

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 27, 1995

OR

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

For the transition period from _____ to _____

Commission file number 1-6403

WINNEBAGO INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

IOWA
(State or other jurisdiction of
incorporation or organization)

42-0803978
(I.R.S. Employer
Identification No.)

P. O. Box 152, Forest City, Iowa
(Address of principal executive offices)

50436
(Zip Code)

Registrant's telephone number, including area code: (515) 582-3535

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 X No ____.

There were 25,338,042 shares of \$.50 par value common stock outstanding on July
6, 1995.

WINNEBAGO INDUSTRIES, INC. AND SUBSIDIARIES

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PART I FINANCIAL INFORMATION
WINNEBAGO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Dollars in thousands

ASSETS

May 27, 1995
(Unaudited)

August 27, 1994

CURRENT ASSETS		
Cash and cash equivalents	\$ 2,118	\$ 847
Marketable securities	2,623	3,301
Receivables, less allowance for doubtful accounts (\$1,586 and \$1,545, respectively)	36,010	36,602
Dealer financing receivables less allowance for doubtful accounts (\$309 and \$279, respectively)	8,643	8,565
Prepaid income taxes	6,498	- - -
Inventories	68,389	55,450
Prepaid expenses	3,815	3,870
Deferred income taxes	6,581	2,252
Total current assets	134,677	110,887
PROPERTY AND EQUIPMENT, at cost		
Land	1,562	1,539
Buildings	42,218	40,905
Machinery and equipment	78,668	75,139
Transportation equipment	7,958	7,985
	130,406	125,568
Less accumulated depreciation	87,456	83,970
Total property and equipment, net	42,950	41,598
LONG-TERM NOTES RECEIVABLE, less allowances (\$950 and \$2,024, respectively)	2,228	4,884
INVESTMENT IN LIFE INSURANCE	16,320	15,479
NET DEFERRED INCOME TAXES	5,720	4,049
OTHER ASSETS	14,785	4,851
TOTAL ASSETS	\$ 216,680	\$ 181,748

See Unaudited Condensed Notes to Consolidated Financial Statements

WINNEBAGO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Dollars in thousands

LIABILITIES AND STOCKHOLDERS' EQUITY	May 27, 1995 (Unaudited)	August 27, 1994
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 3,876	\$ 2,504
Notes payable	3,000	2,300
Accounts payable, trade	21,733	24,985
Accrued expenses:		
Insurance	4,472	4,175
Product warranties	3,844	3,557
Vacation liability	3,600	3,241
Promotional	6,284	2,111
Other	8,149	9,491
Total current liabilities	54,958	52,364
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	13,248	4,140
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS	44,812	43,391
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARY	2,181	2,143
STOCKHOLDERS' EQUITY		
Capital stock, common, par value \$.50; authorized 60,000,000 shares	12,915	12,911
Additional paid-in capital	23,675	24,175
Reinvested earnings	70,490	49,270
	107,080	86,356
Less treasury stock, at cost	5,599	6,646
Total stockholders' equity	101,481	79,710
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 216,680	\$ 181,748

See Unaudited Condensed Notes to Consolidated Financial Statements

WINNEBAGO INDUSTRIES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands except per share data

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	May 27, 1995	May 28, 1994	May 27, 1995	May 28, 1994
Revenues:				
Manufactured products	\$ 118,338	\$ 125,208	\$ 354,066	\$ 319,049
Services	6,755	4,458	17,234	14,174
Total net revenues	125,093	129,666	371,300	333,223
Costs and Expenses:				
Cost of manufactured products	101,304	105,983	303,619	273,789
Cost of services	3,980	2,554	10,176	8,177
Selling and delivery	7,265	6,898	19,937	19,144
General and administrative	6,470	5,929	18,494	18,708
Other (income) expense	(62)	189	45	359
Minority interest in net income of consol. subsidiary	15	20	38	105
Total costs and expenses	118,972	121,573	352,309	320,282
Operating income	6,121	8,093	18,991	12,941
Financial income (expense)	457	(758)	1,281	(583)
Income from operations before income taxes*	6,578	7,335	20,272	12,358
Provision (credit) for income taxes	- - -	- - -	(6,000)	- - -
Income from operations*	6,578	7,335	26,272	12,358
Cumulative effect of change in accounting principle	- - -	- - -	- - -	(20,420)
Net income (loss)	\$ 6,578	\$ 7,335	\$ 26,272	\$ (8,062)
Income (loss) per common share:				
Income from operations*	\$.26	\$.29	\$ 1.04	\$.49
Cumulative effect of change in accounting principle	- - -	- - -	- - -	(.81)
Net income (loss)	\$.26	\$.29	\$ 1.04	\$ (.32)
Weighted average number of shares of common stock outstanding	25,317	25,209	25,268	25,170

* Before Cumulative Effect of Change in Accounting Principle.

