

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 30, 1996

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 No .

There were 25,406,679 shares of \$.50 par value common stock outstanding on January 8, 1997.

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 | NOVEMBER 30, 1996 | AUGUST 31, 1996 |
|--|----------------------|--------------------|
| ----- | | |
| | (Unaudited) | |
| ----- | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 56,620 | \$ 797 |
| Marketable securities | 729 | 4,316 |
| Receivables, less allowance for doubtful accounts (\$650 and \$702, respectively) | 31,077 | 30,029 |
| Dealer financing receivables less allowance for doubtful accounts (\$185 and \$197, respectively) | 10,824 | 11,491 |
| Inventories | 51,279 | 63,103 |
| Prepaid expenses | 3,333 | 3,253 |
| Deferred income taxes | 6,343 | 6,343 |
| Current assets of discontinued operations | -- | 7,285 |
| | ----- | ----- |
| Total current assets | 160,205 | 126,617 |
| | ----- | ----- |
| PROPERTY AND EQUIPMENT, at cost | | |
| Land | 1,500 | 1,501 |
| Buildings | 43,968 | 43,952 |
| Machinery and equipment | 66,648 | 67,456 |
| Transportation equipment | 7,832 | 7,878 |
| | ----- | ----- |
| | 119,948 | 120,787 |
| Less accumulated depreciation | 80,588 | 80,858 |
| | ----- | ----- |
| Total property and equipment, net | 39,360 | 39,929 |
| | ----- | ----- |
| LONG-TERM NOTES RECEIVABLE, less allowances (\$797 and \$797, respectively) | 3,982 | 3,918 |
| | ----- | ----- |
| INVESTMENT IN LIFE INSURANCE | 16,989 | 16,821 |
| | ----- | ----- |
| DEFERRED INCOME TAXES, NET | 14,548 | 14,548 |
| | ----- | ----- |
| OTHER ASSETS | 3,791 | 3,906 |
| | ----- | ----- |
| LONG-TERM ASSETS OF DISCONTINUED OPERATIONS | -- | 14,857 |
| | ----- | ----- |
| TOTAL ASSETS | \$238,875 | \$220,596 |
| | ===== | ===== |

See Unaudited Condensed Notes to Consolidated Financial Statements

WINNEBAGO INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

Dollars in thousands

| LIABILITIES AND STOCKHOLDERS' EQUITY | November 30, 1996 | August 31, 1996 |
|--|----------------------|--------------------|
| ----- | | |
| | (Unaudited) | |
| ----- | | |
| CURRENT LIABILITIES | | |
| Current maturities of long-term debt | \$ 157 | \$ 1,866 |
| Accounts payable, trade | 18,232 | 20,232 |
| Payable to minority shareholder of Cycle-Sat | 7,590 | -- |

| | | |
|---|-----------|-----------|
| Current liabilities of discontinued operations | -- | 17,532 |
| Provision for loss on disposal of electronic component assembly segment | 3,708 | 4,074 |
| Income tax payable | 15,604 | -- |
| Accrued expenses: | | |
| Insurance | 3,169 | 2,947 |
| Product warranties | 3,507 | 3,489 |
| Vacation liability | 3,290 | 3,116 |
| Promotional | 2,710 | 2,193 |
| Other | 7,260 | 9,013 |
| | ----- | ----- |
| Total current liabilities | 65,227 | 64,462 |
| | ----- | ----- |
| LONG-TERM DEBT | 1,622 | 1,692 |
| | ----- | ----- |
| POSTRETIREMENT HEALTH CARE AND DEFERRED COMPENSATION BENEFITS | 47,276 | 46,937 |
| | ----- | ----- |
| MINORITY INTEREST IN DISCONTINUED OPERATIONS | -- | 2,194 |
| | ----- | ----- |
| STOCKHOLDERS' EQUITY | | |
| Capital stock, common, par value \$.50; authorized 60,000,000 shares | 12,923 | 12,920 |
| Additional paid-in capital | 23,445 | 23,723 |
| Reinvested earnings | 93,399 | 74,221 |
| | ----- | ----- |
| | 129,767 | 110,864 |
| Less treasury stock, at cost | 5,017 | 5,553 |
| | ----- | ----- |
| Total stockholders' equity | 124,750 | 105,311 |
| | ----- | ----- |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$238,875 | \$220,596 |
| | ===== | ===== |

