UNITED STATES
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 25, 2019

or

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

For the transition period from ________________ to ________________

Commission File Number: **001-06403**

WINNEBAGO INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Iowa	**42-0802678**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P. O. Box 152, Forest City, Iowa	**50436**
(Address of principal executive offices)	(Zip Code)

(641) 585-3535
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.50 par value per share	WGO	New York Stock Exchange

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 o

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

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

Large accelerated filer x	Accelerated filer o	Non-accelerated filer o
Smaller reporting company o	Emerging growth company o	

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

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

The number of shares of common stock, par value $0.50 per share, outstanding on June 14, 2019 was 31,618,011.

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PART I. FINANCIAL INFORMATION.

Item 1. Condensed Consolidated Financial Statements.

Winnebago Industries, Inc.
Condensed Consolidated Statements of Income and Comprehensive Income
(Unaudited)

(in thousands, except per share data)	Three Months Ended May 25, 2019	Three Months Ended May 26, 2018	Nine Months Ended May 25, 2019	Nine Months Ended May 26, 2018
Net revenues	$ 528,940	$ 562,261	$ 1,455,278	$ 1,480,641
Cost of goods sold	442,356	476,747	1,231,269	1,264,635
Gross profit	86,584	85,514	224,009	216,006
Selling, general, and administrative expenses	35,332	35,304	106,303	95,381
Amortization of intangible assets	2,278	1,933	7,204	5,921
Total operating expenses	37,610	37,237	113,507	101,302
Operating income	48,974	48,277	110,502	114,704
Interest expense	4,446	4,172	13,293	13,871
Non-operating income	(360)	(100)	(1,330)	(212)
Income before income taxes	44,888	44,205	98,539	101,045
Provision for income taxes	8,717	11,684	18,609	28,478
Net income	$ 36,171	$ 32,521	$ 79,930	$ 72,567
Income per common share:				
Basic	$ 1.15	$ 1.03	$ 2.53	$ 2.30
Diluted	$ 1.14	$ 1.02	$ 2.52	$ 2.28
Weighted average common shares outstanding:				
Basic	31,493	31,582	31,546	31,617
Diluted	31,644	31,753	31,722	31,825
Net income	$ 36,171	$ 32,521	$ 79,930	$ 72,567
Other comprehensive income (loss):				
Amortization of net actuarial loss (net of tax of $3, $3, $8, and $9)	8	7	24	20
Change in fair value of interest rate swap (net of tax of $114, $42, $327, and $877)	(362)	129	(1,018)	2,046
Total other comprehensive income (loss)	(354)	136	(994)	2,066
Comprehensive income	$ 35,817	$ 32,657	$ 78,936	$ 74,633

See Notes to Condensed Consolidated Financial Statements.

Winnebago Industries, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

(in thousands, except per share data)	May 25, 2019	August 25, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 4,176	$ 2,342
Receivables, less allowance for doubtful accounts ($163 and $197, respectively)	185,546	164,585
Inventories, net	190,883	195,128
Prepaid expenses and other assets	10,480	9,883
Total current assets	391,085	371,938
Property, plant, and equipment, net	121,977	101,193
Other assets:		
Goodwill	275,657	274,370
Other intangible assets, net	258,513	265,717
Investment in life insurance	27,111	28,297
Other assets	8,860	10,290
Total assets	$ 1,083,203	$ 1,051,805
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 84,304	$ 81,039
Income taxes payable	—	15,655
Accrued expenses:		
Accrued compensation	27,288	29,350
Product warranties	43,624	40,498
Self-insurance	13,316	12,262
Promotional	15,046	11,017
Accrued interest	3,963	3,095
Other	10,810	11,269
Current maturities of long-term debt	6,500	—
Total current liabilities	204,851	204,185
Non-current liabilities:		
Long-term debt, less current maturities	253,071	291,441
Deferred income taxes	5,255	4,457
Unrecognized tax benefits	3,501	1,745
Deferred compensation benefits, net of current portion	13,161	15,282
Other	371	250
Total non-current liabilities	275,359	313,175
Contingent liabilities and commitments (Note 11)		
Stockholders' equity:		
Preferred stock, par value $0.01: Authorized-10,000 shares; Issued-none	—	—
Common stock, par value $0.50: Authorized-60,000 shares; Issued-51,776 shares	25,888	25,888
Additional paid-in capital	89,896	86,223
Retained earnings	838,506	768,816
Accumulated other comprehensive (loss) income	(102)	892
Treasury stock, at cost: 20,271 and 20,243 shares, respectively	(351,195)	(347,374)
Total stockholders' equity	602,993	534,445
Total liabilities and stockholders' equity	$ 1,083,203	$ 1,051,805

See Notes to Condensed Consolidated Financial Statements.

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Winnebago Industries, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended	
(in thousands)	**May 25, 2019**	**May 26, 2018**
Operating activities:		
Net income	$ 79,930	$ 72,567
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9,788	6,679
Amortization of intangible assets	7,204	5,921
Amortization of debt issuance costs	1,186	1,222
Last in, first-out expense	1,544	1,238
Stock-based compensation	5,735	4,983
Deferred income taxes	362	4,807
Other, net	1,265	194
Change in assets and liabilities:		
Receivables	(20,961)	(24,595)
Inventories	2,701	(36,351)
Prepaid expenses and other assets	(653)	3,320
Accounts payable	3,954	9,617
Income taxes and unrecognized tax benefits	(13,898)	(1,081)
Accrued expenses and other liabilities	4,692	12,491
Net cash provided by operating activities	82,849	61,012
Investing activities:		
Purchases of property and equipment	(31,681)	(18,123)
Acquisition of business, net of cash acquired	(702)	—
Proceeds from the sale of property	134	316
Other, net	1,752	(83)
Net cash used in investing activities	(30,497)	(17,890)
Financing activities:		
Borrowings on credit agreement	342,549	19,700
Repayments of credit agreement	(375,438)	(43,700)
Payments of cash dividends	(10,201)	(9,557)
Payments for repurchases of common stock	(7,724)	(6,481)
Other, net	296	—
Net cash used in financing activities	(50,518)	(40,038)
Net increase in cash and cash equivalents	1,834	3,084
Cash and cash equivalents at beginning of period	2,342	35,945
Cash and cash equivalents at end of period	$ 4,176	$ 39,029
Supplement cash flow disclosure:		
Income taxes paid, net	$ 33,852	$ 24,833
Interest paid	$ 10,335	$ 11,935
Non-cash transactions:		
Capital expenditures in accounts payable	$ 9	$ 607

See Notes to Condensed Consolidated Financial Statements.

Winnebago Industries, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(Unaudited)

	Three Months Ended May 25, 2019							
	Common Shares					Treasury Stock		
(in thousands, except per share data)	Number	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Number	Amount	Total Stockholders' Equity
Balances at February 23, 2019	51,776	$ 25,888	$ 89,682	$ 805,851	$ 252	(20,292)	$ (351,007)	$ 570,666
Stock-based compensation	—	—	1,118	—	—	1	12	1,130
Issuance of restricted stock	—	—	(904)	—	—	52	904	—
Repurchase of common stock	—	—	—	—	—	(32)	(1,104)	(1,104)
Common stock dividends; $0.11 per share	—	—	—	(3,516)	—	—	—	(3,516)
Actuarial loss, net of tax	—	—	—	—	8	—	—	8
Change in fair value of interest rate swap, net of tax	—	—	—	—	(362)	—	—	(362)
Net income	—	—	—	36,171	—	—	—	36,171
Balances at May 25, 2019	51,776	$ 25,888	$ 89,896	$ 838,506	$ (102)	(20,271)	$ (351,195)	$ 602,993

