earnings per share targets, and ultimately our stock price.

Certain activist shareholder actions could cause us to incur expense and hinder execution of our strategy.

We actively engage in discussions with our shareholders regarding further strengthening our Company and creating long-term shareholder value. This ongoing dialogue can include certain divisive activist tactics, which can take many forms. Some shareholder activism, including potential proxy contests, could result in substantial costs, such as legal fees and expenses, and divert management's and our Board's attention and resources from our businesses and strategic plans. Additionally, public shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with dealers, distributors, or customers, make it more difficult to attract and retain qualified personnel, and cause our stock price to fluctuate based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business. These risks could adversely affect our business and operating results.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our headquarters are in Mettawa, Illinois. We have numerous manufacturing plants, distribution warehouses, sales offices, and product test sites around the world. Research and development facilities are primarily located at manufacturing sites.

We believe our facilities are suitable and adequate for our current needs and are well maintained and in good operating condition. Most plants and warehouses are of modern, single-story construction, providing efficient manufacturing and distribution operations. We believe our manufacturing facilities have the capacity, or we are investing to increase capacity, to meet current and anticipated demand. We own many of our principal plants.

The principal facilities used in our operations are in the following locations:

Propulsion Segment
Leased facilities include: Miramar, Florida; Rio de Janeiro, Brazil; Toronto and Milton, Ontario, Canada; Dubai, UAE; Suzhou, China; Dandenong, Australia; and Singapore.

Owned facilities include: Panama City and St. Cloud, Florida; Brookfield, Fond du Lac, and Oshkosh, Wisconsin; Petit-Rechain, Belgium; Suzhou, China; and Juarez, Mexico.

P&A Segment
Leased facilities include: Fresno, California; Old Lyme, Connecticut; Lake Suzy and Pompano Beach, Florida; Suwanee, Georgia; Lowell, Michigan; St. Paul Park, Minnesota; Reno, Nevada; Bellingham, Washington; Menomonee Falls, Wisconsin; Langley and Victoria, British Columbia, Canada; Milton, Ontario, Canada; Amsterdam and Heerenveen, Netherlands; Auckland, New Zealand; Murrarie, Australia; Juarez, Mexico; and Bangor, Northern Ireland.

Owned facilities include: Stuart, Florida and Fond Du Lac, Wisconsin.

Boat Segment
Leased facilities include: Venice, Florida; Knoxville, Tennessee; Amsterdam, Netherlands; and Auckland, New Zealand.

Owned facilities include: Edgewater, Palm Coast, and Merritt Island, Florida; Fort Wayne, Indiana; New York Mills, Minnesota; Lebanon, Missouri; Vonore, Tennessee; Clarkston, Washington; Petit-Rechain, Belgium; Princeville, Quebec, Canada; Reynosa, Mexico; and Vila Nova de Cerveira, Portugal.

Item 3. Legal Proceedings

Refer to **Note 13 – Commitments and Contingencies** in the Notes to Consolidated Financial Statements for information about the Company's legal proceedings.

Item 4. Mine Safety Disclosures

Not applicable.

Information About Our Executive Officers

Brunswick's Executive Officers are listed in the following table:

Officer Name	Present Position	First Became an Executive Officer	Age
David M. Foulkes	Chief Executive Officer	2018	59
Ryan M. Gwillim	Senior Vice President and Chief Financial Officer	2020	41
Aine L. Denari	Vice President and President - Brunswick Boat Group	2020	48
Christopher F. Dekker	Vice President, General Counsel and Secretary	2014	52
Brett A. Dibkey	Vice President and President - Advanced Systems Group	2020	48
Christopher D. Drees	Vice President and President - Mercury Marine	2019	52
Brenna D. Preisser	President - Business Acceleration & Chief People & Strategy Officer	2016	43
Randall S. Altman	Vice President and Controller	2019	49

The executive officers named above have been appointed to serve until their successors are chosen and qualified or until the executive officer's earlier resignation or removal.

David M. Foulkes was named Chief Executive Officer of Brunswick in January 2019. He served as Chief Technology Officer and President, Brunswick Marine Consumer Solutions from May 2018 to 2019, as Vice President and Brunswick Chief Technology Officer from 2014 to 2018, as Vice President of Product Development and Engineering, Mercury Marine, from 2010 to 2018 and as President of Mercury Racing from 2012 to 2018. Previously, Mr. Foulkes held positions of increasing responsibility at Mercury Marine from the start of his employment in 2007.

Ryan M. Gwillim was named Senior Vice President and Chief Financial Officer of Brunswick in June 2020. Previously, he served as Vice President – Finance and Treasurer from June 2019 to June 2020, and Vice President – Investor Relations from 2017 to 2019. Mr. Gwillim served as Associate General Counsel - International from 2015 to 2017 and held positions of increasing responsibility within the Legal Department since his Brunswick employment began in 2011.

Aine L. Denari was named Vice President and President - Brunswick Boat Group in October 2020. Prior to joining Brunswick, Ms. Denari worked at ZF AG as Senior Vice President and General Manager, Global Electronics ADAS (Advanced Driver Assistance Systems) from December 2017 to October 2020, as Senior Vice President, Planning and Business Development from 2015 to 2017, and as Vice President, Business Development and Product Planning from 2014 to 2017. Ms. Denari previously served in a variety of executive positions within the automotive industry, and in leadership positions at major global consulting firms.

Christopher F. Dekker was named Vice President, General Counsel and Secretary of Brunswick in October 2014. Prior to his appointment, Mr. Dekker served as Brunswick's Associate General Counsel, with responsibilities for litigation, employment, and compliance matters, from the start of his employment with Brunswick in 2010.

Brett A. Dibkey was named Vice President and President – Advanced Systems Group in January 2020. Mr. Dibkey joined Brunswick following 12 years at Whirlpool Corporation, a multinational manufacturer and marketer of home appliances, where he served as Vice President and General Manager, Business Units, Brand Marketing, eCommerce, and IoT from January 2017 to December 2019, Vice President and General Manager, Integrated Business Units from 2012 to 2020, and General Manager, Dishwasher Category and New Business Development from 2007 to 2012. Prior to his career at Whirlpool, Mr. Dibkey worked in a variety of business development and strategic planning roles for Pfizer and Crowe Horwath, LLP.

Christopher D. Drees was named Vice President and President - Mercury Marine in April 2019. He served as President of Marine Parts and Accessories from 2018 to 2019, and as Vice President - Mercury Global Operations from 2014 to 2018. Prior to 2014, Mr. Drees served in a variety of positions of increasing responsibility at Mercury Marine since his hire in 1998.

Brenna D. Preisser was named President - Business Acceleration and Chief People and Strategy Officer in 2020. Previously Ms. Preisser served as Vice President and Chief Human Resources Officer and President - Business Acceleration from 2018 to 2020 and as Vice President and Chief Human Resources Officer of Brunswick since 2016. Ms. Preisser has served in a variety of roles of increasing responsibility since she started with Brunswick in 2004.

Randall S. Altman was named Vice President and Controller of Brunswick in June 2019. Previously, he served as Vice President – Treasurer from 2013 to 2019. Mr. Altman has held a series of roles of increasing responsibility within Brunswick since he joined Brunswick in 2003.

PART II

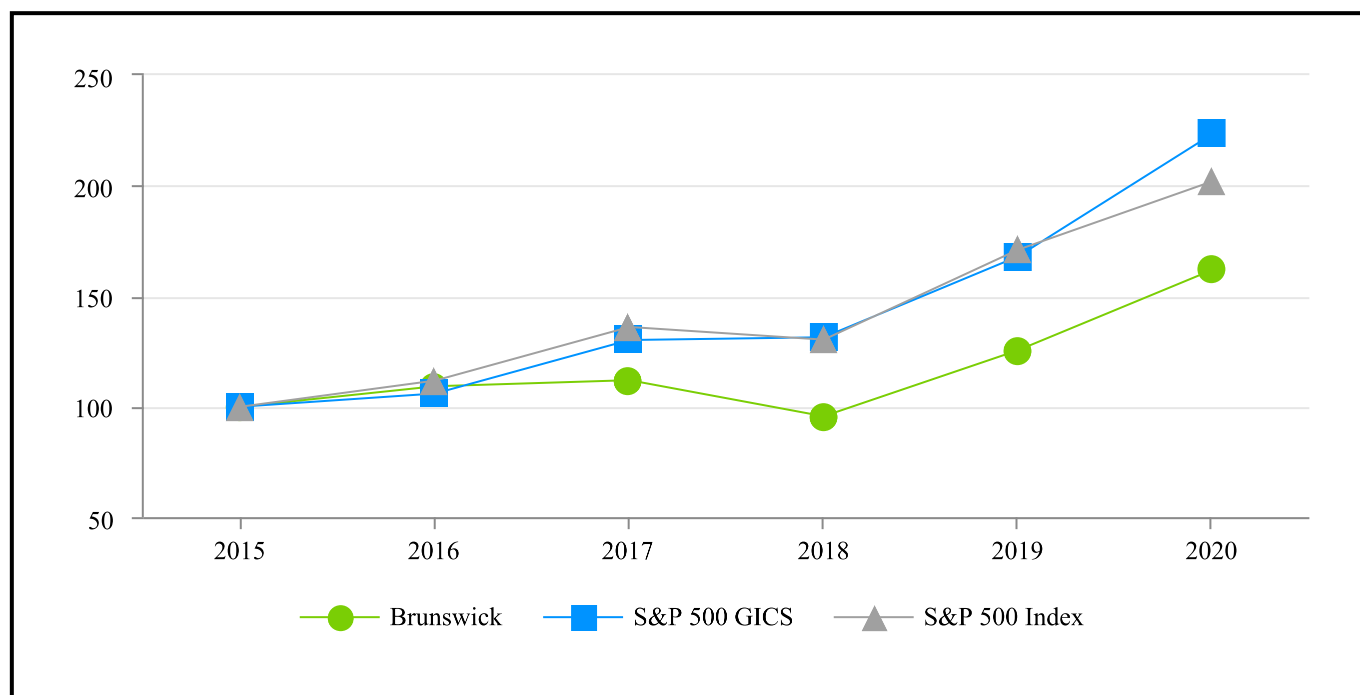
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Brunswick's common stock is traded on the New York and Chicago Stock Exchanges under the symbol "BC". As of February 11, 2021, there were 7,186 shareholders of record of the Company's common stock.

Brunswick expects to continue to pay quarterly dividends at the discretion of the Board of Directors, subject to continued capital availability and a determination that cash dividends continue to be in the best interest of the Company's shareholders. Brunswick's dividend and share repurchase policies may be affected by, among other things, the Company's views on future liquidity, potential future capital requirements and restrictions contained in certain credit agreements.

Performance Graph

Comparison of Cumulative Total Shareholder Return among Brunswick, S&P 500 Index and S&P 500 Global Industry Classification Standard (GICS) Consumer Discretionary Index



	2015	2016	2017	2018	2019	2020
Brunswick	100.00	109.24	111.99	95.65	125.52	161.87
S&P 500 GICS Consumer Discretionary Index	100.00	105.96	130.16	131.41	167.97	223.34
S&P 500 Index	100.00	111.82	136.06	130.32	171.01	201.94

The basis of comparison is a $100 investment at December 31, 2015 in each of: (i) Brunswick, (ii) the S&P 500 GICS Consumer Discretionary Index and (iii) the S&P 500 Index. All dividends are assumed to be reinvested. The S&P 500 GICS Consumer Discretionary Index encompasses industries including automotive, household durable goods, textiles and apparel and leisure equipment. Brunswick believes the companies included in this index provide the most representative sample of enterprises that are in primary lines of business that are similar to Brunswick's.

Issuer Purchases of Equity Securities

The Company has executed share repurchases against authorizations approved by the Board of Directors in 2016 and 2019. In 2020, the Company repurchased $118.3 million of stock under these authorizations and as of December 31, 2020, the remaining authorization was $116.5 million.

During the three months ended December 31, 2020, the Company repurchased the following shares of its common stock:

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
September 27 to October 24	—	NA	—	
October 25 to November 21	416,379	65.59	416,379	
November 22 to December 31	158,714	74.98	158,714	
Total	575,093	$ 68.18	575,093	$ 116,517,858

Item 6. Selected Financial Data

The selected historical financial data presented below as of and for the years ended December 31, 2020, 2019 and 2018 has been derived from, and should be read in conjunction with, the historical consolidated financial statements of the Company, including the notes thereto, and Item 7 of this report, including the **Matters Affecting Comparability** section. The selected historical financial data presented below as of and for the years ended December 31, 2017 and 2016 has been derived from the consolidated financial statements of the Company for those years and are not included in this Annual Report Form 10-K.

(in millions, except per share data)	2020 (A)	2019 (A)	2018	2017	2016
Results of operations data					
Net sales	**$ 4,347.5**	$ 4,108.4	$ 4,120.9	$ 3,802.2	$ 3,508.1
Restructuring, exit, integration, and impairment charges	**4.1**	18.8	54.8	48.6	2.9
Operating earnings	**539.3**	471.0	355.5	330.3	356.3
Pension settlement (benefit) charge	**(1.1)**	292.8	—	96.6	55.1
Earnings before interest and income taxes	**538.8**	183.4	358.9	236.7	292.7
Earnings before income taxes	**472.7**	110.7	310.7	212.9	267.0
Net earnings from continuing operations	**374.7**	30.4	253.4	101.3	188.4
Net (loss) earnings from discontinued operations, net of tax	**(2.0)**	(161.4)	11.9	45.1	87.6
Net earnings (loss)	**$ 372.7**	$ (131.0)	$ 265.3	$ 146.4	$ 276.0
Basic earnings (loss) per common share					
Earnings from continuing operations	**$ 4.73**	$ 0.36	$ 2.89	$ 1.13	$ 2.07
Net (loss) earnings from discontinued operations, net of tax	**(0.03)**	(1.90)	0.14	0.51	0.96
Net earnings (loss)	**$ 4.70**	$ (1.54)	$ 3.03	$ 1.64	$ 3.03
Average shares used for computation of basic earnings per share	**79.2**	85.2	87.6	89.4	91.2
Diluted earnings (loss) per common share					
Earnings from continuing operations	**$ 4.70**	$ 0.36	$ 2.87	$ 1.12	$ 2.05
Net (loss) earnings from discontinued operations, net of tax	**(0.02)**	(1.89)	0.14	0.50	0.95
Net earnings (loss)	**$ 4.68**	$ (1.53)	$ 3.01	$ 1.62	$ 3.00
Average shares used for computation of diluted earnings per share	**79.7**	85.6	88.2	90.1	92.0

(A) Refer to **Note 22 – Quarterly Data (unaudited)**, for further details on certain non-recurring items which impacted 2020 and 2019 results.

(in millions, except per share and other data)	2020	2019	2018	2017	2016
Balance sheet data					
Total assets	**$ 3,770.6**	$ 3,564.4	$ 4,291.5	$ 3,371.1	$ 3,311.3
Debt					
Short-term	**$ 43.1**	$ 41.3	$ 41.3	$ 5.6	$ 5.9
Long-term	**908.3**	1,068.0	1,179.5	431.8	436.5
Total debt	**951.4**	1,109.3	1,220.8	437.4	442.4
Common shareholders' equity	**1,510.0**	1,300.9	1,582.6	1,482.9	1,440.1
Total capitalization	**$ 2,461.4**	$ 2,410.2	$ 2,803.4	$ 1,920.3	$ 1,882.5
Cash flow data					
Net cash provided by operating activities of continuing operations	**$ 800.0**	$ 475.3	$ 274.5	$ 308.2	$ 309.6
Depreciation and amortization	**153.4**	138.7	124.0	87.1	83.8
Capital expenditures	**182.4**	232.6	180.2	178.0	157.9
Investments	**(4.0)**	2.4	(8.8)	(3.2)	5.1
Cash dividends paid	**78.3**	73.4	67.8	60.6	55.4
Other data					
Dividends declared per share	**$ 0.990**	$ 0.870	$ 0.780	$ 0.685	$ 0.615
Book value per share	**19.38**	16.34	18.23	16.95	16.13
Return on beginning shareholders' equity	**28.6%**	(8.3)%	17.9%	10.2%	21.5%
Effective tax rate from continuing operations	**20.7%**	72.5%	18.4%	52.4%	29.4%
Debt-to-capitalization rate	**38.7%**	46.0%	43.5%	22.8%	23.5%
Number of employees	**14,382**	12,828	13,084	12,262	11,522
Number of shareholders of record	**7,232**	7,484	7,823	8,247	8,683
Common stock price (NYSE)					
High	**$ 84.00**	$ 62.23	$ 69.82	$ 63.82	$ 56.30
Low	**25.22**	41.02	41.92	48.04	36.05
Close (last trading day)	**76.24**	59.98	46.45	55.22	54.54

The Notes to Consolidated Financial Statements should be read in conjunction with the above summary.

Item 7. 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 are forward-looking statements. 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. 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*** above.

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 include a discussion of net sales on a constant currency basis; the discussion of our earnings includes a presentation of operating earnings and operating margin excluding restructuring, exit and impairment charges, purchase accounting amortization, acquisition-related costs and other applicable charges; and 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 that 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 better evaluate our ongoing business performance. In order to better align our reported results with the internal metrics used by management 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 the Power Products and Freedom Boat Club acquisitions.

Brunswick does not provide forward-looking guidance for certain financial measures on a GAAP basis because it is 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.

Overview and Outlook

Impact of COVID-19

In March 2020, the World Health Organization announced that infections of the novel coronavirus (COVID-19) had become a world-wide pandemic. National, state and local authorities have enforced social distancing and imposed quarantine and isolation measures on large portions of the population, including mandatory business closures. These measures have had and continue to have serious adverse impacts on domestic and foreign economies of uncertain severity and duration.

On March 23, 2020, we temporarily suspended manufacturing operations at most engine and boat production facilities to ensure the health and safety of affected employees and to balance inventory levels with anticipated reductions in near-term demand. On April 13, 2020, we resumed partial operations and limited production activities in certain manufacturing facilities and, in the ensuing weeks, continued to open additional manufacturing facilities.

Our distribution business operated throughout the pandemic and the dealer network continued to sell products, enabling boaters to get out on the water. Approximately half of the dealer network was closed in some capacity in April, but the network was fully operational by mid-May. The pandemic also affected Freedom Boat Club, as many of its locations were closed in April due to local stay-at-home restrictions, particularly in Florida. However, once doors reopened, several locations had their busiest weekends in history with strong membership increases across the network.

Production ramp-up activities became a primary focus in the second half of the year, as we experienced an unprecedented surge in retail demand as a consequence of the need for social distancing friendly recreation. This surging retail demand environment resulted in our lowest pipeline inventory levels in over twenty years, at 19 weeks on hand as of the end of the year.

As of February 12, 2021, all global manufacturing and distribution facilities are online with a continued focus on rigorously applying, evolving and automating COVID-19 mitigation procedures, while continuing to ramp-up global production

to meet unprecedented market demand. We will continue to actively monitor the impact of COVID-19 and may take further actions that alter business operations as may be required by government authorities, or that are determined to be in the best interest of our employees, customers, dealers, suppliers and stakeholders. The full extent of the impact of COVID-19 on our business, operations and financial results will depend on evolving factors that we cannot accurately predict. Refer to **Part I. Item 1A. Risk Factors** for further information.

Change in Reportable Segments

Effective January 1, 2020, we changed our management reporting and updated our reportable segments to Propulsion, Parts and Accessories and Boat (inclusive of Business Acceleration) to align with our strategy. Refer to **Note 6 – Segment Information** in the Notes to Consolidated Financial Statements for further information.

CARES Act

On March 27, 2020, the President of the United States signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The tax provisions include changes to the net operating loss rules, a temporary increase to the limitation on deductible business interest expense, and accelerated depreciation on qualified improvement property. In addition, the CARES Act has provisions designed to encourage eligible employers to keep employees on payroll, despite experiencing economic hardship related to COVID-19, with an employee retention tax credit (Employee Retention Credit). At this time, we do not expect the CARES Act to have a material impact on our results of operations.

Under the CARES Act, we deferred approximately $4 million of U.S. income tax payments from the first and second quarters to the third quarter of 2020 and approximately $2.7 million of non-U.S. tax payments from the first, second and third quarters of 2020 to the fourth quarter of 2020 and the first quarter of 2021. In addition, we deferred the payment of $22 million of payroll taxes normally due between March 27, 2020 and December 31, 2020. These payroll taxes are payable in two equal installments, due in the fourth quarters of 2021 and 2022, and will be paid no later than their prescribed due dates.

The Employee Retention Credit is a payroll tax credit against certain employment taxes equal to 50 percent of the qualified wages and healthcare costs an eligible employer incurs after March 12, 2020, and before January 1, 2021. We calculated an employee retention credit of $6.5 million across all segments which was recognized in full during 2020. These costs were recognized in Cost of sales and Selling, general and administrative expense.

Discontinued Operations

On June 27, 2019, we completed the sale of our Fitness business. This business, which was previously reported within our Fitness segment, is being reported as discontinued operations for all periods presented.

Our results for all periods presented, as discussed in Management's Discussion and Analysis, are presented on a continuing operations basis, unless otherwise noted. Refer to **Note 3 – Discontinued Operations** in the Notes to Consolidated Financial Statements for further information.

Presentation of Sea Ray Results

In December 2017, the Board of Directors authorized the exit of our Sea Ray business, including the Meridian brand, and as a result, we reclassified the assets and liabilities as held for sale on the Consolidated Balance Sheets and presented the results of the business as discontinued operations on the Consolidated Statements of Operations in the Annual Report on Form 10-K for the fiscal year ended December 31, 2017. In June 2018, the Board of Directors authorized the end of the sale process for our Sea Ray business and as a result, we again reported the results of the business within continuing operations beginning in the second quarter of 2018. As part of this action, we decided to restructure the businesses, including discontinuing Sea Ray Sport Yacht & Yachts models and winding down yacht production, while reinventing Sea Ray Sport Boat and Sport Cruiser operations. Refer to the Form 8-K filed with the Securities and Exchange Commission (SEC) on July 19, 2018 for further information.

We largely completed the wind down of our Sea Ray Sport Yacht & Yachts operations during 2018. Non-GAAP figures exclude the results of Sport Yacht & Yachts operations in 2018, and certain amounts in 2019 related to changes in estimated liabilities.

Acquisition of Power Products

On August 9, 2018, we completed our acquisition of the Global Marine Business of Power Products Holdings, LLC (Power Products) for $909.6 million in cash, on a cash-free, debt-free basis. For further discussion regarding the acquisition, refer to **Note 5 – Acquisitions** in the Notes to Consolidated Financial Statements.

Overview

Our 2020 results represent our eleventh consecutive year of growth, resulting from strong operating performance in a healthy marine market. We sought to achieve the following financial objectives in 2020:

- Deliver revenue growth.
- Increase earnings before income taxes, as well as deliver improvements in operating margin percentage, excluding non-recurring charges.
- Continue to generate strong free cash flow and execute our capital strategy.

Achievements against our financial objectives in 2020 were as follows:

Deliver revenue growth:

Ended the year with a 6% increase in net sales when compared with 2019 due to the following:

- The Propulsion segment delivered top-line growth, increasing market share, leveraging what we believe is the strongest product lineup in the industry and accelerating penetration in saltwater, repower, and international commercial markets.

- The Parts & Accessories (P&A) segment delivered strong top-line growth as a result of increased boating participation, which drove strong aftermarket sales, together with high demand for our full range of OEM systems and services, as boat production increased during the second-half of the year across the industry.

- The Boat segment contributed to the revenue growth over the second half of 2020 as U.S. marine retail demand continued to surge through year-end. The surge in retail demand resulted in historically-low pipeline inventory levels, with 40% percent fewer boats in dealer inventory at the end of 2020 versus the end of 2019. Freedom Boat Club also exceeded expectations during 2020 by adding over 40 new locations and almost 10,000 new memberships.

- International net sales increased 9 percent and 10 percent in 2020 on a GAAP and constant currency basis, respectively, primarily driven by Asia-Pacific, Europe, and Rest-of-World regions, partially offset by declines in Canada.

Increase earnings before income taxes, as well as deliver improvements in operating margin percentage, excluding non-recurring charges:

- Reported earnings before income taxes were $472.7 million in 2020 compared with earnings before income taxes of $110.7 million in 2019; adjusted earnings before income taxes were $511.2 million in 2020 versus $465.2 million in 2019.

- Gross margin percentage improved 60 basis points when compared with 2019 reflecting the impact of higher sales across all segments during the second half of the year, as well as favorable changes in sales mix, partially offset by the impact of production suspensions and stay-at-home restrictions earlier in the year.

- Operating margin improved by 90 basis points when compared with 2019 primarily due to the factors affecting gross margin percentage discussed above. Operating margin, as adjusted, was up 40 basis points compared with 2019.

Continue to generate strong free cash flow and execute against our capital strategy:

- Generated free cash flow of $629.3 million in 2020 enabling us to execute our capital strategy as follows:

  - Deployed $182 million of capital in our businesses for product and capacity initiatives;
  - Retired $155 million of long term debt;
  - Completed approximately $118 million of share repurchases; and
  - Increased our dividend for the 8th consecutive year.

- Maintained investment grade credit rating through the COVID-related recession
- Ended the year with $587.0 million of cash and marketable securities

Net earnings from continuing operations increased to $374.7 million in 2020 from $30.4 million in 2019. The 2019 results included an after-tax, non-cash charge of $310.3 million related to pension settlement costs as well as a net tax benefit of $17.2 million primarily related to a favorable rate change impact on state deferred tax assets as well as a reassessment of the state valuation allowance.

Outlook for 2021

While we remain very cognizant of macroeconomic headwinds and other related uncertainties, our continued strong performance in a robust marine retail environment has created improved visibility into our substantial growth opportunities for 2021. The progression of the pandemic remains very dynamic, and the resulting impact on our dealers, OEM partners, suppliers, and the macro-economy is difficult to fully predict. However, given our improved clarity on our ability to drive growth, we are providing the following guidance for 2021. We anticipate:

- U.S. marine industry retail unit demand up low-to-mid single digit percent for the year versus 2020;
- Net Sales between $4.75 and $5.0 billion;
- Adjusted operating margins to grow between 60 and 100 basis points, with operating expenses as a percent of sales to be lower than in 2020;
- Adjusted diluted EPS in the range of $6.00 to $6.40; and
- Free cash flow generation to be in excess of $300 million.

For the Propulsion segment, we anticipate net sales growth for the year to be in the high-single to low double-digit percent range, with operating margins up more than 20 basis points versus 2020. We expect earnings growth to include margin expansion associated with new product introductions, increased factory absorption from elevated production levels and currency tailwinds, partially offset by regional sales mix, increased tariffs due to volume increases, and some increase in spending on products, technology, and other strategic priorities.

For the Parts & Accessories segment, we anticipate organic net sales growth in the mid-single digit percent range for 2021. We expect margins to grow slightly in the year. This area will continue to be the primary focus of our M&A activity as we look for opportunities to further build out our technology and systems portfolio.

The Boat segment will be focused on improving operational performance, fulfilling demand and refilling pipelines in a very robust retail environment, which should lead to top line growth of more than 30 percent and strong improvement in operating earnings and margins. With three-quarters of our entire calendar-year 2021 wholesale orders already received, and with several brands largely sold-out into 2022, we anticipate consistent production throughout the year, which should result in cost efficiencies. We anticipate exiting 2021 with operating margins approaching our double-digit target for the segment.

We are planning for the effective tax rate in 2021 to be approximately 23 percent based on existing tax law, which does not reflect any potential changes in statutory tax rates.

These 2021 expectations assume no major additional pandemic-related business continuity issues. In addition, the level of recovery of the global economy, continued stable channel operations, the ability to moderate labor and input costs, and the absence of significant additional disruption to our global operations and supply chain, will be important factors in determining whether we ultimately perform in line with our targets.

