WINNEBAGO INDUSTRIES INC
Form 10-K
October 20, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended August 26, 2017; or
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from ____________________ to ________________________
Commission File Number 001 06403
WINNEBAGO INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

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

Registrant's telephone number, including area code: (641) 585 3535
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($.50 par value)	The New York Stock Exchange, Inc.
	Chicago Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x
Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web Site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K x.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer x Accelerated Filer o Non-accelerated filer o Smaller Reporting Company o Emerging Growth Company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x
Aggregate market value of the common stock held by non-affiliates of the registrant: $1,025,558,857 (30,705,355 shares at the closing price on the New York Stock Exchange of $33.40 on February 24, 2017).
Common stock outstanding on October 17, 2017: 31,634,517 shares.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the registrant's Proxy Statement relating to the registrant's December 2017 Annual Meeting of Shareholders, scheduled to be held December 12, 2017, are incorporated by reference into Part II and Part III of this Annual Report on Form 10-K where indicated.

Winnebago Industries, Inc.
2017 Form 10-K Annual Report
Table of Contents

Table of Contents

Glossary

The following terms and abbreviations appear in the text of this report and are defined as follows:

ABL	Credit Agreement dated as of November 8, 2016 among Winnebago Industries, Inc., Winnebago of Indiana, LLC, Grand Design RV, LLC, the other loan parties thereto and JPMorgan Chase Bank, N.A. as Administrative Agent
AOCI	Accumulated Other Comprehensive Income (Loss)
Amended Credit Agreement	Credit Agreement dated as of May 28, 2014 by and between Winnebago Industries, Inc. and Winnebago of Indiana, LLC, as Borrowers, and Wells Fargo Capital Finance, as Agent; terminated on November 8, 2016
ASC	Accounting Standards Codification
ASP	Average Sales Price
ASU	Accounting Standards Update
Blocker Corporation	SPGE VIII - B GD RV Blocker Corporation
COLI	Company Owned Life Insurance
Credit Agreement	Collective reference to the ABL and Term Loan
EPS	Earnings Per Share
ERP	Enterprise Resource Planning
FASB	Financial Accounting Standards Board
FIFO	First In, First Out
GAAP	Generally Accepted Accounting Principles
Grand Design	Grand Design RV, LLC
IRS	Internal Revenue Service
IT	Information Technology
JPMorgan	JPMorgan Chase Bank, N.A.
LIBOR	London Interbank Offered Rate
LIFO	Last In, First Out
LTIP	Long-Term Incentive Plan
Motorized	Business segment including motorhomes and other related manufactured products
MVA	Motor Vehicle Act
NMF	Non-Meaningful Figure
NOL	Net Operating Loss
NYSE	New York Stock Exchange
OCI	Other Comprehensive Income
Octavius	Octavius Corporation, a wholly-owned subsidiary of Winnebago Industries, Inc.
OSHA	Occupational Safety and Health Administration
ROE	Return on Equity
RV	Recreation Vehicle
RVIA	Recreation Vehicle Industry Association
SEC	U.S. Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SG&A	Selling, General and Administrative Expenses
SIR	Self-Insured Retention
Stat Surveys	Statistical Surveys, Inc.
Term Loan	Loan Agreement dated as of November 8, 2016 among Winnebago Industries, Inc., Octavius Corporation, the other loan parties thereto and JPMorgan Chase Bank, N.A. as Administrative Agent

Towable	Business segment including products which are not motorized and are towable by another vehicle
US	United States of America
XBRL	eXtensible Business Reporting Language
YTD	Year to Date

Table of Contents

WINNEBAGO INDUSTRIES, INC.
FORM 10 K
Report for the Fiscal Year Ended August 26, 2017
Forward-Looking Information
Certain of the matters discussed in this Annual Report on Form 10-K are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which involve risks and uncertainties. A number of factors could cause actual results to differ materially from these statements, including, but not limited to: increases in interest rates, availability of credit, low consumer confidence, availability of labor, significant increase in repurchase obligations, inadequate liquidity or capital resources, availability and price of fuel, a slowdown in the economy, increased material and component costs, availability of chassis and other key component parts, sales order cancellations, slower than anticipated sales of new or existing products, new product introductions by competitors, the effect of global tensions, integration of operations relating to mergers and acquisitions activities generally, business interruptions, any unexpected expenses related to ERP, risks relating to the integration of our acquisition of Grand Design including: risks inherent in the achievement of cost synergies and the timing thereof, risks related to the disruption of the transaction to Winnebago and Grand Design and its management, the effect of the transaction on Grand Design's ability to retain and hire key personnel and maintain relationships with customers, suppliers and other third parties, risk related to compliance with debt covenants and leverage ratios, and other factors which may be disclosed throughout this Annual Report on Form 10-K. Although we believe that the expectations reflected in the "forward-looking statements" are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Undue reliance should not be placed on these "forward-looking statements," which speak only as of the date of this report. We undertake no obligation to publicly update or revise any "forward-looking statements," whether as a result of new information, future events or otherwise, except as required by law or the rules of the NYSE. We advise you, however, to consult any further disclosures made on related subjects in future quarterly reports on Form 10-Q and current reports on Form 8-K that are filed or furnished with the SEC.

PART I

Item 1. Business

General
The "Company," "Winnebago Industries," "we," "our" and "us" are used interchangeably to refer to Winnebago Industries, Inc. and its wholly-owned subsidiaries, as appropriate in the context.
Winnebago Industries, Inc., headquartered in Forest City, Iowa, is a leading United States manufacturer of RVs used primarily in leisure travel and outdoor recreation activities.
We own or lease facilities in Middlebury, Indiana, where we manufacture travel trailers and fifth wheel RVs and Junction City, Oregon, where we manufacture motorhomes.
We were incorporated under the laws of the state of Iowa on February 12, 1958, and adopted our present name on February 28, 1961. Our executive offices are located at 605 West Crystal Lake Road in Forest City, Iowa. Our telephone number is (641) 585-3535.
Available Information
Our website, located at www.wgo.net, provides additional information about us. On our website, you can obtain, free of charge, this and prior year Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all of our other filings with the SEC. Our recent press releases are also available on our website. Our website also contains important information regarding our corporate governance practices. Information contained on our website is not incorporated into this Current Report on Form 8-K. You may also read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website that contains reports, proxy statements and other information that is filed electronically with

the SEC. The website can be accessed at www.sec.gov.

Principal Products

We have two reporting segments: (1) Motorized products and services and (2) Towable products and services. The Towable segment includes all products which are not motorized and are towable by another vehicle. The Motorized segment includes all products that include a motorized chassis as well as other related manufactured products. Net revenues by major product classes

1

Table of Contents

were as follows:

(In thousands)	Year Ended [1] August 26, 2017			August 27, 2016			August 29, 2015			August 30, 2014			August 31, 2013		
Motorized [2]	$861,922	55.7	%	$885,814	90.8	%	$904,821	92.7	%	$887,040	93.9	%	$748,482	93.2	%
Towable [3]	685,197	44.3	%	89,412	9.2	%	71,684	7.3	%	58,123	6.1	%	54,683	6.8	%
Total net revenues	$1,547,119	100.0	%	$975,226	100.0	%	$976,505	100.0	%	$945,163	100.0	%	$803,165	100.0	%

(1) The fiscal year ended August 31, 2013 contained 53 weeks; all other fiscal years contained 52 weeks.
(2) Includes motorhome units, parts and services and other related manufactured products.
(3) Includes towable units and parts.

Motorized products and services segment. A motorhome is a self-propelled mobile dwelling used primarily as temporary living quarters during vacation and camping trips, or to support some other active lifestyle. The RVIA classifies motorhomes into three types, all of which we manufacture and sell under the Winnebago brand name, which are defined as follows:

Type	Description	Winnebago products offerings
Class A	Conventional motorhomes constructed directly on medium- and heavy-duty truck chassis, which include the engine and drivetrain components. The living area and driver's compartment are designed and produced by the motorhome manufacturer.	Gas: Adventurer, Intent[1], Sightseer, Suncruiser, Sunova, Sunstar, Sunstar LX, Vista, Vista LX Diesel: Forza, Grand Tour, Horizon[1], Journey, Tour, Via
Class B (gas and diesel)	Panel-type vans to which sleeping, kitchen, and/or toilet facilities are added. These models may also have a top extension to provide more headroom.	Winnebago Touring Coach (Era, Paseo, Revel[1], Travato)
Class C (gas and diesel)	Motorhomes built on van-type chassis onto which the motorhome manufacturer constructs a living area with access to the driver's compartment.	Aspect, Cambria, Fuse, Minnie Winnie, Navion, Spirit, Trend, View

(1) New product offerings introduced in September 2017

Our Class A, B and C motorhomes are sold by dealers in the retail market with manufacturer's suggested retail prices ranging from approximately $80,000 to $520,000, depending on size and model, plus optional equipment and delivery charges. Our motorhomes range in length from 21 to 44 feet.

Unit sales of our motorhomes for the last five fiscal years were as follows:

Units	Year Ended [1][2] August 26, 2017			August 27, 2016			August 29, 2015			August 30, 2014			August 31, 2013		
Class A	3,182	34.4	%	2,925	31.4	%	3,442	37.8	%	4,466	51.0	%	3,761	55.1	%
Class B	1,541	16.6	%	1,239	13.3	%	991	10.9	%	751	8.6	%	372	5.5	%
Class C	4,537	49.0	%	5,143	55.3	%	4,664	51.3	%	3,538	40.4	%	2,688	39.4	%
Total motorhomes	9,260	100.0	%	9,307	100.0	%	9,097	100.0	%	8,755	100.0	%	6,821	100.0	%

(1) The fiscal year ended August 31, 2013 contained 53 weeks; all other fiscal years contained 52 weeks.
(2) Percentages may not add due to rounding differences.

Motorhome parts and service activities represent revenues generated by service work we perform for retail customers at our Forest City, Iowa and Junction City, Oregon facilities as well as revenues from sales of RV parts. Our competitive strategy is to provide proprietary manufactured parts through our dealer network, which we believe increases customer satisfaction and the value of our motorhomes.

As a result of our motorhome manufacturing capabilities, equipment and facilities, we have from time to time used incremental capacity to manufacture other products for outside customers. These other manufactured products included aluminum extrusion operations which we exited in Fiscal 2016. We exited the bus operation in Fiscal 2015. We also manufacture other specialty commercial vehicles which are motorhome shells, primarily custom designed for the buyer's specific needs and requirements, such as law enforcement command centers, mobile medical clinics and mobile office space. These specialty commercial vehicles are sold through our dealer network. In addition, we also provide commercial vehicles as bare shells to third-party upfitters for conversion at their facilities.

