

OSHKOSH CORP  
Form 10-K  
November 16, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

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

**For the fiscal year ended September 30, 2011**

**or**

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

**Commission file number: 1-31371**

**Oshkosh Corporation**

(Exact name of registrant as specified in its charter)

**Wisconsin**  
(State or other jurisdiction)

**39-0520270**  
(I.R.S. Employer)

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of incorporation or organization)

Identification No.)

**P.O. Box 2566**

**Oshkosh, Wisconsin**  
(Address of principal executive offices)

**54903-2566**  
(Zip Code)

Registrant's telephone number, including area code: **(920) 235-9151**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (\$.01 par value)	New York Stock Exchange

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. ☒

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Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

At March 31, 2011, the aggregate market value of the registrant's Common Stock held by non-affiliates was \$3,222,820,985 (based on the closing price of \$35.38 per share on the New York Stock Exchange as of such date).

As of November 11, 2011, 91,421,701 shares of the registrant's Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the 2012 Annual Meeting of Shareholders (to be filed with the Commission under Regulation 14A within 120 days after the end of the registrant's fiscal year and, upon such filing, to be incorporated by reference into Part III).

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**FISCAL 2011 ANNUAL REPORT ON FORM 10-K**

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As used herein, the Company, we, us and our refers to Oshkosh Corporation and its consolidated subsidiaries. Oshkosh refers to Oshkosh Corporation, not including JLG Industries, Inc. and its wholly-owned subsidiaries ( JLG ), Pierce Manufacturing Inc. ( Pierce ), McNeilus Companies, Inc. ( McNeilus ) and its wholly-owned subsidiaries, Kewaunee Fabrications, LLC ( Kewaunee ), Concrete Equipment Company, and its wholly-owned subsidiary ( CON-E-CO ), London Machinery Inc. and its wholly-owned subsidiary ( London ), Oshkosh Specialty Vehicles (UK), Limited and AK Specialty Vehicles B.V. and its wholly-owned subsidiary (together, SMIT ) and Iowa Mold Tooling Company ( IMT ) or any other subsidiaries.

The Oshkosh®, JLG®, Pierce®, McNeilus®, MEDTEC®, Jerr-Dan®, Frontline™, SMIT™, CON-E-CO®, London®, IMT®, Revolution®, Command Zone™, TAK-4®, Hercules™, Husky™, PUC™, ClearSky™, TerraMax™, SandCat™ and ProPulse® related logos are trademarks or registered trademarks of the Company. All other product and service names referenced in this document are the trademarks or registered trademarks of their respective owners.

All references herein to earnings per share refer to earnings per share assuming dilution, unless noted otherwise.

For ease of understanding, the Company refers to types of specialty vehicles for particular applications as markets. When the Company refers to market positions, these comments are based on information available to the Company concerning units sold by those companies currently manufacturing the same types of specialty vehicles and vehicle bodies and are therefore only estimates. Unless otherwise noted, these market positions are based on sales in the United States of America. There can be no assurance that the Company will maintain such market positions in the future.

### **Cautionary Statement About Forward-Looking Statements**

The Company believes that certain statements in Business and Management's Discussion and Analysis of Financial Condition and Results of Operations and other statements located elsewhere in this Annual Report on Form 10-K are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact included in this report, including, without limitation, statements regarding the Company's future financial position, business strategy, targets, projected sales, costs, earnings, capital expenditures, debt levels and cash flows, and plans and objectives of management for future operations, including those under the caption Executive Overview in Management's Discussion and Analysis of Financial Condition and Results of Operations, are forward-looking statements. When used in this Annual Report on Form 10-K, words such as may, will, expect, intend, estimate, anticipate, believe, shall, project or plan or the negative thereof or variations thereon or similar terminology are generally intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, assumptions and other factors, some of which are beyond the Company's control, which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained in Item 1A of Part I of this report.

All forward-looking statements, including those under the caption Executive Overview in Management's Discussion and Analysis of Financial Condition and Results of Operations, speak only as of November 16, 2011. The Company assumes no obligation, and disclaims any obligation, to update information contained in this Annual Report on Form 10-K. Investors should be aware that the Company may not update such information until the Company's next quarterly earnings conference call, if at all.



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**PART I**

**ITEM 1. BUSINESS**

**The Company**

The Company is a leading designer, manufacturer and marketer of a broad range of specialty vehicles and vehicle bodies. The Company partners with customers to deliver superior solutions that safely and efficiently move people and materials at work, around the globe, and around the clock. The Company began business in 1917 as an early pioneer of four-wheel drive technology, and off road mobility technology remains one of its core competencies. The Company operates in four reportable segments for financial reporting purposes: defense, access equipment, fire & emergency and commercial, which comprised 57%, 26%, 10% and 7%, respectively, of the Company's consolidated net sales in fiscal 2011. The Company made approximately 56%, 72% and 53% of its net sales for fiscal 2011, 2010 and 2009, respectively, to the U.S. government, a substantial majority of which were under multi-year contracts and programs in the defense vehicle market. See Note 23 to the Consolidated Financial Statements for financial information related to the Company's business segments.

The Company has sold products to the U.S. Department of Defense ( DoD ) for over 80 years and operates its military tactical wheeled vehicles business as its defense segment. In 1981, Oshkosh was awarded the first Heavy Expanded Mobility Tactical Truck ( HEMTT ) contract for the DoD, and thereafter its defense segment developed into the DoD's leading supplier of severe-duty, heavy-payload tactical trucks. In recent years, Oshkosh has broadened its defense product offerings to become the leading manufacturer of severe-duty, heavy- and medium-payload tactical trucks for the DoD, manufacturing vehicles that perform a variety of demanding tasks such as hauling tanks, missile systems, ammunition, fuel, troops and cargo for combat units. In June 2009, the DoD awarded the Company a sole source contract for MRAP All Terrain Vehicles ( M-ATVs ), the Company's first major entry into the market for light tactical vehicles. In August 2009, the DoD awarded the Company a five-year requirements contract for the production of medium-payload tactical vehicles and trailers as well as supporting services and engineering under the U.S. Army's Family of Medium Tactical Vehicles ( FMTV ) Rebuy program.

In fiscal 2007, the Company acquired JLG, a global manufacturer of aerial work platforms and telehandlers used in a wide variety of construction, agricultural, industrial, institutional and general maintenance applications to position workers and materials at elevated heights. JLG forms the base of the Company's access equipment segment. JLG's customers include equipment rental companies, construction contractors, manufacturing companies, home improvement centers and the U.S. military. The access equipment segment also includes Jerr-Dan branded tow trucks ( wreckers ) and roll-back vehicle carriers ( carriers ) sold to towing companies in the U.S. and abroad.

The Company's fire & emergency segment manufactures commercial and custom firefighting vehicles and equipment, aircraft rescue and firefighting ( ARFF ) vehicles, snow removal vehicles, ambulances and other emergency vehicles primarily sold to fire departments, airports and other governmental units in the Americas and abroad; mobile medical trailers sold to hospitals and third-party medical service providers in the U.S. and Europe; and broadcast vehicles sold to broadcasters and television stations in the Americas and abroad.

The Company's commercial segment manufactures rear- and front-discharge concrete mixers, refuse collection vehicles, portable and stationary concrete batch plants and vehicle components sold to ready-mix companies and commercial and municipal waste haulers in North America and



other international markets and field service vehicles and truck-mounted cranes sold to mining, construction and other companies in the Americas and abroad.

### **Competitive Strengths**

The following competitive strengths support the Company's business strategy:

*Strong Market Positions.* The Company has developed strong market positions and brand recognition in its core businesses, which it attributes to its reputation for quality products, advanced engineering, innovation, vehicle performance, reliability, customer service and low total product life cycle costs. The Company maintains leading market shares in most of its businesses and is the sole-source supplier of a number of vehicles to the DoD.

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*Diversified Product Offering.* The Company believes its broad product offerings and target markets serve to diversify its sources of revenues, mitigate the impact of economic cycles and provide multiple platforms for potential organic growth and acquisitions. The Company's product offerings provide extensive opportunities for bundling of products for sale to customers, co-location of manufacturing, leveraging purchasing power and sharing technology within and between segments. For each of its target markets, the Company has developed or acquired a broad product line in an effort to become a single-source provider of specialty vehicles, vehicle bodies, parts and service and related products to its customers. In addition, the Company has established an extensive domestic and international distribution system for specialty vehicles and vehicle bodies tailored to each market.

*Quality Products and Customer Service.* The Company has developed strong brand recognition for its products as a result of its commitment to meet the stringent product quality and reliability requirements of its customers in the specialty vehicle and vehicle body markets it serves. The Company frequently achieves premium pricing due to the durability and low life cycle costs for its products. The Company also achieves high quality customer service through its extensive parts and service support programs, which are generally available to customers 365 days a year in all product lines throughout the Company's distribution systems.

*Innovative and Proprietary Components.* The Company's advanced design and engineering capabilities have contributed to the development of innovative and/or proprietary, severe-duty components that enhance vehicle performance, reduce manufacturing costs and strengthen customer relationships. The Company's advanced design and engineering capabilities have also allowed it to integrate many of these components across various product lines, which enhances its ability to compete for new business and reduces its costs to manufacture its products compared to manufacturers who simply assemble purchased components. Examples of the Company's innovative components include:

- The TAK-4 independent suspension system, which the Company uses on multiple vehicle platforms in its defense and fire & emergency segments and which it installs on other manufacturers' Mine Resistant Ambush Protected ( MRAP ) vehicles;
- The Command Zone multiplexing technology which the Company has applied to numerous products in each of its segments to control, monitor and diagnose electronic components;
- The Pierce Ultimate Configuration ( PUC ) vehicle configuration, which eliminates the bulky pumphouse from firefighting vehicles, making such vehicles easier to use and service;
- The pulse technology on the Company's new Global Striker, which allows the customer to deliver dry chemical powder 90 feet;
- The integration of compressed natural gas to power McNeilus' refuse collection vehicles and concrete mixers, which reduces fuel costs and emissions; and
- ClearSky telematics solution for JLG aerial work platforms, which remotely connects a rental fleet, providing information on location, operating status and equipment health.