See Unaudited Condensed Notes to Consolidated Financial Statements.

WINNEBAGO INDUSTRIES, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

Dollars in thousands

Increase (decrease) in cash and cash equivalents

	Thirty-Nine Weeks Ended	
	May 27, 1995	May 28, 1994
Cash flows from operating activities:		
Net income (loss)	\$ 26,272	\$ (8,062)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Cumulative effect of change in accounting principle	- - -	20,420
Employee stock bonus plan	- - -	437
Depreciation and amortization	6,166	5,804
Deferred income taxes	(6,000)	- - -
Realized and unrealized (losses) gains on investments, net	(355)	276
Postretirement benefits other than pensions	1,421	3,149
Minority shareholders' portion of consolidated subsidiary	38	105
Other	819	99
Change in assets and liabilities:		
Decrease in accounts receivable	1,267	271
Increase in inventories	(12,939)	(5,966)

Increase (decrease) in accounts payable and accrued expenses	1,222	(4,262)
Decrease in other categories, net	(6,443)	(2,646)
Net cash provided by operating activities	11,468	9,625
Cash flows from investing activities:		
Investments in marketable securities	(3,135)	(8,945)
Proceeds from the sale of marketable securities	4,168	7,231
Purchases of property and equipment	(8,216)	(6,565)
Investments in dealer receivables	(25,607)	(26,338)
Proceeds from dealer receivables	25,474	25,283
Investment in other assets and notes receivable	(12,074)	(4,205)
Other	3,214	842
Net cash used by investing activities	(16,176)	(12,697)
Cash flows from financing activities and capital transactions:		
Net increase in notes payable	- - -	2,130
Payments of long-term debt	(1,399)	(1,389)
Proceeds from issuance of long-term debt	11,879	858
Payments of cash dividends	(5,052)	- - -
Other	551	365
Net cash provided by financing activities and capital transactions	5,979	1,964
Net increase (decrease) in cash and cash equivalents	1,271	(1,108)
Cash and cash equivalents - beginning of period	847	11,238
Cash and cash equivalents - end of period	\$ 2,118	\$ 10,130

See Unaudited Condensed Notes to Consolidated Financial Statements.

WINNEBAGO INDUSTRIES, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- In the opinion of management, the accompanying unaudited consolidated condensed financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the consolidated financial position as of May 27, 1995, the consolidated results of operations for the 13 and 39 weeks ended May 27, 1995 and May 28, 1994, and the consolidated cash flows for the 39 weeks ended May 27, 1995 and May 28, 1994.
- The results of operations for the 39 weeks ended May 27, 1995, are not necessarily indicative of the results to be expected for the full year. Service revenues, in the Consolidated Statements of Operations, consist of revenues generated by Cycle-Sat, Inc. (Cycle-Sat) and Winnebago Acceptance Corporation (WAC), subsidiaries of the Company.
- Inventories are valued at the lower of cost or market, with cost being determined under the last-in, first-out (LIFO) method and market defined as net realizable value.

Inventories are composed of the following (dollars in thousands):

	May 27, 1995	August 27, 1994
Finished Goods.....	\$ 29,914	\$ 21,675
Work In Process.....	13,621	13,807
Raw Materials.....	39,525	33,800
	83,060	69,282
LIFO Reserve.....	14,671	13,832
	\$ 68,389	\$ 55,450