	Nine Months Ended May 25, 2019							
	Common Shares					Treasury Stock		
(in thousands, except per share data)	Number	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Number	Amount	Total Stockholders' Equity
Balances at August 25, 2018	51,776	$ 25,888	$ 86,223	$ 768,816	$ 892	(20,243)	$ (347,374)	$ 534,445
Stock-based compensation	—	—	5,683	—	—	4	69	5,752
Issuance of restricted stock	—	—	(2,056)	—	—	208	3,584	1,528
Issuance of stock under ESPP	—	—	46	—	—	15	250	296
Repurchase of common stock	—	—	—	—	—	(255)	(7,724)	(7,724)
Common stock dividends; $0.32 per share	—	—	—	(10,240)	—	—	—	(10,240)
Actuarial loss, net of tax	—	—	—	—	24	—	—	24
Change in fair value of interest rate swap, net of tax	—	—	—	—	(1,018)	—	—	(1,018)
Net income	—	—	—	79,930	—	—	—	79,930
Balances at May 25, 2019	51,776	$ 25,888	$ 89,896	$ 838,506	$ (102)	(20,271)	$ (351,195)	$ 602,993

	Three Months Ended May 26, 2018							
	Common Shares					Treasury Stock		
(in thousands, except per share data)	Number	Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Number	Amount	Total Stockholders' Equity
Balances at February 24, 2018	51,776	$ 25,888	$ 80,721	$ 712,809	$ 907	(20,117)	$ (342,516)	$ 477,809
Stock-based compensation	—	—	3,515	—	—	2	25	3,540
Issuance of restricted stock	—	—	(57)	—	—	3	57	—
Repurchase of common stock	—	—	—	—	—	(135)	(5,003)	(5,003)
Common stock dividends; $0.10 per share	—	—	—	(3,182)	—	—	—	(3,182)
Actuarial loss, net of tax	—	—	—	—	7	—	—	7
Change in fair value of interest rate swap, net of tax	—	—	—	—	129	—	—	129
Net income	—	—	—	32,521	—	—	—	32,521
Balances at May 26, 2018	51,776	$ 25,888	$ 84,179	$ 742,148	$ 1,043	(20,247)	$ (347,437)	$ 505,821

Winnebago Industries, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity (continued)
(Unaudited)

	Nine Months Ended May 26, 2018							
	Common Shares		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Stockholders' Equity
(in thousands, except per share data)	Number	Amount				Number	Amount	
Balances at August 26, 2017	51,776	$ 25,888	$ 80,401	$ 679,138	$ (1,023)	(20,183)	$ (342,730)	$ 441,674
Stock-based compensation	—	—	5,403	—	—	4	62	5,465
Issuance of restricted stock	—	—	(1,625)	—	—	101	1,712	87
Repurchase of common stock	—	—	—	—	—	(169)	(6,481)	(6,481)
Common stock dividends; $0.30 per share	—	—	—	(9,557)	—	—	—	(9,557)
Actuarial loss, net of tax	—	—	—	—	20	—	—	20
Change in fair value of interest rate swap, net of tax	—	—	—	—	2,046	—	—	2,046
Net income	—	—	—	72,567	—	—	—	72,567
Balances at May 26, 2018	51,776	$ 25,888	$ 84,179	$ 742,148	$ 1,043	(20,247)	$ (347,437)	$ 505,821

See Notes to Condensed Consolidated Financial Statements.

Winnebago Industries, Inc.

Notes to Condensed Consolidated Financial Statements
(Unaudited)

Note 1: Basis of Presentation

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

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

Interim results are not necessarily indicative of the results to be expected for the full year. The interim Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended August 25, 2018.

Fiscal Period

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

Subsequent Events

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

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update (“ASU”) 2016-02, *Leases (Topic 842)*, which requires an entity to recognize both assets and liabilities arising from financing and operating leases, along with additional qualitative and quantitative disclosures. This ASU and the related amendments must be adopted on a modified retrospective basis to either each prior reporting period presented or as of the beginning of the period of adoption. Based on the effective dates, we expect to adopt the new guidance in the first quarter of Fiscal 2020 using the modified retrospective basis as of the beginning of the period of adoption. We have established an implementation plan and have made progress on this plan including surveying our businesses, assessing our lease population, and compiling information on our active leases. In addition, we are determining needed changes to our policies, business processes, internal controls, and disclosures. Based on our analysis, we do not expect a material impact to our consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815)*, which improves the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. ASU 2017-12 is effective for annual reporting periods beginning after December 15, 2018 (our Fiscal 2020), including interim periods within those annual reporting periods. Early adoption is permitted. We expect to adopt the new guidance in the first quarter of Fiscal 2020, and we do not expect a material impact to our consolidated financial statements.

Recently Adopted Accounting Pronouncements

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

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

Note 2: Business Segments

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

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

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

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

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

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

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

The following table shows information by reportable segment:

(in thousands)	Three Months Ended May 25, 2019	Three Months Ended May 26, 2018	Nine Months Ended May 25, 2019	Nine Months Ended May 26, 2018
Net Revenues				
Motorhome	$ 160,239	$ 244,870	$ 506,229	$ 632,148
Towable	346,811	313,016	890,335	839,039
Corporate / All Other	21,890	4,375	58,714	9,454
Consolidated	$ 528,940	$ 562,261	$ 1,455,278	$ 1,480,641
Adjusted EBITDA				
Motorhome	$ 381	$ 11,677	$ 16,716	$ 22,264
Towable	57,172	45,378	121,638	115,066
Corporate / All Other	(1,679)	(3,694)	(9,539)	(9,176)
Consolidated	$ 55,874	$ 53,361	$ 128,815	$ 128,154
Capital Expenditures				
Motorhome	$ 2,543	$ 2,643	$ 7,933	$ 7,383
Towable	4,810	3,805	21,335	10,740
Corporate / All Other	962	—	2,413	—
Consolidated	$ 8,315	$ 6,448	$ 31,681	$ 18,123

(in thousands)	May 25, 2019	August 25, 2018
Total Assets		
Motorhome	$ 336,334	$ 322,048
Towable	637,371	626,588
Corporate / All Other	109,498	103,169
Consolidated	$ 1,083,203	$ 1,051,805

Reconciliation of net income to consolidated Adjusted EBITDA:

(in thousands)	Three Months Ended May 25, 2019	Three Months Ended May 26, 2018	Nine Months Ended May 25, 2019	Nine Months Ended May 26, 2018
Net income	$ 36,171	$ 32,521	$ 79,930	$ 72,567
Interest expense	4,446	4,172	13,293	13,871
Provision for income taxes	8,717	11,684	18,609	28,478
Depreciation	3,520	2,351	9,788	6,679
Amortization of intangible assets	2,278	1,933	7,204	5,921
EBITDA	55,132	52,661	128,824	127,516
Acquisition-related costs	—	800	—	850
Restructuring expenses	1,102	—	1,321	—
Non-operating income	(360)	(100)	(1,330)	(212)
Adjusted EBITDA	$ 55,874	$ 53,361	$ 128,815	$ 128,154

Note 3: Revenue

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

(in thousands)	Three Months Ended May 25, 2019	Three Months Ended May 26, 2018	Nine Months Ended May 25, 2019	Nine Months Ended May 26, 2018
Net Revenues				
Motorhome:				
Class A	$ 45,138	$ 80,093	$ 148,816	$ 241,680
Class B	41,363	49,715	162,343	112,292
Class C	67,674	109,092	176,059	258,552
Other(1)	6,064	5,970	19,011	19,624
Total Motorhome	160,239	244,870	506,229	632,148
Towable:				
Fifth Wheel	201,561	179,046	519,093	474,075
Travel Trailer	140,709	130,286	358,497	355,681
Other(1)	4,541	3,684	12,745	9,283
Total Towable	346,811	313,016	890,335	839,039
Corporate / All Other:				
Other(2)	21,890	4,375	58,714	9,454
Total Corporate / All Other	21,890	4,375	58,714	9,454
Consolidated	$ 528,940	$ 562,261	$ 1,455,278	$ 1,480,641

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

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

Unit revenue

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

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

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

Concentration of Risk

None of our dealer organizations accounted for more than 10% of our net revenue for the third quarter of Fiscal 2019 or for the third quarter of Fiscal 2018. In addition, none of our dealer organizations accounted for more than 10% of our net revenue for the first nine months of Fiscal 2019 or the first nine months of Fiscal 2018.

