MRAA/Baird Marine Retailer Pulse. We contacted 59 marine retailers to assess July trends. Based on our checks, we believe U.S. powerboat retail increased mid-single-digits in July -- broadly consistent with YTD retail trends in the U.S. powerboat market. Separately, we hosted Brunswick management in Australia last week. Management indicated the macro environment has proved challenging for Australian boat demand, but struck a confident tone, supporting our favorable view of the stock.

- **Retail trends.** Our checks indicate retail increased mid-single-digits in July. Based on our checks, 58% of retailers indicated that demand increased in July, compared to just 27% who reported a decrease. While July contributes ~14% to annual retail, seasonal significance begins to fade in the upcoming months (June represented peak of the retail season), leaving dealers with less time to sell through existing inventory.

- **Inventory.** New boat inventory appears somewhat elevated, as 53% of retailers consider inventory "too high" compared to just 16% of dealers that indicate inventory is "too low." However, dealers report being slightly more comfortable with inventory levels this year than in July 2014 -- suggesting that some of the sequential deterioration in the inventory comfort metric relates to declining seasonal significance of retail.

- **Retailer outlook.** Retailer sentiment in July improved YOY, based on current conditions (68 vs. 57). The 3-5 year outlook was flat YOY at 65.

- **Credit.** Marine retailers report good access to retail and wholesale credit. 59% report favorable retail credit conditions, while 60% report favorable wholesale credit condition -- numbers we would consider to be within a "normal" range.

- **Brunswick down under.** We met with industry contacts at the Sydney Boat Show and hosted Brunswick President and COO (and incoming CEO) Mark Schwabero during investor meetings in Australia. Our conversations indicate the strong U.S. dollar and weak commodity prices have weakened demand in Australia. However, Brunswick struck a confident tone, supporting our favorable view of the stock. We expect cyclical tailwinds to boost demand as Brunswick builds a less cyclical parts and accessories business (the BLA acquisition in Australia is off to a good start). Meanwhile, we see promise in the wellness and e-commerce initiatives within the fitness business. Net, we like the setup into the November investor meeting.

- Please contact your Baird representative for our detailed report.
Details

**Brunswick risks.** Demand is highly sensitive to economic, credit, and inventory cycles. Risks include changes in consumer wealth and interests, credit availability, tax policy, the competitive environment, dealer inventory levels, and input costs (labor, commodities).
Appendix - Important Disclosures and Analyst Certification

Covered Companies Mentioned
All stock prices below are the August 10, 2015 closing price.

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