*Flexible and Efficient Manufacturing.* Over the past 15 years, the Company has significantly increased manufacturing efficiencies. The Company believes it has competitive advantages over larger vehicle manufacturers in its specialty vehicle markets due to its manufacturing flexibility, vertical integration, purchasing power in specialty vehicle components and custom fabrication capabilities. In addition, the Company believes it has competitive advantages over smaller vehicle and vehicle body manufacturers due to its relatively higher volumes of similar products that permit the use of moving assembly lines and which allow it to leverage purchasing power and technology opportunities across product lines.

*Strong Management Team.* The Company is led by President and Chief Executive Officer ( CEO ) Charles Szews who has been an executive of the Company since 1996. Mr. Szews is complemented by an experienced senior management team that has been assembled through internal promotions, new hires and acquisitions. The management team has successfully executed a strategic reshaping and expansion of its business since 1996, which has positioned the Company to be a global leader in the specialty vehicle and vehicle body markets.

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**Business Strategy**

The Company is focused on increasing its net sales, profitability and cash flow and strengthening its balance sheet by capitalizing on its competitive strengths and pursuing an integrated business strategy. The Company completed a comprehensive strategic planning process in fiscal 2011 that culminated in the creation of the Company's roadmap, named MOVE, to deliver superior long-term growth and earnings for its shareholders. The Company's MOVE roadmap consists of four key strategies:

*Market Recovery and Growth.* The Company believes that many of its non-defense markets will begin to recover after fiscal 2012. The Company plans to capture and improve its historic share of a market recovery. A number of the markets in which the Company participates are down anywhere from 40% to more than 90% from peak levels, some since 2007, and vehicle fleets continue to age. The Company is working to improve its sales, inventory and operations planning and sales capture processes to more effectively respond to customers' needs when the recovery occurs in each of its markets. Also, throughout the extended period of weak economic conditions, the Company has continued to focus on staying close to its customers and providing high quality customer service through its extensive parts and service support programs, which are generally available to customers 365 days a year in all product lines throughout the Company's distribution systems.

*Optimize Cost and Capital Structure.* The Company plans to optimize its cost and capital structure to provide value for customers and shareholders by aggressively attacking its product and operating costs. Historically, the Company has utilized teams of industrial engineers and procurement specialists to re-engineer manufacturing processes and leverage purchasing volumes to meet these objectives. The Company also utilizes a comprehensive, lean enterprise focus to continue its drive to be a low cost producer in all of its product lines and to deliver low product life cycle costs for its customers. Lean is a methodology to eliminate non-value added work from a process stream. During the last few years, the Company has implemented this strategy by:

- Consolidating its manufacturing footprint resulting in a 20% reduction in manufacturing facilities since 2008 with plans to further optimize its footprint;
- Combining the Company's strategic purchasing teams globally into a single organization led by an externally recruited chief procurement officer to capture its full purchasing power across its businesses and to promote low cost country sourcing;
- Utilizing integrated project teams to reduce product costs for the FMTV program and other key products;
- Creating chartered cost reduction teams at all businesses and introducing broad-based training programs;
- Creating a new global manufacturing team to leverage manufacturing synergies across its segments and further promote lean initiatives;
- Creating a quality management system to drive enhanced quality throughout all of the Company's businesses resulting in satisfied customers and a lower cost of quality; and
- Launching the Oshkosh Operating System ( OOS ) to create common practices across the Company to enhance its performance. The OOS is a system of doing business that is focused on serving and delighting customers by utilizing continuous improvement and lean practices. The Company believes that the OOS enables it to sustain superior performance for its customers, shareholders, employees and other stakeholders.

As a result of this focus, the Company expects to more efficiently utilize its manufacturing facilities, increase inventory turns and reduce product costs, manufacturing lead times and new product development cycle times over the next several years. The Company believes that by optimizing its cost structure it will be able to continue to reduce its outstanding debt.

*Value Innovation.* The Company intends to maintain its emphasis on new product development as it seeks to expand sales and margins by leading its core markets in the introduction of new or improved products and new technologies. Internal development, licensing of technology and strategic acquisitions are utilized to execute multi-generational product plans in each of the Company's businesses. The Company actively seeks to commercialize emerging technologies that are capable of expanding customer uses of its products.

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Examples of the Company's innovative components include:

- The TAK-4 independent suspension system, which the Company uses on multiple vehicle platforms in its defense and fire & emergency segments and which it installs on other manufacturers' MRAP vehicles;
- The Dash Cab Forward, which is a new fire fighting vehicle featuring an innovative tilting cab-forward design that repositions the engine rearward and lower between the frame rails, with an open interior configuration that helps firefighters to better prepare for the unexpected situations they face when arriving on the scene of a fire or other emergency situation;
- The integration of compressed natural gas to power McNeilus' refuse collection vehicles and concrete mixers, which reduces fuel costs and emissions; and
- The Light Combat All Terrain Vehicle (LC-ATV), which incorporates field-proven technologies, advanced armor solutions and expeditionary levels of mobility to redefine safety and performance standards.

*Emerging Market Expansion.* The Company plans to continue its expansion into those specialty vehicle and vehicle body markets globally where it has or can acquire strong market positions over time and where it believes it can leverage synergies in purchasing, manufacturing, technology and distribution to increase sales and profitability. Business development teams actively pursue new customers in targeted developing countries in Asia, Eastern Europe, the Middle East and Latin America. In pursuit of this strategy, the Company opened a 193,000 square foot facility in Tianjin, China in May 2010 to produce JLG access equipment for the Asian market. In fiscal 2011, the Company commenced concrete mixer manufacturing in Brazil and opened new sales and service offices in Russia, India, Saudi Arabia and China to pursue various opportunities in each of those countries. After the Company accomplishes its plan to further reduce its debt, it would also consider selectively pursuing strategic acquisitions, primarily internationally, to enhance the Company's product offerings and expand its international presence in specialty vehicle and vehicle body markets.

## Products

The Company is focused on the following core segments of the specialty vehicle and vehicle body markets:

*Defense segment.* The Company has sold products to the DoD for over 80 years. The Company also exports tactical trucks to approved foreign customers. By successfully responding to the DoD's changing vehicle requirements, the Company has become the leading manufacturer of severe-duty, heavy- and medium-payload tactical trucks for the DoD and is rapidly expanding its portfolio of light-payload tactical trucks. The Company manufactures vehicles that perform a variety of demanding tasks such as hauling tanks, missile systems, ammunition, fuel, troops and cargo for combat units. The Company's proprietary military all-wheel drive product line of heavy-payload tactical trucks includes the HEMTT, the Heavy Equipment Transporter (HET), the Palletized Load System (PLS), the Common Bridge Transporter and the Logistic Vehicle System Replacement (LVS). The Company's proprietary military medium-payload tactical trucks include the Medium Tactical Vehicle Replacement (MTVR), the FMTV and the Medium Tactical Truck (MTT), a line of lower-cost, severe-duty, medium-payload tactical trucks suitable for less demanding requirements than the MTVR. The Company's proprietary M-ATV and related variants is the Company's first major entry into the light tactical vehicle market. The M-ATV was specially designed with superior survivability as well as extreme off-road mobility for use in small unit combat operations for the current conflict in Afghanistan. The defense segment also makes a multi-role light tactical vehicle, the SandCat. The SandCat is designed for high-speed, highly-protected, highly-maneuverable operations. It can be configured to fit various missions

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including, special operations, homeland defense, law enforcement and peace-keeping. In October 2011, the Company introduced the L-ATV to continue to expand its light tactical vehicle offering. The affordable L-ATV incorporates field-proven technologies, advanced armor solutions and expeditionary levels of mobility to redefine safety and performance standards for the U.S. Armed Forces and international militaries. The L-ATV also is designed for future growth, with the ability to accept additional armor packages and technology upgrades as the mission requires.

In October 2008, the DoD awarded the Company a three-year, firm, fixed-priced requirements contract for the continued production of the Family of Heavy Tactical Vehicles ( FHTV ). The contract includes the production of the HEMTT, HEMTT-ESP, PLS and PLS Trailer as well as associated logistics and configuration management support. The FHTV contract expired in September 2011, with expected vehicle deliveries to continue through March 2013. The Company is in negotiations with the U.S. Army regarding a bridge contract for the FHTV program under which it would continue producing FHTVs while the U.S. Army develops a path to conduct an open competition for the next contract relating to this program. The bridge contract could include the purchase of the design rights to the Company's vehicles under this contract so that the U.S. Army could compete the program.

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In June 2009, the DoD awarded the Company a sole source contract for M-ATVs and associated aftermarket parts packages. During fiscal 2011 and 2010, the Company delivered M-ATVs and related aftermarket parts & service under the contract with a combined sales value of \$1.25 billion and \$4.49 billion, respectively. As of September 30, 2011, the defense segment had approximately \$556 million of backlog related to the M-ATV program, including 441 vehicles. The Company expects that it will complete deliveries, under orders it has to date, of M-ATVs by November 2011 and associated aftermarket parts by July 2012. The Company is actively marketing M-ATVs to approved foreign customers.

In August 2009, the DoD awarded the Company a contract to be the sole producer of FMTVs under the U.S. Army's FMTV Rebuy program. The FMTV Rebuy program is a five-year requirements contract for the production of vehicles and trailers through December 2015. After a lengthy protest period, the Company began delivery of vehicles under this contract in the first quarter of fiscal 2011. The Company has received orders totaling \$3.5 billion under this contract, of which more than \$2.8 billion remained in backlog at September 30, 2011.