Note 4: Derivatives, Investments, and Fair Value Measurements

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

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy contains three levels as follows:

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

Level 2 - Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:
- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in nonactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

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

The following tables set forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis at May 25, 2019 and August 25, 2018 according to the valuation techniques we used to determine their fair values:

	Fair Value at	Fair Value Hierarchy		
(in thousands)	**May 25, 2019**	**Level 1**	**Level 2**	**Level 3**
Assets that fund deferred compensation:				
Domestic equity funds	$ 439	$ 357	$ 82	$ —
International equity funds	108	52	56	—
Fixed income funds	155	22	133	—
Interest rate swap contract	614	—	614	—
Total assets at fair value	$ 1,316	$ 431	$ 885	$ —

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

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

Assets that fund deferred compensation

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

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

Interest Rate Swap Contract

On January 23, 2017, we entered into an interest rate swap contract, which effectively fixed our interest rate on our $300.0 million term loan agreement ("Term Loan") for a notional amount that reduces each December during the swap contract. As of May 25, 2019, we had $120.0 million of our Term Loan fixed at an interest rate of 5.32%. As of August 25, 2018, we had $170.0 million of our Term Loan fixed at an interest rate of 5.32%. The swap contract expires on December 8, 2020.

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

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

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

Fair Value of Financial Instruments

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

Note 5: Inventories

Inventories consist of the following:

(in thousands)	May 25, 2019	August 25, 2018
Finished goods	$ 42,876	$ 26,513
Work-in-process	93,949	68,339
Raw materials	94,365	139,039
Total	231,190	233,891
Less last-in, first-out ("LIFO") reserve	40,307	38,763
Inventories, net	$ 190,883	$ 195,128

Inventory valuation methods consist of the following:

(in thousands)	May 25, 2019	August 25, 2018
LIFO basis	$ 184,516	$ 176,215
First-in, first-out basis	46,674	57,676
Total	$ 231,190	$ 233,891

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

Note 6: Property, Plant, and Equipment

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

(in thousands)	May 25, 2019	August 25, 2018
Land	$ 8,686	$ 6,747
Buildings and building improvements	112,898	94,622
Machinery and equipment	108,585	105,663
Software	28,152	23,388
Transportation	3,837	8,837
Property, plant, and equipment, gross	262,158	239,257
Less accumulated depreciation	140,181	138,064
Property, plant, and equipment, net	$ 121,977	$ 101,193

Depreciation expense was $3.5 million and $2.4 million during the third quarters of Fiscal 2019 and 2018, respectively, and $9.8 million and $6.7 million during the first nine months of Fiscal 2019 and 2018, respectively.

Note 7: Goodwill and Intangible Assets

The changes in the carrying amount of goodwill by segment were as follows for the first nine months of Fiscal 2019 and 2018, of which there are no accumulated impairment losses:

(in thousands)	Towable	Corporate / All Other	Total
Balances at August 26, 2017	$ 242,728	$ —	$ 242,728
Grand Design purchase price adjustment(1)	1,956	—	1,956
Balances at May 26, 2018	$ 244,684	$ —	$ 244,684
Balances at August 25, 2018	$ 244,684	$ 29,686	$ 274,370
Chris-Craft purchase price adjustment(2)	—	1,287	1,287
Balances at May 25, 2019	$ 244,684	$ 30,973	$ 275,657

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

(2) Purchase price adjustments of $0.7 million made for a working capital payment made in the first quarter of Fiscal 2019 and of $0.6 million for an adjustment to taxes recorded in the third quarter of Fiscal 2019. For additional information related to the acquisition of Chris-Craft USA, Inc., refer to Note 2, *Business Combinations*, of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended August 25, 2018.

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

		May 25, 2019		August 25, 2018	
(in thousands)	**Weighted Average Life-Years**	**Cost**	**Accumulated Amortization**	**Cost**	**Accumulated Amortization**
Trade names	Indefinite	$ 177,250		$ 177,250	
Dealer networks	12.2	95,581	$ 18,216	95,581	$ 12,328
Backlog	0.5	19,527	19,527	19,527	19,135
Non-compete agreements	4.1	5,347	2,824	5,347	2,084
Leasehold interest-favorable	8.1	2,000	625	2,000	441
Other intangible assets, gross		299,705	41,192	299,705	33,988
Less accumulated amortization		41,192		33,988	
Other intangible assets, net		$ 258,513		$ 265,717	

The weighted average remaining amortization period for intangible assets as of May 25, 2019 was approximately 11 years.

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

(in thousands)	**Amount**
Fiscal 2019	$ 2,283
Fiscal 2020	9,032
Fiscal 2021	9,032
Fiscal 2022	8,405
Fiscal 2023	8,197
Thereafter	44,314
Total amortization expense remaining	$ 81,263

Note 8: Warranty

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

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

Changes in our product warranty liability are as follows:

	Three Months Ended		Nine Months Ended	
(in thousands)	**May 25, 2019**	**May 26, 2018**	**May 25, 2019**	**May 26, 2018**
Balance at beginning of period	$ 40,305	$ 34,988	$ 40,498	$ 30,805
Provision	14,139	11,645	34,090	31,881
Claims paid	(10,820)	(9,189)	(30,964)	(25,242)
Balance at end of period	$ 43,624	$ 37,444	$ 43,624	$ 37,444

Note 9: Long-Term Debt

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

The Credit Agreement contains certain financial covenants. As of May 25, 2019, we are in compliance with all financial covenants of the Credit Agreement.

The components of long-term debt are as follows:

(in thousands)	May 25, 2019	August 25, 2018
ABL	$ 5,643	$ 38,532
Term Loan	260,000	260,000
Long-term debt, excluding debt issuance costs	265,643	298,532
Debt issuance cost, net	(6,072)	(7,091)
Long-term debt	259,571	291,441
Less current maturities	6,500	—
Long-term debt, less current maturities	$ 253,071	$ 291,441

As of May 25, 2019, the fair value of long-term debt, excluding debt issuance costs, was $264.3 million. As of August 25, 2018, the fair value of long-term debt, excluding debt issuance costs, approximated the carrying value.

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

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

Note 10: Employee and Retiree Benefits

Deferred compensation liabilities are as follows:

(in thousands)	May 25, 2019	August 25, 2018
Non-qualified deferred compensation	$ 13,459	$ 14,831
Supplemental executive retirement plan	2,056	2,309
Executive share option plan	129	935
Executive deferred compensation plan	590	421
Officer stock-based compensation	—	1,528
Deferred compensation benefits	16,234	20,024
Less current portion(1)	3,073	4,742
Deferred compensation benefits, net of current portion	$ 13,161	$ 15,282

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

Note 11: Contingent Liabilities and Commitments

Repurchase Commitments

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

Our repurchase agreements generally provide that, in the event of default by the dealer on the agreement to pay the lending institution, we will repurchase the financed merchandise. The terms of these agreements, which generally can last up to 24 months, provide that our liability will be the lesser of remaining principal owed by the dealer to the lending institution, or dealer invoice less periodic reductions based on the time since the date of the original invoice. Our liability cannot exceed 100% of the dealer invoice. In certain instances, we also repurchase inventory from our dealers due to state law or regulatory requirements that govern voluntary or involuntary relationship terminations. Although laws vary from state to state, some states have laws in place that require manufacturers of recreational vehicles or boats to repurchase current inventory if a dealership exits the business. Our total contingent liability on all repurchase agreements was approximately $1.0 billion and $879.0 million at May 25, 2019 and August 25, 2018, respectively.

