

## Winnebago Industries Announces Second-Quarter Fiscal 2014 Results

March 27, 2014

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### **Revenue Increased 29%, Contributing to Earnings Per Share Growth of 59% Despite Weather-Related Challenges**

FOREST CITY, IOWA, March 27, 2014 - Winnebago Industries, Inc. (NYSE:WGO), a leading United States (U.S.) recreation vehicle manufacturer, today reported financial results for the Company's second quarter fiscal period ended March 1, 2014.

#### **Second-Quarter Fiscal 2014 Results**

Revenues for the Fiscal 2014 second quarter were \$228.8 million, an increase of 29.2%, versus \$177.2 million for the Fiscal 2013 second quarter. Comparing the Fiscal 2014 second quarter to the same period of Fiscal 2013, operating income rose 58.2% to \$14.0 million, net income grew 52.6% to \$9.6 million, and diluted earnings per share increased 59.1% to \$0.35 from \$0.22.

Earnings growth in the second quarter was driven by motorhome unit growth, coupled with gross margin improvement and incremental leverage of operating expenses. However, the improvement in earnings was mitigated due to various factors, including severe winter weather conditions that caused inefficiencies and brought about greater expenses.

Revenue growth in the second quarter was primarily comprised of motorhome unit growth of 44.8%, partially offset by lower motorhome average selling prices (ASPs) of 9.8% as a result of product mix. Year over year, second-quarter Class A unit deliveries grew 26.8%, Class B unit deliveries improved 108.4% and Class C unit deliveries increased 62.4%.

Additionally, second-quarter towable unit deliveries grew 4.9% and towable ASPs improved 9.4%, contributing to towable revenue growth of 15.4% and a positive earnings contribution. Year-over-year, second-quarter travel trailer towable unit deliveries increased 5.7% and fifth wheel towable unit deliveries increased 1.8%.

Gross profit as a percentage of revenues improved to 10.0% in the Fiscal 2014 second quarter compared to 9.7% in the same period of Fiscal 2013, an improvement of 30 basis points. The increase was primarily attributable to greater delivery volumes, partially offset by higher costs due to weather-related production delays, a temporary component outsourcing program, and higher utility expenses.

Operating expenses as a percentage of revenues were leveraged during the quarter and contributed 50 basis points to the improvement in operating income margin, when excluding a gain on a sale of real estate of \$629,000.

As previously announced, Winnebago received a large incremental rental order from Apollo Motorhome Holidays, an RV rental company, to be delivered during the Company's Fiscal 2014 third quarter. The order is for approximately 500 units, however, Winnebago has contractually agreed to repurchase up to two thirds of the units at specified prices after one season of rental use. Therefore, only one third of the order will be reported as typical motorhome sales during the third quarter. The other two thirds of the units will be accounted for as lease revenue on a straight line basis over the period the units are held by Apollo due to the repurchase option. As a result, only one third of these units are reported in unit order backlog as of March 1, 2014.

#### **First Six-Months Fiscal 2014 Results**

Revenues for the 26 weeks of Fiscal 2014 were \$451.5 million, an increase of 21.8%, from \$370.7 million for the 27 weeks of Fiscal 2013. The sales growth was primarily comprised of motorhome unit growth of 37.5%, partially offset by lower motorhome ASPs of 10.0% as a result of product mix. Comparing the first half of Fiscal 2014 to the same period of Fiscal 2013, operating income rose 59.6% to \$30.0 million, net income grew 51.6% to \$20.7 million, and diluted earnings per increased 54.2% to \$0.74 from \$0.48.

#### **Share Repurchase Update**

During the Fiscal 2014 second quarter, the Company repurchased 615,715 shares of its common stock for approximately \$15.9 million, at an average price of \$25.86 per share. At March 1, 2014, the Company had authority to repurchase shares worth up to \$18.4 million remaining under its stock repurchase program, which has no time restriction.

#### **Management Comments**

Chairman, CEO and President Randy Potts commented, "We achieved strong results for the quarter, notwithstanding challenges associated with the severe winter weather. Although we scheduled four additional production days to satisfy motorized backlog, the severe weather conditions caused numerous work delays and closures at both our Iowa and Indiana facilities, which led to the loss of multiple production days, and contributed to increased expenses due to inefficiencies that limited margin expansion and earnings growth. The improved results are testimony to the hard work of our team and improved dealer and retail consumer demand for our products."

"The Winnebago brand was recognized as the number one selling motorhome brand in 2013 by Statistical Surveys and has received this outstanding recognition every year since motorhome retail registrations were first reported in 1974. With favorable demand for our strong product lineup, including several new product introductions, we are optimistic for continued growth within the motorhome market."

Chief Financial Officer Sarah Nielsen said, "Our operating cash flow for the second quarter was impacted by a receivables increase of approximately \$27 million. The harsh winter weather conditions caused significant disruptions to our independent transportation company, which prevented them from delivering product timely to our dealers, and as a result increased our receivables. We anticipate positive operating cash flow in the third quarter as those receivables are reduced."

### **Conference Call**

Winnebago Industries, Inc. will conduct a conference call to discuss second-quarter results at 9 a.m. Central Time today. Members of the news media, investors and the general public are invited to access a live broadcast of the conference call via the Investor Relations page of the Company's website at <http://www.wgo.net/investor.html>. The event will be archived and available for replay for the next 90 days.

### **About Winnebago Industries**

Winnebago Industries, Inc., "The Most Recognized Name in Motorhomes®", is a leading U.S. manufacturer of recreation vehicles, which are used primarily in leisure travel and outdoor recreation activities. The Company and its subsidiary build quality motorhomes, travel trailers, fifth wheel products and transit buses under the Winnebago, Itasca, Winnebago Touring Coach, SunnyBrook and Metro brand names. Winnebago Industries has received the Quality Circle Award from the Recreation Vehicle Dealers Association every year since 1996. The Company's common stock is listed on the New York and Chicago Stock Exchanges and traded under the symbol WGO. Options for the Company's common stock are traded on the Chicago Board Options Exchange. For access to Winnebago Industries' investor relations material or to add your name to an automatic email list for Company news releases, visit, <http://www.wgo.net/investor.html>.

This press release may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements are inherently uncertain. A number of factors could cause actual results to differ materially from these statements, including, but not limited to availability of chassis and other key component parts, increases in interest rates, availability of credit, low consumer confidence, significant increase in repurchase obligations, inadequate liquidity or capital resources, availability and price of fuel, a slowdown in the economy, increased material and component costs, sales order cancellations, slower than anticipated sales of new or existing products, new product introductions by competitors, a breach of our information technology systems, the effect of global tensions, integration of operations relating to mergers and acquisitions activities and other factors. Additional information concerning certain risks and uncertainties that could cause actual results to differ materially from that projected or suggested is contained in the Company's filings with the Securities and Exchange Commission (SEC) over the last 12 months, copies of which are available from the SEC or from the Company upon request. The Company disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained in this release or to reflect any changes in the Company's expectations after the date of this release or any change in events, conditions or circumstances on which any statement is based, except as required by law.

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