Matters Affecting Comparability

Certain events occurred during 2020, 2019 and 2018 that we believe affect the comparability of the results of operations. The tables below summarize the impact of changes in currency exchange rates, the impact of recent acquisitions and the impact of Sport Yacht & Yachts operations on our net sales:

	Net Sales		2020 vs 2019			
(in millions)	2020	2019	GAAP	Currency Impact	Acquisition Benefit	Sport Yacht & Yachts Impact
Propulsion	**$ 1,878.4**	$ 1,692.9	11.0%	(0.8)%	—%	—%
Parts & Accessories	**1,508.8**	1,380.1	9.3%	(0.1)%	—%	—%
Boat	**1,250.3**	1,334.3	(6.3)%	0.0%	0.7%	0.0%
Segment Eliminations	**(290.0)**	(298.9)	(3.0)%	0.1%	—%	—%
Total	**$ 4,347.5**	$ 4,108.4	5.8%	(0.3)%	0.2%	0.0%

	Net Sales		2019 vs 2018			
(in millions)	2019	2018	GAAP	Currency Impact	Acquisition Benefit	Sport Yacht & Yachts Impact
Propulsion	**$ 1,692.9**	$ 1,759.3	(3.8)%	(1.4)%	—%	—%
Parts & Accessories	**1,380.1**	1,234.3	11.8%	(1.3)%	12.4%	—%
Boat	**1,334.3**	1,471.3	(9.3)%	(0.6)%	1.1%	(3.2)%
Segment Eliminations	**(298.9)**	(344.0)	(13.1)%	(0.3)%	0.8%	—%
Total	**$ 4,108.4**	$ 4,120.9	(0.3)%	(1.2)%	4.1%	(1.2)%

Sport Yacht & Yachts Wind-down. The results of Sport Yacht & Yachts operations are summarized in the table below.

(in millions)	2019	2018
Net sales [(A)]	$ (0.7)	$ 49.4
Gross margin	(6.4)	(39.7)
Restructuring, exit and impairment charges	—	49.4
Operating loss	(7.8)	(107.8)

(A) During 2019, results included $(0.7) million of charges within Net sales related to estimated retail sales incentives to support the sale of Sport Yacht & Yachts in the dealer pipeline. During 2018, results included $16.0 million of charges within Net sales to support the sale of Sport Yacht & Yachts in the dealer pipeline at that time.

Acquisitions. We completed acquisitions during 2019 and 2018 that affect the comparability of net sales. The impacts on consolidated and segment sales comparisons are reflected above. Refer to **Note 5 – Acquisitions** in the Notes to Consolidated Financial Statements for further information.

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 U.S. dollars have been translated to U.S. dollars using the average exchange rates that were in effect during the comparative period. The percentage change in net sales expressed on a constant currency basis better reflects the changes in the underlying business trends, excluding the impact of translation arising from foreign currency exchange rate fluctuations. Approximately 24 percent of our annual net sales are transacted in a currency other than the U.S. dollar. Our most material exposures include sales in Euros, Canadian dollars, Chinese yuan, and Australian dollars.

Additionally, operating earnings comparisons were negatively affected by foreign exchange rates by approximately $10 million in 2020 when compared with 2019, and were negatively affected by foreign exchange rates by approximately $15 million in 2019 when compared with 2018. These estimates include the impact of translation on all sales and costs transacted in a currency other than the U.S. dollar and the impact of hedging activities.

Restructuring, exit and impairment charges. We recorded restructuring, exit and impairment charges during 2020, 2019 and 2018. The following table summarizes these charges by cash charges and non-cash charges.

(in millions)	2020	2019	2018
Cash charges:			
Boat [(A)]	**$ 0.8**	$ 6.2	$ 27.5
Parts & Accessories	**0.8**	4.6	—
Corporate	**2.0**	4.5	0.7
Total cash charges	**3.6**	15.3	28.2
Non-cash charges:			
Boat [(A)]	**0.5**	3.5	26.6
Total restructuring, exit and impairment charges	**$ 4.1**	$ 18.8	$ 54.8

(A) Restructuring, exit and impairment activities within the Boat segment during 2018 primarily related to the wind-down of Sport Yacht & Yachts operations.

See **Note 4 – Restructuring, Exit and Impairment Activities** in the Notes to Consolidated Financial Statements for further details on charges and initiatives.

Purchase accounting amortization. As part of purchase accounting for the Freedom Boat Club and Power Products acquisitions, we recognized definite-lived intangible assets as well as a fair value adjustment to inventory for Power Products, both of which are amortized over their useful lives. During 2020, 2019 and 2018, we recorded $30.1 million, $29.5 million and $12.0 million respectively, of purchase accounting amortization within Selling, general and administrative expense. During 2018, we also recorded $9.2 million of purchase accounting amortization within Cost of sales.

Acquisition and IT related costs.. In connection with the Freedom Boat Club and Power Products acquisitions in 2019 and 2018, respectively, we recorded $1.7 million, $2.6 million and $13.8 million, of acquisition costs in Selling, general and administrative expense (SG&A), during 2020, 2019 and 2018, respectively.

In addition, during 2020 and 2019, we recorded $3.7 million and $2.2 million, respectively, of IT transformation costs in SG&A within Corporate/Other resulting from the Fitness separation.

Pension settlement charges. During 2019, we fully exited our remaining defined benefit pension plans and as a result, we recorded a pretax pension settlement benefit of $1.1 million and pretax pension settlement charge of $292.8 million, in 2020 and 2019, respectively. There were no pension settlement charges in 2018. See **Note 17 – Postretirement Benefits** in the Notes to Consolidated Financial Statements for further details.

Tax items. We recognized an income tax provision of $98.0 million and $80.3 million in 2020 and 2019, respectively. The income tax provision in 2019 included a net charge of $17.5 million related to the settlement of our qualified defined benefit plans. The tax impact of this action consisted of a tax benefit of $73.9 million from the pension settlement charge, which was netted against a tax charge of $91.4 million resulting from the release of disproportionate tax effects in Accumulated other comprehensive income. Additionally, the income tax provision for 2019 included a net benefit of $17.2 million primarily related to favorable rate change impacts on state deferred tax assets as well as a reassessment of the state valuation allowance. The 2018 income tax provision of $57.3 million included a net benefit of $4.8 million primarily related to 2017 U.S. tax reform updates.

See **Note 12 – Income Taxes** in the Notes to Consolidated Financial Statements for further details.

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Results of Operations

Consolidated

The following table sets forth certain amounts, ratios and relationships calculated from the Consolidated Statements of Operations for 2020, 2019 and 2018:

				2020 vs. 2019		2019 vs. 2018	
(in millions, except per share data)	**2020**	**2019**	**2018**	**$**	**%**	**$**	**%**
Net sales	**$ 4,347.5**	$ 4,108.4	$ 4,120.9	$ 239.1	5.8%	$ (12.5)	(0.3)%
Gross margin [(A)]	**1,213.0**	1,121.0	1,047.0	92.0	8.2%	74.0	7.1%
Restructuring, exit, and impairment charges	**4.1**	18.8	54.8	(14.7)	(78.2)%	(36.0)	(65.7)%
Operating earnings	**539.3**	471.0	355.5	68.3	14.5%	115.5	32.5%
Pension settlement (benefit) charge	**(1.1)**	292.8	—	(293.9)	NM	292.8	NM
Transaction financing charges	**—**	—	(5.1)	—	NM	5.1	NM
Net earnings from continuing operations	**374.7**	30.4	253.4	344.3	NM	(223.0)	(88.0)%
Diluted earnings per share from continuing operations	**$ 4.70**	$ 0.36	$ 2.87	$ 4.34	NM	$ (2.51)	(87.5)%
Expressed as a percentage of Net sales:							
Gross margin	**27.9 %**	27.3 %	25.4 %		60 bpts		190 bpts
Selling, general and administrative expense	**12.5 %**	12.4 %	12.5 %		10 bpts		(10) bpts
Research and development expense	**2.9 %**	3.0 %	2.9 %		(10) bpts		10 bpts
Operating margin	**12.4 %**	11.5 %	8.6 %		90 bpts		290 bpts

NM = not meaningful
bpts = basis points

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

The following is a summary of Adjusted operating earnings and Adjusted diluted earnings per common share from continuing operations:

	Operating Earnings			Diluted Earnings (Loss) Per Share		
(in millions, except per share data)	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
GAAP	**$ 539.3**	$ 471.0	$ 355.5	**$ 4.70**	$ 0.36	$ 2.87
Restructuring, exit, and impairment charges	**4.1**	18.8	54.8	**0.04**	0.21	0.47
Purchase accounting amortization	**30.1**	29.5	21.2	**0.29**	0.22	0.19
Acquisition and IT related costs	**5.4**	4.8	13.8	**0.05**	0.04	0.12
Special tax items	**—**	—	—	**0.00**	(0.20)	(0.06)
Sport Yacht & Yachts	—	7.8	58.4	—	0.07	0.51
Transaction financing charges	**—**	—	—	**—**	0.01	0.05
Gain on sale of equity investment	**—**	—	—	**—**	—	(0.02)
Pension settlement (benefit) charge	**—**	—	—	**(0.01)**	3.62	—
As Adjusted	**$ 578.9**	$ 531.9	$ 503.7	**$ 5.07**	$ 4.33	$ 4.13
GAAP operating margin	**12.4 %**	11.5 %	8.6 %			
Adjusted operating margin	**13.3 %**	12.9 %	12.2 %			

2020 vs. 2019

Net sales increased 5.8 percent during 2020 when compared with 2019. Refer to the Propulsion, Parts & Accessories, and Boat segments discussions for further details on the drivers of net sales changes.

Gross margin percentage increased 60 basis points in 2020 when compared with 2019, reflecting impacts of higher sales partially offset by the impacts of production suspensions and stay-at-home restrictions earlier in the year.

SG&A increased during 2020 and includes purchase accounting amortization and acquisition and IT transformation-related costs, as applicable. Excluding those items, SG&A as a percentage of sales was relatively consistent in 2020 compared with 2019. Research and development expense increased in 2020 versus 2019, but remained consistent as a percentage of Net Sales.

During 2020, we recorded restructuring, exit and impairment charges of $4.1 million compared with $18.8 million in 2019. See **Note 4 – Restructuring, Exit and Impairment Activities** in the Notes to Consolidated Financial Statements for further details.

We recognized equity earnings of $4.5 million and $7.3 million in 2020 and 2019, respectively, which were mainly related to our marine and technology-related joint ventures.

In 2019, we fully exited our remaining defined benefit pension plans and as a result, recorded a $1.1 million benefit in 2020, associated with a final settlement adjustment. In 2019, we recorded $292.8 million of charges related to these pension settlement actions. Refer to **Note 17 – Postretirement Benefits** in the Notes to Consolidated Financial Statements for further information.

We recognized $(6.1) million and $(2.1) million in 2020 and 2019, respectively, in Other expense, net. Other expense, net primarily includes other postretirement benefit costs and remeasurement gains and losses resulting from changes in foreign currency rates.

Net interest expense decreased in 2020 compared with 2019 due to a reduction in average daily debt outstanding. Refer to **Note 16 – Debt** in the Notes to Consolidated Financial Statements.

We recognized an income tax provision of $98.0 million and $80.3 million in 2020 and 2019, respectively. The income tax provision in 2019 included a net charge of $17.5 million related to the settlement of our qualified defined benefit plans. The impact of this action consisted of a tax benefit of $73.9 million from the pension settlement charge, which was netted against a tax charge of $91.4 million resulting from the release of disproportionate tax effects in Accumulated other comprehensive income. Additionally, the income tax provision for 2019 included a net benefit of $17.2 million, primarily related favorable rate change impacts on state deferred tax assets as well as a reassessment of the state valuation allowance.

The effective tax rate, which is calculated as the income tax provision as a percentage of earnings before income taxes, was 20.7 percent and 72.6 percent for 2020 and 2019, respectively.

See **Note 12 – Income Taxes** in the Notes to Consolidated Financial Statements for further details on the impacts of the Tax Cuts and Jobs Act as well as a reconciliation of our effective tax rate and statutory Federal income tax rate.

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 increased during 2020. Diluted earnings per common share from continuing operations benefited from common stock repurchases in both years.

2019 vs. 2018

Net sales decreased slightly during 2019 when compared with 2018. Refer to the Propulsion, Parts & Accessories, and Boat segments discussions for further details on the drivers of net sales changes.

Gross margin percentage increased, reflecting benefits from the absence of the Sport Yacht & Yachts operations in 2019, which had a negative gross margin impact in 2018, as well as improvements in the Propulsion and Parts & Accessories segment including benefits from the Power Products acquisition as well as favorable changes in sales mix. These positive factors exceeded the impact of lower sales, tariffs and unfavorable changes in foreign exchange rates. Additionally, the gross margin percentage reflected favorable comparisons versus the prior year due to unfavorable plant efficiencies associated with production ramp-up for new products and warehouse management integration in the first half of 2018.

Selling, general and administrative expense (SG&A) decreased and included purchase accounting amortization, acquisition-related costs, and the impacts of Sport Yacht & Yachts operations. Excluding these items, operating expenses were relatively flat on a percentage of net sales basis as lower variable compensation expense and benefits from cost reduction programs were offset by a full year of Power Products results and the acquisition of Freedom Boat Club. Research and development expense was relatively consistent in 2019 versus 2018, reflecting continued investment in new products across all segments.

During 2019, we recorded restructuring, exit and impairment charges of $18.8 million compared with $54.8 million in 2018. See **Note 4 – Restructuring, Exit and Impairment Activities** in the Notes to Consolidated Financial Statements for further details.

We recognized equity earnings of $7.3 million and $7.7 million in 2019 and 2018, respectively, which were mainly related to our marine joint ventures. Equity earnings in 2018 included a $2.3 million gain on the sale of an equity investment as discussed in **Note 9 – Investments** in the Notes to Consolidated Financial Statements.

In 2019, we recorded $292.8 million of charges related to pension settlement actions as discussed in **Note 17 – Postretirement Benefits** in the Notes to Consolidated Financial Statements. There were no pension settlement actions in 2018.

We recognized $(2.1) million and $(4.3) million in 2019 and 2018, respectively, in Other expense, net. Other expense, net primarily includes pension and other postretirement benefit costs, as well as remeasurement gains and losses resulting from changes in foreign currency rates.

Net interest expense increased $29.6 million to $72.7 million in 2019 compared with 2018 primarily due to debt activity as discussed in **Note 16 – Debt** in the Notes to Consolidated Financial Statements.

Transaction financing charges of $5.1 million in 2018 related to the 364-Day Senior Unsecured Bridge Facility which was secured in connection with the Power Products acquisition.

Income tax provision for 2019 was $80.3 million and included a net charge of $17.5 million related to the settlement of our qualified defined benefit plans. The tax impact of this action consisted of a tax benefit of $73.9 million from the pension settlement charge, which was netted against a tax charge of $91.4 million resulting from the release of disproportionate tax effects in Accumulated other comprehensive income. Additionally, the income tax provision for 2019 included a net benefit of $17.2 million, primarily related to favorable rate change impacts on state deferred tax assets as well as a reassessment of the state valuation allowance. The 2018 results reflect an income tax provision of $57.3 million which included a net benefit of $4.8 million primarily related to 2017 U.S. tax reform updates. The effective tax rate for 2019 and 2018 was 72.6 percent and 18.5 percent, respectively.

Our effective tax rate also reflects the benefit of having earnings from foreign entities that are in jurisdictions that have lower statutory tax rates than the U.S. with the most significant impact related to China and Poland, which have applicable statutory tax rates of 15 percent and 19 percent, respectively.

See **Note 12 – Income Taxes** in the Notes to Consolidated Financial Statements for further details on the impacts of the Tax Cuts and Jobs Act as well as a reconciliation of our effective tax rate and statutory Federal income tax rate.

Due to the factors described in the preceding paragraphs, operating earnings increased, while net earnings from continuing operations and diluted earnings per common share from continuing operations decreased during 2019. Diluted earnings per common share from continuing operations benefited from common stock repurchases in both years.

Segments

We have three reportable segments: Propulsion, Parts & Accessories, and Boat. Refer to **Note 6 – Segment Information** in the Notes to Consolidated Financial Statements for details on the segment operations.

Propulsion Segment

The following table sets forth the Propulsion segment results for the years ended December 31, 2020, 2019 and 2018:

				2020 vs. 2019		2019 vs. 2018	
(in millions)	**2020**	**2019**	**2018**	**$**	**%**	**$**	**%**
Net sales	**$ 1,878.4**	$ 1,692.9	$ 1,759.3	$ 185.5	11.0 %	$ (66.4)	(3.8) %
Operating earnings	**$ 285.5**	$ 240.3	$ 243.8	$ 45.2	18.8 %	$ (3.5)	(1.4) %
Operating margin	**15.2 %**	14.2 %	13.9 %		100 bpts		30 bpts

bpts = basis points

2020 vs. 2019

The Propulsion segment net sales increased $185.5 million or 11.0 percent in 2020 versus the prior year as a result of strong demand, especially in the higher horsepower outboard engine categories and related controls, rigging and propeller business as original equipment manufacturer (OEM) customers continued to ramp-up production during the year, and increased capacity enabled elevated sales to dealer and international channels as well as significant U.S. and international market share gains. These sales increases were partially offset by production disruptions at Mercury and its OEM engine customers in the first half of the year due to the COVID-19 pandemic.

International sales were 36 percent of the Propulsion segment's net sales in 2020. International sales increased 24 percent on a GAAP basis and 26 percent on a constant currency basis from the prior year, primarily due to increases in Asia-Pacific, particularly in higher horsepower engines used for commercial purposes.

The Propulsion segment operating earnings for the year increased $45.2 million or 18.8% in 2020 versus the prior year as a result of increased sales volumes and favorable changes in sales mix, partially offset by unfavorable absorption resulting from product disruptions in the first half of the year, higher variable compensation costs, and increased investment in new product development and technology.

2019 vs. 2018

The Propulsion segment net sales decreased $66.4 million or 3.8 percent in 2019 versus the prior year, resulting from lower sales of outboard engines 150 horsepower and below and sterndrive engines, partially offset by robust demand for higher horsepower engines, particularly in 175 to 300 horsepower categories introduced in 2018 and 400 and 450 horsepower engines released in 2019.

International net sales were 32 percent of the Propulsion segment's net sales in 2019. International sales increased 2 percent on a GAAP basis and 6 percent on a constant currency basis from the prior year, primarily driven by increases in Europe, Asia-Pacific and Rest-of-World regions, partially offset by declines in Canada.

The Propulsion segment operating earnings for the year decreased $3.5 million or 1.4 percent in 2019 versus the prior year as a result of volume declines, the impact of tariffs, as well as unfavorable changes in foreign exchange rates, partially offset by favorable changes in sales mix described above and cost control measures.

Parts & Accessories Segment

The following table sets forth the Parts & Accessories (P&A) segment results for the years ended December 31, 2020, 2019 and 2018:

				2020 vs. 2019		2019 vs. 2018	
(in millions)	**2020**	**2019**	**2018**	**$**	**%**	**$**	**%**
Net sales	**$ 1,508.8**	$ 1,380.1	$ 1,234.3	$ 128.7	9.3 %	$ 145.8	11.8 %
GAAP operating earnings	**$ 275.4**	$ 237.5	$ 188.0	$ 37.9	16.0 %	$ 49.5	26.3 %
Restructuring, exit and impairment charges	**0.8**	4.6	—	(3.8)	(82.6)%	4.6	NM
Purchase accounting amortization	**28.7**	28.7	21.2	—	— %	7.5	35.4 %
Acquisition related costs	**—**	—	13.8	—	NM	(13.8)	NM
Adjusted operating earnings	**$ 304.9**	$ 270.8	$ 223.0	$ 34.1	12.6 %	$ 47.8	21.4 %
GAAP operating margin	**18.3 %**	17.2 %	15.2 %		110 bpts		200 bpts
Adjusted operating margin	**20.2 %**	19.6 %	18.1 %		60 bpts		150 bpts

NM = not meaningful
bpts = basis points

2020 vs. 2019

The P&A segment net sales increased by $128.7 million or 9.3 percent in 2020 versus the prior year due to strong sales growth across all product categories. 2020 results were bolstered by healthy boat usage as a consequence of the need for social

distancing friendly recreation and by favorable weather conditions in the U.S. throughout the year, especially compared with 2019. These sales increases were partially offset by stay-at-home restrictions resulting from the pandemic, which disrupted dealer, retail, and OEM operations in many locations in the first half of the year.

International sales were 28 percent of the P&A segment's net sales in 2020. International sales increased 4 percent year over year on both a GAAP and a constant currency basis. The increase in net sales was driven by Asia-Pacific and Europe, partially offset by Latin America.

The P&A segments operating earnings were $275.4 million in 2020, an increase of 16.0 percent mainly due to the increase in net sales as well as favorable product mix, partially offset by cost reduction actions.

2019 vs. 2018

The P&A segment net sales increased $145.8 million or 11.8 percent in 2019 versus the prior year, due to benefits from the Power Products acquisition, which had an accretive impact of 13 percent to the segment's revenue growth rate. International net sales were 29 percent of the segment's net sales in 2019. International sales increased 13 percent and 18 percent versus the prior year on a GAAP basis as well as on a constant currency basis, respectively. The increase in net sales was driven by Europe, Asia-Pacific and Rest-of-World regions, partially offset by declines in Latin America and Canada.

The P&A segment operating earnings were $237.5 million in 2019, an increase of 26.3 percent, mainly as a result of benefits from the Power Products acquisition as well as favorable cost control measures. Partially offsetting these positive factors were the impact of tariffs, unfavorable changes in foreign exchange rates and volume declines.

Boat Segment

The following table sets forth Boat segment results for the years ended December 31, 2020, 2019 and 2018:

				2020 vs. 2019		2019 vs. 2018	
(in millions)	**2020**	**2019**	**2018**	**$**	**%**	**$**	**%**
Net sales	**$ 1,250.3**	$ 1,334.3	$ 1,471.3	$ (84.0)	(6.3)%	$ (137.0)	(9.3)%
GAAP operating earnings	**$ 70.2**	$ 76.2	$ 9.1	$ (6.0)	(7.9)%	$ 67.1	NM
Restructuring, exit and impairment charges	**1.3**	9.7	54.1	(8.4)	(86.6)%	(44.4)	(82.1)%
Acquisition related costs	**1.7**	2.6	—	(0.9)	(34.6)%	2.6	NM
Purchase accounting amortization	**1.4**	0.8	—	0.6	75.0 %	0.8	NM
Sport Yacht & Yachts	—	7.8	58.4	(7.8)	NM	(50.6)	(86.6)%
Adjusted operating earnings	**$ 74.6**	$ 97.1	$ 121.6	$ (22.5)	(23.2)%	$ (24.5)	(20.1)%
GAAP operating margin	**5.6 %**	5.7 %	0.6 %		(10) bpts		510 bpts
Adjusted operating margin	**6.0 %**	7.3 %	8.3 %		(130) bpts		(100) bpts

NM = not meaningful
bpts = basis points

2020 vs. 2019

The Boat segment net sales decreased $84.0 million or 6.3 percent versus 2019 resulting from lower wholesale volume due to the temporary suspension of manufacturing in most plants and the associated ramp-up of activities earlier in the year resulting from the pandemic. This decline was partially offset by increases in the second half of the year resulting from significantly higher wholesale volume to dealers to meet increased customer demand at the retail level and to begin refilling pipeline inventories. Freedom Boat Club, which represents approximately 2.5 percent of segment sales, also achieved higher net sales due to an increase in new memberships and new franchisee locations.

International sales were 23 percent of the Boat segment's net sales in 2020, and decreased 10 percent on both a GAAP basis and constant currency basis, reflecting declines in most regions, which was partially offset by increases in Europe.

The Boat segment operating earnings were $70.2 million in 2020, a decrease of 7.9 percent compared with 2019, due to lower net sales along with unfavorable impact of absorption resulting from production disruptions, which were partially offset by benefits from cost reduction measures.

2019 vs. 2018

The Boat segment net sales decreased $137.0 million versus 2018, reflecting planned pipeline reductions in the aluminum freshwater and saltwater fishing boat categories and the exit of Sport Yacht & Yachts operations. Excluding the impact of Sport Yacht & Yachts operations, recreational fiberglass net sales increased as a result of improvement at Sea Ray, with a more favorable mix toward boats with expanded content driving sales. The planned reductions in wholesale unit shipments in the aluminum freshwater boat category were in response to a challenging retail market environment in the first half of the year, due in part to unfavorable weather conditions. Premium boat brands, including Boston Whaler, Sea Ray and Lund, all performed strongly at retail in their key product categories. International sales were 24 percent of the segment's net sales in 2019 and decreased 7 percent on a GAAP basis. On a constant currency basis, international sales decreased 5 percent primarily due to declines in Europe and Asia-Pacific.

The Boat segment operating earnings were $76.2 million in 2019, an increase of $67.1 million compared with 2018, as a result of reduced losses associated with the exit of the Sport Yacht & Yacht operations. Excluding this factor, operating earnings decreased as a result of lower volume, higher retail discounts required to lower pipelines during the second-half of 2019 and planned spending on profit improvement initiatives. Additionally, comparisons were negatively affected by less favorable plant efficiencies at certain boat facilities in the first quarter of 2019 versus 2018, due in part to new product integrations. These negative factors excluded benefits from cost control measures.

Corporate/Other

The following table sets forth Corporate/Other results for the years ended December 31, 2020, 2019 and 2018:

				2020 vs. 2019		2019 vs. 2018	
(in millions)	**2020**	**2019**	**2018**	**$**	**%**	**$**	**%**
GAAP operating loss	**$ (91.8)**	$ (83.0)	$ (85.4)	$ (8.8)	10.6 %	$ 2.4	(2.8)%
Restructuring, exit, and impairment charges	**2.0**	4.5	0.7	(2.5)	(55.6)%	3.8	NM
IT transformation cost	**3.7**	2.2	—	1.5	68.2 %	2.2	NM
Adjusted operating loss	**$ (86.1)**	$ (76.3)	$ (84.7)	$ (9.8)	12.8 %	$ 8.4	(9.9)%

NM = not meaningful

Corporate operating expenses increased by $8.8 million in 2020 compared with 2019 primarily due to higher variable compensation expense.

Corporate operating expenses decreased by $2.4 million in 2019 compared with 2018 primarily as a result of several factors which included cost containment measures largely completed by the end of the third quarter of 2019, partially offset by higher restructuring, exit, impairment and other charges.

Cash Flow, Liquidity and Capital Resources

The following table sets forth an analysis of free cash flow for the years ended December 31, 2020, 2019 and 2018:

(in millions)	2020	2019	2018
Net cash provided by operating activities of continuing operations	**$ 800.0**	$ 475.3	$ 274.5
Net cash provided by (used for):			
Plus: Capital expenditures	**(182.4)**	(232.6)	(180.2)
Plus: Proceeds from the sale of property, plant and equipment	**2.9**	7.3	0.4
Plus: Effect of exchange rate changes on cash and cash equivalents	**8.8**	0.4	(5.0)
Less: Cash impact of Sport Yacht & Yachts operations, net of tax	**—**	—	(53.7)
Total free cash flow from continuing operations [A]	**$ 629.3**	$ 250.4	$ 143.4

(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, as well as the cash impact of Sport Yacht & Yachts operations, 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 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, proceeds from divestitures and potential borrowings. We evaluate potential acquisitions, divestitures and joint ventures in the ordinary course of business.

2020 Cash Flow

Net cash provided by operating activities of continuing operations in 2020 totaled $800.0 million versus $475.3 million in 2019. The increase is primarily due to higher net earnings and favorable working capital usage, driven mainly by decreases in inventory levels and increases in accounts payable and accrued expenses.

The primary drivers of Net cash provided by operating activities of continuing operations in 2020 were net earnings, net of non-cash items, and a decrease in working capital. 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 Consolidated Balance Sheets, excluding the impact of acquisitions and non-cash adjustments. Inventory decreased $109.3 million, primarily due to the increase in net sales during 2020 and production disruptions in the first half of the year. Accounts and notes receivable increased $19.9 million primarily due to the increase in net sales during the fourth quarter of 2020. Accrued expenses and Accounts payable increased $75.3 million and $64.5 million, respectively, primarily due to production increases, which were partially offset by timing of payments.

Net cash used for investing activities of continuing operations was $239.4 million, which included capital expenditures of $182.4 million. Our capital spending was focused on investments in new products. We also purchased $55.9 million of marketable securities in 2020.

Net cash used for financing activities was $361.8 million, primarily related to payments of long-term debt including current maturities, common stock repurchases and cash dividends paid to common shareholders. Refer to **Note 16 – Debt** in the Notes to Consolidated Financial Statements for further details on our debt activity during the year ended December 31, 2020.

2019 Cash Flow

In 2019, Net cash provided by operating activities of continuing operations totaled $475.3 million versus $274.5 million in 2018. This comparison reflected lower pension contributions and higher net earnings, net of non-cash items (pension settlement charges, depreciation and amortization, impairments and income tax impacts not yet realized in cash) in 2019, which were partially offset by unfavorable working capital usage trends.

The primary drivers of Net cash provided by operating activities were net earnings from continuing operations net of non-cash expense items, partially offset by an increase in working capital. Inventory increased $50.5 million primarily related to

finished goods in the Propulsion and P&A segments, to support higher sales volumes after pipeline reduction efforts in 2019. Accrued expenses decreased $44.7 million, Accounts payable decreased $32.7 million and Accounts and notes receivable decreased $41.4 million primarily as a result of lower sales in the fourth quarter.