In addition to retaining its current defense truck contracts, the Company's objective is to continue to diversify into other areas of the U.S. and international defense truck markets by expanding applications, uses, and vehicle body styles of its current tactical truck lines. As the Company enters tactical truck competitions in the defense market segment, the Company believes it has multiple competitive advantages, including:

- *Truck engineering and testing.* DoD and international truck contract competitions require significant defense truck engineering expertise to ensure that truck designs excel under demanding test conditions. The Company has teams of engineers and draftsmen and engages contract engineers to support current business and truck contract competitions. These personnel have significant expertise designing new trucks, using sophisticated computer-aided tools, supporting grueling testing programs at test sites and submitting detailed, comprehensive, successful contract proposals.
- *Proprietary components.* The Company's patented TAK-4 independent suspension and proprietary transfer case enhance truck off-road performance. In addition, because these are two of the higher cost components in a truck, the Company has a competitive cost advantage based on the in-house manufacturing of these two truck components. The Company's Command Zone tool also simplifies maintenance troubleshooting.
- *Past performance.* The Company has been building trucks for the DoD for over 80 years. The Company believes that its past success in delivering reliable, high quality trucks on time, within budget and meeting specifications is a competitive advantage in future defense truck procurement programs. The Company understands the special contract procedures used by the DoD and other foreign militaries and has developed substantial expertise in contract management and accounting.
- *Flexible manufacturing.* The Company's ability to produce a variety of truck models on the same moving assembly line permits it to avoid new facility costs on most new contracts and maintain competitive manufacturing efficiencies. In addition, the Company is able to leverage its global manufacturing scale to supplement its existing defense truck manufacturing facilities in Oshkosh, Wisconsin. The Company's decision to co-locate M-ATV production at its JLG manufacturing facility in McConnellsburg, Pennsylvania during fiscal 2010 provided the Company a competitive advantage to ramp up production quickly.
- *Logistics.* The Company has gained significant experience in the development of operators' manuals and training and in the delivery of parts and services worldwide in accordance with the DoD's expectations, which differ materially from commercial practices. The Company has logistics capabilities to permit the DoD to order parts, receive invoices and remit payments electronically.

*Access equipment segment.* JLG manufactures aerial work platforms and telehandlers used in a wide variety of construction, agricultural, industrial, institutional and general maintenance applications to position workers and materials at elevated heights. In addition, through a long-term license with Caterpillar, JLG produces Caterpillar-branded telehandlers for distribution through the worldwide Caterpillar Inc. dealer



network through 2025.

Access equipment customers include equipment rental companies, construction contractors, manufacturing companies, home improvement centers and the U.S. military. JLG's products are marketed in over 3,500 locations worldwide through independent rental companies and distributors that purchase these products and then rent or sell them and provide service support, as well as through other sales and service branches or organizations in which the Company holds equity positions.

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JLG also arranges equipment financing and leasing solutions for its customers, primarily through private-label arrangements with independent third-party financial companies, and provides credit support in connection with these financing and leasing arrangements. Financing arrangements that JLG offers or arranges through this segment include installment sale contracts, capital leases, operating leases and rental purchase guarantees. Terms of these arrangements vary depending on the type of transaction, but typically range between 36 and 72 months and generally require the customer to be responsible for insurance, taxes and maintenance of the equipment, and to bear the risk of damage to or loss of the equipment.

The Company, through its Jerr-Dan brand, is a leading manufacturer and marketer of towing and recovery equipment in the U.S. The Company believes Jerr-Dan is recognized as an industry leader in quality and innovation. Jerr-Dan offers a complete line of both carriers and wreckers. In addition to manufacturing equipment, Jerr-Dan provides its customers with one-stop service for carriers and wreckers and generates revenue from the installation of equipment, as well as the sale of chassis and service parts.

*Fire & emergency segment.* Through Pierce, the Company is the leading domestic manufacturer of fire apparatus assembled on custom chassis, designed and manufactured to meet the special needs of firefighters. Pierce also manufactures fire apparatus assembled on commercially available chassis, which are produced for multiple end-customer applications. Pierce's engineering expertise allows it to design its vehicles to meet stringent industry guidelines and government regulations for safety and effectiveness. Pierce primarily serves domestic municipal customers, but also sells fire apparatus to the DoD, airports, universities and large industrial companies, and in international markets. Pierce's history of innovation and research and development in consultation with firefighters has resulted in a broad product line that features a wide range of innovative, high-quality custom and commercial firefighting equipment with advanced fire suppression capabilities. In an effort to be a single-source supplier for its customers, Pierce offers a full line of custom and commercial fire apparatus and emergency vehicles, including pumpers, aerial and ladder trucks, tankers, light-, medium- and heavy-duty rescue vehicles, wildland rough terrain response vehicles, mobile command and control centers, bomb squad vehicles, hazardous materials control vehicles and other emergency response vehicles.

The Company, through its Oshkosh brand, is among the leaders in sales of ARFF vehicles to domestic and international airports. These highly-specialized vehicles are required to be in service at most airports worldwide to support commercial airlines in the event of an emergency. Many of the world's largest airports, including LaGuardia International Airport, O'Hare International Airport, Hartsfield-Jackson International Airport (Atlanta), Denver International Airport and Dallas/Fort Worth International Airport in the U.S. and airports located in Shanghai, Hangzhou, and Beijing, China, and Dubai, United Arab Emirates, are served by the Company's ARFF vehicles. The Company believes that the performance and reliability of its ARFF vehicles contribute to the Company's strong position in this market.

The Company, through its Oshkosh brand, is a global leader in airport snow removal vehicles. The Company's specially designed airport snow removal vehicles can cast up to 5,000 tons of snow per hour and are used by some of the largest airports in the world, including Denver International Airport, LaGuardia International Airport, Minneapolis-St. Paul International Airport and O'Hare International Airport in the U.S. and Beijing, China, Montreal, Canada and St. Petersburg, Russia internationally. The Company believes that the reliability of its high performance snow removal vehicles and the speed with which they clear airport runways contribute to its strong position in this market.

The Company, through its Medtec brand, is one of the leading U.S. manufacturers of custom ambulances for private and public transporters and fire departments. Medtec markets a full line of ambulances including smaller Type II van style ambulances, larger Type I and Type III ambulances, as well as large Additional Duty ambulances. Type I ambulances feature a conventional style, light- or medium-duty chassis with a modular patient transport body mounted separately behind the vehicle cab. Type II ambulances are smaller van style ambulance units typically targeted to value conscious and transport ambulance services. Type III ambulances are built on light-duty van chassis with a walk-through opening into the patient transport body which is mounted behind the vehicle cab.

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The Company, through its OSV and SMIT brands, is one of the leading manufactures of mobile medical trailers for North American and European medical centers and service providers. OSV is the only mobile medical trailer manufacturer certified by all major original equipment manufacturers of medical diagnostic imaging equipment - General Electric Company, Royal Philips Electronics and Siemens AG. OSV also manufactures mobile command and control centers and simulation units for sale to police forces, fire departments, the DoD and other government agencies in the U.S.

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The Company, through its Frontline brand, is a leading manufacturer, system designer and integrator of television broadcast, satellite news gathering and microwave transmission electronic news gathering vehicles for broadcasters, TV stations, broadcast production and radio stations in the Americas and abroad. The Company's vehicles have been used to broadcast the NFL Superbowl, the FIFA World Cup and the Olympics.

The Company offers three- to fifteen-year municipal lease financing programs to its fire & emergency segment customers in the U.S. through Oshkosh Equipment Finance, L.L.C., doing business as Oshkosh Capital ( Oshkosh Capital ). Programs include competitive lease financing rates, creative and flexible finance arrangements and the ease of one-stop shopping for customers' equipment and financing. The lease financing transactions are executed through a private label arrangement with an independent third-party finance company.

*Commercial segment.* Through McNeilus, the Company is a leading manufacturer of refuse collection vehicles for the waste services industry throughout the Americas. Through Oshkosh, McNeilus, London and CON-E-CO, the Company is a leading manufacturer of front- and rear-discharge concrete mixers and portable and stationary concrete batch plants for the concrete ready-mix industry throughout the Americas. Through IMT, the Company is a leading North American manufacturer of field service vehicles and truck-mounted cranes for the construction, equipment dealer, building supply, utility, tire service and mining industries. The Company believes its commercial segment vehicles and equipment have a reputation for efficient, cost-effective, dependable and low maintenance operation.

**Marketing, Sales, Distribution and Service**

The Company believes it differentiates itself from many of its competitors by tailoring its distribution to the needs of its specialty vehicle and vehicle body markets and with its national and global sales and service capabilities. Distribution personnel demonstrate to customers how to use the Company's vehicles and vehicle bodies properly. In addition, the Company's flexible distribution is focused on meeting customers on their terms, whether on a job site, in an evening public meeting or at a municipality's offices, compared to the showroom sales approach of the typical dealers of large vehicle manufacturers. The Company backs all products with same-day parts shipment, and its service technicians are available in person or by telephone to domestic customers 365 days a year. The Company believes its dedication to keeping its products in-service in demanding conditions worldwide has contributed to customer loyalty.

The Company provides its salespeople, representatives and distributors with product and sales training on the operation and specifications of its products. The Company's engineers, along with its product managers, develop operating manuals and provide field support at vehicle delivery.

U.S. dealers and representatives enter into agreements with the Company that allow for termination by either party generally upon 90 days notice, subject to applicable laws. Dealers and representatives, except for those utilized by JLG and IMT as well as Medtec-branded products, are generally not permitted to market and sell competitive products.

*Defense segment.* The Company sells substantially all of its domestic defense products directly to principal branches of the DoD. The Company maintains a liaison office in Washington, D.C. to represent its interests with Congress, the offices of the Executive Branch of the U.S. government and other national government agencies and the Pentagon. The Company locates business development and engineering professionals near the principal U.S. Army and Marine Corps Commands that it serves. The Company also sells and services defense products to approved foreign governments directly through a limited number of international sales offices, through dealers, consultants and representatives and through the U.S. Foreign Military Sales ( FMS ) program.

