

WINNEBAGO INDUSTRIES INC
Form 10-Q
December 20, 2018

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 24, 2018
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: 001-06403

WINNEBAGO
INDUSTRIES,
INC.

(Exact name of
registrant as
specified in its
charter)

Iowa 42-0802678

(State

or

other (I.R.S.
jurisdiction Employer
of Identification
No.)
incorporation)

or

organization)

P. 50436

O.

Box

152,

Forest

City,

Iowa
(Address
of
principal (Zip Code)
executive
offices)

(641)
585-3535

(Registrant's telephone
number, including area
code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer,"

"accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Smaller reporting company Emerging growth company

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

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

The number of shares of common stock, par value \$0.50 per share, outstanding on December 14, 2018 was 32,025,628.

Winnebago Industries, Inc.
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PART I. FINANCIAL INFORMATION.

Item 1. Condensed Consolidated Financial Statements

Winnebago Industries, Inc.

Condensed Consolidated Statements of Income and Comprehensive Income

(Unaudited)

| (in thousands, except per share data) | Three Months Ended | |
|--|--------------------|-------------------|
| | November 2018 | November 25, 2017 |
| Net revenues | \$493,648 | \$ 450,021 |
| Cost of goods sold | 422,652 | 387,190 |
| Gross profit | 70,996 | 62,831 |
| Selling, general, and administrative expenses | 35,712 | 29,600 |
| Amortization of intangible assets | 2,659 | 2,055 |
| Total operating expenses | 38,371 | 31,655 |
| Operating income | 32,625 | 31,176 |
| Interest expense | 4,501 | 4,781 |
| Non-operating income | (763 |) (123 |
| Income before income taxes | 28,887 | 26,518 |
| Provision for income taxes | 6,726 | 8,560 |
| Net income | \$22,161 | \$ 17,958 |
| Income per common share: | | |
| Basic | \$0.70 | \$ 0.57 |
| Diluted | \$0.70 | \$ 0.57 |
| Weighted average common shares outstanding: | | |
| Basic | 31,567 | 31,614 |
| Diluted | 31,814 | 31,772 |
| Net income | \$22,161 | \$ 17,958 |
| Other comprehensive income (loss): | | |
| Amortization of net actuarial loss (net of tax of \$3 and \$4) | 8 | 6 |
| Change in fair value of interest rate swap (net of tax of \$7 and \$387) | (22 |) 634 |
| Total other comprehensive income (loss) | (14 |) 640 |
| Comprehensive income | \$22,147 | \$ 18,598 |

See Notes to Condensed Consolidated Financial Statements.

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Winnebago Industries, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

| (in thousands, except per share data) | November 24, 2018 | August 25, 2018 |
|---|----------------------|--------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 702 | \$2,342 |
| Receivables, less allowance for doubtful accounts (\$179 and \$197, respectively) | 140,837 | 164,585 |
| Inventories | 191,461 | 195,128 |
| Prepaid expenses and other assets | 10,256 | 9,883 |
| Total current assets | 343,256 | 371,938 |
| Property, plant, and equipment, net | 110,212 | 101,193 |
| Other assets: | | |
| Goodwill | 275,072 | 274,370 |
| Other intangible assets, net | 263,058 | 265,717 |
| Investment in life insurance | 26,651 | 28,297 |
| Other assets | 11,724 | 10,290 |
| Total assets | \$ 1,029,973 | \$ 1,051,805 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 79,687 | \$81,039 |
| Income taxes payable | 13,212 | 15,655 |
| Accrued expenses: | | |
| Accrued compensation | 21,977 | 29,350 |
| Product warranties | 41,303 | 40,498 |
| Self-insurance | 13,381 | 12,262 |
| Promotional | 14,868 | 11,017 |
| Accrued interest | 3,026 | 3,095 |
| Other | 11,736 | 11,269 |
| Total current liabilities | 199,190 | 204,185 |
| Non-current liabilities: | | |
| Long-term debt | 253,262 | 291,441 |
| Deferred income taxes | 4,834 | 4,457 |
| Unrecognized tax benefits | 1,745 | 1,745 |
| Deferred compensation benefits, net of current portion | 14,214 | 15,282 |
| Other | 250 | 250 |
| Total non-current liabilities | 274,305 | 313,175 |
| Contingent liabilities and commitments (Note 12) | | |
| Stockholders' equity: | | |
| Preferred stock, par value \$0.01: Authorized-10,000 shares; Issued-none | — | — |
| Common stock, par value \$0.50: Authorized-60,000 shares; Issued-51,776 shares | 25,888 | 25,888 |
| Additional paid-in capital | 88,288 | 86,223 |
| Retained earnings | 787,794 | 768,816 |
| Accumulated other comprehensive income | 878 | 892 |
| Treasury stock, at cost: 20,178 and 20,243 shares, respectively | (346,370) | (347,374) |
| Total stockholders' equity | 556,478 | 534,445 |
| Total liabilities and stockholders' equity | \$ 1,029,973 | \$ 1,051,805 |

See Notes to Condensed Consolidated Financial Statements.

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Winnebago Industries, Inc.

Condensed Consolidated Statements of Cash Flows
(Unaudited)

| (in thousands) | Three Months Ended | |
|---|--------------------|-------------------|
| | November 2018 | November 25, 2017 |
| Operating activities: | | |
| Net income | \$22,161 | \$ 17,958 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 3,169 | 2,130 |
| Amortization of intangibles assets | 2,659 | 2,055 |
| Amortization of debt issuance costs | 394 | 437 |
| Last in, first-out expense | 597 | 299 |
| Stock-based compensation | 2,472 | 823 |
| Deferred income taxes | 382 | 1,665 |
| Other, net | (570) |) 97 |
| Change in assets and liabilities: | | |
| Receivables | 23,748 | 7,675 |
| Inventories | 3,070 | (9,821) |
| Prepaid expenses and other assets | 68 | (936) |
| Accounts payable | (799) | (2,443) |
| Income taxes and unrecognized tax benefits | (2,443) |) 6,447 |
| Accrued expenses and other liabilities | (737) |) 3,072 |
| Net cash provided by operating activities | 54,171 | 29,458 |
| Investing activities: | | |
| Purchases of property and equipment | (12,771) | (5,357) |
| Acquisition of business, net of cash acquired | (702) | — |
| Proceeds from the sale of property | — | 92 |
| Other, net | 311 | (57) |
| Net cash used in investing activities | (13,162) | (5,322) |
| Financing activities: | | |
| Borrowings on credit agreement | 133,711 | — |
| Repayments of credit agreement | (172,229) | (4,250) |
| Payments of cash dividends | (3,183) | — |
| Payments for repurchases of common stock | (948) | (1,363) |
| Net cash used in financing activities | (42,649) | (5,613) |
| Net (decrease) increase in cash and cash equivalents | (1,640) |) 18,523 |
| Cash and cash equivalents at beginning of year | 2,342 | 35,945 |
| Cash and cash equivalents at end of year | \$702 | \$ 54,468 |
| Supplement cash flow disclosure: | | |
| Income taxes paid, net | \$8,778 | \$ 322 |
| Interest paid | \$3,736 | \$ 4,548 |
| Non-cash transactions: | | |
| Capital expenditures in accounts payable | \$145 | \$ 379 |
| Accrued dividends | \$— | \$ 3,187 |

See Notes to Condensed Consolidated Financial Statements.

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Winnebago Industries, Inc.

Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

| (in thousands, except per share data) | Common | | Additional paid-in capital | Retained earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | | Total stockholders' equity |
|--|--------|----------|----------------------------------|----------------------|---|----------------|-------------|----------------------------------|
| | Shares | Amount | | | | Number | Amount | |
| Balance, August 26, 2017 | 51,776 | \$25,888 | \$80,401 | \$679,138 | \$ (1,023) | (20,183) | \$(342,730) | \$ 441,674 |
| Stock-based compensation, net of forfeitures | — | — | 804 | — | — | 1 | 19 | 823 |
| Issuance of restricted stock | — | — | (1,165) | — | — | 74 | 1,251 | 86 |
| Repurchase of common stock | — | — | — | — | — | (32) | (1,363) | (1,363) |
| Common stock dividends; \$0.10 per share | — | — | — | (3,187) | — | — | — | (3,187) |
| Actuarial loss, net of \$4 tax | — | — | — | — | 6 | — | — | 6 |
| Change in fair value of interest rate swap, net of \$387 tax | — | — | — | — | 634 | — | — | 634 |
| Net income | — | — | — | 17,958 | — | — | — | 17,958 |
| Balance, November 25, 2017 | 51,776 | \$25,888 | \$80,040 | \$693,909 | \$ (383) | (20,140) | \$(342,823) | \$ 456,631 |
| Balance, August 25, 2018 | 51,776 | \$25,888 | \$86,223 | \$768,816 | \$ 892 | (20,243) | \$(347,374) | \$ 534,445 |
| Stock-based compensation, net of forfeitures | — | — | 2,448 | — | — | 2 | 41 | 2,489 |
| Issuance of restricted stock | — | — | (383) | — | — | 111 | 1,911 | 1,528 |
| Repurchase of common stock | — | — | — | — | — | (48) | (948) | (948) |
| Common stock dividends; \$0.10 per share | — | — | — | (3,183) | — | — | — | (3,183) |
| Actuarial loss, net of \$3 tax | — | — | — | — | 8 | — | — | 8 |
| Change in fair value of interest rate swap, net of \$7 tax | — | — | — | — | (22) | — | — | (22) |
| Net income | — | — | — | 22,161 | — | — | — | 22,161 |
| Balance, November 24, 2018 | 51,776 | \$25,888 | \$88,288 | \$787,794 | \$ 878 | (20,178) | \$(346,370) | \$ 556,478 |

See Notes to Condensed Consolidated Financial Statements.