Net cash used for investing activities of continuing operations during 2019 totaled $287.0 million, which included capital expenditures of $232.6 million and cash paid for the acquisition of Freedom Boat Club of $64.1 million. Refer to **Note 5 – Acquisitions** in the Notes to Consolidated Financial Statements for further details on the Freedom Boat Club acquisition. Our capital spending focused on investments in capacity expansion initiatives as well as new products. Net cash provided by investing activities of discontinued operations was $481.7 million and was primarily related to proceeds from the sale of the Fitness business.

Net cash used for financing activities was $600.8 million during 2019 and primarily related to common stock repurchases, net payments from issuances of long-term debt and cash dividends paid to common shareholders. Refer to **Note 16 – Debt** in the Notes to Consolidated Financial Statements for further details on our debt activity during the year ended December 31, 2019.

Liquidity and Capital Resources

We view our highly liquid assets as of December 31, 2020 and 2019 as:

(in millions)	**2020**	**2019**
Cash and cash equivalents	**$ 519.6**	$ 320.3
Short-term investments in marketable securities	**56.7**	0.8
Total cash, cash equivalents and marketable securities	**$ 576.3**	$ 321.1

The following table sets forth an analysis of Total liquidity as of December 31, 2020 and 2019:

(in millions)	**2020**	**2019**
Cash, cash equivalents and marketable securities	**$ 576.3**	$ 321.1
Amounts available under lending facilities(A)	**395.0**	387.9
Total liquidity (B)	**$ 971.3**	$ 709.0

(A) See **Note 16 – Debt** in the Notes to 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 Consolidated Balance Sheets, plus amounts available for borrowing under our 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. Management believes 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 management uses to gauge progress in achieving its goals. Management believes that the non-GAAP financial measure "Total liquidity" is also useful to investors because it is an indication of our available highly liquid assets and immediate sources of financing.

Cash, cash equivalents and marketable securities totaled $576.3 million as of December 31, 2020, an increase of $255.2 million from $321.1 million as of December 31, 2019. Total debt as of December 31, 2020 and December 31, 2019 was $951.4 million and $1,109.3 million, respectively. Our debt-to-capitalization ratio decreased to 39 percent as of December 31, 2020, from 46 percent as of December 31, 2019.

During 2020 and 2019, gross borrowings under our Amended and Restated Credit Agreement (Credit Facility) totaled $610.0 million and $655.0 million, respectively. As of December 31, 2020 and December 31, 2019, there were no borrowings outstanding and available borrowing capacity totaled $395.0 million, net of $5.0 million of letters of credit outstanding under the Credit Facility. As of December 31, 2020, we were in compliance with the financial covenants in the Credit Facility. The maximum amount utilized under the Credit Facility during the twelve months ended December 31, 2020, including letters of credit outstanding, was $397.1 million. In addition, during 2020, borrowings under our unsecured commercial paper program (CP Program) totaled $175.0 million, all of which were repaid. During the twelve months ended December 31, 2020, the maximum amount outstanding under the CP Program was $100.0 million. Refer to **Note 16 – Debt** in the Notes to Consolidated Financial Statements for further details.

The level of borrowing capacity under our Credit Facility and CP Program is 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 Distribution Finance. Based on our anticipated earnings generation throughout the year, we expect to maintain sufficient cushion against the existing debt covenants.

We believe that we have adequate sources of liquidity to meet our short-term and long-term needs.

2021 Cash Flow Outlook and Capital Plan

We anticipate generating free cash flow in excess of $300 million in 2021, which likely reflects a return to more normal, historical free cash flow levels. 2020 saw a significant amount of cash generated from the liquidation of inventories, which will not repeat in 2021, and we estimate working capital to increase by $140 to $150 million for the year, primarily to rebuild inventories in our Propulsion and P&A segments.

We anticipate executing a balanced capital strategy in 2021, leveraging our strong cash position. We plan to retire approximately $100 million of our long-term debt obligations, with our interest expense estimated to be approximately $60 million for the year. During 2020, we paused certain capital expenditures during the pandemic to conserve cash until the second half of the year. We anticipate returning to more normal levels of capital spending during 2021, between $200 and $220 million, including new product investments in all of our businesses, cost reduction and automation projects, and select additional capacity initiatives. Finally, we plan to continue our systematic approach to share repurchases, with our plan including between $80 million and $120 million of repurchases in 2021, spread relatively evenly across the year.

Financial Services

Refer to **Note 10 – Financing Joint Venture** in the Notes to Consolidated Financial Statements for more information about our financial services.

Off-Balance Sheet Arrangements

Guarantees. We have reserves to cover potential losses associated with guarantees and repurchase obligations based on historical experience and current facts and circumstances. Historical cash requirements and losses associated with these obligations have not been significant. See **Note 13 – Commitments and Contingencies** in the Notes to Consolidated Financial Statements for a description of these arrangements.

Contractual Obligations

The following table sets forth a summary of our contractual cash obligations as of December 31, 2020:

	Payments due by period				
(in millions)	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Contractual Obligations					
Debt [(A)]	**$ 951.4**	$ 43.1	$ 222.7	$ 2.5	$ 683.1
Interest payments on long-term debt	**1,082.4**	56.9	108.7	93.3	823.5
Operating leases [(B)]	**99.8**	24.4	41.0	24.5	9.9
Purchase obligations [(C)]	**58.0**	57.6	0.4	—	—
Deferred management compensation [(D)]	**30.7**	9.6	8.0	6.0	7.1
Other long-term liabilities [(E)]	**190.3**	13.8	90.7	70.2	15.6
Total contractual obligations	**$ 2,412.6**	$ 205.4	$ 471.5	$ 196.5	$ 1,539.2

(A) See **Note 16 – Debt** in the Notes to Consolidated Financial Statements for additional information on our debt. "Debt" refers to future cash principal payments. Debt also includes our capital leases as discussed in **Note 21 – Leases** in the Notes to Consolidated Financial Statements.
(B) See **Note 21 – Leases** in the Notes to Consolidated Financial Statements for additional information.
(C) Purchase obligations represent agreements with suppliers and vendors as part of the normal course of business.
(D) Amounts primarily represent long-term deferred compensation plans.
(E) Other long-term liabilities primarily includes long-term warranty contracts, future projected payments related to our nonqualified pension plans and deferred revenue. We are not required to make contributions to the qualified pension plan in 2020.

Legal Proceedings

See **Note 13 – Commitments and Contingencies** in the Notes to Consolidated Financial Statements.

Environmental Regulation

In the Propulsion segment, we continue to develop engine technologies to reduce engine emissions to comply with current and future emissions requirements. In the P&A segment, we are working to develop electrification and other technologies to reduce our environmental footprint. The Boat segment continues to pursue fiberglass boat manufacturing technologies and techniques to reduce air emissions at its boat manufacturing facilities. The costs associated with these activities may have an adverse effect on segment operating margins and may affect short-term operating results. Environmental regulatory bodies in the United States and other countries may impose more stringent emissions standards and/or other environmental regulatory requirements than are currently in effect. By following our environmental management system processes to drive sustainable, responsible practices, we comply with current regulations and expect to comply fully with any new regulations; compliance will most likely increase the cost of these products for us and the industry, but is not expected to have a material adverse effect on our competitive position.

Critical Accounting Policies

The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results may differ from those estimates. If current estimates for the cost of resolving any specific matters are later determined to be inadequate, results of operations could be adversely affected in the period in which additional provisions are required. We have discussed the development and selection of the critical accounting policies with the Audit and Finance Committee of the Board of Directors and believe the following are the most critical accounting policies that could have an effect on our reported results.

Revenue Recognition and Sales Incentives. Revenue is recognized as performance obligations under the terms of contracts with customers are satisfied; this occurs when control of promised goods (engines, engine parts and accessories, boats, and fitness equipment) is transferred to the customer. We recognize revenue related to the sale of extended warranty contracts that extend the coverage period beyond the standard warranty period over the life of the extended warranty period.

Revenue is measured as the amount of consideration expected to be entitled to in exchange for transferring goods or providing services. We have excluded sales, value add, and other taxes collected concurrent with revenue-producing activities from the determination of the transaction price for all contracts. We have elected to account for shipping and handling activities that occur after the customer has obtained control of a good as a fulfillment activity. For all contracts with customers, we have not adjusted the promised amount of consideration for the effects of a significant financing component as the period between the transfer of the promised goods and the customer's payment is expected to be one year or less.

See **Note 2 – Revenue Recognition** in the Notes to Consolidated Financial Statements for more information.

Warranty Reserves. We record an estimated liability for product warranties at the time revenue is recognized. The liability is estimated using historical warranty experience, projected claim rates and expected costs per claim. We adjust our liability for specific warranty matters when they become known and the exposure can be estimated. Our warranty liabilities are affected by product failure rates as well as material usage and labor costs incurred in correcting a product failure. If actual costs differ from estimated costs, we must make a revision to the warranty liability.

Goodwill. Goodwill results from the excess of purchase price over the net assets of businesses acquired. We review goodwill for impairment annually and whenever events or changes in circumstances indicate that the fair value of a reporting unit may be below its carrying value. As part of the annual test, we may perform a qualitative, rather than quantitative, assessment to determine whether the fair values of our reporting units are "more likely than not" to be greater than their carrying values. In performing this qualitative analysis, we consider various factors, including the effect of market or industry changes and the reporting units' actual results compared with projected results.

If the fair value of a reporting unit does not meet the "more likely than not" criteria discussed above, we perform a quantitative assessment which begins by measuring the fair value of the reporting unit. If the carrying value of the reporting unit exceeds its fair value, a goodwill impairment is recorded equal to the carrying value of the reporting unit less its fair value, not to exceed the carrying value of goodwill.

We calculate the fair value of our reporting units considering both the income approach and the guideline public company method. The income approach calculates the fair value of the reporting unit using a discounted cash flow approach utilizing a Gordon Growth model. Internally forecasted future cash flows, which we believe reasonably approximates market participant assumptions, are discounted using a weighted average cost of capital (Discount Rate) developed for each reporting unit. The Discount Rate is developed using market observable inputs, as well as considering whether or not there is a measure of risk related to the specific reporting unit’s forecasted performance. Fair value under the guideline public company method is determined for each unit by applying market multiples for comparable public companies to the unit’s current and forecasted financial results. The key uncertainties in these calculations are the assumptions used in determining the reporting unit’s forecasted future performance, including revenue growth and operating margins, as well as the perceived risk associated with those forecasts in determining the Discount Rate, along with selecting representative market multiples.

We did not record any goodwill impairments in 2020, 2019 or 2018 in continuing operations. Refer to **Note 3 – Discontinued Operations** for further information on the Fitness goodwill impairment recorded during 2019.

Other intangible assets. Our primary intangible assets are customer relationships and trade names acquired in business combinations. Intangible assets are initially valued using a methodology commensurate with the intended use of the asset. The customer relationships are valued using the income approach, specifically the multi-period excess earnings method (MPEEM). The fair value of trade names is measured using a relief-from-royalty (RFR) approach, which assumes the value of the trade name is the discounted amount of cash flows that would be paid to third parties had we not owned the trade name and instead licensed the trade name from another company. Higher royalty rates are assigned to premium brands within the marketplace based on name recognition and profitability, while other brands receive lower royalty rates. The basis for future sales projections for both the RFR and MPEEM are based on internal revenue forecasts by brand, which we believe represent reasonable market participant assumptions. The future cash flows are discounted using an applicable Discount Rate as well as any potential risk premium to reflect the inherent risk of holding a standalone intangible asset.

The key uncertainties in the RFR and MPEEM calculations, as applicable, are: the selection of an appropriate royalty rate, assumptions used in developing internal revenue growth and expense forecasts, assumed customer attrition rates, as well as the perceived risk associated with those forecasts in determining the discount rate and risk premium.

The costs of amortizable intangible assets are recognized over their expected useful lives, typically between three and fifteen years, using the straight-line method. Intangible assets that are subject to amortization are evaluated for impairment using a process similar to that used to evaluate long-lived assets described below. Intangible assets not subject to amortization are assessed for impairment at least annually and whenever events or changes in circumstances indicate that it is more likely than not that an asset may be impaired. The impairment test for indefinite-lived intangible assets consists of a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset.

Refer to **Note 5 – Acquisitions** and **Note 11 – Goodwill and Other Intangibles** in the Notes to Consolidated Financial Statements for more information.

Long-Lived Assets. We continually evaluate whether events and circumstances have occurred that indicate the remaining estimated useful lives of our definite-lived intangible assets and other long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. Once an impairment indicator is identified, we test for recoverability of the related asset group using an estimate of undiscounted cash flows over the asset group's remaining life. If an asset group's carrying value is not recoverable, we record an impairment loss based on the excess of the carrying value of the asset group over the long-lived asset group's fair value. Fair value is determined using observable inputs, including the use of appraisals from independent third parties, when available, and, when observable inputs are not available, based on our assumption of the data that market participants would use in pricing the asset, based on the best information available in the circumstances. Specifically, we use discounted cash flows to determine the fair value of the asset when observable inputs are unavailable. We tested our long-lived asset balances for impairment as indicators arose during 2020, 2019 and 2018, resulting in impairment charges of $0.9 million, $3.0 million and $12.7 million, respectively, which are recognized either in Restructuring, exit and impairment charges or Selling, general and administrative expense in the Consolidated Statements of Operations.

Income Taxes. Deferred taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. We evaluate the realizability of net deferred tax assets and, as necessary, record valuation allowances against them. We estimate our tax obligations based on historical experience and current tax laws and litigation. The judgments made at any point in time may change based on the outcome of tax audits and settlements of tax litigation, as well as changes due to new tax laws and regulations and our application of those laws and regulations. These factors may cause our tax rate and deferred tax balances to increase or decrease. See **Note 12 – Income Taxes** in Notes to Consolidated Financial Statements for further details.

Recent Accounting Pronouncements

See **Note 1 – Significant Accounting Policies** in the Notes to Consolidated Financial Statements for the recent accounting pronouncements that have been adopted during the year ended December 31, 2020, or will be adopted in future periods.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in foreign currency exchange rates, commodity prices and interest rates. The Company enters into various hedging transactions to mitigate certain of these risks in accordance with guidelines established by the Company's management. The Company does not use financial instruments for trading or speculative purposes.

The Company uses foreign currency forward and option contracts to manage foreign exchange rate exposure related to anticipated transactions, and assets and liabilities that are subject to risk from foreign currency rate changes. The Company's principal currency exposures mainly relate to the Euro, Japanese Yen, Canadian dollar, Australian dollar, and the Brazilian Real. The Company hedges certain anticipated transactions with financial instruments whose maturity date, along with the realized gain or loss, occurs on or near the execution of the anticipated transaction. The Company manages foreign currency exposure of certain assets or liabilities through the use of derivative financial instruments such that the gain or loss on the derivative financial instrument offsets the loss or gain recognized on the underlying asset or liability, respectively.

The Company uses fixed-to-floating interest rate swaps to convert a portion of the Company's long-term debt from fixed-to-floating rate debt. An interest rate swap is entered into with the expectation that the change in the fair value of the interest rate swap will offset the change in the fair value of the debt instrument attributable to changes in the benchmark interest rate.

Each period, the change in the fair value of the interest rate swap asset or liability is recorded as a change in the fair value of the corresponding debt instrument.

The following analyses provide quantitative information regarding the Company's exposure to foreign currency exchange rate risk and interest rate risk as it relates to its derivative financial instruments. The Company uses a model to evaluate the sensitivity of the fair value of financial instruments with exposure to market risk that assumes instantaneous, parallel shifts in exchange rates. For options and instruments with nonlinear returns, models appropriate to the instrument are utilized to determine the impact of market shifts. There are certain shortcomings inherent in the sensitivity analyses presented, primarily due to the assumption that exchange rates change in a parallel fashion.

The estimated reduction in fair market value that the Company would incur on its derivative financial instruments from a 10 percent adverse change in quoted foreign currency rates are $41.1 million and $34.5 million for the years 2020 and 2019, respectively.

Item 8. Financial Statements and Supplementary Data

See Index to Financial Statements and Financial Statement Schedule on page 51.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer of the Company (its principal executive officer and principal financial officer, respectively), the Company has evaluated its 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 Annual Report on Form 10-K. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective.

Management's Report on Internal Control Over Financial Reporting

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, the Company included a report of management's assessment of the effectiveness of its internal control over financial reporting as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Management's report is included in the Company's 2020 Financial Statements under the captions entitled “Report of Management on Internal Control Over Financial Reporting” and is incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information pursuant to this Item with respect to our Directors, the Company's Audit and Finance Committee, and the Company's code of ethics is incorporated by reference from the discussion under the headings Proposal No. 1: Election of Directors and Corporate Governance in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on May 5, 2021 (Proxy Statement).

The information required by Item 401 of Regulation S-K regarding executive officers is included under “Executive Officers of the Registrant” following Item 4 in Part I of this Annual Report.

Item 11. Executive Compensation

Information pursuant to this Item with respect to compensation paid to our Directors is incorporated by reference from the discussion under the heading Director Compensation in the Proxy Statement. Information pursuant to this Item with respect to executive compensation is incorporated by reference from the discussion under the heading Executive Compensation in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information pursuant to this Item with respect to the securities of the Company owned by the Directors and certain officers of the Company, by the Directors and officers of the Company as a group, and by the persons known to the Company to own beneficially more than 5 percent of the outstanding voting securities of the Company is incorporated by reference from the discussion under the heading Stock Held by Directors, Executive Officers, and Principal Shareholders in the Proxy Statement. Information pursuant to this Item with respect to securities authorized for issuance under the Company's equity compensation plans is hereby incorporated by reference from the discussion under the heading Equity Compensation Plan Information in the Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information pursuant to this Item with respect to certain relationships and related transactions is incorporated from the discussion under the headings Proposal No. 1: Election of Directors and Corporate Governance in the Proxy Statement.

Item 14. Principal Accounting Fees and Services

Information pursuant to this Item with respect to fees for professional services rendered by the Company's independent registered public accounting firm and the Audit and Finance Committee's policy on pre-approval of audit and permissible non-audit services of the Company's independent registered public accounting firm is incorporated by reference from the discussion in the Proxy Statement under the heading Proposal No. 3: Ratification of the Appointment of Independent Registered Public Accounting Firm.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The financial statements and schedule filed as part of this Annual Report on Form 10-K are listed in the accompanying Index to Financial Statements and Financial Statement Schedule on page 51. The exhibits filed as a part of this Annual Report are listed in the Exhibit Index below.

Exhibit No.	Description
2.1	Equity Purchase Agreement, dated as of May 5, 2019, between Brunswick Corporation and Lumos International Holdings B.V., filed as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 8, 2019 and hereby incorporated by reference.
3.1	Restated Certificate of Incorporation of the Company, dated July 22, 1987, filed as Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1987, as filed with the Securities and Exchange Commission, and hereby incorporated by reference.
3.2	Amendments to Restated Certificate of Incorporation of the Company, as effective May 2, 2018, filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, as filed with the Securities and Exchange Commission on May 3, 2018, and hereby incorporated by reference.
3.3	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock, filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for 1995 as filed with the Securities and Exchange Commission on March 23, 1995, and hereby incorporated by reference.
3.4	Amended By-Laws of the Company, filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2016 as filed with the Securities and Exchange Commission on May 5, 2016, and hereby incorporated by reference.
4.1	Description of the Company's Securities Registered Pursuant to Section 12 of the Exchange Act.
4.2	Indenture, dated as of October 3, 2018, between the Company and U.S. Bank National Association, as Trustee, filed as Exhibit 4.1 to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2018, and hereby incorporated by reference.
4.3	First Supplemental Indenture, dated as of October 3, 2018, between the Company and U.S. Bank National Association, as Trustee, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 3, 2018, and hereby incorporated by reference.
4.4	Second Supplemental Indenture, dated as of December 3, 2018, between the Company and U.S. Bank National Association, as Trustee, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed on December 3, 2018 and hereby incorporated by reference.
4.5	Third Supplemental Indenture, dated as of March 4, 2019, between the Company and U.S. Bank National Association, as Trustee, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on March 4, 2019, and hereby incorporated by reference.
4.6	Form of Global Note for the 6.500% Senior Notes due 2048, incorporated by reference to Exhibit 4.3 to the Company’s Registration Statement on Form 8-A filed with the Securities and Exchange Commission on October 3, 2018 and hereby incorporated by reference.
4.7	Form of Global Note for the 6.625% Senior Notes due 2049, filed as Exhibit 4.3 to the Form 8-A filed with the Securities and Exchange Commission on December 3, 2018, and hereby incorporated by reference.
4.8	Form of Global Note for the 6.375% Senior Notes due 2049, filed as Exhibit 4.3 to the Form 8-A filed with the Securities and Exchange Commission on March 4, 2019, and hereby incorporated by reference.
4.9	Indenture, dated as of March 15, 1987, between the Company and Continental Illinois National Bank and Trust Company of Chicago, filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1987, and hereby incorporated by reference.
4.10	Officers' Certificate setting forth terms of the Company's $125,000,000 principal amount of 7 3/8% Debentures due September 1, 2023, filed as Exhibit 4.3 to the Company's Annual Report on Form 10-K for 1993 as filed with the Securities and Exchange Commission on March 29, 1994, and hereby incorporated by reference.
4.11	Form of the Company's $200,000,000 principal amount of 7 1/8% Notes due August 1, 2027, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on August 21, 1997, and hereby incorporated by reference.

4.12	The Company's agreement to furnish additional debt instruments upon request by the Securities and Exchange Commission, filed as Exhibit 4.10 to the Company's Annual Report on Form 10-K for 1980, and hereby incorporated by reference.
10.1	Term Loan Credit Agreement, dated as of August 7, 2018, among the Company, the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on August 9, 2018 and hereby incorporated by reference.
10.2	Amended and Restated Credit Agreement, dated as of March 21, 2011, as amended and restated as of June 26, 2014, as further amended and restated as of June 30, 2016, as further amended as of July 13, 2018 and as further amended and restated as of September 26, 2018, among the Company, the subsidiary borrowers party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 28, 2018 and hereby incorporated by reference.
10.3	Extension Amendment, dated as of November 12, 2019, amending the Amended and Restated Credit Agreement, dated as of March 21, 2011, as amended and restated as of June 26, 2014, as further amended and restated as of June 30, 2016, as further amended as of July 13, 2018 and as further amended and restated as of September 26, 2018, among the Company, the subsidiary borrowers party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 12, 2019 and hereby incorporated by reference.
10.4	First Amendment, dated September 26, 2018, to the Term Loan Credit Agreement, dated as of August 7, 2018, among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 28, 2018 and hereby incorporated by reference.
10.5	Form of Dealer Agreement between Brunswick Corporation and the Dealer party thereto, filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K as filed with the Securities and Exchange Commission on December 19, 2019, and hereby incorporated by reference.
10.6*	Terms and Conditions of Employment Agreement for David M. Foulkes, effective January 1, 2019, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 10, 2018 and hereby incorporated by reference.
10.7*	Form of Officer Terms and Conditions of Employment.
10.8*	Brunswick Corporation Supplemental Pension Plan as amended and restated effective February 3, 2009, filed as Exhibit 10.8 to the Company's Annual Report on Form 10-K for 2008 as filed with the Securities and Exchange Commission on February 24, 2009, and hereby incorporated by reference.
10.9*	Form of Non-Employee Director Indemnification Agreement, filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for 2006 as filed with the Securities and Exchange Commission on February 23, 2007, and hereby incorporated by reference.
10.10*	Brunswick Corporation 2005 Elective Deferred Compensation Plan as amended and restated effective January 1, 2013, filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, as filed with the Securities and Exchange Commission on August 3, 2012, and hereby incorporated by reference.
10.11*	Brunswick Restoration Plan, as amended and restated effective January 1, 2013, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, as filed with the Securities and Exchange Commission on August 3, 2012, and hereby incorporated by reference.
10.12*	Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 28, 2014, as filed with the Securities and Exchange Commission on July 31, 2014 and hereby incorporated by reference.
10.13*	2019 Brunswick Performance Plan Summary Terms and Conditions, filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2019, as filed with the Securities and Exchange Commission on May 1, 2019, and hereby incorporated by reference.
10.14*	2019 Stock-Settled Restricted Stock Unit Grant Terms and Conditions for Select Key Employees Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2019, as filed with the Securities and Exchange Commission on May 1, 2019, and hereby incorporated by reference.

10.15*	2019 Stock-Settled Restricted Stock Unit Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2019, as filed with the Securities and Exchange Commission on May 1, 2019, and hereby incorporated by reference.
10.16*	2019 Stock-Settled Stock Appreciation Right Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan, filed as Exhibit 10.8 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2019, as filed with the Securities and Exchange Commission on May 1, 2019, and hereby incorporated by reference.
10.17*	Brunswick Corporation 2005 Automatic Deferred Compensation Plan as amended and restated effective January 1, 2018, filed as Exhibit 10.9 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2019, as filed with the Securities and Exchange Commission on May 1, 2019, and hereby incorporated by reference.
10.18*	2020 Brunswick Performance Plan Summary Terms and Conditions.
10.19*	2020 Performance Share Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan.
10.20*	2020 Performance Share Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan --TSR Participants.
10.21*	2020 Stock-Settled Restricted Stock Unit Grant Terms and Conditions for Select Key Employees Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan.
10.22*	2020 Stock-Settled Restricted Stock Unit Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan.
10.23*	2021 Brunswick Performance Plan (BPP) Summary Terms and Conditions
10.24*	2021 Performance Share Award Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan --TSR Participants
10.25*	2021 Stock-Settled Restricted Stock Unit Grant Terms and Conditions for Select Key Employees Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan.
10.26*	2021 Stock-Settled Restricted Stock Unit Grant Terms and Conditions Pursuant to the Brunswick Corporation 2014 Stock Incentive Plan.
12.1	Ratios.
21.1	Subsidiaries of the Company.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Power of Attorney.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104.1	Cover Page Interactive Data File, formatted in Inline XBRL, is contained in Exhibit 101.

* Management contract or compensatory plan or arrangement.

Index to Financial Statements and Financial Statement Schedule

Brunswick Corporation

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BRUNSWICK CORPORATION

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for the preparation, integrity, and objectivity of the financial statements and other financial information presented in this Annual Report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States and reflect the effects of certain estimates and judgments made by management.

The Company's management is also responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Securities Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Based on the Company's evaluation under the framework in Internal Control - Integrated Framework, management concluded that internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of internal control over financial reporting as of December 31, 2020 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its attestation report, which is included herein.

Brunswick Corporation
Mettawa, Illinois
February 16, 2021

BRUNSWICK CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Brunswick Corporation
Mettawa, Illinois

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Brunswick Corporation and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 16, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 16, 2021

BRUNSWICK CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Brunswick Corporation
Mettawa, Illinois

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Brunswick Corporation and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013*) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 16, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Power Products Trade Name Intangible Assets-Refer to Notes 1 and 11 to the financial statements

Critical Audit Matter Description

As of December 31, 2020, the carrying value of the Power Products trade name intangible assets was $111 million. Management assesses the recoverability of the Power Products trade name intangible assets at least annually by estimating the fair value of the trade names and comparing this fair value to the carrying value. The determination of the fair value requires management to make significant estimates and assumptions related to royalty rates, discount rates, and forecasts of future Power Products revenues.

How the Critical Audit Matter Was Addressed in the Audit

- We tested the effectiveness of controls over management's intangible assets impairment evaluation, including those over the determination of the fair value of the Power Products trade name, such as controls related to selection of the royalty and discount rates.

- We evaluated management's ability to accurately forecast future Power Products revenues by comparing actual Power Products revenues to management's historical forecasts.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the royalty and discount rates by:
  - Testing the source information underlying the determination of the royalty and discount rates and the mathematical accuracy of the calculation.
  - Developing a range of independent estimates and comparing those to the royalty and discount rates selected by management.

/s/ DELOITTE & TOUCHE LLP

Chicago, Illinois
February 16, 2021

We have served as the Company's auditor since 2014.