The Company maintains a business development staff and engages consultants to regularly meet with all branches of the Armed Services, Reserves and National Guard, with representatives of key military bases and with other defense contractors to determine their vehicle requirements and identify specialty truck variants and apparatus required to fulfill their missions.

In addition to marketing its current truck offerings and competing for new contracts in the tactical wheeled vehicle segment, the Company actively works with the Armed Services to develop new applications for its vehicles and expand its services.

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Logistics services are increasingly important to the DoD. The Company believes that its proven worldwide logistics capabilities and internet-based ordering, invoicing and electronic payment systems have significantly contributed to the expansion of its defense parts and service business since fiscal 2002, following the commencement of Operation Iraqi Freedom and Operation Enduring Freedom. The Company maintains a large parts distribution warehouse network in Milwaukee, Wisconsin to fulfill stringent parts delivery schedule requirements, as well as satellite facilities near DoD bases in the U.S., Europe, Asia and the Middle East. The Company has been particularly active in recent years performing maintenance and armoring services for the DoD at areas near or in the theater of military conflicts. On October 21, 2011, the President announced that virtually all U.S. troops will be removed from Iraq by the end of 2011. Further, plans exist regarding a future drawdown of U.S. military involvement in Afghanistan, although DoD officials have said that they expect to maintain approximately 40,000 U.S. troops stationed across the Middle East after the Iraq and Afghanistan troop drawdown. While the troop drawdown is likely to reduce the DoD's requirements, the Company believes that its proven capabilities in logistical services will continue to provide it a competitive advantage.

*Access equipment segment.* JLG's products are marketed in over 3,500 locations across six continents through independent rental companies and distributors that purchase JLG products and then rent or sell them and provide service support, as well as through other sales and service branches or organizations in which the Company holds equity positions. JLG's sales force is comprised of approximately 140 employees worldwide. Sales employees are dedicated to specific major customers, channels or geographic regions. JLG's international sales employees are spread among JLG's approximately 20 international sales and service offices.

JLG produces telehandlers under an exclusive license from Caterpillar Inc. and sells the Caterpillar-branded telehandlers to the worldwide Caterpillar distribution network through a dedicated JLG sales and service team. JLG also produces a line of telehandlers for the agricultural market under a license from SAME Deutz-Fahr and sells SAME Deutz-Fahr-branded telehandlers directly to SAME Deutz-Fahr's dealer network.

JLG and an unaffiliated third-party are joint venture partners in RiRent Europe, B.V. (RiRent). RiRent maintains a fleet of access equipment for short-term lease to rental companies throughout most of Europe. The re-rental fleet provides rental companies with equipment to support short notice rental requirements. RiRent does not provide rental services directly to end users.

The Company markets its Jerr-Dan branded carriers and wreckers through its network of approximately 55 independent distributors.

*Fire & emergency segment.* The Company believes the geographic breadth, size and quality of its Pierce fire apparatus sales and service organization are competitive advantages in a market characterized by a few large manufacturers and numerous small, regional competitors. Pierce's fire apparatus are sold through over 30 independent sales and service organizations with more than 275 sales representatives in the U.S. and Canada, which combine broad geographical reach with frequency of contact with fire departments and municipal government officials. These sales and service organizations are supported by approximately 75 product and marketing support professionals and contract administrators at Pierce. The Company believes frequency of contact and local presence are important to cultivate major, and typically infrequent, purchases involving the city or town council, fire department, purchasing, finance and mayoral offices, among others, that may participate in a fire apparatus bid and selection. After the sale, Pierce's nationwide local parts and service capability is available to help municipalities maintain peak readiness for this vital municipal service. Pierce also sells directly to the DoD and other U.S. government agencies. Many of the Pierce fire apparatus sold to the DoD are placed in service at U.S. military bases, camps and stations overseas. Additionally, Pierce sells fire apparatus to numerous international municipal and industrial fire departments through a network of international dealers. The Company markets its Frontline-branded broadcast vehicles through sales representatives and its Frontline-branded command vehicles through both sales representatives and dealer organizations that are directed at government and commercial customers.

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The Company markets its Oshkosh-branded ARFF vehicles through a combination of five direct sales representatives domestically and over 60 representatives and distributors in international markets. Certain of these international representatives and distributors also handle Pierce products. The Company has over 30 full-time sales and service representatives and 19 distributor locations focused on the sale of snow removal vehicles, principally to airports, but also to municipalities, counties and other governmental entities in the U.S. and Canada. In addition, the Company maintains offices in Dubai, United Arab Emirates; Beijing, China; Moscow, Russia; and Singapore to support airport product vehicle sales in the Middle East, China, Russia and Southeast Asia.

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The Company markets its Medtec-branded ambulances through more than 20 independent distributor organizations with over 70 representatives focused on sales to the U.S. ambulance market. The Company markets its OSV-branded mobile medical trailers through five in-house sales and service representatives in the U.S. SMIT markets its mobile medical trailers through one in-house sales and service representative in Europe and one in-house sales and service representative in the Middle East.

*Commercial segment.* The Company operates 20 distribution centers with over 140 in-house sales and service representatives in the U.S. to sell and service refuse collection vehicles, rear- and front-discharge concrete mixers and concrete batch plants. These centers are in addition to sales and service activities at the Company's manufacturing facilities, and they provide sales, service and parts distribution to customers in their geographic regions. Two of the distribution centers also have paint facilities and can provide significant additional paint and mounting services during peak demand periods. The Company also uses approximately 30 independent sales and service organizations to market its CON-E-CO branded concrete batch plants. The Company believes this network represents one of the largest concrete mixer, concrete batch plant and refuse collection vehicle distribution networks in the U.S.

In Canada, the Company operates two distribution centers with eight outside and in-house sales and service representatives to sell and service its rear-discharge concrete mixers, refuse collection vehicles and concrete batch plants.

The Company believes its direct distribution to customers is a competitive advantage in concrete mixer and refuse collection vehicle markets, particularly in the U.S. waste services industry where principal competitors distribute through dealers, and to a lesser extent in the ready mix concrete industry, where several competitors in part use dealers. The Company believes direct distribution permits a more focused sales force in the U.S. concrete mixer and refuse collection vehicle markets, whereas dealers frequently offer a very broad and mixed product line, and accordingly, the time dealers tend to devote to concrete mixer and refuse collection vehicle sales activities is limited.

With respect to distribution, the Company has been applying Oshkosh's and Pierce's sales and marketing expertise in municipal markets to increase sales of McNeilus refuse collection vehicles to municipal customers. While the Company believes commercial customers represent a majority of the refuse collection vehicle market, many municipalities purchase their own refuse collection vehicles. The Company believes it is positioned to create an effective municipal distribution system in the refuse collection vehicle market by leveraging its existing commercial distribution capabilities and by opening service centers in major metropolitan markets.

The Company also has established an extensive network of representatives and dealers throughout the Americas for the sale of Oshkosh, McNeilus, CON-E-CO and London concrete mixers, concrete batch plants and refuse collection vehicles. The Company coordinates among its various businesses to respond to large international sales tenders with its most appropriate product offering for the tender.

IMT distributes its products through approximately 90 dealers with a total of 110 locations worldwide, including approximately 30 international dealers. International dealers are primarily located in Central and South America, Australia and Asia and are primarily focused on mining and construction markets.

McNeilus owns a 49% interest in Mezcladores Trailers de Mexico, S.A. de C.V. (Mezcladoras), a manufacturer of concrete mixers and small refuse collection vehicle bodies for distribution in Mexico and Latin America. McNeilus also owns a 45% interest in McNeilus Equipamentos Do Brasil LTDA (McNeilus Brazil). McNeilus Brazil manufactures and distributes McNeilus-branded concrete mixers and batch plants in the



Mercosur region (Argentina, Brazil, Paraguay and Uruguay).

**Manufacturing**

As of November 16, 2011, the Company manufactures vehicles and vehicle bodies at 42 manufacturing facilities. To reduce production costs, the Company maintains a continuing emphasis on the development of proprietary components, self-sufficiency in fabrication, just-in-time inventory management, improvement in production flows, interchangeability and simplification of components among product lines, creation of jigs and fixtures to ensure repeatability of quality processes, utilization of robotics, and performance measurement to assure progress toward cost reduction targets. The Company encourages employee involvement to improve production processes and product quality.

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The Company educates and trains all employees at its facilities in quality principles. The Company encourages employees at all levels of the Company to understand customer and supplier requirements, measure performance, develop systems and procedures to prevent nonconformance with requirements and produce continuous improvement in all work processes. ISO 9001 is a set of internationally-accepted quality requirements established by the International Organization for Standardization. ISO 9001 certification indicates that a company has established and follows a rigorous set of requirements aimed at achieving customer satisfaction by preventing nonconformity in design, development, production, installation and servicing of products. Most of the Company's facilities are ISO 9001 certified.

The Company has a team of employees dedicated to deploying the OOS. The team is comprised of process engineers, who drive efficiency gains through line balancing and plant layout design; operations/manufacturing experts who lead rationalization projects using overall business knowledge; facility and asset experts who reduce capital spend by optimizing overall utilization of key assets; and materials management personnel who establish methods to ensure parts availability and efficient delivery to production while minimizing inventory. The Company created the OOS to promote common practices across the Company to enhance its performance through continuous improvement and lean practices. To achieve this goal, the Company locates manufacturing in the plants that can ensure the maximum utilization of the Company's assets, allowing for vertical alignment in core competences, irrespective of the segment in which the sale originates. Examples of this include the production of M-ATVs and SandCat Tactical Protector Vehicles at the Company's access equipment segment manufacturing facilities, the relocation of certain defense and fire & emergency segment production to the Company's facilities in Kewaunee, Wisconsin and the manufacturing of defense components at the Company's commercial manufacturing facilities in Iowa.

**Engineering, Research and Development**

The Company believes its extensive engineering, research and development capabilities have been key drivers of the Company's marketplace success. The Company maintains five facilities for new product development and testing with a staff of approximately 285 engineers and technicians who are dedicated to improving existing products and development and testing of new vehicles, vehicle bodies and components. The Company prepares multi-year new product development plans for each of its markets and measures progress against those plans each month.