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Winnebago Industries, Inc.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1: Basis of Presentation

Unless the context otherwise requires, the use of the terms "Winnebago Industries," "WGO," "we," "us," and "our" in these Notes to Condensed Consolidated Financial Statements refers to Winnebago Industries, Inc. and its wholly-owned subsidiaries.

In the opinion of management, the accompanying Condensed Consolidated Financial Statements contain all adjustments necessary for a fair presentation as prescribed by accounting principles generally accepted in the United States ("GAAP"). All adjustments were comprised of normal recurring adjustments, except as noted in these Notes to Condensed Consolidated Financial Statements.

The interim Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended August 25, 2018.

Fiscal Period

We follow a 52-/53-week fiscal year, ending the last Saturday in August. Fiscal 2019 is a 53-week year, while Fiscal 2018 was a 52-week year. The extra (53rd) week in Fiscal 2019 will be recognized in our fourth quarter.

Subsequent Events

In preparing the accompanying unaudited Condensed Consolidated Financial Statements, we evaluated subsequent events for potential recognition and disclosure through the date of this filing. There were no material subsequent events, except for those listed below.

2019 Omnibus Incentive Plan

On December 11, 2018, our shareholders approved the Winnebago Industries, Inc. 2019 Omnibus Incentive Plan as detailed in our Proxy Statement for the 2018 Annual Meeting of Shareholders.

Dividend

On December 12, 2018, our Board of Directors approved a quarterly cash dividend of \$0.11 per share payable on January 23, 2019 to common stockholders of record at the close of business on January 9, 2019.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-02, Leases (Topic 842), which requires an entity to recognize both assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. This ASU and the related amendments must be adopted on a modified retrospective basis to either each prior reporting period presented or as of the beginning of the period of adoption. Based on the effective dates, we expect to adopt the new guidance in the first quarter of Fiscal 2020. We are currently evaluating the impact of the adoption on our consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815), which improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. ASU 2017-12 is effective for annual reporting periods beginning after December 15, 2018 (our Fiscal 2020), including interim periods within those annual reporting periods. Early adoption is permitted. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements.

Recently Adopted Accounting Pronouncements

In the first quarter of Fiscal 2019, we adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which establishes a comprehensive five-step model for the recognition of revenue from contracts with customers. This model is based on the core principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. We elected the modified retrospective method of adoption, which we applied to contracts not completed as of the initial date of adoption. Application of the transition requirements had no material impact on operations or beginning retained earnings. While changes to certain control processes and procedures were updated for this adoption, the changes did not have a material impact to our internal control financial reporting framework.

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Also in the first quarter of Fiscal 2019, we retrospectively adopted ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments (Topic 230), which provides guidance for eight specific cash flow issues with the objective of reducing the existing diversity in practice. The adoption of this standard did not materially impact our statements of cash flows, and no cash flow reclassifications were required for the prior period.

Note 2: Business Segments

In the fourth quarter of Fiscal 2018, we revised our segment presentation. We have five operating segments: 1) Winnebago motorhomes, 2) Winnebago towables, 3) Grand Design towables, 4) Winnebago specialty vehicles, and 5) Chris-Craft marine. We evaluate performance based on each operating segment's Adjusted EBITDA, as defined below, which excludes certain corporate administration expenses and non-operating income and expense.

Our two reportable segments include: 1) Motorhome (comprised of products that include a motorized chassis as well as other related manufactured products and services) and 2) Towable (comprised of products which are not motorized and are generally towed by another vehicle as well as other related manufactured products and services), which is an aggregation of the Winnebago towables and Grand Design towables operating segments.

The Corporate / All Other category includes the Winnebago specialty vehicles and Chris-Craft marine operating segments as well as expenses related to certain corporate administration expenses for the oversight of the enterprise. These expenses include items such as corporate leadership and administration costs. Previously, these expenses were allocated to each operating segment.

Identifiable assets of the reportable segments exclude general corporate assets, which principally consist of cash and cash equivalents and certain deferred tax balances. The general corporate assets are included in the Corporate / All Other category.

Prior period segment information has been reclassified to conform to the current reportable segment presentation. The reclassifications included removing the corporate administration expenses from both the Motorhome and Towable reportable segments and removing Winnebago specialty vehicles from the Motorhome reportable segment, as we began to dedicate leadership and focus on these operations separately from our Winnebago motorhomes operations.

Our chief operating decision maker ("CODM") is our Chief Executive Officer. Our CODM relies on internal management reporting that analyzes consolidated results to the net earnings level and operating segment's Adjusted EBITDA. Our CODM has ultimate responsibility for enterprise decisions. Our CODM determines, in particular, resource allocation for, and monitors the performance of, the consolidated enterprise, the Motorhome segment, and the Towable segment. The Motorhome segment management and Towable segment management have responsibility for operating decisions, allocating resources, and assessing performance within their respective segments. The accounting policies of both reportable segments are the same and are described in Note 1, Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended August 25, 2018.

We evaluate the performance of our reportable segments based on Adjusted EBITDA. EBITDA is defined as net income before interest expense, provision for income taxes, and depreciation and amortization expense. Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation and amortization expense, and other adjustments made in order to present comparable results from period to period. Examples of items excluded from Adjusted EBITDA include acquisition-related costs and non-operating income.

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The following table shows information by reportable segment:

| (in thousands) | Three Months Ended | |
|-----------------------|----------------------|----------------------|
| | November 24, 2018 | November 25, 2017 |
| Net Revenues | | |
| Motorhome | \$ 181,328 | \$ 188,197 |
| Towable | 292,833 | 259,665 |
| Corporate / All Other | 19,487 | 2,159 |
| Consolidated | \$ 493,648 | \$ 450,021 |

| | | |
|-----------------------|-----------|-----------|
| Adjusted EBITDA | | |
| Motorhome | \$ 11,976 | \$ 4,900 |
| Towable | 30,828 | 33,392 |
| Corporate / All Other | (4,351) | (2,881) |
| Consolidated | \$ 38,453 | \$ 35,411 |

| | | |
|-----------------------|-----------|----------|
| Capital Expenditures | | |
| Motorhome | \$ 3,192 | \$ 3,107 |
| Towable | 8,877 | 2,250 |
| Corporate / All Other | 702 | — |
| Consolidated | \$ 12,771 | \$ 5,357 |

| (in thousands) | November 24, 2018 | August 25, 2018 |
|-----------------------|----------------------|--------------------|
| Total Assets | | |
| Motorhome | \$ 303,984 | \$ 322,048 |
| Towable | 624,445 | 626,588 |
| Corporate / All Other | 101,544 | 103,169 |
| Consolidated | \$ 1,029,973 | \$ 1,051,805 |

Reconciliation of net income to consolidated Adjusted EBITDA:

| (in thousands) | Three Months Ended | |
|-----------------------------------|----------------------|----------------------|
| | November 24, 2018 | November 25, 2017 |
| Net income | \$ 22,161 | \$ 17,958 |
| Interest expense | 4,501 | 4,781 |
| Provision for income taxes | 6,726 | 8,560 |
| Depreciation | 3,169 | 2,130 |
| Amortization of intangible assets | 2,659 | 2,055 |
| EBITDA | 39,216 | 35,484 |
| Acquisition-related costs | — | 50 |
| Non-operating income | (763) | (123) |
| Adjusted EBITDA | \$ 38,453 | \$ 35,411 |

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Note 3: Revenue

The following table disaggregates revenue by reportable segment and product category:

| (in thousands) | Three Months Ended | |
|-----------------------------|--------------------|-------------------|
| | November 2018 | November 25, 2017 |
| Net Revenues | | |
| Motorhome: | | |
| Class A | \$48,678 | \$ 74,205 |
| Class B | 68,720 | 29,120 |
| Class C | 56,142 | 76,775 |
| Other ⁽¹⁾ | 7,788 | 8,097 |
| Total Motorhome | 181,328 | 188,197 |
| Towable: | | |
| Fifth Wheel | 162,749 | 144,114 |
| Travel Trailer | 125,626 | 112,725 |
| Other ⁽¹⁾ | 4,458 | 2,826 |
| Total Towable | 292,833 | 259,665 |
| Corporate / All Other: | | |
| Other ⁽²⁾ | 19,487 | 2,159 |
| Total Corporate / All Other | 19,487 | 2,159 |
| Consolidated | \$493,648 | \$ 450,021 |

(1)Relates to parts and accessories and services.

(2)Relates to marine and specialty vehicle units, parts and accessories, and services.