BRUNSWICK CORPORATION
Consolidated Statements of Operations

(in millions, except per share data)	For the Years Ended December 31		
	2020	**2019**	**2018**
Net sales	**$ 4,347.5**	$ 4,108.4	$ 4,120.9
Cost of sales	**3,134.5**	2,987.4	3,073.9
Selling, general and administrative expense	**543.7**	509.6	515.2
Research and development expense	**125.9**	121.6	121.5
Restructuring, exit and impairment charges	**4.1**	18.8	54.8
Operating earnings	**539.3**	471.0	355.5
Equity earnings	**4.5**	7.3	7.7
Pension settlement benefit (charge)	**1.1**	(292.8)	—
Other expense, net	**(6.1)**	(2.1)	(4.3)
Earnings before interest and income taxes	**538.8**	183.4	358.9
Interest expense	**(67.3)**	(76.0)	(46.0)
Interest income	**1.2**	3.3	2.9
Transaction financing charges	**—**	—	(5.1)
Earnings before income taxes	**472.7**	110.7	310.7
Income tax provision	**98.0**	80.3	57.3
Net earnings from continuing operations	**374.7**	30.4	253.4
Discontinued operations:			
(Loss) earnings from discontinued operations, net of tax	**(0.5)**	(117.5)	11.9
Loss on disposal of discontinued operations, net of tax	**(1.5)**	(43.9)	—
Net (loss) earnings from discontinued operations, net of tax	**(2.0)**	(161.4)	11.9
Net earnings (loss)	**$ 372.7**	$ (131.0)	$ 265.3
Earnings (loss) per common share:			
Basic			
Earnings from continuing operations	**$ 4.73**	$ 0.36	$ 2.89
(Loss) earnings from discontinued operations	**(0.03)**	(1.90)	0.14
Net earnings (loss)	**$ 4.70**	$ (1.54)	$ 3.03
Diluted			
Earnings from continuing operations	**$ 4.70**	$ 0.36	$ 2.87
(Loss) earnings from discontinued operations	**(0.02)**	(1.89)	0.14
Net earnings (loss)	**$ 4.68**	$ (1.53)	$ 3.01
Weighted average shares used for computation of:			
Basic earnings (loss) per common share	**79.2**	85.2	87.6
Diluted earnings (loss) per common share	**79.7**	85.6	88.2

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

BRUNSWICK CORPORATION
Consolidated Statements of Comprehensive Income

	For the Years Ended December 31		
(in millions)	**2020**	**2019**	**2018**
Net earnings (loss)	**$ 372.7**	$ (131.0)	$ 265.3
Other comprehensive income (loss), net of tax:			
Foreign currency translation:			
Foreign currency translation adjustments (A)	**22.5**	25.1	(17.3)
Less: foreign currency translation reclassified into Net earnings (loss) (B)	**—**	(13.8)	—
Net foreign currency translation	**22.5**	11.3	(17.3)
Defined benefit plans:			
Net actuarial losses (A)	**(2.4)**	(11.3)	(3.3)
Amortization of prior service credits (B)	**(0.5)**	3.1	(0.5)
Amortization of net actuarial losses (B)	**0.8**	310.2	7.9
Net defined benefit plans	**(2.1)**	302.0	4.1
Derivatives:			
Net deferred (losses) gains on derivatives (A)	**(4.7)**	3.6	7.3
Net (gains) losses reclassified into Net earnings (loss) (B)	**(5.0)**	(7.2)	2.6
Net activity for derivatives	**(9.7)**	(3.6)	9.9
Other comprehensive income (loss)	**10.7**	309.7	(3.3)
Comprehensive income	**$ 383.4**	$ 178.7	$ 262.0

(A) The tax effects for the year ended December 31, 2020 were $(1.2) million for foreign currency translation, $0.3 million for net actuarial losses arising during the period and $1.8 million for derivatives. The tax effects for the year ended December 31, 2019 were $(0.7) million for foreign currency translation, $5.1 million for net actuarial losses arising during the period and $(1.4) million for derivatives. The tax effects for the year ended December 31, 2018 were $1.5 million for foreign currency translation, $1.2 million for net actuarial losses arising during the period and $(3.3) million for derivatives.
(B) See **Note 19 – Comprehensive Income (Loss)** for the tax effects for the years ended December 31, 2020, December 31, 2019 and December 31, 2018.

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

BRUNSWICK CORPORATION
Consolidated Balance Sheets

(in millions)	As of December 31 2020	2019
Assets		
Current assets		
Cash and cash equivalents, at cost, which approximates fair value	**$ 519.6**	$ 320.3
Restricted cash	**10.7**	11.6
Short-term investments in marketable securities	**56.7**	0.8
Total cash and short-term investments in marketable securities	**587.0**	332.7
Accounts and notes receivable, less allowances of $10.7 and $8.5	**337.6**	331.8
Inventories		
Finished goods	**446.8**	554.3
Work-in-process	**94.0**	101.3
Raw materials	**171.0**	168.9
Net inventories	**711.8**	824.5
Prepaid expenses and other	**34.1**	36.8
Current assets	**1,670.5**	1,525.8
Property		
Land	**17.7**	17.8
Buildings and improvements	**435.5**	415.4
Equipment	**1,184.9**	1,090.1
Total land, buildings and improvements and equipment	**1,638.1**	1,523.3
Accumulated depreciation	**(929.8)**	(863.8)
Net land, buildings and improvements and equipment	**708.3**	659.5
Unamortized product tooling costs	**155.3**	136.9
Net property	**863.6**	796.4
Other assets		
Goodwill	**417.7**	415.0
Other intangibles, net	**552.3**	583.5
Equity investments	**32.5**	29.5
Deferred income tax asset	**136.6**	118.7
Operating lease assets	**83.0**	83.2
Other long-term assets	**14.4**	12.3
Other assets	**1,236.5**	1,242.2
Total assets	**$ 3,770.6**	$ 3,564.4

(in millions)	As of December 31 2020	2019
Liabilities and shareholders' equity		
Current liabilities		
Short-term debt and current maturities of long-term debt	**$ 43.1**	$ 41.3
Accounts payable	**457.6**	393.5
Accrued expenses	**578.5**	509.6
Current liabilities	**1,079.2**	944.4
Long-term liabilities		
Debt	**908.3**	1,068.0
Operating lease liabilities	**69.8**	70.1
Postretirement benefits	**74.7**	73.6
Other	**128.6**	107.4
Long-term liabilities	**1,181.4**	1,319.1
Shareholders' equity		
Common stock; authorized: 200,000,000 shares, $0.75 par value; issued: 102,538,000 shares; outstanding: 77,875,000 and 79,569,000 shares	**76.9**	76.9
Additional paid-in capital	**383.8**	369.2
Retained earnings	**2,225.7**	1,931.3
Treasury stock, at cost: 24,663,000 and 22,969,000 shares	**(1,133.7)**	(1,023.1)
Accumulated other comprehensive loss, net of tax:		
Foreign currency translation	**(15.1)**	(37.6)
Defined benefit plans:		
Prior service credits	**(3.5)**	(3.0)
Net actuarial losses	**(8.9)**	(7.3)
Unrealized losses on derivatives	**(15.2)**	(5.5)
Accumulated other comprehensive loss, net of tax	**(42.7)**	(53.4)
Shareholders' equity	**1,510.0**	1,300.9
Total liabilities and shareholders' equity	**$ 3,770.6**	$ 3,564.4

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

BRUNSWICK CORPORATION
Consolidated Statements of Cash Flow

(in millions)	For the Years Ended December 31 2020	2019	2018
Cash flows from operating activities			
Net earnings (loss)	**$ 372.7**	$ (131.0)	$ 265.3
Less: net (loss) earnings from discontinued operations, net of tax	**(2.0)**	(161.4)	11.9
Net earnings from continuing operations	**374.7**	30.4	253.4
Depreciation and amortization	**153.4**	138.7	124.0
Stock compensation expense	**27.1**	17.3	16.7
Pension expense including settlement charges, net of (funding)	**(3.2)**	293.3	(156.1)
Asset impairment charges	**1.5**	3.0	32.1
Deferred income taxes	**(17.6)**	(49.8)	31.0
Changes in certain current assets and current liabilities			
Change in accounts and notes receivable	**(19.9)**	41.4	(30.2)
Change in inventory	**109.3**	(50.5)	(82.4)
Change in prepaid expenses and other, excluding income taxes	**(2.6)**	5.7	(8.9)
Change in accounts payable	**64.5**	(32.7)	61.4
Change in accrued expenses	**75.3**	(44.7)	17.6
Long-term extended warranty contracts and other deferred revenue	**12.1**	4.0	7.9
Income taxes	**6.1**	114.4	4.9
Other, net	**19.3**	4.8	3.1
Net cash provided by operating activities of continuing operations	**800.0**	475.3	274.5
Net cash (used for) provided by operating activities of discontinued operations	**(1.7)**	(41.1)	62.5
Net cash provided by operating activities	**798.3**	434.2	337.0
Cash flows from investing activities			
Capital expenditures	**(182.4)**	(232.6)	(180.2)
Purchases of marketable securities	**(55.9)**	—	—
Investments	**(4.0)**	2.4	(8.8)
Acquisition of businesses, net of cash acquired	**—**	(64.1)	(909.6)
Proceeds from the sale of property, plant and equipment	**2.9**	7.3	0.4
Other, net	**—**	—	(0.2)
Net cash used for investing activities of continuing operations	**(239.4)**	(287.0)	(1,098.4)
Net cash (used for) provided by investing activities of discontinued operations	**(7.5)**	481.7	(8.9)
Net cash (used for) provided by investing activities	**(246.9)**	194.7	(1,107.3)
Cash flows from financing activities			
Proceeds from issuances of short-term debt	**610.0**	655.0	298.9
Payments of short-term debt	**(610.0)**	(655.0)	(300.0)
Net proceeds from issuances of long-term debt	**—**	223.6	794.6
Payments of long-term debt including current maturities	**(159.1)**	(341.0)	(12.6)
Common stock repurchases	**(118.3)**	(400.0)	(75.0)
Cash dividends paid	**(78.3)**	(73.4)	(67.8)
Proceeds from share-based compensation activity	**1.5**	2.8	1.4
Tax withholding associated with shares issued for share-based compensation	**(7.7)**	(12.1)	(12.5)
Other, net	**0.1**	(0.7)	(6.5)
Net cash (used for) provided by financing activities	**(361.8)**	(600.8)	620.5
Effect of exchange rate changes	**8.8**	0.4	(5.0)
Net increase (decrease) in Cash and cash equivalents and Restricted cash	**198.4**	28.5	(154.8)
Cash and cash equivalents and Restricted cash at beginning of period	**331.9**	303.4	458.2
Cash and cash equivalents and Restricted cash at end of period	**530.3**	331.9	303.4
Less: Restricted cash	**10.7**	11.6	9.0
Cash and cash equivalents at end of period	**$ 519.6**	$ 320.3	$ 294.4
Supplemental cash flow disclosures:			
Interest paid	**$ 72.8**	$ 79.5	$ 46.8
Income taxes paid, net	**$ 111.5**	$ 18.2	$ 21.7

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

BRUNSWICK CORPORATION
Consolidated Statements of Shareholders' Equity

(in millions, except per share data)	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2017	$ 76.9	$ 374.4	$ 1,966.8	$ (575.4)	$ (359.8)	$ 1,482.9
ASU No. 2014-09 adoption	—	—	(28.6)	—	—	(28.6)
Net earnings	—	—	265.3	—	—	265.3
Other comprehensive loss	—	—	—	—	(3.3)	(3.3)
Dividends ($0.78 per common share)	—	—	(67.8)	—	—	(67.8)
Compensation plans and other	—	(3.3)	—	12.4	—	9.1
Common stock repurchases	—	—	—	(75.0)	—	(75.0)
Balance, December 31, 2018	76.9	371.1	2,135.7	(638.0)	(363.1)	1,582.6
Net loss	—	—	(131.0)	—	—	(131.0)
Other comprehensive income	—	—	—	—	309.7	309.7
Dividends ($0.87 per common share)	—	—	(73.4)	—	—	(73.4)
Compensation plans and other	—	(1.9)	—	14.9	—	13.0
Common stock repurchases	—	—	—	(400.0)	—	(400.0)
Balance, December 31, 2019	76.9	369.2	1,931.3	(1,023.1)	(53.4)	1,300.9
Net earnings	—	—	372.7	—	—	372.7
Other comprehensive income	—	—	—	—	10.7	10.7
Dividends ($0.99 per common share)	—	—	(78.3)	—	—	(78.3)
Compensation plans and other	—	14.6	—	7.7	—	22.3
Common stock repurchases	—	—	—	(118.3)	—	(118.3)
Balance, December 31, 2020	$ 76.9	$ 383.8	$ 2,225.7	$ (1,133.7)	$ (42.7)	$ 1,510.0

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

Note 1 – Significant Accounting Policies

Basis of Presentation. Brunswick Corporation (Brunswick or the Company) has prepared its consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Effective January 1, 2020, the Company changed its management reporting and updated its reportable segments to Propulsion, Parts and Accessories (P&A) and Boat (inclusive of Business Acceleration) to align with its strategy. As a result of this change, the Company has recast all segment information for all prior periods presented. Refer to **Note 6 – Segment Information** for further information on the Company's reportable segments. Additionally, as stated in **Note 3 – Discontinued Operations**, Brunswick's results reflect continuing operations only, unless otherwise noted.

Principles of Consolidation. Brunswick's consolidated financial statements include the accounts of all majority owned and controlled domestic and foreign subsidiaries. Intercompany balances and transactions have been eliminated.

Use of Estimates. The preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates. Actual results could differ materially from those estimates. These estimates affect:

- The reported amounts of revenues and expenses during the reporting periods;
- The reported amounts of assets and liabilities at the date of the financial statements; and
- The disclosure of contingent assets and liabilities at the date of the financial statements.

Estimates in these consolidated financial statements include, but are not limited to:

- Allowances for doubtful accounts;
- Inventory valuation reserves;
- Variable consideration related to recorded revenue;
- Reserves related to repurchase and recourse obligations;
- Warranty related reserves;
- Losses on litigation and other contingencies;
- Environmental reserves;
- Insurance reserves;
- Valuation of goodwill and other intangible assets;
- Impairments of long-lived assets;
- Reserves related to restructuring, exit and impairment activities;
- Postretirement benefit liabilities;
- Valuation allowances on deferred tax assets; and
- Income tax reserves.

Cash and Cash Equivalents. The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. These investments include, but are not limited to, investments in money market funds, bank deposits, federal government and agency debt securities and commercial paper.

Restricted Cash. Restricted Cash is primarily related to cash deposited in a trust that is pledged as collateral against certain workers' compensation-related obligations. Refer to **Note 13 – Commitments and Contingencies** for more information.

Investments in Marketable Securities. The Company classifies investments in debt securities that are not considered to be cash equivalents as Short-term investments in marketable securities as discussed in **Note 9 – Investments**. Short-term investments in marketable securities have a stated maturity of twelve months or less from the balance sheet date. These securities are considered as available-for-sale and are reported at fair value. Unrealized gains and losses on these debt securities are recorded net of tax as a component of Accumulated other comprehensive loss in Unrealized investment losses within Shareholders' equity. Declines in market value from the original cost deemed to be "other-than-temporary" are charged to Other expense, net in the Consolidated Statements of Operations in the period in which the loss occurs. The Company considers both the duration for which a decline in value has occurred and the extent of the decline in its determination of whether a decline in value has been "other than temporary." Realized gains and losses are calculated based on the specific identification method and are included in Other expense, net in the Consolidated Statements of Operations.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Accounts and Notes Receivable and Allowance for Doubtful Accounts. The Company carries its accounts and notes receivable at their face amounts less an allowance for doubtful accounts. On a regular basis, the Company records an allowance for uncollectible receivables based upon known bad debt risks and past loss history, customer payment practices and economic conditions. Actual collection experience may differ from the current estimate of net receivables. A change to the allowance for doubtful accounts may be required if a future event or other change in circumstances results in a change in the estimate of the ultimate collectability of a specific account.

Inventories. Inventories are valued at the lower of cost or net realizable value, with net realizable value equal to the estimated selling price less the estimated costs to transact. Approximately 50 percent and 45 percent of the Company's inventories were determined by the first-in, first-out method (FIFO) at December 31, 2020 and December 31, 2019, respectively. Remaining inventories valued at the last-in, first-out method (LIFO) were $145.3 million and $139.9 million lower than the FIFO cost of inventories at December 31, 2020 and 2019, respectively. Inventory cost includes material, labor and manufacturing overhead. During 2020, a reduction in inventory quantities resulted in a liquidation of applicable LIFO inventory quantities carried at lower costs in prior years. This LIFO liquidation resulted in a decrease in cost of sales of approximately $7 million. There were no liquidations of LIFO inventory layers in 2019 or 2018.

Property. Property, including major improvements and product tooling costs, is recorded at cost. Product tooling costs principally comprise the cost to acquire and construct various long-lived molds, dies and other tooling the Company uses in its manufacturing processes. Design and prototype development costs associated with product tooling are expensed as incurred. Maintenance and repair costs are also expensed as incurred. Depreciation is recorded over the estimated service lives of the related assets, principally using the straight-line method. Buildings and improvements are depreciated over a useful life of five to forty years. Equipment is depreciated over a useful life of two to twenty years. Product tooling costs are amortized over the shorter of the useful life of the tooling or the anticipated life of the applicable product, for a period up to eight years. The Company capitalizes interest on qualifying assets during the construction period and capitalized $4.4 million and $5.0 million in the periods ending December 31, 2020 and 2019, respectively. The Company presents capital expenditures on a cash basis within the Consolidated Statements of Cash Flows. There were $31.7 million and $27.5 million of unpaid capital expenditures within Accounts payable as of December 31, 2020 and 2019, respectively. The Company includes gains and losses recognized on the sale and disposal of property in either Selling, general and administrative expenses or Restructuring, exit and impairment charges as appropriate. The amount of gains and losses for the years ended December 31 were as follows:

(in millions)	2020	2019	2018
Gains on the sale of property	**$ 0.7**	$ 1.8	$ 0.3
Losses on the sale and disposal of property	**(0.5)**	(2.4)	(0.8)
Net gains (losses) on sale and disposal of property	**$ 0.2**	$ (0.6)	$ (0.5)

At both December 31, 2020 and 2019, the Company had $3.0 million of net assets classified as held-for-sale within Net property in the Consolidated Balance Sheets.

Software Development Costs for Internal Use. The Company expenses all software development and implementation costs incurred until the Company has determined that the software will result in probable future economic benefit and management has committed to funding the project. Once this is determined, external direct costs of material and services, payroll-related costs of employees working on the project and related interest costs incurred during the application development stage are capitalized. These capitalized costs are amortized over three to seven years. All other related costs, including training costs and costs to re-engineer business processes, are expensed as incurred.

Goodwill. Goodwill results from the excess of purchase price over the net assets of businesses acquired. The Company reviews goodwill for impairment annually and whenever events or changes in circumstances indicate that the fair value of a reporting unit may be below its carrying value. As part of the annual test, the Company may perform a qualitative, rather than quantitative, assessment to determine whether the fair values of its reporting units are "more likely than not" to be greater than their carrying values. In performing this qualitative analysis, the Company considers various factors, including the effect of market or industry changes and the reporting units' actual results compared to projected results.

If the fair value of a reporting unit does not meet the "more likely than not" criteria discussed above, the Company performs a quantitative assessment which begins by measuring the fair value of the reporting unit. If the carrying value of the reporting unit exceeds its fair value, a goodwill impairment is recorded equal to the carrying value of the reporting unit less its fair value, not to exceed the carrying value of goodwill.

The Company calculates the fair value of its reporting units considering both the income approach and the guideline public company method. The income approach calculates the fair value of the reporting unit using a discounted cash flow approach utilizing a Gordon Growth model. Internally forecasted future cash flows, which the Company believes reasonably approximate market participant assumptions, are discounted using a weighted average cost of capital (Discount Rate) developed for each reporting unit. The Discount Rate is developed using market observable inputs, as well as considering whether or not there is a measure of risk related to the specific reporting unit's forecasted performance. Fair value under the guideline public company method is determined for each unit by applying market multiples for comparable public companies to the unit's current and forecasted financial results. The key uncertainties in these calculations are the assumptions used in determining the reporting unit's forecasted future performance, including revenue growth and operating margins, as well as the perceived risk associated with those forecasts in determining the Discount Rate, along with selecting representative market multiples.

The Company did not record any goodwill impairments in 2020, 2019 or 2018 in continuing operations. Refer to **Note 3 – Discontinued Operations** for further information on the Fitness goodwill impairment recorded during 2019.

Other intangible assets. The Company's primary intangible assets are customer relationships and trade names acquired in business combinations. Intangible assets are initially valued using a methodology commensurate with the intended use of the asset. The customer relationships were valued using the income approach, specifically the multi-period excess earnings method (MPEEM). The fair value of trade names is measured using a relief-from-royalty (RFR) approach, which assumes the value of the trade name is the discounted amount of cash flows that would be paid to third parties had the Company not owned the trade name and instead licensed the trade name from another company. Higher royalty rates are assigned to premium brands within the marketplace based on name recognition and profitability, while other brands receive lower royalty rates. The basis for future sales projections for both the RFR and MPEEM are based on internal revenue forecasts by brand, which the Company believes represent reasonable market participant assumptions. The future cash flows are discounted using an applicable discount rate as well as any potential risk premium to reflect the inherent risk of holding a standalone intangible asset.

The key uncertainties in the RFR and MPEEM calculations, as applicable, are: the selection of an appropriate royalty rate, assumptions used in developing internal revenue growth and expense forecasts, assumed customer attrition rates, as well as the perceived risk associated with those forecasts in determining the discount rate and risk premium.

The costs of amortizable intangible assets are recognized over their expected useful lives, typically between three and fifteen years, using the straight-line method. Intangible assets that are subject to amortization are evaluated for impairment using a process similar to that used to evaluate long-lived assets described below. Intangible assets not subject to amortization are assessed for impairment at least annually and whenever events or changes in circumstances indicate that it is more likely than not that an asset may be impaired. As we determined the COVID-19 pandemic was a triggering event, we performed an interim impairment test of certain intangible assets as of March 28, 2020 in addition to our annual impairment test during the fourth quarter. The impairment test for indefinite-lived intangible assets consists of a comparison of the fair value of the intangible asset with its carrying amount. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset. The Company did not record any intangible asset impairments in 2020, 2019 or 2018.

Refer to **Note 5 – Acquisitions** and **Note 11 – Goodwill and Other Intangibles** in the Notes to Consolidated Financial Statements for more information.

Equity Investments. For investments in which the Company owns or controls from 20 percent to 50 percent of the voting shares, the Company uses the equity method of accounting. The Company's share of net earnings or losses from equity method investments is included in the Consolidated Statements of Operations. The Company carries other investments, for which the Company does not have the ability to exercise significant influence, at fair value, with changes in fair value recognized in net income. For equity investments that do not have a readily determinable fair value, the Company measures the investment at cost less impairment, plus or minus observable price changes. The Company periodically evaluates the carrying value of its investments. See **Note 9 – Investments** for further details about the Company's evaluation of the fair value of its investments.

Long-Lived Assets. The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful lives of its definite-lived intangible assets and other long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. Once an impairment indicator is identified, the Company tests for recoverability of the related asset group using an estimate of undiscounted cash flows over the asset group's remaining life. If an asset group's carrying value is not recoverable, the Company records an impairment loss based on the excess of the carrying value of the asset group over the long-lived asset group's fair value. Fair value is determined using observable inputs, including

the use of appraisals from independent third parties, when available, and, when observable inputs are not available, based on the Company's assumptions of the data that market participants would use in pricing the asset, based on the best information available in the circumstances. Specifically, the Company uses discounted cash flows to determine the fair value of the asset when observable inputs are unavailable. The Company tested its long-lived asset balances for impairment as indicators arose during 2020, 2019 and 2018, resulting in impairment charges of $0.9 million, $3.0 million and $12.7 million, respectively, which are recognized either in Restructuring, exit and impairment charges or Selling, general and administrative expense in the Consolidated Statements of Operations.

Other Long-Term Assets. Other long-term assets consists mainly of capitalized financing costs and deposits.

Revenue Recognition. Revenue is recognized as performance obligations under the terms of contracts with customers are satisfied; this occurs when control of promised goods is transferred to the customer. The Company recognizes revenue related to the sale of extended warranty contracts that extend the coverage period beyond the standard warranty period over the life of the extended warranty period.

Revenue is measured as the amount of consideration expected to be entitled to in exchange for transferring goods or providing services. The Company has excluded sales, value add, and other taxes collected concurrent with revenue-producing activities from the determination of the transaction price for all contracts. The Company has elected to account for shipping and handling activities that occur after the customer has obtained control of a good as a fulfillment activity. For all contracts with customers, the Company has not adjusted the promised amount of consideration for the effects of a significant financing component as the period between the transfer of the promised goods and the customer's payment is expected to be one year or less.

For product sales, the Company transfers control and recognizes revenue at the time the product ships from a manufacturing or distribution facility ("free on board shipping point"), or at the time the product arrives at the customer's facility ("free on board destination"). When the shipping terms are "free on board shipping point", the customer obtains control and is able to direct the use of, and obtain substantially all of the benefits from, the products at the time the products are shipped. For shipments provided under "free on board destination", control transfers to the customer upon delivery. Payment terms vary but are generally due within 30 days of transferring control. For the Company's Boat and Propulsion segments, most product sales to dealers are wholesale financed through the Company's joint venture, Brunswick Acceptance Company, LLC (BAC), or other lending institutions, and payment is typically due in the month of shipment. For further information on the BAC joint venture, refer to **Note 10 – Financing Joint Venture**. In addition, periodically the Company may require the customer to provide up-front cash deposits in advance of performance.

The Company also sells separately priced extended warranty contracts that extend the coverage period beyond the standard warranty period. When determining an appropriate allocation of the transaction price to the extended warranty performance obligation, the Company uses an observable price to determine the stand-alone selling price. Extended warranties typically range from an additional 1 year to 3 years. The Company receives payment at the inception of the contract and recognizes revenue over the extended warranty coverage period. This time-elapsed method is used to measure progress because the Company, on average, satisfies its performance obligation evenly over the warranty period.

See **Note 2 – Revenue Recognition** for more information.

Advertising Costs. The Company records advertising and promotion costs in Selling, general and administrative expense in the Consolidated Statements of Operations in the period when the advertising first takes place. Advertising and promotion costs were $29.7 million, $35.6 million and $31.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Foreign Currency. The functional currency for the majority of Brunswick's operations is the U.S. dollar. All assets and liabilities of operations with a functional currency other than the U.S. dollar are translated at period end current rates. The resulting translation adjustments are recorded in Accumulated other comprehensive loss, net of tax. Revenues and expenses of operations with a functional currency other than the U.S. dollar are translated at the average exchange rates for the period. Transaction gains and losses resulting from changes in foreign currency exchange rates are recorded in either Cost of sales or Other expense, net in the Consolidated Statements of Operations.

Share-Based Compensation. The Company records amounts for all share-based compensation, including non-vested stock awards and performance-based share awards over the vesting period in the Consolidated Statements of Operations based upon their fair values at the date of the grant. Share-based compensation costs are included in Selling, general and administrative

expense in the Consolidated Statements of Operations. See **Note 18 – Stock Plans and Management Compensation** for a description of the Company's accounting for share-based compensation plans.

Research and Development. Research and development costs are expensed as incurred.

Derivatives. The Company uses derivative financial instruments to manage its risk associated with movements in foreign currency exchange rates, interest rates, and commodity prices. These instruments are used in accordance with guidelines established by the Company's management and are not used for trading or speculative purposes. The Company records all derivatives on the Consolidated Balance Sheets at fair value. See **Note 14 – Financial Instruments** for further discussion.

Recently Adopted Accounting Standards

Current Expected Credit Loss: In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Measurement of Credit Losses on Financial Instruments,* which updated the Accounting Standards Codification (ASC) to add an impairment model that is based on expected losses rather than incurred losses. On January 1, 2020, the Company adopted this standard and the adoption did not have a material impact on the consolidated financial statements.

Defined Benefit Plan Disclosures: In August 2018, the FASB issued ASU 2018-14, *Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans,* which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendment is effective for interim and annual periods ending after December 15, 2020, with early adoption permitted. The Company adopted this standard and it did not have a material impact on the consolidated financial statements.