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 | FOURTEEN WEEKS ENDED |
|---|-------------------------|-------------------------|
| | November 30, 1996 | December 2, 1995 |
| | ----- | ----- |
| Net revenues | \$113,892 | \$113,735 |
| Cost of goods sold | 98,813 | 97,766 |
| | ----- | ----- |
| Gross profit | 15,079 | 15,969 |
| | ----- | ----- |
| Operating expenses: | | |
| Selling and delivery | 6,338 | 6,439 |
| General and administrative | 4,885 | 5,563 |
| | ----- | ----- |
| Total operating expenses | 11,223 | 12,002 |
| | ----- | ----- |
| Operating income | 3,856 | 3,967 |
| Financial income | 369 | 323 |
| | ----- | ----- |
| Income from continuing operations before income taxes | 4,225 | 4,290 |
| Provision for taxes | 1,519 | 1,618 |
| | ----- | ----- |

| | | |
|--|-----------|----------|
| Income from continuing operations | 2,706 | 2,672 |
| Discontinued operations: | | |
| Income from discontinued Cycle-Sat operations (less applicable income tax provisions of \$140) | -- | 318 |
| Gain from sale of discontinued Cycle-Sat subsidiary (includes a loss on operations of \$160,000 less applicable income tax credits of \$123,000 and a gain on disposal of \$16,632,000 less income taxes of \$13,462,000) | 16,472 | -- |
| | ----- | ----- |
| Net income | \$ 19,178 | \$ 2,990 |
| | ===== | ===== |
| Net income per common share: | | |
| Income from continuing operations | \$.11 | \$.11 |
| Discontinued operations: | | |
| Income from discontinued Cycle-Sat subsidiary | -- | .01 |
| Gain from sale of discontinued Cycle-Sat subsidiary | .65 | -- |
| | ----- | ----- |
| Net income | \$.76 | \$.12 |
| | ===== | ===== |
| Weighted average number of shares of common stock outstanding | 25,379 | 25,346 |
| | ===== | ===== |

See Unaudited Condensed Notes to Consolidated Financial Statements.

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

| Dollars in thousands | THIRTEEN WEEKS ENDED | FOURTEEN WEEKS ENDED |
|---|-------------------------|-------------------------|
| Increase (decrease) in cash and cash equivalents | November 30, 1996 | December 2, 1995 |
| | ----- | ----- |
| Cash flows from operating activities: | | |
| Net income | \$ 19,178 | \$ 2,990 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Pre-tax gain on sale of Cycle-Sat subsidiary | (29,811) | -- |
| Depreciation and amortization | 1,665 | 1,747 |
| Realized and unrealized (gains) losses on investments, net | (120) | 40 |
| Investments in trading securities | -- | (2,103) |
| Proceeds from sale of trading securities | 3,707 | 1,851 |
| Other | (112) | (156) |
| Change in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | (960) | 8,042 |
| Decrease (increase) in inventories | 11,824 | (3,067) |
| Increase in accounts payable and accrued expenses | 11,661 | 5,275 |
| Increase in postretirement benefits | 339 | 838 |
| Other | (2,194) | (338) |
| | ----- | ----- |
| Net cash provided by operating activities | 15,177 | 15,119 |
| | ----- | ----- |
| Cash flows provided (used) by investing activities: | | |
| Gross proceeds from the sale of Cycle-Sat subsidiary* | 55,883 | -- |
| Purchases of property and equipment | (1,106) | (1,959) |
| Investments in dealer receivables | (9,128) | (10,719) |
| Collections of dealer receivables | 9,807 | 7,708 |
| Other | (72) | 282 |
| | ----- | ----- |
| Net cash provided (used) by investing activities | 55,384 | (4,688) |
| | ----- | ----- |
| Cash flows used by financing activities and capital transactions: | | |

| | | |
|--|-----------|-----------|
| Payment of long-term debt of discontinued operation | (13,220) | -- |
| Payments of long-term debt and capital leases | (1,779) | (488) |
| Other | 261 | 35 |
| | ----- | ----- |
| Net cash used by financing activities and capital transactions | (14,738) | (453) |
| | ----- | ----- |
| Net increase in cash and cash equivalents | 55,823 | 9,978 |
| Cash and cash equivalents - beginning of period | 797 | 8,508 |
| | ----- | ----- |
| Cash and cash equivalents - end of period | \$ 56,620 | \$ 18,486 |
| | ===== | ===== |