We generate all of our operating revenue from contracts with customers. Our primary source of revenue is generated through the sale of manufactured motorized units, non-motorized towable units, and marine units to our independent dealer network (our customer). We also generate income through the sale of certain parts and services, acting as the principal in these arrangements. We apply the new revenue standard requirements to a portfolio of contracts (or performance obligations) with similar characteristics for transactions where it is expected that the effects on the financial statements of applying the revenue recognition guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio. Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the transaction price consideration that we expect to receive in exchange for those goods or services. Control refers to the ability of the customer to direct the use of, and obtain substantially all of, the remaining benefits from the goods or services. Our transaction price consideration is fixed, unless otherwise disclosed below as variable consideration. We made an accounting policy election so that our revenue excludes sales and usage-based taxes collected.

Unit revenue

Unit revenue is recognized at a point-in-time when control passes, which generally occurs when the unit is shipped or picked-up from our manufacturing facilities to the customer, which is consistent with our past practice. Our payment terms are typically at the point of shipment, and do not include a significant financing component. The amount of consideration received and recorded to revenue varies with changes in marketing incentives and offers to our customers. These marketing incentives and offers to our customers are considered variable consideration. We adjust the estimate of revenue at the earlier of when the most likely amount of consideration we expect to receive changes or when the consideration becomes fixed.

Our contracts include some incidental items that are immaterial in the context of the contract. We have made an accounting policy election to not assess whether promised goods or services are performance obligations if they are immaterial in the context of the contract with the customer. We have made an accounting policy to account for any shipping and handling costs that occur after the transfer of control as a fulfillment cost that is accrued when control is transferred. Warranty obligations associated with the sale of a unit are assurance-type warranties that are a guarantee of the unit's intended functionality and, therefore, do not represent a distinct performance obligation within the context of the contract. Contract costs incurred related to the sale of manufactured units are expensed at the point-in-time when the related revenue is recognized.

We do not have material contract assets or liabilities. We establish allowances for uncollectible receivables based on historical collection trends and write-off history.

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Concentration of Risk

None of our dealer organizations accounted for more than 10% of our net revenue for the first quarter of Fiscal 2019 or the first quarter of 2018.

Note 4: Derivatives, Investments, and Fair Value Measurements

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

We account for fair value measurements in accordance with Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures, which defines fair value, establishes a framework for measurement, and expands disclosure about fair value measurement. The fair value hierarchy requires the use of observable market data when available. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

Fair value is defined as the price that would be received to sell 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. The fair value hierarchy contains three levels as follows:

Level 1 - Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 - Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in nonactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management's estimates of market participant assumptions.

The following tables set forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis at November 24, 2018 and August 25, 2018 according to the valuation techniques we used to determine their fair values:

| (in thousands) | Fair Value at | Fair Value Hierarchy | | |
|---|----------------------|----------------------|------------|------------|
| | November 24, 2018 | Level 1 | Level 2 | Level 3 |
| Assets that fund deferred compensation: | | | | |
| Domestic equity funds | \$ 996 | \$928 | \$68 | \$ — |
| International equity funds | 141 | 100 | 41 | — |
| Fixed income funds | 215 | 61 | 154 | — |
| Interest rate swap contract | 1,930 | — | 1,930 | — |
| Total assets at fair value | \$ 3,282 | \$1,089 | \$2,193 | \$ — |
| | Fair Value at | Fair Value Hierarchy | | |

(in thousands)

| | August 25, 2018 | Level 1 | Level 2 | Level 3 | |
|---|--------------------|------------|------------|------------|---|
| Assets that fund deferred compensation: | | | | | |
| Domestic equity funds | \$ 1,143 | \$1,114 | \$29 | \$ | — |
| International equity funds | 139 | 120 | 19 | — | |
| Fixed income funds | 223 | 132 | 91 | — | |
| Interest rate swap contract | 1,959 | — | 1,959 | — | |
| Total assets at fair value | \$ 3,464 | \$1,366 | \$2,098 | \$ | — |

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The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Assets that fund deferred compensation

Our assets that fund deferred compensation are marketable equity securities measured at fair value using quoted market prices and primarily consist of equity-based mutual funds. These securities are primarily classified as Level 1 as they are traded in an active market for which closing stock prices are readily available. These securities fund the Executive Share Option Plan and the Executive Deferred Compensation Plan. Refer to Note 10, Employee and Retiree Benefits, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended August 25, 2018 for additional information regarding these plans.

The proportion of the assets that will fund options which expire within a year are included in Prepaid expenses and other assets in the accompanying Condensed Consolidated Balance Sheets. The remaining assets are classified as non-current and are included in Other assets.

Interest Rate Swap Contract

Under the terms of our Credit Agreement, as defined in Note 9, Long-Term Debt, we were previously required to hedge a portion of the floating interest rate exposure. In accordance with this requirement, on January 23, 2017, we entered into an interest rate swap contract, which effectively fixed our interest rate on our \$300.0 million term loan agreement ("Term Loan") for a notional amount that reduces each December during the swap contract. As of November 24, 2018, we had \$170.0 million of our Term Loan fixed at an interest rate of 5.32%. As of August 25, 2018, we had \$170.0 million of our Term Loan fixed at an interest rate of 5.32%. The swap contract expires on December 8, 2020.

The fair value of the interest rate swap is classified as Level 2 as it is corroborated based on observable market data. The asset is included in Other assets on the Condensed Consolidated Balance Sheets. The change in value was predominately recorded to Accumulated other comprehensive income on the Condensed Consolidated Balance Sheets since the interest rate swap has been designated for hedge accounting.

Assets and Liabilities that are measured at Fair Value on a Nonrecurring Basis

Our non-financial assets, which include goodwill, intangible assets, and property, plant and equipment, are not required to be measured at fair value on a recurring basis. However, if certain triggering events occur, or if an annual impairment test is required, we must evaluate the non-financial asset for impairment. If an impairment has occurred, the asset is required to be recorded at the estimated fair value. No impairments were recorded for non-financial assets in the first quarter of Fiscal 2019 or the first quarter of 2018.

Fair Value of Financial Instruments

Our financial instruments, other than those presented in the disclosures above, include cash, receivables, accounts payable, other payables, and long-term debt. The fair values of cash, receivables, accounts payable, and other payables approximated carrying values because of the short-term nature of these instruments. If these instruments were measured at fair value in the financial statements, they would be classified as Level 1 in the fair value hierarchy. See Note 9, Long-Term Debt, for information about the fair value of our long-term debt.

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Note 5: Inventories

Inventories consist of the following:

| (in thousands) | November 24, 2018 | August 25, 2018 |
|--|----------------------|--------------------|
| Finished goods | \$ 44,602 | \$ 26,513 |
| Work-in-process | 75,072 | 68,339 |
| Raw materials | 111,147 | 139,039 |
| Total | 230,821 | 233,891 |
| Less last-in, first-out ("LIFO") reserve | 39,360 | 38,763 |
| Inventories | \$ 191,461 | \$ 195,128 |

Inventory valuation methods consist of the following:

| (in thousands) | November 24, 2018 | August 25, 2018 |
|---------------------------|----------------------|--------------------|
| LIFO basis | \$ 178,377 | \$ 176,215 |
| First-in, first-out basis | 52,444 | 57,676 |
| Total | \$ 230,821 | \$ 233,891 |

The above value of inventories, before reduction for the LIFO reserve, approximates replacement cost at the respective dates.

Note 6: Property, Plant, and Equipment

Property, plant, and equipment is stated at cost, net of accumulated depreciation and consists of the following:

| (in thousands) | November 24, 2018 | August 25, 2018 |
|---------------------------------------|----------------------|--------------------|
| Land | \$ 6,747 | \$ 6,747 |
| Buildings and building improvements | 102,478 | 94,622 |
| Machinery and equipment | 107,839 | 105,663 |
| Software | 24,920 | 23,388 |
| Transportation | 8,845 | 8,837 |
| Property, plant, and equipment, gross | 250,829 | 239,257 |
| Less accumulated depreciation | 140,617 | 138,064 |
| Property, plant, and equipment, net | \$ 110,212 | \$ 101,193 |

Depreciation expense was \$3.2 million and \$2.1 million during the first quarters of Fiscal 2019 and 2018, respectively.

Note 7: Goodwill and Intangible Assets

The changes in the carrying amount of goodwill by segment were as follows for the first quarters of Fiscal 2019 and 2018:

| (in thousands) | Towable | Corporate / All Other | Total |
|---|------------|-----------------------------|------------|
| Balance, August 26, 2017 | \$ 242,728 | \$ — | \$ 242,728 |
| Grand Design purchase price adjustment ⁽¹⁾ | 1,956 | — | 1,956 |
| Balance, November 25, 2017 | \$ 244,684 | \$ — | \$ 244,684 |

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| | | | |
|--|-----------|-----------|-----------|
| Balance, August 25, 2018 | \$244,684 | \$ 29,686 | \$274,370 |
| Chris-Craft purchase price adjustment ⁽²⁾ | — | 702 | 702 |
| Balance, November 24, 2018 | \$244,684 | \$ 30,388 | \$275,072 |

(1) Refer to Note 2, Business Combinations, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended August 25, 2018 for additional information.

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Purchase price adjustment made for working capital. For additional information related to the acquisition of (2)Chris-Craft USA, Inc., refer to Note 2, Business Combinations, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended August 25, 2018.

