

**WINNEBAGO**INDUSTRIES



## **Winnebago Industries**

---

Kevin Romanteau

22 June 2023 – Updated w/ Q3 Print

# Winnebago Short Thesis

- **Since the crisis-'08, the recreative vehicles sector has a phenomenal recovery w/ secular growth trend**
  - ▶ Historically RV shipments from 1980 to 2022 have enjoyed a ~3-4% unit growth CAGR. '10-'22 shipments +6.1% CAGR, reached a peak in 2017 w/ 504,599 units, w/ towable segments accounting for ~88% of sales. WGO has an outstanding '10-'22 track record: +18% revenue CAGR, +72% EBITDA CAGR, +18 EPS CAGR, punctuated by terrific results in '21-'22 due to RV demand surge during the COVID. WGO has gained market shares in a growing industry but reached a plateau w/ 12.7% since '20 – competitive market environment.
- **2021-2022 Temporary tailwinds have emerged from pandemic – fundamentally shifted three key drivers:**
  - ▶ 1) **Unit demand**, driven by high customer demand, consumer health and low gasoline price.
  - ▶ 2) **ASP**, ultimately driven by unit demand, influenced by the backlog, dealer inventories and competitive environment. Between '19-'22, ASP rose by +71% questioning the level of sustainable in the future in a weak consumer demand/recession scenario.
  - ▶ 3) **Margins**, ultimately driven by unit pricing net of input costs. Margin structure shifted to a peak level, partially explained by the motorhomes margin expansion from '16-'19 avg. ~5% to ~12% in '22 (segment accounts for 39% of revenue).
- **My theory is why we will see a fundamental shift return-to-normal – “cyclical or secular issues?”**
  - ▶ WGO has been in a strong environment supported by an unsustainable industry growth since the pandemic-level. A weak pricing environment appears to emerge as consumer recession could be a major headwind on top of interest rate hits and gasoline levels.
  - ▶ **Temporary tailwinds dissipate:** RVIA industry assumes demand for RV back to the 2012-level predicting a 40% decline in '23 and 17% recovery in '24. Nevertheless, the lessons learned from the '08-crisis showed that RV was impacted significantly during the economic downturn. RV shipments declined by 72% and recovered to pre-recession peak shipment levels only in '14.
    - Business model was severely impaired in the '08-'09 recessions; the stock went from \$40 to \$4
    - Weak fundamentals: - 75% revenue, and margin contracted from 6.3% to minus 40%, meaning high degree of economic sensitivity
  - ▶ **Inventory cycle 101:** 1) weak demand (light backlogs), weak consumer pill-trough, heavy inventories (stales inventory, drives discounts to unclog inventories, enter repurchase agreement), weak pricing drives weak gross margin.
    - Seasonal effect: Q2 and Q3 are the strongest periods but inventory increases will encourage offer discounts during the fall season
  - ▶ **Repurchase agreement:** Cautious ordering patterns from independent dealers could possibly lead WGO to repurchase a large numbers of products due to dealer default impacting the operating margin and compressing free cash flow.
- **Since Jan '23, WGO is up +30% driven primarily by shortsighted excitement – blinded by the true?**
  - ▶ WGO Q2 '23 EPS \$1.88 bet consensus estimate of \$1.25 as continued strength in Marine and still elevated pricing helped offset softening retail demand for RV. Nevertheless, dealer inventories is rising and slowing demand create potential volatility in '23.
  - ▶ Thor Industries Q3 '23 print beats the consensus despite a contraction in the RV industry, as result the stock was up 15% (same for WGO).
  - ▶ WGO Q3 '23 EPS \$2.13 beats consensus estimate of \$1.78, Marines sales mitigated top line decline in RV segments. Dealer pushback on '23 pricing, sourcing remaining inventory from WGO competitors. Deceleration in ASP to come due to expected discount in Q4 '23/Q1 '24 to face consumer demand decrease and cautious orders from dealers.
  - ▶ Despite RV shipments down by -50% QoQ in Q3 '23, investors appears to ignore the warning figures from RVIA shipments forecast – 2Q lagging effect so impact could start to materialize in Q4 '23 – Q1'24.
  - ▶ Since the SBV and First Republic crisis, the US regional banks are under pressure and more cautious. Consumer financing are obstacles to ownership.

# Winnebago Business Overview

- Winnebago Industries (WGO) is a North American manufacturer of motorized and towable recreational vehicles (RVs)
- Founded in 1958, WGO operates 3 segments through 4 facilities in the US
  - w/ towable accounting for 52% of revenue
  - w/ motorhome accounting for 39% of revenue (vs. 90% in 2016)
  - w/ marine accounting for 9% (entered the market in 2021)

## Quick Facts

**\$4.8B**

Current Revenue <sup>1</sup>

**7,300+**

Highly Skilled Employees

## Significant Transformation (2016-Current)

	<u>FI6</u>	<u>Current</u>
• Revenue	\$1.0B	\$4.8B <sup>1</sup>
• RV Market Share <sup>2</sup>	3.3%	12.7%
• Market Cap <sup>3</sup>	\$0.7B	\$1.8B

2 Large Outdoor Recreation industries

5 Premium Outdoor Brands

8 Product Types

RV



Marine



## Locations



- Executive Office
- RV Production
- Boat Production

# RV Basics

## ▪ RV 101

- ▶ Recreational Vehicles (RVs), come in two basics forms: towable and motorized
- ▶ **Towable** RVs are the most popular version, wholesaling 435k units in '22 w/ 88% mkt share – multiple configuration include:
  - Fifth-Wheel trailers (which have a raised forward section and are attached to a special hitch in the bed of a pickup truck)
  - Travel trailers, pop-up trailer and pickup campers (fit into the bed of a pickup truck)
- ▶ **Motorhome**, which had a unit wholesale of 58k in '22 w/ 12% market share - organized into three classes:
  - *Class A* is thought of as the more traditional motorhome and is available in gas or diesel
  - *Class B* motorhomes looks like a typical van, but utilizes features such as raised ceilings, lowered floors and pop-up spaces
  - *Class C* can be recognized by the sleeping areas above the cab of the vehicle

## ▪ Market Overview

- ▶ **Key figures:** RV industry has \$140bn total annual RV industry economic impact w/ \$74bn generated by RV manufacturers and suppliers. Around ~12m RVs on the road in the US - average RVs age below 50 years old. The purchase price of a RV can range from \$15,000 for a small pop-up trailer to well over \$100,000+ for a Class A Motorhome. Alternatively, consumers can rent from a wide array of regional players – charge a fee per night (\$100-450) as well as per mile charge for motorhome (~\$1.0-4.0 per mile).
- ▶ **Post-financial crisis:** sales have recovered strongly after experiencing a severe decline during the '08 crisis. In contrast much of the rebound in sales can be attributed to the sharp pullback during the recession of '08-'09. RVIA noticed change in demographics, increases both in the oldest and youngest generations (Baby Boomers and Millennials), which bought added new consumers to RV markets.
- ▶ **Post-pandemic:** pricing has remained strong and manufacturers backlog are running at full capacity. However, according to RVIA Association, the industry will drop by 40% in '23 aligned w/ previous cyclical impact from '08.
- ▶ **Seasonality:** RV sales are highly seasonal, with many dealers placing orders at large shows, which occur in both spring and summer, making 2Q and 3Q typically the strongest periods. Lower demand will encourage players to offer discounts during the fall season, as year end inventory increases, impacting ASP and compressing margin.

## ▪ Major RV Manufacturers:

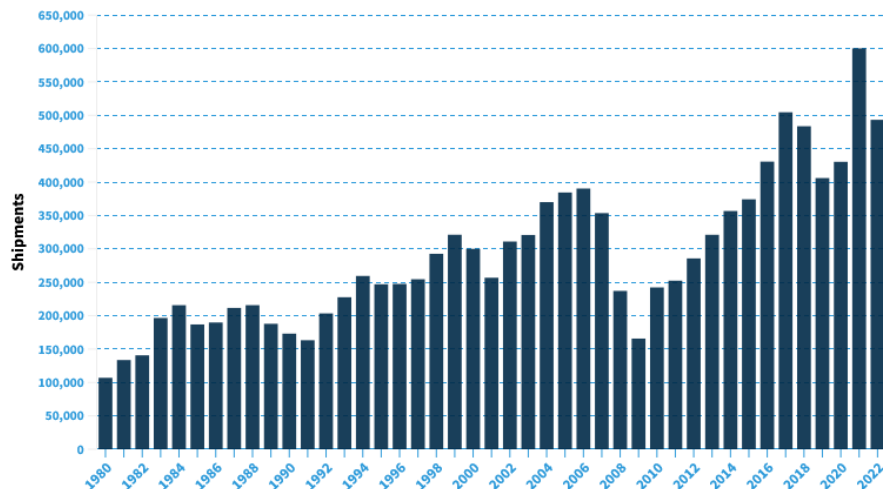
- ▶ **Four Competitors:** Thor (THO), Winnebago (WGO), as well as private competitors Forest River and Jayco. Historically, Thor and Forest are the only two w/ significant share in towable and motorized. Winnebago is weighted towards motorized w/ 20% market share. Despite its smaller size, Winnebago has historically been a strong participant in the motorized segment. WGO joined w/ small acquisition in '10 (Sunny Brok RV for \$5.7m) and currently has 12% market share.
- ▶ **Market consolidation:** A number of large competitors in the space, incl. Monoco Coach and Fleetwood Enterprises, which filed for bankruptcy in '09. As a result, the recession allowed public players Thor and Winnebago to acquire smaller assets at steep discounts.

# WGO Demand Drivers: Historical RV Shipments from 1980 to 2022

- Historical RV shipments from 1980 to 2022 enjoyed a ~3-4% unit growth margin
  - w/ Towable accounting for 88% of RV shipments
  - w/ Motorhome accounting for 12% of RV shipments

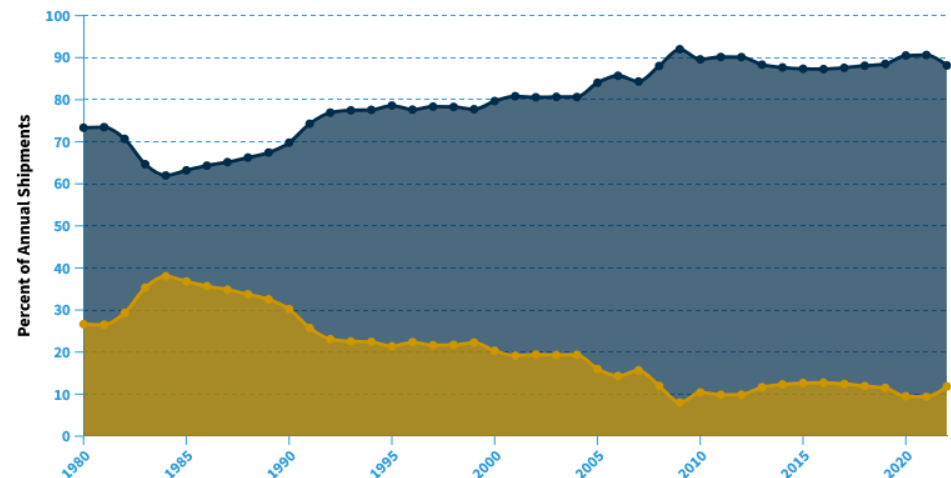
RV CAGR Growth Rate	
1980-2022	3.7%
1990-2022	3.3%
2000-2022	2.3%
2010-2022	6.1%
<b>Average</b>	<b>3.9%</b>
<i>vs. pre-COVID baseline (2019)</i>	
	6.7%

RV Shipments 1980 - 2022



RV Shipment Breakdown 1980-2022

■ Towable RV Percent ■ Motorhome Percent



# WGO Demand Drivers: Average Selling Price (ASP)

- Industry insiders expect to see drop in RV prices in 2023 w/ return to normal
  - \*\*\*Additional data should be considered w/ price scrape analysis
  - \*\*\*Additional discussion should be conducted w/ industry experts

RV shoppers in 2023 might face less of a hit to their wallets. Industry insiders say the high demand for motorhomes and towable rigs during the pandemic has dropped. The law of supply and demand that fueled RV price spikes is bringing them down this year.

*Motorbiscuit*

A quote included with the summary of the RVIA's April survey alludes to high inventory levels among RV sellers as well. "As consumers head to RV dealerships across the country this spring and summer, they will find many affordable options across all product types," said Craig Kirby, RVIA president and CEO.

Source: Fastmarkets

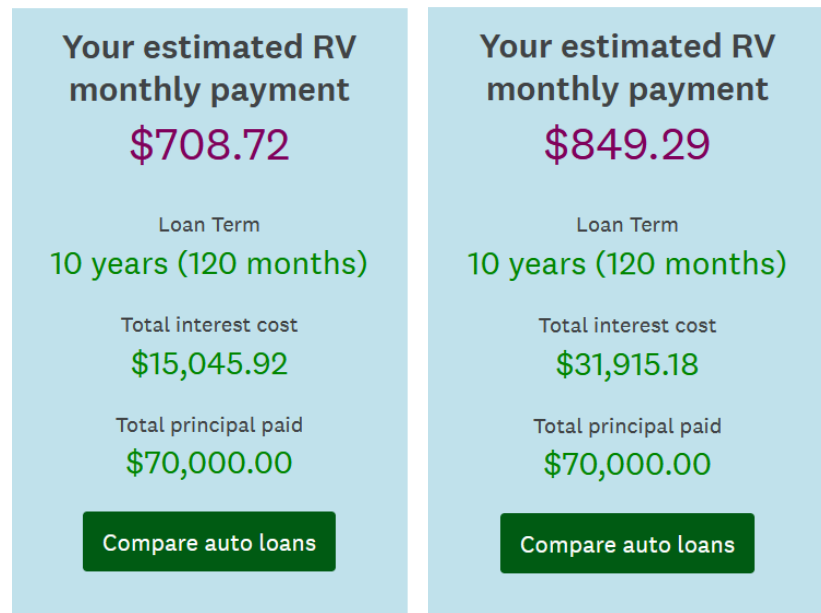
RV Cost	Winnebago	Estimated Price	Rent Cost 10+years old	Rent Cost Newer
Class A		\$50,000-\$100,000+	\$200-\$275/night	\$350-\$450/night
Class B	\$115,000-1,600,000	\$20,000-\$75,000	\$120-\$200/night	\$200-\$350/night
Class C		\$35,000-\$80,000	\$180-\$220/night	\$225-\$400/night
Fifth Wheel	\$33,000 to \$154,000	\$15,000-\$50,000	\$100-\$200/night	\$150-\$300/night
Range	\$33,000-\$1,600,000	\$15,000-\$100,000+	\$100-\$275	\$150-\$450
Avg. ASP			\$188	\$375
% growth				100%

# WGO Demand Drivers: Consumer Financing

- Consumer financing are obstacles to ownership
- Higher interest rate increased monthly payment by 30-60%+ over the L3Y
- Example of RV financing offer by Bank of the West
  - ▶ Loan amount: \$10,000 to \$2m
  - ▶ Rates 4% to 10%+
  - ▶ Terms 4 to 20 years
- Since the SBV and First Republic crisis, the US regional banks are under pressure and more cautious

According to Camper Report, people who tried the RV lifestyle for the first time during the pandemic might face higher loan interest rates and higher [RV ownership costs](#). As a result, many might [sell their recreational vehicles](#) as the economy [heads toward a recession](#).

