UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 28, 2022

or

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

For the transition period from _________________ to _________________

Commission File Number: 001-06403

WINNEBAGO INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Minnesota	**42-0802678**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
13200 Pioneer Trail Eden Prairie Minnesota	**55347**
(Address of principal executive offices)	(Zip Code)

952-829-8600
(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 ☒ No ☐

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 ☒ No ☐

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 ☒ Accelerated Filer ☐ Non-accelerated filer ☐
Smaller Reporting Company ☐ Emerging Growth Company ☐

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. ☐

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

As of June 16, 2022, there were 31,753,998 shares of common stock, par value $0.50 per share, outstanding.

Winnebago Industries, Inc.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended May 28, 2022

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

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

(in thousands, except per share data)	Three Months Ended May 28, 2022	Three Months Ended May 29, 2021	Nine Months Ended May 28, 2022	Nine Months Ended May 29, 2021
Net revenues	$ 1,458,138	$ 960,737	$ 3,778,609	$ 2,593,754
Cost of goods sold	1,185,174	791,125	3,059,656	2,130,556
Gross profit	272,964	169,612	718,953	463,198
Selling, general, and administrative expenses	88,231	63,586	234,896	165,001
Amortization	8,016	3,590	24,203	10,771
Total operating expenses	96,247	67,176	259,099	175,772
Operating income	176,717	102,436	459,854	287,426
Interest expense, net	10,511	10,229	31,078	30,222
Non-operating loss (income)	11,658	(93)	24,522	(310)
Income before income taxes	154,548	92,300	404,254	257,514
Provision for income taxes	37,326	21,005	96,227	59,728
Net income	$ 117,222	$ 71,295	$ 308,027	$ 197,786
Earnings per common share:				
Basic	$ 3.62	$ 2.12	$ 9.35	$ 5.89
Diluted	$ 3.57	$ 2.05	$ 9.18	$ 5.83
Weighted average common shares outstanding:				
Basic	32,389	33,552	32,936	33,565
Diluted	32,855	34,772	33,559	33,943
Net income	$ 117,222	$ 71,295	$ 308,027	$ 197,786
Other comprehensive income:				
Amortization of net actuarial loss (net of tax of $3, $3, $9, and $9)	10	9	28	26
Comprehensive income	$ 117,232	$ 71,304	$ 308,055	$ 197,812

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

Winnebago Industries, Inc.
Consolidated Balance Sheets

(in thousands, except per share data)	May 28, 2022	August 28, 2021
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 238,073	$ 434,563
Receivables, less allowance for doubtful accounts ($370 and $307, respectively)	373,639	253,808
Inventories, net	486,100	341,473
Prepaid expenses and other current assets	20,806	29,069
Total current assets	1,118,618	1,058,913
Property, plant, and equipment, net	256,335	191,427
Goodwill	484,176	348,058
Other intangible assets, net	477,603	390,407
Investment in life insurance	29,505	28,821
Operating lease assets	42,327	28,379
Other long-term assets	18,570	16,562
Total assets	**$ 2,427,134**	**$ 2,062,567**
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 229,727	$ 180,030
Income taxes payable	10,754	8,043
Accrued expenses:		
Accrued compensation	63,966	67,541
Product warranties	127,263	91,222
Self-insurance	20,615	19,296
Promotional	16,191	10,040
Accrued interest and dividends	14,017	10,720
Other current liabilities	53,419	20,384
Total current liabilities	535,952	407,276
Long-term debt, net	541,453	528,559
Deferred income taxes	8,445	13,429
Unrecognized tax benefits	6,346	6,483
Long-term operating lease liabilities	41,195	26,745
Deferred compensation benefits, net of current portion	8,550	9,550
Other long-term liabilities	21,302	13,582
Total liabilities	**1,163,243**	**1,005,624**
Contingent liabilities and commitments (Note 11)		
Shareholders' equity:		
Preferred stock, par value $0.01: 10,000 shares authorized; Zero shares issued and outstanding	—	—
Common stock, par value $0.50: 120,000 shares authorized; 51,776 shares issued and outstanding	25,888	25,888
Additional paid-in capital	252,257	218,490
Retained earnings	1,463,254	1,172,996
Accumulated other comprehensive loss	(463)	(491)
Treasury stock, at cost: 20,067 and 18,713 shares, respectively	(477,045)	(359,940)
Total shareholders' equity	**1,263,891**	**1,056,943**
Total liabilities and shareholders' equity	**$ 2,427,134**	**$ 2,062,567**

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

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

(in thousands)	Nine Months Ended May 28, 2022	Nine Months Ended May 29, 2021
Operating activities		
Net income	$ 308,027	$ 197,786
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	17,031	13,476
Amortization	24,203	10,771
Non-cash interest expense, net	11,225	10,372
Amortization of debt issuance costs	1,849	1,852
Last in, first-out expense	5,878	2,321
Stock-based compensation	12,518	11,719
Deferred income taxes	(4,311)	(765)
Contingent consideration fair value adjustment	24,717	—
Other, net	2,261	(4,412)
Change in operating assets and liabilities, net of assets and liabilities acquired		
Receivables, net	(117,391)	(7,384)
Inventories, net	(129,056)	(152,398)
Prepaid expenses and other assets	10,212	1,010
Accounts payable	41,610	40,817
Income taxes and unrecognized tax benefits	4,023	(12,771)
Accrued expenses and other liabilities	32,449	35,560
Net cash provided by operating activities	**245,245**	**147,954**
Investing activities		
Purchases of property, plant, and equipment	(63,228)	(23,596)
Acquisition of business, net of cash acquired	(228,159)	—
Proceeds from the sale of property, plant, and equipment	113	12,450
Other, net	(60)	(224)
Net cash used in investing activities	**(291,334)**	**(11,370)**
Financing activities		
Borrowings on long-term debt	3,422,539	2,629,932
Repayments on long-term debt	(3,422,539)	(2,629,932)
Payments of cash dividends	(18,052)	(12,136)
Payments for repurchases of common stock	(134,243)	(12,109)
Payments of debt issuance costs	—	(224)
Other, net	1,894	1,151
Net cash used in financing activities	**(150,401)**	**(23,318)**
Net (decrease)/increase in cash and cash equivalents	(196,490)	113,266
Cash and cash equivalents at beginning of period	434,563	292,575
Cash and cash equivalents at end of period	$ 238,073	$ 405,841

Supplemental Disclosures				
Income taxes paid, net	$	97,717	$	71,090
Interest paid		14,271		14,618
Non-cash investing and financing activities				
Issuance of common stock for acquisition of business	$	22,000	$	—
Issuance of common stock for settlement of earnout liability		13,168		—
Capital expenditures in accounts payable		4,668		121
Dividends declared not yet paid		6,214		4,273
Increase (decrease) in lease assets in exchange for lease liabilities:				
Operating leases		17,236		1,633
Finance leases		2,528		(10)

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

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

	Three Months Ended May 28, 2022							
	Common Shares		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
(in thousands, except per share data)	Number	Amount				Number	Amount	
Balance at February 26, 2022	51,776	$ 25,888	$ 238,159	$ 1,357,812	$ (473)	(19,045)	$ (412,399)	$ 1,208,987
Stock-based compensation	—	—	5,586	—	—	2	41	5,627
Issuance of stock for settlement of earnout liability	—	—	7,830	—	—	244	5,338	13,168
Repurchase of common stock	—	—	—	—	—	(1,268)	(70,025)	(70,025)
Common stock dividends; $0.36 per share	—	—	—	(11,797)	—	—	—	(11,797)
Other	—	—	682	17	—	—	—	699
Total comprehensive income	—	—	—	—	10	—	—	10
Net income	—	—	—	117,222	—	—	—	117,222
Balances at May 28, 2022	51,776	$ 25,888	$ 252,257	$ 1,463,254	$ (463)	(20,067)	$ (477,045)	$ 1,263,891

	Three Months Ended May 29, 2021							
	Common Shares		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
(in thousands, except per share data)	Number	Amount				Number	Amount	
Balance at February 27, 2021	51,776	$ 25,888	$ 209,727	$ 1,032,020	$ (509)	(18,225)	$ (324,762)	$ 942,364
Stock-based compensation	—	—	4,733	—	—	—	5	4,738
Common stock dividends; $0.24 per share	—	—	—	(8,148)	—	—	—	(8,148)
Total comprehensive income	—	—	—	—	9	—	—	9
Net income	—	—	—	71,295	—	—	—	71,295
Balances at May 29, 2021	51,776	$ 25,888	$ 214,460	$ 1,095,167	$ (500)	(18,225)	$ (324,757)	$ 1,010,258

	Nine Months Ended May 28, 2022							
	Common Shares		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
(in thousands, except per share data)	Number	Amount				Number	Amount	
Balances at August 28, 2021	51,776	$ 25,888	$ 218,490	$ 1,172,996	$ (491)	(18,713)	$ (359,940)	$ 1,056,943
Stock-based compensation	—	—	12,445	—	—	3	73	12,518
Issuance of stock for employee benefit and stock-based awards, net	—	—	(1,899)	—	—	225	4,436	2,537
Issuance of stock for acquisition	—	—	14,709	—	—	379	7,291	22,000
Issuance of stock for settlement of earnout liability	—	—	7,830	—	—	244	5,338	13,168
Repurchase of common stock	—	—	—	—	—	(2,205)	(134,243)	(134,243)
Common stock dividends; $0.54 per share	—	—	—	(17,857)	—	—	—	(17,857)
Other	—	—	682	88	—	—	—	770
Total comprehensive income	—	—	—	—	28	—	—	28
Net income	—	—	—	308,027	—	—	—	308,027
Balances at May 28, 2022	51,776	$ 25,888	$ 252,257	$ 1,463,254	$ (463)	(20,067)	$ (477,045)	$ 1,263,891

(in thousands, except per share data)	Common Shares Number	Common Shares Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Number	Treasury Stock Amount	Total Shareholders' Equity
	Nine Months Ended May 29, 2021							
Balances at August 29, 2020	51,776	$ 25,888	$ 203,791	$ 913,610	$ (526)	(18,133)	$ (315,297)	$ 827,466
Stock-based compensation	—	—	11,701	—	—	1	18	11,719
Issuance of stock for employee benefit and stock-based awards, net	—	—	(1,032)	—	—	149	2,631	1,599
Repurchase of common stock	—	—	—	—	—	(242)	(12,109)	(12,109)
Common stock dividends; $0.48 per share	—	—	—	(16,229)	—	—	—	(16,229)
Total comprehensive income	—	—	—	—	26	—	—	26
Net income	—	—	—	197,786	—	—	—	197,786
Balances at May 29, 2021	51,776	$ 25,888	$ 214,460	$ 1,095,167	$ (500)	(18,225)	$ (324,757)	$ 1,010,258

The accompanying Notes to Consolidated Financial Statements are an integral part of these consolidated financial statements.