Other intangible assets, net of accumulated amortization, consist of the following:

| (in thousands) | Weighted Average Life-Years | November 24, 2018 | | August 25, 2018 | |
|--------------------------------|-----------------------------|-------------------|--------------------------|-----------------|--------------------------|
| | | Cost | Accumulated Amortization | Cost | Accumulated Amortization |
| Trade names | Indefinite | \$177,250 | | \$177,250 | |
| Dealer networks | 12.2 | 95,581 | \$ 14,288 | 95,581 | \$ 12,328 |
| Backlog | 0.5 | 19,527 | 19,527 | 19,527 | 19,135 |
| Non-compete agreements | 4.1 | 5,347 | 2,330 | 5,347 | 2,084 |
| Leasehold interest-favorable | 8.1 | 2,000 | 502 | 2,000 | 441 |
| Other intangible assets, gross | | 299,705 | 36,647 | 299,705 | 33,988 |
| Less accumulated amortization | | 36,647 | | 33,988 | |
| Other intangible assets, net | | \$263,058 | | \$265,717 | |

The weighted average remaining amortization period for intangible assets as of November 24, 2018 was approximately 11 years.

Remaining estimated aggregate annual amortization expense by fiscal year is as follows:

| (in thousands) | Amount |
|--------------------------------------|----------|
| Fiscal 2019 | \$6,828 |
| Fiscal 2020 | 9,032 |
| Fiscal 2021 | 9,032 |
| Fiscal 2022 | 8,405 |
| Fiscal 2023 | 8,197 |
| Thereafter | 44,314 |
| Total amortization expense remaining | \$85,808 |

Note 8: Warranty

We provide certain service and warranty on our products. From time to time, we also voluntarily incur costs for certain warranty-type expenses occurring after the normal warranty period to help protect the reputation of our products and the goodwill of our customers. Estimated costs related to product warranty are accrued at the time of sale and are based upon historical warranty and service claims experience. Adjustments are made to accruals as claim data and cost experience becomes available.

In addition to the costs associated with the contractual warranty coverage provided on our products, we also occasionally incur costs as a result of additional service actions not covered by our warranties, including product recalls and customer satisfaction actions. Although we estimate and reserve for the cost of these service actions, there can be no assurance that expense levels will remain at current levels or such reserves will continue to be adequate.

Changes in our product warranty liability are as follows:

| (in thousands) | Three Months Ended | |
|--------------------------------|--------------------|-------------------|
| | November 24, 2018 | November 25, 2017 |
| Balance at beginning of period | \$40,498 | \$ 30,805 |
| Provision | 10,757 | 9,953 |

| | | |
|--------------------------|----------|-----------|
| Claims paid | (9,952) | (8,258) |
| Balance at end of period | \$41,303 | \$ 32,500 |

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Note 9: Long-Term Debt

On November 8, 2016, we entered into a \$125.0 million credit facility ("ABL") and a \$300.0 million Term Loan with JPMorgan Chase Bank, N.A. ("Credit Agreement"). On December 8, 2017, we amended our Credit Agreement, which decreased the interest rate spread on the Term Loan and the ABL. As of September 21, 2018, the amount that may be borrowed under the ABL was increased to \$165.0 million.

The Credit Agreement contains certain financial covenants. As of November 24, 2018, we are in compliance with all financial covenants of the Credit Agreement.

The components of long-term debt are as follows:

| (in thousands) | November 24, 2018 | August 25, 2018 |
|---|----------------------|--------------------|
| ABL | \$ 14 | \$ 38,532 |
| Term Loan | 260,000 | 260,000 |
| Long-term debt, excluding debt issuance costs | 260,014 | 298,532 |
| Debt issuance cost, net | (6,752 |) (7,091 |
| Long-term debt | \$ 253,262 | \$ 291,441 |

The fair value of long-term debt, excluding debt issuance costs, approximated the carrying values as of November 24, 2018 and August 25, 2018 as interest is at variable market rates.

Aggregate contractual maturities of debt in future fiscal years are as follows:

| (in thousands) | Amount |
|-----------------|-----------|
| Fiscal 2019 | \$— |
| Fiscal 2020 | 10,250 |
| Fiscal 2021 | 15,000 |
| Fiscal 2022 | 15,000 |
| Fiscal 2023 | 219,750 |
| Total Term Loan | \$260,000 |

Note 10: Employee and Retiree Benefits

Deferred compensation liabilities are as follows:

| (in thousands) | November 24, 2018 | August 25, 2018 |
|--|----------------------|--------------------|
| Non-qualified deferred compensation | \$ 14,187 | \$ 14,831 |
| Supplemental executive retirement plan | 2,324 | 2,309 |
| Executive share option plan | 736 | 935 |
| Executive deferred compensation plan | 548 | 421 |
| Officer stock-based compensation | — | 1,528 |
| Deferred compensation benefits | 17,795 | 20,024 |
| Less current portion ⁽¹⁾ | 3,581 | 4,742 |
| Deferred compensation benefits, net of current portion | \$ 14,214 | \$ 15,282 |

(1) Included in Accrued compensation on the Condensed Consolidated Balance Sheets.

Note 11: Stock-Based Compensation

We have a 2014 Omnibus Equity, Performance Award, and Incentive Compensation Plan (as amended, the "Plan") in place as approved by shareholders, which allows us to grant or issue non-qualified stock options, incentive stock options, share awards, and other equity compensation to key employees and to non-employee directors.

Beginning with our annual grant of restricted stock units in October 2018, we attach dividend equivalents to our restricted stock units equal to dividends payable on the same number of shares of WGO common stock during the applicable period. Dividend

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equivalents, settled in cash, accrue on restricted stock unit awards during the vesting period. No dividend equivalents are paid on any restricted stock units that are forfeited prior to the vesting date.

Stock-based compensation expense was \$2.5 million and \$0.8 million during the first quarters of Fiscal 2019 and 2018, respectively. Compensation expense is recognized over the requisite service period of the award.

Note 12: Contingent Liabilities and Commitments

Repurchase Commitments

Generally, manufacturers in our industries enter into repurchase agreements with lending institutions which have provided wholesale floorplan financing to dealers. Most dealers are financed on a "floorplan" basis under which a bank or finance company lends the dealer all, or substantially all, of the purchase price, collateralized by a security interest in the units purchased.

Our repurchase agreements generally provide that, in the event of default by the dealer on the agreement to pay the lending institution, we will repurchase the financed merchandise. The terms of these agreements, which generally can last up to 24 months, provide that our liability will be the lesser of remaining principal owed by the dealer to the lending institution, or dealer invoice less periodic reductions based on the time since the date of the original invoice. Our liability cannot exceed 100% of the dealer invoice. In certain instances, we also repurchase inventory from our dealers due to state law or regulatory requirements that govern voluntary or involuntary relationship terminations. Although laws vary from state to state, some states have laws in place that require manufacturers of recreational vehicles or boats to repurchase current inventory if a dealership exits the business. Our total contingent liability on all repurchase agreements was approximately \$933.4 million and \$879.0 million at November 24, 2018 and August 25, 2018.

Repurchased sales are not recorded as a revenue transaction, but the net difference between the original repurchase price and the resale price are recorded against the loss reserve, which is a deduction from gross revenue. Our loss reserve for repurchase commitments contains uncertainties because the calculation requires management to make assumptions and apply judgment regarding a number of factors. Our risk of loss related to these repurchase commitments is significantly reduced by the potential resale value of any products that are subject to repurchase and is spread over numerous dealers and lenders. The aggregate contingent liability related to our repurchase agreements represents all financed dealer inventory at the period reporting date subject to a repurchase agreement, net of the greater of periodic reductions per the agreement or dealer principal payments. Based on these repurchase agreements and our historical loss experience, we establish an associated loss reserve which is included in Accrued expenses: Other on the Condensed Consolidated Balance Sheets. Our accrued losses on repurchases were \$0.9 million and \$0.9 million at November 24, 2018 and August 25, 2018, respectively. Repurchase risk is affected by the credit worthiness of our dealer network, and we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to establish the loss reserve for repurchase commitments.

There was no material activity related to repurchase agreements during the three months ended November 24, 2018 and November 25, 2017.

Litigation

We are involved in various legal proceedings which are ordinary and routine litigation incidental to our business, some of which are covered in whole or in part by insurance. While we believe the ultimate disposition of litigation will not have material adverse effect on our financial position, results of operations or liquidity, there exists the possibility that such litigation may have an impact on our results for a particular reporting period in which litigation effects become probable and reasonably estimable. Though we do not believe there is a reasonable likelihood that

there will be a material change related to these matters, litigation is subject to inherent uncertainties and management's view of these matters may change in the future.

Note 13: Income Taxes

We account for income taxes under ASC 740, Income Taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns.

Our effective tax rate decreased to 23.3% for the three months ended November 24, 2018 from 32.3% for the three months ended November 25, 2017 due primarily to the enactment of the 2017 Tax Cuts and Jobs Act ("Tax Act") on December 22, 2017. The rate reduction was primarily due to the Tax Act decrease in the Federal rate offset by the repeal of the domestic production activities deduction and by a reduced benefit from stock-based compensation activity in the current quarter.