Note 2 – Revenue Recognition

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

	Year Ended December 31, 2020			
(in millions)	**Propulsion**	**Parts & Accessories**	**Boat**	**Total**
Geographic Markets				
United States	$ 1,207.8	$ 1,091.0	$ 957.5	**$ 3,256.3**
Europe	255.2	180.5	128.5	**564.2**
Asia-Pacific	240.4	117.9	27.7	**386.0**
Canada	66.7	80.9	114.2	**261.8**
Rest-of-World	108.3	38.5	22.4	**169.2**
Segment Eliminations	(263.1)	(26.9)	—	**(290.0)**
Total	$ 1,615.3	$ 1,481.9	$ 1,250.3	**$ 4,347.5**
Major Product Lines				
Outboard Engines	$ 1,471.8	$ —	$ —	**$ 1,471.8**
Controls, Rigging, and Propellers	258.4	—	—	**258.4**
Sterndrive Engines	148.2	—	—	**148.2**
Distribution Parts and Accessories	—	664.2	—	**664.2**
Advanced Systems Group	—	412.1	—	**412.1**
Engine Parts and Accessories	—	432.5	—	**432.5**
Aluminum Freshwater Boats	—	—	488.5	**488.5**
Recreational Fiberglass Boats	—	—	427.1	**427.1**
Saltwater Fishing Boats	—	—	298.7	**298.7**
Business Acceleration	—	—	40.5	**40.5**
Boat Eliminations/Other	—	—	(4.5)	**(4.5)**
Segment Eliminations	(263.1)	(26.9)	—	**(290.0)**
Total	$ 1,615.3	$ 1,481.9	$ 1,250.3	**$ 4,347.5**

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	Year Ended December 31, 2019			
(in millions)	Propulsion	Parts & Accessories	Boat	Total
Geographic Markets				
United States	$ 1,152.1	$ 978.5	$ 1,009.0	$ 3,139.6
Europe	235.1	175.8	115.6	526.5
Asia-Pacific	143.2	103.4	31.2	277.8
Canada	62.7	80.1	154.8	297.6
Rest-of-World	99.8	42.3	23.7	165.8
Segment Eliminations	(269.7)	(29.2)	—	(298.9)
Total	$ 1,423.2	$ 1,350.9	$ 1,334.3	$ 4,108.4
Major Product Lines				
Outboard Engines	$ 1,306.7	$ —	$ —	$ 1,306.7
Controls, Rigging, and Propellers	213.6	—	—	213.6
Sterndrive Engines	172.6	—	—	172.6
Distribution Parts and Accessories	—	571.8	—	571.8
Advanced Systems Group	—	413.0	—	413.0
Engine Parts and Accessories	—	395.3	—	395.3
Aluminum Freshwater Boats	—	—	556.6	556.6
Recreational Fiberglass Boats	—	—	438.8	438.8
Saltwater Fishing Boats	—	—	316.6	316.6
Business Acceleration	—	—	24.1	24.1
Boat Eliminations/Other	—	—	(1.8)	(1.8)
Segment Eliminations	(269.7)	(29.2)	—	(298.9)
Total	$ 1,423.2	$ 1,350.9	$ 1,334.3	$ 4,108.4

As of January 1, 2020, $96.2 million of contract liabilities associated with extended warranties and customer deposits were reported in Accrued expenses and Other Long-term liabilities with $34.8 million of this amount recognized as revenue during year ended December 31, 2020. As of December 31, 2020, total contract liabilities were $113.0 million. The total amount of the transaction price allocated to unsatisfied performance obligations as of December 31, 2020 is $106.2 million for contracts greater than one year, which includes extended warranties. The Company expects to recognize approximately $30.9 million of this amount in 2021 and $75.3 million thereafter. Contract assets as of January 1, 2020 and December 31, 2020 were not material. In addition, costs to obtain and fulfill contracts during the period were not material.

Note 3 – Discontinued Operations

On June 27, 2019, the Company completed the sale of its Fitness business to KPS Capital Partners, LP. As a result, this business, which was previously reported in the Company's Fitness segment, is being reported as discontinued operations in the Consolidated Statements of Operations and Consolidated Statements of Cash Flows for all periods presented.

The sale of the Fitness business resulted in net proceeds of $466.2 million and an after-tax loss of $45.4 million. During the third quarter of 2020, the Company made a payment of $3.3 million, including a $7.5 million final working capital settlement as well as $1.2 million of retained liabilities partially offset by a $5.4 million cash true-up. In connection with the sale of its Fitness business, the Company retained assets of $26.4 million primarily related to VAT receivables, and retained liabilities of $45.1 million primarily related to VAT payables, product warranty liabilities and certain employee benefits. As of December 31, 2020, retained assets and liabilities were $4.6 million and $12.7 million, respectively. As of December 31, 2019, retained assets and liabilities were $16.4 million and $30.5 million, respectively.

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The following table discloses the results of operations of the business reported as discontinued operations for the years ended December 31, 2020, December 31, 2019 and December 31, 2018 respectively:

(in millions)	2020	2019	2018
Net sales	$ —	$ 448.3	$ 1,038.3
Cost of sales	—	334.6	764.3
Selling, general and administrative expense (A) (B)	0.5	113.3	206.1
Research and development expense	—	12.6	27.4
Restructuring, exit and impairment charges(C)	—	138.3	26.1
Other (income), net	—	(0.3)	(0.1)
(Loss) earnings from discontinued operations before income taxes (A) (B) (C)	(0.5)	(150.2)	14.5
Income tax provision (benefit)	0.0	(32.7)	2.6
(Loss) earnings from discontinued operations, net of tax (A) (B) (C)	(0.5)	(117.5)	11.9
Loss on disposal of discontinued operations, net of tax (D)	(1.5)	(43.9)	—
Net (loss) earnings from discontinued operations, net of tax	$ (2.0)	$ (161.4)	$ 11.9

(A) The Company recorded $16.5 million and $19.3 million for the year ended December 31, 2019 and December 31, 2018, respectively, of net costs incurred in connection with the sale of its Fitness business

(B) The Company recorded $(0.5) million for the year ended December 31, 2020, primarily resulting from adjustments in certain liabilities as part of the sale of the Fitness business. During 2018, the Company recorded adjustments to certain liabilities that were retained as part of the sale of the bowling businesses. As a result, Earnings (loss) from discontinued operations, net of tax, includes a gain of $3.0 million ($2.2 million after tax) for the year ended December 31, 2018.

(C) In the first quarter of 2019, the Company re-evaluated the fair value of the Fitness reporting unit and determined the fair value of the business was less than its carrying value. As a result, (Loss) earnings from discontinued operations, net of tax, includes a $137.2 million ($103.0 million after tax) goodwill impairment charge for the year ended December 31, 2019.

(D) The Loss on disposal of discontinued operations, net of tax for the year ended December 31, 2020 includes a pre-tax loss of $2.0 million and a net tax benefit of $0.5 million. The Loss on disposal of discontinued operations, net of tax for the year ended December 31, 2019 includes a pre-tax loss of $51.3 million and a net tax benefit of $7.4 million.

There were no assets and liabilities held for sale related to discontinued operations as of December 31, 2020 or December 31, 2019.

Note 4 – Restructuring, Exit and Impairment Activities

The Company has announced and implemented a number of initiatives designed to improve its cost structure and general operating efficiencies and better utilize overall capacity. These initiatives resulted in the recognition of restructuring, exit and impairment charges in the Consolidated Statements of Operations during 2020, 2019 and 2018.

The costs incurred under these initiatives include:

- Restructuring and Exit Activities – These amounts relate to:
    - Employee termination and other benefits
    - Inventory adjustments to lower of cost or net realizable value
    - Costs to retain and relocate employees
    - Consulting costs
    - Consolidation of manufacturing footprint
    - Facility shutdown costs
    - Costs associated with the wind-down of Sport Yacht & Yachts
    - Asset Disposition and Impairment Actions

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The Company has reported restructuring, exit and impairment activities based on the specific driver of the cost and reflected the expense in the accounting period when the Company has committed to or incurred the cost, as appropriate. The following table is a summary of the net expense associated with the restructuring, exit and impairment activities.

(in millions)	2020	2019	2018
Restructuring and exit activities:			
Employee termination and other benefits	**$ 3.0**	$ 11.7	$ 9.5
Current asset write-downs	**—**	0.5	18.9
Professional fees	**0.1**	3.1	8.0
Other (A)	**0.5**	0.5	10.7
Asset disposition and impairment actions:			
Definite-lived and other asset impairments	**0.5**	3.0	12.7
Valuation (reversal) allowance on disposal group	**—**	—	(5.0)
Total restructuring, exit and impairment charges	**$ 4.1**	$ 18.8	$ 54.8

(A) The charges in 2018 primarily relate to warranty adjustments in connection with the wind-down of Sport Yacht & Yachts.

The following tables summarize the change in accrued restructuring, exit and impairment charges within Accrued expenses in the Consolidated Balance Sheets for the years ended December 31, 2020, 2019 and 2018:

	Dec 31, 2019	2020 Activity			Dec 31, 2020
(in millions)	Accrued Charges	Total Charges	Non-Cash Charges	Payments (A)	Accrued Charges (B)
Parts & Accessories	$ 1.2	$ 0.8	$ —	$ (1.7)	**$ 0.3**
Boat	6.1	1.3	(0.5)	(5.7)	**1.2**
Corporate	1.5	2.0	—	(1.8)	**1.7**
Total	$ 8.8	$ 4.1	$ (0.5)	$ (9.2)	**$ 3.2**

	Dec 31, 2018	2019 Activity			Dec 31, 2019
(in millions)	Accrued Charges	Total Charges	Non-Cash Charges	Payments (A)	Accrued Charges
Parts & Accessories	$ —	$ 4.6	$ —	$ (3.4)	**$ 1.2**
Boat	15.4	9.7	(3.5)	(15.5)	**6.1**
Corporate	0.7	4.5	—	(3.7)	**1.5**
Total	$ 16.1	$ 18.8	$ (3.5)	$ (22.6)	**$ 8.8**

	Dec 31, 2017	2018 Activity			Dec 31, 2018
(in millions)	Accrued Charges	Total Charges	Non-Cash Charges	Payments (A)	Accrued Charges
Boat	$ 3.7	$ 54.1	$ (26.6)	$ (15.8)	**$ 15.4**
Corporate	—	0.7	—	—	**0.7**
Total	$ 3.7	$ 54.8	$ (26.6)	$ (15.8)	**$ 16.1**

(A) Cash payments may include payments related to prior period charges.
(B) The accrued charges as of December 31, 2020 are expected to be paid during 2021.

Reductions in demand for the Company's products, further refinement of its product portfolio, further opportunities to reduce costs or the cost of integrating future acquisitions may result in additional restructuring, exit and impairment charges in future periods.

Actions Initiated in 2020

During 2020, the Company recorded restructuring charges within the Boat segment related to the consolidation of its Greenville manufacturing location in order to streamline the overall cost structure.

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The following table is a summary of the expenses associated with the restructuring, exit and impairment activities for the year ended December 31, 2020, related to actions initiated in 2020:

(in millions)	Parts & Accessories	Boat	Corporate	Total
Restructuring and exit activities:				
Employee termination and other benefits	$ 0.5	$ 0.4	$ 1.8	**$ 2.7**
Other	—	0.5	—	**0.5**
Asset disposition and impairment actions:				
Definite-lived and other asset impairments	—	0.5	—	**0.5**
Total restructuring, exit and impairment charges	$ 0.5	$ 1.4	$ 1.8	**$ 3.7**

Actions Initiated in 2019

During 2019, the Company recorded restructuring charges within the Boat segment related to consolidating its commercial and government products operations in order to rationalize its product line to better align with customer demand.

In addition, the Company announced headcount reductions aimed at streamlining the cost structure of its enterprise-wide general and administrative functions, and recorded restructuring charges in 2019 as a result of these actions.

The following table is a summary of the expenses associated with the restructuring, exit and impairment activities for the year ended December 31, 2020 and December 31, 2019, related to actions initiated in 2019:

	December 31, 2020				December 31, 2019			
(in millions)	Parts & Accessories	Boat	Corporate	Total	Parts & Accessories	Boat	Corporate	Total
Restructuring and exit activities:								
Employee termination and other benefits	$ 0.3	$ (0.1)	$ 0.1	**$ 0.3**	$ 4.6	$ 4.0	$ 3.1	**$ 11.7**
Current asset write-downs	—	—	—	**—**	—	0.5	—	**0.5**
Professional fees	—	—	0.1	**0.1**	—	1.7	1.4	**3.1**
Other	—	—	—	**—**	—	0.5	—	**0.5**
Asset disposition and impairment actions:								
Definite-lived and other asset impairments	—	—	—	**—**	—	3.0	—	**3.0**
Total restructuring, exit and impairment charges	$ 0.3	$ (0.1)	$ 0.2	**$ 0.4**	$ 4.6	$ 9.7	$ 4.5	**$ 18.8**

Actions Initiated in 2018

In the second quarter of 2018, the Company ended the sale process of Sea Ray. As a result, the Company recorded an additional impairment of long-lived assets. During the second, third and fourth quarters of 2018, the Company also recorded additional charges in connection with the wind down of Sport Yacht & Yachts, mainly relating to inventory write-downs, increased warranty liabilities and employee severance and retention bonuses. These costs were partially offset by the reversal of the valuation allowance in the second quarter of 2018 for estimated transaction costs which was recorded when the assets and liabilities of Sea Ray were initially classified as held for sale.

In 2018, the Company executed headcount reductions in the Boat segment aimed at improving general operating efficiencies. The Company also recorded charges within Corporate related to the transition of certain corporate officers.

The following table is a summary of the expenses associated with the restructuring, exit and impairment activities for the year ended December 31, 2018, related to actions initiated in 2018:

(in millions)	Boat	Corporate	Total
Restructuring and exit activities:			
Employee termination and other benefits	$ 4.7	$ 0.7	**$ 5.4**
Current asset write-downs	18.9	—	**18.9**
Professional fees	3.9	—	**3.9**
Other	10.7	—	**10.7**
Asset disposition and impairment actions:			
Definite-lived and other asset impairments	12.7	—	**12.7**
Total restructuring, exit and impairment charges	$ 50.9	$ 0.7	**$ 51.6**

Actions Initiated in 2017

In the fourth quarter of 2017, the Board of Directors authorized the Company to exit its Sea Ray business, including the Meridian brand. In conjunction with this decision, the Company evaluated the disposal group's fair value, less costs to sell, and compared that to its carrying value at the time. As a result, the Company recorded an impairment of long-lived assets as well as a valuation allowance for estimated transaction costs.

In the second, third and fourth quarters of 2017, the Company implemented headcount reductions in the Boat segment aimed at improving general operating efficiencies.

In the first quarter of 2017, the Company announced the closure of its boat manufacturing facility in Joinville, Santa Catarina, Brazil, as a result of continued market weakness due partially to unfavorable foreign currency impacts in the region. As a result, the Company recorded restructuring, exit and impairment charges including the write-down of inventory. The facility manufactured certain Bayliner and Sea Ray boat models for the Latin American market. The long-lived assets at this facility were previously fully impaired.

The following table is a summary of the expense associated with the restructuring, exit and impairment activities within the Boat segment, for the year ended December 31, 2018, related to actions initiated in 2017:

(in millions)	
Restructuring and exit activities:	
Employee termination and other benefits	$ 4.1
Professional fees	4.1
Asset disposition and impairment actions:	
Valuation allowance (reversal) on disposal	(5.0)
Total restructuring, exit, integration and impairment charges	$ 3.2

Note 5 – Acquisitions

2019 Acquisitions

On May 21, 2019, the Company acquired 100 percent of Freedom Boat Club, a leading boat club operator based in Florida. The acquisition expands the Company's presence and scale within the emerging and fast-growing boat club market, providing its members access to a fleet of boats. Freedom Boat Club is included as part of the Company's Boat segment.

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The net cash consideration the Company paid to acquire Freedom Boat Club was $64.1 million, in addition to acquisition-related transaction costs of $2.5 million, for the year ended December 31, 2019. The final opening balance sheet included $29.2 million of identifiable intangible assets, including customer relationships, franchise agreements and trade names for $11.1 million, $4.9 million and $13.2 million, respectively, along with $27.3 million of goodwill, most of which is deductible for tax purposes. Included in the goodwill amount is $0.9 million of purchase accounting adjustments, primarily related to deferred taxes recorded in the year ended December 31, 2020. The amount assigned to Freedom Boat Club's customer relationships and franchise agreements will be amortized over their estimated useful lives of approximately 10 years and 15 years, respectively.

The 2019 Freedom Boat Club acquisition was not material to the Company's net sales, results of operations or total assets during any period presented. Accordingly, the Company's consolidated results from operations do not differ materially from historical performance as a result of this acquisition and, therefore, pro forma results are not presented.

2018 Acquisitions

On August 9, 2018, the Company completed its acquisition of the Global Marine & Mobile business of Power Products Holdings, LLC (Power Products) for $909.6 million in cash, on a cash-free, debt-free basis. Brunswick used proceeds from a combination of 364-day, three-year and five-year term loans (Term Loans) totaling $800.0 million as described in the Annual Report on Form 10-K for the fiscal year ended December 31, 2018, along with cash on hand, to fund this acquisition.

Power Products is a leading provider of electrical products to marine and other recreational and specialty vehicle markets. The acquisition advances Brunswick's leadership by adding integrated electrical systems solutions to the marine market and an array of other mobile, specialty vehicle and industrial applications. Power Products is managed as part of the Parts and Accessories segment.

The following table is a summary of the assets acquired, liabilities assumed and net cash consideration paid for the Power Products acquisition during 2018:

(in millions)	Fair Value	Useful Life
Accounts and notes receivable	$ 38.3	
Inventory	64.3	
Goodwill (A) (B) (C)	355.5	
Trade names	111.0	Indefinite
Customer relationships	430.0	15 years
Property and equipment	10.6	
Other assets	5.6	
Total assets acquired	1,015.3	
Accounts payable (B)	27.3	
Accrued expenses (B) (C)	22.0	
Deferred tax liabilities (C)	56.4	
Total liabilities assumed	105.7	
Net cash consideration paid (B) (C)	$ 909.6	

(A) The goodwill recorded for the acquisition of Power Products is partially deductible for tax purposes.
(B) Includes $4.4 million and $3.0 million of purchase accounting adjustments in the first and second quarters of 2019, respectively, primarily related to contingency reserves.
(C) Includes $3.9 million of purchase accounting adjustments in the third quarter of 2019 primarily related to deferred taxes.

Pro Forma Financial Information (Unaudited)

The pro forma information has been prepared as if the Power Products acquisition and the related debt financing had occurred on January 1, 2018. These pro forma results are based on estimates and assumptions which the Company believes to be reasonable. They are not the results that would have been realized had the acquisition actually occurred on January 1, 2018 and are not necessarily indicative of Brunswick's consolidated net earnings in future periods. The pro forma results include adjustments primarily related to interest expense on the Term Loans and amortization of intangible assets.

(in millions)	Year Ended December 31, 2018
Pro forma Net sales	$ 4,271.1
Pro forma Operating earnings	362.8
Pro forma Net earnings from continuing operations	239.8

The pro forma results reflect an effective income tax rate of 17.2 percent for the year ended December 31, 2018.

Note 6 – Segment Information

Change in Reportable Segments

Effective January 1, 2020, the Company changed its management reporting and updated its reportable segments to Propulsion, Parts and Accessories and Boat (inclusive of Business Acceleration) to align with its strategy.

Concurrent with this change, the Company has changed its measurement of segment profit and loss due to a decision to streamline internal and external reporting practices relating to marine engines sold from the Propulsion segment to the Boat segment. This change in presentation, which is not the result of a change in business practice, more closely follows current market dynamics, and provides improved comparability with other boat companies.

Reportable Segments

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

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

Parts & Accessories. The Parts & Accessories (P&A) segment consists of the Engine Parts and Accessories and the Advanced Systems Group operating segments, which are aggregated and presented as a single reportable segment.

The P&A segment manufactures, markets, and supplies parts and accessories for both marine and non-marine markets. These products are designed for and sold mostly to aftermarket retailers, distributors, and distribution businesses, as well as original equipment manufacturers (including Brunswick brands). Branded parts and accessories include consumables, such as engine oils and lubricants, and are sold under the Mercury, Mercury Precision Parts, Quicksilver, and Seachoice brands. The P&A segment also consists of distribution businesses such as Land 'N' Sea, Kellogg Marine Supply, Lankhorst Taselaar, BLA, and Payne's Marine Group, which distribute third-party and Company products. These businesses are leading distributors of marine parts and accessories throughout North America, Europe, and Asia-Pacific. The P&A segment also includes the collection of brands acquired with Power Products in 2018 and certain other businesses operating under the Ancor, Attwood, BEP, Blue Sea Systems, CZone, Del City, Garelick, Lenco Marine, Marinco, Mastervolt, MotorGuide, ParkPower, Progressive Industries, ProMariner, and Whale brand names. Products include marine electronics and control systems, instruments, trolling motors, fuel systems, electrical systems, as well as specialty vehicle, mobile, and transportation aftermarket products.

The P&A segment's manufacturing and distribution facilities are primarily located in North America, Europe, Australia and New Zealand.

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

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

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

Corporate/Other results include items such as corporate staff and administrative costs, investments in technology solutions, business development and other growth-related expenses, including IT enhancements. Corporate/Other total assets consist of mainly cash, cash equivalents and investments in short-term marketable securities, restricted cash, income tax balances and investments in unconsolidated affiliates. Segment eliminations adjust for sales between the Company's reportable segments and primarily relate to the sale of engines and parts and accessories to various boat brands, which are consummated at established arm's length transfer prices as the intersegment pricing for these engines and parts and accessories are based upon and consistent with selling prices to third party customers.

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

Reportable Segments

	Net Sales			Operating Earnings (Loss)			Total Assets	
(in millions)	2020	2019	2018	2020	2019	2018	2020	2019
Propulsion	**$ 1,878.4**	$ 1,692.9	$ 1,759.3	**$ 285.5**	$ 240.3	$ 243.8	**$ 962.4**	$ 1,002.8
Parts & Accessories	**1,508.8**	1,380.1	1,234.3	**275.4**	237.5	188.0	**1,500.6**	1,519.0
Boat	**1,250.3**	1,334.3	1,471.3	**70.2**	76.2	9.1	**488.1**	473.0
Corporate/Other	—	—	—	**(91.8)**	(83.0)	(85.4)	**819.5**	569.6
Segment Eliminations	**(290.0)**	(298.9)	(344.0)	—	—	—	—	—
Total	**$ 4,347.5**	$ 4,108.4	$ 4,120.9	**$ 539.3**	$ 471.0	$ 355.5	**$ 3,770.6**	$ 3,564.4

	Depreciation			Amortization		
(in millions)	2020	2019	2018	2020	2019	2018
Propulsion	**$ 72.0**	$ 62.9	$ 58.2	**$ 0.0**	$ 0.0	$ 0.0
Parts & Accessories	**14.3**	13.3	11.1	**30.1**	30.3	23.0
Boat	**30.7**	28.2	26.7	**1.8**	1.3	1.0
Corporate/Other	**4.5**	2.7	4.0	**—**	—	—
Total	**$ 121.5**	$ 107.1	$ 100.0	**$ 31.9**	$ 31.6	$ 24.0

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	Capital Expenditures			Research & Development Expense		
(in millions)	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Propulsion	**$ 113.7**	$ 157.2	$ 109.2	**$ 85.4**	$ 84.6	$ 85.1
Parts & Accessories	**21.1**	23.4	17.1	**19.8**	18.8	10.7
Boat	**37.6**	47.0	48.5	**20.7**	18.2	25.7
Corporate/Other	**10.0**	5.0	5.4	**—**	—	—
Total	**$ 182.4**	$ 232.6	$ 180.2	**$ 125.9**	$ 121.6	$ 121.5

Geographic Segments

	Net sales			Net property	
(in millions)	**2020**	**2019**	**2018**	**2020**	**2019**
United States	**$ 2,998.0**	$ 2,871.1	$ 2,918.0	**$ 774.2**	$ 714.6
International	**1,349.5**	1,237.3	1,202.9	**65.1**	63.0
Corporate/Other	**—**	—	—	**24.3**	18.8
Total	**$ 4,347.5**	$ 4,108.4	$ 4,120.9	**$ 863.6**	$ 796.4

Note 7 – Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable.

- Level 1 - Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets or liabilities.

- Level 2 - Inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. These are typically obtained from readily available pricing sources for comparable instruments.

- Level 3 - Unobservable inputs, for which there is little or no market activity for the asset or liability. These inputs reflect the reporting entity's own assumptions of the data that market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

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The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2020:

(in millions)	Level 1	Level 2	Total
Assets:			
Cash equivalents	$ 19.3	$ —	**$ 19.3**
Short-term investments in marketable securities	56.7	—	**56.7**
Restricted cash	10.7	—	**10.7**
Derivatives	—	2.2	**2.2**
Total assets	$ 86.7	$ 2.2	**$ 88.9**
Liabilities:			
Derivatives	$ —	$ 12.0	**$ 12.0**
Deferred compensation	1.1	18.7	**19.8**
Total liabilities at fair value	$ 1.1	$ 30.7	**$ 31.8**
Liabilities measured at net asset value			**10.7**
Total liabilities			**$ 42.5**

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2019:

(in millions)	Level 1	Level 2	Total
Assets:			
Cash equivalents	$ 0.3	$ —	**$ 0.3**
Short-term investments in marketable securities	0.8	—	**0.8**
Restricted cash	11.6	—	**11.6**
Derivatives	—	4.2	**4.2**
Total assets	$ 12.7	$ 4.2	**$ 16.9**
Liabilities:			
Derivatives	$ —	$ 3.2	**$ 3.2**
Deferred compensation	1.2	18.8	**20.0**
Total liabilities at fair value	$ 1.2	$ 22.0	**$ 23.2**
Liabilities measured at net asset value			**8.5**
Total liabilities			**$ 31.7**

Refer to **Note 14 – Financial Instruments** for additional information related to the fair value of derivative assets and liabilities by class. In addition to the items shown in the tables above, see **Note 17 – Postretirement Benefits** for further discussion regarding the fair value measurements associated with the Company's postretirement benefit plans.

Note 8 – Financing Receivables

The Company has recorded financing receivables, which are defined as a contractual right to receive money, as assets on its Consolidated Balance Sheets as of December 31, 2020 and 2019. Substantially all of the Company's financing receivables are for commercial customers, which includes receivables sold to third-party finance companies (Third-Party Receivables) and customer notes and other (Other Receivables). Third-Party Receivables are accounts that have been sold to third-party finance companies, but do not meet the definition of a true sale and are therefore recorded as an asset with an offsetting balance recorded as a secured obligation in Accrued expenses. Other Receivables are mostly comprised of notes from customers, which are originated by the Company in the normal course of business. Financing receivables are carried at their face amounts less an allowance for credit losses.

The Company sells a broad range of marine products to a worldwide customer base and extends credit to its customers based upon an ongoing credit evaluation program. The Company's business units maintain credit departments to manage financial exposure and perform credit risk assessments on an individual account basis. Accounts are not aggregated into categories for credit risk determinations. Due to the composition of the account portfolio, the Company does not believe that the credit risk posed by the Company's financing receivables is significant to its operations, financial condition or cash flows. There were no significant troubled debt restructurings during the years ended December 31, 2020, 2019 or 2018.

The Company's financing receivables, excluding trade accounts receivable contractually due within one year as of December 31, 2020 and December 31, 2019 were $6.5 million and $8.8 million, respectively.

The activity related to the allowance for credit loss on financing receivables during the years ended December 31, 2020 and December 31, 2019 was not material.

Note 9 – Investments

Investments in Marketable Securities

The Company may invest a portion of its cash reserves in marketable debt securities. These investments are reported in Short-term investments in marketable securities on the Consolidated Balance Sheets.

The following is a summary of the fair values, which were equal to the amortized costs, of the Company's available-for-sale securities, all due in one year or less, as of December 31, 2020 and 2019.

(in millions)	December 31, 2020	December 31, 2019
Corporate Bonds	**$ 4.7**	$ —
Commercial Paper	**51.2**	—
U.S. Treasury Bills	**0.8**	0.8
Total available-for-sale-securities	**$ 56.7**	$ 0.8

The Company had no maturities of available-for-sale securities in 2020, 2019 and 2018.

Equity Investments

The Company has certain unconsolidated international and domestic affiliates that are accounted for using the equity method. The equity method is applied in situations in which the Company has the ability to exercise significant influence, but not control, over the investees. Management reviews equity investments for impairment whenever indicators are present, suggesting that the carrying value of an investment is not recoverable. The following items are examples of impairment indicators: significant, sustained declines in an investee's revenue, earnings, and cash flow trends; adverse market conditions of the investee's industry or geographic area; the investee's inability to execute its operating plan; the investee's inability to continue operations measured by several items, including liquidity; and other factors. Once an impairment indicator is identified, management uses considerable judgment to determine if the decline in value is other than temporary, in which case the equity investment is written down to its estimated fair value, which could negatively impact reported results of operations.

The Company has a 50 percent interest in a Japanese manufacturing company, Tohatsu Marine Corporation (TMC), which is accounted for as an equity method investment. The Company purchases engines from TMC, which are sold mostly in international markets. The Company reported a net amount payable to TMC of $44.7 million and $27.3 million at December 31, 2020 and December 31, 2019, respectively, within Accounts payable in the Consolidated Balance Sheets. Purchases from TMC were $91.0 million, $102.6 million and $117.1 million in 2020, 2019, and 2018, respectively.