Source: Motorbiscuit



Source: Creditkarm

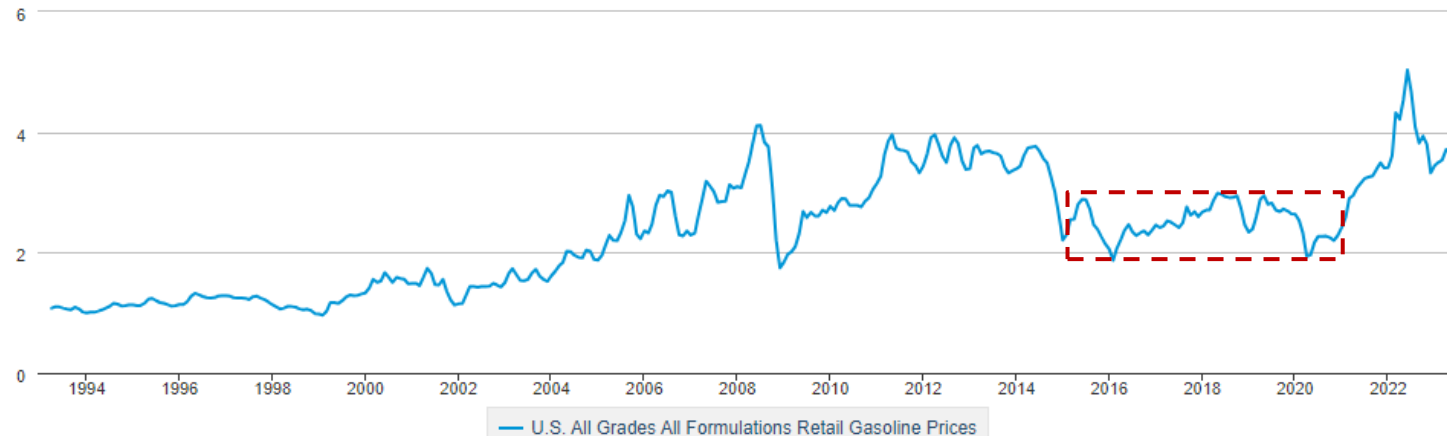
# WGO Demand Drivers: Gasoline Price

- '16-'20 attractive price drove the demand – gasoline range \$1.80-2.80 per gallon
- Average RV gets 57 gallons meaning ~\$290/tank in Nov-22
  - ▶ After the pandemic price peaked at historical level before consolidating in H1 2023
  - ▶ Gasoline is currently at \$3.66 per gallon
    - Saudi Arabia pledges big oil cuts in July

	Fuel Capacity (gal)	Fuel cost (avg. '16-'20)	Cost
Class A	84	\$2.30	\$192
Class B	25	\$2.30	\$56
Class C	64	\$2.30	\$147
<b>Average</b>	<b>57</b>		<b>\$132</b>
	Fuel Capacity (gal)	Fuel cost peak level '22	Cost
Class A	84	\$5.03	\$420
Class B	25	\$5.03	\$123
Class C	64	\$5.03	\$321
<b>Average</b>	<b>57</b>		<b>\$288</b>
Delta			119%

U.S. All Grades All Formulations Retail Gasoline Prices

Dollars per Gallon



DOWNLOAD



# How WGO Makes Money

## ■ Revenue model w/ a thorn in the foot

- ▶ Sells products mainly to dealers who then retail them to the end consumer
  - 750 independent dealers across the US and Canada
- ▶ Sales to dealer are made primarily on cash terms
- ▶ Dealers are financed on a “floorplan” backed by a lending institution – collateralized by a security interest in the units purchased
- ▶ \*\*Dealer payment default means that WGO is repurchasing the unit at discounted price
  - **\*\*\*Is Current dealer inventory healthy?**

## ■ Repurchase agreement duration

- ▶ Repurchase agreement w/ lending institution after the unit is financed:
  - RV up to 18 months
  - Marine up to 24 months

## ■ Dealer concentration

- ▶ None of the dealers account for more than 10% revenue

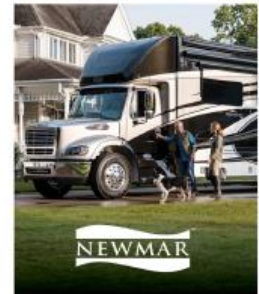
### RV



Most Recognized  
RV Brand



Fastest Growing  
Towable Brand



Leader in Luxury  
Class A

### MARINE



Most Recognized  
Luxury Boat Brand



Fastest Growing  
Pontoon Brand

# WGO Industry Model: Historical & Forecast

- RVIA assumes meaningful revenue and margin contraction in '23, then stability in '24
  - Assumes lowest demand for RV in more than 20 years – level not reached since '12
  - \*\*Assumes ~40% decline in '23 for RV shipments and 17% recovery in '24**
- During the '08-crisis, RV shipments declined by -72% followed by a slow recovery until '14
- Our view is that when the temporary tailwind dissipates, WGO margin will compress for several quarters
  - Assumes a more gradual decline over '23-'24 vs. RVIA forecast due to lagged effect on manufacturers
  - \*\*\*Additional discussion w/ industry experts should be considered**

RVIA Industry				
	Low	High	Median	
2023E	287,000	307,000	297,000	(39.8%)
2024E	342,500	354,400	348,450	17.3%
As of 6 June 2023				

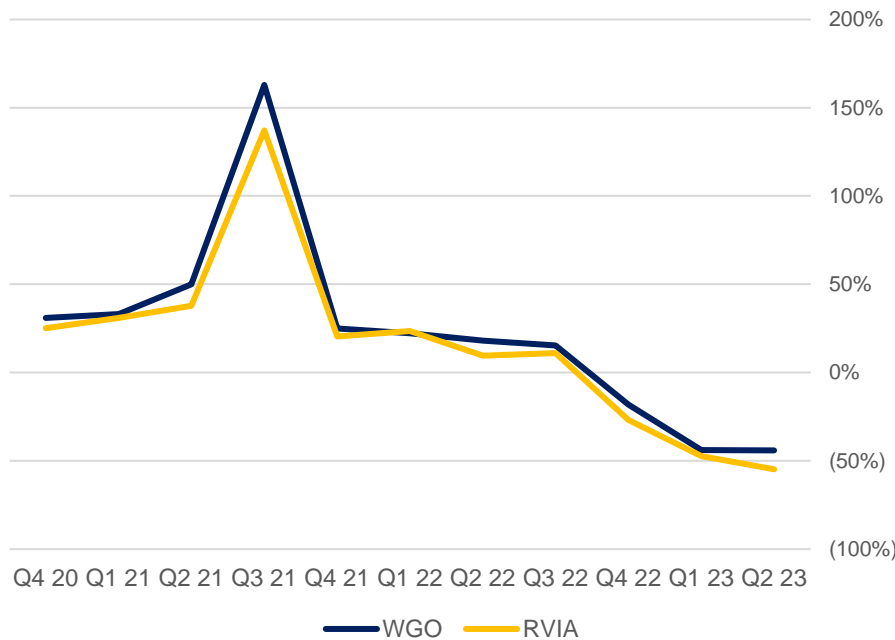
	Units
2014-2019 Average (L5Y)	426,002
2009-2019 Average (L10Y)	347,572
2025 "Normal"	295,961

Est COVID pull-forward	194,170
2022-24 Impact	(301,320)

	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E
Industry RV Shipments	430,691	504,599	483,672	406,070	430,412	600,240	493,268	345,288	310,759	318,528	326,491
% yoy	15.1%	17.2%	(4.1%)	(16.0%)	6.0%	39.5%	(17.8%)	(30.0%)	(10.0%)	2.5%	2.5%
yoy shipments	56,445	73,908	(20,927)	(77,602)	24,342	169,828	(106,972)	(147,980)	(34,529)	7,769	7,963
WGO mkt share	3.0%	7.1%	8.4%	9.5%	11.3%	12.5%	12.7%	13.0%	13.2%	13.5%	13.7%
bps share		410	130	110	180	120	20	25	25	25	25
		4.100%	1.300%	1.100%	1.800%	1.200%	0.200%				
Implied WGO Units (ex-Boats)	12,921	35,827	40,628	38,577	48,637	75,030	62,645	44,715	41,020	42,842	44,729
% yoy	n.a.	177.3%	13.4%	(5.1%)	26.1%	54.3%	(16.5%)	(28.6%)	(8.3%)	4.4%	4.4%

# WGO Industry Model: Quarterly Data

- RVIA data provides an early look at quarterly volumes
  - Strong correlation w/ WGO's delivery (correlation 99.5%, R-Square 98.9%)
  - April report mentioned that RV shipments are down by 52% YoY, as they are mainly affected by the towable decline



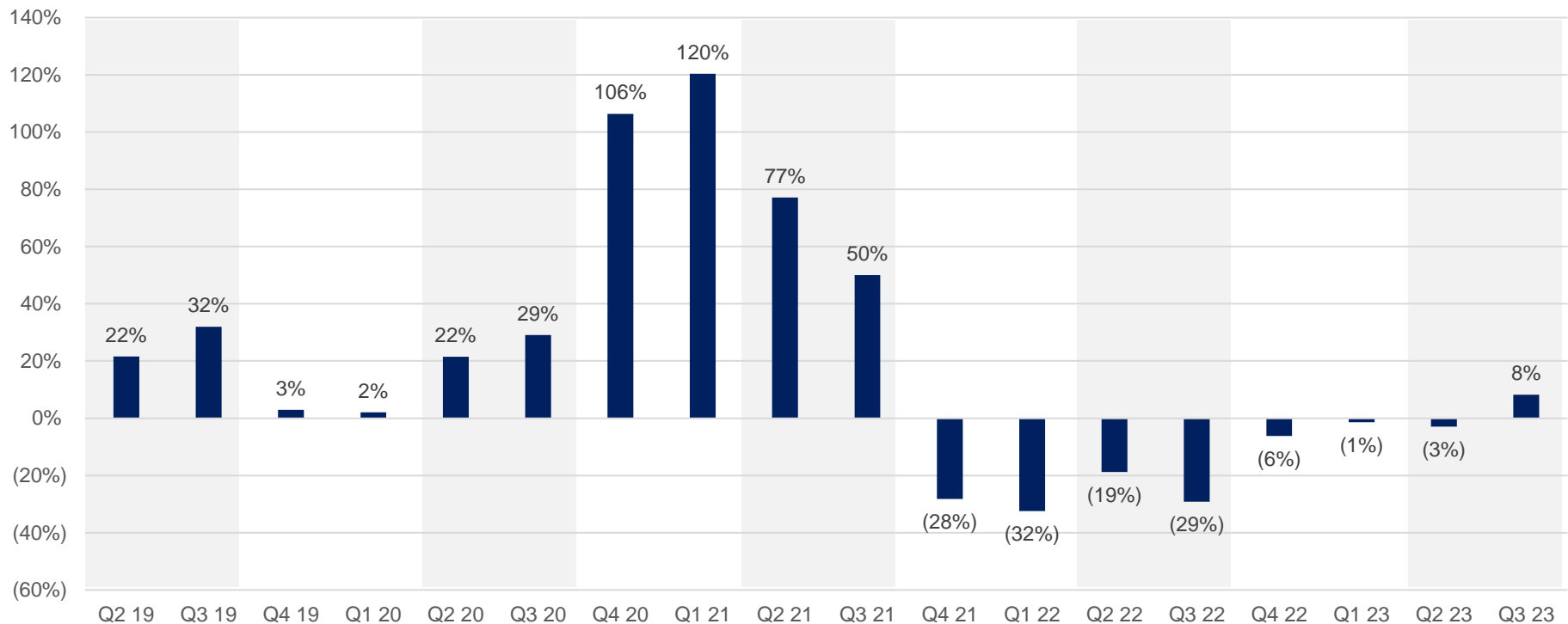
	APRIL 2022	APRIL 2023	YOY Last Year	YTD 2022	YTD 2023	YOY To Date
Towables						
Travel Trailers (ALL)	40,481	20,394	-49.6%	162,969	69,723	-57.2%
Travel Trailers - 5th Wheel	10,515	5,421	-48.4%	40,458	18,757	-53.6%
Folding Camping Trailers	756	682	-9.8%	2,993	2,338	-21.9%
Truck Campers	465	363	-21.9%	1,817	1,250	-31.2%
All Towable RVs	52,217	26,860	-48.6%	208,237	92,068	-55.8%
Motorhomes						
Conventional (Type A)	1,442	935	-35.2%	5,506	3,852	-30.0%
Van Campers (Type B)	1,526	1,303	-14.6%	6,196	4,772	-23.0%
Mini (Type C)	2,007	2,118	5.5%	9,155	9,124	-0.3%
All Motorhomes	4,975	4,356	-12.4%	20,857	17,748	-14.9%
Total RV Shipments	57,192	31,216	-45.4%	229,094	109,816	-52.1%

Source: RVIA Q3 Report

# RV Sales Near Me in the US

- Google trade data RV Sales Near Me in the US showed 7 consecutive negative quarters
  - \*\*\*Lagged indicator should be monitored to give a hint about the next quarter trend**
  - Historically negative seasonality effect in Q4/Q1

YOY Change in Google Trends "RVs For Sale Near Me US"



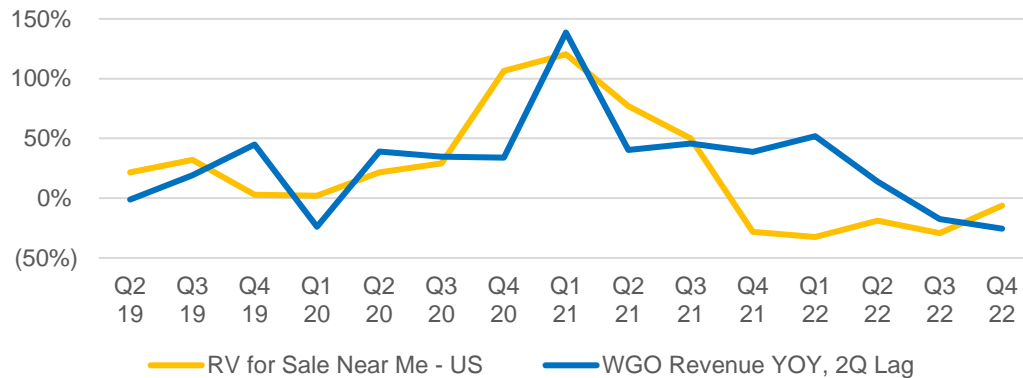
Source: Google Trends

Seasonality peak Q2/Q3

# RV Sales Near Me in the US: Corelation

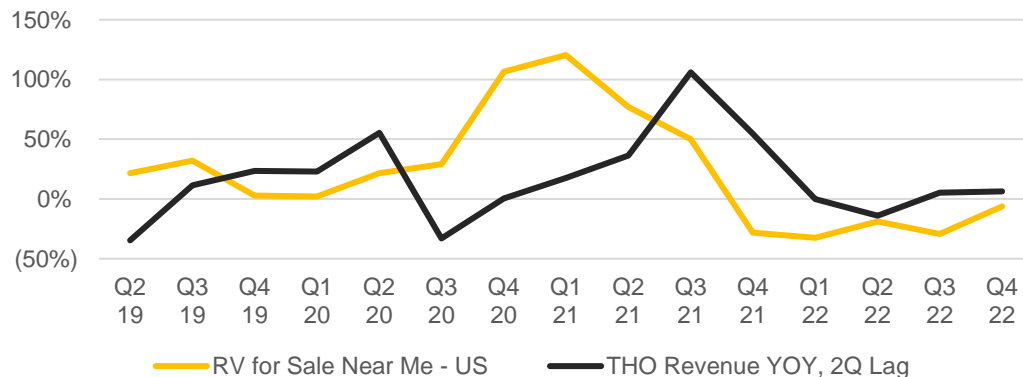
- Both WGO and THO have a strong correlation w/ RV Sales Near Me in the US from Google Trends
  - \*\*\*Additional data should be considered to assess correlation**

Google Trends - Correlation w/ WGO



Correlation		
	WGO	THO
No Lag	15.8%	12.4%
Lagged 1Q	29.0%	47.7%
Lagged 2Q	58.8%	67.2%

Google Trends - Correlation w/ THO



R-Squared		
	WGO	THO
No Lag	2.5%	1.5%
Lagged 1Q	8.4%	22.7%
Lagged 2Q	34.5%	45.2%

# WGO Business Quality

## ■ **\*\*\*Is WGO a good business?**

- ▶ RV business is generally considered as a “great business”, w/ steady growth, and visibility on ROIC. Also, WGO is quite premium w/ product quality, durability and customer service compared to the leading competitor Thor Industry.
- ▶ **However, it appears that period was anomalous** – '10-'20 RV faced a steady growth recovering from the previous crisis. '20-'22' the industry benefited from a surging demand driven by the pandemic, pulling forward record backlog. '23-'24' forecasted demand appears to melt into snow.