Winnebago Industries, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
(All amounts in tables are in thousands, except share and per share data, unless otherwise designated)

Note 1. Basis of Presentation

The consolidated financial statements include the accounts of Winnebago Industries, Inc. and its wholly owned subsidiaries. Significant intercompany account balances and transactions have been eliminated.

The use of the terms "Winnebago Industries," "Winnebago," "we," "our," and "us" in this Quarterly Report on Form 10-Q, unless the context otherwise requires, refers to Winnebago Industries, Inc. and its wholly owned subsidiaries.

The interim unaudited consolidated financial statements included herein are prepared pursuant to the rules and regulations of the United States (“U.S.”) Securities and Exchange Commission (“SEC”). The information furnished in these consolidated financial statements includes normal recurring adjustments, unless noted otherwise in the Notes to Consolidated Financial Statements, and reflects all adjustments that are, in management’s opinion, necessary for a fair presentation of such financial statements. The consolidated financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”). GAAP requires us to make estimates and assumptions that affect amounts reported. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to SEC rules and regulations.

The consolidated financial statements included in this Quarterly Report on Form 10-Q should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended August 28, 2021 filed with the SEC. Interim results of operations are not necessarily indicative of the results to be expected for the full fiscal year ending August 27, 2022.

Subsequent Events

In preparing the accompanying unaudited consolidated financial statements, we have evaluated subsequent events for potential recognition and disclosure through the date of this filing noting no material subsequent events.

CARES Act

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law on March 27, 2020 to help alleviate the impact of the COVID-19 pandemic in the U.S. We took advantage of the employer payroll tax deferral offered by the CARES Act, which allowed us to defer the payment of employer payroll taxes for the period from March 27, 2020 to December 31, 2020. The deferred employer payroll tax liability paid in the first nine months of Fiscal 2022 was $8.0 million and the liability left to pay as of May 28, 2022 was $8.2 million, which will be paid in December 2022. We also took advantage of a tax credit granted to companies under the CARES Act who continued to pay their employees when operations were fully or partially suspended. The refundable tax credit available through the end of the third quarter of Fiscal 2020 reflected in cost of goods sold on the Consolidated Statements of Income and Comprehensive Income was approximately $4.0 million. The entire amount is expected to be received during calendar year 2022. As of May 28, 2022, $0.8 million remains outstanding within other current assets on the Consolidated Balance Sheets.

Recently Adopted Accounting Pronouncements

Accounting Standards Update ("ASU") Topic 740, *Income Taxes: Simplifying the Accounting for Income Taxes*, was adopted in the first quarter of Fiscal 2022. The new standard eliminates certain exceptions to Topic 740's general principles, improves consistent application and simplifies its application. We adopted the new guidance in the first quarter of Fiscal 2022, and there was not a material impact to our financial condition, results of operations or disclosures.

Recently Issued Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)* which reduces the number of models used to account for convertible instruments, amends diluted earnings per share ("EPS") calculations for convertible instruments, and amends the requirements for a contract (or embedded derivative) that is potentially settled in an entity's own shares to be classified in equity. Certain disclosure requirements were also added to increase transparency and decision-usefulness regarding a convertible instrument's terms and features. Additionally, the if-converted method for including convertible instruments must be used in diluted EPS as opposed to the treasury stock method. The new guidance is effective for annual reporting periods beginning after December 15, 2021, which is our Fiscal 2023. We will adopt the new guidance in the first quarter of Fiscal 2023 and expect the new guidance will increase our net long-term debt and decrease our total equity, as well as change our reported diluted EPS.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of Effects of Reference Rate Reform on Financial Reporting*, which provides practical expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by this guidance apply only to contracts, hedging relationships, and other transactions that reference the London interbank offered rate (“LIBOR”) or another reference rate expected to be discontinued as a result of reference rate reform. This guidance is not applicable to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. The guidance can be applied immediately through December 31, 2022. We will adopt this standard when LIBOR is discontinued and do not expect a material impact to our financial condition, results of operations or disclosures based on the current debt portfolio and capital structure.

Note 2. Business Combinations

On August 31, 2021, we purchased 100% of the equity interests of Barletta Boat Company, LLC and Three Limes, LLC (collectively, "Barletta"), a manufacturer of high-quality, premium pontoon boats that are sold through a network of independent authorized dealers.

The acquisition of Barletta resulted in a newly created Marine reportable segment that includes the Barletta and Chris-Craft operating segments.

We acquired Barletta for a purchase price of $286.3 million, including cash payments of $240.1 million, $25.0 million in common stock issued to the sellers (subject to a discount noted below), and contingent consideration from earnout provisions. The common stock fair value included in the purchase price reflects a 12% discount, due to the lack of marketability as these are unregistered shares that have a one-year lockup restriction, which reduced the value of the common stock to $22.0 million. The contingent consideration includes both a potential stock payout as well as a potential cash payment based on achievement of certain financial performance metrics over the next few years. The maximum payout under the earnout is $50.0 million in cash and $15.0 million in stock if all metrics are achieved. The fair value of the earnout as of August 31, 2021 was $24.2 million. The fair value of the earnout as of May 28, 2022 was $35.1 million, of which $20.9 million is included in other current liabilities and $14.2 million is included in other long-term liabilities on the Consolidated Balance Sheets. In the third quarter of Fiscal 2022, we issued 0.2 million shares of common stock in connection with the settlement of the 2021 earnout period obligation.

The total purchase price was allocated to the acquired net tangible and intangible assets of Barletta, based on their preliminary fair values at the date of the acquisition. We finalized the allocation of the purchase price in the third quarter of fiscal 2022.

The following table summarizes the fair values assigned to the Barletta net assets acquired as of the date of acquisition:

(in thousands)		August 31, 2021
Cash	$	11,903
Other current assets		24,564
Property, plant, and equipment		17,250
Goodwill		136,118
Other intangible assets		111,400
Total assets acquired		301,235
Accounts payable		7,181
Product warranties		4,656
Other current liabilities		3,146
Total liabilities assumed		14,983
Total purchase price	$	286,252

Goodwill from the Barletta acquisition is recognized in our newly created Marine segment. We expect that the full amount of goodwill will be deductible for tax purposes.

The intangible assets acquired include a trade name, dealer network, and backlog. The trade name has an indefinite life, while the backlog and dealer network will be amortized on a straight line basis over 10 months and 12 years, respectively.

Total transaction costs related to the Barletta acquisition were $3.1 million, of which $2.4 million were expensed during the first quarter of Fiscal 2022 and $0.7 million were expensed during the fourth quarter of Fiscal 2021. Transaction costs are included in selling, general and administrative expenses in the accompanying Consolidated Statements of Income and Comprehensive Income.

Pro forma results of operations for this acquisition have not been presented as they were immaterial to the reported results.

Note 3. Business Segments

We have seven operating segments: 1) Grand Design towables, 2) Winnebago towables, 3) Winnebago motorhomes, 4) Newmar motorhomes, 5) Chris-Craft marine, 6) Barletta marine and 7) Winnebago specialty vehicles. Financial performance is evaluated based on each operating segment's Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), as defined below, which excludes certain corporate administration expenses and non-operating income and expense.

The acquisition of Barletta resulted in a newly created Marine reportable segment effective for the first quarter of Fiscal 2022. The segment consists of Barletta and our existing Chris-Craft operating segment. Prior year amounts for Chris-Craft have been reclassified from Corporate / All Other category to the Marine segment.

Our three reportable segments are: Towable (an aggregation of the Grand Design towables and the Winnebago towables operating segments); Motorhome (an aggregation of the Winnebago motorhomes and Newmar motorhomes operating segments); and Marine (an aggregation of the Chris Craft marine and Barletta marine operating segments). Towable is comprised of non-motorized products that are generally towed by another vehicle, along with other related manufactured products and services. Motorhome is comprised of products that include a motorized chassis, along with other related manufactured products and services. Marine is comprised of products that include boats, along with other manufactured products and services.

The Corporate / All Other category includes the Winnebago specialty vehicles operating segment as well as certain corporate administration expenses related to the oversight of the enterprise, such as corporate leadership and administration costs.

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.