Repurchased sales are not recorded as a revenue transaction, but the net difference between the original repurchase price and the resale price are recorded against the loss reserve, which is a deduction from gross revenue. Our loss reserve for repurchase commitments contains uncertainties because the calculation requires management to make assumptions and apply judgment regarding a number of factors. Our risk of loss related to these repurchase commitments is significantly reduced by the potential resale value of any products that are subject to repurchase and is spread over numerous dealers and lenders. The aggregate contingent liability related to our repurchase agreements represents all financed dealer inventory at the period reporting date subject to a repurchase agreement, net of the greater of periodic reductions per the agreement or dealer principal payments. Based on these repurchase agreements and our historical loss experience, we establish an associated loss reserve which is included in Accrued expenses: Other on the Condensed Consolidated Balance Sheets. Our accrued losses on repurchases were $0.9 million and $0.9 million at May 25, 2019 and August 25, 2018, respectively. Repurchase risk is affected by the credit worthiness of our dealer network, and we do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to establish the loss reserve for repurchase commitments.

There was no material activity related to repurchase agreements during the three and nine months ended May 25, 2019 and May 26, 2018.

Litigation

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

Note 12: Stock-Based Compensation

On December 11, 2018, our shareholders approved the Winnebago Industries, Inc. 2019 Omnibus Incentive Plan ("2019 Plan") as detailed in our Proxy Statement for the 2018 Annual Meeting of Shareholders. The 2019 Plan allows us to grant or issue non-qualified stock options, incentive stock options, share awards, and other equity compensation to key employees and to non-employee directors. The 2019 Plan replaces our 2014 Omnibus Equity, Performance Award, and Incentive Compensation Plan (as amended, the "2014 Plan").

The number of shares of our Common Stock that may be the subject of awards and issued under the 2019 Plan is 4.1 million, plus the shares subject to any awards outstanding under the 2014 Plan and our predecessor plan, the 2004 Incentive Compensation Plan (the “2004 Plan”), on December 11, 2018 that subsequently expire, are forfeited or canceled, or are settled for cash. Until such time, however, awards under the 2014 Plan and the 2004 Plan, respectively, that are outstanding on December 11, 2018 will continue to be subject to the terms of the 2014 Plan or 2004 Plan, as applicable. Shares remaining available for future awards under the 2014 Plan were not carried over into the 2019 Plan.

Beginning with our annual grant of restricted stock units in October 2018, we attach dividend equivalents to our restricted stock units equal to dividends payable on the same number of shares of WGO common stock during the applicable period. Dividend equivalents, settled in cash, accrue on restricted stock unit awards during the vesting period. No dividend equivalents are paid on any restricted stock units that are forfeited prior to the vesting date.

Stock-based compensation expense was $1.1 million and $1.4 million during the third quarters of Fiscal 2019 and 2018, respectively, and $5.7 million and $5.0 million during the first nine months of Fiscal 2019 and 2018, respectively. Compensation expense is recognized over the requisite service period of the award.

Note 13: Restructuring

On February 4, 2019, we announced our intent to move our diesel production from Junction City, OR to Forest City, IA to enable more effective product development and improve our cost structure. The following table details the restructuring charges incurred:

	Motorhome	
	Three Months Ended	Nine Months Ended
(in thousands)	May 25, 2019	May 25, 2019
Cost of goods sold	$ 1,102	$ 1,102
Selling, general, and administrative expenses	—	219
Restructuring expense	$ 1,102	$ 1,321

These expenses include employee-related costs and accelerated depreciation for assets that will no longer be used. Employee-related costs are expected to be paid in the fourth quarter of Fiscal 2019. We expect additional expenses of approximately $1.0 million in the fourth quarter of Fiscal 2019 and $1.0 million in Fiscal 2020, primarily related to asset-related charges and facility closure costs. We expect these expenses to be partially offset by the corresponding savings generated by the project.

Note 14: Income Taxes

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

Our effective tax rate decreased to 18.9% for the nine months ended May 25, 2019 from 28.2% for the nine months ended May 26, 2018 due to the enactment of the 2017 Tax Cuts and Jobs Act ("Tax Act") on December 22, 2017 and net favorable discrete items, primarily attributable to R&D-related tax credits, which totaled $3.6 million or 3.7%.

ASU 2018-05, *Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*, provided guidance for companies that allowed for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts under ASC 740, *Income Taxes*. In accordance with this guidance, a company was required to reflect the income tax effect of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act was incomplete, but it was able to determine a reasonable estimate, the company was required to record a provisional estimate in the financial statements.

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

We file a U.S. Federal tax return as well as returns in various international and state jurisdictions. Although certain years are no longer subject to examination by the Internal Revenue Service ("IRS") and various state taxing authorities, net operating loss carryforwards generated in those years may still be adjusted upon examination by the IRS or state taxing authorities. As of May 25, 2019, our Federal returns from Fiscal 2015 to present continue to be subject to review by the IRS. With limited exception, our state returns from Fiscal 2014 to present continue to be subject to review by the state taxing jurisdictions. Several years may lapse before an uncertain tax position is audited and finally resolved, and it is difficult to predict the outcome of such audits.

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

Note 15: Income Per Share

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

(in thousands, except per share data)	Three Months Ended May 25, 2019	Three Months Ended May 26, 2018	Nine Months Ended May 25, 2019	Nine Months Ended May 26, 2018
Numerator				
Net income	$ 36,171	$ 32,521	$ 79,930	$ 72,567
Denominator				
Weighted average common shares outstanding	31,493	31,582	31,546	31,617
Dilutive impact of stock compensation awards	151	171	176	208
Weighted average common shares outstanding, assuming dilution	31,644	31,753	31,722	31,825
Anti-dilutive securities excluded from Weighted average common shares outstanding, assuming dilution	204	90	183	59
Basic income per common share	$ 1.15	$ 1.03	$ 2.53	$ 2.30
Diluted income per common share	$ 1.14	$ 1.02	$ 2.52	$ 2.28

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

Note 16: Accumulated Other Comprehensive Income (Loss)

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

	Three Months Ended					
	May 25, 2019			May 26, 2018		
(in thousands)	Defined Benefit Pension Items	Interest Rate Swap	Total	Defined Benefit Pension Items	Interest Rate Swap	Total
Balance at beginning of period	$ (575)	$ 827	$ 252	$ (496)	$ 1,403	$ 907
Other comprehensive income ("OCI") before reclassifications	—	(362)	(362)	—	129	129
Amounts reclassified from AOCI	8	—	8	7	—	7
Net current-period OCI	8	(362)	(354)	7	129	136
Balance at end of period	$ (567)	$ 465	$ (102)	$ (489)	$ 1,532	$ 1,043

	Nine Months Ended					
	May 25, 2019			May 26, 2018		
(in thousands)	Defined Benefit Pension Items	Interest Rate Swap	Total	Defined Benefit Pension Items	Interest Rate Swap	Total
Balance at beginning of period	$ (591)	$ 1,483	$ 892	$ (509)	$ (514)	$ (1,023)
OCI before reclassifications	—	(1,018)	(1,018)	—	2,046	2,046
Amounts reclassified from AOCI	24	—	24	20	—	20
Net current-period OCI	24	(1,018)	(994)	20	2,046	2,066
Balance at end of period	$ (567)	$ 465	$ (102)	$ (489)	$ 1,532	$ 1,043

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

		Three Months Ended		Nine Months Ended	
(in thousands)	**Location on Consolidated Statements of Income and Comprehensive Income**	**May 25, 2019**	**May 26, 2018**	**May 25, 2019**	**May 26, 2018**
Amortization of net actuarial loss	SG&A	$ 8	$ 7	$ 24	$ 20

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

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

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

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

Overview

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

Non-GAAP Reconciliation

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

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

Management uses these non-GAAP financial measures (a) to evaluate our historical and prospective financial performance and trends as well as our performance relative to competitors and peers; (b) to measure operational profitability on a consistent basis; (c) in presentations to the members of our board of directors to enable our board of directors to have the same measurement basis of operating performance as is used by management in its assessments of performance and in forecasting and budgeting for our company; (d) to evaluate potential acquisitions; and (e) to ensure compliance with covenants and restricted activities under the terms of our Credit Agreement. We believe these non-GAAP financial measures are frequently used by securities analysts, investors, and other interested parties to evaluate companies in our industry.