Virtually all of the Company's sales of fire apparatus, broadcast vehicles and mobile medical trailers require some custom engineering to meet the customer's specifications and changing industry standards. Engineering is also a critical factor in defense vehicle markets due to the severe operating conditions under which the Company's vehicles are utilized, new customer requirements and stringent government documentation requirements. In the access equipment and commercial segments, product innovation is highly important to meet customers' changing requirements. Accordingly, in addition to new product development engineers and technicians, the Company maintains an additional permanent staff of over 425 engineers and engineering technicians, and it regularly outsources some engineering activities in connection with new product development projects.

For fiscal 2011, 2010 and 2009, the Company incurred engineering, research and development expenditures of \$142.0 million, \$109.3 million and \$72.7 million, respectively, portions of which were recoverable from customers, principally the U.S. government.

**Competition**

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In all of the Company's segments, competitors include smaller, specialized manufacturers as well as large, mass producers. The Company believes that, in its specialty vehicle and vehicle body markets, it has been able to effectively compete against large, mass producers due to its product quality, flexible manufacturing and tailored distribution systems. The Company believes that its competitive cost structure, strategic global purchasing capabilities, engineering expertise, product quality and global distribution and service systems have enabled it to compete effectively.

Certain of the Company's competitors have greater financial, marketing, manufacturing, distribution and governmental affairs resources than the Company. There can be no assurance that the Company's products will continue to compete successfully with the products of competitors or that the Company will be able to retain its customer base or improve or maintain its profit margins on sales to its customers, all of which could have a material adverse effect on the Company's financial condition, results of operations and cash flows.

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*Defense segment.* The Company produces heavy-payload, medium-payload and light-payload tactical wheeled vehicles for the U.S. and other militaries and for law enforcement applications. Competition for sales of these vehicles includes, among others, BAE Systems plc, Man Group plc, Mercedes-Benz (a subsidiary of Daimler AG), Navistar Defense LLC (a subsidiary of Navistar International Corporation), The Volvo Group, Force Protection Inc. and General Dynamics Corp. The principal method of competition in the defense segment involves a competitive bid that takes into account factors as determined by the applicable military customer, such as price, product performance, small and disadvantaged business participation, product quality, adherence to bid specifications, production capability, project management capability, past performance and product support. Usually, the Company's truck systems must also pass extensive testing. The Company believes that its competitive strengths include: strategic global purchasing capabilities leveraged across multiple business segments; extensive pricing/costing and defense contracting expertise; a significant installed base of vehicles currently in use throughout the world; large-scale, flexible and high-efficiency vertically-integrated manufacturing capabilities; patented and/or proprietary vehicle components such as TAK-4 independent suspension, Oshkosh power transfer cases and Command Zone vehicle diagnostics; ability to develop new and improved product capabilities responsive to the needs of its customers; product quality; and after-market parts sales and service capabilities.

The current U.S. Administration has indicated that it supports increased competition for existing defense programs. The Weapon Systems Acquisition Reform Act also requires competition for defense programs in certain circumstances. Accordingly, it is possible that the U.S. Army and U.S. Marines will conduct competitions for programs for which the Company currently has contracts upon the expiration of the existing contracts. Competition for these and other DoD programs could result in future contracts being awarded based upon different competitive factors than those described above and would primarily include price, production capability and past performance. In addition, current economic conditions have put significant pressure on the U.S. federal budget. The Budget Control Act of 2011 contains an automatic sequestration feature that would order cuts to the defense budget if Congress fails to enact the specified \$1.2 trillion in U.S. federal deficit reductions to be recommended by the Joint Committee. Budgetary concerns could result in future contracts being awarded more on price than the past competitive factors described above.

*Access equipment segment.* JLG operates in the global construction, maintenance, industrial and agricultural equipment markets. JLG's competitors range from some of the world's largest multi-national construction equipment manufacturers to small single-product niche manufacturers. Within this global market, competition for sales of aerial work platform vehicles includes Genie Industries, Inc. (a subsidiary of Terex Corporation), Haulotte Group, Skyjack Inc. (a subsidiary of Linamar Corporation), Aichi Corporation (a subsidiary of Toyota Industries Corporation) and over 40 smaller manufacturers. Global competition for sales of telehandler vehicles includes the Manitou Group, J C Bamford Excavators Ltd., Merlo SpA and Genie Industries, Inc. and over 30 smaller manufacturers. In addition, JLG faces competition from numerous manufacturers of other niche products such as boom vehicles, cherry pickers, skid steer loaders, mast climbers, straight mast and vehicle-mounted fork-lifts, rough-terrain and all-terrain cranes, vehicle-mounted cranes, portable material lifts, various types of material handling equipment, scaffolding and the common ladder that offer functionality that is similar to or overlaps that of JLG's products. Principal methods of competition include brand awareness, product innovation and performance, quality, service and support, product availability and the extent to which a company offers single-source customer solutions. The Company believes its competitive strengths include: premium brand names; broad and single-source product offerings; product quality; worldwide distribution; safety record; service and support network; global procurement scale; and extensive manufacturing capabilities.

The principal competitor for Jerr-Dan branded products is Miller Industries, Inc. Principal methods of competition for carriers and wreckers include product quality and innovation, product performance, price and service. The Company believes its competitive strengths in this market include its high quality, innovative and high-performance product line and its low-cost manufacturing capabilities.

*Fire & emergency segment.* The Company produces and sells custom and commercial firefighting vehicles in the U.S. and Canada under the Pierce brand and broadcast vehicles in the U.S. and abroad under the Frontline brand. Competitors include Rosenbauer International AG, Emergency One, Inc. (owned by Allied Specialty Vehicles), Kovatch Mobile Equipment Corp., and numerous smaller, regional manufacturers. Pierce's principal competition for broadcast vehicles is from Accelerated Media Technologies and Television Engineering Corporation. Principal methods of competition include brand awareness, ability to meet or exceed customer specifications, price, the extent to which a company offers single-source customer solutions, product innovation, product quality, dealer distribution, and service and support. The Company believes that

its competitive strengths include: recognized, premium brand name; nationwide network of independent Pierce dealers;

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extensive, high-quality and innovative product offerings, which include single-source customer solutions for aeriels, pumpers and rescue units; large-scale and high-efficiency custom manufacturing capabilities; and proprietary technologies such as the PUC vehicle configuration, TAK-4 independent suspension, Hercules and Husky foam systems and Command Zone electronics.

Oshkosh manufactures ARFF vehicles for sale in the U.S. and abroad. Oshkosh's principal competitor for ARFF sales is Rosenbauer International AG. Oshkosh also manufactures snow removal vehicles, principally for U.S. airports. The Company's principal competitors for snow removal vehicle sales are Fortbrand Services, Inc., Wausau-Everest LP (a subsidiary of Specialized Industries LP) and M-B Companies, Inc. Principal methods of competition for airport products are price, product performance, service, product quality and innovation. The Company believes its competitive strengths in these airport markets include its high-quality, innovative products and low-cost manufacturing capabilities.

Pierce manufactures Medtec-branded ambulances, primarily for sale in the U.S. Pierce's principal competition for ambulance sales is from Wheeled Coach Industries, American Emergency Vehicles, Horton Emergency Vehicles, Leader Emergency Vehicles and Road Rescue (all brands owned by Allied Specialty Vehicles) and Marque Inc./McCoy-Miller, LLC (owned by Thor Industries). Principal methods of competition are price, service and product quality. The Company believes its competitive strengths in the ambulance market include its high-quality, fully customizable and value-priced products.

The Company manufactures mobile medical trailers and command vehicles under the OSV and SMIT brand names. Principal competition for mobile medical trailers is from Med Coach, LLC and Ellis and Watts International, Inc. Principal methods of competition are product quality and availability, price and service. The Company believes its competitive strengths in OSV and SMIT's markets include its high-quality products, excellent relationships with manufacturers of equipment installed in its vehicles and low-cost manufacturing capabilities.

*Commercial segment.* The Company produces front- and rear-discharge concrete mixers and batch plants for the Americas under the Oshkosh, McNeilus, CON-E-CO and London brands. Competition for concrete mixer and batch plant sales includes Continental Manufacturing Co. (a subsidiary of Navistar International Corporation), Terex Corporation and Kimble Manufacturing Company (a subsidiary of The Hines Corporation). Principal methods of competition are price, service, product features, product quality and product availability. The Company believes its competitive strengths include: strong brand recognition; large-scale and high-efficiency manufacturing; extensive product offerings; high product quality; a significant installed base of concrete mixers in use in the marketplace; and its nationwide, Company-owned network of sales and service centers.

McNeilus also produces refuse collection vehicles for North America and international markets. Competitors include The Heil Company (a subsidiary of Dover Corporation), LaBrie Equipment Ltd. and New Way (a subsidiary of Scranton Manufacturing Company, Inc.). The principal methods of competition are product quality, product performance, service and price. Increasingly, the Company is competing for municipal business and large commercial business in the Americas, which is based on lowest qualified bid. The Company believes its competitive strengths in the Americas refuse collection vehicle markets include: strong brand recognition; comprehensive product offerings; a reputation for high-quality products; large-scale and high-efficiency manufacturing; and extensive networks of Company-owned sales and service centers located throughout the U.S.

IMT is a manufacturer of field service vehicles and truck-mounted cranes for the construction, equipment dealer, building supply, utility, tire service and mining industries. IMT's principal field service competition is from Auto Crane Company (owned by Gridiron Capital), Stellar Industries, Inc., Maintainer Corporation of Iowa, Inc. and other regional companies. Competition in truck-mounted cranes comes primarily from European companies including Palfinger AG, Cargotec Corporation and Fassi Group SpA. Principal methods of competition are product quality,

price and service. The Company believes its competitive strengths include its high-quality products, global distribution network and low-cost manufacturing capabilities.

