

WINNEBAGO INDUSTRIES INC

Form 10-Q

April 01, 2011

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 26, 2011

or

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

For the transition period from _____ to _____

Commission File Number: 001-06403

WINNEBAGO INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Iowa

42-0802678

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

P. O. Box 152, Forest City, Iowa

50436

(Address of principal executive offices)

(Zip Code)

(641) 585-3535

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically 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 No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

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

The number of shares of common stock, par value \$0.50 per share, outstanding March 31, 2011 was 29,122,226.

WINNEBAGO INDUSTRIES, INC.

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Part I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

Winnebago Industries, Inc.

Unaudited Consolidated Statements of Operations

(In thousands, except per share data)	Quarter Ended		Six Months Ended		
	February 26, 2011	February 27, 2010	February 26, 2011	February 27, 2010	
Net revenues	\$106,593	\$110,529	\$230,304	\$191,546	
Cost of goods sold	95,269	105,745	207,781	186,238	
Gross profit	11,324	4,784	22,523	5,308	
Operating expenses:					
Selling	3,254	3,102	6,521	6,331	
General and administrative	4,020	3,540	7,671	6,812	
Gain on sale of asset held for sale	—	—	(644) —	
Total operating expenses	7,274	6,642	13,548	13,143	
Operating income (loss)	4,050	(1,858) 8,975	(7,835)
Other non-operating income	322	364	474	131	
Income (loss) before income taxes	4,372	(1,494) 9,449	(7,704)
Provison (benefit) for taxes	1,057	(2,200) 2,348	(7,066)
Net income (loss)	\$3,315	\$706	\$7,101	\$(638)
Income (loss) per common share:					
Basic	\$0.11	\$0.02	\$0.24	\$(0.02)
Diluted	\$0.11	\$0.02	\$0.24	\$(0.02)
Weighted average common shares outstanding:					
Basic	29,118	29,080	29,115	29,077	
Diluted	29,120	29,091	29,118	29,088	

See unaudited notes to consolidated financial statements.

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Winnebago Industries, Inc.

Unaudited Consolidated Balance Sheets

(In thousands, except per share data)	February 26, 2011	August 28, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$62,787	\$74,691
Receivables, less allowance for doubtful accounts (\$75 and \$91, respectively)	20,870	18,798
Inventories	71,655	43,526
Prepaid expenses and other assets	4,828	4,570
Income taxes receivable	132	132
Total current assets	160,272	141,717
Property, plant, and equipment, net	24,427	25,677
Assets held for sale	1,201	4,254
Long-term investments	10,891	17,785
Investment in life insurance	23,254	23,250
Goodwill	1,228	—
Amortizable intangible assets	759	—
Other assets	16,878	14,674
Total assets	\$238,910	\$227,357
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$20,932	\$19,725
Income taxes payable	947	99
Accrued expenses:		
Accrued compensation	12,709	10,529
Product warranties	8,068	7,634
Self-insurance	4,221	4,409
Accrued loss on repurchases	981	1,362
Promotional	1,599	1,817
Other	4,647	4,797
Total current liabilities	54,104	50,372
Long-term liabilities:		
Unrecognized tax benefits	5,637	5,877
Postretirement health care and deferred compensation benefits	75,840	73,581
Total long-term liabilities	81,477	79,458
Contingent liabilities and commitments		
Stockholders' equity:		
Capital stock common, par value \$0.50; authorized 60,000 shares, issued 51,776 shares	25,888	25,888
Additional paid-in capital	29,240	29,464
Retained earnings	427,776	420,675
Accumulated other comprehensive (loss) income	(1) 1,242
Treasury stock, at cost (22,654 and 22,661 shares, respectively)	(379,574) (379,742
Total stockholders' equity	103,329	97,527
Total liabilities and stockholders' equity	\$238,910	\$227,357

See unaudited notes to consolidated financial statements.

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Winnebago Industries, Inc.