Towable products and services segment. A towable is a non-motorized vehicle that is designed to be towed by passenger automobiles, pickup trucks, SUVs or vans and is used as temporary living quarters for recreational travel. The RVIA classifies towables in four types: conventional travel trailers, fifth wheels, folding camper trailers and truck campers; we manufacture and sell

Table of Contents

conventional travel trailers and fifth wheels under the Winnebago and Grand Design brand names, which are defined as follows:

Type	Description	Winnebago product offerings	Grand Design product offerings
Travel trailer	Conventional travel trailers are towed by means of a hitch attached to the frame of the vehicle.	Micro Minnie, Minnie, Minnie Drop, Minnie Plus	Imagine, Reflection
Fifth wheel	Fifth wheel trailers are constructed with a raised forward section that is connected to the vehicle with a special fifth wheel hitch.	Minnie Plus	Momentum, Reflection, Solitude

Unit sales of our towables for the last five fiscal years were as follows:

Units	Year Ended [1][2] August 26, 2017		August 27, 2016		August 29, 2015		August 30, 2014		August 31, 2013	
Travel trailer	13,650	60.7 %	3,613	86.0 %	2,182	81.7 %	2,052	81.8 %	2,038	80.4 %
Fifth wheel	8,824	39.3 %	586	14.0 %	488	18.3 %	457	18.2 %	497	19.6 %
Total towables	22,474	100.0%	4,199	100.0%	2,670	100.0%	2,509	100.0%	2,535	100.0%

(1) The fiscal year ended August 31, 2013 contained 53 weeks; all other fiscal years contained 52 weeks.

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

On November 8, 2016, we closed on our acquisition of Grand Design, a fast-growing towables manufacturer in Middlebury, Indiana. Grand Design manufactures travel trailers and fifth wheel products. With this acquisition, we have a broader and more balanced portfolio of motorized and towable products and intend to capitalize on the opportunities across the RV market and to drive improved profitability and long-term value for shareholders.

Production

We generally produce motorhomes and towables to order from dealers. We have some ability to increase our capacity by scheduling overtime and/or hiring additional production employees or to decrease our capacity through the use of shortened work weeks and/or reducing head count. We have long been known as an industry leader in innovation as each year we introduce new or redesigned products. These changes generally include new floor plans and sizes as well as design and decor modifications.

Our motorhomes are primarily produced in the state of Iowa at four different campuses. Our Forest City facilities are vertically integrated and provide mechanized assembly line manufacturing for Class A and C motorhomes. We assemble Class B motorhomes in our Lake Mills facilities. Hardwood cabinet, countertop and compartment door products are manufactured at our Charles City campus. Our Waverly facility is used for wire harness fabrication. Beginning in 2016, we also began assembling Class A motorhomes in our Junction City, Oregon facility. Our motorhome bodies are made from various materials and structural components which are typically laminated into rigid, lightweight panels. Body designs are developed with computer aided design and manufacturing and subjected to a variety of tests and evaluations to meet our standards and requirements. We manufacture a number of components utilized in our motorhomes, with the principal exceptions being chassis, engines, generators and appliances that we purchase from reputable manufacturers.

Most of our raw materials such as steel, aluminum, fiberglass and wood products are obtainable from numerous sources. Certain parts, especially motorhome chassis, are available from a small group of suppliers. We are currently purchasing Class A and C chassis from Ford Motor Company, Mercedes-Benz USA (a Daimler company) and Mercedes-Benz Canada (a Daimler company) and Class A chassis from Freightliner Custom Chassis Corporation (a Daimler company). Class B chassis are purchased from Mercedes-Benz USA, Mercedes-Benz Canada, FCA US, LLC and FCA Canada, Inc.. Class C chassis are also purchased from FCA US, LLC and FCA Canada, Inc. In Fiscal 2017, we had two suppliers, a chassis manufacturer and a component manufacturer, that individually accounted for more than 10% of our raw material purchases.

Our towables are produced at two assembly plants located in Middlebury, Indiana. The majority of components are comprised of frames, appliances and furniture, and are purchased from suppliers.

Backlog

We strive to balance timely order fulfillment to customers with the lead times suppliers require to efficiently source materials and manage costs. Production facility constraints at peak periods also lead to fluctuations in backlogged orders which we manage closely. The approximate revenue of our motorhome backlog was $122.1 million and $107.6 million as of August 26, 2017 and August 27, 2016, respectively. The approximate revenue of our towable backlog was $229.7 million and $8.4 million as of August 26, 2017 and August 27, 2016, respectively. A more detailed description of our motorhome and towable order backlog is included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Table of Contents

Distribution and Financing

We market our RVs on a wholesale basis to a diversified independent dealer network located throughout the US and, to a limited extent, in Canada. Foreign sales, including Canada, were 7% or less of net revenues during each of the past three fiscal years. See Note 3 to our Financial Statements of this Annual Report on Form 10-K.

As of August 26, 2017, our RV dealer network in the US and Canada included approximately 500 motorized and towable physical dealer locations, many of which carry both products. One of our dealer organizations, La Mesa RV Center, Inc., accounted for 10.0% of our consolidated net revenue for Fiscal 2017, as this dealer sold our products in 10 dealership locations across 4 US states.

We have sales and service agreements with dealers which are subject to annual review. Many of the dealers are also engaged in other areas of business, including the sale of automobiles, trailers or boats, and many dealers carry one or more competitive lines of RVs. We continue to place high emphasis on the capability of our dealers to provide complete service for our RVs. Dealers are obligated to provide full service for owners of our RVs or, in lieu thereof, to secure such service from other authorized providers.

We advertise and promote our products through national RV magazines, the distribution of product brochures, the Go RVing national advertising campaign sponsored by RVIA, direct-mail advertising campaigns, various national promotional opportunities and on a local basis through trade shows, television, radio and newspapers, primarily in connection with area dealers.

RV sales to dealers are made on cash terms. 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 merchandise purchased. As is customary in the RV industry, we typically enter into a repurchase agreement with a lending institution financing a dealer's purchase of our product upon the lending institution's request and after completion of a credit check of the dealer involved. Our repurchase agreements provide that for up to 18 months after a unit is financed, in the event of default by the dealer on the agreement to pay the lending institution and repossession of the unit(s) by the lending institution, we will repurchase the financed merchandise from the lender at the amount then due, which is often less than dealer invoice. Our maximum exposure for repurchases varies significantly from time to time, depending upon the level of dealer inventory, general economic conditions, demand for RVs, dealer location and access to and the cost of financing. See Note 10.

Competition

The RV market is highly competitive with many other manufacturers selling products which compete directly with our products. Some of our competitors are much larger than us, most notably in the towable RV market, which may provide these competitors additional purchasing power. The competition in the RV industry is based upon design, price, quality and service of the products. We believe our principal competitive advantages are our brand strength, product quality and our service after the sale. We also believe that our motorhome products have historically commanded a price premium as a result of these competitive advantages.

Seasonality

The primary use of RVs for leisure travel and outdoor recreation has historically led to a peak retail selling season concentrated in the spring and summer months and lower sales during winter months. Our sales of RVs are generally influenced by this pattern in retail sales, but sales can also be affected by the level of dealer inventory. As a result, RV sales are historically lowest during our second fiscal quarter, which ends in February.

Governmental Regulations

We are subject to a variety of federal, state and local laws and regulations, including the federal MVA, under which the National Highway Traffic Safety Administration may require manufacturers to recall RVs that contain safety-related defects, and numerous state consumer protection laws and regulations relating to the operation of motor vehicles, including so-called "Lemon Laws." We are also subject to regulations established by OSHA. Our facilities are periodically inspected by federal and state agencies, such as OSHA. We are a member of RVIA, a voluntary

association of RV manufacturers which promulgates RV safety standards. We place an RVIA seal on each of our RVs to certify that the RVIA standards have been met. We believe that our products and facilities comply in all material respects with the applicable vehicle safety, consumer protection, RVIA and OSHA regulations and standards.
Our operations are subject to a variety of federal and state environmental laws and regulations relating to the use, generation, storage, treatment, emission, labeling, and disposal of hazardous materials and wastes and noise pollution. We believe that we are currently in compliance with applicable environmental laws and regulations in all material aspects.
Trademarks
We have several domestic and foreign trademark registrations associated with our motorhome and towable products which include: Winnebago, Aspect, Brave, Cambria, Chalet, Destination, Ellipse, Era, Forza, Fuse, Glide & Dine, Grand Design, Horizon, Imagine, Inlounge, Instinct, Intable, Intent, Itasca, Journey, Meridian, Micro Minnie, Minnie, Minnie Winnie, Momentum, Reflection, Revel, Sightseer, Solei, Solitude, Spirit, Spyder, Suncruiser, Sunova, Sunstar, Travato, Trend, Tribute, View, Vista, Viva!, Voyage, W, Flying W (logo), WIT Club, Winnebago Ind (logo), Winnebago Towables (logo) and Winnebago Touring Coach. We believe that

Table of Contents

our trademarks and trade names are significant assets to our business and we have in the past and will in the future vigorously protect them against infringement by third parties. We are not dependent upon any patents or technology licenses of others for the conduct of our business.

Human Resources

At the end of Fiscal 2017, 2016 and 2015, we employed approximately 4,060, 3,050 and 2,900 persons, respectively. None of our employees are covered under a collective bargaining agreement. We believe our relations with our employees are good.

Executive Officers of the Registrant

Name	Office (Year First Elected an Officer)	Age
Michael J. Happe	President and Chief Executive Officer (2016)	46
Ashis N. Bhattacharya	Vice President, Strategic Planning and Development (2016)	54
Donald J. Clark	CEO and President, Grand Design RV; Vice President, Winnebago Industries (2016)	57
S. Scott Degnan	Vice President and General Manager, Towables Business (2012)	52
Scott C. Folkers	Vice President, General Counsel & Secretary (2012)	55
Brian D. Hazelton	Vice President and General Manager, Motorhome Business (2016)	52
Bryan L. Hughes	Vice President, Chief Financial Officer (2017)	48
Jeff D. Kubacki	Vice President, Information Technology, Chief Information Officer (2016)	59
Christopher D. West	Vice President, Operations (2016)	45
Bret A. Woodson	Vice President, Administration (2015)	47

Officers are elected annually by the Board of Directors. There are no family relationships between or among any of the Corporate Officers or Directors of the Company.

Mr. Happe joined Winnebago Industries in January 2016 as President and Chief Executive Officer (CEO). Prior to joining Winnebago, he had been employed by Toro Company from 1997 to 2016. He served as Executive Officer and Group Vice President of Toro's Residential and Contractor businesses from March 2012 to December 2015. From August 2010 to March 2012 he served as Vice President, Residential and Landscape Contractor Businesses. Prior to that he held a series of senior leadership positions throughout his career across a variety of Toro's domestic and international divisions.

