

SMALL TALK: NOV 13, 2018

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He who wishes to be rich in a day will be hanged in a year.

Leonardo da Vinci,
artist, inventor and scientist

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WINNEBAGO[®]



MOTOR VEHICLES



COMPANY DATA

- Symbol WGO (Winnebago Industries Inc)
- NYSE & Chicago Stock Exchange
- Industry = Recreational Products
- Sector = Consumer Cyclical
- HQ = Eden Prairie, MN
(moved from Forest City, IA)

BOATS

BROAD PORTFOLIO OF STERNDRIVE AND OUTBOARD BOATS



COMPANY DATA

- Company sells to about 456 dealers in the US & Canada

COMPANY DATA

- Employees = 4700
- Blackrock owns 10.2%
- Officers & directors own 3.4%
- President & CEO = Michael J. Happe

ACQUISITION

(GRAND DESIGN)

- **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 considerations
- Design to significantly expand our existing towable RV product offerings and dealer base and acquire additional talent in the RV industry.

ACQUISITION

(CHRIS-CRAFT)

- Purchased Chris-Craft = industry leader in recreational boating & craftsmanship (will act as a distinct business unit)
- Winnebago expects to maintain Chris-Craft's Sarasota, Florida headquarters.
- Chris-Craft will operate as a distinct business unit within a new "Other" operating segment.

COMPETITORS

- THO (Thor Industries)
- Forest Rivers
- LCII (LCI Industries)
- PII (Polaris)
- CWH (Camping World Holding)

STRENGTHS

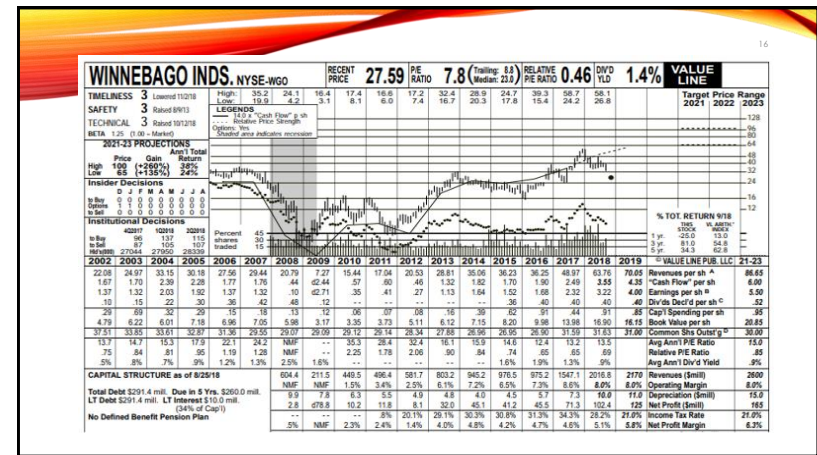
- New CEO 2016/management team
- One of top 3 RV manufacturers in US
- Won the top quality award every year since 1996 (has brand quality)
- Has wide moat as takes large capital to establish manufacturing company of RVs & boats

STRENGTHS

- Difficult for dealer to switch RV companies
- WGOs research & development = premium amenities & fuel efficiencies
- 1st to utilize the Dodge Sprinter & Ram ProMaster chassis

WEAKNESSES

- Very cyclical business
- Access to capital for consumer loans
- Disruption in supply line
- Decreased ability to meet Dealer demand



OPPORTUNITIES

- Plan to have fast introduction of new products into the market
- Acquisitions will be only high end firms
- Industry data = RVs primary accommodation for camping (from 18% to 26% in 2016)

OPPORTUNITIES

- Over 60% of US households camp at least occ. & 12% camp more than 3 times a yr.
- Millennials & GenX campers are 72% of US campers so plenty of "runway" for WGO

THREATS

- Increase in gas price
- Increase in interest on loans
- If sales decline lasts longer than WGO predicts could greatly affect financial situation

THREATS

- Decrease in consumer confidence
- New products by competitors
- Problem with integration of new mergers/acquisitions

THREAT

- *The impact that the tariffs have had on spot prices for aluminum, steel and other impacted materials ... have generally been mitigated with a combination of cost savings initiatives and pricing. These wins could prove temporary & are just now beginning to impact our financials. – CFO Bryan Hughes*

COMPANY THOUGHTS FOR FUTURE

- Leadership has stated that shipment growth may be relatively flat for the next 12 to 14 months in contrast to the double digit revenue growth of last year. Executives were careful to state that they weren't worried sharp price cuts would be needed to move inventory.
- Happe & team believe improvements they've made should position WGO to grab market share & protect margins in flat environment.

SSG



REVIEW IMPORTANT POINTS

- Relatively new CEO
- New acquisitions
- Cyclical company
- New HQ location

REVIEW IMPORTANT POINTS

- Tariff effect on company
- Interest rates
- State of the economy



YOUR THOUGHTS

- Consider adding to portfolio
- Too speculative
- Doesn't fit my portfolio
- Will put on watch list



THANK YOU

- To the Rocky Mountain Board for their assistance with this presentation:
 - Ralph Futch, Jane Nelson, Joan Loken, & Lois Krause

- Thank you all for attending!
- HAPPY HOLIDAYS
- Next Small Talk is January 15, 2019

ESTIMATE OF **SALES GROWTH** IN THE FUTURE

- 2.9% Analysts/BI
- 3.0% 10 yr. Sales
- 6.0% Avg. of MS est. next 5 yrs.
- 9.2% 2019/Yahoo
- 13.5% VL 2021-2023 projections

ESTIMATE OF **EPS GROWTH** IN THE FUTURE

- 3.1% in next 2 yrs./TK Analyst
- 6.5% = last 3 yrs. earnings
- 15% in next 5 yrs./Yahoo
- 16% in 2021-2023/VL

TAX

- Estimated to be 21% in 2019

PROJECTED HIGH P/E

- 14.2 = 5 yr. avg. P/E
- 16.5 = 3 yr. high avg. P/E
- 17.4 = 5 yr. avg. high P/E
- 18.2 = 52 week high P/E
- 23.1 = 10 yr. avg. high P/E

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PROJECTED LOW P/E

- 7.8 = 52 week low P/E
- 9.8 = 3 yr. avg. low P/E
- 11.0 = 5 yr. avg. low P/E
- 11.9 = 10 yr. low P/E
- 14.2 = 5 yr. avg. P/E

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ESTIMATED LOW EPS

- \$3.22 = TTM
- \$3.32 FTM
- \$3.27 = AVG TTM + FTM EPS

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LOW PRICE/REVIEW

- \$XX.XX = Tonight's value
- \$15.40 = Price dividend will support
- \$22.50 = Avg. low price in last 5 yrs.
- \$23.07 = 80% of current price
- \$25.21 = 52 week low price