* Includes \$7,590,000 paid to the minority shareholders subsequent to November 30, 1996.

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 November 30, 1996, the consolidated results of operations for the 13 weeks ended November 30, 1996 and the 14 weeks ended December 2, 1995, and the consolidated cash flows for the 13 weeks ended November 30, 1996 and the 14 weeks ended December 2, 1995. The results of operations for the 13 weeks ended November 30, 1996, are not necessarily indicative of the results to be expected for the full year.
- 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):

| | November 30, 1996 | August 31, 1996 |
|----------------------|----------------------|--------------------|
| | ----- | ----- |
| Finished goods..... | \$ 21,175 | \$ 28,228 |
| Work in process..... | 14,899 | 13,915 |
| Raw materials..... | 32,014 | 37,537 |
| | ----- | ----- |
| LIFO reserve..... | 68,088 | 79,680 |
| | 16,809 | 16,577 |
| | ===== | ===== |
| | \$ 51,279 | \$ 63,106 |
| | ===== | ===== |

- Since March 1992, the Company has had a financing and security agreement with NationsCredit Corporation (NationsCredit).

Terms of the agreement limit borrowings to the lesser of \$30,000,000 or 75 percent of eligible inventory (fully manufactured recreation vehicles and motor home chassis and related components). Borrowings are secured by the Company's receivables and inventory. Borrowings under the agreement bear interest at the prime rate, as defined in the agreement, plus 50 basis points. The line of credit is available through March 31, 1997, 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 also contains certain restrictive covenants including maintenance of minimum net worth, working capital and current ratio. As of November 30, 1996, the Company was in compliance with these covenants. There were no outstanding borrowings under the line of credit at November 30, 1996 or August 31, 1996.

- 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 \$130,734,000 and \$129,135,000 under repurchase agreements with lending institutions as of November 30, 1996 and August 31, 1996, respectively. Included in these contingent liabilities as of November 30, 1996 and August 31, 1996 are approximately \$31,638,000 and \$33,216,000, respectively, of certain dealer receivables subject to recourse agreements with NationsCredit and Green Tree Financial Corporation.

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

| | Thirteen Weeks Ended ----- November 30, 1996 ----- | Fourteen Weeks Ended ----- December 2, 1995 ----- |
|--------------|---|--|
| Interest | \$ 186 | \$ 449 |
| Income taxes | 4 | 20 |

6. On November 19, 1996, the Company sold all of the assets of its Cycle-Sat, Inc. subsidiary to Vyvx, Inc., a subsidiary of The Williams Companies, Inc., Tulsa, Oklahoma for approximately \$57 million in cash. Vyvx, Inc. is a leading provider of integrated satellite and fiber-optic video transmission services. The transaction resulted in an after-tax gain of \$16.5 million or \$.65 per common share.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Thirteen weeks ended November 30, 1996 compared to fourteen weeks ended December 2, 1995.

Net revenues for the 13 weeks ended November 30, 1996 were \$113,892,000, an increase of \$157,000, or 0.1 percent from the 14 week period ended December 2, 1995. Motor home shipments (Classes A and C) were 1,958 units, a decrease of 106 units, or 5.1 percent, during the first quarter of fiscal 1997 compared to the first quarter of fiscal 1996. The Company is encouraged by the positive response it has received on its 1997 product line and the Company's orders are presently running ahead of last year's level.

Gross profit, as a percent of net revenues, was 13.2 percent for the 13 weeks ended November 30, 1996 compared to 14.0 percent for the 14 weeks ended December 2, 1995. This decrease can be attributed primarily to lower production levels and discounts on selected models.