Our Chief Executive Officer (the Chief Operating Decision Maker ("CODM")) regularly reviews consolidated financial results in their entirety and operating segment financial information through Adjusted EBITDA and has ultimate responsibility for enterprise decisions. Our CODM is responsible for allocating resources and assessing performance of the consolidated enterprise, reportable segments and between operating segments. Management of each operating segment has responsibility for operating decisions, allocating resources and assessing performance within their respective operating segment. The accounting policies of all reportable segments are the same as those described in Note 1 to the Consolidated Financial Statements included in Item 8 of Part II of our Annual Report on Form 10-K for the fiscal year ended August 28, 2021.

We monitor and evaluate operating performance of our reportable segments based on Adjusted EBITDA. We believe disclosing Adjusted EBITDA is useful to securities analysts, investors and other interested parties when evaluating companies in our industries. 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 pretax adjustments made in order to present comparable results period over period. Examples of items excluded from Adjusted EBITDA include acquisition-related costs, litigation reserves, restructuring expenses, gain or loss on sale of property, plant and equipment, contingent consideration fair value adjustment, and non-operating income or loss.

Financial information by reportable segment is as follows:

(in thousands)	Three Months Ended May 28, 2022	Three Months Ended May 29, 2021	Nine Months Ended May 28, 2022	Nine Months Ended May 29, 2021
Net Revenues				
Towable	$ 805,567	$ 555,749	$ 2,103,192	$ 1,449,934
Motorhome	516,345	385,257	1,355,389	1,090,221
Marine	126,548	17,170	303,175	43,527
Corporate / All Other	9,678	2,561	16,853	10,072
Consolidated	$ 1,458,138	$ 960,737	$ 3,778,609	$ 2,593,754
Adjusted EBITDA				
Towable	$ 117,767	$ 80,130	$ 330,417	$ 205,639
Motorhome	64,388	37,467	160,636	118,779
Marine	19,813	1,624	43,336	3,502
Corporate / All Other	(10,247)	(9,447)	(24,707)	(20,888)
Consolidated	$ 191,721	$ 109,774	$ 509,682	$ 307,032
Capital Expenditures				
Towable	$ 12,621	$ 4,639	$ 33,960	$ 11,490
Motorhome	570	2,976	16,196	10,247
Marine	6,041	1,061	8,581	1,859
Corporate / All Other	570	—	4,491	—
Consolidated	$ 19,802	$ 8,676	$ 63,228	$ 23,596

(in thousands)	May 28, 2022	August 28, 2021
Assets		
Towable	$ 913,892	$ 790,257
Motorhome	857,636	728,060
Marine	404,137	102,901
Corporate / All Other	251,469	441,349
Consolidated	$ 2,427,134	$ 2,062,567

Reconciliation of net income to consolidated Adjusted EBITDA is as follows:

	Three Months Ended		Nine Months Ended	
(in thousands)	May 28, 2022	May 29, 2021	May 28, 2022	May 29, 2021
Net income	$ 117,222	$ 71,295	$ 308,027	$ 197,786
Interest expense, net	10,511	10,229	31,078	30,222
Provision for income taxes	37,326	21,005	96,227	59,728
Depreciation	6,264	4,917	17,031	13,476
Amortization	8,016	3,590	24,203	10,771
EBITDA	179,339	111,036	476,566	311,983
Acquisition-related costs	724	—	4,594	—
Litigation reserves	—	—	4,000	—
Restructuring expenses	—	19	—	112
Gain on sale of property, plant and equipment	—	(1,188)	—	(4,753)
Contingent consideration fair value adjustment	11,830	—	24,717	—
Non-operating income	(172)	(93)	(195)	(310)
Adjusted EBITDA	$ 191,721	$ 109,774	$ 509,682	$ 307,032

Note 4. Investments and Fair Value Measurements

In determining the fair value of financial assets and liabilities, we utilize market data or other assumptions that we believe market participants would use in pricing the asset or liability in the principal or most advantageous market and adjust for non-performance and/or other risks associated with us as well as counterparties, as appropriate. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

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

Level 2 — Inputs other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 — Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

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

Financial assets and liabilities measured at fair value on a recurring basis are as follows:

(in thousands)	Fair Value at May 28, 2022	Fair Value Hierarchy Level 1	Level 2	Level 3
Assets that fund deferred compensation				
Domestic equity funds	$ 1,206	$ 1,206	$ —	$ —
International equity funds	61	61	—	—
Fixed income funds	183	183	—	—
Total assets at fair value	$ 1,450	$ 1,450	$ —	$ —
Contingent consideration				
Earnout liability	$ 35,147	$ —	$ —	$ 35,147
Total liabilities at fair value	$ 35,147	$ —	$ —	$ 35,147

(in thousands)	Fair Value at August 28, 2021	Fair Value Hierarchy Level 1	Level 2	Level 3
Assets that fund deferred compensation				
Domestic equity funds	$ 940	$ 940	$ —	$ —
International equity funds	41	41	—	—
Fixed income funds	46	46	—	—
Total assets at fair value	$ 1,027	$ 1,027	$ —	$ —

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, used to fund the Executive Share Option Plan and the Executive Deferred Compensation Plan, are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available. Refer to Note 11 of the Notes to the Consolidated Financial Statements included in Item 8 of Part II of our Annual Report on Form 10-K for the fiscal year ended August 28, 2021 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 on the Consolidated Balance Sheets. The remaining assets are classified as non-current and are included in other assets on the Consolidated Balance Sheets.

Contingent Consideration

Contingent consideration represents the earnout liability related to the Barletta acquisition and is valued using a probability-weighted scenario analysis of projected gross profit results and discounted at a risk-free rate. The contingent consideration is classified as Level 3. Actual gross profit results may differ significantly from those used in the estimate above, which may affect future payments. Changes in future payments will be reflected in future operating results as they occur.

The following table provides a reconciliation of the beginning and ending balances of the contingent consideration:

(in thousands)	Three Months Ended May 28, 2022	Three Months Ended May 29, 2021	Nine Months Ended May 28, 2022	Nine Months Ended May 29, 2021
Beginning fair value - contingent consideration	$ 37,077	$ —	$ —	$ —
Additions	—	—	24,190	—
Fair value adjustments	11,830	—	24,717	—
Settlements	(13,168)	—	(13,168)	—
Other	$ (592)	$ —	$ (592)	$ —
Ending fair value - contingent consideration	$ 35,147	$ —	$ 35,147	$ —

The fair value of the earnout liability that will be settled within a year is included in other current liabilities on the Consolidated Balance Sheets. The remaining earnout liability is included in other long-term liabilities on the Consolidated Balance Sheets.

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Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain financial instruments are measured at fair value on a nonrecurring basis. These assets primarily include goodwill, intangible assets, property, plant and equipment, and right-of-use lease assets. These assets were originally recognized at amounts equal to the fair value determined at date of acquisition or purchase. If certain triggering events occur, or if an annual impairment test is required, we will evaluate the non-financial asset for impairment. If an impairment has occurred, the asset will be written down to its current estimated fair value. No impairments were recorded for non-financial assets in the three or nine months ended May 28, 2022 or May 29, 2021.

Assets and Liabilities Not Measured at Fair Value

Certain financial instruments are not measured at fair value but are recorded at carrying amounts approximating fair value based on their short-term nature. These financial instruments include cash and cash equivalents, receivables, accounts payable, other payables, and long-term debt. If these instruments were measured at fair value in the financial statements, they would be classified as Level 1 in the fair value hierarchy. The fair value of our long-term debt was determined using current quoted prices in active markets for our publicly traded debt obligations, which is classified as Level 1 in the fair value hierarchy. See Note 9 for the fair value of our long-term debt.

Note 5. Inventories

Inventories consist of the following:

(in thousands)	May 28, 2022	August 28, 2021
Finished goods	$ 18,449	$ 12,243
Work-in-process	202,733	184,611
Raw materials	309,760	183,583
Total	530,942	380,437
Less: Excess of FIFO over LIFO cost	44,842	38,964
Inventories, net	$ 486,100	$ 341,473

Inventory valuation methods consist of the following:

(in thousands)	May 28, 2022	August 28, 2021
LIFO basis	$ 216,820	$ 139,544
First-in, first-out basis	314,122	240,893
Total	$ 530,942	$ 380,437

The above inventory value, 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:

thousands)	May 28, 2022	August 28, 2021
nd	$ 10,697	$ 9,111
ildings and building improvements	169,781	147,629
ıchinery and equipment	130,601	121,911
ftware	40,747	36,815
ansportation	6,563	5,335
ınstruction in progress	72,023	31,137
roperty, plant, and equipment, gross	430,412	351,938
ss: Accumulated depreciation	174,077	160,511
roperty, plant, and equipment, net	$ 256,335	$ 191,427

Depreciation expense was $6.3 million and $4.9 million for the three months ended May 28, 2022 and May 29, 2021, respectively; and $17.0 million and $13.5 million for the nine months ended May 28, 2022 and May 29, 2021, respectively.

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Note 7. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill by reportable segment, with no accumulated impairment losses, for the nine months ended May 28, 2022 and May 29, 2021 are as follows:

(in thousands)	Towable	Motorhome	Marine	Total
Balances at August 29, 2020 and May 29, 2021[1]	$ 244,684	$ 73,127	$ 30,247	$ 348,058
Balances at August 28, 2021	$ 244,684	$ 73,127	$ 30,247	$ 348,058
Acquisition of Barletta[2]	—	—	136,118	136,118
Balances at May 28, 2022	$ 244,684	$ 73,127	$ 166,365	$ 484,176

(1) There was no activity in the nine months ended May 29, 2021.
(2) The change in marine activity is related to the acquisition of Barletta that occurred on August 31, 2021. See Note 2 to the Consolidated Financial Statements included in Item 1 of Part I of this quarterly report on Form 10-Q.