Unaudited Consolidated Statements of Cash Flows

(In thousands)	Six Months Ended	
	February 26, 2011	February 27, 2010
Operating activities:		
Net income (loss)	\$7,101	\$(638)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,845	3,296
Stock-based compensation	124	291
Deferred income taxes including valuation allowance	583	—
Postretirement benefit income and deferred compensation expense	690	624
Reduction for doubtful accounts	(10)	(60)
Increase in cash surrender value of life insurance policies	(300)	(535)
(Gain) loss on the sale or disposal of property	(708)	1
Gain on life insurance	(372)	—
Other	58	44
Change in assets and liabilities:		
Inventories	(24,207)	(12,974)
Receivables and prepaid assets	(1,368)	(8,347)
Income taxes and unrecognized tax benefits	610	15,983
Accounts payable and accrued expenses	326	8,975
Postretirement and deferred compensation benefits	(1,854)	(1,758)
Net cash (used in) provided by operating activities	(16,482)	4,902
Investing activities:		
Proceeds from the sale of investments at par	6,450	4,700
Proceeds from life insurance	659	—
Purchases of property and equipment	(1,279)	(943)
Proceeds from the sale of property	3,793	46
Cash paid for acquisition, net of cash acquired	(4,694)	—
Other	(461)	(442)
Net cash provided by investing activities	4,468	3,361
Financing activities:		
Payments for purchases of common stock	(89)	(249)
Payments on ARS portfolio	—	(2,780)
Proceeds from issuance of stock options	75	94
Other	124	(285)
Net cash provided by (used in) financing activities	110	(3,220)
Net (decrease) increase in cash and cash equivalents	(11,904)	5,043
Cash and cash equivalents at beginning of period	74,691	36,566
Cash and cash equivalents at end of period	\$62,787	\$41,609
Supplemental cash flow disclosure:		
Income taxes paid	\$1,153	\$21

See unaudited notes to consolidated financial statements.

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Winnebago Industries, Inc.
 Unaudited Notes to Consolidated Financial Statements

General:

The "Company," "we," "our" and "us" are used interchangeably to refer to Winnebago Industries, Inc. and its subsidiaries, as appropriate to the context.

Note 1: Basis of Presentation

In our opinion, the accompanying condensed unaudited consolidated financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the consolidated financial position as of February 26, 2011 and the consolidated results of operations for the second quarters and first six months of Fiscal 2011 and 2010, and consolidated cash flows for the first six months of Fiscal 2011 and 2010. The consolidated statement of operations for the first six months of Fiscal 2011 is not necessarily indicative of the results to be expected for the full year. The balance sheet data as of August 28, 2010 was derived from audited financial statements, but does not include all of the information and footnotes required by generally accepted accounting principles (GAAP) for complete financial statements. These interim consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto appearing in our Annual Report to Shareholders for the year ended August 28, 2010.

Note 2: New Accounting Pronouncements

None

Note 3: Acquisition

On December 29, 2010, through a newly formed, wholly owned subsidiary, Winnebago of Indiana, LLC, we purchased substantially all of the assets of SunnyBrook RV, Inc. ("SunnyBrook"), a manufacturer of travel trailer and fifth wheel recreation vehicles. The aggregate consideration paid was \$5.6 million in cash including the repayment of \$3.3 million of SunnyBrook commercial and shareholder debt on the transaction date. SunnyBrook operates as a wholly owned subsidiary referred to as Winnebago Industries Towables ("WT") and will continue to manufacture products under the SunnyBrook brands. In addition, WT plans to diversify the product line to include Winnebago brand trailer and fifth wheel products. The assets acquired include inventory, equipment and other tangible and intangible property and will be used in connection with the operation of WT business of manufacturing towable recreation vehicles. Also on December 29, 2010, we entered into a five year operating lease agreement for the SunnyBrook facilities. The operations of WT are included in our consolidated operating results from the date of its acquisition.

The following table summarizes the approximate fair value of the net assets acquired at the date of the closing:

(In thousands)	December 29, 2010
Current assets	\$5,773