ASU 2018-05, Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118, provided guidance for companies that allows for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts under ASC 740, Income Taxes. In accordance with this guidance, a company must reflect the income tax effect of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that

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a company's accounting for certain income tax effects of the Tax Act is incomplete, but it is able to determine a reasonable estimate, the company must record a provisional estimate in the financial statements.

In accordance with ASC 740, we recorded non-cash provisional estimates to income tax expense in Fiscal 2018 as a result of revaluing all deferred tax assets and liabilities at the newly enacted Federal corporate income tax rate. We have not made any measurement period adjustments related to these items during the first three months of Fiscal 2019 and are materially complete in analyzing and recording all aspects of the enactment of the Tax Act.

We file a U.S. Federal tax return as well as returns in various international and state jurisdictions. Although certain years are no longer subject to examination by the Internal Revenue Service ("IRS") and various state taxing authorities, net operating loss carryforwards generated in those years may still be adjusted upon examination by the IRS or state taxing authorities. As of November 24, 2018, our Federal returns from Fiscal 2015 to present continue to be subject to review by the IRS. With limited exception, our state returns from Fiscal 2014 to present continue to be subject to review by the state taxing jurisdictions. Several years may lapse before an uncertain tax position is audited and finally resolved, and it is difficult to predict the outcome of such audits.

It is our policy to recognize interest and penalties accrued relative to unrecognized tax benefits in income tax expense. Total reserves for uncertain tax positions were not material.

Note 14: Income Per Share

The following table reflects the calculation of basic and diluted income per share:

| (in thousands, except per share data) | Three Months Ended | |
|--|--------------------|-------------------|
| | November 24, 2018 | November 25, 2017 |
| Numerator | | |
| Net income | \$22,161 | \$ 17,958 |
| Denominator | | |
| Weighted average common shares outstanding | 31,567 | 31,614 |
| Dilutive impact of stock compensation awards | 247 | 158 |
| Weighted average common shares outstanding, assuming dilution | 31,814 | 31,772 |
| Anti-dilutive securities excluded from Weighted average common shares outstanding, assuming dilution | 90 | 73 |
| Basic income per common share | \$0.70 | \$ 0.57 |
| Diluted income per common share | \$0.70 | \$ 0.57 |

Anti-dilutive securities were not included in the computation of diluted income per common share because they are considered anti-dilutive under the treasury stock method.

Note 15: Accumulated Other Comprehensive Income (Loss)

Changes in Accumulated Other Comprehensive Income ("AOCI") by component, net of tax, were:

| (in thousands) | Three Months Ended | | | |
|----------------|--------------------|-------|-------------------|-------|
| | November 24, 2018 | | November 25, 2017 | |
| | Defined Interest | Total | Defined Interest | Total |
| | Benefit Rate | | Benefit Rate | |
| | Pension Swap | | Pension Swap | |

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| | Items | | | Items | | |
|---|----------|----------|--------|----------|----------|------------|
| Balance at beginning of period | \$ (591) | \$ 1,483 | \$ 892 | \$ (509) | \$ (514) | \$ (1,023) |
| Other comprehensive income before reclassifications | — | (22) | (22) | — | 634 | 634 |
| Amounts reclassified from AOCI | 8 | — | 8 | 6 | — | 6 |
| Net current-period OCI | 8 | (22) | (14) | 6 | 634 | 640 |
| Balance at end of period | \$ (583) | \$ 1,461 | \$ 878 | \$ (503) | \$ 120 | \$ (383) |

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Reclassifications out of AOCI in net periodic benefit costs, net of tax, were:

| (in thousands) | Location on Consolidated Statements of Income and Comprehensive Income | Three Months Ended | |
|------------------------------------|---|----------------------|----------------------|
| | | November 24, 2018 | November 25, 2017 |
| Amortization of net actuarial loss | SG&A | \$ 8 | \$ 6 |

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

Unless the context otherwise requires, the use of the terms "Winnebago Industries," "we," "us," and "our" refers to Winnebago Industries, Inc. and its wholly-owned subsidiaries.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. Unless otherwise noted, transactions and other factors significantly impacting our financial condition, results of operations, and liquidity are discussed in order of magnitude.

Our MD&A should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended August 25, 2018, (including the information presented therein under Risk Factors), as well as our reports on Forms 10-Q and 8-K and other publicly available information. All amounts herein are unaudited.

Overview

Winnebago Industries, Inc. is one of the leading U.S. manufacturers with a diversified portfolio of recreation vehicles ("RV"s) and marine products used primarily in leisure travel and outdoor recreation activities. We produce our motorhome units in manufacturing facilities in Iowa and Oregon; our towable units in Indiana; and our marine units in Florida. We distribute our RV and marine products primarily through independent dealers throughout the U.S. and Canada, who then retail the products to the end consumer. We also distribute our marine products internationally through independent dealers, who then retail the products to the end consumer.

Non-GAAP Reconciliation

This MD&A includes financial information prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP"), as well as certain adjusted or non-GAAP financial measures such as EBITDA and Adjusted EBITDA. EBITDA is defined as net income before interest expense, provision for income taxes, and depreciation and amortization expense. Adjusted EBITDA is defined as net income before interest expense, provision for income taxes, depreciation and amortization expense, and other adjustments made in order to present comparable results from period to period. These non-GAAP financial measures, which are not calculated or presented in accordance with GAAP, have been provided as information supplemental and in addition to the financial measures presented in accordance with GAAP. Such non-GAAP financial measures should not be considered superior to, as a substitute for, or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented herein. The non-GAAP financial measures presented may differ from similar measures used by other companies.

Refer to the Consolidated Performance Summary within Results of Operations - First Three Months of Fiscal 2019 Compared to the First Three Months of Fiscal 2018 for a detailed reconciliation of items that impacted EBITDA and Adjusted EBITDA. We have included this non-GAAP performance measure as a comparable measure to illustrate the effect of non-recurring transactions occurring during the reported periods and improve comparability of our results from period to period. We believe Adjusted EBITDA provides meaningful supplemental information about our operating performance because this measure excludes amounts that we do not consider part of our core operating results when assessing our performance. Examples of items excluded from Adjusted EBITDA include acquisition-related costs and non-operating income.

Management uses these non-GAAP financial measures (a) to evaluate our historical and prospective financial performance and trends as well as our performance relative to competitors and peers; (b) to measure operational profitability on a consistent basis; (c) in presentations to the members of our board of directors to enable our board of

directors to have the same measurement basis of operating performance as is used by management in its assessments of performance and in forecasting and budgeting for our company; (d) to evaluate potential acquisitions; and (e) to ensure compliance with covenants and restricted activities under the terms of our Credit Agreement. We believe these non-GAAP financial measures are frequently used by securities analysts, investors, and other interested parties to evaluate companies in our industry.

Reportable Segments

In the fourth quarter of Fiscal 2018, we revised our segment presentation. We have five operating segments: 1) Winnebago motorhomes, 2) Winnebago towables, 3) Grand Design towables, 4) Winnebago specialty vehicles, and 5) Chris-Craft marine. We evaluate performance based on each operating segment's Adjusted EBITDA, as defined above, which excludes certain corporate administration expenses and non-operating income and expense.

Our two reportable segments include: 1) Motorhome (comprised of products that include a motorized chassis as well as other related manufactured products and services) and 2) Towable (comprised of products which are not motorized and are generally towed by another vehicle as well as other related manufactured products and services), which is an aggregation of the Winnebago towables and Grand Design towables operating segments.

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The Corporate / All Other category includes the Winnebago specialty vehicles and Chris-Craft marine operating segments as well as expenses related to certain corporate administration expenses for the oversight of the enterprise. These expenses include items such as corporate leadership and administration costs. Previously, these expenses were allocated to each operating segment.

Prior year segment information has been reclassified to conform to the current reportable segment presentation. The reclassifications included removing the corporate administration expenses from both the Motorhome and Towable reportable segments and removing Winnebago specialty vehicles from the Motorhome reportable segment, as we began to dedicate leadership and focus on these operations separately from our Winnebago motorhomes operations.

Industry Trends

Key reported statistics for the North American RV industry are as follows:

• Wholesale unit shipments: RV product delivered to the dealers, which is reported monthly by the Recreation Vehicle Industry Association ("RVIA")

• Retail unit registrations: consumer purchases of RVs from dealers, which is reported by Stat Surveys

We track RV Industry conditions using these key statistics to monitor trends and evaluate and understand our performance relative to the overall industry. The rolling twelve months shipment and retail information for 2018 and 2017, as noted below, illustrates that the RV industry continues to grow at the wholesale and retail level. We believe retail demand is the key driver to continued growth in the industry.

| | | US and Canada Industry | | | | | | | | |
|--------------------------|---------|-----------------------------------|---------|-------------|----------|--|---------|-------------|----------|---|
| | | Wholesale Unit Shipments per RVIA | | | | Retail Unit Registrations per Stat Surveys | | | | |
| | | Rolling 12 Months through October | | | | Rolling 12 Months through October | | | | |
| | | 2018 | 2017 | Unit Change | % Change | 2018 | 2017 | Unit Change | % Change | |
| Motorhome ⁽¹⁾ | 59,947 | 61,421 | (1,474) | (2.4) | % | 57,829 | 56,758 | 1,071 | 1.9 | % |
| Towable ⁽²⁾ | 428,489 | 420,857 | 7,632 | 1.8 | % | 414,898 | 390,912 | 23,986 | 6.1 | % |
| Combined | 488,436 | 482,278 | 6,158 | 1.3 | % | 472,727 | 447,670 | 25,057 | 5.6 | % |

(1) Motorhome: Class A, B and C products.