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

	May 28, 2022		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	$ 352,250	$ —	$ 352,250
Dealer networks	179,981	$ 56,801	123,180
Backlog	42,327	40,927	1,400
Non-compete agreements	6,647	5,874	773
Other intangible assets	$ 581,205	$ 103,602	$ 477,603

	August 28, 2021		
(in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade names	$ 275,250	$ —	$ 275,250
Dealer networks	159,581	45,652	113,929
Backlog	28,327	28,327	—
Non-compete agreements	6,647	5,419	1,228
Other intangible assets	$ 469,805	$ 79,398	$ 390,407

The weighted average remaining amortization period for intangible assets as of May 28, 2022 was approximately 9 years.

Estimated future amortization expense related to finite-lived intangible assets is as follows:

(in thousands)	Amount
Remainder of Fiscal 2022	$ 5,216
Fiscal 2023	15,226
Fiscal 2024	15,124
Fiscal 2025	14,919
Fiscal 2026	14,865
Fiscal 2027	14,865
Thereafter	45,138
Total amortization expense remaining	$ 125,353

Note 8. Product Warranties

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 expires to help protect the reputation of our products and maintain 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 products, we also occasionally incur costs as a result of additional service actions not covered by warranties, including product recalls and customer satisfaction actions. Although we estimate and reserve for the cost of these service actions when probable and estimable, there can be no assurance that expense levels will remain at current levels or such reserves will continue to be adequate.

Changes in the product warranty liability are as follows:

	Three Months Ended		Nine Months Ended	
(in thousands)	May 28, 2022	May 29, 2021	May 28, 2022	May 29, 2021
Balance at beginning of period	$ 113,818	$ 76,040	$ 91,222	$ 64,031
Business acquisition[1]	—	—	4,656	—
Provision	37,052	23,056	94,274	64,986
Claims paid	(23,607)	(17,034)	(62,889)	(46,955)
Balance at end of period	$ 127,263	$ 82,062	$ 127,263	$ 82,062

(1) Relates to the acquisition of Barletta on August 31, 2021. See Note 2 to the Consolidated Financial Statements in Item 1 of Part I of this quarterly report on Form 10-Q for additional acquisition information.

Note 9. Long-Term Debt

Long-term debt consists of the following:

(in thousands)	May 28, 2022	August 28, 2021
ABL Credit Facility	$ —	$ —
Senior Secured Notes	300,000	300,000
Convertible Notes	300,000	300,000
Long-term debt, gross	600,000	600,000
Convertible Notes unamortized interest discount	(49,141)	(60,366)
Debt issuance costs, net	(9,406)	(11,075)
Long-term debt, net	$ 541,453	$ 528,559

Credit Agreements

On July 8, 2020, we closed our private offering (the "Senior Secured Notes Offering") of $300.0 million aggregate principal amount of 6.25% Senior Secured Notes due 2028 (the "Senior Secured Notes"). The Senior Secured Notes were issued in accordance with an Indenture dated as of July 8, 2020 (the "Indenture"). The Senior Secured Notes will mature on July 15, 2028 unless earlier redeemed or repurchased. Interest on the Senior Secured Notes accrues starting July 8, 2020 and is payable semi-annually in arrears on January 15 and July 15 of each year, which began on January 15, 2021.

Debt issuance costs incurred and capitalized are amortized on a straight-line basis over the term of the associated debt agreement. If early principal payments are made on the Senior Secured Notes, a proportional amount of the unamortized debt issuance costs is expensed. As part of the Senior Secured Notes Offering, we capitalized $7.5 million in debt issuance costs that will be amortized over the eight-year term of the agreement.

On November 8, 2016, we entered into an asset-based revolving credit agreement ("ABL") and a loan agreement ("Term Loan") with JPMorgan Chase Bank, N.A. ("JPMorgan Chase"), as administrative agent and certain lenders from time to time party thereto. Under the ABL, we have a $192.5 million credit facility that matures on October 22, 2024 (subject to certain factors which may accelerate the maturity date) on a revolving basis, subject to availability under a borrowing base consisting of eligible accounts receivable and eligible inventory. The ABL is available for issuance of letters of credit to a specified limit of $19.3 million. We pay a commitment fee of 0.25% on the average daily amount of the facility available, but unused. We can elect to base the interest rate on various rates plus specific spreads depending on the amount of borrowings outstanding. If drawn, we would pay interest on ABL borrowings at a floating rate based upon a spread between 1.25% and 1.75% plus LIBOR, depending on the usage of the facility during the most recent quarter. Based on current usage, we would pay LIBOR plus 1.25%.

Refer to Note 9 of the Notes to the Consolidated Financial Statements included in Item 8 of Part II of our Annual Report on Form 10-K for the fiscal year ended August 28, 2021 for additional information regarding these credit agreements.

Convertible Notes

On November 1, 2019, we issued $300.0 million in aggregate principal amount of 1.5% unsecured convertible senior notes due 2025 (“Convertible Notes”). The net proceeds from the issuance of the Convertible Notes, after deducting the initial purchasers' transaction fees and offering expense payable by us, were approximately $290.2 million. The Convertible Notes bear interest at the annual rate of 1.5%, payable on April 1 and October 1 of each year, beginning on April 1, 2020, and will mature on April 1, 2025, unless earlier converted or repurchased by us.

The Convertible Notes will be convertible into cash, shares of our common stock or a combination thereof, at the election of us, at an initial conversion rate of 15.6906 shares of common stock per $1 thousand principal amount of Convertible Notes, which is equivalent to an initial conversion price of approximately $63.73 per share, as adjusted pursuant to the terms of the indenture governing the Convertible Notes. The Convertible Notes may be converted at any time on or after October 1, 2024, until the close of business on the second scheduled trading day immediately preceding the maturity date.

Prior to the close of business on the business day immediately preceding October 1, 2024, the Convertible Notes will be convertible only under the following circumstances:

1. during any calendar quarter commencing after December 31, 2019 if the closing sale price of the common stock is more than 130% of the applicable conversion price on each applicable trading day for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter;
2. during the five consecutive business day period after any five consecutive trading day period (the "measurement period") in which the trading price per $1 thousand principal amount of Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the common stock and the conversion rate for the Convertible Notes on each such trading day; or
3. upon the occurrence of certain specified corporate events set forth in the Convertible Notes Indenture.

We may not redeem the Convertible Notes at our option prior to the maturity date, and no sinking fund is provided for the Convertible Notes.

The conversion rate of the Convertible Notes may be adjusted in certain circumstances, including in connection with a conversion of the Convertible Notes made following certain fundamental changes and under other circumstances set forth in the indenture. It is our current intent to settle all conversions of the Convertible Notes in cash. Our ability to cash settle may be limited depending on the stock price at the time of conversion.

On October 29, 2019 and October 30, 2019, in connection with the offering of the Convertible Notes, we entered into privately negotiated convertible note hedge transactions (collectively, the “Hedge Transactions”) that cover, subject to customary anti-dilution adjustments, the number of shares of our common stock that initially underlie the Convertible Notes.

On October 29, 2019 and October 30, 2019, we also entered into privately negotiated warrant transactions (collectively, the “Warrant Transactions” and, together with the Hedge Transactions, the “Call Spread Transactions”), whereby we sold warrants at a higher strike price relating to the same number of shares of our common stock that initially underlie the Convertible Notes, subject to customary anti-dilution adjustments.

The Hedge Transactions and the Warrant Transactions are separate transactions, in each case, and are not part of the terms of the Convertible Notes and will not affect any holder’s rights under the Convertible Notes. Holders of the Convertible Notes will not have any rights with respect to the Call Spread Transactions.

Refer to Note 9 of the Notes to the Consolidated Financial Statements included in Item 8 of Part II of our Annual Report on Form 10-K for the fiscal year ended August 28, 2021 for additional information regarding the Convertible Notes and the Call Spread Transactions.

Accounting Treatment of the Convertible Notes and Related Hedge Transactions and Warrant Transactions

The net cost incurred in connection with the Call Spread Transactions was $11.2 million. These transactions are classified as equity and are not remeasured each reporting period. We bifurcated the proceeds from the offering of the Convertible Notes between liability and equity components. On the date of issuance, the liability and equity components were calculated to be approximately $215.0 million and $85.0 million, respectively. The initial $215.0 million liability component was determined based on the fair value of similar debt instruments excluding the conversion feature assuming a hypothetical interest rate of 8%. The initial $85.0 million ($64.1 million net of tax) equity component represents the difference between the fair value of the initial $215.0 million in debt and the $300.0 million of gross proceeds. The related initial debt discount of $85.0 million is being amortized over the life of the Convertible Notes as non-cash interest expense using the effective interest method.

In connection with the above-noted transactions, we incurred approximately $9.8 million of offering-related costs. These offering fees were allocated to the liability and equity components in proportion to the allocation of proceeds and accounted for as debt and equity issuance costs, respectively. We allocated $7.0 million of debt issuance costs to the liability component, which were capitalized as deferred financing costs within long-term debt on the Consolidated Balance Sheets. These costs are being amortized as interest expense over the term of the debt using the effective interest method. The remaining $2.8 million of transaction costs allocated to the equity component were recorded as a reduction of the equity component.

Fair Value and Future Maturities

As of May 28, 2022 and August 28, 2021, the fair value of long-term debt, gross, was $599.1 million and $726.6 million, respectively.