Mr. Bhattacharya joined Winnebago Industries in May 2016 as Vice President of Strategic Planning and Development. Prior to joining Winnebago, Mr. Bhattacharya served at Honeywell as Vice President, Strategy, Alliances & Internet of Things (IoT) for the Sensing and Productivity Solutions division from 2010 to 2016. Prior to that, he was employed with Moog, Motorola, and Bain & Company in a variety of roles.

Mr. Clark, President and CEO of Grand Design RV, became an officer of Winnebago Industries in November 2016 in accordance with terms of the Grand Design acquisition. He co-founded Grand Design RV, LLC in 2012 and built the team at Grand Design RV. Mr. Clark has over 30 years of successful RV industry experience.

Mr. Degnan joined Winnebago Industries in May 2012 as Vice President of Sales and Product Management. He became Vice President and General Manager, Towables Business in 2016. Prior to joining Winnebago, Mr. Degnan served as Vice President of Sales for Riverside, California's MVP RV from 2010 to 2012. He also previously served in management and sales positions with Coachmen RV from 2008 to 2010, with National RV from 2007 to 2008, and Fleetwood Enterprises from 1987 to 2007.

Mr. Folkers joined Winnebago Industries in August 2010 as assistant general counsel. He was elected to the position of Vice President, General Counsel and Secretary in June 2012. Prior to joining Winnebago, Mr. Folkers was employed as in-house counsel for John Morrell & Co., in Sioux Falls, SD from 1998 to 2010. Mr. Folkers is a member of the Iowa Bar Association.

Mr. Hazelton joined Winnebago Industries in August 2016 as Vice President and General Manager, Motorhome Business. He previously was CEO of Schwing America, Inc. from 2009 to 2016. Schwing declared Chapter 11 bankruptcy in 2009 emerging in 2010 with a reorganization plan. Prior to his employment with Schwing, he worked for Terex Corporation and Detroit Diesel Corporation in various executive roles.

Mr. Hughes joined Winnebago Industries in April 2017 and was appointed Vice President and Chief Financial Officer of the Company in May 2017. Mr. Hughes joined Winnebago Industries from Ecolab, Inc. (NYSE: ECL) in St. Paul, Minnesota, where he served as Senior Vice President and Corporate Controller from 2014 to 2017, as Vice President of Finance from 2008 to 2014 and in various management positions from 1996 to 2008. Prior to his employment with Ecolab, he worked for Ernst & Young, a public accounting firm.

Mr. Kubacki joined Winnebago Industries in November 2016 as Vice President, Information Technology, Chief Information Officer. He previously was Vice President and Chief Information Officer at Westinghouse Electric Company, a global provider of nuclear power plant products and services. Prior to his employment with Westinghouse, he worked as Chief Information Officer at Alliant

Table of Contents

Techsystems, a defense, aerospace, sporting goods and retail markets company and Kroll, a global risk consulting firm. Kubacki has also held various IT roles with Ecolab.

Mr. West joined Winnebago Industries in September 2016 as Vice President, Operations. He previously was Vice President of Global Supply Chain for Joy Global, a worldwide equipment manufacturer, from 2014 to 2016, and Operations Director from 2012 to 2014. Other positions Mr. West has held include Director of Manufacturing for AGCO Corporation, an agricultural equipment manufacturer, from 2008 to 2012 and Director of Operations and other management positions for the Nordam Group, a manufacturer of aircraft interiors, from 1999 to 2009.

Mr. Woodson joined Winnebago Industries in January 2015 as Vice President, Administration. Prior to joining Winnebago, Mr. Woodson was Vice President of Human Resources at Corbion from 2007 to 2014 and Director, Human Resources at Sara Lee from 1999 to 2007 and has over 24 years of business and human resources experience.

Item 1A. Risk Factors

The following risk factors should be considered carefully in addition to the other information contained in this Annual Report on Form 10-K. The risks and uncertainties described below are not the only ones we face, but represent the most significant risk factors that we believe may adversely affect the RV industry and our business, operations or financial position. The risks and uncertainties discussed in this report are not exclusive and other risk factors that we may consider immaterial or do not anticipate may emerge as significant risks and uncertainties.

Competition

The market for RVs is very competitive. Competitive factors in this industry include price, design, value, quality, service, brand awareness and reputation. There can be no assurance that existing or new competitors will not develop products that are superior to our RVs or that achieve better consumer acceptance, thereby adversely affecting our market share, sales volume and profit margins. Some of our competitors are much larger than we are, most notably in the towable RV market, and this size advantage provides these competitors with more financial resources and access to capital, additional purchasing power and more interest from dealers. In addition, competition could increase if new companies enter the market, existing competitors consolidate their operations or if existing competitors expand their product lines or intensify efforts within existing product lines. Our current products, products under development, and our ability to develop new and improved products may be insufficient to enable us to compete effectively with our competitors. These competitive pressures may have a material adverse effect on our results of operations.

Hiring Constraints and Retaining Key Employees

Our ability to meet our strategic objectives and otherwise grow our business will depend to a significant extent on the continued contributions of our leadership team. Our future success will also depend in large part on our ability to identify, attract, and retain other highly qualified managerial, technical, sales and marketing, operations, and customer service personnel. Our main motorhome operation is located in a largely rural area of northern Iowa. Competition for these individuals is intense and supply is limited. We may not succeed in identifying, attracting, or retaining qualified personnel on a cost-effective basis. The loss or interruption of services of any of our key personnel, inability to identify, attract, or retain qualified personnel in the future, delays in hiring qualified personnel, or any employee work slowdowns, strikes, or similar actions could make it difficult for us to conduct and manage our business and meet key objectives, which could harm our business, financial condition, and operating results.

Production Disruptions

We currently manufacture most of our products in northern Iowa and northern Indiana. These facilities may be affected by natural or man-made disasters and other external events. In the event that one of our manufacturing facilities was affected by a disaster or other event, we could be forced to shift production to one of our other manufacturing facilities or to cease operations. Although we maintain insurance for damage to our property and disruption of our business from casualties, such insurance may not be sufficient to cover all of our potential losses. Any disruption in our manufacturing capacity could have an adverse impact on our ability to produce sufficient inventory of our products or may require us to incur additional expenses in order to produce sufficient inventory, and therefore, may adversely affect our net sales and operating results. Any disruption or delay at our manufacturing facilities could impair our ability to meet the demands of our customers, and our customers may cancel orders or purchase products from our competitors, which could adversely affect our business and operating results.

The terms of our Credit Agreement could adversely affect our operating flexibility and pose risks of default under our Credit Agreement

We incurred substantial indebtedness to finance the acquisition of Grand Design. We entered into new asset-based revolving credit (ABL) and term loan (Term Loan) agreements (collectively, the Credit Agreement) with JPMorgan Chase. Under the terms of the Credit Agreement, we have a $125.0 million ABL credit facility, which includes a $10.0 million letter of credit facility, and a $300.0 million term loan.

The Credit Agreement is secured by certain assets, primarily cash, inventory, accounts receivable and certain machinery and equipment. The Credit Agreement contains certain requirements, including affirmative and negative financial covenants. If we are unable to comply with these requirements and covenants, we may be restricted in our ability to pay dividends or engage in certain other business transactions, the lender may obtain control of our cash accounts, and we may experience an event of default. If a default occurs, the lenders under the Credit Agreement may elect to declare all of their respective outstanding debt, together with accrued interest and other amounts payable thereunder, to be immediately due and payable. Under such circumstances, we may

Table of Contents

not have sufficient funds or other resources to satisfy all of our obligations. In addition, the limitations imposed on our ability to incur additional debt and to take other corporate actions might significantly impair our ability to obtain other financing.

Borrowing availability under the credit agreement is limited to the lesser of the facility total and the calculated borrowing base, which is based on stipulated loan percentages applied to our eligible trade accounts receivable and eligible inventories plus a defined amount related to certain machinery and equipment. Should the borrowing base decline, our ability to borrow to fund future operations and business transactions could be limited. In addition, the Credit Agreement contains certain restrictions on our ability to undertake certain types of transactions. Therefore, we may need to seek permission from our lenders in order to engage in certain corporate actions. Through the Credit Agreement, we were required to enter into a hedging arrangement that fixed certain interest rates as defined in the Credit Agreement. To satisfy this requirement, an interest rate Swap Contract was entered into during the second quarter of Fiscal 2017. The results of the Swap Contract could create quarterly fluctuations in operating results.

In addition, the additional indebtedness could:

- Make us more vulnerable to general adverse economic, regulatory and industry conditions;
- Limit our flexibility in planning for, or reacting to, changes and opportunities in the markets in which we compete;
- Place us at a competitive disadvantage compared to our competitors that have less debt or could require us to dedicate a substantial portion of our cash flow to service our debt; and
- Restrict us from making strategic acquisitions or exploiting other business opportunities.

The Company’s Stock Price is Subject to Volatility

Our stock price may fluctuate based on many factors. Our acquisition of Grand Design, for example, provided important strategic positioning and earnings growth potential, but to partially finance the transaction we issued $124.0 million worth of common stock to the owners of Grand Design and registered these shares for resale after the transaction closed. Any future stock issuance by us or liquidation of stock holding by the former owners of Grand Design may cause dilution of earnings per share or put selling pressure on our share price. Changing credit agreements and leverage ratios may also impact stock price. In general, analysts' expectations and our ability to meet those expectations quarterly may cause stock price fluctuations. If we fail to meet expectations related to future growth, profitability, debt repayment, dividends, share issuance or repurchase or other market expectations our stock price may decline significantly.

Facility Expansion and Diversification

We are expanding our production capabilities at our sites in Middlebury, Indiana and Junction City, Oregon. The expansion and renovation entails risks that could cause disruption in the operations of our business and unanticipated cost increases. Should we experience production variances, quality or safety issues as we ramp up these operations our business and operating results could be adversely affected.

Adverse Effects of Union Activities

Although none of our employees are currently represented by a labor union, unionization could result in higher employee costs and increased risk of work stoppages. We are, directly or indirectly, dependent upon companies with unionized work forces, such as parts suppliers and trucking and freight companies, and work stoppages or strikes organized by such unions could have a material adverse impact on our business, financial condition or operating results. If a work stoppage occurs, it could delay the manufacture and sale of our recreational vehicles and have a material adverse effect on our business, prospects, operating results or financial condition.

General Economic Conditions and Certain Other External Factors

Companies within the RV industry are subject to volatility in operating results due primarily to general economic conditions because the purchase of an RV is often viewed as a consumer discretionary purchase. Demand for discretionary goods in general can fluctuate with recessionary conditions; slow or negative economic growth rates; negative consumer confidence; reduced consumer spending levels resulting from tax increases or other factors;

prolonged high unemployment rates; higher commodity and component costs; fuel prices; inflationary or deflationary pressures; reduced credit availability or unfavorable credit terms for dealers and end-user customers; higher short-term interest rates; and general economic and political conditions and expectations. Specific factors affecting the RV industry include:

- overall consumer confidence and the level of discretionary consumer spending;
- employment trends;
- the adverse impact of global tensions on consumer spending and travel-related activities; and
- the adverse impact on margins due to increases in raw material costs which we are unable to pass on to customers without negatively affecting sales.