(2) Towable: Fifth wheel and travel trailer products.

The most recent RVIA wholesale shipment forecasts for calendar year 2019, as noted in the table below, indicate that industry shipments are most likely expected to decline in 2019. The RV sales outlook is based on anticipated increases in inflation and interest rates and rising costs of production, partially offset by strong job and wage growth.

| Wholesale Unit Shipment Forecast per RVIA ⁽¹⁾ | Calendar Year | | | |
|--|---------------|-------------|-------------|----------|
| | 2019 Forecast | 2018 Actual | Unit Change | % Change |
| Aggressive | 466,000 | 479,000 | (13,000) | (2.7) % |
| Most likely | 453,200 | 479,000 | (25,800) | (5.4) % |
| Conservative | 439,800 | 479,000 | (39,200) | (8.2) % |

(1) Prepared by Dr. Richard Curtin of the University of Michigan Consumer Survey Research Center for RVIA and reported in the Roadsigns RV Winter 2018 Industry Forecast Issue.

Market Share

Our retail unit market share, as reported by Stat Surveys based on state records, is illustrated below. Note that this data is subject to adjustment and is continuously updated.

| | Rolling 12 Months through October | | Calendar Year | | |
|---------------------------------|--|---------------------|---------------------|-------|-------|
| | 2018 | 2017 ⁽¹⁾ | 2017 ⁽¹⁾ | 2016 | 2015 |
| US and Canada | | | | | |
| Motorhome A, B, C | 15.6% | 16.3% | 16.2% | 18.0% | 20.5% |
| Travel trailer and fifth wheels | 7.7% | 6.0% | 6.1% | 1.7% | 0.9% |

(1) Includes retail unit market share for Grand Design since its acquisition on November 8, 2016.

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Facility Expansion

During Fiscal 2017, our Board of Directors approved two large facility expansion projects to increase production capacity in the fast growing Towable segment. The Grand Design expansion project consisted of two new production facilities, which were completed in Fiscal 2018. The facility expansion in the Winnebago towables division is expected to be completed in the first half of Fiscal 2019.

Enterprise Resource Planning System

In the second quarter of Fiscal 2015, our Board of Directors approved the strategic initiative of implementing an enterprise resource planning ("ERP") system to replace our legacy business applications. The new ERP platform will provide better support for our changing business needs and plans for future growth. Our initial cost estimates have grown for additional needs of the business, such as the opportunity to integrate the ERP system with additional manufacturing systems. The project includes software, external implementation assistance, and increased internal staffing directly related to this initiative. We anticipate that approximately 40% of the cost will be expensed in the period incurred and 60% will be capitalized and depreciated over its useful life.

The following table illustrates the cumulative project costs:

| (in thousands) | Three Months Ended | Fiscal Year | | | | Cumulative Investment | | |
|----------------|--------------------|-------------|---------|----------|---------|-----------------------|-------|---|
| | November 24, 2018 | 2018 | 2017 | 2016 | 2015 | | | |
| Capitalized | \$ 1,533 | \$5,941 | \$1,881 | \$7,798 | \$3,291 | \$20,444 | 58.8 | % |
| Expensed | 1,151 | 2,107 | 2,601 | 5,930 | 2,528 | 14,317 | 41.2 | % |
| Total | \$ 2,684 | \$8,048 | \$4,482 | \$13,728 | \$5,819 | \$34,761 | 100.0 | % |

Results of Operations - First Three Months of Fiscal 2019 Compared to the First Three Months of Fiscal 2018

Consolidated Performance Summary

The following is an analysis of changes in key items included in the consolidated statements of income and comprehensive income for the three months ended November 24, 2018 compared to the three months ended November 25, 2017:

| (in thousands, except percent and per share data) | Three Months Ended | | Three Months Ended | | \$ Change | % Change |
|---|--------------------|------------------------------|--------------------|------------------------------|-----------|----------|
| | November 24, 2018 | % of Revenues ⁽¹⁾ | November 25, 2017 | % of Revenues ⁽¹⁾ | | |
| Net revenues | \$493,648 | 100.0 % | \$ 450,021 | 100.0 % | \$43,627 | 9.7 % |
| Cost of goods sold | 422,652 | 85.6 % | 387,190 | 86.0 % | 35,462 | 9.2 % |
| Gross profit | 70,996 | 14.4 % | 62,831 | 14.0 % | 8,165 | 13.0 % |
| Selling, general, and administrative expenses | 35,712 | 7.2 % | 29,600 | 6.6 % | 6,112 | 20.6 % |
| Amortization of intangible assets | 2,659 | 0.5 % | 2,055 | 0.5 % | 604 | 29.4 % |
| Total operating expenses | 38,371 | 7.8 % | 31,655 | 7.0 % | 6,716 | 21.2 % |
| Operating income | 32,625 | 6.6 % | 31,176 | 6.9 % | 1,449 | 4.6 % |
| Interest expense | 4,501 | 0.9 % | 4,781 | 1.1 % | (280) | (5.9)% |
| Non-operating income | (763) | (0.2)% | (123) | — | 640 | (520.3)% |
| Income before income taxes | 28,887 | 5.9 % | 26,518 | 5.9 % | 2,369 | 8.9 % |
| Provision for income taxes | 6,726 | 1.4 % | 8,560 | 1.9 % | (1,834) | (21.4)% |
| Net income | \$22,161 | 4.5 % | \$ 17,958 | 4.0 % | \$4,203 | 23.4 % |

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| | | | | | |
|------------------------------------|--------|---------|--------|------|---|
| Diluted income per share | \$0.70 | \$ 0.57 | \$0.13 | 22.8 | % |
| Diluted average shares outstanding | 31,814 | 31,772 | 42 | 0.1 | % |

(1) Percentages may not add due to rounding differences.

Consolidated net revenues increased in the first three months of Fiscal 2019 compared to the first three months of Fiscal 2018 primarily due to an increase in our Towable segment unit volume, average selling price ("ASP") increases, and the acquisition of Chris-Craft in the fourth quarter of Fiscal 2018. This was partially offset by a decrease in unit volume in our Motorhome segment.

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Gross profit as a percentage of revenue increased in the first three months of Fiscal 2019 compared to the first three months of Fiscal 2018 due to a decrease in our Motorized manufacturing costs as a percentage of revenue due to higher costs in the prior year related to the ramp-up of our West Coast production facility and new product start-up. This was partially offset by margin pressure from inflationary cost pressures across all segments, but most notably in the Towable segment.

Operating expenses increased in the first three months of Fiscal 2019 compared to the first three months of Fiscal 2018 due to increased investments in our business as well as an increase in professional fees.

Interest expense decreased in the first three months of Fiscal 2019 compared to the first three months of Fiscal 2018 due to our Credit Agreement amendment during the second quarter of Fiscal 2018. This amendment resulted in a decrease to the interest rate spread by 1.0% on the Term Loan and 0.25% on the ABL.

Non-operating income increased in the first three months of Fiscal 2019 compared to the first three months of Fiscal 2018 due to net proceeds received for company-owned life insurance policies.

The effective tax rate decreased to 23.3% for the first three months of Fiscal 2019 compared to 32.3% for the first three months of Fiscal 2018 due primarily to the enactment of the 2017 Tax Cuts and Jobs Act ("Tax Act") on December 22, 2017. The rate reduction was primarily due to the decrease in the Federal rate provided by the Tax Act offset by the repeal of the domestic production activities deduction and by a reduced benefit from stock-based compensation activity in the first three months of Fiscal 2019.

Net income and diluted income per share increased in the first three months of Fiscal 2019 compared to the first three months of Fiscal 2018 primarily due to revenue growth, an increased gross profit rate and the lower effective income tax rate, offset slightly by an increase in operating expenses.

