

WINNEBAGO INDUSTRIES INC

Form 10-Q

July 02, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended May 29, 2010

or

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

For the transition period from _____ to _____

WINNEBAGO INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Commission File Number: 001-06403

Iowa

(State or other jurisdiction
of incorporation or organization)

42-0802678

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

P. O. Box 152, Forest City, Iowa

(Address of principal executive offices)

50436

(Zip Code)

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

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

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

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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 July 1, 2010 was 29,112,602.

WINNEBAGO INDUSTRIES, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. Condensed Financial Statements

Winnebago Industries, Inc.

Unaudited Statements of Operations

| (In thousands, except per share data) | Quarter Ended | | Nine Months Ended | |
|--|-----------------|-----------------|-------------------|-----------------|
| | May 29, 2010 | May 30, 2009 | May 29, 2010 | May 30, 2009 |
| Net revenues | \$ 134,813 | \$ 50,848 | \$ 326,359 | \$ 152,054 |
| Cost of goods sold | 125,058 | 59,133 | 311,296 | 181,025 |
| Gross profit (deficit) | 9,755 | (8,285) | 15,063 | (28,971) |
| Operating expenses: | | | | |
| Selling | 3,107 | 3,083 | 9,438 | 9,564 |
| General and administrative | 3,244 | 3,414 | 10,056 | 11,748 |
| Total operating expenses | 6,351 | 6,497 | 19,494 | 21,312 |
| Operating income (loss) | 3,404 | (14,782) | (4,431) | (50,283) |
| Financial income | 158 | 209 | 289 | 1,366 |
| Income (loss) before income taxes | 3,562 | (14,573) | (4,142) | (48,917) |
| Benefit for taxes | (2,430) | (6,020) | (9,496) | (20,387) |
| Net income (loss) | \$ 5,992 | \$ (8,553) | \$ 5,354 | \$ (28,530) |
| Income (loss) per common share: | | | | |
| Basic | \$ 0.21 | \$ (0.29) | \$ 0.18 | \$ (0.98) |
| Diluted | \$ 0.21 | \$ (0.29) | \$ 0.18 | \$ (0.98) |
| Weighted average common shares outstanding: | | | | |
| Basic | 29,098 | 29,045 | 29,084 | 29,036 |
| Diluted | 29,107 | 29,056 | 29,097 | 29,046 |

Dividends paid per common share \$ — \$ — \$ — \$ 0.12

See unaudited notes to financial statements.

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Winnebago Industries, Inc.
Unaudited Balance Sheets

| (In thousands, except per share data) | May 29, 2010 | August 29, 2009 |
|--|-----------------|--------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 76,296 | \$ 36,566 |
| Short-term investments | 1,150 | 13,500 |
| Receivables, less allowance for doubtful accounts (\$93 and \$185, respectively) | 10,105 | 11,717 |
| Inventories | 39,134 | 46,850 |
| Prepaid expenses and other assets | 3,898 | 3,425 |
| Income taxes receivable | 1,148 | 17,356 |
| Total current assets | 131,731 | 129,414 |
| Property, plant, and equipment, net | 24,536 | 28,040 |
| Assets held for sale | 6,515 | 6,515 |
| Long-term investments | 19,272 | 19,794 |
| Investment in life insurance | 23,038 | 22,451 |
| Other assets | 15,218 | 14,252 |
| Total assets | \$ 220,310 | \$ 220,466 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 15,334 | \$ 10,370 |
| Short-term ARS borrowings | 610 | 9,100 |
| Income taxes payable | 80 | 299 |
| Accrued expenses: | | |
| Accrued compensation | 11,666 | 10,204 |
| Product warranties | 6,946 | 6,408 |
| Self-insurance | 4,643 | 5,356 |
| Accrued loss on repurchases | 1,595 | 1,199 |
| Promotional | 1,972 | 2,270 |
| Other | 4,966 | 4,748 |

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| | | |
|--|------------|------------|
| Total current liabilities | 47,812 | 49,954 |
| Long-term liabilities: | | |
| Unrecognized tax benefits | 6,090 | 9,012 |
| Postretirement health care and deferred compensation benefits | 70,071 | 69,169 |
| Total long-term liabilities | 76,161 | 78,181 |
| 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 | 29,480 | 29,726 |
| Retained earnings | 415,782 | 410,428 |
| Accumulated other comprehensive income | 5,014 | 6,540 |
| Treasury stock, at cost (22,666 and 22,690 shares, respectively) | (379,827) | (380,251) |
| Total stockholders' equity | 96,337 | 92,331 |
| Total liabilities and stockholders' equity | \$ 220,310 | \$ 220,466 |

See unaudited notes to financial statements.