- Since March, 1992, the Company has had a \$12,000,000 financing and security agreement with NationsCredit Corporation (NationsCredit) formerly Chrysler First Commercial Corporation. Terms of the agreement limit borrowings to the lesser of \$12,000,000 or 75% of eligible inventory (fully manufactured recreation vehicles ready for delivery to a dealer). Borrowings are secured by the Company's receivables and inventory. The agreement requires a graduated interest rate based upon the bank's reference rate as defined in the agreement. The line of credit is available for a term of one year and continues during successive one-year periods unless either party provides at least 90-days' notice prior to the end of the one-year period to the other party that they wish to terminate the line of credit. The agreement prohibits any advances, loans, or additional guarantees of any obligation to any subsidiary or affiliate in excess of \$5,000,000 or \$7,500,000 in the aggregate for all subsidiaries and affiliates from the date of the agreement. The agreement also includes certain restrictive covenants including maintenance of minimum net worth, working capital and debt to equity ratio. As of May 27, 1995, the Company was in compliance with these

covenants. There were no outstanding borrowings under the line of credit at May 27, 1995 or August 27, 1994.

On January 31, 1995, the Company and Cycle-Sat amended the line of credit with Firststar Bank Cedar Rapids (Firststar) originally dated February 24, 1994. Terms of the amended agreement limit the amount advanced to the lesser of \$4,500,000 or the sum of the base of 80 percent of Cycle-Sat's eligible accounts receivable and 50 percent of its inventory. The agreement contains restrictive covenants related to the maintenance of a minimum tangible net worth and other operating and debt ratios as defined in the agreement. As of May 27, 1995, Cycle-Sat was in compliance with these covenants. Borrowings under the line of credit are secured by Cycle-Sat's accounts receivable and inventories and have been guaranteed by the Company. The line of credit expires February 1, 1996. The outstanding balance under the line of credit at May 27, 1995 was \$3,000,000 with an interest rate of 7.8125 percent per annum (90-day LIBOR plus 1.5 percent) and at August 27, 1994, \$2,300,000 with an interest rate of 9.0 percent per annum. As of May 27, 1995, Cycle-Sat had \$1,036,000 of unused borrowings available.

5. It is customary practice for companies in the recreation vehicle industry to enter into repurchase agreements with lending institutions which have provided wholesale floor plan financing to dealers. The Company's agreements provide for the repurchase of its products from the financing institution in the event of repossession upon a dealer's default. The Company was contingently liable for approximately \$147,248,000 and \$118,954,000 under repurchase agreements with lending institutions as of May 27, 1995, and August 27, 1994, respectively. Included in these contingent liabilities are approximately \$49,497,000 and \$36,231,000, respectively, of certain dealer receivables subject to recourse agreements with ITT Commercial Finance Corporation, NationsCredit and John Deere Credit, Inc.

6. Fiscal year-to-date the Company paid cash for the following (dollars in thousands):

	Thirty-Nine Weeks Ended	
	May 27, 1995	May 28, 1994
Interest	\$1,023	\$ 870
Income Taxes	6,989	2,809

7. At May 27, 1995, Postretirement Health Care and Deferred Compensation Benefits included postretirement benefits related to health care and other benefits of \$24,148,000 and deferred compensation of \$20,664,000.

Net postretirement benefit cost for the 13 and 39 weeks ended May 27, 1995 consisted of the following components:

	Thirteen Weeks	Thirty-Nine Weeks
Service cost - benefits earned during the period	\$ 262,000	\$ 785,000
Interest cost on accumulated postretirement benefit obligation	292,000	878,000
Amortization of (gain)/loss	(95,000)	(285,000)
	\$ 459,000	\$ 1,378,000

8. At August 27, 1994, the Company had a valuation allowance of \$15,400,000 related to its deferred tax assets due to uncertainty as to future utilization of those assets. During 1995, the valuation allowance has been reduced as income is earned. In addition, in the second quarter of fiscal 1995, the Company recognized a tax benefit of \$6,000,000 due to continued trend of earnings which increased the likelihood that the Company will realize its gross deferred tax assets in the future thus eliminating the need for a portion of the valuation allowance. Future changes in the valuation allowance will depend upon future operating results.

A reconciliation of the expected income tax provision at Federal statutory rates with the amount provided for the 13 and 39 weeks ended May 27, 1995 is as follows (dollars in thousands):

	Thirteen Weeks	Thirty-Nine Weeks
U.S. Federal Statutory Rate	\$ 2,302	\$ 7,095
Other	(65)	(224)
Reduction of Valuation Allowance	(2,237)	(12,871)
TOTAL	\$ --	\$ (6,000)

For the 13 and 39 weeks ended May 28, 1994, the tax expense associated with the current income was equal to the reduction of the valuation allowance.