## ■ **During the 2008 crisis, WGO has emerge as a mediocre during tough economy cycle**

- ▶ Principally due to Inventory 101 - weak demand, weak consumer pill-trough, heavy inventories, weak pricing drives weak gross margin. As a result, revenue declined by 30% and 65%, respectively in '08 and '09.
- ▶ Gross margin compression as less demand from end-users and dealers
  - Gross margin -15% down from 11.4%, operating margin -30% down from 6.3% in '07, w/ compressing incremental margin

## ■ **Positive Elements**

- ▶ Market shares gains from 3.0% to ~13% over the L7Y
- ▶ Revenue increases 10x between '10-'22, +22.1 CAGR from \$450m to \$4,958m
- ▶ **\*\*\*Solid & rising profit margins but is it sustainable?**
- ▶ Mid to high-teens ROIC
- ▶ Mid-single digit FCF margins

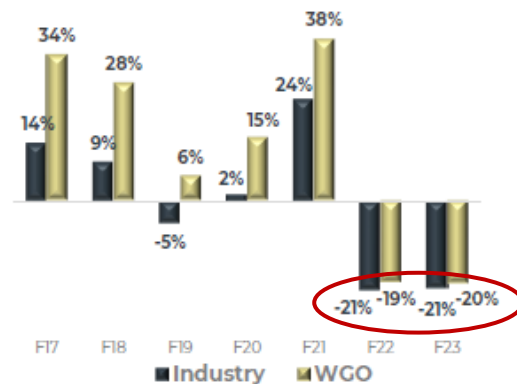
## ■ **Negative Elements**

- ▶ \*\*RV sector is highly competitive w/ limited barriers to entry
- ▶ Some structural growth, though highly cyclical & economically sensitive
- ▶ High degree of economic sensitivity
- ▶ Financing sensitivity
  - Consumer financing (70-80% are financed on 10-15yr loans – combined w/ ASP increases, monthly payment have gone up 60%+ over L3Y)
  - Fleet financing (RV dealers financing inventory)
- ▶ Gas price sensitivity
- ▶ FCF margins exposed to repurchase agreement contingent

# WGO Market Shares

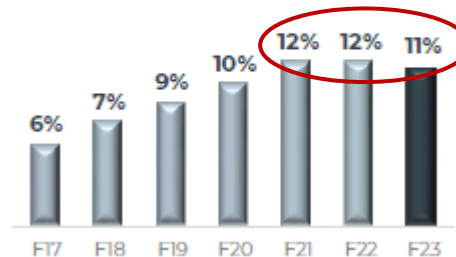
- Market share gains flattening over the last 2-3 years
  - w/ 12% market share in the towable segment
  - w/ 21% market share in the motorhome segment
- \*\*Destocking phase purging '22 inventory pushing - dealer emphasis souring from competitors

**Winnebago Industries Brands  
vs. RV Industry Retail Growth**  
(YoY % Growth of Retail Units)



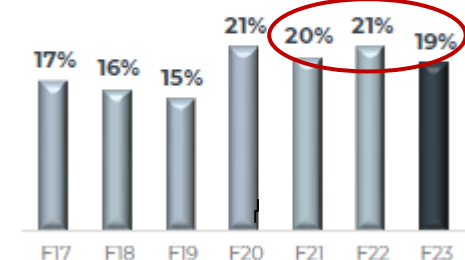
Oct-22

**Towable RV Segment  
Market Share (Units)**



Jun-23

**Motorhome RV Segment  
Market Share (Units)**



Jun-23

# WGO vs. Peers

## Market Data as of 13-Jun-2023

Enterprise Value			Market Value			TEV / EBITDA FY1			P/E FY1			EPS cons. FY1-FY3		
Rank	Company	Amount	Rank	Company	Amount	Rank	Company	Multiple	Rank	Company	Multiple	Rank	Company	Amount
1	Thor Industries	6,576	1	Thor Industries	6,127	1	REV Group	8.3x	1	Thor Industries	15.8x	1	REV Group	50.5%
2	Trigano	2,511	2	Trigano	2,674	2	Trigano	5.8x	2	REV Group	13.1x	2	Thor Industries	49.9%
3	Winnebago	2,451	3	Winnebago	2,047	3	Winnebago	5.5x	3	Winnebago	8.8x	3	Winnebago	13.0%
4	REV Group	1,032	4	REV Group	782	4	Thor Industries	5.0x	4	Trigano	8.7x	4	Trigano	(1.6%)
						Average			Average			Average		
						Median			Median			Median		



# Business Momentum

WGO														
Fiscal year ended August 31,	2016	2017	2018	2019	2020	2021	Q1 22	Q2 22	Q3 22	Q4 22	2022	Q1 23	Q2 23	
Period ending	8-31-16	8-31-17	8-31-18	8-31-19	8-31-20	8-31-21	11-30-21	2-28-22	5-31-22	8-31-22	8-31-22	11-30-22	2-28-23	
Days in period	366	365	365	365	366	365	91	90	92	92	365	91	90	
INCOME STATEMENT														
TOTAL NET REVENUE	\$975.2	\$1,547.1	\$2,016.8	\$1,985.7	\$2,355.5	\$3,629.8	\$1,155.7	\$1,164.7	\$1,458.1	\$1,179.1	\$4,957.7	\$952.2	\$866.7	
% yoy	(0.1%)	58.6%	30.4%	(1.5%)	18.6%	54.1%	45.7%	38.7%	51.8%	13.8%	36.6%	(17.6%)	(25.6%)	
% 2 year	3.2%	58.4%	106.8%	28.3%	16.8%	82.8%	96.4%	85.8%	262.3%	59.8%	110.5%	20.1%	3.2%	
% qoq							11.5%	0.8%	25.2%	(19.1%)		(19.2%)	(9.0%)	
YOY	(\$1)	\$572	\$470	(\$31)	\$370	\$1,274	\$363	\$325	\$497	\$143	\$1,328	(\$204)	(\$298)	
2025 GUIDANCE														
Cost of goods sold	(\$862.6)	(\$1,324.5)	(\$1,717.0)	(\$1,678.5)	(\$2,042.6)	(\$2,979.5)	(\$926.3)	(\$948.2)	(\$1,185.2)	(\$968.7)	(\$4,028.4)	(\$791.8)	(\$719.9)	
% of sales	88.4%	85.6%	85.1%	84.5%	86.7%	82.1%	80.2%	81.4%	81.3%	82.2%	81.3%	83.2%	83.1%	
bps yoy	(81)	(284)	(48)	(60)	219	(463)	(258)	5	(107)	22	(83)	300	166	
% yoy	(1.0%)	53.6%	29.6%	(2.2%)	21.7%	45.9%	41.2%	38.8%	49.8%	14.1%	35.2%	(14.5%)	(24.1%)	
GROSS PROFIT	\$112.6	\$222.6	\$299.8	\$307.2	\$312.9	\$650.4	\$229.4	\$216.6	\$273.0	\$210.4	\$929.3	\$160.4	\$146.8	
% margin	11.6%	14.4%	14.9%	15.5%	13.3%	17.9%	19.8%	18.6%	18.7%	17.8%	18.7%	16.8%	16.9%	
bps yoy	81	284	48	60	(219)	463	258	(5)	107	(22)	83	(300)	(166)	
% yoy	7.4%	97.6%	34.7%	2.5%	1.9%	107.8%	67.4%	38.3%	60.9%	12.4%	42.9%	(30.1%)	(32.2%)	
INCREMENTAL MARGIN	(607.4%)	19.2%	16.4%	(23.6%)	1.5%	26.5%	25.5%	18.5%	20.8%	16.2%	21.0%	33.9%	23.4%	
2025 GUIDANCE														
SG&A	(\$53.0)	(\$91.0)	(\$130.1)	(\$142.3)	(\$177.1)	(\$228.6)	(\$74.9)	(\$71.8)	(\$88.2)	(\$81.5)	(\$316.4)	(\$70.7)	(\$66.2)	
% of sales	5.4%	5.9%	6.5%	7.2%	7.5%	6.3%	6.5%	6.2%	6.1%	6.9%	6.4%	7.4%	7.6%	
bps yoy	83	44	57	71	35	(122)	38	(15)	(57)	78	9	95	147	
% yoy	17.9%	71.6%	43.0%	9.4%	24.4%	29.1%	54.7%	35.4%	38.8%	28.2%	38.4%	(5.6%)	(7.8%)	
Amortization	\$0.0	(\$24.7)	(\$9.3)	(\$9.6)	(\$22.1)	(\$14.4)	(\$8.2)	(\$8.0)	(\$8.0)	(\$5.2)	(\$29.4)	(\$3.8)	(\$3.8)	
Other items	\$6.1	\$18.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	
TOTAL OPERATING EXPENSE	(\$46.9)	(\$97.5)	(\$139.4)	(\$151.9)	(\$199.2)	(\$242.9)	(\$83.0)	(\$79.8)	(\$96.2)	(\$86.7)	(\$345.8)	(\$74.5)	(\$70.0)	
% of sales	4.8%	6.3%	6.9%	7.7%	8.5%	6.7%	7.2%	6.9%	6.6%	7.4%	7.0%	7.8%	8.1%	
bps yoy % of sales	15	149	61	74	80	(176)	63	11	(39)	87	28	64	122	
% yoy	3.2%	107.8%	43.1%	9.0%	31.1%	22.0%	59.7%	41.0%	43.3%	29.1%	42.4%	(10.3%)	(12.3%)	
OPERATING INCOME	\$65.7	\$125.1	\$160.4	\$155.3	\$113.8	\$407.4	\$146.4	\$136.8	\$176.7	\$123.6	\$583.5	\$85.9	\$76.8	
% margin	6.7%	8.1%	8.0%	7.8%	4.8%	11.2%	12.7%	11.7%	12.1%	10.5%	11.8%	9.0%	8.9%	
ADJUSTED OPERATING PROFIT	\$56.1	\$106.6	\$162.1	\$154.8	\$129.0	\$403.1	\$146.4	\$136.8	\$176.7	\$123.6	\$622.7	\$86.9	\$79.7	
% margin	5.8%	6.9%	8.0%	7.8%	5.5%	11.1%	12.7%	11.7%	12.1%	10.5%	12.6%	9.1%	9.2%	
bps yoy	(33)	113	115	(24)	(232)	563	195	(16)	146	(110)	146	(354)	(255)	
% yoy	(5.6%)	89.9%	52.1%	(4.5%)	(16.6%)	212.5%	72.2%	36.8%	72.5%	3.0%	54.5%	(40.6%)	(41.7%)	
INCREMENTAL MARGIN	n.a.	8.8%	11.8%	23.5%	n.a.	21.5%	16.9%	11.3%	14.9%	2.6%	16.5%	29.2%	19.1%	
Per Unit	\$4,155	\$3,358	\$3,513	\$3,484	\$2,805	\$5,653					\$8,023	\$7,623	\$7,334	

# Backlog & Inventories: Motorhomes

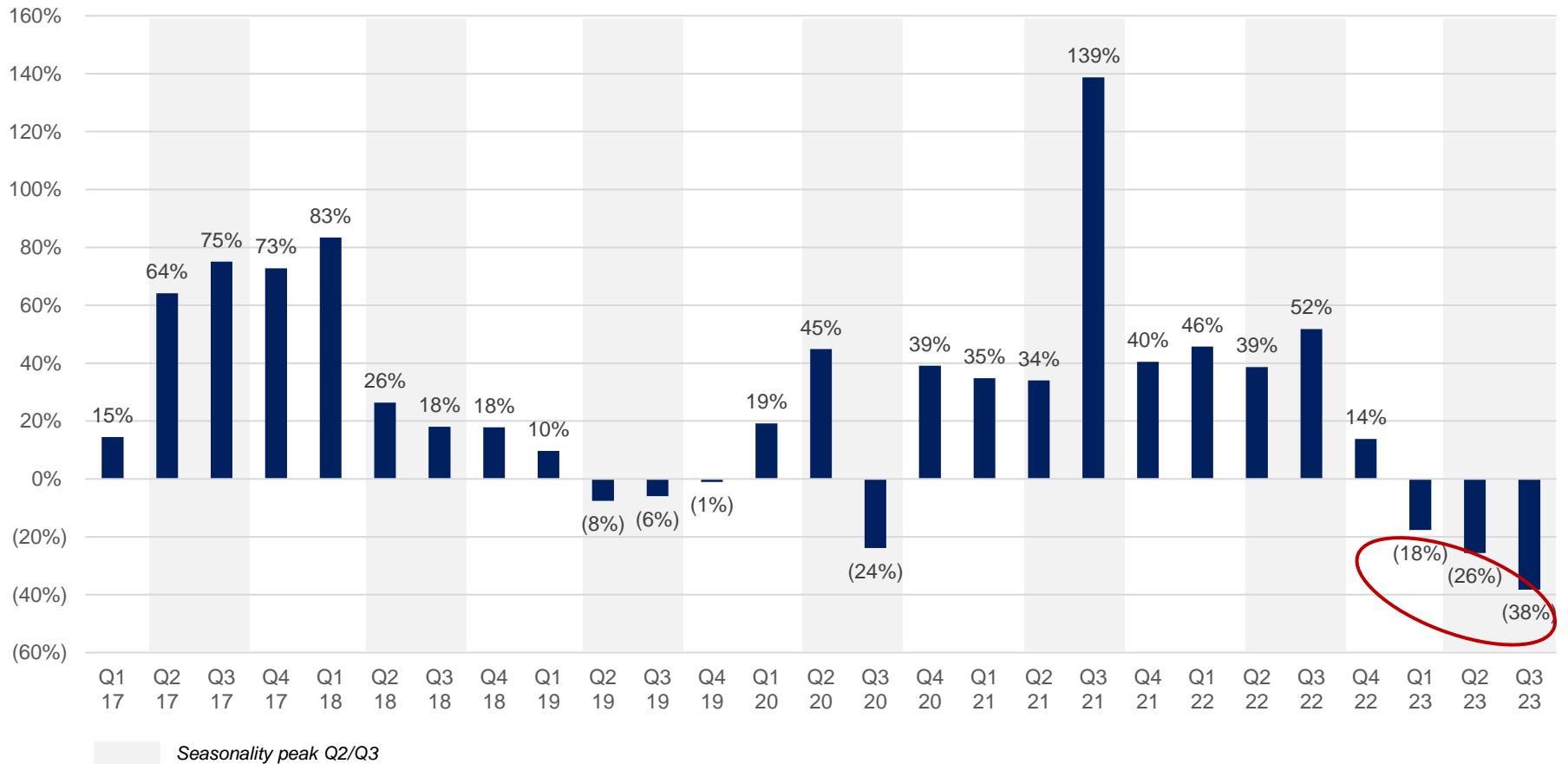
Fiscal year ended August 31,	2016	2017	2018	2019	2020	2021	2022	Q1 23	Q2 23
<b>MOTORHOMES</b>									
<b>Motorhome Backlog Units</b>	1,139	1,293	1,693	1,808	8,463	18,254	12,024	10,089	5,341
% yoy	(35.1%)	13.5%	30.9%	6.8%	368.1%	115.7%	(34.1%)	(46.4%)	(69.0%)
% qoq								(16.1%)	(47.1%)
<b>Motorhome Backlog Dollars</b>	\$108	\$122	\$158	\$165	\$1,051	\$2,304	\$1,688	\$1,596	\$873
% yoy	(31.2%)	13.5%	29.0%	5.0%	535.8%	119.1%	(26.7%)	(33.8%)	(60.6%)
% qoq								(5.4%)	(45.3%)
<b>DAYS SALES BACKLOG</b>	44.5	52.2	66.8	85.4	364.1	546.3	322.3	312.9	194.5
<b>Backlog ASP</b>	\$94,487	\$94,464	\$93,062	\$91,467	\$124,237	\$126,192	\$140,350	\$158,192	\$163,396
% yoy	6.0%	(0.0%)	(1.5%)	(1.7%)	35.8%	1.6%	11.2%	23.4%	27.3%
% qoq								12.7%	3.3%
<b>Sales ASP</b>				\$93,549	\$130,098	\$138,999	\$156,917	\$182,386	\$186,896
Backlog vs. Current Sales				(\$2,082)	(\$5,861)	(\$12,807)	(\$16,567)	(\$24,194)	(\$23,500)
<b>Motorhome Dealer Inventory Units</b>	4,345	4,282	4,620	3,891	2,761	2,465	3,824	4,234	4,800
% yoy	6.7%	(1.4%)	7.9%	(15.8%)	(29.0%)	(10.7%)	55.1%	71.6%	54.9%
% qoq								10.7%	13.4%
<b>DAYS SALES INVENTORY</b>	170.9	168.8	176.6	187.1	124.7	82.5	115.8	153.6	199.5