Dependence on Credit Availability and Interest Rates to Dealers and Retail Purchasers

Our business is affected by the availability and terms of the financing to dealers. Generally, RV dealers finance their purchases of inventory with financing provided by lending institutions. Three financial flooring institutions held 61% of our total financed dealer inventory dollars that were outstanding at August 26, 2017. In the event that any of these lending institutions limit or discontinue dealer financing, we could experience a material adverse effect on our results of operations.

7

Table of Contents

Our business is also affected by the availability and terms of financing to retail purchasers. Retail buyers purchasing a motorhome or towable may elect to finance their purchase through the dealership or a financial institution of their choice. Substantial increases in interest rates or decreases in the general availability of credit for our dealers or for the retail purchaser may have an adverse impact upon our business and results of operations.

Cyclicality and Seasonality

The RV industry has been characterized by cycles of growth and contraction in consumer demand, reflecting prevailing economic and demographic conditions, which affect disposable income for leisure-time activities. Consequently, the results for any prior period may not be indicative of results for any future period.

Seasonal factors, over which we have no control, also have an effect on the demand for our products. Demand in the RV industry generally declines over the winter season, while sales are generally highest during the spring and summer months. Also, unusually severe weather conditions in some markets may impact demand.

Managing Growth Opportunities

One of our growth strategies is to drive growth through targeted acquisitions and alliances, stronger customer relations, and new joint ventures and partnerships that add value while supplementing our existing brands and product portfolio. Our ability to grow through acquisitions will depend, in part, on the availability of suitable candidates at acceptable prices, terms, and conditions, our ability to compete effectively for acquisition candidates, and the availability of capital and personnel to complete such acquisitions and run the acquired business effectively. Any acquisition, alliance, joint venture, or partnership could impair our business, financial condition, reputation, and operating results. The benefits of an acquisition or new alliance, joint venture, or partnership may take more time than expected to develop or integrate into our operations, and we cannot guarantee that previous or future acquisitions, alliances, joint ventures, or partnerships will, in fact, produce any benefits. Such acquisitions, alliances, joint ventures, and partnerships may involve a number of risks, including:

- diversion of management's attention;
- disruption to our existing operations and plans;
- inability to effectively manage our expanded operations;
- difficulties or delays in integrating and assimilating information and financial systems, operations, and products of an acquired business or other business venture or in realizing projected efficiencies, growth prospects, cost savings, and synergies;
- inability to successfully integrate or develop a distribution channel for acquired product lines;
- potential loss of key employees, customers, distributors, or dealers of the acquired businesses or adverse effects on existing business relationships with suppliers, customers, distributors, and dealers;
- adverse impact on overall profitability if our expanded operations do not achieve the financial results projected in our valuation model;
- inaccurate assessment of additional post-acquisition or business venture investments, undisclosed, contingent or other liabilities or problems, unanticipated costs associated with an acquisition or other business venture, and an inability to recover or manage such liabilities and costs; and
- incorrect estimates made in the accounting for acquisitions, incurrence of non-recurring charges, and write-off of significant amounts of goodwill or other assets that could adversely affect our operating results.

Credit Arrangements and Growth Opportunities

In order to achieve our growth strategies, we continually review our credit arrangements and our desired level of leverage. Access to capital will allow us to finance targeted acquisitions as well as fund the working capital requirements of organic growth.

If we cannot negotiate favorable agreements and comply with related covenants, restrictive provisions may limit our ability to conduct our business, take advantage of business opportunities, and respond to changing business, market, and economic conditions. We must generate sufficient cash to pay our debt service and support our business in an industry that is cyclical. In addition, we may be placed at a competitive disadvantage relative to other companies that may be subject to fewer, if any, restrictions that otherwise adversely affect our business. Transactions that we may view as important opportunities, such as significant acquisitions, may be subject to the consent of the lenders under future credit arrangements. Those consents may be withheld or granted subject to conditions specified that may affect the attractiveness or viability of the transaction.

Demand Forecasting and Inventory Management

Our ability to manage our inventory levels to meet our customer's demand for our products is important for our business. For example, certain dealers are focused on the rental market which spikes over the summer vacation period while other dealers are focused on direct sales to the consumer at various price points. Our production levels and inventory management are based on demand estimates six to twelve months forward taking into account supply lead times, production capacity, timing of shipments, and dealer inventory levels. If we overestimate or underestimate demand for any of our products during a given season, we may not maintain appropriate inventory levels, which could negatively impact our net sales or working capital, hinder our ability to meet customer demand, or cause us to incur excess and obsolete inventory charges.

Distribution Channel Management

We sell many of our products through distribution channels and are subject to risks relating to their inventory management decisions and operational and sourcing practices. Our distribution channel customers carry inventories of our products as part of their ongoing operations and adjust those inventories based on their assessments of future needs. Such adjustments may impact our inventory management and working capital goals as well as operating results. If the inventory levels of our distribution channel customers are higher than they desire, they may postpone product purchases from us, which could cause our sales to be lower than the end-user demand for our products and negatively impact our inventory management and working capital goals as well as our operating results.

Responsiveness to Market Changes

One of our growth strategies is to develop innovative, customer-valued products to generate revenue growth. We may not be able to compete as effectively with our competitors, and ultimately satisfy the needs and preferences of our customers, unless we can continue to enhance existing products and develop new innovative products for the markets in which we compete. Product development requires significant financial, technological, and other resources. Product improvements and new product introductions also require significant research, planning, design, development, engineering, and testing at the technological, product, and manufacturing process levels and we may not be able to timely develop and introduce product improvements or new products. Our competitors' new products may beat our products to market, be higher quality or more reliable, be more effective with more features and/or less expensive than our products, obtain better market acceptance, or render our products obsolete. Any new products that we develop may not receive market acceptance or otherwise generate any meaningful net sales or profits for us relative to our expectations based on, among other things, existing and anticipated investments in manufacturing capacity and commitments to fund advertising, marketing, promotional programs, and research and development.

Potential Loss of a Large Dealer Organization

One of our dealer organizations accounted for 10.0% of our net revenue for Fiscal 2017. A second dealer organization, accounted for 9.9% of our net revenue for Fiscal 2017. The loss of either or both of these dealer organizations could have a significant adverse effect on our business. In addition, deterioration in the liquidity or creditworthiness of either or both of these dealers could negatively impact our sales and could trigger repurchase obligations under our repurchase agreements.

Potential Repurchase Liabilities

In accordance with customary practice in the RV industry, upon request we enter into formal repurchase agreements with lending institutions financing a dealer's purchase of our products. In these repurchase agreements we agree, in the event of a default by an independent dealer in its obligation to a lender and repossession of the unit(s) by the lending institution, to repurchase units at declining prices over the term of the agreements, which can last up to 18 months. The difference between the gross repurchase price and the price at which the repurchased product can then be resold, which is typically at a discount to the gross repurchase price, represents a potential expense to us. In certain instances, we also repurchase inventory from our dealers due to state law or regulatory requirements that govern voluntary or involuntary terminations. If we are obligated to repurchase a substantially larger number of RVs in the future than we estimate, this would increase our costs and could have a material adverse effect on our results of operations, financial condition, and cash flows.

Fuel Availability and Price Volatility

Gasoline or diesel fuel is required for the operation of motorized RVs. There can be no assurance that the supply of these petroleum products will continue uninterrupted or that the price or tax on these petroleum products will not significantly increase in the future. RVs, however, are not generally purchased for fuel efficiency. Fuel shortages and substantial increases in fuel prices have had a material adverse effect on the RV industry as a whole in the past and could have a material adverse effect on us in the future.

Dependence on Suppliers

Most of our RV components are readily available from numerous sources. However, a few of our components are produced by a small group of suppliers. In the case of motorhome chassis, Ford Motor Company, Freightliner Custom Chassis Corporation, Mercedes-Benz (USA and Canada) and FCA (US and Canada) are our major suppliers. Our relationship with our chassis suppliers is similar to our other supplier relationships in that no special contractual commitments are engaged in by either party. This means that we do not have minimum purchase requirements and our chassis suppliers do not have minimum supply requirements. Our chassis suppliers also supply to our competitors. Historically, chassis suppliers resort to an industry-wide allocation system during periods when supply is restricted.

These allocations have been based on the volume of chassis previously purchased which could mean our larger competitors could receive more chassis in a time of scarcity. Sales of motorhomes rely on chassis supply and are affected by shortages from time to time. Decisions by our suppliers to decrease production, production delays, or work stoppages by the employees of such suppliers, or price increases could have a material adverse effect on our ability to produce motorhomes and ultimately, on our results of operations, financial condition and cash flows. In Fiscal 2017, we had two suppliers, a chassis manufacturer and a component manufacturer, that individually accounted for more than 10% of our raw material purchases.
Raw Material Costs
We purchase raw materials such as steel, aluminum, and other commodities, and components, such as chassis, refrigerators, and televisions, for use in our products. In addition, we are a purchaser of components and parts containing various commodities, including steel, aluminum, copper, lead, rubber, and others that are integrated into our end products. To the extent that commodity prices increase and we do not have firm pricing from our suppliers, or our suppliers are not able to honor such prices, increases in the cost of such raw materials and components and parts may adversely affect our profit margins if we are unable to pass along to our customers these cost increases in the form of price increases or otherwise reduce our cost of goods sold. In addition, increases in other costs of doing business may also adversely affect our profit margins and businesses. For example, an increase in fuel costs may result in an increase in our transportation costs, which also could adversely affect our operating results and businesses. Historically, we have mitigated cost increases, in part, by collaborating with suppliers, reviewing alternative sourcing

options, substituting materials, engaging in internal cost reduction efforts, and increasing prices on some of our products, all as appropriate. However, we may not be able to fully offset such increased costs in the future. Further, if our price increases are not accepted by our customers and the market, our net sales, profit margins, earnings, and market share could be adversely affected.

Warranty Claims

We receive warranty claims from our dealers in the ordinary course of our business. Although we maintain reserves for such claims, which to date have been adequate, there can be no assurance that warranty expense levels will remain at current levels or that such reserves will continue to be adequate. A significant increase in warranty claims exceeding our current warranty expense levels could have a material adverse effect on our results of operations, financial condition and cash flows.

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

Protection of our Brand

We believe that one of the strengths of our business is our brand which is widely known around the world. We vigorously defend our brand and our other intellectual property rights against third parties on a global basis. We have, from time to time, had to bring claims against third parties to protect or prevent unauthorized use of our brand. If we are unable to protect and defend our brand or other intellectual property, it could have a material adverse effect on our results or financial condition.