Non-GAAP Reconciliation

The following table reconciles net income to consolidated EBITDA and Adjusted EBITDA for the first three months ended November 24, 2018 and November 25, 2017:

| (in thousands) | Three Months Ended | |
|-----------------------------------|--------------------|-------------------|
| | November 24, 2018 | November 25, 2017 |
| Net income | \$22,161 | \$ 17,958 |
| Interest expense | 4,501 | 4,781 |
| Provision for income taxes | 6,726 | 8,560 |
| Depreciation | 3,169 | 2,130 |
| Amortization of intangible assets | 2,659 | 2,055 |
| EBITDA | 39,216 | 35,484 |
| Acquisition-related costs | — | 50 |
| Non-operating income | (763) | (123) |
| Adjusted EBITDA | \$38,453 | \$ 35,411 |

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Reportable Segment Performance Summary

Motorhome

The following is an analysis of key changes in our Motorhome segment for the first three months ended November 24, 2018 compared to the first three months ended November 25, 2017 and as of November 24, 2018 compared to November 25, 2017:

| (in thousands, except ASP) | Three Months Ended | | | | | |
|----------------------------|--------------------|---------------|-------------------|---------------|-----------|----------|
| | November 24, 2018 | % of Revenues | November 25, 2017 | % of Revenues | \$ Change | % Change |
| Net revenues | \$181,328 | | \$188,197 | | \$(6,869) | (3.6)% |
| Adjusted EBITDA | 11,976 | 6.6% | 4,900 | 2.6% | 7,076 | 144.4% |
| ASP | 98,690 | | 91,246 | | 7,444 | 8.2% |

| Unit deliveries | Three Months Ended | | | | | |
|------------------|--------------------|----------------------------|-------------------|----------------------------|-------------|----------|
| | November 24, 2018 | Product Mix ⁽¹⁾ | November 25, 2017 | Product Mix ⁽¹⁾ | Unit Change | % Change |
| Class A | 422 | 23.2% | 723 | 35.8% | (301) | (41.6)% |
| Class B | 719 | 39.5% | 370 | 18.3% | 349 | 94.3% |
| Class C | 678 | 37.3% | 926 | 45.9% | (248) | (26.8)% |
| Total motorhomes | 1,819 | 100.0% | 2,019 | 100.0% | (200) | (9.9)% |

| (\$ in thousands) | November 24, 2018 | November 25, 2017 | Change | % Change |
|------------------------|-------------------|-------------------|------------|----------|
| Backlog ⁽²⁾ | | | | |
| Units | 1,961 | 2,632 | (671) | (25.5)% |
| Dollars | \$191,632 | \$250,757 | \$(59,125) | (23.6)% |
| Dealer Inventory | | | | |
| Units | 4,458 | 4,226 | 232 | 5.5% |

(1) Percentages may not add due to rounding differences.

We include in our backlog all accepted orders from dealers to generally be shipped within the next six months.

(2) Orders in backlog can be cancelled or postponed at the option of the dealer at any time without penalty and, therefore, backlog may not necessarily be an accurate measure of future sales.

Net revenues decreased in the first three months of Fiscal 2019 compared to the first three months of Fiscal 2018 due to a decrease in the number of units sold, partially offset by increased pricing.

Unit deliveries decreased in the first three months of Fiscal 2019 compared to the first three months of Fiscal 2018 driven by our Class A and Class C products, partially offset by our Class B products. Additionally, we have seen a decrease in the backlog volumes in the first quarter of Fiscal 2019 as compared to the first quarter of Fiscal 2018 due to less demand for our Class A and C products, offset partially by our Class B products. Dealer inventory increased slightly due to the strong shipment of our Class B products.

Adjusted EBITDA increased in the first three months of Fiscal 2019 compared to the first three months of Fiscal 2018 due to pricing increases in the second half of Fiscal 2018 and a reduction in our manufacturing costs as a percentage of revenue due to higher costs in the prior year related to the ramp-up of our West Coast production facility and new product start-ups.

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Towable

The following is an analysis of key changes in our Towable segment for the first three months ended November 24, 2018 compared to the first three months ended November 25, 2017 and as of November 24, 2018 compared to November 25, 2017:

| (in thousands, except ASP) | Three Months Ended | | | | | |
|----------------------------|--------------------|---------------|-------------------|---------------|-----------|----------|
| | November 24, 2018 | % of Revenues | November 25, 2017 | % of Revenues | \$ Change | % Change |
| Net revenues | \$292,833 | | \$ 259,665 | | \$33,168 | 12.8 % |
| Adjusted EBITDA | 30,828 | 10.5 % | 33,392 | 12.9 % | (2,564) | (7.7)% |
| ASP | 32,117 | | 30,557 | | 1,560 | 5.1 % |

| Unit deliveries | Three Months Ended | | | | | |
|-----------------|--------------------|----------------------------|-------------------|----------------------------|-------------|----------|
| | November 24, 2018 | Product Mix ⁽¹⁾ | November 25, 2017 | Product Mix ⁽¹⁾ | Unit Change | % Change |
| Travel trailer | 5,836 | 62.2 % | 5,349 | 61.7 % | 487 | 9.1 % |
| Fifth wheel | 3,549 | 37.8 % | 3,327 | 38.3 % | 222 | 6.7 % |
| Total towables | 9,385 | 100.0 % | 8,676 | 100.0 % | 709 | 8.2 % |

| (\$ in thousands) | November 24, 2018 | November 25, 2017 | Change | % Change |
|------------------------|-------------------|-------------------|------------|----------|
| Backlog ⁽²⁾ | | | | |
| Units | 9,199 | 9,955 | (756) | (7.6)% |
| Dollars | \$327,724 | \$ 341,065 | \$(13,341) | (3.9)% |
| Dealer Inventory | | | | |
| Units | 16,662 | 12,050 | 4,612 | 38.3 % |

(1) Percentages may not add due to rounding differences.

We include in our backlog all accepted orders from dealers to generally be shipped within the next six months.

(2) Orders in backlog can be cancelled or postponed at the option of the dealer at any time without penalty and, therefore, backlog may not necessarily be an accurate measure of future sales.

Net revenues increased in the first three months of Fiscal 2019 compared to the first three months of Fiscal 2018 due to strong organic growth.

Unit deliveries increased in the first three months of Fiscal 2019 compared to the first three months of Fiscal 2018 primarily due to volume growth in excess of recent industry trends. Our Towable market share increased from 6.0% to 7.7% when comparing shipments during the twelve-month trailing periods ended September 2017 and September 2018. Towable ASP increased slightly due to price increases during the second half of Fiscal 2018.

Adjusted EBITDA decreased in the first three months of Fiscal 2019 compared to the first three months of Fiscal 2018 primarily due to increased material costs and higher dealer program costs partially offset by organic volume growth. Shipments grew faster than the industry as a result of greater penetration of our new products and further expansion of our distribution base.

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Analysis of Financial Condition, Liquidity, and Resources

Cash Flows

The following table summarizes our cash flows from total operations for the first three months ended November 24, 2018 and November 25, 2017:

| (in thousands) | Three Months Ended | |
|--|--------------------|-------------------|
| | November 24, 2018 | November 25, 2017 |
| Total cash provided by (used in): | | |
| Operating activities | \$54,171 | \$ 29,458 |
| Investing activities | (13,162) | (5,322) |
| Financing activities | (42,649) | (5,613) |
| Net (decrease) increase in cash and cash equivalents | \$(1,640) | \$ 18,523 |

Operating Activities

Cash provided by operating activities increased for the first three months ended November 24, 2018 due to an increase in net income and improvements in net working capital.

Investing Activities

Cash used in investing activities for the first three months ended November 24, 2018 consisted primarily of capital expenditures related to the capacity expansions taking place in our Towable segment. Cash used in investing activities for the first three months ended November 25, 2017 consisted primarily of capital expenditures.

Financing Activities

Cash used in financing activities for the first three months ended November 24, 2018 consisted of payments on the Credit Agreement, dividends payments, and share repurchases; these were partially offset by cash proceeds on the Credit Agreement. Cash used in financing activities for the first three months ended November 25, 2017 consisted of payments on the Credit Agreement and share repurchases.

Debt and Capital

As of September 21, 2018, we have a debt agreement that consists of a \$300.0 million term loan agreement ("Term Loan") and a \$165.0 million asset-based revolving credit facility ("ABL") (collectively, the "Credit Agreement") with JPMorgan Chase Bank, N.A. Refer to Note 9, Long-Term Debt, of the Notes to Consolidated Financial Statements, included in Item 8, Financial Statements and Supplementary Data, of our Annual Report on Form 10-K for the fiscal year ended August 25, 2018 for additional details. As of November 24, 2018, there were no material borrowings against the ABL.

We filed a Registration Statement on Form S-3, which was declared effective by the Securities and Exchange Commission on April 25, 2016. Subject to market conditions, this registration provides for the ability to offer and sell up to \$35.0 million of our common stock in one or more offerings pursuant to the Registration Statement. The Registration Statement will be available for use for three years from its effective date. We currently have no plans to offer and sell the common stock registered under this Registration Statement; however, it does provide another potential source of liquidity to raise capital if we need it, in addition to the alternatives already in place.

Other Financial Measures

Working capital at November 24, 2018 and August 25, 2018 was \$144.1 million and \$167.8 million, respectively. We currently expect cash on hand, funds generated from operations, and the borrowing available under our Credit Agreement to be sufficient to cover both short-term and long-term operating requirements.

Share Repurchases and Dividends

We repurchase our common stock and pay dividends pursuant to programs approved by our Board of Directors. Our long-term capital allocation strategy is to first fund operations and investments in growth, maintain a debt leverage ratio within our targeted zone, maintain reasonable liquidity, and then return excess cash over time to shareholders through dividends and share repurchases.

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On December 19, 2007, our Board of Directors authorized the repurchase of outstanding shares of our common stock, depending on market conditions, for an aggregate consideration of up to \$60.0 million. On October 18, 2017, our Board of Directors authorized a share repurchase program in the amount of \$70.0 million. There is no time restriction on either authorization. We continually evaluate if share repurchases reflect a prudent use of our capital and, subject to compliance with our Credit Agreement, we may purchase shares in the future. At November 24, 2018, we have \$65.7 million remaining on our board repurchase authorization.