In the fourth quarter of 2018, the Company sold its 36 percent equity investment in Bella-Veneet Oy (Bella), a Finnish boat manufacturer, which had previously been fully impaired due to significant declines in profitability that were deemed other than temporary. As a result, the Company recorded a gain of $2.3 million within Equity earnings on the Consolidated Statements of Operations, which was equal to the proceeds from the sale.

Refer to **Note 10 – Financing Joint Venture** for more details on the Company's Brunswick Acceptance Company, LLC joint venture.

Note 10 – Financing Joint Venture

The Company, through its Brunswick Financial Services Corporation (BFS) subsidiary, owns a 49 percent interest in a joint venture, Brunswick Acceptance Company, LLC (BAC). CDF Joint Ventures, LLC (CDFJV), a subsidiary of Wells Fargo and Company, owns the remaining 51 percent.

In February 2018, the parties entered into an amended and restated joint venture agreement (JV Agreement) to extend the term of their financial services through December 31, 2022. The JV Agreement contains a financial covenant that conforms to the maximum leverage ratio test in the Credit Facility described in **Note 16 – Debt**. The joint venture agreement contains provisions allowing for the renewal of the agreement or the purchase of the other party's interest in the joint venture at the end of its term. Alternatively, either partner may terminate the agreement at the end of its term.

BAC is funded in part through a $1.0 billion secured borrowing facility from Wells Fargo Commercial Distribution Finance, LLC (WFCDF), which is in place through the term of the joint venture, and with equity contributions from both partners. BAC also sells a portion of its receivables to a securitization facility, the Wells Fargo Dealer Floorplan Master Note Trust, which is arranged by Wells Fargo. The sales of these receivables meet the requirements of a "true sale" and are therefore not retained on the financial statements of BAC. Neither the Company nor any of its subsidiaries guarantee the indebtedness of BAC. In addition, BAC is not responsible for any continuing servicing costs or obligations with respect to the securitized receivables.

The Company considers BFS's investment in BAC as an investment in a variable interest entity of which the Company is not the primary beneficiary. As a result, the Company accounts for BFS's investment in BAC under the equity method and records it as a component of Equity investments in its Consolidated Balance Sheets. The Company records BFS's share of income or loss in BAC based on its ownership percentage in the joint venture in Equity earnings in its Consolidated Statements of Operations. BFS's equity investment is adjusted monthly to maintain a 49 percent interest in accordance with the capital provisions of the joint venture agreement. The Company funds its investment in BAC through cash contributions and reinvested earnings. BFS's total investment in BAC at December 31, 2020 and December 31, 2019 was $12.0 million and $18.8 million, respectively.

The Company's maximum loss exposure relating to BAC is detailed as follows:

(in millions)	December 31, 2020	December 31, 2019
Investment	**$ 12.0**	$ 18.8
Repurchase and recourse obligations [(A)]	**37.0**	36.5
Liabilities [(B)]	**(1.0)**	(1.7)
Total maximum loss exposure	**$ 48.0**	$ 53.6

(A) Repurchase and recourse obligations are off-balance sheet obligations provided by the Company for the Propulsion, Parts and Accessories and Boat segments, respectively, and are included within the Maximum Potential Obligations disclosed in **Note 13 – Commitments and Contingencies**. Repurchase and recourse obligations include a North American repurchase agreement with WFCDF and could be reduced by repurchase activity occurring under other similar agreements with WFCDF and affiliates. The Company's risk under these repurchase arrangements is partially mitigated by the value of the products repurchased as part of the transaction. Amounts above exclude any potential recoveries from the value of the repurchased product.

(B) Represents accrued amounts for potential losses related to recourse exposure and the Company's expected losses on obligations to repurchase products, after giving effect to proceeds anticipated to be received from the resale of these products to alternative dealers.

BFS recorded income related to the operations of BAC of $4.6 million, $6.9 million and $6.4 million in Equity earnings in the Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018, respectively.

Cash Flows

BFS reported cash flows from operating activities of $4.3 million, $7.6 million and $6.3 million within Other, net on the Consolidated Statements of Cash Flows in 2020, 2019 and 2018, respectively.

In 2020, BFS reported net cash flows from investing activities within Investments on the Consolidated Statements of Cash flows. Such cash flows for 2020 were $7.2 million, consisting of $10.3 million of cash received and $(3.1) million of cash contributions; in 2019 were $2.2 million, consisting of $7.9 million of cash received and $(5.7) million of cash contributions; and in 2018 were $(3.8) million, consisting of $8.2 million of cash received and $(12.0) million of cash contributions.

Note 11 – Goodwill and Other Intangibles

Effective January 1, 2020, the Company changed its management reporting and updated its reportable segments to Propulsion, Parts and Accessories (P&A) and Boat (inclusive of Business Acceleration) to align with its strategy. Refer to **Note 6 –Segment Information** for further information on the Company's reportable segments. As a result, the Company reallocated goodwill to its reporting units within the Propulsion and P&A segments based on each reporting unit's relative fair value.

Changes in the Company's goodwill during the period ended December 31, 2020, by segment, are summarized below:

(in millions)	2019	Acquisitions	Adjustments	2020
Propulsion	$ 14.5	$ —	$ 0.8	**$ 15.3**
Parts & Accessories	371.9	—	0.6	**372.5**
Boat	28.6	—	1.3	**29.9**
Total	$ 415.0	$ —	$ 2.7	**$ 417.7**

Changes in the Company's goodwill during the period ended December 31, 2019, by segment, are summarized below:

(in millions)	2018	Acquisitions	Adjustments	2019
Propulsion	$ 14.6	$ —	$ (0.1)	**$ 14.5**
Parts & Accessories	360.5	—	11.4	**371.9**
Boat	2.2	26.0	0.4	**28.6**
Total	$ 377.3	$ 26.0	$ 11.7	**$ 415.0**

Adjustments in the Boat segment for 2020 relate to finalizing purchase accounting related to the Freedom Boat Club acquisition, primarily related to deferred taxes. Adjustments in the Parts and Accessories segment for 2019 mainly relate to finalizing purchase accounting related to the Power Products acquisition. See **Note 5 – Acquisitions** for further details on the

Company's acquisitions. Adjustments in both periods include the effect of foreign currency translation on goodwill denominated in currencies other than the U.S. dollar.

As of December 31, 2020 and 2019, the Company had no accumulated impairment loss on Goodwill.

The Company's intangible assets, included within Other intangibles, net on the Consolidated Balance Sheets as of December 31, 2020 and 2019, are summarized by intangible asset type below:

	2020		2019	
(in millions)	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets:				
Customer relationships (A)	**$ 687.7**	**$ (306.4)**	$ 687.0	$ (274.6)
Trade names	**166.2**	**—**	165.8	—
Other (A)	**18.5**	**(13.7)**	18.4	(13.1)
Total	**$ 872.4**	**$ (320.1)**	$ 871.2	$ (287.7)

(A) The weighted average remaining amortization period for Customer relationships and Other intangibles assets were 12.1 years and 11.2 years, respectively, as of December 31, 2020.

The Company's intangible assets, included within Other intangibles, net on the Consolidated Balance Sheets as of December 31, 2020 and 2019, are summarized by segment below:

	2020		2019	
(in millions)	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Propulsion	**$ 1.0**	**$ (0.5)**	$ 1.0	$ (0.5)
Parts & Accessories	**618.8**	**(112.4)**	617.6	(81.9)
Boat	**252.6**	**(207.2)**	252.6	(205.3)
Total	**$ 872.4**	**$ (320.1)**	$ 871.2	$ (287.7)

See **Note 5 – Acquisitions** for further details on intangibles acquired during 2019.

Aggregate amortization expense for intangibles was $31.9 million, $31.6 million and $14.8 million for the years ended December 31, 2020, 2019 and 2018, respectively. Estimated amortization expense for intangible assets is $31.9 million for the year ending December 31, 2021, $31.6 million in 2022, $31.1 million in 2023, $31.1 million in 2024, and $31.1 million in 2025.

Note 12 – Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (TCJA) was signed into law. The TCJA made significant changes to the U.S. tax code effective for 2018, although certain provisions affected the Company’s 2017 financial results. The changes impacting 2017 included, but are not limited to, the write-down of net deferred tax assets resulting from the reduction in the U.S. federal corporate income tax rate from 35 percent to 21 percent, imposing a one-time deemed repatriation tax on certain unremitted earnings of foreign subsidiaries, and bonus depreciation that will allow for immediate full expensing of qualified property acquired and placed in service after September 27, 2017. The TCJA also established new corporate tax laws that were effective in 2018 but did not impact the Company’s 2017 financial results. These changes included, but were not limited to, lowering the U.S. federal corporate income tax rate from 35 percent to 21 percent, a general elimination of U.S. federal income taxes on income and dividends from foreign subsidiaries, a new tax on global intangible low-taxed income (GILTI) net of allowable foreign tax credits, a new deduction for foreign derived intangible income (FDII), the repeal of the domestic production activity deduction, new limitations on the deductibility of certain executive compensation and interest expense, and limitations on the use of foreign tax credits to reduce the U.S. federal income tax liability.

Due to the complexities involved in accounting for the enactment of the TCJA, the SEC staff issued Staff Accounting Bulletin (SAB) 118 which provided guidance on accounting for the income tax effects of the TCJA. SAB 118 provided a measurement period that should not extend beyond one year from the TCJA enactment date to complete the accounting for the

impact of the TCJA. In 2018, the Company completed its accounting for the income tax effects of the TCJA and based on additional guidance from the IRS, we updated our calculations. For the year ended December 31, 2018, the Company recorded a tax benefit of $5.1 million. This benefit consists primarily of an additional $7.0 million tax expense related to the one-time deemed repatriation tax and a tax benefit of $12.1 million primarily related to additional tax benefits for pension contributions.

The TCJA created a new requirement that certain income (i.e. GILTI) earned by controlled foreign corporations (CFC's) must be included in the gross income of the CFC's U.S. shareholder. Under U.S. GAAP, we are allowed to make an accounting policy choice of either (1) treating taxes due on future U.S. inclusions in taxable income related to GILTI as a current period expense when incurred (the "period cost method") or (2) factoring such amounts into the Company's measurement of its deferred taxes (the "deferred method"). The Company has elected to use the period cost method and has reflected the impact of the GILTI tax in its financial statements for the periods ended December 31, 2020, December 31, 2019 and December 31, 2018, using such method.

The sources of Earnings before income taxes were as follows:

(in millions)	**2020**	**2019**	**2018**
United States	**$ 354.5**	$ 10.1	$ 237.3
Foreign	**118.2**	100.6	73.4
Earnings before income taxes	**$ 472.7**	$ 110.7	$ 310.7

The Income tax provision consisted of the following:

(in millions)	**2020**	**2019**	**2018**
Current tax expense (benefit):			
U.S. Federal	**$ 66.9**	$ 94.5	$ (2.3)
State and local	**9.8**	6.3	5.7
Foreign	**38.9**	29.3	22.9
Total current	**115.6**	130.1	26.3
Deferred tax expense (benefit):			
U.S. Federal	**(17.3)**	(19.7)	30.5
State and local	**1.1**	(29.5)	0.9
Foreign	**(1.4)**	(0.6)	(0.4)
Total deferred	**(17.6)**	(49.8)	31.0
Income tax provision	**$ 98.0**	$ 80.3	$ 57.3

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Temporary differences and carryforwards giving rise to deferred tax assets and liabilities at December 31, 2020 and 2019 are summarized in the table below:

(in millions)	2020	2019
Deferred tax assets:		
Loss carryforwards	**$ 71.2**	$ 81.9
Tax credit carryforwards	**51.1**	71.8
Product warranties	**28.1**	28.4
Sales incentives and discounts	**21.9**	25.9
Compensation and benefits	**20.9**	10.5
Deferred revenue	**18.1**	16.1
Operating lease liabilities	**16.3**	17.1
Equity compensation	**12.0**	12.0
Deferred compensation	**11.7**	10.9
Postretirement and postemployment benefits	**11.0**	11.5
Other	**54.3**	51.4
Gross deferred tax assets	**316.6**	337.5
Valuation allowance	**(93.4)**	(93.3)
Deferred tax assets	**223.2**	244.2
Deferred tax liabilities:		
Depreciation and amortization	**(48.0)**	(85.5)
State and local income taxes	**(22.7)**	(24.3)
Operating lease assets	**(14.9)**	(15.7)
Other	**(6.3)**	(5.3)
Deferred tax liabilities	**(91.9)**	(130.8)
Total net deferred tax assets	**$ 131.3**	$ 113.4

The Company's total net deferred tax asset as of December 31, 2020 and 2019 reflects the impact of the U.S. federal corporate tax rate at 21 percent that was part of the TCJA. The Company was required to value its net deferred tax balance at the lower tax rate.

At December 31, 2020, the Company had a total valuation allowance against its deferred tax assets of $93.4 million. The remaining realizable value of deferred tax assets at December 31, 2020 was determined by evaluating the potential to recover the value of these assets through the utilization of tax loss and credit carrybacks, the reversal of existing taxable temporary differences and carryforwards, certain tax planning strategies and future taxable income exclusive of reversing temporary differences and carryforwards. At December 31, 2020, the Company retained valuation allowance reserves of $59.1 million against deferred tax assets in the U.S. primarily related to non-amortizable intangibles and various state operating loss carryforwards and state tax credits that are subject to restrictive rules for future utilization, and valuation allowances of $34.3 million for deferred tax assets related to foreign jurisdictions, primarily Brazil and Luxembourg.

At December 31, 2020, the tax benefit of loss carryforwards totaling $71.2 million was available to reduce future tax liabilities. This deferred tax asset was comprised of $1.7 million for the tax benefit of federal net operating loss (NOL) carryforwards, $36.3 million for the tax benefit of state NOL carryforwards and $33.2 million for the tax benefit of foreign NOL carryforwards. NOL carryforwards of $57.0 million expire at various intervals between the years 2021 and 2039, while $14.2 million have an unlimited life.

At December 31, 2020, tax credit carryforwards totaling $51.4 million were available to reduce future tax liabilities. This deferred tax asset was comprised of $7.5 million related to federal tax credits, and $43.9 million of various state tax credits related to research and development, capital investment and job incentives. Tax credit carryforwards of $51.4 million expire at various intervals between the years 2021 and 2035.

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No deferred income taxes have been provided as of December 31, 2020 or 2019, on the applicable undistributed earnings of the non-U.S. subsidiaries where the indefinite reinvestment assertion has been applied. If at some future date these earnings cease to be indefinitely reinvested and are repatriated, the Company may be subject to additional U.S. income taxes and foreign withholding and other taxes on such amounts. Pursuant to changes made by the TCJA, remittances from foreign subsidiaries made in 2018 and future years are generally not subject to U.S. income taxation. These remittances are either excluded from U.S. taxable income as earnings that have already been subjected to taxation, or in the alternative are subject to a 100 percent foreign dividends received deduction. The Company continues to provide deferred taxes, primarily related to foreign withholding taxes, on the undistributed net earnings of foreign subsidiaries and unconsolidated affiliates that are not deemed to be indefinitely reinvested in operations outside the United States, although such amounts were immaterial as of December 31, 2020 and 2019.

As of December 31, 2020, 2019 and 2018 the Company had $4.1 million, $3.9 million and $2.3 million of gross unrecognized tax benefits, including interest, respectively. Substantially all of these amounts, if recognized, would impact the Company's tax provision and the effective tax rate.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2020, 2019 and 2018, the amounts accrued for interest and penalties were not material.

The following is a reconciliation of the total amounts of unrecognized tax benefits excluding interest and penalties for the 2020, 2019 and 2018 annual reporting periods:

(in millions)	2020	2019	2018
Balance at January 1	**$ 3.7**	$ 2.3	$ 2.1
Gross increases - tax positions prior periods	**0.1**	2.0	0.6
Gross decreases - tax positions prior periods	**—**	(0.8)	(0.7)
Gross increases - current period tax positions	**0.6**	0.4	0.4
Decreases - settlements with taxing authorities	**(0.1)**	—	(0.1)
Reductions - lapse of statute of limitations	**(0.6)**	(0.2)	—
Balance at December 31	**$ 3.7**	$ 3.7	$ 2.3

The Company believes it is reasonably possible that the total amount of gross unrecognized tax benefits as of December 31, 2020 could decrease by approximately $0.5 million in 2021 due to settlements with taxing authorities or lapses in applicable statutes of limitation. Due to the various jurisdictions in which the Company files tax returns and the uncertainty regarding the timing of the settlement of tax audits, it is possible that there could be significant changes in the amount of unrecognized tax benefits in 2021, but the amount cannot be estimated at this time.

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 2017 through 2019 tax years. Primarily as a result of filing amended returns, which were generated by the closing of federal income tax audits, the Company is still open to state and local tax audits in major tax jurisdictions dating back to the 2014 taxable year. The Company is no longer subject to income tax examinations by any major foreign tax jurisdiction for years prior to 2013.

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The difference between the actual income tax provision and the tax provision computed by applying the statutory Federal income tax rate to Earnings before income taxes is attributable to the following:

(in millions)	2020	2019	2018
Income tax provision at 21 percent	**$ 99.2**	$ 23.2	$ 65.2
State and local income taxes, net of Federal income tax effect	**11.6**	(3.6)	8.8
Deferred tax asset valuation allowance	**(0.2)**	(3.5)	4.0
Equity compensation	**(1.1)**	(2.9)	(3.1)
Change in estimates related to prior years and prior years amended tax return filings	**0.9**	(2.9)	1.6
Federal and state tax credits	**(12.0)**	(11.6)	(11.6)
Taxes related to foreign income, net of credits	**0.7**	(5.2)	(6.5)
Deferred tax reassessment	**5.4**	1.9	3.3
Tax law changes	**—**	—	(5.2)
FDII deduction	**(11.4)**	(5.5)	(2.6)
Disproportionate tax effect released from Other comprehensive income	**—**	91.4	—
Other	**4.9**	(1.0)	3.4
Actual income tax provision	**$ 98.0**	$ 80.3	$ 57.3
Effective tax rate	**20.7 %**	72.6 %	18.5 %

During 2019, the Company fully exited its remaining defined benefit pension plans and recorded a pretax pension settlement charge of $292.8 million. The tax impact of this action consisted of a tax benefit of $73.9 million from the pension settlement charge, which was netted against a tax charge of $91.4 million resulting from the release of disproportionate tax effects in Accumulated Other Comprehensive Income. See **Note 17 – Postretirement Benefits** for more information.

The Company's effective tax rate for 2019 and 2018 also reflects the benefit of having earnings from foreign entities that are in jurisdictions that have lower statutory tax rates than the U.S. with the most significant impact related to China and Poland, which have applicable statutory tax rates of 15 percent and 19 percent, respectively. In 2020, the Company has fewer foreign entities in jurisdictions that have a lower statutory tax rates than the U.S., with the most significant impact related to Poland, which has a 19% applicable statutory tax rate.

Income tax provision allocated to continuing operations and discontinued operations for the years ended December 31 was as follows:

(in millions)	2020	2019	2018
Continuing operations	**$ 98.0**	$ 80.3	$ 57.3
Discontinued operations	**(0.5)**	(40.1)	2.6
Total income tax provision	**$ 97.5**	$ 40.2	$ 59.9

Note 13 – Commitments and Contingencies

Financial Commitments

The Company has entered into guarantees of indebtedness of third parties, primarily in connection with customer financing programs. Under these arrangements, the Company has guaranteed customer obligations to the financial institutions in the event of customer default, generally subject to a maximum amount that is less than the total outstanding obligations. The Company has also extended guarantees to third parties that have purchased customer receivables from Brunswick and, in certain instances, has guaranteed secured term financing of its customers. Potential payments in connection with these customer financing arrangements generally extend over several years. The single year and maximum potential cash obligations associated with these customer financing arrangements as of December 31, 2020 and December 31, 2019 were $30.9 million and $4.3 million, respectively.

In most instances, upon repurchase of the receivable or note, the Company receives rights to the collateral securing the financing. The Company's risk under these arrangements is partially mitigated by the value of the collateral that secures the financing.

The Company has accounts receivable sale arrangements with third parties which are included in the guarantee arrangements discussed above. The Company treats the sale of receivables in which the Company retains an interest as a secured obligation as the transfers of the receivables under these arrangements do not meet the requirements of a "true sale." Accordingly, the current portion of receivables underlying these arrangements of $1.6 million and $1.7 million was recorded in Accounts and notes receivable and Accrued expenses as of December 31, 2020 and December 31, 2019, respectively. As of December 31, 2020 and 2019, the Company did not have any long-term receivables related to these arrangements.

The Company has also entered into arrangements with third-party lenders in which it has agreed, in the event of a customer or franchisee default, to repurchase from the third-party lender those Brunswick products repossessed from the customer or franchisee. These arrangements are typically subject to a maximum repurchase amount. The single year and maximum potential cash payments the Company could be required to make to repurchase collateral as of December 31, 2020 and December 31, 2019 were $54.3 million and $63.1 million, respectively. Included within this repurchase amount are amounts related to BAC, as discussed in **Note 10 –Financing Joint Venture.**

The Company's risk under these repurchase arrangements is partially mitigated by the value of the products repurchased as part of the transaction. The Company had $0.8 million and $1.5 million accrued for potential losses related to repurchase exposure as of December 31, 2020 and December 31, 2019, respectively. The Company's repurchase accrual represents the expected losses that could result from obligations to repurchase products, after giving effect to proceeds anticipated to be received from the resale of those products to alternative dealers.

The Company has recorded its estimated net liability associated with losses from these guarantee and repurchase obligations on its Consolidated Balance Sheets based on historical experience and current facts and circumstances. Historical cash requirements and losses associated with these obligations have not been significant, but could increase if dealer defaults exceed current expectations.

Financial institutions have issued standby letters of credit and surety bonds conditionally guaranteeing obligations on behalf of the Company totaling $6.1 million and $13.5 million, respectively, as of December 31, 2020. A large portion of these standby letters of credit and surety bonds are related to the Company's self-insured workers' compensation program as required by its insurance companies and various state agencies. The Company has recorded reserves to cover the anticipated liabilities associated with these programs. Under certain circumstances, such as an event of default under the Company's revolving credit facility, or, in the case of surety bonds, a ratings downgrade, the Company could be required to post collateral to support the outstanding letters of credit and surety bonds. The Company was not required to post letters of credit as collateral against surety bonds as of December 31, 2020.

The Company has a collateral trust arrangement with insurance carriers and a trustee bank. The trust is owned by the Company, but the assets are pledged as collateral against workers' compensation related obligations in lieu of other forms of collateral including letters of credit. In connection with this arrangement, the Company had $9.1 million of cash in the trust at both December 31, 2020 and December 31, 2019, respectively, which was classified as Restricted cash in the Company's Consolidated Balance Sheets.

Product Warranties

The Company records a liability for product warranties at the time of the related product sale. The liability is estimated using historical warranty experience, projected claim rates and expected costs per claim. The Company adjusts its liability for specific warranty matters when they become known and the exposure can be estimated. Product failure rates as well as material usage and labor costs incurred in correcting a product failure affect the Company's warranty liabilities. If actual costs differ from estimated costs, the Company must make a revision to the warranty liability. Changes in the Company's warranty liabilities resulting from the Company's experience and adjustments related to changes in estimates are included as Aggregate changes for preexisting warranties presented in the table below.

The following activity related to product warranty liabilities was recorded in Accrued expenses during the years ended December 31, 2020 and December 31, 2019:

(in millions)	**2020**	**2019**
Balance at beginning of period	**$ 117.6**	$ 116.8
Payments - Recurring	**(53.5)**	(59.2)
Payments - Sport Yacht & Yachts and Fitness businesses	**(6.2)**	(12.5)
Provisions/additions for contracts issued/sold	**58.0**	59.0
Aggregate changes for preexisting warranties	**0.9**	7.6
Foreign currency translation	**0.9**	0.0
Other (A)	**(1.8)**	5.9
Balance at end of period	**$ 115.9**	$ 117.6

(A) The Company retained a $5.9 million warranty liability from the sale of its Fitness business in 2019. The warranty liability pertains to product field campaigns for certain Cybex products designed prior to the Cybex acquisition. The Company recorded $(1.8) million of adjustments as of December 31, 2020.

Extended Product Warranties

End users of the Company's products may purchase a contract from the Company that extends product warranty beyond the standard period. For certain extended warranty contracts in which the Company retains the warranty or administration obligation, a deferred revenue liability is recorded based on the aggregate sales price for contracts sold. The liability is reduced and revenue is recognized on a straight-line basis over the contract period during which corresponding costs are expected to be incurred.

The following activity related to deferred revenue for extended product warranty contracts was recorded in Accrued expenses and Other long-term liabilities during the years ended December 31, 2020 and December 31, 2019:

(in millions)	**2020**	**2019**
Balance at beginning of period	**$ 75.3**	$ 66.4
Extended warranty contracts sold	**29.5**	24.3
Revenue recognized on existing extended warranty contracts	**(17.3)**	(15.2)
Foreign currency translation	**0.2**	0.2
Other	**(0.3)**	(0.4)
Balance at end of period	**$ 87.4**	$ 75.3

Legal

The Company accrues for litigation exposure when it is probable that future costs will be incurred and such costs can be reasonably estimated. Adjustments to estimates are recorded in the period they are identified. Management does not believe that there is a reasonable possibility that a material loss exceeding the amounts already recognized for the Company's litigation claims and matters, if any, has been incurred. In light of existing accruals, the Company's litigation claims, when finally

resolved, are not expected, in the opinion of management, to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Environmental

The Company is involved in certain legal and administrative proceedings under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 and other federal and state legislation governing the generation and disposal of certain hazardous wastes. These proceedings, which involve both on- and off-site waste disposal or other contamination, in many instances seek compensation or remedial action from the Company as a waste generator under Superfund legislation, which authorizes action regardless of fault, legality of original disposition or ownership of a disposal site. The Company has established accruals based on a range of cost estimates for all known claims.

The environmental remediation and clean-up projects in which the Company is involved have an aggregate estimated range of exposure of approximately $15.9 million to $38.2 million as of December 31, 2020. At December 31, 2020 and 2019, the Company had accruals for environmental liabilities of $15.9 million and $14.8 million, respectively, which were recorded within Accrued expenses and Other long-term liabilities in the Consolidated Balance Sheets. The Company recorded $1.6 million of environmental provisions for the year ended December 31, 2020 and recorded nominal environmental provisions for the year ended December 31, 2019 and December 31, 2018.

The Company accrues for environmental remediation-related activities for which commitments or clean-up plans have been developed and for which costs can be reasonably estimated. All accrued amounts are generally determined in consultation with third-party experts on an undiscounted basis and do not consider recoveries from third parties until such recoveries are realized. In light of existing accruals, the Company's environmental claims, when finally resolved, are not expected, in the opinion of management, to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Note 14 – 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.

Derivative Financial Instruments. The Company uses derivative financial instruments to manage its risks associated with movements in foreign currency exchange rates and interest rates. Derivative instruments are not used for trading or speculative purposes. The Company formally documents its hedge relationships, including identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivatives that are designated as hedges to specific forecasted transactions. The Company also assesses, both at the hedge’s inception and monthly thereafter, whether the derivatives used in hedging transactions are highly effective in offsetting the changes in the anticipated cash flows of the hedged item. If the hedging relationship ceases to be highly effective, or it becomes probable that a forecasted transaction is no longer expected to occur, the Company discontinues hedge accounting prospectively and immediately recognizes the gains and losses associated with those hedges. There were no material adjustments as a result of ineffectiveness to the results of operations for the years ended December 31, 2020, 2019 and 2018. The fair value of derivative financial instruments is determined through market-based valuations and may not be representative of the actual gains or losses that will be recorded when these instruments mature due to future fluctuations in the markets in which they are traded. The effects of derivative financial instruments are not expected to be material to the Company’s financial position or results of operations when considered together with the underlying exposure being hedged. Use of derivative financial instruments exposes the Company to credit risk with its counterparties when the fair value of a derivative contract is an asset. The Company mitigates this risk by entering into derivative contracts with highly rated counterparties. The maximum amount of loss due to counterparty credit risk is limited to the asset value of derivative financial instruments.

Cash Flow Hedges. The Company enters into certain derivative instruments that are designated and qualify as cash flow hedges. The Company executes both forward and option contracts, based on forecasted transactions, to manage foreign currency exchange exposure mainly related to inventory purchase and sales transactions.

A cash flow hedge requires that as changes in the fair value of derivatives occur, the portion of the change deemed to be effective is recorded temporarily in Accumulated other comprehensive loss and reclassified into earnings in the same period or

periods during which the hedged transaction affects earnings. As of December 31, 2020, the term of derivative instruments hedging forecasted transactions ranged up to 18 months.