Product Liability

We are subject, in the ordinary course of business, to litigation including a variety of warranty, "Lemon Law" and product liability claims typical in the RV industry. Although we have an insurance policy with a $50.0 million limit covering product liability, we are self-insured for the first $2.5 million of product liability claims on a per occurrence basis, with a $6.0 million aggregate per policy year. We cannot be certain that our insurance coverage will be sufficient to cover all future claims against us, which may have a material adverse effect on our results of operations and financial condition. Any increase in the frequency and size of these claims, as compared to our experience in prior years, may cause the premium that we are required to pay for insurance to rise significantly. Product liability claims may also cause us to pay punitive damages, not all of which are covered by our insurance. In addition, if product liability claims rise to a level of frequency or size that are significantly higher than similar claims made against our competitors, our reputation and business may be harmed.

Information Systems and Web Applications

We rely on our information systems and web applications to support our business operations, including but not limited to procurement, supply chain, manufacturing, distribution, warranty administration, invoicing and collection of payments. We use information systems to report and audit our operational results. Additionally, we rely upon information systems in our sales, marketing, human resources and communication efforts. Due to our reliance on our information systems, our business processes may be negatively impacted in the event of substantial disruption of service. Further, misuse, leakage or falsification of information could result in a violation of privacy laws and damage our reputation which could, in turn, have a negative impact on our results.

In addition to our general reliance on information systems, we began implementation of a new ERP system at the end of fiscal year 2015. Though we perform planning and testing to reduce risks associated with such a complex, enterprise-wide systems change, failure to meet requirements of the business could disrupt our business and harm our reputation, which may result in decreased sales, increased overhead costs, excess or obsolete inventory, and product shortages, causing our business, reputation, financial condition, and operating results to suffer.

Data Security

We have security systems in place with the intent of maintaining the physical security of our facilities and protecting our customers', clients' and suppliers' confidential information and information related to identifiable individuals against unauthorized access through our information systems or by other electronic transmission or through the misdirection, theft or loss of physical media. These include, for example, the appropriate encryption of information.

Despite such efforts, we are subject to breach of security systems which may result in unauthorized access to our facilities or the information we are trying to protect. Because the technologies used to obtain unauthorized access are constantly changing and becoming increasingly more sophisticated and often are not recognized until launched against a target, we may be unable to anticipate these techniques or implement sufficient preventative measures. If unauthorized parties gain physical access to one of our facilities or electronic access to our information systems or such information is misdirected, lost or stolen during transmission or transport, any theft or misuse of such information could result in, among other things, unfavorable publicity, governmental inquiry and oversight, difficulty in marketing our services, allegations by our customers and clients that we have not performed our contractual obligations, litigation by affected parties and possible financial obligations for damages related to the theft or misuse of such information, any of which could have a material adverse effect on our business.

Government Regulation

We are subject to numerous federal, state and local regulations and the following summarizes some, but not all, of the laws and regulations that apply to us.

Federal Motor Vehicle Safety Standards govern the design, manufacture and sale of our products, which standards are promulgated by the National Highway Safety Administration (NHTSA). NHTSA requires manufacturers to recall and repair vehicles

Table of Contents

which are non-compliant with a Federal Motor Vehicle Safety Standard or contain safety defects. Any major recalls of our vehicles, voluntary or involuntary, could have a material adverse effect on our results of operations, financial condition and cash flows. While we believe we are substantially in compliance with the foregoing laws and regulations as they currently exist, amendments to any of these regulations or the implementation of new regulations could significantly increase the cost of testing, manufacturing, purchasing, operating or selling our products and could have a material adverse effect on our results of operations, financial condition, and cash flows. In addition, our failure to comply with present or future regulations could result in Federal fines being imposed on us, potential civil and criminal liability, suspension of sales or production or cessation of operations

We are also subject to federal and numerous state consumer protection and unfair trade practice laws and regulations relating to the sale, transportation and marketing of motor vehicles, including so-called "Lemon Laws." Federal and state laws and regulations also impose upon vehicle operators various restrictions on the weight, length and width of motor vehicles, including motorhomes that may be operated in certain jurisdictions or on certain roadways. Certain jurisdictions also prohibit the sale of vehicles exceeding length restrictions.

Failure to comply with NYSE and SEC laws or regulations could also have an adverse impact on our business. Additionally, amendments to these regulations and the implementation of new regulations could increase the cost of manufacturing, purchasing, operating or selling our products and therefore could have an adverse impact on our business.

The SEC adopted rules pursuant to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act setting forth new disclosure requirements concerning the use or potential use of certain minerals, deemed conflict minerals (tantalum, tin, gold and tungsten), that are mined from the Democratic Republic of Congo and adjoining countries. These requirements necessitate due diligence efforts on our part to assess whether such minerals are used in our products in order to make the relevant required disclosures that began in May 2014. We incurred costs and diverted internal resource to comply with these new disclosure requirements, including for diligence to determine the sources of those minerals that may be used or necessary to the production of our products. Compliance costs may increase in future periods. We may face reputational challenges that could impact future sales if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products.

Finally, federal and state authorities also have various environmental control standards relating to air, water, noise pollution and hazardous waste generation and disposal which affect us and our operations. Failure by us to comply with present or future laws and regulations could result in fines being imposed on us, potential civil and criminal liability, suspension of production or operations, alterations to the manufacturing process, or costly cleanup or capital expenditures, any or all of which could have a material adverse effect on our results of operations.

Climate Change and Related Regulation

There is growing concern from members of the scientific community and the general public that an increase in global average temperatures due to emissions of greenhouse gases ("GHG") and other human activities have or will cause significant changes in weather patterns and increase the frequency and severity of natural disasters. We are currently subject to rules limiting emissions and other climate related rules and regulations in certain jurisdictions where we operate. In addition, we may become subject to additional legislation and regulation regarding climate change, and compliance with any new rules could be difficult and costly. Concerned parties, such as legislators, regulators, and non-governmental organizations, are considering ways to reduce GHG emissions. Foreign, federal, state, and local regulatory and legislative bodies have proposed various legislative and regulatory measures relating to climate change, regulating GHG emissions, and energy policies. If such legislation is enacted, we could incur increased energy, environmental, and other costs and capital expenditures to comply with the limitations. Climate change regulation combined with public sentiment could result in reduced demand for our products, higher fuel prices, carbon taxes, all of which could materially adversely affect our business. Due to uncertainty in the regulatory and legislative processes, as well as the scope of such requirements and initiatives, we cannot currently determine the effect such legislation and regulation may have on our products and operations.

Anti-takeover Effect

Provisions of our articles of incorporation, by-laws, the Iowa Business Corporation Act and provisions in our credit facilities and certain of our compensation programs that we may enter into from time to time could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial by our shareholders. As part of our acquisition of Grand Design, we issued $124 million of common stock to the owners of Grand Design. As part of the transaction, the owners have agreed to standstill covenants that prohibit these parties from taking certain hostile actions against us for up to one year from the closing of the transaction. The combination of these provisions effectively inhibits a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our principal manufacturing, maintenance and service operations are conducted in multi-building complexes owned or leased by us. The following sets forth our material facilities as of August 26, 2017:

Location	Facility Type/Use	Segment	# of Buildings	Owned or Leased	Square Footage
Forest City, IA	Manufacturing, maintenance, service and office	Motorized	32	Owned	1,546,000
Forest City, IA	Warehouse	Motorized	3	Owned	459,000
Charles City, IA	Manufacturing	Motorized	2	Owned	161,000
Waverly, IA	Manufacturing	Motorized	1	Owned	33,000
Junction City, OR	Manufacturing, service and office	Motorized	10	Owned	305,000
Middlebury, IN	Manufacturing and office	Towable	4	Owned	277,000
Lake Mills, IA	Manufacturing	Motorized	1	Leased(1)	99,000
Middlebury, IN	Manufacturing, service and office	Towable	8	Leased(2)	741,000
Eden Prairie, MN	Corporate office	Motorized	1	Leased(3)	30,000
			62		3,651,000

(1) In November 2013 we entered into a five-year lease with the city of Lake Mills, IA for a manufacturing plant with two options to renew for five years each.

(2) In November 2016 as part of our acquisition of Grand Design, we acquired leases to two properties which hold their current principal facilities and facilities under construction for expansion.

(3) In January 2017 we entered into a six-year lease, expiring in 2023, for an office facility in Eden Prairie, MN.

The facilities that we own in Forest City, Charles City and Waverly are located on a total of approximately 320 acres of land. The facilities that we own in Junction City, Oregon are located on approximately 42 acres of land and the facilities that we own in Middlebury, Indiana are located on approximately 30 acres of land. Most of our buildings are of steel or steel and concrete construction and are protected from fire with high pressure sprinkler systems, dust collector systems, automatic fire doors and alarm systems. We believe that our facilities and equipment are well maintained and suitable for the purposes for which they are intended.

Under terms of our Credit Agreement, as further described in Note 8, we have encumbered substantially all of our real property for the benefit of the lender under such facility.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosure

Not Applicable.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed on the New York and Chicago Stock Exchanges with the ticker symbol of WGO. Below are the New York Stock Exchange high, low and closing prices of Winnebago Industries, Inc. common stock for each quarter of Fiscal 2017 and Fiscal 2016:

Fiscal 2017	High	Low	Close	Fiscal 2016	High	Low	Close
First Quarter	$34.50	$22.11	$34.00	First Quarter	$22.59	$17.80	$22.23
Second Quarter	39.30	30.20	33.40	Second Quarter	23.30	15.41	18.80
Third Quarter	34.90	24.99	25.15	Third Quarter	23.09	18.68	18.73
Fourth Quarter	37.20	24.15	34.55	Fourth Quarter	24.39	20.32	23.91

Table of Contents

Holders

Shareholders of record as of October 17, 2017: 2,756

Dividends Paid Per Share

Date Paid	Amount
November 23, 2016	$ 0.10
January 25, 2017	0.10
April 26, 2017	0.10
July 26, 2017	0.10
Total	$ 0.40

On October 18, 2017, our Board of Directors declared a cash dividend of $0.10 per outstanding share of common stock. The Board currently intends to continue to pay quarterly cash dividends payments in the future; however, declaration of future dividends, if any, will be based on several factors including our financial performance, outlook and liquidity.

Our Credit Agreement, as further described in Note 8, contains restrictions that may limit our ability to pay dividends if we fail to maintain certain financial covenants.

Issuer Purchases of Equity Securities

If we fail to maintain certain financial covenants, our Credit Agreement, as further described in Note 8, contains restrictions that may limit our ability, except for limited purchases of our common stock from employees, to make distributions or payments with respect to purchases of our common stock without consent of the lenders.