**Customers and Backlog**

Sales to the U.S. government comprised approximately 56% of the Company's net sales in fiscal 2011. No other single customer accounted for more than 10% of the Company's net sales for this period. A substantial majority of the Company's net sales are derived from customer orders prior to commencing production.

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The Company's backlog as of September 30, 2011 increased 19.9% to \$6.48 billion compared to \$5.40 billion at September 30, 2010. Defense segment backlog increased 8.5% to \$5.13 billion at September 30, 2011 compared to \$4.73 billion at September 30, 2010 due largely to additional delivery orders received under the FMTV contract, offset in part by the fulfillment of orders received for vehicles related to the FHTV program. Access equipment segment backlog increased 270.0% to \$729.2 million at September 30, 2011 compared to \$197.1 million at September 30, 2010. Backlog increased in all access equipment product categories as demand rebounded from historical lows and large rental companies accelerated orders in anticipation of capacity constraints in 2012. Access equipment backlog as of September 30, 2011 and 2010 included \$62.5 million and \$95.7 million, respectively, relating to telehandler orders from the DoD. Fire & emergency segment backlog increased 14.2% to \$479.0 million at September 30, 2011 compared to \$419.4 million at September 30, 2010 due largely to strong broadcast equipment orders. Commercial segment backlog increased 138.6% to \$140.0 million at September 30, 2011 compared to \$58.7 million at September 30, 2010. Unit backlog for concrete mixers was up 28.6% compared to very low backlog at September 30, 2010, primarily as a result of increased international orders. Unit backlog for refuse collection vehicles was up 144.8% compared to September 30, 2010 in large part due to the timing of orders to benefit from a bonus depreciation tax deduction under the U.S. tax code which expires on December 31, 2011.

Reported backlog excludes purchase options and announced orders for which definitive contracts have not been executed. Additionally, backlog excludes unfunded portions of the FHTV, MTRV, M-ATV, LVSF and FMTV contracts. Backlog information and comparisons thereof as of different dates may not be accurate indicators of future sales or the ratio of the Company's future sales to the DoD versus its sales to other customers. Approximately 21% of the Company's September 30, 2011 backlog is not expected to be filled in fiscal 2012.

**Government Contracts**

Approximately 56% of the Company's net sales for fiscal 2011 were made to the U.S. government, a substantial majority of which were under multi-year contracts and programs in the defense vehicle market. Accordingly, a significant portion of the Company's sales are subject to risks specific to doing business with the U.S. government, including uncertainty of economic conditions, changes in government policies and requirements that may reflect rapidly changing military and political developments, the availability of funds and the ability to meet specified performance thresholds. Multi-year contracts may be conditioned upon continued availability of congressional appropriations, which could be impacted by the uncertainty regarding the future level of U.S. military involvement in Afghanistan, the President's plan to remove virtually all U.S. troops from Iraq by the end of 2011 and federal budget pressures. Variances between anticipated budget and congressional appropriations may result in a delay, reduction or termination of these contracts. In addition, current weak economic conditions have put significant pressure on the U.S. federal budget. The Budget Control Act of 2011 contains an automatic sequestration feature that would order cuts to the defense budget if Congress fails to enact the specified \$1.2 trillion in U.S. federal deficit reductions to be recommended by the Joint Committee. Budgetary concerns could result in future contracts being awarded more on price than the past competitive factors described above.

The Company's sales into defense vehicle markets are substantially dependent upon periodic awards of new contracts and the purchase of base vehicle quantities and the exercise of options under existing contracts. The Company's existing contracts with the DoD may be terminated at any time for the convenience of the government. Upon such termination, the Company would generally be entitled to reimbursement of its incurred costs and to payment of a reasonable profit for work actually performed.

Defense contract awards that the Company receives may be subject to protests by competing bidders, which protests, if successful, could result in the DoD revoking part or all of any defense contract it awards to the Company and an inability of the Company to recover amounts the Company has expended during the protest period in anticipation of initiating work under any such contract.



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Under firm, fixed-price contracts with the U.S. government, the price paid to the Company is generally not subject to adjustment to reflect the Company's actual costs, except costs incurred as a result of contract changes ordered by the government. The Company generally attempts to negotiate with the government the amount of increased compensation to which the Company is entitled for government-ordered changes that result in higher costs. If the Company is unable to negotiate a satisfactory agreement to provide such increased compensation, then the Company may file an appeal with the Armed Services Board of Contract Appeals or the U.S. Claims Court. The Company has no such appeals pending. The Company seeks to mitigate risks with respect to fixed-price contracts by executing firm, fixed-price contracts with a substantial majority of its suppliers for the duration of the Company's contracts.

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The Company, as a U.S. government contractor, is subject to financial audits and other reviews by the U.S. government of performance of, and the accounting and general practices relating to, U.S. government contracts. Like most large government contractors, the Company is audited and reviewed by the government on a continual basis. Costs and prices under such contracts may be subject to adjustment based upon the results of such audits and reviews. Additionally, such audits and reviews can lead to civil, criminal or administrative proceedings. Such proceedings could involve claims by the government for fines, penalties, compensatory and treble damages, restitution and/or forfeitures. Under government regulations, a company or one or more of its subsidiaries can also be suspended or debarred from government contracts, or lose its export privileges based on the results of such proceedings. The Company believes that the outcome of all such audits and reviews that are now pending will not have a material adverse effect on its financial condition, results of operations or cash flows.

## Suppliers

The Company is dependent on its suppliers and subcontractors to meet commitments to its customers, and many components are procured or subcontracted on a sole-source basis with a number of domestic and foreign companies. Components for the Company's products are generally available from a number of suppliers, although the transition to a new supplier may require several months to conclude. The Company purchases chassis components, such as vehicle frames, engines, transmissions, radiators, axles, tires, drive motors, bearings and hydraulic components and vehicle body options, such as cranes, cargo bodies and trailers, from third-party suppliers. These body options may be manufactured specific to the Company's requirements; however, most of the body options could be manufactured by other suppliers or the Company itself. Through reliance on this supply network for the purchase of certain components, the Company is able to reduce many of the preproduction and fixed costs associated with the manufacture of these components and vehicle body options. The Company purchases a large amount of fabrications and outsources certain manufacturing services, each generally from small companies located near its facilities. While providing low-cost services and product surge capability, such companies often require additional management attention during difficult economic conditions or contract start-up. The Company also purchases complete vehicle chassis from truck chassis suppliers in its commercial segment and, to a lesser extent, in its fire & emergency segment. Increasingly, the Company is sourcing components globally, which may involve additional inventory requirements and introduces additional foreign currency exposures. The Company maintains an extensive qualification, on-site inspection, assistance and performance measurement system to attempt to control risks associated with reliance on suppliers. The Company occasionally experiences problems with supplier and subcontractor performance and component, chassis and body availability and must identify alternate sources of supply and/or address related warranty claims from customers. During fiscal 2011, the Company experienced a number of parts shortages and cost increases at its access equipment segment as demand for certain components exceeded then current supplier capacity. In addition to manufacturing inefficiencies and material cost increases associated with inadequate supplier capacity, the Company's sales were also limited by parts availability.

While the Company purchases many costly components such as chassis, engines, transmissions and axles, it manufactures certain proprietary components. These components include front drive and steer axles, transfer cases, cabs, the TAK-4 independent suspension system, the Hercules compressed air foam system, the Command Zone vehicle control and diagnostic system technology, the Revolution composite concrete mixer drum, body structures and many smaller parts that add uniqueness and value to the Company's products. The Company believes internal production of these components provides a significant competitive advantage and also serves to reduce the manufacturing costs of the Company's products.

## Intellectual Property

Patents and licenses are important in the operation of the Company's business, as one of management's objectives is developing proprietary components to provide the Company's customers with advanced technological solutions at attractive prices. The Company holds in excess of 500 active domestic and foreign patents. The Company believes patents for the TAK-4 independent suspension system, which expire between 2016 and 2029, provide the Company with a competitive advantage in the defense and fire & emergency segments. In the defense segment, the

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TAK-4 independent suspension system was added to the U.S. Marine Corps MTVR and LVSR programs and is a key feature on the Company's M-ATV and L-ATV. The Company believes the TAK-4 independent suspension system provided a performance and cost advantage in the successful competition for the production contracts for these programs. The Company believes that patents for certain components of its ProPulse hybrid electric drive system, Command Zone electronics and TerraMax autonomous vehicle

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systems offer potential competitive advantages to product lines across all its segments. To a lesser extent, other proprietary components provide the Company a competitive advantage in each of the Company's segments.

The Company has purchased exclusive, renewable licenses for the rights to manufacture and market the Revolution composite concrete mixer drum in the Americas and Europe. These licenses require the Company to make royalty fee payments to its Australian partner for each Revolution drum sold. The Revolution composite drum is substantially lighter than a comparable steel drum permitting greater payload capacity and is easier to clean, which together lower the cost of delivered concrete.

As part of the Company's long-term alliance with Caterpillar Inc., the Company acquired a non-exclusive, non-transferable worldwide license to use certain Caterpillar intellectual property through 2025 in connection with the design and manufacture of Caterpillar's current telehandler products. Additionally, Caterpillar assigned to JLG certain patents and patent applications relating to the Caterpillar-branded telehandler products.

The Company holds trademarks for Oshkosh, TAK-4, ProPulse, JLG, SkyTrak, Lull, Pierce, McNeilus, Revolution, MEDTEC, CON-E-CO, London, and IMT among others. These trademarks are considered to be important to the future success of the Company's business.