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

(in thousands)	Amount
Remainder of Fiscal 2022	$ —
Fiscal 2023	—
Fiscal 2024	—
Fiscal 2025	300,000
Fiscal 2026	—
Fiscal 2027	—
Thereafter	300,000
Total Senior Secured Notes and Convertible Notes	$ 600,000

Note 10. Employee and Retiree Benefits

Deferred compensation liabilities are as follows:

(in thousands)	May 28, 2022	August 28, 2021
Non-qualified deferred compensation	$ 8,470	$ 9,731
Supplemental executive retirement plan	1,381	1,615
Executive deferred compensation plan	1,432	1,029
Total deferred compensation benefits	11,283	12,375
Less current portion[(1)]	2,733	2,825
Deferred compensation benefits, net of current portion	$ 8,550	$ 9,550

[(1)] Included in accrued compensation on the Consolidated Balance Sheets.

Note 11. Contingent Liabilities and Commitments

Repurchase Commitments

Generally, manufacturers in the same industries as us 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 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. The total contingent liability on all of our repurchase agreements was approximately $1,720.7 million and $727.7 million at May 28, 2022 and August 28, 2021, respectively.

Repurchased sales are not recorded as a revenue transaction, rather the net difference between the original repurchase price and the resale price is 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-end 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, an associated loss reserve is established which is included in accrued expenses: other on the Consolidated Balance Sheets. Our repurchase accrual was $1.4 million and $0.9 million at May 28, 2022 and August 28, 2021, respectively. Repurchase risk is affected by the credit worthiness of our dealer network. 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 nine months ended May 28, 2022 and May 29, 2021.

Litigation

We are involved in various legal proceedings which are considered ordinary and routine litigation incidental to the 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, the possibility exists 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 our view of these matters may change in the future.

Note 12. Revenue

All operating revenue is generated from contracts with customers. Our primary revenue source is generated through the sale of manufactured non-motorized towable units, motorized units and marine units to our independent dealer network (our customers). The following table disaggregates revenue by reportable segment and product category:

(in thousands)	Three Months Ended May 28, 2022	Three Months Ended May 29, 2021	Nine Months Ended May 28, 2022	Nine Months Ended May 29, 2021
Net Revenues				
Towable				
Fifth Wheel	$ 392,116	$ 284,432	$ 999,025	$ 751,822
Travel Trailer	404,462	264,450	1,076,626	680,088
Other[1]	8,989	6,867	27,541	18,024
Total Towable	805,567	555,749	2,103,192	1,449,934
Motorhome				
Class A	208,387	172,437	568,683	464,347
Class B	194,469	135,705	507,171	382,162
Class C and Other[1]	113,489	77,115	279,535	243,712
Total Motorhome	516,345	385,257	1,355,389	1,090,221
Marine	126,548	17,170	303,175	43,527
Corporate / All Other[2]	9,678	2,561	16,853	10,072
Consolidated Net Revenues	$ 1,458,138	$ 960,737	$ 3,778,609	$ 2,593,754

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

We do not have material contract assets or liabilities. Allowances for uncollectible receivables are established based on historical collection trends, write-off history, consideration of current conditions and expectations for future economic conditions.

Concentration of Risk

No single dealer organization accounted for more than 10% of net revenue for the nine months ended May 28, 2022 or May 29, 2021.

Note 13. 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, restricted share units, and other equity compensation to key employees and to non-employee directors. The 2019 Plan replaces the 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 awarded and issued under the 2019 Plan is 4.1 million shares, 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, awards under the 2014 Plan and the 2004 Plan, respectively, that were 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.

Stock-based compensation expense was $5.6 million and $4.7 million during the three months ended May 28, 2022 and May 29, 2021, respectively; and $12.5 million and $11.7 million during the nine months ended May 28, 2022 and May 29, 2021, respectively. Compensation expense is recognized over the requisite service or performance period of the award.

Note 14. Income Taxes

Our effective tax rate was 24.2% and 22.8% for the three months ended May 28, 2022 and May 29, 2021, respectively, and 23.8% and 23.2% for the nine months ended May 28, 2022 and May 29, 2021, respectively. The increase in tax rate for the three and nine months ended May 28, 2022 compared to the three and nine months ended May 29, 2021 was driven primarily by the impact of both consistent tax credits year-over-year over increased income in the current year and a net unfavorable expense in the current year related to stock compensation.

We file a U.S. Federal tax return, as well as returns in various international and state jurisdictions. As of May 28, 2022, our Federal returns from Fiscal 2018 to present are subject to review by the Internal Revenue Service. With limited exceptions, state returns from Fiscal 2017 to present continue to be subject to review by state taxing jurisdictions. We are currently under review by certain U.S. state tax authorities for Fiscal 2016 through Fiscal 2019. We believe we have adequately reserved for our exposure to potential additional payments for uncertain tax positions in our liability for unrecognized tax benefits.

Note 15. Earnings Per Share

Basic and diluted earnings per share are calculated as follows:

	Three Months Ended		Nine Months Ended	
(in thousands, except per share data)	May 28, 2022	May 29, 2021	May 28, 2022	May 29, 2021
Net income	$ 117,222	$ 71,295	$ 308,027	$ 197,786
Weighted average common shares outstanding	32,389	33,552	32,936	33,565
Dilutive impact of stock compensation awards	466	384	504	302
Dilutive impact of convertible notes	—	836	119	76
Weighted average common shares outstanding, assuming dilution	32,855	34,772	33,559	33,943
Anti-dilutive securities excluded from weighted average common shares outstanding, assuming dilution	199	1	174	46
Basic earnings per common share	$ 3.62	$ 2.12	$ 9.35	$ 5.89
Diluted earnings per common share	$ 3.57	$ 2.05	$ 9.18	$ 5.83

Under the treasury stock method, shares associated with certain anti-dilutive securities have been excluded from the diluted weighted average shares outstanding calculation because the exercise of those options would lead to a net reduction in common shares outstanding or anti-dilution.

Note 16. Accumulated Other Comprehensive Income (Loss)

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

	Three Months Ended		Nine Months Ended	
	May 28, 2022	May 29, 2021	May 28, 2022	May 29, 2021
(in thousands)	Defined Benefit Pension Items	Defined Benefit Pension Items	Defined Benefit Pension Items	Defined Benefit Pension Items
Balance at beginning of period	$ (473)	$ (509)	$ (491)	$ (526)
Amounts reclassified from AOCI	10	9	28	26
Net current-period OCI	10	9	28	26
Balance at end of period	$ (463)	$ (500)	$ (463)	$ (500)

Reclassifications out of AOCI, net of tax, were:

		Three Months Ended		Nine Months Ended	
(in thousands)	Location on Consolidated Statements of Income and Comprehensive Income	May 28, 2022	May 29, 2021	May 28, 2022	May 29, 2021
Amortization of net actuarial loss	SG&A	$ 10	$ 9	$ 28	$ 26

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

The terms "Winnebago," "we," "us," and "our," unless the context otherwise requires, refer 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 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 the Consolidated Financial Statements and related Notes included in Item 1 of Part I of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended August 28, 2021 (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. All amounts in tables are in thousands, except share and per share data, unless otherwise noted.

Overview

Winnebago Industries, Inc. is one of the leading North American manufacturers of recreation vehicles ("RV"s) and marine products with a diversified portfolio used primarily in leisure travel and outdoor recreational activities. We produce our motorhome units in Iowa and Indiana; our towable units in Indiana; and our marine units in Indiana and 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.

Macroeconomic Events

In February 2022, the United States announced targeted economic sanctions on Russia in response to the military conflict in Ukraine. As described in Part I, Item 1A — Risk Factors, in the Annual Report on Form 10-K for the fiscal year ended August 28, 2021, our business may be sensitive to economic conditions such as the adverse impact of global tensions, which could impact input costs, consumer spending, and fuel prices. As our operations are primarily in North America, we have no direct exposure to Russia and Ukraine. However, we are actively monitoring the broader economic impact of the crisis, especially the potential impact of rising commodity and fuel prices, and the potential decreased demand for our products.

The COVID-19 pandemic has resulted in strong retail demand by consumers of RVs as a safe travel option, and of marine products as a safe way to experience the outdoors. However, the pandemic has also caused global supply chain disruption. Our production has experienced certain supply shortages, particularly within our Motorhome and Marine segments, as well as material and component cost inflation. If these disruptions continue, or if there are additional disruptions in our supply chain, it could materially or adversely impact our operating results and financial condition. Despite certain supply shortages and inflationary cost input pressures, we continue to actively manage through these temporary supply chain disruptions. Refer to the COVID-19 related risk factors disclosed in Item 1A of Part I in our Annual Report on Form 10-K for the fiscal year ended August 28, 2021.

Acquisition of Barletta

On August 31, 2021, we completed our acquisition of all the equity interests of Barletta for $286.3 million funded with cash payments of $240.1 million, $25.0 million in common stock issued to the sellers (subject to a 12% discount), and contingent consideration from earnout provisions. For further discussion regarding the acquisition, refer to Note 2 to the Notes to Consolidated Financial Statements, included in Item 1 of Part I in this Quarterly Report on Form 10-Q.

The acquisition of Barletta resulted in a newly created Marine reportable segment effective as of the first quarter of Fiscal 2022. The segment consists of Barletta and our existing Chris-Craft operating segment.

Non-GAAP Financial Measures

This MD&A includes financial information prepared in accordance with generally accepted accounting principles ("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 pretax 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.