# Backlog & Inventories: Towables

Fiscal year ended August 31,	2016	2017	2018	2019	2020	2021	2022	Q1 23	Q2 23
<b>TOWABLES</b>									
<b>Towable Backlog Units</b>	492	8,001	7,651	7,225	24,903	46,590	14,588	10,441	5,841
% yoy	98.4%	1,526.2%	(4.4%)	(5.6%)	244.7%	87.1%	(68.7%)	(78.6%)	(87.7%)
% qoq								(28.4%)	(44.1%)
<b>Towable Backlog Dollars</b>	\$8.4	\$229.7	\$244.9	\$234.3	\$747.9	\$1,704.4	\$576.5	\$434.0	\$278.2
% yoy	36.4%	2,628.1%	6.6%	(4.3%)	219.2%	127.9%	(66.2%)	(76.9%)	(85.1%)
% qoq								(24.7%)	(35.9%)
<b>DAYS SALES BACKLOG</b>	34.5	122.4	79.2	71.4	223.0	309.5	81.0	113.7	73.1
<b>Towables Backlog ASPs</b>	\$17,114	\$28,710	\$32,003	\$32,434	\$30,034	\$36,583	\$39,518	\$41,567	\$47,629
% yoy	(31.2%)	67.8%	11.5%	1.3%	(7.4%)	21.8%	8.0%	8.1%	20.6%
% qoq								5.2%	14.6%
<b>Towables Sales ASP</b>				\$32,811	\$32,607	\$33,271	\$43,038	\$48,173	\$46,218
Backlog vs. Current Sales				(\$377)	(\$2,573)	\$3,312	(\$3,520)	(\$6,606)	\$1,411
<b>Towable Dealer Inventory Units</b>	2,156	9,545	14,877	15,658	10,528	10,126	22,797	20,576	22,354
% yoy	29.6%	342.7%	55.9%	5.2%	(32.8%)	(3.8%)	125.1%	34.1%	2.8%
% qoq								(9.7%)	8.6%
<b>DAYS SALES INVENTORY</b>	187.9	155.0	148.4	155.2	101.7	61.5	139.0	260.4	270.6

# WGO Revenue Growth

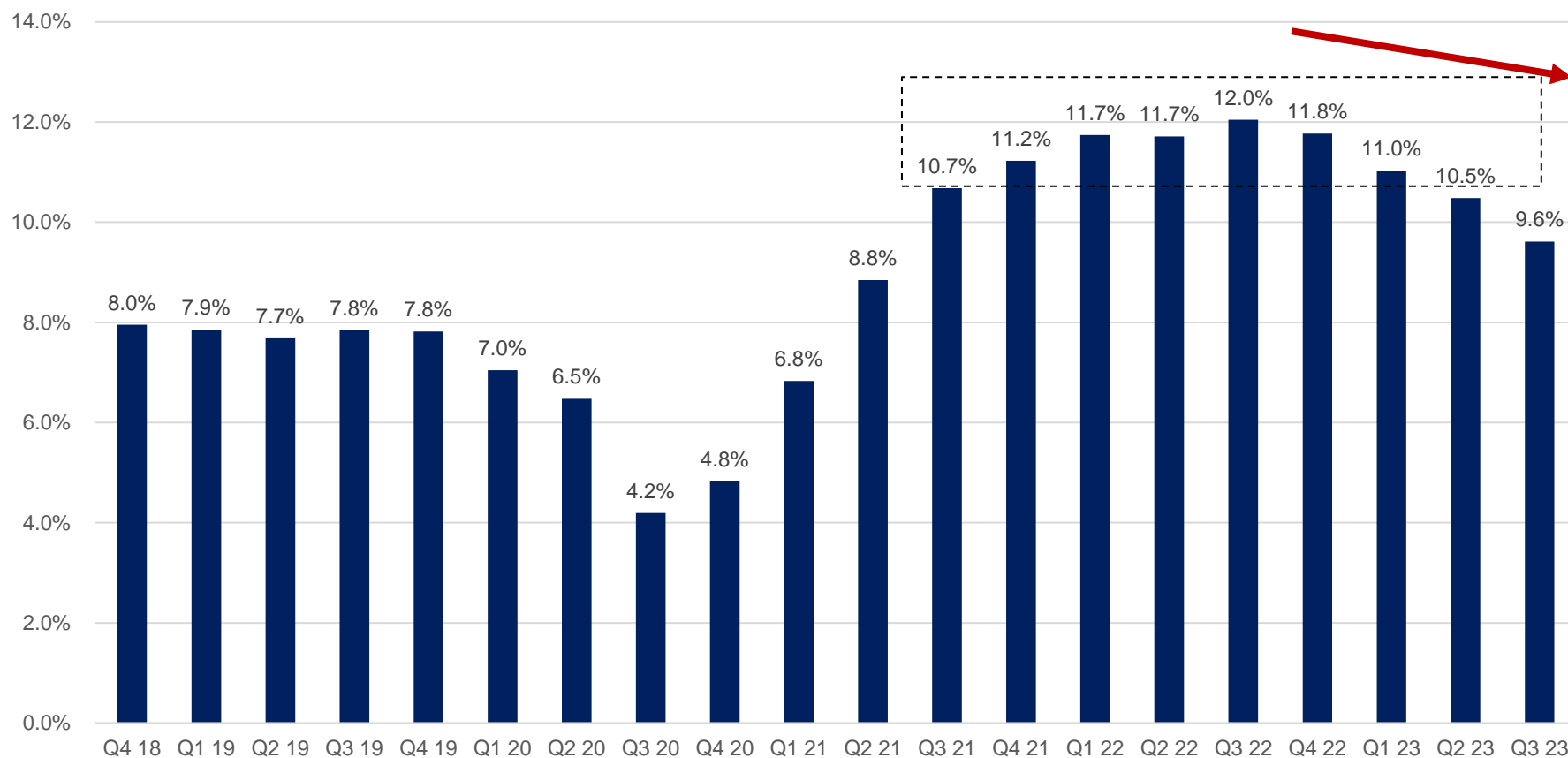
WGO: YOY Revenue Growth



# Business Momentum: Adjusted Operating Margin

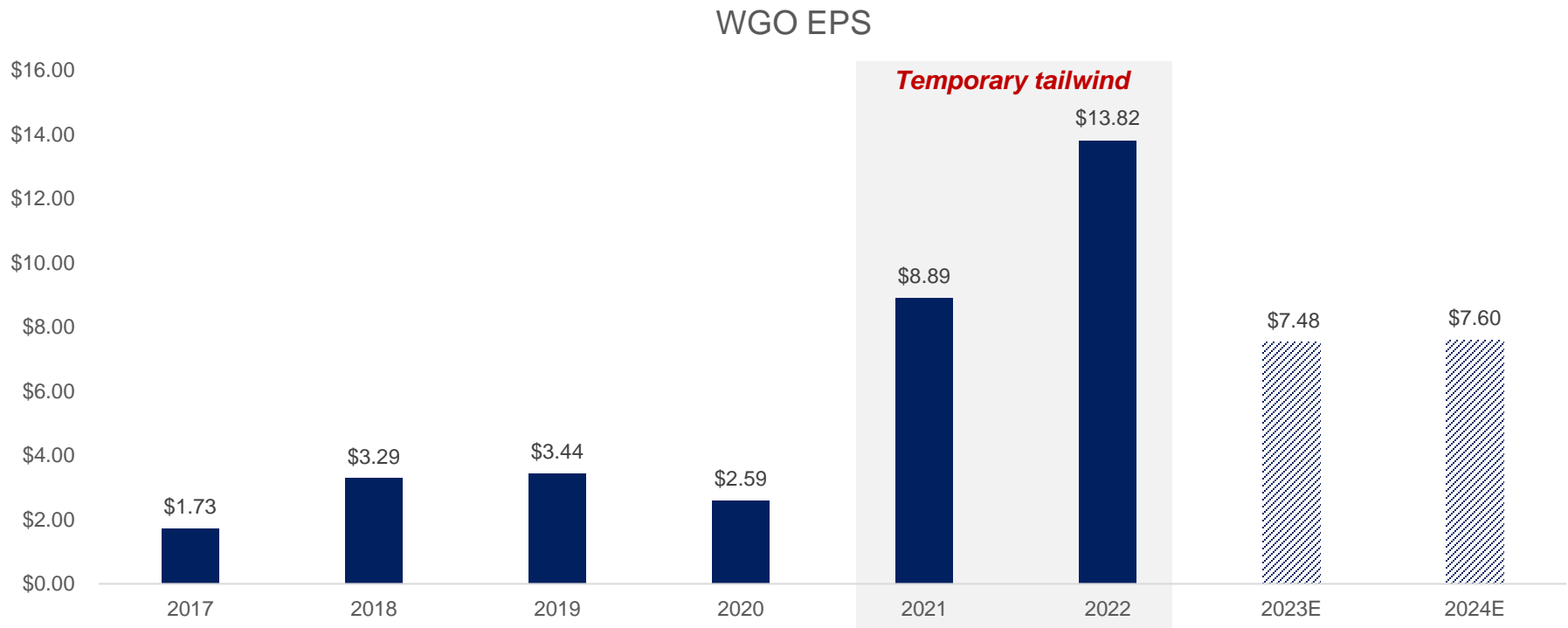
- Operating Margin reached a plateau btw Q3 '21 and Q1 '23 w/ range ~11%-12%
- Temporary tailwind has started to dissipate in Q2/Q3 '23

WGO: TTM Adjusted Operating Margin



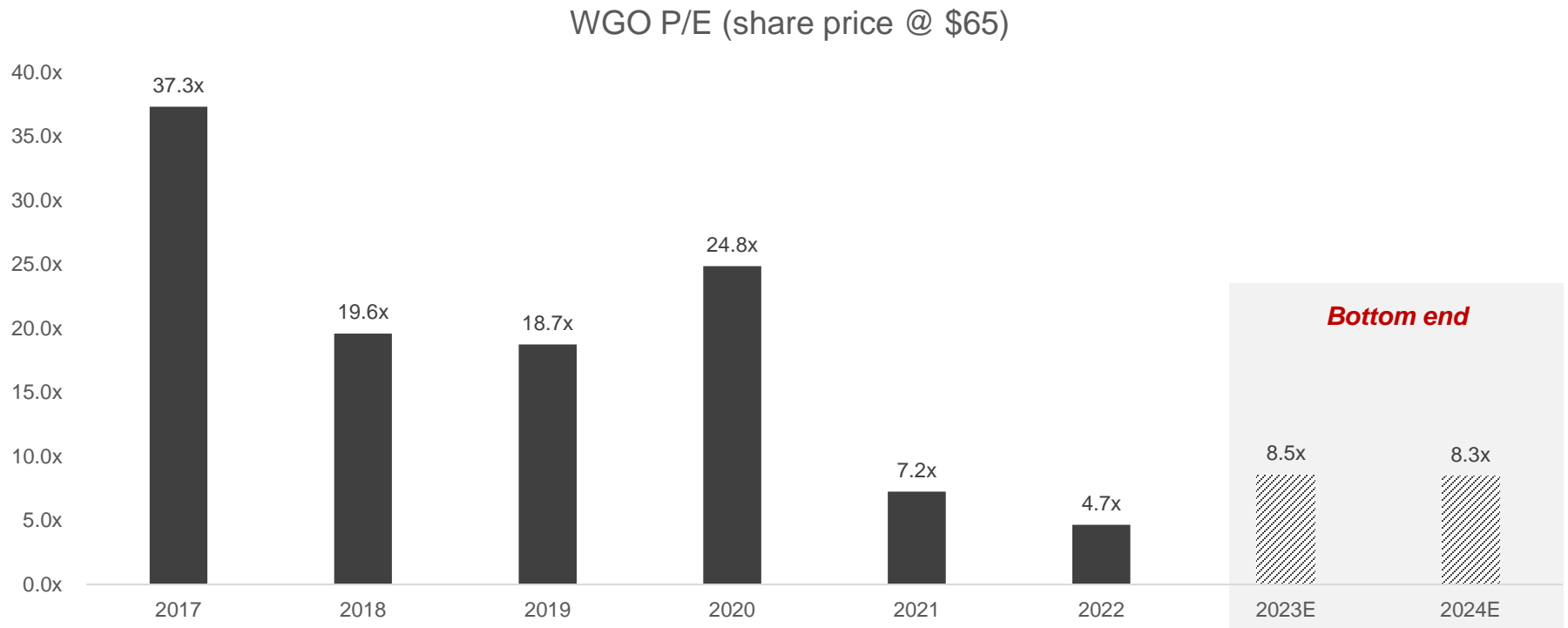
# Business Momentum: EPS

- Temporary tailwind from Covid pushed EPS into double-digit territory
  - \*\*\*Is this EPS base sustainable for the N2Y?**