On December 19, 2007, the Board of Directors authorized the repurchase of outstanding shares of our common stock, depending on market conditions, for an aggregate consideration of up to $60 million. There is no time restriction on this authorization. During Fiscal 2017, 53,468 shares were repurchased under the authorization, at an aggregate cost of approximately $1.5 million, or $28.62 per share. All of these shares were repurchased from employees who vested in Winnebago Industries shares during the fiscal year and elected to pay their payroll tax via delivery of common stock as opposed to cash. As of August 26, 2017, there was approximately $2.5 million remaining under this authorization.

This table provides information with respect to repurchases of shares of our common stock during each fiscal month of the fourth quarter of Fiscal 2017:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
05/28/17 - 07/01/17	4,672	$ 34.20	4,672	$ 2,471,000
07/02/17 - 07/29/17	—	$ —	—	$ 2,471,000
07/30/17 - 08/26/17	116	$ 34.55	116	$ 2,467,000
Total	4,788	$ 34.21	4,788	$ 2,467,000

Equity Compensation Plan Information

The following table provides information as of August 26, 2017 with respect to shares of our common stock that may be issued under our existing equity compensation plans:

Plan Category	(a) Number of Securities to be Issued Upon Exercise of	(b) Weighted Average Exercise Price of	(c) Number of Securities Remaining Available for

	Outstanding Options, Warrants and Rights		Outstanding Options, Warrants and Rights		Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in (a))	
Equity compensation plans approved by shareholders - 2004 Plan [1]	13,500	(1)	—	(3)	—	
Equity compensation plans approved by shareholders - 2014 Plan	296,069	(2)	$ 28.15	(3)	2,243,788	(4)
Equity compensation plans not approved by shareholders [5]	49,729	(6)	—	(3)	—	(7)
Total	359,298		$ 28.15		2,243,788	

(1) This number represents unvested share awards granted under the 2004 Plan. No new grants may be made under the 2004 Plan.

13

Table of Contents

(2) This number represents stock options and unvested stock awards granted under the 2014 Omnibus Equity, Performance Award, and Incentive Compensation Plan, as amended ("2014 Plan"). The 2014 Plan replaced the 2004 Plan effective January 1, 2014.

(3) This number represents the weighted average exercise price of outstanding stock options only. Restricted share awards do not have an exercise price so weighted average is not applicable.

(4) This number represents stock options available for grant under the 2014 Plan as of August 26, 2017.

(5) Our sole equity compensation plan not previously submitted to our shareholders for approval is the Directors' Deferred Compensation Plan, as amended ("Directors' Plan"). The Board of Directors may terminate the Directors' Plan at any time. If not terminated earlier, the Directors' Plan will automatically terminate on June 30, 2023. For a description of the key provisions of the Directors' Plan, see the information in our Proxy Statement for the Annual Meeting of Shareholders scheduled to be held December 12, 2017 under the caption "Director Compensation," which information is incorporated by reference herein.

6) Represents shares of common stock issued to a trust which underlie stock units, payable on a one-for-one basis, credited to stock unit accounts as of August 26, 2017 under the Directors' Plan.

(7) The table does not reflect a specific number of stock units which may be distributed pursuant to the Directors' Plan. The Directors' Plan does not limit the number of stock units issuable thereunder. The number of stock units to be distributed pursuant to the Directors' Plan will be based on the amount of the director's compensation deferred and the per share price of our common stock at the time of deferral.

Performance Graph

The following graph compares our five-year cumulative total shareholder return (including reinvestment of dividends) with the cumulative total return on the Standard & Poor's 500 Index and a peer group. The peer group companies consisting of Thor Industries, Inc., Polaris Industries, Inc. and Brunswick Corporation were selected by us as they also manufacture recreation products. It is assumed in the graph that $100 was invested in our common stock, in the Standard & Poor's 500 Index and in the stocks of the peer group companies on August 25, 2012 and that all dividends received within a quarter were reinvested in that quarter. In accordance with the guidelines of the SEC, the shareholder return for each entity in the peer group index has been weighted on the basis of market capitalization as of each annual measurement date set forth in the graph.

Company/Index	Base Period 8/25/12	8/31/13	8/30/14	8/29/15	8/27/16	8/26/17
Winnebago Industries, Inc.	100.00	202.27	224.61	188.62	225.18	329.83
S&P 500 Index	100.00	118.38	148.26	150.21	167.44	192.54
Peer Group	100.00	154.26	194.06	193.65	176.32	205.95

Table of Contents

Item 6. Selected Financial Data

	Fiscal Years Ended				
(In thousands, except EPS)	8/26/17 (1)	8/27/16	8/29/15	8/30/14	8/31/13 (2)
Income statement data:					
Net revenues	$1,547,119	$975,226	$976,505	$945,163	$803,165
Net income	71,330	45,496	41,210	45,053	31,953
Per share data:					
Net income - basic	2.33	1.69	1.53	1.64	1.14
Net income - diluted	2.32	1.68	1.52	1.64	1.13
Dividends declared and paid per common share	0.40	0.40	0.36	—	—
Balance sheet data:					
Total assets	902,512	390,718	362,174	358,302	309,145
Long-term liabilities	293,680	29,410	59,601	65,835	68,062

(1) Includes Grand Design operations from the date of its acquisition on November 8, 2016.
(2) The fiscal year ended August 31, 2013 contained 53 weeks; all other fiscal years contained 52 weeks.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented in six sections:

Our MD&A should be read in conjunction with the Financial Statements and related Notes included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

Overview

Winnebago Industries, Inc. is a leading US manufacturer of RVs with a proud history of manufacturing RV products for 59 years. We currently produce a large majority of our motorhomes in vertically integrated manufacturing facilities in Iowa and we produce all of our travel trailer and fifth wheel trailers in Indiana. We are in the process of expanding some motorhome manufacturing to Junction City, Oregon. We distribute our products primarily through independent dealers throughout the US and Canada, who then retail the products to the end consumer.

Significant Transaction

On November 8, 2016, we closed on the acquisition of all the issued and outstanding capital stock of towable RV manufacturer Grand Design for an aggregate purchase price of $520.5 million. This acquisition was funded from our cash on hand, $353.0 million from asset-based revolving and term loan credit facilities, as well as stock consideration as is more fully described in Note 2 and Note 8 to the Consolidated Financial Statements. We purchased Grand Design to significantly expand our existing towable RV product offerings and dealer base and acquire additional talent in the RV industry.

In the first quarter of Fiscal 2017, we revised our reporting segments. Previously, we had one reporting segment which included all RV products and services. With the acquisition of Grand Design in the first quarter, we expanded the number of reporting segments to two: (1) Motorized products and services and (2) Towable products and services. The Motorized segment includes all products that include a motorized chassis as well as other related manufactured products. The Towable segment includes all products which are not motorized and are generally towed by another vehicle. Prior year segment information has been restated to conform to the current reporting segment presentation.

Table of Contents

Industry Trends

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

We track RV Industry conditions using these key statistics to monitor trends and evaluate and understand our performance relative to the overall industry. The rolling twelve months shipment and retail information for 2017 and 2016, as noted below, illustrates that the RV industry continues to grow at the wholesale and retail level. We believe retail demand is the key driver to continued growth in the industry.

	US and Canada Industry							
	Wholesale Unit Shipments per RVIA Rolling 12 Months through August				Retail Unit Registrations per Stat Surveys Rolling 12 Months through August			
(In units)	2017	2016	Increase	Change	2017	2016	Increase	Change
Towable [(1)]	402,258	342,334	59,924	17.5 %	376,912	338,144	38,768	11.5 %
Motorized [(2)]	59,891	52,648	7,243	13.8 %	55,725	48,504	7,221	14.9 %
Combined	462,149	394,982	67,167	17.0 %	432,637	386,648	45,989	11.9 %

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

The most recent towable and motorized RVIA wholesale shipment forecasts for calendar year 2017 and 2018 as noted in the table below illustrates continued projected growth of the industry. The outlook for future growth in RV sales is based on continued modest gains in job and disposable income prospects as well as low inflation, and takes into account the impact of slowly rising interest rates, a strong U.S. dollar and continued weakness in energy production and prices.

	Calendar Year			
Wholesale Unit Shipment Forecast per RVIA [(1)]	2018	2017	Unit Change	% Change
Towable	419,400	408,200	11,200	2.7 %
Motorized	61,900	60,200	1,700	2.8 %
Combined	481,300	468,400	12,900	2.8 %

(1) Prepared by Dr. Richard Curtin of the University of Michigan Consumer Survey Research Center for RVIA and reported in the Roadsigns RV Fall 2017 Industry Forecast Issue.

Market Share

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

	Rolling 12 Months Through August		Calendar Year		
US and Canada	2017	2016	2016	2015	2014
Motorized A, B, C	16.3 %	18.6 %	18.0 %	20.5 %	20.7 %
Travel trailer and fifth wheels	5.1% [(1)]	1.1 %	1.7 %	0.9 %	0.8 %

(1) Includes retail unit market share for Grand Design since acquisition on November 8, 2016. Towable market share using data for the full rolling 12 month period is 5.7%.

Facility Expansion

During Fiscal 2017, the Board of Directors approved two large facility expansion projects in the fast growing Towable segment. The Grand Design expansion project began in Fiscal 2017 and is expected to increase units produced midway through Fiscal 2018. The facility expansion in the Winnebago-branded Towable division is expected to increase units produced by the end of Fiscal 2018.

ERP System

In the second quarter of Fiscal 2015, the Board of Directors approved the strategic initiative of implementing an ERP system to replace our legacy business applications. The new ERP platform will provide better support for our changing business needs and plans for future growth. Our initial cost estimates have grown for additional needs of the business such as the acquisition of the Junction City, Oregon plant and the opportunity to integrate the ERP system with additional manufacturing systems. The project includes software, external implementation assistance and increased internal staffing directly related to this initiative. We anticipate

Table of Contents

that approximately 40% of the cost will be expensed in the period incurred and 60% will be capitalized and depreciated over its useful life.

The following table illustrates the cumulative project costs:

(In thousands)	Fiscal 2017	Fiscal 2016	Fiscal 2015	Cumulative Investment	
Capitalized	$1,881	$7,798	$3,291	$12,970	54 %
Expensed	2,601	5,930	2,528	11,059	46 %
Total	$4,482	$13,728	$5,819	$24,029	100%

In May of 2017, the Board approved continued investment in the ERP system and a change in implementation partner. The project is proceeding and the benefits are expected to be realized over the next several years. Total project costs are expected to be approximately $38 million.