## Employees

As of September 30, 2011, the Company had approximately 13,100 employees. The United Auto Workers union (UAW) represented approximately 3,100 production employees at the Company's Oshkosh, Wisconsin facilities; the Boilermakers, Iron Shipbuilders, Blacksmiths, and Forgers Union (Boilermakers) represented approximately 220 employees at the Company's Kewaunee, Wisconsin facilities; and the International Brotherhood of Teamsters Union (Teamsters) represented approximately 135 employees at the Company's Garner, Iowa facilities. The Company's recently ratified five-year agreement with the UAW extends through September 2016, and the Company's agreement with the Boilermakers extends through May 2012. The Company's three-year agreement with the Teamsters expired in October 2011. The Company is currently in negotiations regarding a new agreement with the Teamsters. In addition, the majority of the Company's approximately 1,400 employees located outside the U.S. are represented by separate works councils or unions. The Company believes its relationship with employees is satisfactory.

## Seasonal Nature of Business

In the Company's access equipment and commercial segments, business tends to be seasonal with an increase in sales occurring in the spring and summer months that constitute the traditional construction season in the northern hemisphere. In addition, sales are generally lower in the first fiscal quarter in all segments due to the relatively high number of holidays which reduce available shipping days.

## Industry Segments

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Financial information concerning the Company's industry segments is included in Note 23 to the Consolidated Financial Statements contained in Item 8 of this Form 10-K.

### **Foreign and Domestic Operations and Export Sales**

The Company manufactures products in the U.S., Belgium, Canada, The Netherlands, France, Australia, Romania and China and through investments in joint ventures in Mexico and Brazil for sale throughout the world. Sales to customers outside of the U.S. were 17.2%, 9.8% and 14.6% of the Company's consolidated sales for fiscal 2011, 2010 and 2009, respectively.

Financial information concerning the Company's foreign and domestic operations and export sales is included in Note 23 to the Consolidated Financial Statements contained in Item 8 of this Form 10-K.

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Available Information

The Company maintains a website with the address [www.oshkoshcorporation.com](http://www.oshkoshcorporation.com). The Company is not including the information contained on the Company's website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. The Company makes available free of charge (other than an investor's own Internet access charges) through its website its Annual Report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after the Company electronically files such materials with, or furnishes such materials to, the Securities and Exchange Commission (SEC).

**ITEM 1A. RISK FACTORS**

The Company's financial position, results of operations and cash flows are subject to various risks, many of which are not exclusively within the Company's control, which may cause actual performance to differ materially from historical or projected future performance. Investors should consider carefully information in this Form 10-K in light of the risk factors described below.

*Certain of our markets are highly cyclical and the current or any further decline in these markets could have a material adverse effect on our operating performance.*

The high levels of sales in our defense business in recent years have been due in significant part to demand for defense trucks, replacement parts and services (including armoring) and truck remanufacturing arising from the conflicts in Iraq and Afghanistan. Events such as these are unplanned, as is the demand for our products that arises out of such events. In addition, current economic conditions have put significant pressure on the U.S. federal budget, including the defense budget. Specifically, the President's defense budget for fiscal 2011 and the budget request for fiscal 2012 include significantly lower funding for purchases of new military vehicles that we manufacture under our FHTV and FMTV contracts than in prior years. The fiscal 2012 defense budget request for FMTVs also was significantly less than we expected. In addition, the Budget Control Act of 2011 contains an automatic sequestration feature that would order cuts to the defense budget if Congress fails to enact the specified \$1.2 trillion in U.S. federal deficit reductions to be recommended by the Joint Committee. As part of the budget process, the Defense Subcommittee of the Senate Appropriations Committee has proposed that the Joint Light Tactical Vehicle program be terminated in favor of upgrades to the current Humvee fleet. Moreover, on October 21, 2011, the President announced that virtually all U.S. troops will be removed from Iraq by the end of 2011 and plans exist regarding a future drawdown of U.S. military involvement in Afghanistan. The withdrawal of U.S. troops from Iraq will likely significantly reduce the level of defense funding allocated to support U.S. military involvement in Iraq, and uncertainty exists as to the level of defense funding that will be allocated to support U.S. military involvement in Afghanistan. The magnitude of the adverse impact that federal budget pressures, including the President's recent request to reduce defense spending by \$450 billion or more between 2012 and 2023 and the potential impact of the Budget Control Act of 2011 on the defense budget, expected reductions in future defense funding for U.S. military involvement in Iraq and Afghanistan and an uncertain DoD tactical wheeled vehicle strategy, will have on funding for Oshkosh defense programs is uncertain, but directionally, we expect such funding to decline, and such decline could be significant. Furthermore, our defense business may fluctuate significantly from time to time as a result of the start and completion of new contract awards that we may receive, such as the M-ATV contract that we received in fiscal year 2009 and substantially completed in fiscal year 2010 and the FMTV contract that we received in fiscal year 2010 and are in the process of completing.

The decline, compared to historical levels, in overall customer demand in our access equipment, commercial and fire & emergency markets that we have experienced since the start of the global economic downturn and any further decline could have a material adverse effect on our operating performance. The access equipment market in which JLG operates is highly cyclical and impacted by the strength of economies in general, by prevailing mortgage and other interest rates, by residential and non-residential construction spending, by the ability of rental

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companies to obtain third party financing to purchase revenue generating assets, by capital expenditures of rental companies in general and by other factors. The ready-mix concrete market that we serve is highly cyclical and impacted by the strength of the economy generally, by prevailing mortgage and other interest rates, by the number of housing starts and by other factors that may have an effect on the level of concrete placement activity, either regionally or nationally. Refuse collection vehicle markets are also cyclical and impacted by the strength of economies in general, by municipal tax receipts and by capital expenditures of large waste haulers. Fire & emergency markets are cyclical later in an economic downturn and are impacted by the economy generally and by municipal tax receipts and capital expenditures. Concrete mixer and access equipment sales also are seasonal with the majority of such

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sales occurring in the spring and summer months, which constitute the traditional construction season in the Northern hemisphere.

The global economy continues to experience weakness, which has negatively impacted our sales volumes for our access equipment, commercial and fire & emergency products as compared to historical levels. In addition, the global economic weakness has caused lending institutions to tighten their credit lending standards, which has restricted our customers' access to capital. Continued weakness in U.S. and European housing starts and non-residential construction spending in most geographical areas of the world are further contributing to the lower sales volumes. A lack of significant improvement in non-residential construction spending or continued low levels of construction activity generally may cause future weakness in demand for our products. Municipal tax revenues in the U.S. have weakened, which has negatively impacted demand for fire apparatus and refuse collection vehicles and delayed the recovery in these markets. Furthermore, it is possible that emerging market growth could slow, which could negatively impact our growth in those markets. We cannot provide any assurance that the global economic weakness and tight credit markets will not continue or become more severe. In addition, we cannot provide any assurance that any economic recovery will not progress more slowly than what we or the market expect. If the global economic weakness and tight credit markets continue or become more severe, or if any economic recovery progresses more slowly than what we or the market expect, then there could be a material adverse effect on our net sales, financial condition, profitability and/or cash flows.

***Our dependency on contracts with U.S. and foreign government agencies subjects us to a variety of risks that could materially reduce our revenues or profits.***

We are dependent on U.S. and foreign government contracts for a substantial portion of our business. That business is subject to the following risks, among others, that could have a material adverse effect on our operating performance:

- Our business is susceptible to changes in the U.S. defense budget, which may reduce revenues that we expect from our defense business, especially in light of federal budget pressures in part caused by U.S. economic weakness, the withdrawal of U.S. troops from Iraq, the uncertainty that exists regarding the future level of U.S. military involvement in Afghanistan and the related level of defense funding that will be allocated to support this involvement, and the level of defense funding that will be allocated to the DoD's tactical wheeled vehicle strategy generally.
- The U.S. government may not appropriate funding that we expect for our U.S. government contracts, which may prevent us from realizing revenues under current contracts or receiving additional orders that we anticipate we will receive.
- Certain of our government contracts for the U.S. Army and U.S. Marines could be suspended, opened for competition or terminated, and all such contracts expire in the future and may not be replaced, which could reduce revenues that we expect under the contracts and negatively affect margins in our defense segment.
- The current U.S. Administration has indicated that it supports increased competition for existing defense programs. The Weapon Systems Acquisition Reform Act also requires competition for defense programs in certain circumstances. Accordingly, it is possible that there will be competition for any M-ATV orders for units above the 10,000 unit ceiling in the initial contract award. Also, it is possible that the U.S. Army and U.S. Marines will conduct an open competition for programs for which we currently have contracts upon the expiration of the existing contracts. Our FHTV contract expired in September 2011, with expected vehicle deliveries to continue through March 2013. We are in negotiations with the U.S. Army regarding our receipt of a bridge contract for the FHTV program under which we would continue producing FHTVs while the U.S. Army develops a path to conduct an open competition for the next contract relating to this program. The bridge contract could include the purchase of the design rights to our vehicles under this contract so that the U.S. Army could compete the program. The U.S. Army may decide to forgo the issuance of this bridge contract, which may prevent us from realizing these revenues. Likewise, the U.S. Army and Marine Corps have, in the past, inquired about purchasing the design rights to the M-ATV and MTRV that we produce, respectively. Competition for these and other DoD programs we currently have could result in the U.S.



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government awarding future contracts to another manufacturer or the U.S. government awarding the contracts to us at lower prices and operating margins than we experience under the current contracts.

- Defense truck contract awards that we receive may be subject to protests by competing bidders, which protests, if successful, could result in the DoD revoking part or all of any defense truck contract it awards to us and our inability to recover amounts we have expended in anticipation of initiating production under any such contract.