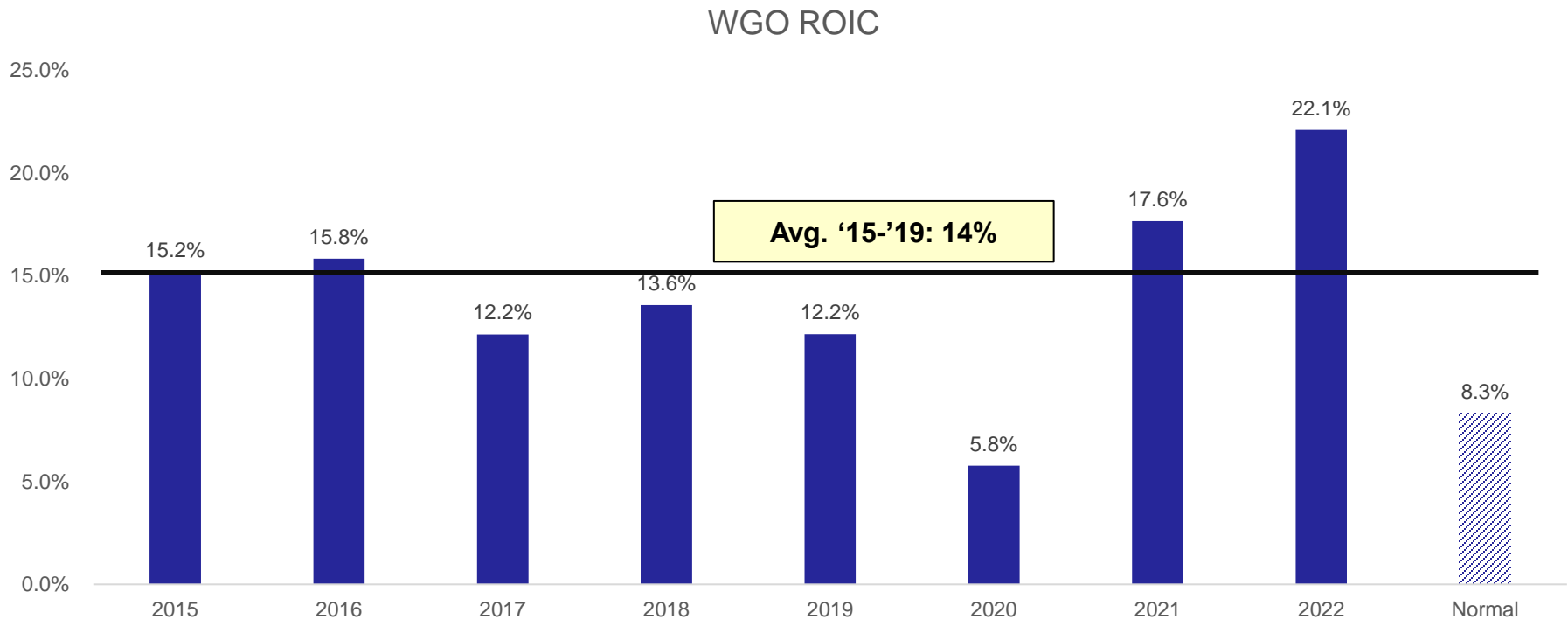
# Business Momentum: P/E

- Historically observed range: 8-12x P/E
- Current NTM P/E at 8.6x
- **\*\*\*Why is WGO at the bottom end of this range?**
  - Weak business momentum?
  - Concerns about unsustainability EPS?
  - \*\*Is market embedding '25 strategic management plan?



# Business Momentum: ROIC

- ROIC '15-19 average ~14%
- Normalized ROIC
  - Assumes revenue ~\$3.0bn based on normalized earnings
  - Assumes operating margin 7.3% (avg. '15-'19)
  - Assumes ETR 28.3% (avg. '15-'19)





# WGO Short – Valuation, R/R, Trading Considerations

## Valuation

- Current valuation at trough P/E levels (8.6x NTM P/E) and near to median EV/EBITDA levels (8.4x EV/EBITDA)
- P/E was 20.6x in July '20 before temporary tailwinds dissipate – Since July '20, the P/E declined to trough at 4.8x in July '22, EPS rose from \$2.59 to \$13.82
- Absolute valuation metrics at peak – 10.3% dividend yield (10% payout ratio), 15.7% FCF yield

## Expectations

- Consensus assumes meaningful revenue and margin contraction in '23 then stability in '24
- However, the seeming over-earning and deteriorating business momentum urge caution.
- My base case is below '24 consensus due to:
  - Mean reversion scenario from strong to back-to-normal fundamental w/ dissipation of temporary tailwind
  - More normalization in ASP especially motorhomes, which feeds into margin compression

## Trading Considerations

- \*\*\*Entry point:** would like to see a pursuit shipments crack (started to decline in H1 '23 but benefitted from seasonality effect during the Q2/Q3 print)
- Key trading risks:** peak in level demand w/ shipments acceleration, dealer default payment, 3-5 years algorithm
- \*\*\*Size down into Q4/Q1, as fundamentals have just started to crack – 2Q lagging**
- \*\*\*Biggest payday likely Q1/Q2 '24 prints (shipments lags), or a quick contraction in consumer demand/recession**

## Catalysts

- Q3 earning call (Jun) RVIA conf. (Aug), Raymond James consumer conf. (Sept), Q4 earning call (Oct), Investor Day (Nov?)

## Reward/Risk

- Attractive 2.3x R/R ratio
- Risk case contemplates the EPS algorithm growth 10-12%

	1 Year Return Scenarios			
	2025 EPS	P/E	12m Target	% return
Bull	\$8.11	12.0x	\$97.32	53.6%
Base	\$6.33	10.0x	\$63.31	(0.1%)
Bear	\$5.50	8.0x	\$44.00	(30.6%)
				0.0x
Reward (25% bull, 75% base)			\$71.81	13.3%
Risk			\$44.00	(30.6%)
R/R				2.3x

# Read Through

- Is Thor Industry a read-through that WGO key driver will slow down?
  - WGO reports two weeks after THO, w/ correlation: ~73% revenue and 80% for towable segment

Release date	
<b>Q3 2023</b>	
THO	06-Jun-23
WGO	21-Jun-23
<b>Q4 2023</b>	
THO	27-Sep-23
WGO	18-Oct-23

Quarters		Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q3 2024	Correl	RSQ
Revenue Growth QoQ																							
THO	Revenue growth qoq	(21%)	(35%)	11%	23%	23%	55%	(33%)	1%	18%	36%	106%	55%	(0%)	(14%)	5%	6%	23%	0%	(20%)	?	72.7%	51.9%
WGO	Revenue growth qoq	10%	(8%)	(6%)	(1%)	19%	45%	(24%)	39%	35%	34%	139%	40%	46%	39%	52%	14%	(18%)	(26%)	(38%)	?		
BC	Revenue growth qoq	5%	(17%)	(25%)	(27%)	(24%)	(15%)	26%	27%	48%	57%	16%	23%	18%	18%	19%	11%	3%	?	?	?		
THO	Rev - Towables qoq	(21%)	(36%)	(23%)	(18%)	(6%)	12%	(38%)	2%	16%	39%	124%	47%	0%	(39%)	53%	4%	(5%)	0%	(57%)	?	79.7%	62.8%
WGO	Rev - Towables qoq	13%	(6%)	11%	6%	17%	13%	(46%)	35%	33%	55%	194%	35%	43%	47%	45%	(12%)	(47%)	(47%)	(52%)	?		
THO	Rev - Motorhomes qoq	(24%)	(34%)	(23%)	(8%)	(4%)	(7%)	(43%)	(5%)	19%	68%	194%	125%	0%	28%	36%	24%	127%	0%	(24%)	?	37.4%	25.1%
WGO	Rev - Motorhomes qoq	(4%)	(18%)	(35%)	(13%)	26%	99%	27%	51%	48%	21%	96%	54%	31%	9%	34%	24%	10%	(3%)	(27%)	?		
BC	Rev - Boat qoq	(1%)	(7%)	(14%)	(16%)	(22%)	(32%)	18%	14%	44%	80%	22%	20%	17%	27%	27%	26%	17%	?	?	?	71.3%	50.8%
WGO	Rev - Boat qoq					n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	567%	573%	637%	632%	66%	16%	?	?		

## 2023 Guidance: Peers

- **WGO has set an ambitious 2025 strategic plan targets**
  - Nevertheless, no EPS guidance was given by the management for '23 onwards
  - Also, WGO revenue is not geographically diversified w/ 100% depending on North America vs. peers exposure to Europe
- **Thor Industries announced very cautious guidance despite strong European customer demand**
  - Favorable market dynamics are expected to continue in Europe w/ more robust consumer demand vs. North America
  - Cautious ordering patterns from independent dealers amid an uncertain market environment
  - North America: Destocking of channel inventory levels, and rebalancing of channel inventory mix
  - In Q4 '22, US revenue accounts for 82% of revenue and Europe for ~18% (Q3 '23, 30% of revenue from Europe)
- **Brunswick Corporation benefits from a temporary tailwind from the European boat market**
  - In Q4 '22, the Marine segment represented 74% of revenue and 25% from RS/SV, w/ 77% of sales driven by US market and 13% in Europe
  - Assumed that the retail boat market goes down 30-40%, forecasting boat sales btw -3% to +3%
  - Assumed that gross margin will increase by 30 bps due to a favorable market dynamic in the boat segment in Europe

	Mgtm. Guidance				% growth 22-23E		25E
	2022A	2023E		2025E	% growth 22-23E		
		Low	High		Low	High	
WGO (FYE 31/08)							
Revenue (in \$m)	\$5.0	No guidance		\$5.5	No guidance		11%
Gross margin	18.7%	No guidance		19.0%	No guidance		25
EPS	\$11.8	No guidance		n.a.	No guidance		
THO (FYE 07/08)							
Revenue (in \$m)	\$16.3	\$10.5	\$11.0		(36%)	(33%)	
Gross margin	18.3%	13.8%	14.2%		(452)	(412)	
EPS	\$20.59	\$5.80	\$6.50		(72%)	(68%)	
BC (31/12)							
Revenue (in \$m)	\$6.8	\$6.8	\$7.2		(0%)	6%	
Gross margin	28.6%	28.9%			30		
EPS	\$10.00	\$9.50	\$11.00		(5%)	10%	

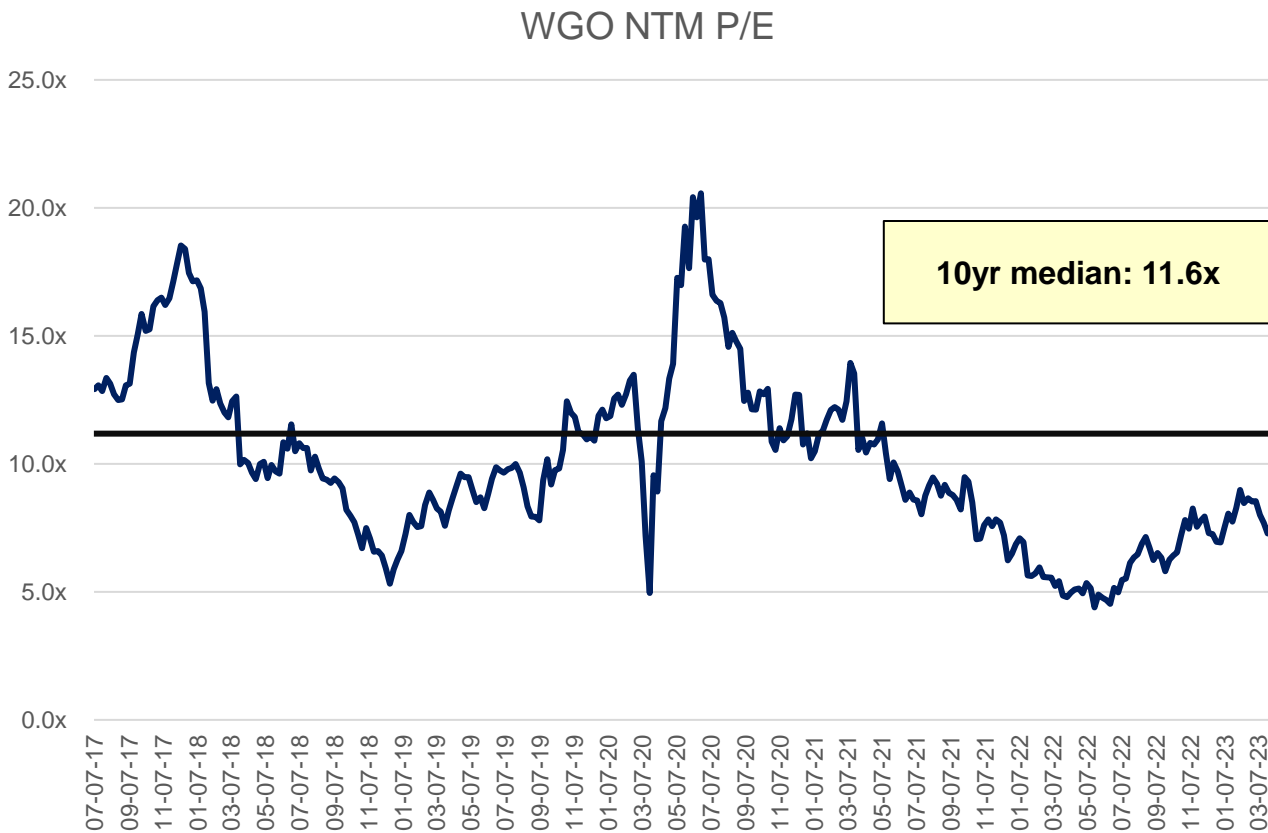
# Valuation Summary

- Current NTM P/E: 8.4x
- 10 Year Range: 4.4x – 22.1x
- 10 Year Median: 11.6x

	EV/REV	EV/GP	EV/EBITDA	P/E	LTM Yield	NTM Yield
Current	0.7x	2.9x	8.4x	8.4x	16.1%	8.2%
1 year Median	0.6x	2.7x	5.9x	7.3x	17.3%	13.2%
3 year Median	0.7x	4.2x	6.2x	8.2x	10.5%	9.7%
5 year Median	0.7x	4.7x	7.0x	8.9x	8.4%	9.0%
10 year Median	0.7x	5.5x	8.0x	11.6x	5.2%	6.3%
1 year Max	0.7x	4.0x	7.3x	9.0x	19.4%	17.1%
3 year Max	1.0x	10.5x	16.8x	16.6x	19.4%	22.4%
5 year Max	1.2x	10.5x	19.9x	20.6x	19.4%	22.4%
10 year Max	1.2x	13.9x	19.9x	22.1x	19.4%	22.4%
1 year Min	0.4x	2.2x	3.1x	5.5x	9.2%	3.3%
3 year Min	0.4x	2.2x	3.0x	4.4x	4.4%	1.8%
5 year Min	0.4x	2.2x	3.0x	4.4x	4.0%	(2.0%)
10 year Min	0.4x	2.2x	3.0x	4.4x	(0.3%)	(61.9%)