The following activity related to cash flow hedges was recorded in Accumulated other comprehensive loss as of December 31:

	Accumulated Unrealized Derivative Gains (Losses)			
	2020		**2019**	
(in millions)	**Pretax**	**After-tax**	**Pretax**	**After-tax**
Beginning balance	**$ 1.1**	**$ (5.5)**	$ 6.2	$ (1.9)
Net change in value of outstanding hedges	**(6.4)**	**(4.7)**	5.1	3.6
Net amount recognized into earnings	**(6.8)**	**(5.0)**	(10.2)	(7.2)
Ending balance	**$ (12.1)**	**$ (15.2)**	$ 1.1	$ (5.5)

Other Hedging Activity. The Company has entered into certain foreign currency forward contracts that have not been designated as a hedge for accounting purposes. These contracts are used to manage foreign currency exposure related to changes in the value of assets or liabilities caused by changes in foreign exchange rates. The change in the fair value of the foreign currency derivative contract and the corresponding change in the fair value of the asset or liability of the Company are both recorded through earnings, each period as incurred.

Commodity Price. The Company uses commodity swaps to hedge anticipated purchases of aluminum. As of December 31, 2020, the notional value of commodity swap contracts outstanding was $10.0 million, with the contracts maturing through 2021. The Company had no outstanding commodity swap contracts at December 31, 2019. 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 December 31, 2020, the Company estimates that during the next 12 months it will reclassify $0.1 million of net gains (based on current prices) from Accumulated other comprehensive loss to Cost of sales.

Foreign Currency Derivatives. The Company enters into forward and option contracts to manage foreign exchange exposure related to forecasted transactions and assets and liabilities that are subject to risk from foreign currency rate changes. These exposures include: product costs; revenues and expenses; associated receivables and payables; intercompany obligations and receivables and other related cash flows.

Forward exchange contracts outstanding at December 31, 2020 and December 31, 2019 had notional contract values of $395.9 million and $332.5 million, respectively. There were no option contracts outstanding at December 31, 2020. Option contracts outstanding at December 31, 2019, had a notional contract value of $17.8 million. The forward and options contracts outstanding at December 31, 2020, mature during 2021 and 2022 and mainly relate to the Euro, Australian dollar, Canadian dollar and Japanese yen. As of December 31, 2020, the Company estimates that during the next 12 months, it will reclassify approximately $8.2 million of net losses (based on rates as of December 31, 2020) from Accumulated other comprehensive loss to Cost of sales.

Interest Rate Derivatives. The Company previously entered into fixed-to-floating interest rate swaps to convert a portion of its long-term debt from fixed to floating rate debt. In the second half of 2019, the Company settled its fixed-to-floating interest rate swaps, resulting in a net deferred gain of $2.5 million included within Debt. The Company will reclassify $0.7 million of net deferred gains from Debt to Interest expense during the next 12 months. As a result, there are no outstanding interest rate swaps as of both December 31, 2020 and December 31, 2019.

The Company may also enter into forward-starting interest rate swaps to hedge the interest rate risk associated with anticipated debt issuances. There were no forward-starting interest rate swaps outstanding at December 31, 2020 or December 31, 2019, however the Company had $1.4 million and $2.0 million, respectively, of net deferred losses associated with previously settled forward-starting interest rate swaps which were included in Accumulated other comprehensive loss. As of December 31, 2020, the Company will reclassify approximately $0.6 million of net losses resulting from settled forward-starting interest rate swaps from Accumulated other comprehensive loss to Interest expense during the next 12 months.

As of December 31, 2020 and December 31, 2019, the fair values of the Company's derivative instruments were:

(in millions)

	Derivative Assets			Derivative Liabilities		
Instrument	**Balance Sheet Location**	**Fair Value**		**Balance Sheet Location**	**Fair Value**	
		2020	**2019**		**2020**	**2019**
Derivatives Designated as Cash Flow Hedges						
Foreign exchange contracts	Prepaid expenses and other	**$ 1.3**	$ 4.1	Accrued expenses	**$ 11.3**	$ 2.3
Commodity contracts	Prepaid expenses and other	**0.9**	—	Accrued expenses	**—**	—
Total		**$ 2.2**	$ 4.1		**$ 11.3**	$ 2.3
Other Hedging Activity						
Foreign exchange contracts	Prepaid expenses and other	**$ 0.0**	$ 0.1	Accrued expenses	**$ 0.7**	$ 0.9

The effect of derivative instruments on the Consolidated Statements of Operations for the years ended December 31, 2020 and December 31, 2019 was:

(in millions)

Derivatives Designated as Cash Flow Hedging Instruments	**Amount of Gain (Loss) on Derivatives Recognized in Accumulated Other Comprehensive Loss (Effective Portion)**		**Location of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings (Effective Portion)**	**Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings (Effective Portion)**	
	2020	**2019**		**2020**	**2019**
Interest rate contracts	**$ —**	$ —	Interest expense	**$ (0.6)**	$ (0.6)
Foreign exchange contracts	**(7.3)**	5.1	Cost of sales	**7.4**	10.8
Commodity contracts	**0.9**	—	Cost of sales	**0.0**	—
Total	**$ (6.4)**	$ 5.1		**$ 6.8**	$ 10.2

Derivatives Designated as Fair Value Hedging Instruments	**Location of Gain (Loss) on Derivatives Recognized in Earnings**	**Amount of Gain (Loss) on Derivatives Recognized in Earnings**	
		2020	**2019**
Interest rate contracts	Interest expense	**$ 0.7**	$ 0.1

Other Hedging Activity	**Location of Gain (Loss) on Derivatives Recognized in Earnings**	**Amount of Gain (Loss) on Derivatives Recognized in Earnings**	
		2020	**2019**
Foreign exchange contracts	Cost of sales	**$ (0.8)**	$ 2.4
Foreign exchange contracts	Other expense, net	**1.0**	(1.3)
Total		**$ 0.2**	$ 1.1

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. At December 31, 2020 and December 31, 2019, the fair value of the Company's long-term debt was approximately $1,062.3 million and $1,214.6 million, respectively, and was determined using Level 1 and Level 2 inputs described in **Note 7 – Fair Value Measurements**, including quoted market prices or discounted cash flows based on quoted market rates for similar types of debt. The carrying value of long-term debt, including current maturities, was $972.1 million and $1,131.6 million as of December 31, 2020 and December 31, 2019, respectively.

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Note 15 – Accrued Expenses

Accrued Expenses at December 31, 2020 and 2019 were as follows:

(in millions)	2020	2019
Compensation and benefit plans	**$ 167.8**	$ 118.9
Product warranties	**115.9**	117.6
Sales incentives and discounts	**113.6**	116.9
Deferred revenue and customer deposits	**48.2**	38.7
Current operating lease liabilities	**19.2**	18.4
Legal fees	**16.5**	15.1
Insurance reserves	**15.9**	16.3
Real, personal and other non-income taxes	**15.5**	4.5
Interest	**15.3**	16.5
Derivatives	**12.0**	3.2
Environmental reserves	**6.9**	6.6
Other	**31.7**	36.9
Total accrued expenses	**$ 578.5**	$ 509.6

Note 16 – Debt

Long-term debt at December 31, 2020 and December 31, 2019 consisted of the following:

(in millions)	2020	2019
Senior Notes, 6.375%, due 2049, net of debt issuances costs of $7.5 and $7.8	**$ 222.5**	$ 222.2
Senior Notes, 6.500% due 2048, net of debt issuance costs of $8.0 and $8.2	**177.0**	176.8
Notes, 7.125% due 2027, net of discount of $0.2 and $0.3 and debt issuance costs of $0.3 and $0.4	**162.7**	162.5
Term loan, floating rate due 2023, net of debt issuance costs of $0.6 and $1.3 (A) (C)	**150.7**	305.0
Senior Notes, 6.625%, due 2049, net of debt issuances costs of $4.2 and $4.4	**120.8**	120.6
Debentures, 7.375% due 2023, net of discount of $0.1 and $0.1 and debt issuance costs of $0.1 and $0.2 (B)	**104.6**	105.2
Loan with Fond du Lac County Economic Development Corporation, 2.0% due 2021, net of discount of $0.8 and $1.6 and debt issuance costs of $0.0 and $0.0	**6.9**	11.1
Notes, various up to 5.9% payable through 2028	**6.2**	5.9
Total long-term debt	**951.4**	1,109.3
Current maturities of long-term debt	**(43.1)**	(41.3)
Long-term debt, net of current maturities	**$ 908.3**	$ 1,068.0

(A) Beginning in December 2018, scheduled repayment of the 5-year term loan occurs each March, June, September and December equal to 2.50% of the aggregate principal amount of $350.0 million. The remaining principal amount is due August 2023.
(B) Included in Debentures, 7.375% percent due 2023 at December 31, 2020 and December 31, 2019, are the aggregate fair values related to the fixed-to-floating interest rate swaps as discussed in **Note 14 – Financial Instruments**.
(C) As of December 31, 2020 and December 31, 2019, the interest rate was 1.74% and 3.50%, respectively.

Debt issuance costs paid for the year ended December 31, 2019 was $8.1 million. Debt issuance costs are reported in net proceeds from issuances of long-term debt within cash flows from financing activities on the Consolidated Statements of Cash Flows. There were no debt issuance costs paid during 2020.

Scheduled maturities, net:

(in millions)	
2021	$ 43.1
2022	36.4
2023	186.3
2024	0.5
2025	2.0
Thereafter	683.1
Total long-term debt including current maturities	$ 951.4

Activity

Term Loan

During 2020, the Company made principal repayments totaling $155.0 million of its 2023 floating rate term loan. The term loan was redeemed at 100 percent of the principal amount plus accrued interest, in accordance with the redemption provisions of the term loan.

Senior Notes due 2021

In July 2019, the Company called $150.0 million of its 4.625% senior notes due 2021. The bonds were retired in August 2019 at par plus accrued interest, in accordance with the call provisions of the notes, and the associated interest rate swaps have been terminated. Refer to **Note 14 – Financial Instruments** for further information on the terminated interest rate swaps.

Senior Notes due 2049

In March 2019, the Company issued an aggregate principal amount of $230.0 million of its 6.375% Senior Notes due April 2049 (6.375% Notes) in a public offering, which resulted in aggregate net proceeds to the Company of $222.0 million. Net proceeds from the offering of the 6.375% Notes were used to prepay all of the $150.0 million, 3-year tranche loan due 2021 and for general corporate purposes. Interest on the 6.375% Notes is due quarterly, commencing on April 15, 2019. The Company may, at its option, redeem the 6.375% Notes on or after April 15, 2024, either in whole or in part, at a redemption price equal to 100 percent of the principal amount plus any accrued and unpaid interest. Additionally, in the event of a change in control, the Company may be required to repurchase some or all of its 6.375% Notes at a price equal to 101 percent of the principal amount plus any accrued and unpaid interest. The 6.375% Notes are unsecured and do not contain subsidiary guarantees.

Short-term Borrowing Arrangements

The Company maintains an Amended and Restated Credit Agreement (Credit Facility). The Credit Facility provides for $400.0 million of borrowing capacity and is in effect through September 2024. The Credit Facility includes provisions to add up to $100.0 million of additional borrowing capacity and extend the facility for two additional one-year terms, subject to lender approval. In November 2019, the Credit Facility was amended to extend the maturity date from September 2023 to September 2024. The Company currently pays a facility fee of 15 basis points per annum. The facility fee per annum will be within a range of 12.5 to 35 basis points based on the Company's credit rating. Under the terms of the Credit Facility, the Company has two borrowing options: borrowing at a rate tied to adjusted LIBOR plus a spread of 110 basis points or a base rate plus a margin of 10.0 basis points. The rates are determined by the Company's credit ratings, with spreads ranging from 100 to 190 basis points for LIBOR rate borrowings and 0 to 90 basis points for base rate borrowings. The Company is required to maintain compliance with two financial covenants included in the Credit Facility: a minimum interest coverage ratio and a maximum leverage ratio. The minimum interest coverage ratio, as defined in the agreement, is not permitted to be less than 3.00 to 1.00. The maximum leverage ratio, as defined in the agreement, is not permitted to be more than 3.50 to 1.00. As of December 31, 2020, the Company was in compliance with the financial covenants in the Credit Facility.

On March 23, 2020, the Company delivered a borrowing request to the administrative agent for the Credit Facility to increase the Company’s borrowings to $385.0 million, which was substantially all of the amount available for borrowing under

the Credit Facility, net of outstanding letters of credit. The Company borrowed the amount described above under the Credit Facility as a precautionary action in order to increase its cash position and to enhance its liquidity and financial flexibility in response to the COVID-19 pandemic.

During 2020 and 2019, gross borrowings under the Credit Facility totaled $610.0 million and $655.0 million, respectively. As of December 31, 2020 and December 31, 2019, there were no borrowings outstanding and available borrowing capacity totaled $395.0 million, net of $5.0 million of letters of credit outstanding under the Credit Facility. The maximum amount utilized under the Credit Facility during the years ended December 31, 2020 and December 31, 2019, including letters of credit outstanding under the Credit Facility were $397.1 million and $258.6 million, respectively.

In December 2019, the Company entered into an unsecured commercial paper program (CP Program) pursuant to which the Company, may issue short-term, unsecured commercial paper notes (CP Notes). Amounts available under the CP Program may be borrowed, repaid and re-borrowed from time to time, with the aggregate principal amount of CP Notes outstanding under the CP Program at any time not to exceed the lower of $300.0 million or the available borrowing amount under the Credit Facility. The net proceeds of the issuances of the CP Notes are expected to be used for general corporate purposes. The maturities of the CP Notes will vary but may not exceed 397 days from the date of issue. The CP Notes will be sold under customary terms in the commercial paper market and will be issued at a discount from par or, alternatively, will be issued at par and bear varying interest rates on a fixed or floating basis. During 2020, borrowings under the CP Program totaled $175.0 million, all of which were repaid during the period. During 2020, the maximum amount utilized under the CP Program was $100.0 million. There were no borrowings under the CP program during 2019.

Other Debt

As provided under the terms of its loan agreement with the Fond du Lac County Economic Development Corporation, which is secured by the Company's property located in Fond du Lac, Wisconsin, up to a maximum 43 percent of the principal due annually can be forgiven if the Company achieves certain employment targets as outlined in the agreement. The amount of loan forgiveness is based on average employment levels at the end of the previous four quarters. Total loan forgiveness for 2020, 2019 and 2018 was $2.1 million or 43 percent of the principal due each year.

General Provisions

Pursuant to the indenture governing the 6.500% Notes, the 6.625% Notes and the 6.375% Notes, the Company and its restricted subsidiaries are subject to restrictions on the incurrence of debt secured by liens on principal property (as defined in the indenture) or shares of capital stock of such restricted subsidiaries, entering into sale and leaseback transactions in respect of principal property and mergers or consolidations with another entity or sales, transfers or leases of the Company's properties and assets substantially as an entirety to another person.

Interest on the Company's 2023 and 2027 notes is due semi-annually. Interest on the Company's 6.500% Notes, 6.625% Notes, 6.375% Notes and the Term Loan is due quarterly.

Unless otherwise noted, the Company's debt is unsecured and does not contain subsidiary guarantees.

The Company may be required to repurchase some or all of the 6.500% Notes, 6.625% Notes and the 6.375% Notes in the event of a change of control, subject to certain circumstances, for an amount equal to 101 percent of the outstanding principal plus any accrued and unpaid interest.

The Company's 2027 notes may be redeemed at any time at the Company's discretion, in whole or in part, at the redemption price specified in the agreement, plus any accrued and unpaid interest. The Company's 2023 notes are not redeemable. The Company's 2023 floating rate term loan may be redeemed at any time at the Company's discretion, either in whole or in part, at the redemption price equal to 100 percent of the principal amount plus any accrued and unpaid interest. The remainder of the Company's 2048 and 2049 notes may be redeemed 5 years from the date of issuance, either in whole or in part, at a redemption price equal to 100 percent of the principal amount plus any accrued and unpaid interest.

Note 17 – Postretirement Benefits

Overview. The Company has defined contribution plans and makes contributions including matching and annual discretionary contributions which are based on various percentages of compensation, and in some instances are based on the amount of the employees' contributions to the plans. The expense related to the defined contribution plans was $49.4 million in 2020, $44.1 million in 2019 and $45.3 million in 2018.

The Company's domestic pension and retiree health care and life insurance benefit plans, which are discussed below, provide benefits based on years of service and, for some plans, average compensation prior to retirement. Benefit accruals are frozen for all plan participants. The Company uses a December 31 measurement date for these plans. The Company's foreign postretirement benefit plans are not significant individually or in the aggregate.

Plan Developments. The Company historically maintained four qualified defined benefit plans: the Brunswick Pension Plan for Salaried Employees (Salaried Plan), the Brunswick Pension Plan for Hourly Bargaining Unit Employees (Bargaining Plan), the Brunswick Pension Plan For Hourly Employees (Hourly Plan) and the Brunswick Pension Plan For Hourly Wage Employees (Muskegon Plan). During the third quarter of 2018, the Company initiated actions to terminate its two remaining plans, the Salaried Plan and the Bargaining Plan, effective October 31, 2018. All benefits were settled during 2019, either through a lump-sum payment to participants or the purchase of an annuity offering on behalf of the participants. As a result of the planned terminations, the remaining over-funded position for each plan is currently recorded within Accounts and notes receivable in the Consolidated Balance Sheets. The Company had previously completed actions to terminate the Hourly Plan and the Muskegon Plan, effective as of December 31, 2016, and all benefits were paid during 2017 as described below.

During 2019, total settlement payments of $673.9 million were made from the Salaried Plan and the Bargaining Plan, consisting of lump-sum pension distributions of $77.1 million and the purchase of group annuity contracts totaling $596.8 million to cover future benefit payments. The annuity contracts unconditionally and irrevocably guarantee the full payment of all future annuity payments to the affected participants. The insurance company assumed all risk associated with the assets and obligations that were transferred. The Company recognized a pretax settlement loss of $292.8 million during the year related to these actions.

Costs. Pension and other postretirement benefit costs included the following components for 2020, 2019 and 2018:

	Pension Benefits			Other Postretirement Benefits		
(in millions)	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Interest cost	**$ 0.7**	$ 6.0	$ 22.6	**$ 0.8**	$ 1.3	$ 1.1
Expected return on plan assets	**—**	(7.4)	(24.8)	**—**	—	—
Amortization of prior service credits	**—**	—	—	**(0.7)**	(0.7)	(0.7)
Amortization of net actuarial losses	**0.6**	5.8	9.9	**—**	—	—
Settlement charges	**(1.1)**	292.8	—	**—**	—	—
Net pension and other benefit costs	**$ 0.2**	$ 297.2	$ 7.7	**$ 0.1**	$ 0.6	$ 0.4

Net pension and other benefit costs are recorded in Pension settlement benefit (charge) and Other expense, net in the Consolidated Statements of Operations.

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Benefit Obligations and Funded Status. A reconciliation of the changes in the benefit obligations and fair value of assets over the two-year period ending December 31, 2020, and a statement of the funded status at December 31 for these years for the Company's pension and other postretirement benefit plans follow:

	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2020**	**2019**	**2020**	**2019**
Reconciliation of benefit obligation:				
Benefit obligation at previous December 31	**$ 28.1**	$ 652.8	**$ 33.0**	$ 34.3
Interest cost	**0.7**	6.0	**0.8**	1.3
Actuarial losses	**2.1**	77.3	**1.8**	0.2
Benefit payments	**(3.4)**	(34.1)	**(2.4)**	(2.8)
Settlement payments	**—**	(673.9)	**—**	—
Benefit obligation at December 31	**27.5**	28.1	**33.2**	33.0
Reconciliation of fair value of plan assets:				
Fair value of plan assets at previous December 31	**10.6**	642.0	**—**	—
Actual return on plan assets	**—**	70.8	**—**	—
Employer contributions	**3.4**	7.9	**2.4**	2.8
Benefit payments	**(3.4)**	(34.1)	**(2.4)**	(2.8)
Settlement payments	**—**	(673.9)	**—**	—
Adjustments (A)	**(10.6)**	(2.1)	**—**	**—**
Fair value of plan assets at December 31	**—**	10.6	**—**	**—**
Funded status at December 31	**$ (27.5)**	$ (17.5)	**$ (33.2)**	$ (33.0)
Funded percentage	**NA**	38 %	**NA**	NA

(A) 2020 adjustment represents the overfunded position of the Company's salaried bargaining plans refunded during the year.

The funded status of these pension plans includes the projected and accumulated benefit obligations for the Company's nonqualified pension plan of $27.5 million and $28.1 million at December 31, 2020 and 2019, respectively. The Company's nonqualified pension plan and other postretirement benefit plans are not funded. The projected benefit obligation, net of plan assets for the Company's foreign pension plans, was $17.1 million and $17.5 million as of December 31, 2020 and 2019, respectively.

The amounts included in the Company's Consolidated Balance Sheets as of December 31, 2020 and 2019, were as follows:

	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2020**	**2019**	**2020**	**2019**
Prepaid expenses and other	**$ —**	$ —	**$ —**	$ —
Accounts and notes receivable	**—**	10.6	**—**	—
Assets recognized	**$ —**	$ 10.6	**$ —**	$ —
Accrued expenses	**$ 3.0**	$ 3.5	**$ 3.1**	$ 3.6
Postretirement benefit liabilities	**24.5**	24.6	**30.1**	29.4
Liabilities recognized	**$ 27.5**	$ 28.1	**$ 33.2**	$ 33.0

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Accumulated Other Comprehensive Loss. The following pretax activity related to pensions and other postretirement benefits was recorded in Accumulated other comprehensive loss as of December 31:

	Pension Benefits		Other Postretirement Benefits	
(in millions)	**2020**	**2019**	**2020**	**2019**
Prior service credits				
Beginning balance	**$ —**	$ —	**$ (8.1)**	$ (8.8)
Amount recognized as component of net benefit costs	**—**	—	**0.7**	0.7
Ending balance	**—**	—	**(7.4)**	(8.1)
Net actuarial losses				
Beginning balance	**12.0**	298.3	**(1.4)**	(1.5)
Actuarial losses arising during the period	**2.1**	12.3	**1.8**	0.1
Amount recognized as component of net benefit costs	**(0.6)**	(298.6)	**—**	—
Ending balance	**13.5**	12.0	**0.4**	(1.4)
Total	**$ 13.5**	$ 12.0	**$ (7.0)**	$ (9.5)

Prior service credits associated with other postretirement benefits are being amortized on a straight-line basis over the average future working lifetime to full eligibility for active hourly plan participants and over the average remaining life expectancy for those plans' participants who are fully eligible for benefits. Actuarial gains and losses in excess of 10 percent of the greater of the benefit obligation or the market value of assets are amortized over the remaining service period of active plan participants and over the average remaining life expectancy of inactive plan participants.

Other Postretirement Benefits. Once participants eligible for other postretirement benefits turn 65 years old, the health care benefits become a flat dollar amount based on age and years of service. The assumed health care cost trend rate for other postretirement benefits for pre-age 65 benefits as of December 31 was as follows:

	Pre-age 65 Benefits	
	2020	**2019**
Health care cost trend rate for next year	**5.3 %**	5.4 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**4.5 %**	4.5 %
Year rate reaches the ultimate trend rate	**2037**	2037

A one percent change in the assumed health care trend rate at December 31, 2020 would not have a material impact on the accumulated postretirement benefit obligation.

The Company monitors the cost of health care and life insurance benefit plans and reserves the right to make additional changes or terminate these benefits in the future.

Assumptions. Weighted average assumptions used to determine pension and other postretirement benefit obligations at December 31 were as follows:

	Pension Benefits		Other Postretirement Benefits	
	2020	**2019**	**2020**	**2019**
Discount rate	**2.00 %**	2.96 %	**2.13 %**	3.07 %

Weighted average assumptions used to determine net pension and other postretirement benefit costs for the years ended December 31 were as follows:

	2020	2019	2018
Discount rate for pension benefits (A) (B)	**2.55%**	4.13%	3.27%
Discount rate for other postretirement benefits (A) (B)	**2.65%**	3.85%	3.08%
Long-term rate of return on plan assets (C)	**NA**	NA	4.25%

(A) The Company utilizes a yield curve analysis to calculate the discount rates used to determine pension and other postretirement benefit obligations. The yield curve analysis matches the cash flows of the Company's benefit obligations. The yield curve consisted of spot interest rates at half year increments for each of the next 30 years and was developed based on pricing and yield information for high quality corporate bonds rated Aa by either Moody's or Standard & Poor's, private placement bonds that are traded in reliance with Rule 144A and are at least two years from date of issuance, bonds with make-whole provisions and bonds issued by foreign corporations that are denominated in U.S. dollars, excluding callable bonds and bonds less than a minimum size and other filtering criteria. Additionally, the Company's yield curve methodology includes bonds having a yield that is greater than the regression mean yield curve as the Company believes this methodology represents an appropriate estimate of the rates at which the Company could effectively settle its pension obligations. For the Company's Salaried and Bargaining plans which were terminated during 2018, the discount rate was a blend of the December 31, 2018 yield curve rate associated with those participants electing annuity contracts to cover future benefit payments, and a lump-sum segment rate for those participants electing lump-sum benefit payments.

(B) The Company uses a "spot rate approach" in the calculation of pension and postretirement interest costs to provide a more accurate measurement of interest costs. The spot rate approach applies separate discount rates for each projected benefit payment in the calculation of pension and postretirement interest costs.

(C) The Company evaluates its assumption regarding the estimated long-term rate of return on plan assets based on historical experience, future expectations of investment returns, asset allocations, investment strategies and views of investment professionals.

Master Trust Investments. Assets of the Company's Master Pension Trust (Trust) are invested solely in the interest of the plan participants for the purpose of providing benefits to participants and their beneficiaries. During 2019, all assets of the Trust were distributed to participants in connection with the plan terminations.

Expected Cash Flows. The expected cash flows for the Company's pension and other postretirement benefit plan are presented as follows:

(in millions)	Pension Benefits	Other Postretirement Benefits
Company contributions expected to be made in 2021	$ 3.0	$ 3.1
Expected benefit payments:		
2021	3.0	3.1
2022	2.8	3.0
2023	2.7	2.8
2024	2.3	2.6
2025	2.2	2.5
2026-2030	9.0	10.3

Note 18 – Stock Plans and Management Compensation

Under the Brunswick Corporation 2014 Stock Incentive Plan, the Company may grant stock appreciation rights (SARs), non-vested stock units, and performance awards to executives, other employees and non-employee directors, with shares from treasury shares and from authorized, but unissued, shares of common stock initially available for grant, in addition to: (i) the forfeiture of past awards; (ii) shares not issued upon the net settlement of SARs; or (iii) shares delivered to or withheld by the Company to pay the withholding taxes related to awards. As of December 31, 2020, 4.9 million shares remained available for grant.

Share grant amounts, fair values, and fair value assumptions reflect all outstanding awards for both continuing and discontinued operations.

Non-Vested Stock Units

The Company grants both stock-settled and cash-settled non-vested stock units to key employees as determined by management and the Human Resources and Compensation Committee of the Board of Directors. Non-vested stock units have vesting periods of three years. Non-vested stock units are eligible for dividends, which are reinvested, and are non-voting. All non-vested units have restrictions on the sale or transfer of such awards during the vesting period.

Generally, grants of non-vested stock units are forfeited if employment is terminated prior to vesting. Non-vested stock units vest pro rata over one year if (i) the grantee has attained the age of 62, or (ii) the grantee's age plus total years of service equals 70 or more.

The Company recognizes the cost of non-vested stock units on a straight-line basis over the requisite service period. Additionally, cash-settled non-vested stock units are recorded as a liability on the balance sheet and adjusted to fair value each reporting period through stock compensation expense. During the years ended December 31, 2020, 2019 and 2018, the Company charged $13.3 million, $10.9 million and $11.1 million, respectively, to compensation expense for non-vested stock units. The related income tax benefit recognized in 2020, 2019 and 2018 was $3.3 million, $2.7 million and $2.8 million, respectively. The fair value of shares vested during 2020, 2019 and 2018 was $6.6 million, $19.2 million and $4.4 million respectively.

The weighted average price per Non-vested stock unit at grant date was $64.13, $49.12 and $59.05 for units granted in 2020, 2019 and 2018, respectively. Non-vested stock unit activity for the year ended December 31, 2020 was as follows:

(in thousands, except grant date fair value)	Non-vested Stock Unit Activity	Weighted Average Grant Date Fair Value ($)
Non-vested units, unvested at January 1, 2020	444	53.42
Awarded	272	64.13
Forfeited	(58)	57.72
Vested	(87)	58.58
Non-vested units, unvested at December 31, 2020	571	57.31

As of December 31, 2020, there was $11.0 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements. The Company expects this expense to be recognized over a weighted average period of 1.4 years.