Reportable Segments

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

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

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

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

Industry Trends

Key reported statistics for the North American RV industry are as follows:
- Wholesale unit shipments: RV product delivered to the dealers, which is reported monthly by the Recreation Vehicle Industry Association ("RVIA")
- Retail unit registrations: consumer purchases of RVs from dealers, which is reported by Stat Surveys

We track RV Industry conditions using these key statistics to monitor trends and evaluate and understand our performance relative to the overall industry. The following is an analysis of changes in these key statistics for the rolling 12 months through April as of 2019 and 2018:

	US and Canada Industry							
	Wholesale Unit Shipments per RVIA Rolling 12 Months through April				Retail Unit Registrations per Stat Surveys Rolling 12 Months through April			
	2019	2018	Unit Change	% Change	2019	2018	Unit Change	% Change
Motorhome(1)	51,309	64,715	(13,406)	(20.7)%	54,862	58,454	(3,592)	(6.1)%
Towable(2)	377,171	448,693	(71,522)	(15.9)%	408,782	407,017	1,765	0.4 %
Combined	428,480	513,408	(84,928)	(16.5)%	463,644	465,471	(1,827)	(0.4)%

(1) Motorhome: Class A, B and C products.
(2) Towable: Fifth wheel and travel trailer products.

The rolling twelve months shipments for 2019 and 2018 reflects a contraction in shipments as dealers rationalize inventory. The rolling twelve months retail information for 2019 and 2018 illustrates that the RV industry is growing at a slower rate than previous quarters, however ahead of wholesale shipments. We believe retail demand is the key driver to continued growth in the industry.

The most recent RVIA wholesale shipment forecasts for calendar year 2019, as noted in the table below, indicate that industry shipments are most likely expected to decline in 2019. The RV sales outlook for calendar 2019 considers the continuation of dealer inventory realignment that has been occurring over the last 9-12 months and gradually increasing interest rates, partially offset by anticipated growth in wages and employment levels.

	Calendar Year			
Wholesale Unit Shipment Forecast per RVIA(1)	2019 Forecast	2018 Actual	Unit Change	% Change
Aggressive	430,900	483,700	(52,800)	(10.9)%
Most likely	416,300	483,700	(67,400)	(13.9)%
Conservative	395,500	483,700	(88,200)	(18.2)%

(1) Prepared by Dr. Richard Curtin of the University of Michigan Consumer Survey Research Center for RVIA and reported in the Roadsigns RV Summer 2019 Industry Forecast Issue.

Market Share

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

	Rolling 12 Months through April		Calendar Year		
US and Canada	2019	2018	2018	2017	2016(1)
Motorhome A, B, C	16.0%	16.1%	15.6%	16.2%	18.0%
Travel trailer and fifth wheels	8.1%	6.7%	7.8%	6.1%	1.7%
Total market share	9.0%	7.9%	8.7%	7.4%	3.7%

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

Facility Expansion

Due to the rapid growth in our Towable segment, we have implemented facility expansion projects in our Grand Design towables and Winnebago towables operating segments. The Grand Design towables expansion project consisted of three new production facilities--two were completed in Fiscal 2018 and the remaining is expected to be completed mid-Fiscal 2020. The facility expansion in the Winnebago towables division was completed in the third quarter of Fiscal 2019.

Enterprise Resource Planning System

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

The following table illustrates the cumulative project costs:

	Nine Months Ended	Fiscal Year					
(in thousands)	**May 25, 2019**	**2018**	**2017**	**2016**	**2015**	**Cumulative Investment**	
Capitalized	$ 3,404	$ 5,941	$ 1,881	$ 7,798	$ 3,291	$ 22,315	57.9%
Expensed	3,072	2,107	2,601	5,930	2,528	16,238	42.1%
Total	$ 6,476	$ 8,048	$ 4,482	$ 13,728	$ 5,819	$ 38,553	100.0%

Restructuring

On February 4, 2019, we announced our intent to move our diesel production from Junction City, OR to Forest City, IA to enable more effective product development and improve our cost structure. These restructuring activities resulted in pretax charges of $1.1 million for the three months ended May 25, 2019 and $1.3 million for the nine months ended May 25, 2019. These expenses are included in our Motorhome segment and include employee-related costs and accelerated depreciation for assets that will no longer be used. Employee-related costs are expected to be paid in the fourth quarter of Fiscal 2019. We expect additional expenses of approximately $1.0 million in the fourth quarter of Fiscal 2019 and $1.0 million in Fiscal 2020, primarily related to asset-related charges and facility closure costs. We expect these expenses to be partially offset by the corresponding savings generated by the project.

We currently estimate that upon completion of this restructuring plan in Fiscal 2020, these actions will reduce annual costs by approximately $4.0 million, which is primarily due to lower employee-related costs, lower depreciation expense, and other manufacturing and logistics efficiencies. We expect a portion of these savings will be achieved in Fiscal 2019 and 2020, and the full annual benefit of these actions is expected in Fiscal 2021.

Results of Operations - Current Quarter Compared to the Comparable Prior Year Quarter

Consolidated Performance Summary

The following is an analysis of changes in key items included in the consolidated statements of income and comprehensive income for the three months ended May 25, 2019 compared to the three months ended May 26, 2018:

	Three Months Ended					
(in thousands, except percent and per share data)	**May 25, 2019**	**% of Revenues[1]**	**May 26, 2018**	**% of Revenues[1]**	**$ Change**	**% Change**
Net revenues	$ 528,940	100.0 %	$ 562,261	100.0 %	$ (33,321)	(5.9)%
Cost of goods sold	442,356	83.6 %	476,747	84.8 %	(34,391)	(7.2)%
Gross profit	86,584	16.4 %	85,514	15.2 %	1,070	1.3 %
Selling, general, and administrative expenses	35,332	6.7 %	35,304	6.3 %	28	0.1 %
Amortization of intangible assets	2,278	0.4 %	1,933	0.3 %	345	17.8 %
Total operating expenses	37,610	7.1 %	37,237	6.6 %	373	1.0 %
Operating income	48,974	9.3 %	48,277	8.6 %	697	1.4 %
Interest expense	4,446	0.8 %	4,172	0.7 %	274	6.6 %
Non-operating income	(360)	(0.1)%	(100)	— %	260	260.0 %
Income before income taxes	44,888	8.5 %	44,205	7.9 %	683	1.5 %
Provision for income taxes	8,717	1.6 %	11,684	2.1 %	(2,967)	(25.4)%
Net income	$ 36,171	6.8 %	$ 32,521	5.8 %	$ 3,650	11.2 %
Diluted income per share	$ 1.14		$ 1.02		$ 0.12	11.8 %
Diluted average shares outstanding	31,644		31,753		(109)	(0.3)%

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

Net revenues decreased in the third quarter of Fiscal 2019 compared to the third quarter of Fiscal 2018 primarily due to a decline in Motorhome volume, partially offset by an increase in Towable volume and our acquisition of Chris-Craft in the fourth quarter of Fiscal 2018.

Gross profit as a percentage of revenue increased in the third quarter of Fiscal 2019 compared to the third quarter of Fiscal 2018 driven by an increase in Towable volume and margin expansion driven by pricing and a decline in Motorhome volume providing a favorable mix.