# Historical Valuation – P/E

- NTM P/E below to 10-year median level
- Historically observed P/E range: 8.0-12x P/E
- Peak valuation on peak on fundamental w/ NTM P/E reaching a historical level 20.6x



	TRAILING P/E		
	Median	Peak	Trough
1 Year	7.3x	9.0x	5.5x
3 Year	8.2x	16.6x	4.4x
5 Year	8.9x	20.6x	4.4x
10 Year	11.6x	22.1x	4.4x

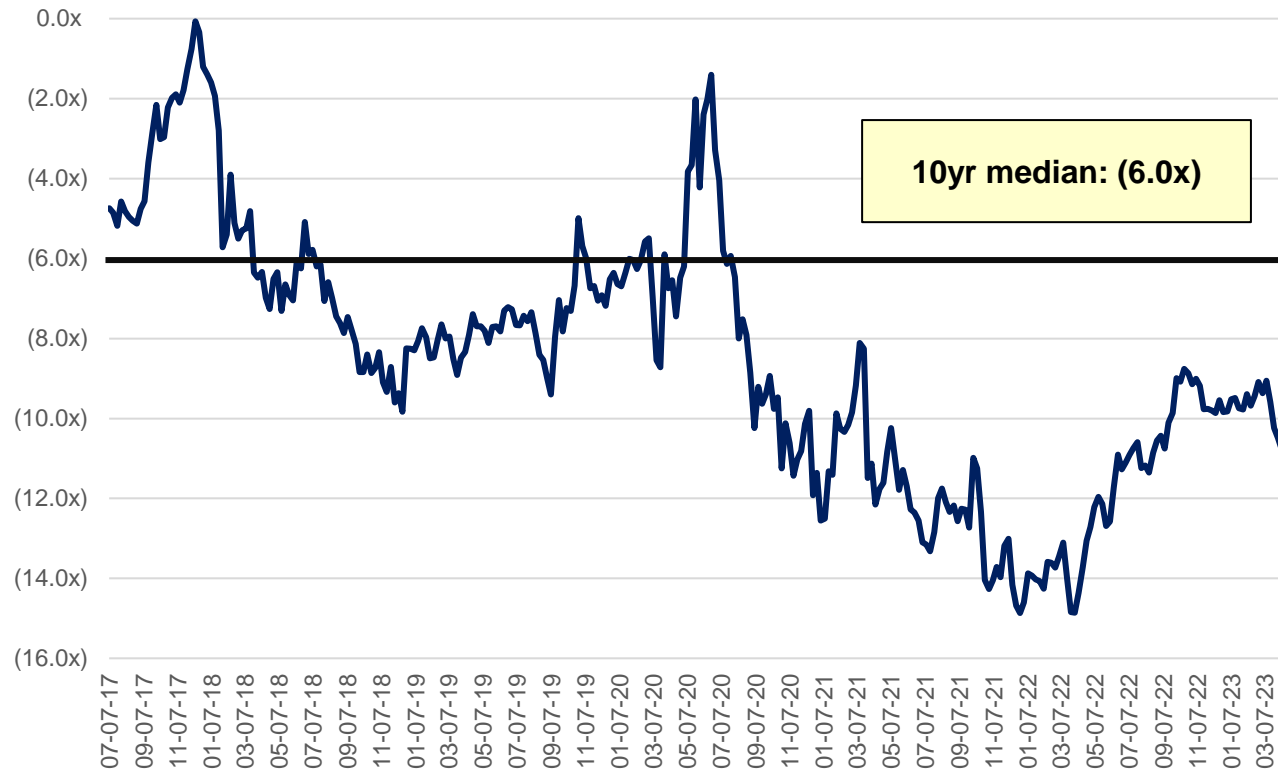
	S&P 500		
	Median	Peak	Trough
1 Year	17.3x	18.4x	15.2x
3 Year	20.9x	23.3x	15.2x
5 Year	18.1x	23.3x	13.7x
10 Year	17.0x	23.3x	13.6x

	NTM P/E Relative to S&P		
	Median	Peak	Trough
1 Year	42%	49%	36%
3 Year	39%	71%	29%
5 Year	49%	88%	32%
10 Year	68%	95%	32%

# Valuation vs. Market

- Trading at 10.1x discount relative to S&P 500

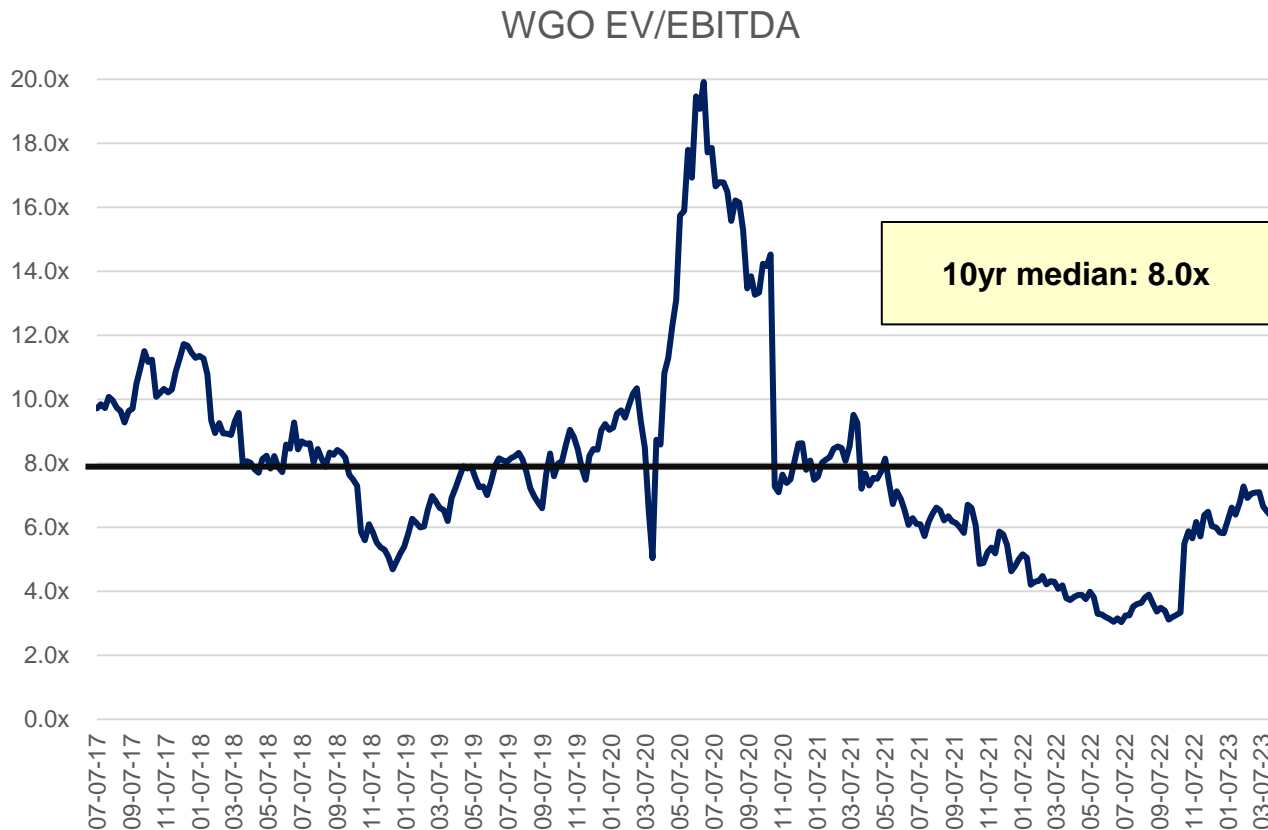
WGO NTM P/E vs. S&P



	Relative
Current	(10.1x)
1 year Median	(9.8x)
3 year Median	(11.1x)
5 year Median	(9.4x)
10 year Median	(6.0x)
1 year Max	(8.8x)
3 year Max	(5.8x)
5 year Max	(1.4x)
10 year Max	8.0x
1 year Min	(11.4x)
3 year Min	(14.9x)
5 year Min	(14.9x)
10 year Min	(14.9x)

# Historical Valuation – EV/EBITDA

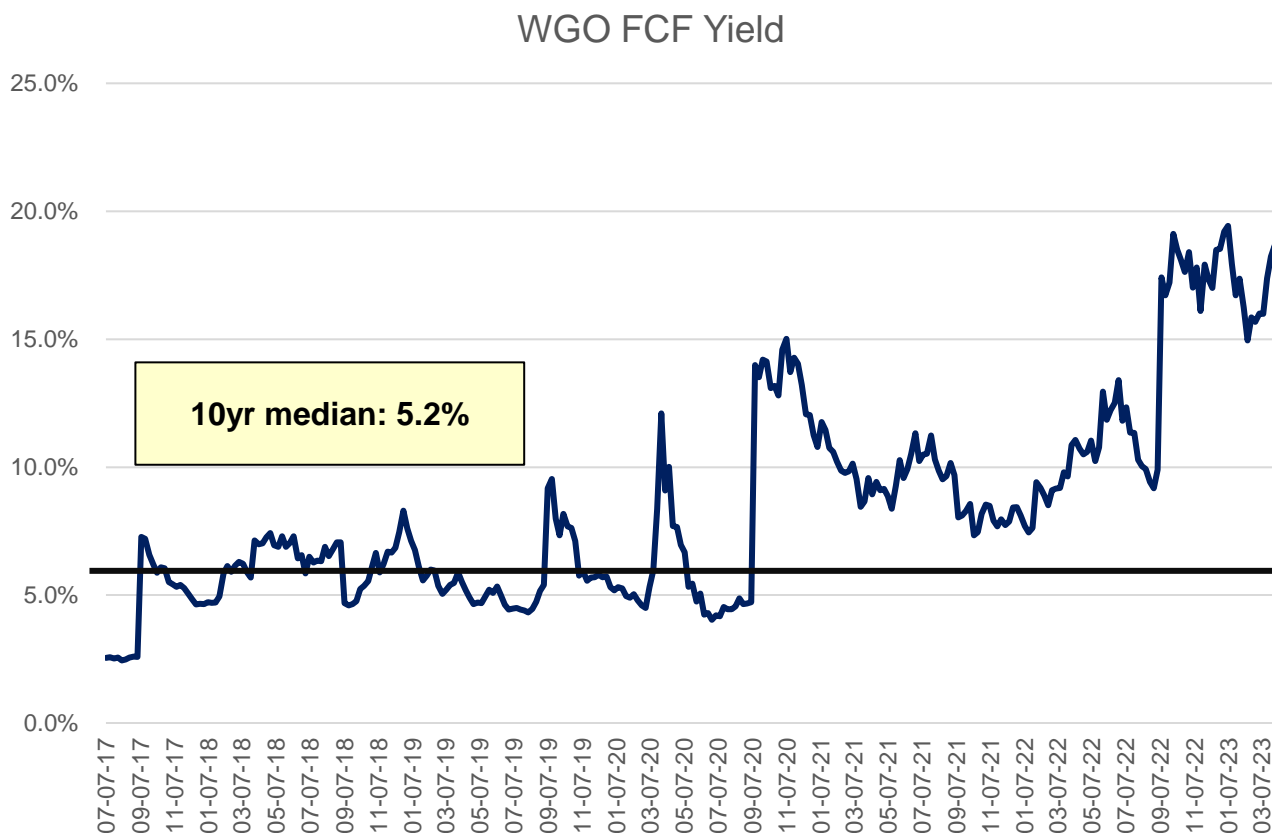
- EV/EBITDA near to 10-year median level
- Historically, WGO has traded at 3.0x – 20.0x EV/EBITDA



	TRAILING EV / EBITDA		
	Median	Peak	Trough
1 Year	5.9x	7.3x	3.1x
3 Year	6.2x	16.8x	3.0x
5 Year	7.0x	19.9x	3.0x
10 Year	8.0x	19.9x	3.0x

# Historical Valuation – FCF Yield

- WGO FCF Yield at peak level



	DIVIDEND YIELD		
	Median	Peak	Trough
1 Year	17.3%	19.4%	9.2%
3 Year	10.5%	19.4%	4.4%
5 Year	8.4%	19.4%	4.0%
10 Year	5.2%	19.4%	(0.3%)



# Reverse DCF – What is Priced in?

- WGO management set ambitious '25 strategic plan targets **but is the market believe it?**
  - On bull/management case of \$10-12 EPS
- However, the seeming over-earning and deteriorating business momentum urge caution
  - Low exposure to the European market benefitting from robust consumer demand vs. North America
  - Particularly if one has a view of a consumer recession, the stock could suffer

Output	
PF of Free Cash Flows	\$2,323.4
PV of Terminal Value	\$301.6
<b>Total Present Value</b>	<b>\$2,625.0</b>
Less Net Debt	\$361.7
<b>Present Value of Equity</b>	<b>\$2,263.3</b>
<b>VALUE PER SHARE</b>	<b>\$63.75</b>
% Return	0.6%
<b>Implied P/E</b>	
2023 Consensus EPS	\$7.49
2024 Consensus EPS	\$7.57
<b>P/E on Current Price</b>	
2022 Consensus EPS	8.5x
2023 Consensus EPS	8.4x
<b>What is Priced in @ \$67</b>	
Normalized Revenue (FY '25)	\$3,000
Normalized FCF	\$135
Long Term Revenue Growth	1.0%
Normalized Operating Margin	7.5%

## Clear Path to Value Creation

2025 Strategic Plan Targets	
Net Revenue	\$5.5B
Non-RV Revenue %	15%
North American RV Market Share	15%+
North American Pontoon Market Share	10%+
Gross Margin	19%
Adjusted EBITDA	13%
Free Cash Flow	\$400M
Community Giving	2x \$ Community Giving vs. F22