Consolidated Results of Operations

Fiscal 2017 Compared to Fiscal 2016

The following is an analysis of changes in key items included in the statements of operations for the fiscal year ended August 26, 2017 compared to the fiscal year ended August 27, 2016:

(In thousands, except percent and per share data)	Year Ended August 26, 2017	% of Revenues[1]	August 27, 2016	% of Revenues[1]	Increase (Decrease)	% Change
Net revenues	$1,547,119	100.0 %	$975,226	100.0 %	$571,893	58.6 %
Cost of goods sold	1,324,542	85.6 %	862,577	88.4 %	461,965	53.6 %
Gross profit	222,577	14.4 %	112,649	11.6 %	109,928	97.6 %
Selling	35,668	2.3 %	19,823	2.0 %	15,845	79.9 %
General and administrative	55,347	3.6 %	33,209	3.4 %	22,138	66.7 %
Postretirement health care benefit income	(24,796)	(1.6)%	(6,124)	(0.6)%	(18,672)	304.9 %
Transaction costs	6,592	0.4 %	—	— %	6,592	— %
Amortization of intangible assets	24,660	1.6 %	—	— %	24,660	— %
Total SG&A	97,471	6.3 %	46,908	4.8 %	50,563	107.8 %
Operating income	125,106	8.1 %	65,741	6.7 %	59,365	90.3 %
Interest Expense	16,837	1.1 %	—	— %	16,837	— %
Non-operating income	(330)	— %	(457)	— %	127	(27.8)%
Income before income taxes	108,599	7.0 %	66,198	6.8 %	42,401	64.1 %
Provision for taxes	37,269	2.4 %	20,702	2.1 %	16,567	80.0 %
Net income	$71,330	4.6 %	$45,496	4.7 %	$25,834	56.8 %
Diluted income per share	$2.32		$1.68		$0.64	38.1 %
Diluted average shares outstanding	30,766		27,033		3,733	13.8 %

[1] Percentages may not add due to rounding differences.

Consolidated net revenues increased $571.9 million or 58.6% in Fiscal 2017 over Fiscal 2016. This was primarily due to the acquisition of Grand Design which added revenues of $559.7 million in Fiscal 2017. Winnebago-branded towables products increased $36.1 million in Fiscal 2017. Growth in Towables revenues was partially offset by a $23.9 million decrease in Motorized revenues caused mainly by the consumer trend towards smaller RVs with a lower ASP. In addition, we exited the aluminum extrusion operation in Fiscal 2016 which caused a reduction of $6.1 million in Fiscal 2017 net revenue.

Cost of goods sold was $1.3 billion, or 85.6% of net revenues for Fiscal 2017 compared to $862.6 million, or 88.4% of net revenues for Fiscal 2016 due to the following:

- Total variable costs (materials, direct labor, variable overhead, delivery expense and warranty), as a percent of net revenues, decreased to 81.2% from 83.2% primarily due to a higher proportion of Towable revenue as the Towable segment operates at a higher gross profit rate. Also, improvement in Towables material efficiency and purchasing synergies reduced costs as a percent of net revenue. Finally, improvement in the Towable segment margin was partially offset by margin pressure in the Motorized segment due in part to the ramp up of the Junction City production facility.
- Fixed overhead (manufacturing support labor, depreciation and facility costs) and engineering-related costs were lower at 4.5% of net revenues compared to 5.2% in the prior year due mainly to a higher proportion of Towable revenue which operates at a lower fixed cost per unit.
- All factors considered, gross profit increased from 11.6% to 14.4% of net revenues.

Selling expenses were 2.3% of net revenues in Fiscal 2017 and 2.0% in Fiscal 2016. Selling expenses are largely variable and proportional to revenues. The increase in the rate of selling expense in Fiscal 2017 is due to the higher mix of Towable volume which operates at a higher commission rate.

General and administrative expenses were 3.6% and 3.4% of net revenues in Fiscal 2017 and Fiscal 2016, respectively. General and administrative expenses increased $22.1 million, or 66.7%, in Fiscal 2017. This increase was due to the addition of $13.9 million of general and administrative expenses related to the acquired Grand Design operation, an increase of $6.2 million in transaction related expenses, and the addition of $24.7 million in intangible amortization. In addition, Fiscal 2016 results of operations were impacted by $3.4 million in favorable legal settlements. These increases were partially offset in Fiscal 2017 by the increased benefit of $18.7 million associated with the termination of the postretirement health care plan and reduced ERP implementation expenses.

Table of Contents

Non-operating income decreased $0.1 million, in Fiscal 2017, primarily due to lower proceeds from COLI policies than we received in Fiscal 2016.

The effective tax rate for Fiscal 2017 was 34.3% compared to 31.3% in Fiscal 2016. The increase in the effective tax rate is primarily due to the increased income attributable to the Grand Design acquisition without a proportionate increase in tax credits and other favorable permanent items that provide a benefit to the tax rate. See Note 12.

Net income and diluted income per share were $71.3 million and $2.32 per share, respectively, for Fiscal 2017. In Fiscal 2016, net income was $45.5 million and diluted income per share was $1.68.

Non-GAAP Reconciliation

We have provided the following non-GAAP financial measures, which are not calculated or presented in accordance with GAAP, 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 below may differ from similar measures used by other companies.

The following table reconciles net income to consolidated Adjusted EBITDA for Fiscal 2017 and Fiscal 2016.

(In thousands)	Year Ended August 26, 2017	August 27, 2016
Net income	$71,330	$45,496
Interest expense	16,837	—
Provision for income taxes	37,269	20,702
Depreciation	7,315	5,745
Amortization	24,660	—
EBITDA	157,411	71,943
Postretirement health care benefit income	(24,796)	(6,124)
Legal settlement	—	(3,400)
Transaction costs	6,592	355
Non-operating income	(330)	(457)
Adjusted EBITDA	$138,877	$62,317

We have provided non-GAAP performance measures of EBITDA and Adjusted EBITDA as a comparable measure to illustrate items impacting current results which are not expected to impact future performance. EBITDA is defined as net income before interest expense, provision for income taxes, and depreciation and amortization expense. We believe EBITDA and Adjusted EBITDA provide meaningful supplemental information about our operating performance because each measure excludes amounts that we do not consider part of our core operating results when assessing our performance. Examples of items excluded from Adjusted EBITDA include the postretirement health care benefit resulting from plan amendments and termination over the past several years, favorable legal settlements including our Fiscal 2016 Australia trademark settlement, and transaction costs related to our acquisition of Grand Design RV.

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 that publish similar measures; (b) to measure operational profitability on a consistent basis; (c) in presentations to the members of our board of directors to enable our board of directors to have the same measurement basis of operating performance as is used by management in their assessments of performance and in forecasting and budgeting for our company; and, (d) to evaluate potential acquisitions. We believe these non-GAAP financial measures are frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry.

Table of Contents

Segment Results of Operations

The following is an analysis of key changes in our Motorized segment for Fiscal 2017 compared to Fiscal 2016.

Motorized	Year Ended					
	Aug 26, 2017	% of Revenue	Aug 27, 2016	% of Revenue	(Decrease)	% Change
Net revenues	$861,922		$885,814		$(23,892)	(2.7)%
Adjusted EBITDA	43,948	5.1 %	57,365	6.5 %	(13,417)	(23.4)%

Unit deliveries	Aug 26, 2017	Product Mix % (1)	Aug 27, 2016	Product Mix % (1)	Increase (Decrease)	% Change
Class A	3,182	34.4 %	2,925	31.4 %	257	8.8 %
Class B	1,541	16.6 %	1,239	13.3 %	302	24.4 %
Class C	4,537	49.0 %	5,143	55.3 %	(606)	(11.8)%
Total motorhomes	9,260	100.0 %	9,307	100.0 %	(47)	(0.5)%
Motorhome ASP	$91,759		$93,116		$(1,357)	(1.5)%

	As Of			
Backlog (2)	Aug 26, 2017	Aug 27, 2016	Increase (Decrease)	% Change
Units	1,293	1,139	154	13.5 %
Dollars	$122,142	$107,621	$14,521	13.5 %
Dealer Inventory				
Units	4,282	4,345	(63)	(1.4)%

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

(2) We include in our backlog all accepted orders from dealers to be shipped within the next six months. Orders in backlog can be cancelled or postponed at the option of the dealer at any time without penalty and, therefore, backlog may not necessarily be an accurate measure of future sales.

Motorized net revenues decreased $23.9 million or 2.7% in Fiscal 2017 as compared to Fiscal 2016. This was primarily due to a decline in Class C sales, a lower ASP on the mix of units sold and the $6.1 million reduction in sales to aluminum extrusion customers as we have ceased those operations.

Motorized unit deliveries decreased by 0.5% in Fiscal 2017, most notably in our Class C products. The unit growth we have generated has been in our Class A and Class B products. The shift in product mix has been towards Class B products, which have a lower ASP. Though total Motorized unit deliveries were down for the year, we have seen an increase in the backlog volumes by 13.5% in the fourth quarter of Fiscal 2017.

Motorized segment Adjusted EBITDA decreased $13.4 million or 23.4%. This reduction was due to lower revenues as described above, lower pricing, and additional costs associated with the investment in and shift of production to our Junction City, Oregon production facility. Higher personnel expenses were partially offset by a decrease in ERP expenses.

Table of Contents

The following is an analysis of key changes in our Towable segment for Fiscal 2017 compared to Fiscal 2016.

Towable	Year Ended					
	Aug 26, 2017	% of Revenue	Aug 27, 2016	% of Revenue	Increase	% Change
Net revenues	$685,197		$89,412		$595,785	666.3 %
Adjusted EBITDA	94,929	13.9 %	4,952	5.5 %	89,977	1,817.0 %

Unit deliveries	Aug 26, 2017	Product Mix % (1)	Aug 27, 2016	Product Mix % (1)	Increase	% Change
Travel trailer	13,650	60.7 %	3,613	86.0 %	10,037	277.8 %
Fifth wheel	8,824	39.3 %	586	14.0 %	8,238	1,405.8 %
Total Towables	22,474	100.0 %	4,199	100.0 %	18,275	435.2 %
Towables ASP	30,571		21,321		9,250	43.4 %

	As Of			
Backlog (2)	Aug 26, 2017	Aug 27, 2016	Increase	% Change
Units	8,001	492	7,509	1,526.2 %
Dollars	$229,706	$8,420	$221,286	2,628.1 %
Dealer Inventory				
Units	9,545	2,156	7,389	342.7 %

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

(2) We include in our backlog all accepted orders from dealers to be shipped within the next six months. Orders in backlog can be cancelled or postponed at the option of the dealer at any time without penalty and, therefore, backlog may not necessarily be an accurate measure of future sales.

Towable net revenues increased $595.8 million or 666.3% in Fiscal 2017 as compared to Fiscal 2016. This was primarily due to the acquisition of Grand Design which added revenues of $559.7 million in Fiscal 2017. In addition, Winnebago-branded towable revenues rose $36.1 million or 40.4% in Fiscal 2017.

Towable unit deliveries grew by 435.2% in Fiscal 2017 primarily due to the acquisition of Grand Design and also due to Towables growth in excess of recent industry trends. With the addition of Grand Design in November, our towables market share increased from 1.1% to 5.1% when comparing shipments during the twelve month trailing periods ended August 2016 and August 2017. The addition of Grand Design has also resulted in a higher ASP due to a greater proportion of higher-priced fifth wheel units sold in Fiscal 2017 compared to Fiscal 2016. Other strong increases in backlog and the dealer inventory turn ratio have been influenced by the acquisition of Grand Design.