Operating expenses increased in the third quarter of Fiscal 2019 compared to the third quarter of Fiscal 2018 due to Chris-Craft operating expenses, which was acquired in the fourth quarter of Fiscal 2018.

The effective tax rate decreased to 19.4% for the third quarter of Fiscal 2019 compared to 26.4% for the third quarter of Fiscal 2018 due primarily to $1.1 million in net favorable discrete items, primarily attributable to R&D-related tax credits, realized in the current period and the enactment of the 2017 Tax Cuts and Jobs Act ("Tax Act") on December 22, 2017. The reduction related to the enactment of the Tax Act is primarily attributable to the reduction in the Federal tax rate to 21%.

Net income and diluted income per share increased in the third quarter of Fiscal 2019 compared to the third quarter of Fiscal 2018 primarily due to a lower statutory tax rate and a favorable R&D-related discrete item.

Non-GAAP Reconciliation

The following table reconciles net income to consolidated EBITDA and Adjusted EBITDA for the three months ended May 25, 2019 and May 26, 2018:

	Three Months Ended	
(in thousands)	May 25, 2019	May 26, 2018
Net income	$ 36,171	$ 32,521
Interest expense	4,446	4,172
Provision for income taxes	8,717	11,684
Depreciation	3,520	2,351
Amortization of intangible assets	2,278	1,933
EBITDA	55,132	52,661
Acquisition-related costs	—	800
Restructuring expenses	1,102	—
Non-operating income	(360)	(100)
Adjusted EBITDA	$ 55,874	$ 53,361

Reportable Segment Performance Summary

Motorhome

The following is an analysis of key changes in our Motorhome segment for the three months ended May 25, 2019 compared to the three months ended May 26, 2018:

	Three Months Ended					
(in thousands, except ASP)	May 25, 2019	% of Revenues	May 26, 2018	% of Revenues	$ Change	% Change
Net revenues	$ 160,239		$ 244,870		$ (84,631)	(34.6)%
Adjusted EBITDA	381	0.2%	11,677	4.8%	(11,296)	(96.7)%
Average Selling Price ("ASP")[(1)]	82,679		85,950		(3,271)	(3.8)%

	Three Months Ended					
Unit deliveries	May 25, 2019	Product Mix[(2)]	May 26, 2018	Product Mix[(2)]	Unit Change	% Change
Class A	378	19.3%	722	25.3%	(344)	(47.6)%
Class B	515	26.2%	606	21.2%	(91)	(15.0)%
Class C	1,069	54.5%	1,528	53.5%	(459)	(30.0)%
Total motorhomes	1,962	100.0%	2,856	100.0%	(894)	(31.3)%

(1) Average selling price excludes off-invoice dealer incentives.
(2) Percentages may not add due to rounding differences.

Net revenues decreased in the third quarter of Fiscal 2019 compared to the third quarter of Fiscal 2018 due to a decrease in the number of units sold as well as an unfavorable product mix.

Adjusted EBITDA decreased in the third quarter of Fiscal 2019 compared to the third quarter of Fiscal 2018 due to reduced sales volume, unfavorable mix of business, and continued competitive pricing and promotional pressures.

Unit deliveries decreased in the third quarter of Fiscal 2019 compared to the third quarter of Fiscal 2018 driven primarily by declines in our Class A and Class C products. Class B were also less than the prior year in the third quarter due to a temporary disruption in the supply of chassis used in two of our most popular Class B models.

Towable

The following is an analysis of key changes in our Towable segment for the three months ended May 25, 2019 compared to the three months ended May 26, 2018:

	Three Months Ended					
(in thousands, except ASP)	**May 25, 2019**	**% of Revenues**	**May 26, 2018**	**% of Revenues**	**$ Change**	**% Change**
Net revenues	$ 346,811		$ 313,016		$ 33,795	10.8%
Adjusted EBITDA	57,172	16.5%	45,378	14.5%	11,794	26.0%
ASP[1]	33,318		31,826		1,492	4.7%

	Three Months Ended					
Unit deliveries	**May 25, 2019**	**Product Mix[2]**	**May 26, 2018**	**Product Mix[2]**	**Unit Change**	**% Change**
Travel trailer	6,185	59.5%	6,063	62.1%	122	2.0%
Fifth wheel	4,216	40.5%	3,703	37.9%	513	13.9%
Total towables	10,401	100.0%	9,766	100.0%	635	6.5%

(1) ASP excludes off-invoice dealer incentives.
(2) Percentages may not add due to rounding differences.

Net revenues increased in the third quarter of Fiscal 2019 compared to the third quarter of Fiscal 2018 due to an increase in the number of units sold and pricing actions taken in the second quarter of Fiscal 2019.

Adjusted EBITDA increased in the third quarter of Fiscal 2019 compared to the third quarter of Fiscal 2018 due to an increase in sales volume and pricing actions taken during the second quarter of Fiscal 2019.

Unit deliveries increased in the third quarter of Fiscal 2019 compared to the third quarter of Fiscal 2018 primarily due to volume growth in excess of recent industry trends.

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

Consolidated Performance Summary

The following is an analysis of changes in key items included in the consolidated statements of income and comprehensive income for the nine months ended May 25, 2019 compared to the nine months ended May 26, 2018:

	Nine Months Ended					
(in thousands, except percent and per share data)	**May 25, 2019**	**% of Revenues[1]**	**May 26, 2018**	**% of Revenues[1]**	**$ Change**	**% Change**
Net revenues	$ 1,455,278	100.0 %	$ 1,480,641	100.0 %	$ (25,363)	(1.7)%
Cost of goods sold	1,231,269	84.6 %	1,264,635	85.4 %	(33,366)	(2.6)%
Gross profit	224,009	15.4 %	216,006	14.6 %	8,003	3.7 %
Selling, general, and administrative expenses	106,303	7.3 %	95,381	6.4 %	10,922	11.5 %
Amortization of intangible assets	7,204	0.5 %	5,921	0.4 %	1,283	21.7 %
Total operating expenses	113,507	7.8 %	101,302	6.8 %	12,205	12.0 %
Operating income	110,502	7.6 %	114,704	7.7 %	(4,202)	(3.7)%
Interest expense	13,293	0.9 %	13,871	0.9 %	(578)	(4.2)%
Non-operating income	(1,330)	(0.1)%	(212)	— %	1,118	527.4 %
Income before income taxes	98,539	6.8 %	101,045	6.8 %	(2,506)	(2.5)%
Provision for income taxes	18,609	1.3 %	28,478	1.9 %	(9,869)	(34.7)%
Net income	$ 79,930	5.5 %	$ 72,567	4.9 %	$ 7,363	10.1 %
Diluted income per share	$ 2.52		$ 2.28		$ 0.24	10.5 %
Diluted average shares outstanding	31,722		31,825		(103)	(0.3)%

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

Net revenues decreased in the first nine months of Fiscal 2019 compared to the first nine months of Fiscal 2018 primarily due to a decrease in our Motorhome segment sales which is partially offset by our Towable segment sales and the acquisition of Chris-Craft in the fourth quarter of Fiscal 2018.

Gross profit as a percentage of revenue increased in the first nine months of Fiscal 2019 compared to the first nine months of Fiscal 2018 due to an increase in our Towable segment volume and pricing actions taken in the second quarter of Fiscal 2019. This was partially offset by reduced Motorhome sales volume and heightened dealer incentives.

Operating expenses increased in the first nine months of Fiscal 2019 compared to the first nine months of Fiscal 2018 due to the addition of the Chris-Craft business and increased investments in our business.

Interest expense decreased in the first nine months of Fiscal 2019 compared to the first nine months of Fiscal 2018 due to the unamortized debt issuance costs expensed in Fiscal 2018 related to our voluntary prepayment on our Credit Agreement and our Credit Agreement amendment during the second quarter of Fiscal 2018, which resulted in a decrease to the interest rate spread by 1.0% on the Term Loan and 0.25% on the ABL.