Thirteen Weeks Ended May 27, 1995 Compared to Thirteen Weeks Ended May 28, 1994

Net revenues of manufactured products for the 13 weeks ended May 27, 1995 decreased \$6,870,000 or 5.5 percent from the 13 week period ended May 28, 1994. Motor home shipments decreased by 261 units or 10.3 percent during the 13 weeks ended May 27, 1995 when compared to the third quarter of fiscal 1994. The reduction in Company's revenues during the third quarter of fiscal 1995 when compared to the third quarter of fiscal 1994 were a result of an industry-wide softness in motor home sales activity due in part to interest rate increases. The reduction in unit shipments reflects a larger reduction, as a percentage, as the Company's shipments have shifted to larger units during fiscal 1995. Demands for the Company's products should improve when interest rates trend downward and become more stable in the future.

Service revenues for the 13 weeks ended May 27, 1995 increased \$2,297,000 or 51.5 percent from the 13 weeks ended May 28, 1994. This increase is attributed to increased revenues (\$2,166,000 or 50.7 percent) by Cycle-Sat due to the recent acquisition of the majority of the assets of the T.F.I. Division of MPO Videotronics (T.F.I.).

Cost of manufactured products, as a percent of manufactured product revenue, was 85.6 percent for the 13 weeks ended May 27, 1995 compared to 84.6 percent for the 13 weeks ended May 28, 1994. This increase is attributed to a reduction in the production volume.

Cost of services, as a percent of service revenue, increased to 58.9 percent from 57.3 percent when comparing the 13 weeks ended May 27, 1995 to the 13 weeks ended May 28, 1994. This increase in percentage is attributed primarily to an increase in Cycle-Sat's operating costs associated with the distribution of commercials.

Selling and delivery expenses increased by \$367,000 to 5.8 percent of net revenue from 5.3 percent of net revenue when comparing the 13 weeks ended May 27, 1995 to the 13 weeks ended May 28, 1994. The primary reason for the increase in dollars was an increase in the Company's promotional and advertising expenses.

General and administrative expenses increased by \$541,000 to 5.2 percent of net revenue from 4.6 percent of net revenue when comparing the 13 weeks ended May 27, 1995 to the 13 weeks ended May 28, 1994. The primary reasons for the increase in general and administrative expenses were increased costs incurred by Cycle-Sat and by the Company's increases in provisions for product liability expense during the thirteen weeks ended May 27, 1995 when compared to the 13 weeks ended May 28, 1994.

The Company had net financial income of \$457,000 for the 13 weeks ended May 27, 1995 compared to expense of \$758,000 for the comparable period of fiscal 1994. The Company recorded \$72,000 of realized and unrealized gains compared to \$360,000 of losses in its marketable securities portfolio during the third quarters of fiscal 1995 and 1994, respectively. The Company recorded \$233,000 of net interest expense during the 13 weeks ended May 27, 1995 compared to net interest expense of \$322,000 during the comparable period of fiscal 1994. Also recorded were foreign exchange translation gains of \$438,000 and losses of \$62,000 for the 13 week periods ended May 27, 1995 and May 28, 1994, respectively.

For the 13 weeks ended May 27, 1995, the Company reported net income of \$6,578,000 or \$.26 per share which included net income of \$58,000 from Cycle-Sat operations. For the 13 weeks ended May 28, 1994, the Company reported net income of \$7,335,000 or \$.29 per share which included income of \$80,000 from Cycle-Sat operations.

Thirty-Nine Weeks Ended May 27, 1995 Compared to Thirty-Nine Weeks Ended May 28, 1994

Net revenues of manufactured products for the 39 weeks ended May 27, 1995 increased \$35,017,000 or 11.0 percent from the 39 weeks ended May 28, 1994. Motor home shipments increased by 352 units or 5.4 percent during the 39 weeks ended May 27, 1995 when compared to the 39 weeks ended May 28, 1994. This growth in the Company's revenues is attributed to the strong demand for the Company's 1995 model year products during the first half of the 1995 fiscal year.

Service revenues for the 39 weeks ended May 27, 1995 increased \$3,060,000 or 21.6 percent from the 39 weeks ended May 28, 1994. This increase can be attributed to an increase in revenues from established customers, revenues generated with new customers and revenues generated through the recent acquisition of T.F.I.