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- Most of our government contracts, including the FMTV contract, are fixed-price contracts with price escalation factors included for those contracts that extend beyond one year. Our actual costs on any of these contracts may exceed our projected costs, which could result in profits lower than historically realized or than we anticipate or net losses under these contracts. In addition, if the timing and size of orders received from the U.S. government differ significantly from the assumptions that we used to price the contract, we may incur unanticipated start-up costs or expend more capital to start up production under the contract, and we may not benefit as we expected from contractual price increases, which could also result in lower than anticipated margins or net losses under these contracts. In particular, we bid the FMTV program at very aggressive margins. We have received orders to date under this program significantly in excess of the quantities that bidders were asked to use to prepare their pricing for this program in the original request for proposal. While the timing and extent of FMTV orders have created opportunities to leverage higher orders to reduce our material costs, they have adversely impacted manufacturing start-up and capital costs under the contract and product pricing relative to what we had originally anticipated as we do not benefit from certain price escalation factors. In addition, the higher order rate for FMTVs caused us to devote more attention to increasing our FMTV production capacity, which delayed our focus on reducing manufacturing costs as compared to our original plans. Collectively, these items have caused us to incur losses under the FMTV program to date, and we expect to continue to incur losses through the first quarter of fiscal 2012. Although we expect sales for the FMTV contract to be profitable starting in the second quarter of fiscal 2012, this expectation is based on certain assumptions, including estimates for future increases in the costs of raw materials, targeted cost savings and our ability to achieve certain production efficiencies. There are inherent uncertainties related to these factors and management's judgment in applying them to the analysis of profitability. For example, a 1% escalation in material costs over our projection for FMTV orders currently in backlog would increase the cost of materials by approximately \$24 million. Although we do not believe that such an increase would result in a loss on future sales under this contract, it would significantly reduce our expected future gross margins on orders currently in backlog. It is possible that other assumptions underlying the analysis could change in such a manner that we would determine in the future that this is a loss contract, which could result in a material charge to earnings.
- We are required to spend significant sums on product development and testing, bid and proposal activities and pre-contract engineering, tooling and design activities in competitions to have the opportunity to be awarded these contracts.
- Competitions for the award of defense truck contracts are intense, and we cannot provide any assurance that we will be successful in the defense truck procurement competitions in which we participate.
- Our defense products undergo rigorous testing by the customer and are subject to highly technical requirements. Any failure to pass these tests or to comply with these requirements could result in unanticipated retrofit costs, delayed acceptance of vehicles, late or no payments under such contracts or cancellation of the contract to provide vehicles to the government.
- Our government contracts are subject to audit, which could result in adjustments of our costs and prices under these contracts.
- Our defense truck contracts are large in size and require significant personnel and production resources, and when such contracts end, we must make adjustments to personnel and production resources.
- We have historically received payments in advance of product deliveries, or performance-based payments ( PBP ), on a number of our U.S. government contracts. In the event that we are not able to meet contractual delivery requirements on these contracts, the U.S. government may discontinue providing PBPs, which could have an adverse effect on our ability to repay debt and cause us to incur higher interest rates on our outstanding debt.
- In the event of component availability constraints, the U.S. government has the ability to unilaterally divert the supply of components used on multiple government programs to those programs rated most urgent (DX-rated programs). Specifically, the U.S. government has notified us that the supply of tires used on a number of our FHTV variants is constrained and tires that we currently have on order with our supplier to meet our FHTV production requirements will be diverted to other DX-rated programs. We expect that this issue could affect us through much of 2012 and will delay the timing of a portion of our expected FHTV sales into fiscal 2013. The delay in our FHTV production as a result of the tire shortage could result in incremental production costs and delays in the timing of PBPs that we expect to receive under the program, which would adversely affect our cash flows.
- We periodically experience difficulties with sourcing sufficient vehicle carcasses to maintain our defense truck remanufacturing schedule, which can create uncertainty and inefficiencies for this area of our business.



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*We may not be able to execute on our MOVE strategy and meet our long-term financial goals.*

We have announced a roadmap, our MOVE strategy, to deliver long-term growth and earnings for our shareholders and to meet our long-term financial goals. The long-term financial goals that we expect to achieve as a result of our MOVE strategy are based on certain assumptions we have made, which assumptions may prove to be incorrect. We cannot provide any assurance we will be able to successfully execute our MOVE strategy, which is subject to a variety of risks, including the following:

- A lower or slower than expected recovery in housing starts and non-residential construction spending;
- Greater than expected declines in DoD tactical wheeled vehicle spending;
- Greater than expected pressure on municipal budgets;
- The possibility that commodity cost escalations could erode profits;
- Low cost competitors aggressively entering one or more of our markets with significantly lower pricing;
- Primary competitors vying for share gains through aggressive price competition;
- The failure of the U.S. government to take actions to ensure the sustainability of defense industry production facilities;
- Our inability to obtain and retain adequate resources to support production ramp-ups, including management personnel;
- The inability of our supply base to keep pace with the economic recovery;
- Our failure to realize procurement, facility optimization and other cost reduction targets;
- Our inability to achieve targeted profitability on the FMTV contract;
- Not winning key large defense contracts, such as the Modernized Expanded Capability Vehicle and the Canadian Tactical Armor Protected Vehicle and Medium Support Vehicle System;
- Our inability to innovate effectively and rapidly to expand sales and margins; and
- Slow adoption of our products in emerging markets and/or our inability to successfully execute our emerging market growth strategy.

*An impairment in the carrying value of goodwill and other indefinite-lived intangible assets could negatively affect our operating results.*

We have a substantial amount of goodwill and purchased intangible assets on our balance sheet as a result of acquisitions we have completed. At September 30, 2011, approximately 88% of these intangibles are concentrated in the access equipment segment. The carrying value of goodwill

represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. The carrying value of indefinite-lived intangible assets represents the fair value of trademarks and trade names as of the acquisition date. We do not amortize goodwill and indefinite-lived intangible assets that we expect to contribute indefinitely to our cash flows, but instead we evaluate these assets for impairment at least annually, or more frequently if potential interim indicators exist that could result in impairment. In testing for impairment, if the carrying value of a reporting unit exceeds its current fair value as determined based on the discounted future cash flows of the reporting unit and market comparable sales and earnings multiples, the goodwill or intangible asset is considered impaired and is reduced to fair value via a non-cash charge to earnings. Events and conditions that could result in impairment include a prolonged period of global economic weakness and tight credit markets, further decline in economic conditions or a slow, weak economic recovery, as well as sustained declines in the price of our common stock, adverse changes in the regulatory environment, adverse changes in interest rates, or other factors leading to reductions in the long-term sales or profitability that we expect. Determination of the fair value of a reporting unit includes developing estimates which are highly subjective and incorporate calculations that are sensitive to minor changes in underlying assumptions. Management's assumptions change as more information becomes available. Changes in these assumptions could result in an impairment charge in the future, which could have a significant adverse impact on our reported earnings.

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***Our current debt levels, including the associated financing costs and restrictive covenants, could limit our flexibility in managing our business and increase our vulnerability to general adverse economic and industry conditions.***

Our credit agreement contains financial and restrictive covenants which, among other things, require us to satisfy quarter-end financial ratios, including a leverage ratio, a senior secured leverage ratio and an interest coverage ratio. Our ability to meet the financial ratios in such covenants may be affected by a number of risks or events, including the risks described in this Form 10-K and events beyond our control. The indenture governing our senior notes also contains restrictive covenants. Any failure by us to comply with these restrictive covenants or the financial and restrictive covenants in our credit agreement could have a material adverse effect on our financial condition, results of operations and debt service capability.

Our access to debt financing at competitive risk-based interest rates is partly a function of our credit ratings. Our current long-term debt ratings are BB with stable outlook from Standard & Poor's Rating Services and Ba3 with stable outlook from Moody's Investors Service. A downgrade to our credit ratings could increase our interest rates, could limit our access to public debt markets, could limit the institutions willing to provide us credit facilities, and could make any future credit facilities or credit facility amendments more costly and/or difficult to obtain.

We had approximately \$1.1 billion of debt outstanding as of September 30, 2011, which consisted primarily of a \$560 million term loan under our credit agreement maturing in October 2015 and \$500 million of senior notes, \$250 million of which mature in March 2017 and \$250 million of which mature in March 2020. Our ability to make required payments of principal and interest on our debt will depend on our future performance, which, to a certain extent, is subject to general economic, financial, competitive, political and other factors, some of which are beyond our control. We expect that we will experience modestly negative free cash flow in fiscal 2012 as we adjust working capital requirements in our defense and access equipment segments to new sales levels. As we discuss above, our dependency on contracts with U.S. and foreign government agencies, such as the FMTV contract, subjects us to a variety of risks that, if realized, could materially reduce our revenues, profits and cash flows. In addition, among other risks that we face that could affect our revenues, profits and cash flows, current continued weak economic conditions, declining U.S. defense budgets and tight credit markets could become more severe or prolonged. Accordingly, conditions could arise that could limit our ability to generate sufficient cash flows or access borrowings to enable us to fund our liquidity needs, further limit our financial flexibility or impair our ability to obtain alternative financing sufficient to repay our debt at maturity.

The covenants in our credit agreement and the indenture governing our senior notes, our credit rating, our current debt levels and the current credit market conditions could have important consequences for our operations, including:

- Render us more vulnerable to general adverse economic and industry conditions in our highly cyclical markets or economies generally;
- Require us to dedicate a substantial portion of our cash flow from operations to higher interest costs or higher required payments on debt, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, research and development, stock repurchases, dividends and other general corporate activities;
- Limit our ability to obtain additional financing in the future to fund growth working capital, capital expenditures, new product development expenses and other general corporate requirements;
- Limit our ability to enter into additional foreign currency and interest rate derivative contracts;

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- Make us vulnerable to increases in interest rates as a portion of our debt under our credit agreement is at variable rates;
- Limit our flexibility in planning for, or reacting to, changes in our business and the markets we serve;
- Place us at a competitive disadvantage compared to less leveraged competitors; and
- Limit our ability to pursue strategic acquisitions that may become available in our markets or otherwise capitalize on business opportunities if we had additional borrowing capacity.

### ***Raw material price fluctuations may adversely affect our results.***

We purchase, directly and indirectly through component purchases, significant amounts of steel, petroleum based products and other raw materials annually. Steel, fuel and other commodity prices have historically been highly volatile. Commodity costs rose significantly early in our fiscal year 2011, and there are indications that these costs may increase further in the future due to one or more of the following: a sustained economic recovery, political