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

The effective tax rate decreased to 18.9% for the first nine months of Fiscal 2019 compared to 28.2% for the first nine months of Fiscal 2018 due primarily to the enactment of the Tax Act on December 22, 2017 and to $3.6 million in net favorable discrete items, primarily attributable to R&D-related tax credits, realized in the current period. The reduction related to the enactment of the Tax Act is primarily attributable to the reduction in the Federal statutory tax rate to 21%.

Net income and diluted income per share increased in the first nine months of Fiscal 2019 compared to the first nine months of Fiscal 2018 primarily due to improved profitability in our Towable segment and the lower effective income tax rate, partially offset by a decrease in our Motorhome segment profitability.

Non-GAAP Reconciliation

The following table reconciles net income to consolidated EBITDA and Adjusted EBITDA for the first nine months ended May 25, 2019 and May 26, 2018:

	Nine Months Ended	
(in thousands)	**May 25, 2019**	**May 26, 2018**
Net income	$ 79,930	$ 72,567
Interest expense	13,293	13,871
Provision for income taxes	18,609	28,478
Depreciation	9,788	6,679
Amortization of intangible assets	7,204	5,921
EBITDA	128,824	127,516
Acquisition-related costs	—	850
Restructuring expenses	1,321	—
Non-operating income	(1,330)	(212)
Adjusted EBITDA	$ 128,815	$ 128,154

Reportable Segment Performance Summary

Motorhome

The following is an analysis of key changes in our Motorhome segment for the first nine months ended May 25, 2019 compared to the first nine months ended May 26, 2018 and as of May 25, 2019 compared to May 26, 2018:

	Nine Months Ended					
(in thousands, except ASP)	**May 25, 2019**	**% of Revenues**	**May 26, 2018**	**% of Revenues**	**$ Change**	**% Change**
Net revenues	$ 506,229		$ 632,148		$ (125,919)	(19.9)%
Adjusted EBITDA	16,716	3.3%	22,264	3.5%	(5,548)	(24.9)%
ASP(1)	91,091		88,728		2,363	2.7 %

	Nine Months Ended					
Unit deliveries	**May 25, 2019**	**Product Mix(2)**	**May 26, 2018**	**Product Mix(2)**	**Unit Change**	**% Change**
Class A	1,329	23.7%	2,326	32.8%	(997)	(42.9)%
Class B	1,847	33.0%	1,387	19.6%	460	33.2 %
Class C	2,430	43.3%	3,372	47.6%	(942)	(27.9)%
Total motorhomes	5,606	100.0%	7,085	100.0%	(1,479)	(20.9)%

($ in thousands)	**May 25, 2019**	**May 26, 2018**	**Change**	**% Change**
Backlog(3)				
Units	2,074	2,155	(81)	(3.8)%
Dollars	$ 182,354	$ 193,079	$ (10,725)	(5.6)%
Dealer Inventory				
Units	4,235	4,750	(515)	(10.8)%

(1) ASP excludes off-invoice dealer incentives.
(2) Percentages may not add due to rounding differences.
(3) We include in our backlog all accepted orders from dealers to generally be shipped within the next six months. Orders in backlog can be cancelled or postponed at the option of the dealer at any time without penalty and, therefore, backlog may not necessarily be an accurate measure of future sales.

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

ASP increased in the first nine months of Fiscal 2019 compared to the first nine months of Fiscal 2018 due to price increases during the second half of Fiscal 2018.

Adjusted EBITDA decreased in the first nine months of Fiscal 2019 compared to the first nine months of Fiscal 2018 due to lower volume and higher discounts, partially offset by favorable mix of business.

Unit deliveries decreased in the first nine months of Fiscal 2019 compared to the first nine months of Fiscal 2018 driven by decreases in our Class A and Class C products, partially offset by an increase in our Class B products.

We have seen a decrease in the volume and dollar value of backlog as of May 25, 2019 compared to May 26, 2018 due to the continuation of dealers right-sizing inventory levels, partially offset by an increase in several Class B products due to the temporary disruption in chassis supply.

Towable

The following is an analysis of key changes in our Towable segment for the first nine months ended May 25, 2019 compared to the first nine months ended May 26, 2018 and as of May 25, 2019 compared to May 26, 2018:

	Nine Months Ended					
(in thousands, except ASP)	May 25, 2019	% of Revenues	May 26, 2018	% of Revenues	$ Change	% Change
Net revenues	$ 890,335		$ 839,039		$ 51,296	6.1 %
Adjusted EBITDA	121,638	13.7%	115,066	13.7%	6,572	5.7 %
ASP[1]	32,926		31,361		1,565	5.0 %

	Nine Months Ended					
Unit deliveries	May 25, 2019	Product Mix[2]	May 26, 2018	Product Mix[2]	Unit Change	% Change
Travel trailer	16,564	60.5%	16,495	61.3%	69	0.4 %
Fifth wheel	10,818	39.5%	10,428	38.7%	390	3.7 %
Total towables	27,382	100.0%	26,923	100.0%	459	1.7 %

($ in thousands)	May 25, 2019	May 26, 2018	Change	% Change
Backlog[3]				
Units	7,089	9,968	(2,879)	(28.9)%
Dollars	$ 237,708	$ 313,513	$ (75,805)	(24.2)%
Dealer Inventory				
Units	18,984	15,986	2,998	18.8 %

(1) ASP excludes off-invoice dealer incentives.
(2) Percentages may not add due to rounding differences.
(3) We include in our backlog all accepted orders from dealers to generally be shipped within the next six months. Orders in backlog can be cancelled or postponed at the option of the dealer at any time without penalty and, therefore, backlog may not necessarily be an accurate measure of future sales.

Net revenues increased in the first nine months of Fiscal 2019 compared to the first nine months of Fiscal 2018 due to increased volume and a resulting improvement in our market share.

ASP increased in the first nine months of Fiscal 2019 compared to the first nine months of Fiscal 2018 due to price increases during the first half of Fiscal 2019 as well as favorable product mix.

Adjusted EBITDA increased in the first nine months of Fiscal 2019 compared to the first nine months of Fiscal 2018 primarily due to sales growth.

Unit deliveries increased in the first nine months of Fiscal 2019 compared to the first nine months of Fiscal 2018 primarily due to volume growth in excess of recent industry trends. Our Towable segment market share increased from 6.7% to 8.1% when comparing retail registrations during the twelve-month trailing periods ended April 2018 and April 2019. Shipments grew faster than the industry as a result of greater penetration of our new products and further expansion of our products on dealer lots.

We have seen a decrease in the backlog volumes as of May 25, 2019 compared to May 26, 2018 due to our utilization of additional capacity added during 2018 and re-balancing from high backlog levels in the prior year, in addition to a more challenging shipping environment in the current year. We believe dealer inventory increased due to our increased market share in the Towable segment and the strong demand for our Grand Design products.

Analysis of Financial Condition, Liquidity, and Resources

Cash Flows

The following table summarizes our cash flows from operations for the first nine months ended May 25, 2019 and May 26, 2018:

	Nine Months Ended	
(in thousands)	**May 25, 2019**	**May 26, 2018**
Total cash provided by (used in):		
Operating activities	$ 82,849	$ 61,012
Investing activities	(30,497)	(17,890)
Financing activities	(50,518)	(40,038)
Net increase in cash and cash equivalents	$ 1,834	$ 3,084

Operating Activities

Cash provided by operating activities increased for the first nine months ended May 25, 2019 compared to the first nine months ended May 26, 2018 primarily due to favorable changes in working capital year-over-year, partially offset by the timing of estimated tax payments.

Investing Activities

Cash used in investing activities increased for the first nine months ended May 25, 2019 compared to the first nine months ended May 26, 2018 primarily due to increased capital expenditures related to the capacity expansions within our Towable segment.