Included in "Results of Operations" below for the three and nine months ended May 28, 2022 compared to the comparable prior year period is a reconciliation of EBITDA and Adjusted EBITDA from net income, the nearest GAAP measure. We have included these non-GAAP performance measures as a comparable measure to illustrate the effect of non-recurring transactions that occurred during the reported periods and to improve comparability of our results from period to period. We believe Adjusted EBITDA provides meaningful supplemental information about our operating performance as this measure excludes amounts from net income 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, litigation reserves, restructuring expenses, gain or loss on sale of property, plant and equipment, contingent consideration fair value adjustment, and non-operating income or loss.

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 used by management in their assessment of performance and in forecasting; (d) to evaluate potential acquisitions; and (e) to ensure compliance with covenants and restricted activities under the terms of our ABL Credit Facility and outstanding notes, as further described in Note 9 to the Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q. We believe these non-GAAP financial measures are frequently used by securities analysts, investors and other interested parties to evaluate companies in the industry.

Industry Trends

The RV and marine industries continue to experience shipping delays, and material and component cost inflation. In addition, both industries continue to experience supply chain disruptions and shortages, particularly within the Motorhome and Marine segments. While we continue to manage through these supply chain disruptions, they have impacted our ability to increase production to meet existing demand in the current fiscal year.

We believe field inventory for our Towable segment is returning to normalized levels to adequately serve end consumer demand, whereas field inventory for our Motorhome and Marine segments remain lower than desired by our dealer network, which indicates future strength in wholesale shipments. We continue to produce and ship in accordance with dealer demand as evidenced and requested by dealer orders.

RV industry retail sales have been softening compared to record prior year levels, however we still believe in the long-term health of consumer demand for RV and marine products. More people are pursuing outdoor activities, household penetration of RVs is increasing, and campers are more diverse than ever. According to statistics published by Kampgrounds of America, Inc. (KOA), over 14 million households camped for the first time in 2020 and 2021, and combined with record levels of first-time buyers of RVs over the past two years, a tailwind exists for new product and upgrade-related sales. While we believe in these outdoor lifestyle secular trends in the long term, current macroeconomic trends such as inflation, rising interest rates and low consumer sentiment, as well as global political issues, do provide a risk to short-term consumer demand for large discretionary products such as RVs and Marine products, which could in turn impact our future revenue and profits.

Results of Operations - Three Months Ended May 28, 2022 Compared to the Three Months Ended May 29, 2021

Consolidated Performance Summary

The following is an analysis of changes in key items included in the Consolidated Statements of Income for the three months ended May 28, 2022 compared to the three months ended May 29, 2021:

	Three Months Ended					
($ in thousands, except per share data)	May 28, 2022	% of Revenues[1]	May 29, 2021	% of Revenues[1]	$ Change	% Change
Net revenues	$ 1,458,138	100.0 %	$ 960,737	100.0 %	$ 497,401	51.8 %
Cost of goods sold	1,185,174	81.3 %	791,125	82.3 %	394,049	49.8 %
Gross profit	272,964	18.7 %	169,612	17.7 %	103,352	60.9 %
Selling, general, and administrative expenses	88,231	6.1 %	63,586	6.6 %	24,645	38.8 %
Amortization	8,016	0.5 %	3,590	0.4 %	4,426	123.3 %
Total operating expenses	96,247	6.6 %	67,176	7.0 %	29,071	43.3 %
Operating income	176,717	12.1 %	102,436	10.7 %	74,281	72.5 %
Interest expense, net	10,511	0.7 %	10,229	1.1 %	282	2.8 %
Non-operating loss (income)	11,658	0.8 %	(93)	— %	(11,751)	(12,635.5)%
Income before income taxes	154,548	10.6 %	92,300	9.6 %	62,248	67.4 %
Provision for income taxes	37,326	2.6 %	21,005	2.2 %	16,321	77.7 %
Net income	$ 117,222	8.0 %	$ 71,295	7.4 %	$ 45,927	64.4 %
Diluted earnings per share	$ 3.57		$ 2.05		$ 1.52	74.1 %
Diluted weighted average shares outstanding	32,855		34,772		(1,917)	(5.5)%

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

Net revenues increased in the third quarter of Fiscal 2022 compared to the third quarter of Fiscal 2021 primarily due to price increases related to current and anticipated higher material and component costs, as well as unit growth, including incremental volume from the acquisition of Barletta.

Gross profit as a percentage of revenue increased in the third quarter of Fiscal 2022 compared to the third quarter of Fiscal 2021 primarily due to operating leverage, in addition to price increases and favorable segment mix, partially offset by higher material and component costs.

Operating expenses increased in the third quarter of Fiscal 2022 compared to the third quarter of Fiscal 2021 primarily due to higher operating expenses to support increasing sales, and incremental operating expenses and amortization associated with the acquisition of Barletta.

Non-operating loss increased in the third quarter of Fiscal 2022 compared to the third quarter of Fiscal 2021 due to the contingent consideration fair value adjustment related to the acquisition of Barletta.

Our effective tax rate increased in the third quarter of Fiscal 2022 compared to the third quarter of Fiscal 2021 primarily due to the impact of consistent tax credits compared to prior year over increased income in the current year and net unfavorable expense in the current year related to stock compensation.

Net income and diluted earnings per share increased in the third quarter of Fiscal 2022 compared to the third quarter of Fiscal 2021 primarily due to leverage gained on higher revenues, partially offset by increased operating expenses and higher income tax expense.

Non-GAAP Reconciliation

The following table reconciles net income to consolidated EBITDA and Adjusted EBITDA for the three months ended May 28, 2022 and May 29, 2021:

	Three Months Ended	
(in thousands)	May 28, 2022	May 29, 2021
Net income	$ 117,222	$ 71,295
Interest expense, net	10,511	10,229
Provision for income taxes	37,326	21,005
Depreciation	6,264	4,917
Amortization	8,016	3,590
EBITDA	179,339	111,036
Acquisition-related costs	724	—
Restructuring expenses	—	19
Gain on sale of property, plant and equipment	—	(1,188)
Contingent consideration fair value adjustment	11,830	—
Non-operating income	(172)	(93)
Adjusted EBITDA	$ 191,721	$ 109,774

Reportable Segment Performance Summary

Towable

The following is an analysis of key changes in our Towable segment for the three months ended May 28, 2022 compared to the three months ended May 29, 2021:

	Three Months Ended					
(in thousands, except ASP and units)	May 28, 2022	% of Revenues	May 29, 2021	% of Revenues	$ Change	% Change
Net revenues	$ 805,567		$ 555,749		$ 249,818	45.0 %
Adjusted EBITDA	117,767	14.6 %	80,130	14.4 %	37,637	47.0 %
Average Selling Price ("ASP")[(1)]	45,322		32,958		12,364	37.5 %

	Three Months Ended					
Unit deliveries	May 28, 2022	Product Mix[(2)]	May 29, 2021	Product Mix[(2)]	Unit Change	% Change
Travel trailer	12,031	68.1 %	11,089	66.4 %	942	8.5 %
Fifth wheel	5,644	31.9 %	5,620	33.6 %	24	0.4 %
Total towables	17,675	100.0 %	16,709	100.0 %	966	5.8 %

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

Net revenues increased in the third quarter of Fiscal 2022 compared to the third quarter of Fiscal 2021 primarily due to price increases related to current and anticipated higher material and component costs, and unit growth.

Adjusted EBITDA increased in the third quarter of Fiscal 2022 compared to the third quarter of Fiscal 2021 primarily due to revenue growth, partially offset by higher operating expenses to support increasing sales.

Motorhome

The following is an analysis of key changes in our Motorhome segment for the three months ended May 28, 2022 compared to the three months ended May 29, 2021:

(in thousands, except ASP and units)	Three Months Ended May 28, 2022	% of Revenues	May 29, 2021	% of Revenues	$ Change	% Change
Net revenues	$ 516,345		$ 385,257		$ 131,088	34.0 %
Adjusted EBITDA	64,388	12.5 %	37,467	9.7 %	26,921	71.9 %
ASP[(1)]	$ 159,699		$ 138,810		20,889	15.0 %

Unit deliveries	Three Months Ended May 28, 2022	Product Mix[(2)]	May 29, 2021	Product Mix[(2)]	Unit Change	% Change
Class A	672	21.0 %	745	27.3 %	(73)	(9.8)%
Class B	1,801	56.3 %	1,384	50.8 %	417	30.1 %
Class C	728	22.7 %	598	21.9 %	130	21.7 %
Total motorhomes	3,201	100.0 %	2,727	100.0 %	474	17.4 %

(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 2022 compared to the third quarter of Fiscal 2021 primarily due to price increases related to current and anticipated higher material and component costs, and unit growth.

Adjusted EBITDA increased in the third quarter of Fiscal 2022 compared to the third quarter of Fiscal 2021 due to revenue growth, partially offset by higher input costs.

Marine

The following is an analysis of key changes in our Marine segment for the three months ended May 28, 2022 compared to the three months ended May 29, 2021:

(in thousands, except ASP and units)	Three Months Ended May 28, 2022	% of Revenues	May 29, 2021	% of Revenues	$ Change	% Change
Net revenues	$ 126,548		$ 17,170		$ 109,378	637.0 %
Adjusted EBITDA	19,813	15.7 %	1,624	9.5 %	18,189	1,120.0 %
ASP[(1)]	$ 76,371		$ 204,114		(127,743)	(62.6)%

Unit deliveries	Three Months Ended May 28, 2022	May 29, 2021	Unit Change	% Change
Boats	1,655	83	1,572	1,894.0 %

(1) ASP excludes off-invoice dealer incentives.

Net revenues increased in the third quarter of Fiscal 2022 compared to the third quarter of Fiscal 2021 primarily due to the acquisition of Barletta at the beginning of the first quarter of Fiscal 2022.