SARs

Between 2005 and 2012, the Company issued stock-settled SARs. Generally, SARs are exercisable over a period of 10 years, or as otherwise determined by management and the Human Resources and Compensation Committee of the Board of Directors, and subject to vesting periods of generally 4 years. However, with respect to SARs, all grants vest immediately: (i) in the event of a change in control; (ii) upon death or disability of the grantee; or (iii) with respect to awards granted prior to 2008, upon the sale or divestiture of the business unit to which the grantee is assigned.

In addition, grantees continue to vest in accordance with the vesting schedule even upon termination if (i) the grantee has attained the age of 62, or (ii) the grantee's age plus total years of service equals 70 or more. An additional provision applies that prorates the grant in the event of termination prior to the first anniversary of the date of grant, provided the participant had met the appropriate retirement age definition of rule of 70 or age 62.

SARs activity for all plans for the years ended December 31, 2020, 2019 and 2018, was as follows:

	2020				2019			2018		
(in thousands, except exercise price and terms)	SARs Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value	SARs Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value	SARs Outstanding	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding on January 1	**119**	**$ 21.57**			343	$ 16.04		594	$ 14.40	
Exercised	**(97)**	**$ 21.16**		**$ 5,353**	(224)	$ 13.13	$ 10,494	(248)	$ 12.10	$ 12,636
Forfeited	**—**	**$ 11.08**			0	$ 5.86		(3)	$ 17.06	
Outstanding on December 31	**22**	**$ 23.41**	**1.1 years**	**$ 6,276**	119	$ 21.57	$ 4,571	343	$ 16.04	$ 10,439
Exercisable and Vested on December 31	**22**	**$ 23.41**	**1.1 years**	**$ 6,276**	119	$ 21.57	$ 4,571	343	$ 16.04	$ 10,439

The following table summarizes information about SARs outstanding as of December 31, 2020:

	Outstanding and Exercisable	
Exercise Price	Number (in thousands)	Weighted Average Remaining Years of Contractual Life
$14.68	0.6	0.7 years
$21.52	1.4	0.1 years
$23.79	19.7	1.1 years

SARs expense was immaterial for all periods presented.

Performance Awards

In February 2020, 2019 and 2018, the Company granted performance shares to certain senior executives. Performance share awards are based on three performance measures: a cash flow return on investment (CFROI) measure, an operating margin (OM) measure and a total shareholder return (TSR) modifier. Performance shares are earned based on a three-year performance period commencing at the beginning of the calendar year of each grant. The performance shares earned are then subject to a TSR modifier based on stock returns measured against stock returns of a predefined comparator group over a three-year performance period. Additionally, in February 2020, 2019 and 2018, the Company granted 26,750, 24,605 and 24,490 performance shares, respectively, to certain officers and certain senior managers based on the respective measures and performance periods described above but excluding a TSR modifier.

The fair values of the senior executives' performance share award grants with a TSR modifier at the grant date in 2020, 2019 and 2018 were $64.72, $49.64 and $61.59, respectively, which were estimated using the Monte Carlo valuation model, and incorporated the following assumptions:

	2020	2019	2018
Risk-free interest rate	**1.4 %**	2.9 %	2.4 %
Dividend yield	**1.5 %**	1.7 %	1.3 %
Volatility factor	**46.6 %**	41.0 %	38.9 %
Expected life of award	**2.9 years**	2.9 years	2.9 years

The fair value of certain officers' and certain senior managers' performance awards granted based solely on the CFROI and OM performance factors was $61.91, $47.61 and $57.19, which was equal to the stock price on the date of grant in 2020, 2019 and 2018, respectively, less the present value of dividend payments over the vesting period.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

The Company recorded compensation expense related to performance awards of $13.8 million, $6.4 million and $5.6 million in 2020, 2019 and 2018, respectively. The related income tax benefit recognized in 2020, 2019 and 2018 was $3.4 million, $1.6 million and $1.4 million, respectively. The fair value of awards vested during 2020, 2019 and 2018 was $3.4 million, $4.9 million and $7.8 million, respectively.

Performance award activity for the year ended December 31, 2020 was as follows:

(in thousands, except grant date fair value)	Performance Awards	Weighted Average Grant Date Fair Value ($)
Performance awards, unvested at January 1	88	53.55
Awarded	116	63.13
Forfeited	(37)	57.71
Vested and earned	45	42.34
Performance awards, unvested at December 31	212	55.71

As of December 31, 2020, the Company had $4.0 million of total unrecognized compensation expense related to performance awards. The Company expects this expense to be recognized over a weighted average period of 1.5 years.

Excess Tax Benefits/Shortfalls

For tax purposes, share-based compensation expense is deductible in the year of exercise or release based on the intrinsic value of the award on the date of exercise or release. For financial reporting purposes, share-based compensation expense is based upon grant-date fair value, which is amortized over the vesting period. Excess or "windfall" tax benefits represent the excess tax deduction received by the Company resulting from the difference between the share-based compensation expense deductible for tax purposes and the share-based compensation expense recognized for financial reporting purposes. Conversely, the Company may recognize a tax "shortfall" in circumstances when share-based expense recognized for reporting purposes exceeds the expense deductible for tax purposes. Windfall tax benefits and shortfalls are recorded directly to Income tax provision on the Company's Consolidated Statement of Operations. Windfall tax benefits for the years ended December 31, 2020, 2019 and 2018 were $1.1 million, $2.8 million and $3.1 million, respectively.

Director Awards

The Company issues stock awards to non-employee directors in accordance with the terms and conditions determined by the Nominating and Corporate Governance Committee of the Board of Directors. A portion of each director’s annual fee is paid in Brunswick common stock, the receipt of which may be deferred until a director retires from the Board of Directors. Each director may elect to have the remaining portion paid in cash, in Brunswick common stock distributed at the time of the award, or in deferred Brunswick common stock units with a 20 percent premium.

Note 19 – Comprehensive Income (Loss)

The following table presents reclassification adjustments out of Accumulated other comprehensive loss during the years ended December 31, 2020, 2019 and 2018:

(in millions)

Details about Accumulated other comprehensive loss components	2020	2019	2018	Affected line item in the statement where net income is presented
Amount of loss reclassified into earnings from foreign currency:				
Foreign currency cumulative translation adjustment	**$ —**	$ (13.9)	$ —	Net (loss) earnings from discontinued operations, net of tax
	—	(13.9)	—	Net (loss) earnings from discontinued operations, net of tax
	—	0.1	—	Net (loss) earnings from discontinued operations, net of tax
	$ —	$ (13.8)	$ —	Net (loss) earnings from discontinued operations, net of tax
Amortization of defined benefit items:				
Prior service credits	**$ 0.7**	$ 0.7	$ 0.7	Other expense, net (A)
Net actuarial losses	**(1.1)**	(6.2)	(10.3)	Other expense, net (A)
Net actuarial losses	**—**	(292.8)	—	Pension settlement benefit (charge) (A) (B)
	(0.4)	(298.3)	(9.6)	Earnings before income taxes
	0.1	(15.0)	2.2	Income tax provision (B)
	$ (0.3)	$ (313.3)	$ (7.4)	Net earnings from continuing operations(B)
Amount of gain (loss) reclassified into earnings on derivative contracts:				
Interest rate contracts	**$ (0.6)**	$ (0.6)	$ (0.9)	Interest expense
Foreign exchange contracts	**7.4**	10.8	(2.5)	Cost of sales
Commodity Contracts	**0.0**	—	—	Cost of sales
	6.8	10.2	(3.4)	Earnings before income taxes
	(1.8)	(3.0)	0.8	Income tax provision
	$ 5.0	$ 7.2	$ (2.6)	Net earnings from continuing operations

(A) These Accumulated other comprehensive loss components are included in the computation of net pension and other benefit costs. See **Note 17 – Postretirement Benefits** for additional details.

(B) In 2019, the Company fully exited its qualified benefit pension plans and as a result, recorded a pre-tax settlement charge of $292.8 million. The income tax impact of the settlement action was a net provision of $17.5 million, consisting of an income tax benefit of $73.9 million associated with the pension settlement charge netted against an income tax charge of $91.4 million resulting from the release of disproportionate tax effects in Accumulated other comprehensive loss. Refer to **Note 17 – Postretirement Benefits** and **Note 12 – Income Taxes** in the Notes to Consolidated Financial Statements for further information on the pension settlement and related income tax consequences, respectively.

Note 20 – Treasury Stock

The Company has executed share repurchases against authorizations approved by the Board of Directors in 2016 and 2019. In 2020, the Company repurchased $118.3 million of stock under these authorizations and as of December 31, 2020, the remaining authorization was $116.5 million.

Treasury stock activity for the years ended December 31, 2020, 2019 and 2018, was as follows:

(Shares in thousands)	2020	2019	2018
Balance at January 1	**22,969**	15,781	15,001
Compensation plans and other	**(263)**	(542)	(460)
Share repurchases	**1,957**	7,730	1,240
Balance at December 31	**24,663**	22,969	15,781

Note 21 – Leases

The Company has operating lease agreements for offices, branches, factories, distribution and service facilities and certain personal property. Leases with an initial lease term of 12 months or less are not recorded on the balance sheet. Finance leases are not material to the Company's consolidated financial statements.

The Company determines if an arrangement is a lease at lease inception. Operating lease assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's lease contracts do not include an implicit rate, the Company uses its incremental borrowing rate based on information available at commencement date in determining the present value of future payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The operating lease asset also includes any initial direct costs and lease payments made prior to lease commencement and excludes lease incentives incurred.

Several leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The exercise of lease renewal options is at our sole discretion. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Certain of our lease agreements include rental payments that vary based on changes in volume activity, storage activity, or changes in the Consumer Price Index or other indices. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Company has certain lease agreements that contain both lease and non-lease components, which it has elected to account for as a single lease component for all asset classes.

A summary of the Company's lease assets and lease liabilities as of December 31, 2020 and December 31, 2019 is as follows:

(in millions)	Classification	Dec 31, 2020	Dec 31, 2019
Lease Assets			
Operating lease assets	Operating lease assets	**$ 83.0**	$ 83.2
Lease Liabilities			
Current operating lease liabilities	Accrued expenses	**19.2**	18.4
Non-current operating lease liabilities	Operating lease liabilities	**69.8**	70.1
Total lease liabilities		**$ 89.0**	$ 88.5

A summary of the Company's total lease cost for the years ended December 31, 2020 and December 31, 2019 is as follows:

(in millions)	Classification	Dec 31, 2020	Dec 31, 2019
Operating lease cost	Selling, general, and administrative expense	**$ 13.2**	$ 13.9
	Cost of sales	**24.9**	25.6
Variable lease cost	Selling, general, and administrative expense	**1.1**	0.5
	Cost of sales	**4.8**	4.4
Total lease cost (A)		**$ 44.0**	$ 44.4

(A) Includes total short-term lease cost which is immaterial.

Total lease cost was $33.6 million for the year ended December 31, 2018.

The Company's maturity analysis of its operating lease liabilities as of December 31, 2020 is as follows:

(in millions)	
2021	$ 24.4
2022	22.0
2023	19.0
2024	15.7
2025	8.8
Thereafter	9.9
Total lease payments	99.8
Less: Interest	(10.8)
Present value of lease liabilities	$ 89.0

The total weighted-average discount rate and remaining lease term for the Company's operating leases was 5.05 percent and 4.9 years, respectively, as of December 31, 2020. Total operating lease payments reflected in operating cash flows were $22.7 million for the year ended December 31, 2020.

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

Note 22 – Quarterly Data (unaudited)

The Company maintains its financial records on the basis of a fiscal year ended 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 first three quarters of fiscal year 2020 ended on March 28, 2020, June 27, 2020, and September 26, 2020, and the first three quarters of fiscal year 2019 ended on March 30, 2019, June 29, 2019, and September 28, 2019.

	Quarter Ended				
(in millions, except per share data)	March 28, 2020	June 27, 2020	September 26, 2020	December 31, 2020	Year Ended December 31, 2020
Net sales	$ 965.5	$ 987.8	$ 1,233.1	$ 1,161.1	$ 4,347.5
Gross margin	243.8	256.0	376.9	336.3	1,213.0
Restructuring, exit and impairment charges [C]	0.4	2.1	1.8	(0.2)	4.1
Pension settlement benefit (charge) [D]	—	1.3	(0.2)	—	1.1
Net earnings from continuing operations [E]	70.7	71.2	136.8	96.0	374.7
Net (loss) earnings from discontinued operations, net of tax	(1.7)	(0.5)	1.1	(0.9)	(2.0)
Net earnings	69.0	70.7	137.9	95.1	372.7
Basic earnings (loss) per common share:					
Net earnings from continuing operations	$ 0.88	$ 0.89	$ 1.72	$ 1.22	$ 4.73
Net (loss) earnings from discontinued operations	(0.02)	(0.00)	0.02	(0.01)	(0.03)
Net earnings	$ 0.86	$ 0.89	$ 1.74	$ 1.21	$ 4.70
Diluted earnings (loss) per common share:					
Net earnings from continuing operations	$ 0.88	$ 0.89	$ 1.71	$ 1.22	$ 4.70
Net (loss) earnings from discontinued operations	(0.02)	(0.00)	0.02	(0.02)	(0.02)
Net earnings	$ 0.86	$ 0.89	$ 1.73	$ 1.20	$ 4.68
Dividends declared	$ 0.24	$ 0.24	$ 0.24	$ 0.27	$ 0.99
Common stock price (NYSE symbol: BC):					
High	$ 66.32	$ 67.39	$ 73.99	$ 84.00	$ 84.00
Low	$ 25.22	$ 25.61	$ 56.50	$ 58.74	$ 25.22

BRUNSWICK CORPORATION
Notes to Consolidated Financial Statements

	Quarter Ended				
(in millions, except per share data)	March 30, 2019	June 29, 2019	September 28, 2019	December 31, 2019	Year Ended December 31, 2019
Net sales [(A)]	$ 1,050.7	$ 1,163.5	$ 976.6	$ 917.6	$ 4,108.4
Gross margin [(B)]	279.5	328.0	276.9	236.6	1,121.0
Restructuring, exit and impairment charges [(C)]	3.2	5.4	7.4	2.8	18.8
Pension settlement (charge) benefit [(D)]	—	—	(294.1)	1.3	(292.8)
Net earnings (loss) from continuing operations [(E)]	76.2	112.1	(232.9)	75.0	30.4
Net loss from discontinued operations, net of tax	(112.5)	(34.6)	(6.4)	(7.9)	(161.4)
Net (loss) earnings	(36.3)	77.5	(239.3)	67.1	(131.0)
Basic earnings (loss) per common share:					
Net earnings (loss) from continuing operations	$ 0.87	$ 1.29	$ (2.74)	$ 0.92	$ 0.36
Net loss from discontinued operations	(1.29)	(0.40)	(0.08)	(0.10)	(1.90)
Net (loss) earnings	$ (0.42)	$ 0.89	$ (2.82)	$ 0.82	$ (1.54)
Diluted earnings (loss) per common share:					
Net earnings (loss) from continuing operations	$ 0.87	$ 1.28	$ (2.74)	$ 0.92	$ 0.36
Net loss from discontinued operations	(1.29)	(0.39)	(0.08)	(0.10)	(1.89)
Net (loss) earnings	$ (0.42)	$ 0.89	$ (2.82)	$ 0.82	$ (1.53)
Dividends declared	$ 0.21	$ 0.21	$ 0.21	$ 0.24	$ 0.87
Common stock price (NYSE symbol: BC):					
High	$ 55.35	$ 54.76	$ 54.75	$ 62.23	$ 62.23
Low	$ 44.89	$ 41.02	$ 42.57	$ 49.36	$ 41.02

(A) In the second quarter of 2018, the Company announced its intention to wind down Sport Yacht & Yachts (SYY) operations. During the second quarter and the full-year of 2019, SYY had Net sales of $(0.7) million.

(B) Gross margin is defined as Net sales less Cost of sales (COS) as presented in the Consolidated Statements of Operations. During the second and fourth quarter and the full-year of 2019, the Company recorded $3.2 million, $3.9 million and $7.1 million in COS, respectively, related to SYY.

(C) Restructuring, exit, integration and impairment charges are discussed in **Note 4 – Restructuring, Exit and Impairment Activities.**

(D) Pension settlement charges are discussed in **Note 17 – Postretirement Benefits**

(E) During the first, second, third and fourth quarter and full-year of 2020, Net earnings (loss) from continuing operations includes $6.9 million, $7.0 million, $6.5 million, $7.2 million and $27.6 million, respectively, related to purchase accounting amortization, IT transformation costs, and acquisition-related costs, related to the purchase of Power products and Freedom Boat Club. Net earnings (loss) from continuing operations also includes $(0.3) million, $0.4 million, $(0.7) million, $0.9 million and $0.3 million related to discrete tax items. During the first, second, third and fourth quarter and full-year ended 2019, Net earnings (loss) from continuing operations includes $5.7 million, $9.0 million, $6.1 million, $8.2 million and $29.0 million, respectively, related to SYY, purchase accounting amortization, IT transformation costs, and acquisition-related costs, related to the purchase of Power products and Freedom Boat Club. Refer to **Note 5 – Acquisitions** for further details. Net earnings (loss) from continuing operations also includes $(1.7) million, $1.8 million, $(2.5) million, $(14.8) million and $(17.2) million related to discrete tax items. In the third quarter and full-year of 2019, the Company had a loss of extinguishment of debt, net of tax, of $0.8 million.

BRUNSWICK CORPORATION
Schedule II - Valuation and Qualifying Accounts

(in millions)

Allowances for Losses on Receivables	Balance at Beginning of Year	Charges to Profit and Loss	Write-offs	Recoveries	Acquisitions	Other	Balance at End of Year
2020	$ 8.5	$ 3.3	$ (1.6)	$ 0.1	$ —	$ 0.4	$ 10.7
2019	8.7	1.6	(1.7)	0.2	—	(0.3)	8.5
2018	7.2	0.8	(0.9)	0.1	1.1	0.4	8.7

Deferred Tax Asset Valuation Allowance	Balance at Beginning of Year	Charges to Profit and Loss(A)	Write-offs	Recoveries	Other(B)	Balance at End of Year
2020	$ 93.3	$ (0.2)	$ —	$ —	$ 0.3	$ 93.4
2019	74.7	(3.5)	—	—	22.1	93.3
2018	78.0	4.0	—	—	(7.3)	74.7

(A) For the year ended December 31, 2020, the deferred tax asset valuation benefit activity primarily relates to reassessments for state purposes and to certain federal tax credits. For the year ended December 31, 2019, the deferred tax asset valuation benefit activity primarily relates to reassessments for state recognition purposes. For the year ended December 31, 2018, the deferred tax asset valuation provision activity primarily relates to tax losses in foreign jurisdictions.

(B) For the year ended December 31, 2020, the activity primarily relates to foreign currency translation. For the year ended December 31, 2019, the activity primarily relates to Federal and State impact of the sale of the stock of certain entities. For the year ended December 31, 2018, activity primarily relates to Federal tax law changes and foreign currency translation.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

February 16, 2021 By: /S/ RANDALL S. ALTMAN

Randall S. Altman
Vice President and Controller

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

February 16, 2021 By: /S/ DAVID M. FOULKES

David M. Foulkes
Chief Executive Officer and Director
(Principal Executive Officer)

February 16, 2021 By: /S/ RYAN M. GWILLIM

Ryan M. Gwillim
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

February 16, 2021 By: /S/ RANDALL S. ALTMAN

Randall S. Altman
Vice President and Controller
(Principal Accounting Officer)

This report has been signed by the following directors, constituting the remainder of the Board of Directors, by Ryan M. Gwillim, as Attorney-in-Fact.

Nancy E. Cooper
David C. Everitt
Reginald Fils-Aimé
Lauren Patricia Flaherty
Joseph W. McClanathan
David V. Singer
Jane L. Warner
J. Steven Whisler
Roger J. Wood

February 16, 2021 By: /S/ RYAN M. GWILLIM

Ryan M. Gwillim
Attorney-in-Fact

BOARD OF DIRECTORS

NANCY E. COOPER

Non-Executive Board Chair
Retired Executive Vice President and
Chief Financial Officer of CA Technologies, Inc.
Director Since: 2013

DAVID C. EVERITT

Retired President, Agricultural and Turf
Division of Deere & Company
Director Since: 2012

REGINALD FILS-AIMÉ

Retired President and Chief Operating Officer
of Nintendo of America, Inc.
Director Since: 2021

LAUREN P. FLAHERTY

Retired Executive Vice President and Chief Marketing
Officer of CA Technologies, Inc.
Director Since: 2018

DAVID M. FOULKES

Chief Executive Officer Brunswick Corporation
Director Since: 2019

JOSEPH W. MCCLANATHAN

Retired President and Chief Executive Officer, Household
Products Division of Energizer Holdings, Inc.
Director Since: 2018

DAVID V. SINGER

Retired Chief Executive Officer
of Snyder's-Lance, Inc.
Director Since: 2013

JANE L. WARNER

Retired Executive Vice President of
Decorative Surfaces and Finishing Systems
of Illinois Tool Works Inc.
Director Since: 2015

J. STEVEN WHISLER

Retired Chairman and Chief Executive Officer
of Phelps Dodge Corporation
Director Since: 2007

ROGER J. WOOD

Retired Co-Chief Executive Officer of Tenneco, Inc.
Director Since: 2012

BOARD COMMITTEES

AUDIT & FINANCE COMMITTEE

DAVID V. SINGER (C)
REGINALD FILS-AIMÉ
JOSEPH W. MCCLANATHAN
JANE L. WARNER
ROGER J. WOOD

NOMINATING & CORPORATE GOVERNANCE COMMITTEE

J. STEVEN WHISLER (C)
NANCY E. COOPER
DAVID C. EVERITT
LAUREN P. FLAHERTY

HUMAN RESOURCES & COMPENSATION COMMITTEE

DAVID C. EVERITT (C)
NANCY E. COOPER
LAUREN P. FLAHERTY
J. STEVEN WHISLER

EXECUTIVE COMMITTEE

NANCY E. COOPER
DAVID C. EVERITT
DAVID M. FOULKES
DAVID V. SINGER
J. STEVEN WHISLER

OFFICERS OF THE COMPANY

DAVID M. FOULKES

Chief Executive Officer

RYAN M. GWILLIM

Senior Vice President and
Chief Financial Officer

MICHAEL ADAMS

Vice President—Chief Information Officer

RANDALL S. ALTMAN

Vice President—Controller

JEFFRY K. BEHAN

Vice President of Corporate Strategy and
President—Aluminum Commercial Operations

BRENT G. DAHL

Vice President—Investor Relations

CHRISTOPHER F. DEKKER

Vice President, General Counsel,
and Chief Compliance Officer

AINE L. DENARI

Vice President and President—
Brunswick Boat Group

BRETT A. DIBKEY

Vice President and President—
Advanced Systems Group

CHRISTOPHER D. DREES

Vice President and President—
Mercury Marine

NANCY J. LOUBE

Vice President—Tax Counsel and
Head of Tax Department

BRENNA D. PREISSER

President—Business Acceleration and
Chief People & Strategy Officer

CORPORATE INFORMATION

CORPORATE OFFICES
Brunswick Corporation
26125 N. Riverwoods Blvd., Suite 500
Mettawa, IL 60045-3420
Phone: 847-735-4374
Fax: 847-735-4765
brunswick.com

STOCK EXCHANGE LISTINGS
Brunswick common stock is listed and traded on the New York and Chicago Stock Exchanges under the ticker symbol BC.

CERTIFICATION
Brunswick's Chief Executive Officer has filed a certification with the New York Stock Exchange stating that he is not aware of any violation by the Company of NYSE Corporate Governance listing standards. That document was most recently filed on May 14, 2020.

ANNUAL MEETING OF SHAREHOLDERS
Brunswick's annual meeting of shareholders will be held on May 5, 2021. Details are included in the Proxy Statement.

INVESTOR AND MEDIA INQUIRIES
Securities analysts, institutional investors, and media representatives requesting information about the Company should contact Investor Relations by mail at the corporate offices, by phone at **847-735-4374,** or by email at **services@brunswick.com.**

TRANSFER AGENT AND REGISTRAR
Shareholders requesting information on electronic dividend deposits, transfers, address or ownership changes, account consolidation, or the investment plan should contact the transfer agent and registrar at:

Computershare Investor Services
PO Box 505005
Louisville, KY 40233-5005

Shareholder online inquiries
https://www-us.computershare.com/investor/contact

(800) 546-9420 – Toll-free within the United States, Canada, and Puerto Rico
+1 (781) 575-4313 – Outside the United States, Canada, and Puerto Rico

computershare.com/investor

DIVIDENDS
Dividends are paid on a quarterly basis, subject to approval by the Board of Directors, generally in March, June, September, and December. Shareholders are welcome to participate in Brunswick's Investor Plan by contacting the plan administrator, Computershare Investor Services. The plan provides for automatic reinvestment of dividends into shares of Brunswick common stock and allows for initial and additional stock purchases. Shareholders can also choose to have their dividends directly deposited into their bank accounts. Brochures and enrollment forms are available on Computershare's website at **www.computershare.com/investor** or by contacting Computershare.

ELECTRONIC RECEIPT OF PROXY MATERIALS AND PROXY VOTING
The Annual Report and Proxy Statement are also available for review and download on the Brunswick website at **www.brunswick.com/investors.** If you have any questions, please contact Shareholder Services by mail at Brunswick's corporate offices, by phone at 847-735-4374, or by email at **services@brunswick.com.**

INDEPENDENT AUDITORS
Deloitte & Touche LLP
Chicago, Illinois

NON-GAAP FINANCIAL MEASURES

Certain statements in this report contain 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 statements of operations, balance sheets, or statements of cash flows of the company; 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. Operating and statistical measures and certain ratios and other statistical measures are not non-GAAP financial measures.

Brunswick's management believes that non-GAAP financial measures and the information they provide are useful to investors because they permit investors to view Brunswick's performance using the same tools that Brunswick uses and to better evaluate Brunswick's ongoing business performance. Diluted earnings per common share (EPS), as adjusted refers to diluted earnings (loss) per common share from continuing operations, excluding the earnings per share impact of restructuring, exit, and impairment charges; purchase accounting amortization; acquisition and IT-related costs; pension settlement charges; transaction financing charges; special tax items; and other applicable charges. Brunswick defines adjusted operating earnings as operating earnings (loss), excluding the earnings impact of restructuring, exit, and impairment charges; purchase accounting amortization; acquisition and IT-related costs; and other non-recurring or applicable charges. Brunswick defines free cash flow as cash flow from operating and investing activities of continuing operations (excluding cash provided by or used for acquisitions, investments, purchases or sales/maturities of marketable securities and other investing activities) and the effect of exchange rate changes on cash and cash equivalents.

Brunswick does not provide forward-looking guidance for certain financial measures on a GAAP basis because it is unable to predict certain items contained in the GAAP measures without unreasonable efforts. These items may include restructuring, exit, and impairment charges, special tax items, acquisition-related costs, and certain other unusual adjustments. To reflect the impact of changes in currency exchange rates on net sales, Brunswick may use constant currency reporting. To present this information, net sales transacted in currencies other than U.S. dollars are translated to U.S. dollars using prior year exchange rates for the comparative period, using the average exchange rates in effect during that period. The percentage change in net sales expressed on a constant currency basis may better reflect changes in the underlying business trends, excluding the impact of translation arising from foreign currency exchange rate fluctuations.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report are forward looking as defined in the Private Securities Litigation Reform Act of 1995. Such statements are based on current expectations, estimates, and projections about our business. Forward-looking statements by their nature address matters that are, to different degrees, uncertain and often contain words such as "may," "could," "expect," "intend," "plan," "seek," "estimate," "believe," "predict," "potential," "continue," "project," "target," or "forecast." These 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. For a description of these risks, see the Risk Factors section and forward-looking statements section in the Management's Discussion and Analysis in the attached Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

INNOVATION + INSPIRATION ON THE WATER

Brunswick Corporation is a publicly held company listed on the New York and Chicago stock exchanges, with sales over $4.3 billion in 2020. While we are family to more than 14,000 employees around the world, four divisions in more than 27 countries create a truly global environment. Our headquarters is located in the Chicago suburb of Mettawa, Illinois.

Since Brunswick was founded in 1845, the Company has grown to become a world leader in: marine propulsion, boats, and parts and accessories. We've been successful in the market for so long because we maintain a focus on driving innovation, while leveraging best practices and veteran industry knowledge.

READ OUR SUSTAINABILITY REPORT
brunswick.com/corporate-responsibility/sustainability

READ OUR PROXY REPORT
https://www.brunswick.com/investors/financial-information/annual-reports

VISIT OUR INVESTOR RELATIONS WEBSITE
brunswick.com/investors