Selling and delivery expenses were \$6,338,000 or 5.6 percent of net revenues during the first quarter of fiscal 1997 compared to \$6,439,000 or 5.7 percent of net revenues during the first quarter of fiscal 1996. The decrease in dollars and percentage can be attributed primarily to a reduction in dealer promotional expenses.

General and administrative expenses decreased by \$678,000 to \$4,885,000 comparing the 13 weeks ended November 30, 1996 to the 14 weeks ended December 2, 1995 and decreased as a percentage of net revenues to 4.3 percent from 4.9 percent. The decreases in dollars and percentage was caused primarily by higher product liability costs incurred during the 14 weeks ended December 2, 1995 and by a reduction in the postretirement benefit obligation caused by revisions in certain assumptions used in estimating the cost of the Company's postretirement health care plan which caused an unrecognized net gain that will be amortized over the average remaining service period of active plan participants. This unrecognized net gain is being recorded starting with fiscal year 1997.

The Company had net financial income of \$369,000 for the first quarter of fiscal 1997 compared to income of \$323,000 for the comparable quarter of fiscal 1996. During the 13 weeks ended November 30, 1996, the Company recorded \$309,000 of interest income, \$121,000 of realized and unrealized gains in its trading securities portfolio and losses of \$61,000 in foreign currency transactions. During the 14 weeks ended December 2, 1995, the Company recorded \$254,000 of interest income, gains of \$109,000 in foreign currency transactions and realized and unrealized losses of \$40,000 in its trading securities portfolio.

For the 13 weeks ended November 30, 1996, the Company had income from continuing operations before taxes of \$4,225,000 and a provision for taxes of \$1,519,000 resulting in income from continuing operations of \$2,706,000 or \$.11 per share. For the 14 weeks ended December 2, 1995, the Company had income from continuing operations before taxes of \$4,290,000 and a provision for taxes of \$1,618,000 resulting in income from continuing operations of \$2,672,000 or \$.11 per share.

For the 13 weeks ended November 30, 1996, the Company recorded a gain from the sale of the discontinued Cycle-Sat subsidiary of \$16,472,000 (net of income taxes of \$13,462,000), or \$.65 per share.

For the first quarter of fiscal 1996, the Company reported income from discontinued Cycle-Sat operations of \$318,000 (net of income tax provisions of \$140,000), or \$.01 per share.

During the 13 weeks ended November 30, 1996, the Company had net income of \$19,178,000, or \$.76 per share, compared to \$2,990,000, or \$.12 per share for the 14 weeks ended December 2, 1995.

LIQUIDITY AND FINANCIAL CONDITION

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 November 30, 1996, working capital was \$94,978,000, an increase of \$32,823,000 from the amount at August 31, 1996. The increase in the Company's working capital was caused primarily by the Company's sale of the Cycle-Sat subsidiary. The Company's principal sources and uses of cash during the 13 weeks ended November 30, 1996 are set forth in the unaudited consolidated condensed statement of cash flows for that period.

Principal known demands at November 30, 1996 on the Company's liquid assets for the remainder of fiscal 1997 include approximately \$13,300,000 of income taxes as a result of the gain on the sale of Cycle-Sat, a \$7,600,000 payment to the minority shareholder of Cycle-Sat, \$5,200,000 of capital expenditures (primarily equipment replacement) and \$2,500,000 of cash dividends declared by the Board of Directors on October 17, 1996 (payable January 6, 1997).

Management currently expects its cash on hand, funds from operations and borrowings available under existing credit facilities to be sufficient to cover both short-term and long-term operating 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 January 10, 1997

/s/ Fred G. Dohrmann

Fred G. Dohrmann
Chairman of the Board and Chief
Executive Officer

Date January 10, 1997

/s/ Edwin F. Barker

Edwin F. Barker

3-MOS

AUG-30-1997

NOV-30-1996

56,620

729

42,736

835

51,279

160,209

119,948

80,588

238,879

65,231

0

0

0

12,923

111,827

238,879

113,892

113,892

98,813

98,813

11,223

0

(369)

4,225

1,519

2,706

16,472

0

0

19,178

.76

0