Financing Activities

Cash used in financing activities increased for the first nine months ended May 25, 2019 compared to the first nine months ended May 26, 2018 primarily due to increased net payments on our Credit Agreement and increased share repurchases.

Debt and Capital

As of September 21, 2018, we have a debt agreement that consists of a $300.0 million term loan agreement ("Term Loan") and a $165.0 million asset-based revolving credit facility ("ABL") (collectively, the "Credit Agreement") with JPMorgan Chase Bank, N.A. Refer to Note 9, *Long-Term Debt*, of the Notes to Consolidated Financial Statements, included in Item 8, *Financial Statements and Supplementary Data*, of our Annual Report on Form 10-K for the fiscal year ended August 25, 2018 for additional details. As of May 25, 2019, we had $5.6 million in borrowings against the ABL.

Other Financial Measures

Working capital at May 25, 2019 and August 25, 2018 was $186.2 million and $167.8 million, respectively. We currently expect cash on hand, funds generated from operations, and the borrowing available under our Credit Agreement to be sufficient to cover both short-term and long-term operating requirements.

Share Repurchases and Dividends

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

On December 19, 2007, our Board of Directors authorized the repurchase of outstanding shares of our common stock, depending on market conditions, for an aggregate consideration of up to $60.0 million. On October 18, 2017, our Board of Directors authorized a share repurchase program in the amount of $70.0 million. There is no time restriction on either authorization. In the first nine months ended May 25, 2019, we repurchased 0.2 million shares for $5.7 million under this authorization. We continually evaluate if share repurchases reflect a prudent use of our capital and, subject to compliance with our Credit Agreement, we may purchase shares in the future. At May 25, 2019, we have $60.3 million remaining on our board repurchase authorization.

On May 22, 2019, our Board of Directors approved a quarterly cash dividend of $0.11 per share payable on July 3, 2019, to common stockholders of record at the close of business on June 19, 2019.

Contractual Obligations and Commercial Commitments

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

Significant Accounting Policies and Estimates

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

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

New Accounting Pronouncements

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

Safe Harbor Statement Under the Private Securities Litigation Reform Act

Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”), provide a “safe harbor” for forward-looking statements to encourage companies to provide prospective information about their companies. With the exception of historical information, the matters discussed in this Quarterly Report on Form 10-Q are forward-looking statements and may be identified by the use of words such as "anticipate," "assume," "believe," "estimate," "expect," "guidance," "intend," "outlook," "plan," "project," and other words and terms of similar meaning. Such statements reflect our current views and estimates with respect to future market conditions, company performance and financial results, operational investments, business prospects, new strategies, the competitive environment, and other events. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the potential results discussed in such forward-looking statements. Readers should review Item 1A, *Risk Factors*, of our Annual Report on Form 10-K for the fiscal year ended August 25, 2018, for a description of important factors that could cause our actual results to differ materially from those contemplated by the forward-looking statements made in this Quarterly Report on Form 10-Q. Among the factors that could cause actual results and outcomes to differ materially from those contained in such forward-looking statements are the following: competition and new product introductions by competitors, our ability to attract and retain qualified personnel, business or production disruptions, sales order cancellations, risk related to compliance with debt covenants and leverage ratios, stock price volatility, availability of labor, a slowdown in the economy, low consumer confidence, the effect of global tensions, increases in interest rates, availability of credit, risk related to cyclicality and seasonality, slower than anticipated sales of new or existing products, integration of operations relating to merger and acquisition activities generally, inadequate liquidity or capital resources, inventory and distribution channel management, our ability to innovate, our reliance on large dealer organizations, significant increase in repurchase obligations, availability and price of fuel, availability of chassis and other key component parts, increased material and component costs, exposure to warranty claims, ability to protect our intellectual property, exposure to product liability claims, dependence on information systems and web applications, any unexpected expenses related to ERP, risk related to data security, governmental regulation, including for climate change, and risk related to anti-takeover provisions applicable to us and other factors. We caution that the foregoing list of important factors is not complete. Any forward-looking statements speak only as of the date they are made, and we assume no obligation to update any forward-looking statement that we may make.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control Over Financial Reporting

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

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

PART II. OTHER INFORMATION.

Item 1. Legal Proceedings.

For a description of our legal proceedings, see Note 11, *Contingent Liabilities and Commitments*, of the Notes to Condensed Consolidated Financial Statements, included in this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors.

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

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

(c) Stock Repurchases

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

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs(2)
02/24/19 - 03/30/19	—	$ —	—	$ 60,682,000
03/31/19 - 04/27/19	17,813	$ 36.42	—	$ 60,682,000
04/28/19 - 05/25/19	13,746	$ 33.10	12,729	$ 60,262,000
Total	31,559	$ 34.97	12,729	$ 60,262,000

(1) Shares not purchased as part of a publicly announced program were repurchased from employees who vested in Company shares and elected to pay their payroll tax via the value of shares delivered as opposed to cash.
(2) Pursuant to a combined $130.0 million share repurchase program authorized by our Board of Directors. On December 19, 2007, $60.0 million was approved, and on October 18, 2017, $70.0 million was approved. There is no time restriction on either authorization.

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

Item 6. Exhibits.

3a.	Articles of Incorporation of the Registrant previously filed as Exhibit 3a with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 25, 2018 (Commission File Number 001-06403) and incorporated by reference herein.
3b.	Amended By-Laws of the Registrant previously filed as Exhibit 3.1 with the Registrant's Current Report on Form 8-K dated March 16, 2016 (Commission File Number 001-06403) and incorporated by reference herein.
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definitions Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

*Attached as Exhibit 101 to this report are the following financial statements from our Quarterly Report on Form 10-Q for the quarter ended May 25, 2019 formatted in XBRL: (i) the Unaudited Condensed Consolidated Statements of Income and Comprehensive Income, (ii) the Unaudited Condensed Consolidated Balance Sheets, (iii) the Unaudited Condensed Consolidated Statements of Cash Flows, (iv) the Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity, and (v) related Notes to Condensed Consolidated Financial Statements.

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SIGNATURES

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

			WINNEBAGO INDUSTRIES, INC.
Date:	June 20, 2019	By	*/s/ Michael J. Happe*
			Michael J. Happe
			Chief Executive Officer, President
			(Principal Executive Officer)
Date:	June 20, 2019	By	*/s/ Bryan L. Hughes*
			Bryan L. Hughes
			Vice President, Chief Financial Officer
			(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Happe, Chief Executive Officer of Winnebago Industries, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Winnebago Industries, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's Board of Directors (or persons performing the equivalent functions):

    a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date:	June 20, 2019	By:	*/s/ Michael J. Happe*
			Michael J. Happe
			Chief Executive Officer, President

Exhibit 31.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Bryan L. Hughes, Chief Financial Officer of Winnebago Industries, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Winnebago Industries, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's Board of Directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date:	June 20, 2019	By:	*/s/ Bryan L. Hughes*
			Bryan L. Hughes
			Vice President, Chief Financial Officer

Exhibit 32.1

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Michael J. Happe, Chief Executive Officer of Winnebago Industries, Inc. (the "Company"), hereby certify that to my knowledge:

a. The Quarterly Report on Form 10-Q for the fiscal quarter ended May 25, 2019 (the "Report") of the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

b. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	June 20, 2019	By:	*/s/ Michael J. Happe*
			Michael J. Happe
			Chief Executive Officer, President

Exhibit 32.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Bryan L. Hughes, Chief Financial Officer of Winnebago Industries, Inc. (the "Company"), hereby certify that to my knowledge:

a. The Quarterly Report on Form 10-Q for the fiscal quarter ended May 25, 2019 (the "Report") of the Company, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

b. The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	June 20, 2019	By:	*/s/ Bryan L. Hughes*
			Bryan L. Hughes
			Vice President, Chief Financial Officer