# Normalized Earnings

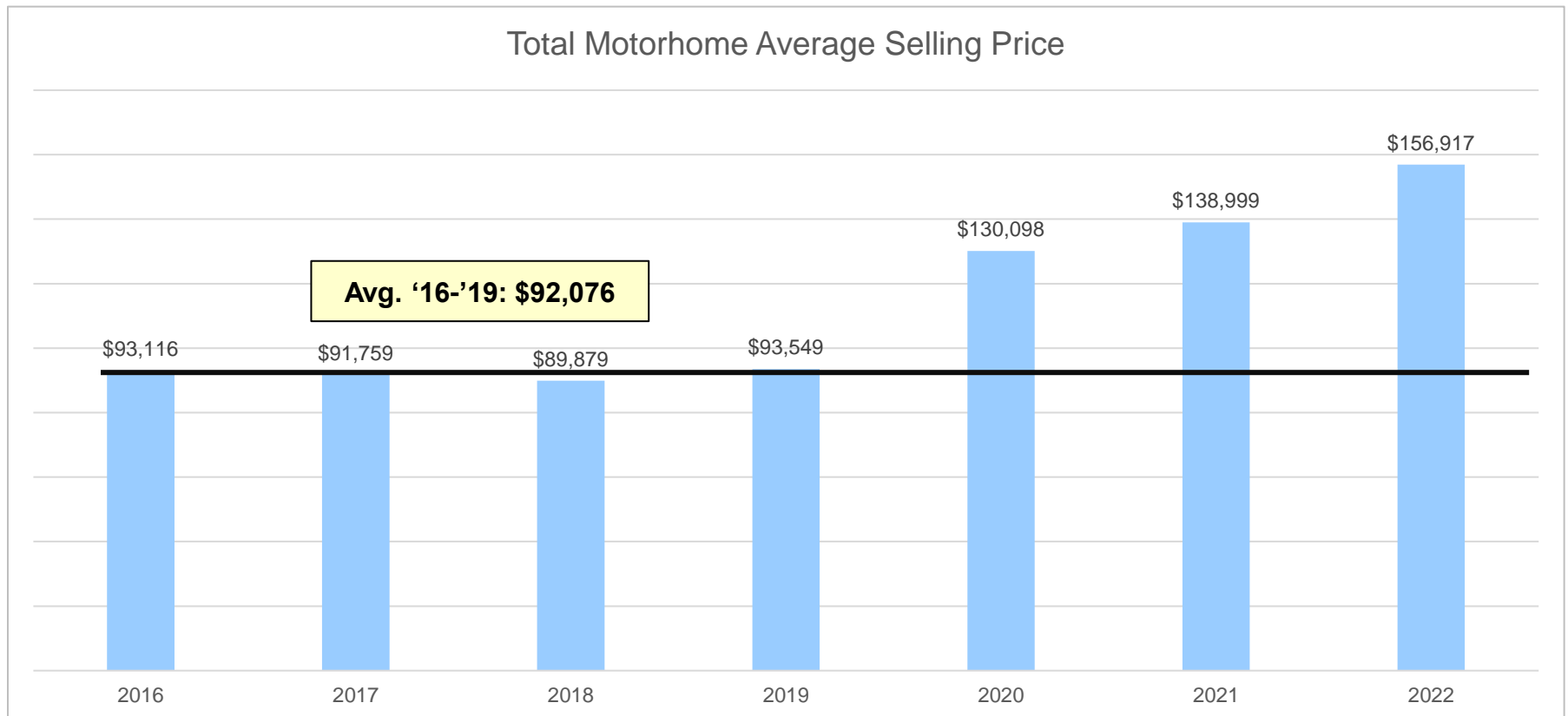
												\$6.24
	\$1.73	\$3.29	\$3.44	\$2.59	\$8.89	\$13.82	\$7.56	\$5.59	\$5.11	\$5.62	\$6.23	Earning
	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	Power
Total Units Shipments	31,734	46,137	44,420	45,995	71,311	77,614	62,091	55,882	55,882	57,279	58,998	59,000
% yoy	n.a.	45.4%	(3.7%)	3.5%	55.0%	8.8%	(20.0%)	(10.0%)	0.0%	2.5%	3.0%	
Industry Forecast							(25.4%)	(18.3%)	(2.0%)	2.5%	2.5%	
Cumulated declined											(45.7%)	
Total ASP	\$48,753	\$43,714	\$44,702	\$51,213	\$50,902	\$63,877	61,960	58,862	55,919	57,597	59,325	59,400
% yoy	n.a.	(10.3%)	2.3%	14.6%	(0.6%)	25.5%	(3.0%)	(5.0%)	(5.0%)	3.0%	3.0%	
2017-2020 Avg. ASP							\$47,095	\$47,095	\$47,095	\$47,095	\$47,095	
Total Revenue	\$1,547	\$2,017	\$1,986	\$2,356	\$3,630	\$4,958	\$3,847	\$3,289	\$3,125	\$3,299	\$3,500	\$3,505
% yoy	n.a.	30.4%	(1.5%)	18.6%	54.1%	36.6%	(22.4%)	(14.5%)	(5.0%)	5.6%	6.1%	
COGS	(\$1,325)	(\$1,717)	(\$1,678)	(\$2,043)	(\$2,979)	(\$4,028)	(\$3,197)	(\$2,758)	(\$2,628)	(\$2,771)	(\$2,937)	
% of revenues	85.6%	85.1%	84.5%	86.7%	82.1%	81.3%	83.1%	83.9%	84.1%	84.0%	83.9%	
bps yoy	n.a.	(48)	(60)	219	(463)	(83)	185	75	25	(10)	(10)	
% yoy	n.a.	30%	(2%)	22%	46%	35%	(21%)	(14%)	(5%)	5%	6%	
COGS per Unit	(41,739)	(37,215)	(37,787)	(44,409)	(41,782)	(51,903)	(51,492)	(49,359)	(47,031)	(48,384)	(49,776)	
Gross Profit	\$223	\$300	\$307	\$313	\$650	\$929	\$650	\$531	\$497	\$528	\$563	\$564
% margin	14.4%	14.9%	15.5%	13.3%	17.9%	18.7%	16.9%	16.1%	15.9%	16.0%	16.1%	16.1%
bps yoy	n.a.	48	60	(219)	463	83	(185)	(75)	(25)	10	10	
% yoy	n.a.	35%	2%	2%	108%	43%	(30%)	(18%)	(6%)	6%	7%	
Gross Profit per Unit	\$7,014	\$6,499	\$6,916	\$6,804	\$9,120	\$11,974	\$10,468	\$9,503	\$8,888	\$9,213	\$9,548	
Pre-2020 Average											\$6,808	

# Normalized Earnings

<b>SG&amp;A</b>	<b>(\$91)</b>	<b>(\$130)</b>	<b>(\$142)</b>	<b>(\$177)</b>	<b>(\$229)</b>	<b>(\$316)</b>	<b>(\$253)</b>	<b>(\$228)</b>	<b>(\$216)</b>	<b>(\$223)</b>	<b>(\$230)</b>	<b>(\$230)</b>
% of revenues	5.9%	6.5%	7.2%	7.5%	6.3%	6.4%	6.6%	6.9%	6.9%	6.8%	6.6%	6.6%
bps yoy	n.a.	57	71	35	(122)	9	20	35	0	(17)	(20)	
% yoy	n.a.	43%	9%	24%	29%	38%	(20.0%)	(10.0%)	(5.0%)	3.0%	3.0%	
<b>Amortization</b>	<b>(\$25)</b>	<b>(\$9)</b>	<b>(\$10)</b>	<b>(\$22)</b>	<b>(\$14)</b>	<b>(\$29)</b>	<b>(\$15)</b>	<b>(\$15)</b>	<b>(\$15)</b>	<b>(\$15)</b>	<b>(\$15)</b>	<b>(\$15)</b>
<b>Total Expenses</b>	<b>(\$1,440)</b>	<b>(\$1,856)</b>	<b>(\$1,830)</b>	<b>(\$2,242)</b>	<b>(\$3,222)</b>	<b>(\$4,374)</b>	<b>(\$3,465)</b>	<b>(\$3,001)</b>	<b>(\$2,860)</b>	<b>(\$3,009)</b>	<b>(\$3,181)</b>	<b>(\$3,186)</b>
% of revenues	93.1%	92.0%	92.2%	95.2%	88.8%	88.2%	90.1%	91.2%	91.5%	91.2%	90.9%	90.9%
bps yoy	n.a.	(104)	13	299	(639)	(55)	184	116	27	(29)	(32)	
% yoy	n.a.	29%	(1%)	22%	44%	36%	(21%)	(13%)	(5%)	5%	6%	
<b>Adjusted Operating Profit</b>	<b>\$107</b>	<b>\$162</b>	<b>\$155</b>	<b>\$129</b>	<b>\$403</b>	<b>\$623</b>	<b>\$382</b>	<b>\$288</b>	<b>\$265</b>	<b>\$290</b>	<b>\$319</b>	<b>\$319</b>
% margin	6.9%	8.0%	7.8%	5.5%	11.1%	12.6%	9.9%	8.8%	8.5%	8.8%	9.1%	9.1%
bps yoy	n.a.	115	(24)	(232)	563	146	(264)	(116)	(27)	29	32	
% yoy	n.a.	52%	(5%)	(17%)	212%	54%	(39%)	(25%)	(8%)	9%	10%	
<b>Incremental Margin</b>	<b>n.a.</b>	<b>11.8%</b>	<b>23.5%</b>	<b>(7.0%)</b>	<b>21.5%</b>	<b>16.5%</b>	<b>21.7%</b>	<b>16.8%</b>	<b>14.0%</b>	<b>14.1%</b>	<b>14.4%</b>	
<b>Adj Op Profit per Unit</b>	<b>\$3,358</b>	<b>\$3,513</b>	<b>\$3,484</b>	<b>\$2,805</b>	<b>\$5,653</b>	<b>\$8,023</b>	<b>\$6,150</b>	<b>\$5,158</b>	<b>\$4,747</b>	<b>\$5,059</b>	<b>\$5,402</b>	
<b>Pre-2020 Average</b>											<b>\$3,290</b>	
<b>Interest Expense</b>	<b>(\$17)</b>	<b>(\$18)</b>	<b>(\$18)</b>	<b>(\$37)</b>	<b>(\$40)</b>	<b>(\$41)</b>	<b>(\$22)</b>	<b>(\$22)</b>	<b>(\$22)</b>	<b>(\$22)</b>	<b>(\$22)</b>	<b>(\$22)</b>
<b>Pre-Tax Profit</b>	<b>\$90</b>	<b>\$144</b>	<b>\$137</b>	<b>\$92</b>	<b>\$363</b>	<b>\$581</b>	<b>\$360</b>	<b>\$266</b>	<b>\$243</b>	<b>\$268</b>	<b>\$297</b>	<b>\$297</b>
% margin	5.8%	7.1%	6.9%	3.9%	10.0%	11.7%	9.4%	8.1%	7.8%	8.1%	8.5%	8.5%
bps yoy	n.a.	133	(24)	(300)	611	173	(237)	(126)	(31)	33	36	
% yoy	n.a.	60%	(5%)	(33%)	296%	60%	(38%)	(26%)	(9%)	10%	11%	
<b>Income Tax Expense</b>	<b>(\$37)</b>	<b>(\$40)</b>	<b>(\$27)</b>	<b>(\$16)</b>	<b>(\$86)</b>	<b>(\$124)</b>	<b>(\$86)</b>	<b>(\$64)</b>	<b>(\$58)</b>	<b>(\$64)</b>	<b>(\$71)</b>	<b>(\$71)</b>
% rate	42%	28%	20%	17%	24%	21%	24%	24%	24%	24%	24%	24%
<b>Adjusted Net Income</b>	<b>\$53</b>	<b>\$105</b>	<b>\$109</b>	<b>\$87</b>	<b>\$304</b>	<b>\$459</b>	<b>\$273</b>	<b>\$202</b>	<b>\$185</b>	<b>\$204</b>	<b>\$226</b>	<b>\$226</b>
<b>Diluted Shares</b>	<b>30.8</b>	<b>\$32</b>	<b>\$32</b>	<b>\$33</b>	<b>\$34</b>	<b>\$33</b>	<b>\$36</b>	<b>\$36</b>	<b>\$36</b>	<b>\$36</b>	<b>\$36</b>	<b>\$36</b>
% yoy	n.a.	3%	(0%)	5%	3%	(3%)	9%	0%	0%	0%	0%	
<b>Change YOY</b>	<b>n.a.</b>	<b>1.0</b>	<b>(0.1)</b>	<b>1.7</b>	<b>0.8</b>	<b>(1.0)</b>	<b>3.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	
<b>Adjusted EPS</b>	<b>\$1.73</b>	<b>\$3.29</b>	<b>\$3.44</b>	<b>\$2.59</b>	<b>\$8.89</b>	<b>\$13.82</b>	<b>\$7.56</b>	<b>\$5.59</b>	<b>\$5.11</b>	<b>\$5.62</b>	<b>\$6.23</b>	<b>\$6.24</b>
% yoy	n.a.	90%	5%	(25%)	243%	55%	(45%)	(26%)	(9%)	10%	11%	

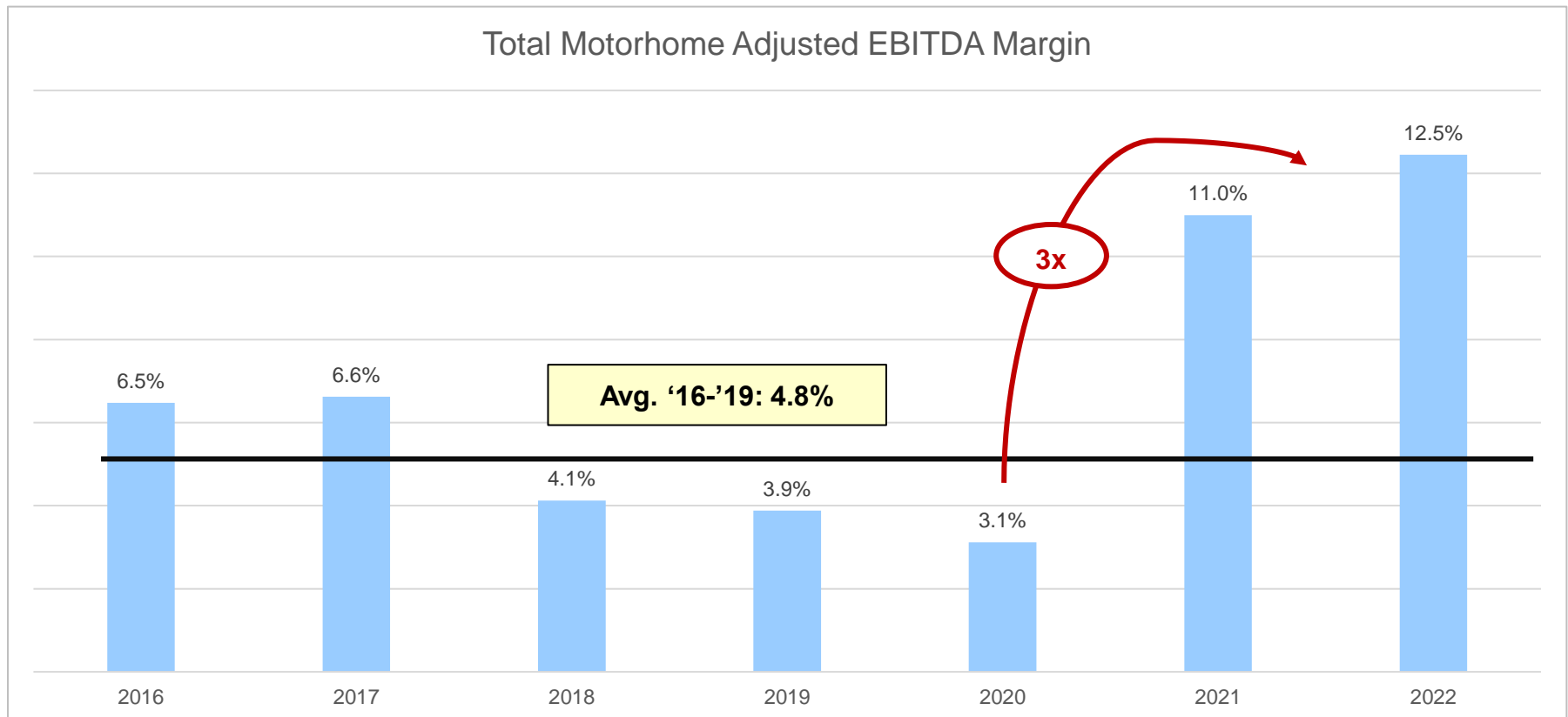
## Motorhome's Margin: ASP Sustainability

- '16-'19 ASP \$92,076
- '19-'21 ASP +51% growth
- **\*\*\* '19-'22: ASP +71% growth – Is this level sustainable?**