Adjusted EBITDA increased in the third quarter of Fiscal 2022 compared to the third quarter of Fiscal 2021 primarily due to the acquisition of Barletta at the beginning of the first quarter of Fiscal 2022.

Results of Operations - Nine Months Ended May 28, 2022 Compared to the Nine Months Ended May 29, 2021

Consolidated Performance Summary

The following is an analysis of changes in key items included in the Consolidated Statements of Income for the nine months ended May 28, 2022 compared to the nine months ended May 29, 2021:

	Nine Months Ended					
($ in thousands, except per share data)	May 28, 2022	% of Revenues[1]	May 29, 2021	% of Revenues[1]	$ Change	% Change
Net revenues	$ 3,778,609	100.0 %	$ 2,593,754	100.0 %	$ 1,184,855	45.7 %
Cost of goods sold	3,059,656	81.0 %	2,130,556	82.1 %	929,100	43.6 %
Gross profit	718,953	19.0 %	463,198	17.9 %	255,755	55.2 %
Selling, general, and administrative expenses	234,896	6.2 %	165,001	6.4 %	69,895	42.4 %
Amortization	24,203	0.6 %	10,771	0.4 %	13,432	124.7 %
Total operating expenses	259,099	6.9 %	175,772	6.8 %	83,327	47.4 %
Operating income	459,854	12.2 %	287,426	11.1 %	172,428	60.0 %
Interest expense, net	31,078	0.8 %	30,222	1.2 %	856	2.8 %
Non-operating loss (income)	24,522	0.6 %	(310)	— %	(24,832)	(8,010.3)%
Income before income taxes	404,254	10.7 %	257,514	9.9 %	146,740	57.0 %
Provision for income taxes	96,227	2.5 %	59,728	2.3 %	36,499	61.1 %
Net income	$ 308,027	8.2 %	$ 197,786	7.6 %	$ 110,241	55.7 %
Diluted earnings per share	$ 9.18		$ 5.83		$ 3.35	57.5 %
Diluted average shares outstanding	33,559		33,943		(384)	(1.1)%

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

Net revenues increased in the first nine months of Fiscal 2022 compared to the first nine months of Fiscal 2021 primarily due to price increases related to current and anticipated higher material and component costs, and unit growth, including incremental volume from the acquisition of Barletta.

Gross profit as a percentage of revenue increased in the first nine months of Fiscal 2022 compared to the first nine months of Fiscal 2021 primarily due to improved operating leverage on higher revenues and price increases, partially offset by higher material and component costs.

Operating expenses increased in the first nine months of Fiscal 2022 compared to the first nine months of Fiscal 2021 primarily due to higher operating expenses to support increasing sales, acquisition-related costs, and incremental operating expenses and amortization associated with the acquisition of Barletta.

Non-operating loss increased in the first nine months of Fiscal 2022 compared to the first nine months of Fiscal 2021 due to the contingent consideration fair value adjustment related to the acquisition of Barletta.

Our effective tax rate increased in the first nine months of Fiscal 2022 compared to the first nine months of Fiscal 2021 primarily due to the impact of consistent tax credits compared to prior year over increased income in the current year and a net unfavorable expense in the current year related to stock compensation.

Net income and diluted earnings per share increased in the first nine months of Fiscal 2022 compared to the first nine months of Fiscal 2021 primarily due to leverage gained on higher revenues, partially offset by increased operating expenses and higher income tax expense.

Non-GAAP Reconciliation

The following table reconciles net income to consolidated EBITDA and Adjusted EBITDA for the nine months ended May 28, 2022 and May 29, 2021:

	Nine Months Ended	
(in thousands)	**May 28, 2022**	**May 29, 2021**
Net income	$ 308,027	$ 197,786
Interest expense, net	31,078	30,222
Provision for income taxes	96,227	59,728
Depreciation	17,031	13,476
Amortization	24,203	10,771
EBITDA	476,566	311,983
Acquisition-related costs	4,594	—
Litigation reserves	4,000	—
Restructuring expenses	—	112
Gain on sale of property, plant and equipment	—	(4,753)
Contingent consideration fair value adjustment	24,717	—
Non-operating income	(195)	(310)
Adjusted EBITDA	$ 509,682	$ 307,032

Reportable Segment Performance Summary

Towable

The following is an analysis of key changes in our Towable segment for the nine months ended May 28, 2022 compared to the nine months ended May 29, 2021:

	Nine Months Ended					
(in thousands, except ASP and units)	**May 28, 2022**	**% of Revenues**	**May 29, 2021**	**% of Revenues**	**$ Change**	**% Change**
Net revenues	$ 2,103,192		$ 1,449,934		$ 653,258	45.1 %
Adjusted EBITDA	330,417	15.7 %	205,639	14.2 %	124,778	60.7 %
ASP[1]	42,244		32,503		9,741	30.0 %

	Nine Months Ended					
Unit deliveries	**May 28, 2022**	**Product Mix[2]**	**May 29, 2021**	**Product Mix[2]**	**Unit Change**	**% Change**
Travel trailer	33,938	68.7 %	29,125	65.6 %	4,813	16.5 %
Fifth wheel	15,462	31.3 %	15,306	34.4 %	156	1.0 %
Total towables	49,400	100.0 %	44,431	100.0 %	4,969	11.2 %

	May 28, 2022	**May 29, 2021**	**Change**	**% Change**
Backlog[3]				
Units	31,606	46,646	(15,040)	(32.2)%
Dollars	$ 1,312,878	$ 1,522,069	$ (209,191)	(13.7)%
Dealer Inventory				
Units	25,230	11,647	13,583	116.6 %

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

(3) Our backlog includes all accepted orders from dealers which generally have been requested to be shipped within the next six months. Orders in backlog generally can be cancelled or postponed at the option of the dealer at any time without penalty; therefore, backlog may not necessarily be an accurate measure of future sales.

Net revenues increased in the first nine months of Fiscal 2022 compared to the first nine months of Fiscal 2021 primarily due to price increases related to current and anticipated higher material and component costs, and unit growth.

Adjusted EBITDA increased in the first nine months of Fiscal 2022 compared to the first nine months of Fiscal 2021 primarily due to revenue growth, partially offset by higher operating expenses to support increasing sales.

Motorhome

The following is an analysis of key changes in our Motorhome segment for the nine months ended May 28, 2022 compared to the nine months ended May 29, 2021:

	Nine Months Ended					
(in thousands, except ASP and units)	May 28, 2022	% of Revenues	May 29, 2021	% of Revenues	$ Change	% Change
Net revenues	$ 1,355,389		$ 1,090,221		$ 265,168	24.3 %
Adjusted EBITDA	160,636	11.9 %	118,779	10.9 %	41,857	35.2 %
ASP[1]	153,139		135,356		17,783	13.1 %

	Nine Months Ended					
Unit deliveries	May 28, 2022	Product Mix[2]	May 29, 2021	Product Mix[2]	Unit Change	% Change
Class A	2,004	22.9 %	2,047	25.8 %	(43)	(2.1)%
Class B	4,889	55.8 %	3,901	49.1 %	988	25.3 %
Class C	1,874	21.4 %	1,994	25.1 %	(120)	(6.0)%
Total motorhomes	8,767	100.0 %	7,942	100.0 %	825	10.4 %

	May 28, 2022	May 29, 2021	Change	% Change
Backlog[3]				
Units	15,180	18,145	(2,965)	(16.3)%
Dollars	$ 2,285,236	$ 2,180,149	$ 105,087	4.8 %
Dealer Inventory				
Units	3,008	2,429	579	23.8 %

(1) Average selling price excludes off-invoice dealer incentives.
(2) Percentages may not add due to rounding differences.
(3) Our backlog includes all accepted orders from dealers which generally have been requested to be shipped within the next six months. Orders in backlog generally can be cancelled or postponed at the option of the dealer at any time without penalty; therefore, backlog may not necessarily be an accurate measure of future sales.

Net revenues increased in the first nine months of Fiscal 2022 compared to the first nine months of Fiscal 2021 primarily due to price increases and unit growth.

Adjusted EBITDA increased in the first nine months of Fiscal 2022 compared to the first nine months of Fiscal 2021 primarily due to revenue growth, partially offset by higher input costs and operating expenses.

Marine

The following is an analysis of key changes in our Marine segment for the nine months ended May 28, 2022 compared to the nine months ended May 29, 2021:

	Nine Months Ended					
(in thousands, except ASP and units)	May 28, 2022	% of Revenues	May 29, 2021	% of Revenues	$ Change	% Change
Net revenues	$ 303,175		$ 43,527		$ 259,648	596.5 %
Adjusted EBITDA	43,336	14.3 %	3,502	8.0 %	39,834	1,137.5 %
ASP[1]	73,669		203,418		(129,749)	(63.8)%

	Nine Months Ended			
Unit deliveries	**May 28, 2022**	**May 29, 2021**	**Unit Change**	**% Change**
Boats	4,112	213	3,899	1,830.5 %

	May 28, 2022	May 29, 2021	Change	% Change
Backlog[2]				
Units	2,491	492	1,999	406.3 %
Dollars	$ 245,416	$ 110,472	$ 134,944	122.2 %
Dealer Inventory				
Units	2,454	167	2,287	1,369.5 %

(1) ASP excludes off-invoice dealer incentives.
(2) Our backlog includes all accepted orders from dealers which generally have been requested to be shipped within the next six months. Orders in backlog generally can be cancelled or postponed at the option of the dealer at any time without penalty; therefore, backlog may not necessarily be an accurate measure of future sales.