Towable segment Adjusted EBITDA excludes the costs associated with the acquisition and as such increased $90.0 million. This increase illustrates the favorable impact of Grand Design and the organic growth of Winnebago-branded towables. We achieved strong results in our Towables segment, where shipments grew much faster than the industry as a result of greater penetration of our new products and further expansion of our distribution base and higher gross profit on new products. In addition to the growth in Towables, profitability has increased due to material efficiencies and the leverage of higher volume on the fixed cost components of our business.

20

Table of Contents

Fiscal 2016 Compared to Fiscal 2015

The following is an analysis of changes in key items included in the statements of operations for the fiscal year ended August 27, 2016 compared to the fiscal year ended August 29, 2015:

(In thousands, except percent and per share data)	Year Ended August 27, 2016	% of Revenues[1]	August 29, 2015	% of Revenues[1]	(Decrease) Increase	% Change
Net revenues	$975,226	100.0 %	$976,505	100.0 %	$ (1,279)	(0.1)%
Cost of goods sold	862,577	88.4 %	871,625	89.3 %	(9,048)	(1.0)%
Gross profit	112,649	11.6 %	104,880	10.7 %	7,769	7.4 %
Selling	19,823	2.0 %	19,161	2.0 %	662	3.5 %
General and administrative	33,209	3.4 %	29,911	3.1 %	3,298	11.0 %
Postretirement health care benefit income	(6,124)	(0.6)%	(4,073)	(0.4)%	(2,051)	50.4 %
Impairment of fixed assets	—	— %	462	— %	(462)	NMF
Total SG&A	46,908	4.8 %	45,461	4.7 %	1,447	3.2 %
Operating income	65,741	6.7 %	59,419	6.1 %	6,322	10.6 %
Non-operating income	(457)	— %	(115)	— %	(342)	297.4 %
Income before income taxes	66,198	6.8 %	59,534	6.1 %	6,664	11.2 %
Provision for taxes	20,702	2.1 %	18,324	1.9 %	2,378	13.0 %
Net income	$45,496	4.7 %	$41,210	4.2 %	$ 4,286	10.4 %
Diluted income per share	$1.68		$1.52		$ 0.16	10.5 %
Diluted average shares outstanding	27,033		27,051		(18)	(0.1)%

[1] Percentages may not add due to rounding differences.

Consolidated net revenues decreased $1.3 million or 0.1% in Fiscal 2016 over Fiscal 2015. Other manufactured products decreased by $21.1 million primarily due to our exit of the aluminum extrusion and bus operations. This was partially offset by an increase of motorhome net revenues of $2.1 million and an increase in Towable revenues of $17.7 million due to increases in unit deliveries.

Cost of goods sold was $862.6 million, or 88.4% of net revenues for Fiscal 2016 compared to $871.6 million, or 89.3% of net revenues for Fiscal 2015 due to the following:

- Total variable costs (materials, direct labor, variable overhead, delivery expense and warranty), as a percent of net revenues, decreased to 83.2% from 84.0% primarily due to improved material sourcing, product shift to a more favorable mix, and cessation of bus and virtually all aluminum extrusion operations which were less profitable than the remainder of our RV products.
- Fixed overhead (manufacturing support labor, depreciation and facility costs) and engineering-related costs were comparable at 5.2% of net revenues compared to 5.2% in the prior year.
- All factors considered, gross profit increased from 10.7% to 11.6% of net revenues.

Selling expenses were 2.0% of net revenues in both Fiscal 2016 and Fiscal 2015, respectively. Selling expenses are largely variable and remained proportional to revenues in Fiscal 2016.

General and administrative expenses were 2.8% and 2.6% of net revenues in Fiscal 2016 and Fiscal 2015, respectively. General and administrative expenses increased $1.2 million, or 4.8%, in Fiscal 2016. This increase was due primarily to an increase in ERP related expenses of $3.4 million, bonuses earned of $2.8 million, $0.7 million in compensation, benefits and recruiting costs, and $0.3 million in transaction related costs pertaining to the acquisition of Grand Design. These increases were partially offset by favorable legal settlements of $3.4 million in Fiscal 2016, a reduction in professional fees of $1.6 million incurred in Fiscal 2015 related to the strategic sourcing program, and a reduction of $1.0 million in costs associated with the former CEO retirement agreement in Fiscal 2015.

During Fiscal 2015, we recorded an asset impairment on our corporate plane of $0.5 million.
Non-operating income increased $0.3 million, in Fiscal 2016, primarily due to higher proceeds from COLI policies than we received in Fiscal 2015.

Table of Contents

The effective tax rate for Fiscal 2016 was 31.3% compared to 30.8% in Fiscal 2015. The increase in the effective tax rate is due to a reduction in the amount of the Domestic Production Activities Deduction applicable in Fiscal 2016 as compared to Fiscal 2015. The reduction in this deduction was partially offset by other tax credits. See Note 12.

Net income and diluted income per share were $45.5 million and $1.68 per share, respectively, for Fiscal 2016. In Fiscal 2015, net income was $41.2 million and diluted income per share was $1.52.

Non-GAAP Reconciliation

We have provided the following non-GAAP financial measures, which are not calculated or presented in accordance with GAAP, 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 below may differ from similar measures used by other companies.

The following table reconciles net income to consolidated Adjusted EBITDA for Fiscal 2016 and Fiscal 2015

(In thousands)	Year Ended August 27, 2016	August 29, 2015
Net income	$45,496	$ 41,210
Interest expense	—	10
Provision for income taxes	20,702	18,324
Depreciation	5,745	4,513
EBITDA	71,943	64,057
Postretirement health care benefit income	(6,124)	(4,073)
Legal settlement	(3,400)	—
Transaction costs	355	—
Non-operating income	(457)	(115)
Adjusted EBITDA	$62,317	$ 59,869

We have provided non-GAAP performance measures of EBITDA and Adjusted EBITDA as a comparable measure to illustrate items impacting current results which are not expected to impact future performance. EBITDA is defined as net income before interest expense, provision for income taxes, and depreciation and amortization expense. We believe EBITDA and Adjusted EBITDA provide meaningful supplemental information about our operating performance because each measure excludes amounts that we do not consider part of our core operating results when assessing our performance. Examples of items excluded from Adjusted EBITDA include the postretirement health care benefit resulting from plan amendments over the past several years, favorable legal settlements including our Fiscal 2016 Australia trademark settlement, and transaction costs related to our acquisition of Grand Design RV.

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 that publish similar measures; (b) to measure operational profitability on a consistent basis; (c) in presentations to the members of our board of directors to enable our board of directors to have the same measurement basis of operating performance as is used by management in their assessments of performance and in forecasting and budgeting for our company; and, (d) to evaluate potential acquisitions. We believe these non-GAAP financial measures are frequently used by securities analysts, investors and other interested parties to evaluate companies in our industry.

Table of Contents

Segment Results of Operations

The following is an analysis of key changes in our Motorized segment for Fiscal 2016 compared to Fiscal 2015.

Motorized	Year Ended					
	Aug 27, 2016	% of Revenue	Aug 29, 2015	% of Revenue	(Decrease) Increase	% Change
Net revenues	$885,814		$904,821		$(19,007)	(2.1)%
Adjusted EBITDA	57,365	6.5 %	57,102	6.3 %	263	0.5 %

Unit deliveries	Aug 27, 2016	Product Mix % (1)	Aug 29, 2015	Product Mix % (1)	(Decrease) Increase	% Change
Class A	2,925	31.4 %	3,442	37.8 %	(517)	(15.0)%
Class B	1,239	13.3 %	991	10.9 %	248	25.0 %
Class C	5,143	55.3 %	4,664	51.3 %	479	10.3 %
Total motorhomes	9,307	100.0 %	9,097	100.0 %	210	2.3 %
Motorhome ASP	$93,116		$94,841		$(1,725)	(1.8)%

	As Of			
Backlog (2)	Aug 27, 2016	Aug 29, 2015	(Decrease) Increase	% Change
Units	1,139	1,754	(615)	(35.1)%
Dollars	$107,621	$156,353	$(48,732)	(31.2)%
Dealer Inventory				
Units	4,345	4,072	273	6.7 %

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

(2) We include in our backlog all accepted orders from dealers to be shipped within the next six months. Orders in backlog can be cancelled or postponed at the option of the dealer at any time without penalty and, therefore, backlog may not necessarily be an accurate measure of future sales.

Motorized net revenues decreased $19.0 million or 2.1% in Fiscal 2016 as compared to Fiscal 2015. This was attributed to a $21.1 million decrease in our other manufactured parts revenue primarily due to our exit of the aluminum extrusion and bus operations. Offsetting this reduction was modest growth in motorhome revenues primarily attributed to a 2.3% increase in unit deliveries in Fiscal 2016.

- Unit growth was 25.0% for Class B and 10.3% for Class C products which was partially offset by a decline in demand for higher priced Class A products.
- Total motorhome ASP decreased 1.8% in Fiscal 2016 compared to Fiscal 2015 because Fiscal 2016 saw more deliveries of lower priced Class B and C unit sales. ASPs did increase in every motorhome product category during Fiscal 2016, however, this did not offset the decline due to the lower mix of Class A products in Fiscal 2016.

Motorized segment Adjusted EBITDA increased $0.3 million or 0.5%. The increase is due to higher gross margin in Fiscal 2016 due to exit of the aluminum extrusion and bus operations. Both of these operations provided very low margins while consuming production labor in Forest City, Iowa. Labor has been redirected to higher margin motorhome production. The margin improvement was offset by an increase in general and administrative expenses of $0.7 million including several offsetting effects. Cost increases due to ERP related expenses of $3.4 million, bonuses earned of $2.6 million, $0.7 million in compensation, and benefits and recruiting costs were partially offset by a reduction in professional fees of $1.6 million related to strategic sourcing program initiated in Fiscal 2015, and a reduction of $1.0 million in costs associated with the former CEO retirement agreement in Fiscal 2015.

23

Table of Contents

The following is an analysis of key changes in our Towable segment for Fiscal 2016 compared to Fiscal 2015.

Towable	Year Ended					
	Aug 27, 2016	% of Revenue	Aug 29, 2015	% of Revenue	Increase	% Change
Net revenues	$89,412		$71,684		$17,728	24.7 %
Adjusted EBITDA	4,952	5.5 %	2,767	3.9 %	2,185	79.0 %

Unit deliveries	Aug 27, 2016	Product Mix % (1)	Aug 29, 2015	Product Mix % (1)	Increase (Decrease)	% Change
Travel trailer	3,613	86.0 %	2,182	81.7 %	1,431	65.6 %
Fifth wheel	586	14.0 %	488	18.3		