Contractual Obligations and Commercial Commitments

There has been no material change in our contractual obligations other than in the ordinary course of business since the end of Fiscal 2018. See our Annual Report on Form 10-K for the fiscal year ended August 25, 2018, for additional information regarding our contractual obligations and commercial commitments.

Significant Accounting Policies and Estimates

We describe our significant accounting policies in Note 1: Summary of Significant Accounting Policies, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended August 25, 2018. We discuss our critical accounting estimates in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in our Annual Report on Form 10-K for the fiscal year ended August 25, 2018.

There have been no significant changes in our significant accounting policies or critical accounting estimates since the end of Fiscal 2018.

New Accounting Pronouncements

For a description of new applicable accounting pronouncements, see Note 1, Basis of Presentation, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q.

Safe Harbor Statement Under the Private Securities Litigation Reform Act

Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), provide a "safe harbor" for forward-looking statements to encourage companies to provide prospective information about their companies. With the exception of historical information, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements and may be identified by the use of words such as "anticipate," "assume," "believe," "estimate," "expect," "guidance," "intend," "outlook," "plan," "project," and other words and terms of similar meaning. Such statements reflect our current views and estimates with respect to future market conditions, company performance and financial results, operational investments, business prospects, new strategies, the competitive environment, and other events. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the potential results discussed in such forward-looking statements. Readers should review Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended August 25, 2018, for a description of important factors that could cause our actual results to differ materially from those contemplated by the forward-looking statements made in this Quarterly Report on Form 10-Q. Among the factors that could cause actual results and outcomes to differ materially from those contained in such forward-looking statements are the following: competition and new product introductions by competitors, our ability to attract and retain qualified personnel, business or production disruptions, sales order cancellations, risk related to compliance with debt covenants and leverage ratios, stock price volatility, availability of labor, a slowdown in the economy, low consumer confidence, the effect of global tensions, increases in interest rates, availability of credit, risk related to cyclical and seasonality, slower than anticipated sales of new or existing products, integration

of operations relating to merger and acquisition activities generally, inadequate liquidity or capital resources, inventory and distribution channel management, our ability to innovate, our reliance on large dealer organizations, significant increase in repurchase obligations, availability and price of fuel, availability of chassis and other key component parts, increased material and component costs, exposure to warranty claims, ability to protect our intellectual property, exposure to product liability claims, dependence on information systems and web applications, any unexpected expenses related to ERP, risk related to data security, governmental regulation, including for climate change, and risk related to anti-takeover provisions applicable to us and other factors. We caution that the foregoing list of important factors is not complete. Any forward-looking statements speak only as of the date they are made, and we assume no obligation to update any forward-looking statement that we may make.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in our primary risk exposures or management of market risks from those previously disclosed in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, of our Annual Report on Form 10-K for the fiscal year ended August 25, 2018.

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Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures", as such term is defined under Securities Exchange Act of 1934, as amended ("Exchange Act") Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures and believes that such controls and procedures are effective at the reasonable assurance level.

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures, required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this report (the "Evaluation Date"). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of the Evaluation Date.

Changes in Internal Control Over Financial Reporting

We are implementing an ERP system, which is expected to improve the efficiency of certain financial and related transaction processes. The implementation of an ERP system will likely affect the processes that constitute our internal control over financial reporting and will require testing for effectiveness. As we have completed implementation of certain phases of the ERP, internal controls over financial reporting have been tested for effectiveness with respect to the scope of the phase completed. We concluded, as part of our evaluation described in the above paragraphs, that the implementation of ERP in these circumstances has not materially affected our internal control over financial reporting. The implementation is continuing in a phased approach and will continue to be evaluated for effect on our internal control over financial reporting.

There were no changes in our internal control over financial reporting that occurred during the first quarter of Fiscal 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION.

Item 1. Legal Proceedings.

For a description of our legal proceedings, see Note 12, Contingent Liabilities and Commitments, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors.

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended August 25, 2018.

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

(c) Stock Repurchases

Purchases of our common stock during each fiscal month of the first quarter of Fiscal 2019 were:

| Period | Total Number of Shares Purchased ⁽¹⁾ | Average Price Paid per Share | Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾ | Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs ⁽²⁾ |
|---------------------|---|------------------------------|---|---|
| 08/26/18 - 09/29/18 | — | \$ — | — | \$65,989,000 |
| 09/30/18 - 10/27/18 | 37,136 | \$ 31.11 | — | \$65,989,000 |
| 10/28/18 - 11/24/18 | 11,326 | \$ 27.81 | 10,900 | \$65,685,000 |
| Total | 48,462 | \$ 30.33 | 10,900 | \$65,685,000 |

(1) Shares not purchased as part of a publicly announced program were repurchased from employees who vested in Company shares and elected to pay their payroll tax via the value of shares delivered as opposed to cash.

Pursuant to a combined \$130.0 million share repurchase program authorized by our Board of Directors. On

(2) December 19, 2007, \$60.0 million was approved, and on October 18, 2017, \$70.0 million was approved. There is no time restriction on either authorization.

Our Credit Agreement, as defined in Note 9, Long-Term Debt, of the Notes to Condensed Consolidated Financial Statements, included in Item 1, Condensed Consolidated Financial Statements, of this Quarterly Report on Form 10-Q, contains restrictions that may limit our ability to make distributions or payments with respect to purchases of our common stock without consent of the lenders, except for limited purchases of our common stock from employees, in the event of a significant reduction in our EBITDA or in the event of a significant borrowing on our asset-based revolving credit agreement.

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Item 6. Exhibits.

| | |
|-----------------|---|
| <u>3a.</u> | <u>Articles of Incorporation of the Registrant previously filed as Exhibit 3a with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 25, 2018 (Commission File Number 001-06403) and incorporated by reference herein.</u> |
| <u>3b.</u> | <u>Amended By-Laws of the Registrant previously filed as Exhibit 3.1 with the Registrant's Current Report on Form 8-K dated March 16, 2016 (Commission File Number 001-06403) and incorporated by reference herein.</u> |
| <u>10a.</u> | <u>Amendment 4 to Credit Agreement dated as of September 21, 2018 by and among Winnebago Industries, Inc., Winnebago of Indiana, LLC, Grand Design RV, LLC, the other Loan Parties hereto, the financial institutions party hereto as Lenders, and JPMorgan Chase Bank, N.A. as Administrative Agent.</u> |
| <u>10b.</u> | <u>Form of Non-Qualified Stock Option Agreement under Winnebago Industries, Inc. 2014 Omnibus Equity, Performance Award, and Incentive Compensation Plan (fiscal 2019 awards)</u> |
| <u>10c.</u> | <u>Form of Restricted Stock Unit Award Agreement (Executives) under Winnebago Industries, Inc. 2014 Omnibus Equity, Performance Award, and Incentive Compensation Plan (fiscal 2019 awards).</u> |
| <u>10d.</u> | <u>Form of Performance Stock Unit Agreement under Winnebago Industries, Inc. 2014 Omnibus Equity, Performance Award, and Incentive Compensation Plan (fiscal 2019 awards).</u> |
| <u>10e.</u> | <u>Form of Restricted Stock Unit Award Agreement (Non-Employee Director) under Winnebago Industries, Inc. 2014 Omnibus Equity, Performance Award, and Incentive Compensation Plan (fiscal 2019 awards).</u> |
| <u>10f.</u> | <u>Form of Change in Control Agreement.</u> |
| <u>31.1</u> | <u>Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>31.2</u> | <u>Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>32.1</u> | <u>Certification by the Chief Executive Officer pursuant to Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>32.2</u> | <u>Certification by the Chief Financial Officer pursuant to Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| <u>101.INS*</u> | <u>XBRL Instance Document</u> |
| <u>101.SCH*</u> | <u>XBRL Taxonomy Extension Schema Document</u> |
| <u>101.CAL*</u> | <u>XBRL Taxonomy Extension Calculation Linkbase Document</u> |
| <u>101.DEF*</u> | <u>XBRL Taxonomy Extension Definitions Linkbase Document</u> |
| <u>101.LAB*</u> | <u>XBRL Taxonomy Extension Label Linkbase Document</u> |
| <u>101.PRE*</u> | <u>XBRL Taxonomy Extension Presentation Linkbase Document</u> |

*Attached as Exhibit 101 to this report are the following financial statements from our Quarterly Report on Form 10-Q for the quarter ended November 24, 2018 formatted in XBRL: (i) the Unaudited Condensed Consolidated Statements of Income and Comprehensive Income, (ii) the Unaudited Condensed Consolidated Balance Sheets, (iii) the Unaudited Condensed Consolidated Statements of Cash Flows, (iv) the Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity, and (v) related Notes to Condensed Consolidated Financial Statements. Such exhibits are deemed furnished and not filed pursuant to Rule 406T of Regulation S-T.

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SIGNATURES

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

WINNEBAGO INDUSTRIES, INC.

Date: December 20, 2018 By/s/ Michael J. Happe

Michael J. Happe
Chief Executive Officer, President
(Principal Executive Officer)

Date: December 20, 2018 By/s/ Bryan L. Hughes

Bryan L. Hughes
Vice President, Chief Financial Officer
(Principal Financial and Accounting Officer)