Net revenues increased in the first nine months of Fiscal 2022 compared to the first nine months of Fiscal 2021 primarily due to the acquisition of Barletta at the beginning of the first quarter of Fiscal 2022.

Adjusted EBITDA increased in the first nine months of Fiscal 2022 compared to the first nine months of Fiscal 2021 primarily due to the acquisition of Barletta at the beginning of the first quarter of Fiscal 2022.

Analysis of Financial Condition, Liquidity, and Resources

Cash Flows

The following table summarizes our cash flows from operations:

	Nine Months Ended	
(in thousands)	May 28, 2022	May 29, 2021
Total cash provided by (used in):		
Operating activities	$ 245,245	$ 147,954
Investing activities	(291,334)	(11,370)
Financing activities	(150,401)	(23,318)
Net (decrease) increase in cash and cash equivalents	$ (196,490)	$ 113,266

Operating Activities

Cash provided by operating activities increased for the nine months ended May 28, 2022 compared to the nine months ended May 29, 2021 due to higher profitability, partially offset by investments in working capital to support current year revenue growth. The investments in working capital included a $117.4 million increase in accounts receivable due to timing of invoicing/collections, a $129.1 million increase in inventory to support customer demand and to support operational activities during a period impacted by supply chain disruption, partially offset by a $41.6 million increase in accounts payable due to inventory growth and timing of payments.

Investing Activities

Cash used in investing activities increased in the nine months ended May 28, 2022 compared to the nine months ended May 29, 2021 primarily due to our acquisition of Barletta during the first quarter of Fiscal 2022.

Financing Activities

Cash used in financing activities increased in the nine months ended May 28, 2022 compared to the nine months ended May 29, 2021 primarily due to an increase in stock repurchases in the first nine months of Fiscal 2022.

Debt and Capital

We maintain a $192.5 million asset-based revolving credit facility ("ABL Credit Facility") with a maturity date of October 22, 2024 subject to certain factors which may accelerate the maturity date. As of May 28, 2022, we had no borrowings against the ABL Credit Facility.

As of May 28, 2022, we had $238.1 million in cash and cash equivalents and $192.5 million in unused ABL Credit Facility. Our cash and cash equivalent balances consist of high quality, short-term money market instruments.

We believe cash flow from operations, existing lines of credit, and access to debt and capital markets will be sufficient to meet our current liquidity needs, and we have committed liquidity and cash reserves in excess of our anticipated funding requirements. We evaluate the financial stability of the counterparties for the Convertible Notes, the Senior Secured Notes, and the ABL Credit Facility, and will continue to monitor counterparty risk on an on-going basis.

Other Financial Measures

Working capital at May 28, 2022 and August 28, 2021 was $582.7 million and $651.6 million, respectively. We currently expect cash on hand, funds generated from operations, and the borrowing available under our ABL Credit Facility 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 October 13, 2021, our Board of Directors authorized a new share repurchase program in the amount of $200.0 million with no time restriction on the authorization, which took effect immediately and replaced the prior program. In the nine months ended May 28, 2022, we repurchased 2,143,000 shares of our own common stock at a cost of $129.6 million under this authorization and the previous authorization, and 62,000 shares at a cost of $4.6 million to satisfy tax obligations on employee equity awards vested. We continually evaluate if share repurchases reflect a prudent use of our capital and, subject to compliance with our ABL Credit Facility and Senior Secured Notes, we may purchase shares in the future. At May 28, 2022, we have $80.0 million remaining on our Board approved repurchase authorization.

On May 18, 2022, our Board of Directors approved a quarterly cash dividend of $0.18 per share payable on June 29, 2022, to common stockholders of record at the close of business on June 8, 2022.

Contractual Obligations and Commercial Commitments

There has been no material change in our contractual obligations since the end of Fiscal 2021. See our Annual Report on Form 10-K for the fiscal year ended August 28, 2021 for additional information regarding our contractual obligations and commercial commitments.

Critical Accounting Policies

We describe our significant accounting policies in Note 1 to the Consolidated Financial Statements included in Item 8 of Part II of our Annual Report on Form 10-K for the fiscal year ended August 28, 2021. We discuss our critical accounting estimates in Item 7 of Part II of our Annual Report on Form 10-K for the fiscal year ended August 28, 2021. There have been no material changes to our critical accounting policies or critical accounting estimates since the end of Fiscal 2021.

Recently Issued Accounting Pronouncements

For a summary of recently issued applicable accounting pronouncements, see Note 1 to the Consolidated Financial Statements included in Item 1 of Part I of 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 of Part I of our Annual Report on Form 10-K for the fiscal year ended August 28, 2021, and Item 1A of Part II of this Quarterly Report on Form 10-Q, 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:

- Uncertainty surrounding the COVID-19 pandemic.
- General economic uncertainty in key markets and a worsening of domestic and global economic conditions or low levels of economic growth.
- Availability of financing for RV and marine dealers.
- Ability to innovate and commercialize new products.
- Ability to manage our inventory to meet demand.
- Competition and new product introductions by competitors.
- Risk related to cyclicality and seasonality of our business.
- Significant increase in repurchase obligations.
- Business or production disruptions.
- Inadequate inventory and distribution channel management.
- Ability to retain relationships with our suppliers.
- Increased material and component costs, including availability and price of fuel and other raw materials.
- Ability to integrate mergers and acquisitions.
- Ability to attract and retain qualified personnel and changes in market compensation rates.
- Exposure to warranty claims.
- Ability to protect our information technology systems from data security, cyberattacks, and network disruption risks and the ability to successfully upgrade and evolve our information technology systems.
- Ability to retain brand reputation and related exposure to product liability claims.
- Governmental regulation, including for climate change.
- Impairment of goodwill.
- Risks related to our Convertible and Senior Secured Notes, including our ability to satisfy our obligations under these notes.

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

The assets we maintain to fund deferred compensation have market risk, but we maintain a corresponding liability for these assets. The market risk is therefore borne by the participants in the deferred compensation program.

Interest rate risk

As of May 28, 2022, we have no interest rate swaps outstanding and the Term Loan, that had been subject to variable interest rates, was repaid in the fourth quarter of Fiscal 2020 using the proceeds from the Senior Secured Notes. The ABL Credit Facility is our only floating rate debt instrument which remains undrawn as of May 28, 2022.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), 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 concluded that our disclosure controls and procedures were effective as of the Evaluation Date.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the third quarter of Fiscal 2022 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 to the Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Item 1A of Part I of our Annual Report on Form 10-K for the fiscal year ended August 28, 2021.

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 2022 are as follows:

Period	Total Number of Shares Purchased[1,2]	Average Price Paid per Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1,2]	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs[3]
02/27/22 - 04/02/22	137,258	$ 54.64	137,258	$ 142,500
04/03/22 - 04/30/22	572,940	54.54	572,940	111,250
05/01/22 - 05/28/22	557,931	56.01	557,931	80,000
Total	1,268,129	$ 55.20	1,268,129	$ 80,000

(1) Number of shares in the table are shown in whole numbers.
(2) 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.
(3) Pursuant to a $200.0 million share repurchase program authorized by our Board of Directors on October 13, 2021. There is no time restriction on the authorization.

Our Senior Secured Notes, as defined in Note 9 to the Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q, contains occurrence based 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 ABL Credit Facility.

Item 6. Exhibits

3.1	Articles of Incorporation of Winnebago Industries, Inc., effective January 1, 2022 (incorporated by reference from Exhibit 3.1 to the Registrant’s Current Report on Form 8-K dated January 1, 2022).
3.2	By-Laws of the Registrant effective January 1, 2022 (incorporated by reference from Exhibit 3.2 to the Registrant’s Current Report on Form 8-K dated January 1, 2022).
4.1	Indenture, dated November 1, 2019, by and between Winnebago Industries, Inc. and U.S. Bank National Association (incorporated by reference from Exhibit 4.1 to the Registrant’s Current Report on Form 8-K dated October 29, 2019).
4.2	Form of 1.50% Convertible Senior Note due 2025 (included in Exhibit 4.1).
4.3	Indenture, dated as of July 8, 2020, by and among Winnebago Industries, Inc., the guarantors named therein and U.S. Bank National Association, as trustee (incorporated by reference from Exhibit 4.1 to the Registrant’s Current Report on Form 8-K dated July 8, 2020)
4.4	Form of 6.250% Senior Secured Note due 2028 (included in Exhibit 4.3)
1.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
1.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
2.1	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 (furnished herewith).
2.2	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 (furnished herewith).
1.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document (furnished herewith).
.SCH	Inline XBRL Taxonomy Extension Schema Document (furnished herewith).
.CAL	Inline XBRL Taxonomy Calculation Linkbase Document (furnished herewith).
.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (furnished herewith).
1.LAB	Inline XBRL Taxonomy Label Linkbase Document (furnished herewith).
.PRE	Inline XBRL Taxonomy Presentation Linkbase Document (furnished herewith).
.04	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101) (furnished herewith).

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 22, 2022	By:	*/s/ Michael J. Happe*
			Michael J. Happe
			Chief Executive Officer, President (Principal Executive Officer)
Date:	June 22, 2022	By:	*/s/ Bryan L. Hughes*
			Bryan L. Hughes Chief Financial Officer and Senior Vice President (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 22, 2022

/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 22, 2022

/s/ Bryan L. Hughes
Bryan L. Hughes
Senior 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 28, 2022 (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 22, 2022

/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 28, 2022 (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 22, 2022

/s/ Bryan L. Hughes
Bryan L. Hughes
Senior Vice President, Chief Financial Officer