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Winnebago Industries, Inc.
Unaudited Statements of Cash Flows

| (In thousands) | Nine Months Ended | |
|--|-------------------|-----------------|
| | May 29, 2010 | May 30, 2009 |
| Operating activities: | | |
| Net income (loss) | \$ 5,354 | \$ (28,530) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 4,850 | 6,015 |
| Stock-based compensation | 414 | 760 |
| Postretirement benefit income and deferred compensation expenses | 927 | 1,030 |
| (Reduction) provision for doubtful accounts | (65) | 58 |
| Deferred income taxes | — | (463) |
| Increase in cash surrender value of life insurance policies | (962) | (865) |
| Loss on disposal of property | 14 | 70 |
| Other | 58 | 176 |
| Change in assets and liabilities: | | |
| Inventories | 7,716 | 57,366 |
| Receivables and prepaid assets | 843 | 2,164 |

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| | | | |
|---|------------|-----------|----------|
| Income taxes receivable and unrecognized tax benefits | 13,736 | (11,929 |) |
| Accounts payable and accrued expenses | 6,605 | (11,034 |) |
| Postretirement and deferred compensation benefits | (2,679 |) | (2,344) |
| Net cash provided by operating activities | 36,811 | 12,474 | |
| Investing activities: | | | |
| Proceeds from the sale of investments, at par | 12,900 | 8,500 | |
| Purchases of property and equipment | (1,467 |) | (2,522) |
| Proceeds from the sale of property | 58 | 294 | |
| Other | 127 | (736 |) |
| Net cash provided by investing activities | 11,618 | 5,536 | |
| Financing activities: | | | |
| Payments for purchase of common stock | (249 |) | (164) |
| Payments of cash dividends | — | (3,489 |) |
| (Payments) borrowings on ARS portfolio | (8,490 |) | 9,100 |
| Proceeds from exercise of stock options | 280 | — | |
| Other | (240 |) | — |
| Net cash (used in) provided by financing activities | (8,699 |) | 5,447 |
| Net increase in cash and cash equivalents | 39,730 | 23,457 | |
| Cash and cash equivalents at beginning of period | 36,566 | 17,851 | |
| Cash and cash equivalents at end of period | \$ 76,296 | \$ 41,308 | |
| Supplemental cash flow disclosure: | | | |
| Income taxes (refunded) paid | \$ (23,390 |) | \$ 168 |

See unaudited notes to financial statements.

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Winnebago Industries, Inc.
Unaudited Notes to Financial Statements

General:

The "Company," "we," "our" and "us" are used interchangeably to refer to Winnebago Industries, Inc.

NOTE 1: Basis of Presentation

In our opinion, the accompanying condensed unaudited financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position as of May 29, 2010 and the results of operations for the quarter and nine months ended May 29, 2010 and May 30, 2009, and cash flows for the nine months

ended May 29, 2010 and May 30, 2009. The statement of operations for the nine months ended May 29, 2010 is not necessarily indicative of the results to be expected for the full year. The balance sheet data as of August 29, 2009 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 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 29, 2009.

NOTE 2: New Accounting Pronouncements

On January 21, 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, amending Accounting Standards Codification (ASC) 820 (formerly Statement of Financial Accounting Standards No. 157) to add new requirements. The new requirements are disclosures about transfers into and out of Levels 1 and 2 measurements (as defined in Note 3) and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements (as defined in Note 3). ASU 2010-06 clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The new guidance became effective for our second quarter of Fiscal 2010, except for the requirement to provide Level 3 activity on a gross basis. That requirement will be effective starting in the first fiscal year beginning after December 15, 2010 (our Fiscal 2012).

NOTE 3: Fair Value Measurements

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

The fair value hierarchy requires the use of observable market data when available. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability.

The following tables set forth by level within the fair value hierarchy, our financial assets that were accounted for at fair value on a recurring basis at May 29, 2010 and August 29, 2009 according to the valuation techniques we used to determine their fair values:

| | Fair Value at May 29, 2010 | Fair Value Measurements Using Inputs Considered As | | |
|---|----------------------------------|--|---|--|
| | | Level 1 Quoted Prices in Active Markets for Identical Assets | Level 2 Significant Other Observable Inputs | Level 3 Significant Unobservable Inputs |
| Short-term investments (includes Put Rights) | \$ 1,150 | \$ — | \$ | |