Cost of manufactured products, as a percent of manufactured product revenue, was 85.8 percent for both 39 week periods ending May 27, 1995 and May 28, 1994.

Cost of services, as a percent of service revenues, increased to 59.0 percent from 57.7 percent when comparing the 39 weeks ended May 27, 1995 to the 39 weeks ended May 28, 1994. This increase in percentage can be attributed primarily to an increase in Cycle-Sat's operating costs associated with the distribution of commercials.

Selling and delivery expenses increased by \$793,000 but decreased to 5.4 percent of net revenues from 5.7 percent of net revenues when comparing the 39 weeks ended May 27, 1995 to the comparable period of fiscal 1994. This increase in

dollars can be attributed primarily to increases in the Company's promotional and advertising expenses.

General and administrative expenses decreased by \$214,000 when comparing year-to-date fiscal 1995 to fiscal 1994. The decrease when comparing the two periods can be attributed primarily to a reduction in the Company's cost for postretirement benefits offset partially by increases in costs incurred by Cycle-Sat and in the Company's provisions for product liability expenses.

The Company had other expense of \$45,000 during the 39 weeks ended May 27, 1995 compared to expense of \$359,000 during the 39 weeks ended May 28, 1994. The primary reason for the decrease when comparing the two periods was an increase in lease income from the Company's public warehousing activities.

The Company had net financial income of \$1,281,000 for the 39 weeks ended May 27, 1995 compared to expense of \$583,000 for the comparable period of fiscal 1994. The Company recorded foreign exchange translation gains of \$706,000 during the 39 weeks ended May 27, 1995 compared to losses of \$35,000 during the 39 weeks ended May 28, 1994. Recorded during the 39 weeks ended May 27, 1995 was \$355,000 of realized and unrealized gains in the Company's marketable securities portfolio compared to losses of \$276,000 during the 39 weeks ended May 28, 1994. The Company also recorded \$3,000 and \$257,000 of net interest expense during year-to-date fiscal periods ended May 27, 1995 and May 28, 1994, respectively.

For the 39 weeks ended May 27, 1995, the Company reported net income of \$26,272,000 or \$1.04 per share which included a \$6,000,000 credit for income taxes and income of \$195,000 (\$.01 per share) from Cycle-Sat operations. For the 39 weeks ended May 28, 1994, the Company reported income from operations of \$12,358,000 or \$.49 per share which included income of \$420,000 (\$.02 per share) from Cycle-Sat operations.

In fiscal 1994, the Company was required to adopt the portion of FASB Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" related to health care and other benefits. This change in accounting principle resulted in a cumulative non-cash charge at the beginning of fiscal 1994 of \$20,420,000 or \$.81 per share. With the adoption of FASB No. 106, the 39 weeks ended May 28, 1994 net loss was \$8,062,000 or \$.32 per share.

LIQUIDITY AND FINANCIAL CONDITION

Presently, the Company meets its working capital and capital equipment requirements and cash requirements of subsidiaries with funds generated internally and funds from agreements with financial institutions.

At May 27, 1995, working capital was \$79,719,000 an increase of \$21,196,000 from the amount at August 27, 1994. The Company's principal sources and uses of cash during the 39 weeks ended May 27, 1995 are set forth in the unaudited consolidated condensed statement of cash flows for that period.

Principal expected demands at May 27, 1995 on the Company's liquid assets for the remainder of fiscal 1995 include approximately \$1,900,000 for capital expenditures consisting primarily of building additions, tooling, equipment replacement and new equipment.

Based upon available cash, marketable securities and financing resources, described in Note 4, management believes that the Company has adequate sources of funds to meet its remaining fiscal 1995 cash requirements.

Part II Other Information

Item 6 Exhibits and Reports on Form 8-K

- (a) No exhibits are being filed as a part of this report.
- (b) The Company did not file any reports on Form 8-K during the period covered by this report.

SIGNATURES

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

WINNEBAGO INDUSTRIES, INC.
(Registrant)

Date July 6, 1995 /s/ Fred G. Dohrmann
Fred G. Dohrmann
President and Chief Executive Officer

Date July 6, 1995 /s/ Ed F. Barker

Ed F. Barker
Vice President, Controller and Chief
Financial Officer

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MAY-27-1995 2,118
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