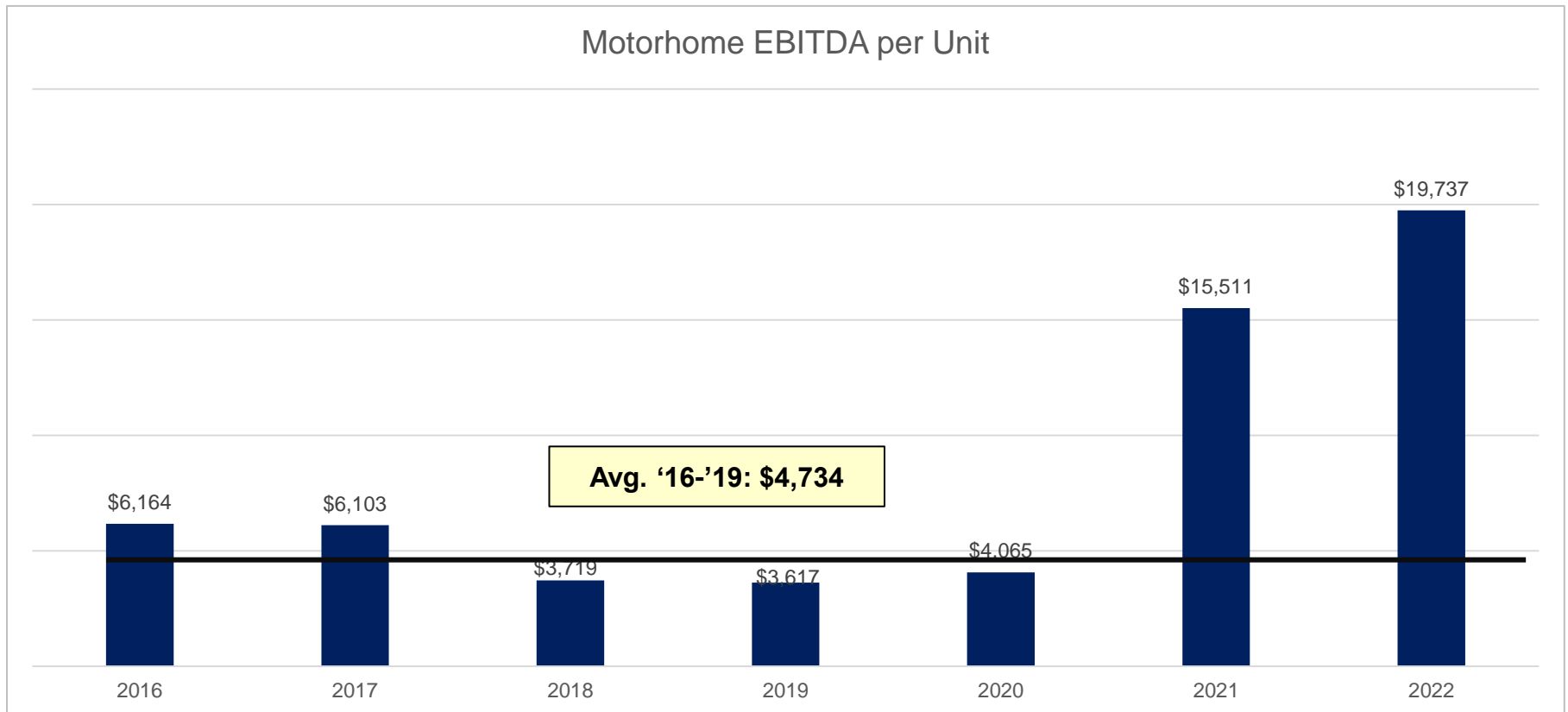
# Motorhome's Margin: EBITDA Margin

- Motorhome segment accounts for 39% of revenue in '22
- The biggest shift in the margin structure '20 to '22 has been on Motorhome margins
- EBITDA margin '16-'19 – avg. 4.8%, EBITDA margin 3x



## Motorhome Margin: EBITDA per Unit

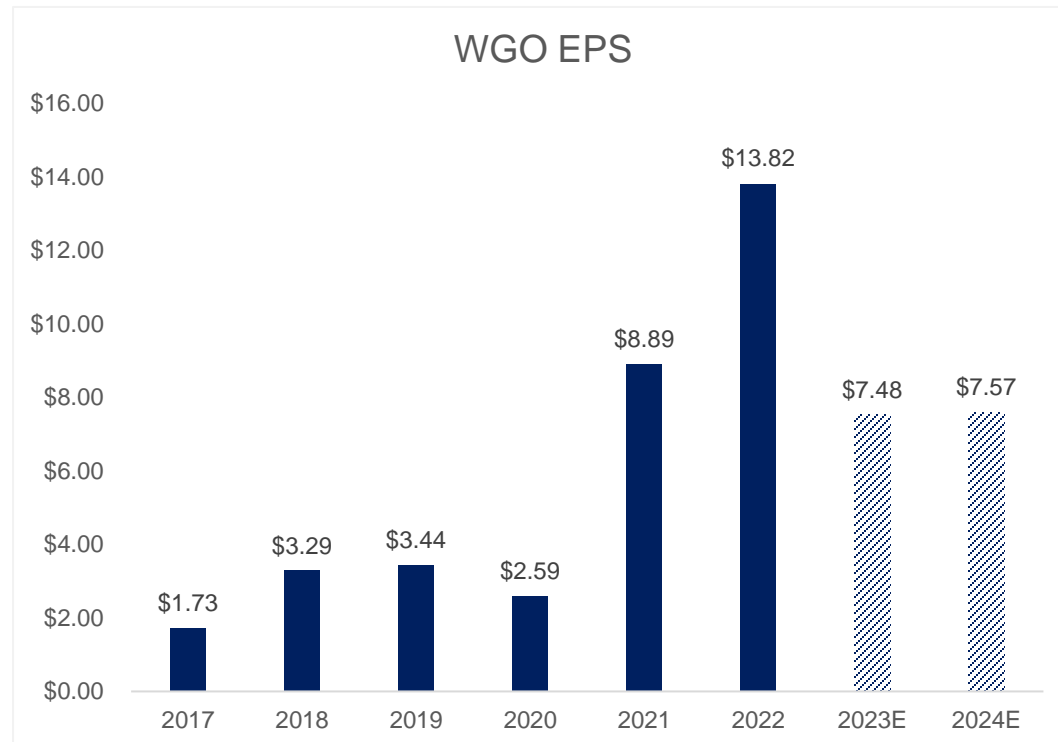
- Motorhome EBITDA 4x - '16-'19 – avg. \$4,734 vs. \$19,737 in '22 (
  - \*\*\*Is this level sustainable?



# Motorhome Margin: Margin Structure Shift

- EPS peak in '22 is partially explained by motorhomes margin expansion
- Motorhomes margin expanded from ~5% to ~12% - impacting +\$4.08 EPS

Motorhome Unit Economics Sensitivity	
Profit per unit, pre Covid Avg. '16-'20	\$4,734
2022 Profit per Unit	\$19,737
<b>Delta</b>	<b>\$15,004</b>
Profit per Unit Delta	\$15,004
Units	12,058
Profit Impact (\$m)	\$181
Effective Tax Rate '22	20%
After Tax Impact	\$145
Diluted Shares	35.5
<b>EPS Impact</b>	<b>\$4.08</b>



# EPS Baseline: COVID Pull-Forward

- Attempts to estimate the COVID-era “pull-forward”
- From peak EPS in '22, stripping out:
  - COVID unit pull-forward: \$4.46 impact
  - Normalization of motorhome margins: \$4.08 impact
- **\*\*\*Normalized EPS level closer to \$5.00 vs. street \$7.50 – delta 30%**

COVID Pull-Forward EPS Sensitivity	
Industry Unit Pullforward	194,170
WGO Share	12.7%
WGO Pullforward Units	24,660
2022 Profit per Unit	\$8,023
<b>Pull-Forward Profit (\$m)</b>	<b>\$198</b>
Tax rate	20%
After Tax Impact	\$158
Diluted Shares	35.5
<b>EPS Impact</b>	<b>\$4.46</b>

EPS Baseline	
Peak EPS ('22 Print)	\$13.82
COVID pull-forward	\$4.46
Motorhomes margin	\$4.08
<b>Underlying Baseline</b>	<b>\$5.28</b>
Street EPS '23E	\$7.53
<b>Delta</b>	<b>(29.9%)</b>

Units	
2014-2019 Average (L5Y)	426,002
2009-2019 Average (L10Y)	347,572
2025 "Normal"	345,288
Est COVID pull-forward	194,170
2022-24 Impact	(289,481)



## \*\*\*Past Recession

- WGO business was severely impaired in the '08-09 recession
  - The stock went from \$34 to \$3
  - Fundamental didn't recover '07 until '14
- Major competitors were forced into bankruptcy and their operations were largely sold or shuttered
  - Monoco Coach and Fleetwood, filed for bankruptcy in
- Allowed Thor and Winnebago to expand their market shares and reduced industry capacity creating a strong pricing environment

	2007	2008	2009	2010
<b>Industry RV Shipments</b>	<b>353,588</b>	<b>237,095</b>	<b>165,709</b>	<b>242,284</b>
% yoy	(9.4%)	(32.9%)	(30.1%)	46.2%
yoy shipments	(36,774)	(116,493)	(71,386)	76,575
<b>WGO Total Net Revenue</b>	<b>\$870.2</b>	<b>\$604.4</b>	<b>\$211.5</b>	<b>\$449.5</b>
% yoy	0.7%	(30.5%)	(65.0%)	112.5%
<b>WGO Adjusted Operating Profit</b>	<b>54.9</b>	<b>(9.8)</b>	<b>(59.5)</b>	<b>0.5</b>
% margin	6.3%	(1.6%)	(28.1%)	0.1%

## \*\*\*Repurchase Agreement

- Manufacturers enter into repurchase agreements w/ lending institutions
  - Lenders provide wholesale floorplan financing to dealer
- Repurchase risk is affected by the credit worthiness of the dealer network
- **\*\*Total contingent liability on all repurchase agreement ~\$1,784m in '22 (vs. \$552m in '21)**

Sales to dealers are made primarily 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 industries we serve, 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 an RV unit is financed and up to 24 months after a marine 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 can vary significantly, depending upon the level of dealer inventory, general economic

**If we are obligated to repurchase a substantially larger number of our products in the future than estimated due to dealer default, these purchases could result in adverse effects on our results of operations, financial condition, and cash flows.**

reductions per the agreement or dealer principal payments. Based on these repurchase agreements and our historical loss experience, an associated loss reserve is established which is included in other current liabilities on the Consolidated Balance Sheets. Our repurchase accrual was \$1.4 million and \$0.9 million as of August 27, 2022 and August 28, 2021, respectively. Repurchase risk is affected by the credit worthiness of our dealer network. We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to establish the loss reserve for repurchase commitments.

Source: WGO 10-K 2022

## \*\*\*Structural Algorithm Shift

- Assumes that WGO has 3-year CAGR revenue growth of 6% organic, 9% total w/ M&A, 10% EBITDA and 10-12% EPS growth

WGO EPS Algorithm	
Industry growth	2.5%
Market share tailwind	1.5%
Pricing tailwind	2.0%
<b>Organic Revenue Algorithm</b>	<b>6.0%</b>
Inorganic	3.0%
<b>Revenue Algorithm</b>	<b>9.0%</b>
Profit Growth	10.0%
<b>EPS Growth</b>	<b>10-12%</b>
Cash for M&A	\$150
EV/Rev	1.3x
<b>Rev M&amp;A Potential</b>	<b>120</b>
Base Revenue '23	3,633
<b>% M&amp;A impact</b>	<b>3.3%</b>

# Ownership

- BlackRock owns ~15% - highly respected long-term investors, through have been trimming
  - Would want to chat w/ them on their thesis

Rank	Type	%OS	Position (000)	Pos Chg (000) [Recent]	Mkt Val (MM)
-	<b>Total</b>	<b>73.52</b>	<b>22,464</b>	<b>339</b>	<b>1,503</b>
-	<b>Institutions</b>	<b>69.90</b>	<b>21,360</b>	<b>338</b>	<b>1,429</b>
1	BlackRock Fund Advisors	15.41	4,710	-75	315
2	The Vanguard Group, Inc.	7.68	2,347	15	157
3	Cooke & Bieler LP	7.40	2,262	-84	151
4	Dimensional Fund Advisors LP	7.31	2,233	125	149
5	Fisher Asset Management LLC	5.33	1,628	-58	109
6	Goldman Sachs & Co. LLC (Private Banking)	4.70	1,437	393	96
7	LSV Asset Management	4.07	1,244	3	83
8	SSgA Funds Management, Inc.	3.66	1,118	9	75
9	Punch Card Management LP	3.26	997	0	67
10	Oxford Financial Group Ltd.	2.13	652	-96	44
11	JPMorgan Investment Management, Inc.	1.95	597	71	40
12	Geode Capital Management LLC	1.90	581	18	39
13	BMO Asset Management Corp.	1.86	569	11	38
14	William Blair Investment Management LLC	1.76	537	2	36
15	Charles Schwab Investment Management, Inc.	1.47	450	5	30
-	<b>Insiders / Stakeholders</b>	<b>3.61</b>	<b>1,104</b>	<b>1</b>	<b>74</b>
1	Clark Donald J /Grand/	2.51	766	2	51
2	Happe Michael J	0.68	207	-4	14
3	Hughes Bryan L	0.18	54	-1	4
4	Bogart Stacy L	0.13	41	-1	3
5	Chiusano Robert M	0.12	37	4	2

# Bear/Base/Bull Cases – 3 Year Target

Bear EPS €3.02				Base EPS €6.24				Bull EPS €9.90			
P/E	Target	% return	3Y IRR	P/E	Target	% return	3Y IRR	P/E	Target	% return	3Y IRR
10.0x	\$30.2	(54.9%)	(23.3%)	12.0x	\$74.9	11.9%	3.8%	14.0x	\$138.6	107.1%	27.5%
9.0x	\$27.2	(59.4%)	(25.9%)	11.0x	\$68.6	2.6%	0.9%	13.0x	\$128.7	92.3%	24.4%
8.0x	\$24.2	(63.9%)	(28.8%)	10.0x	\$62.4	(6.7%)	(2.3%)	12.0x	\$118.8	77.6%	21.1%
7.0x	\$21.1	(68.4%)	(31.9%)	9.0x	\$56.2	(16.1%)	(5.7%)	11.0x	\$108.9	62.8%	17.6%
6.0x	\$18.1	(72.9%)	(35.3%)	8.0x	\$49.9	(25.4%)	(9.3%)	10.0x	\$99.0	48.0%	14.0%
Bear Case Thoughts				Base Case Thoughts				Bull Case Thoughts			
Unit correction align w/ RVIA forecast				30% unit correction but above pre-20 levels				Assumes modest slow from peak demand			
Revenue \$3bn vs. \$2bn 2017-20 avg.				ASP mid-\$55k (above \$47k pre-'20)				Assumes structurally higher demand			
Margin structure back to average				GM 16% (above 14.5% pre-'20 level)				Assumes structurally higher pricing			
Still above '17-'20 avg EPS of \$2.76				Roughly closer to pre-'20 than peak level				Assumes structurally higher margins			
Generally assumes reversion to '17-'20 avg.								Closer to w/ mgmt guidance			

	Bear	Base	Bull
FY 26 Earnings Power	\$3.02	\$6.24	\$9.90
Target P/E	8.0x	10.0x	12.0x
Target Price	\$24.2	\$62.4	\$118.8
% return	(63.9%)	(7%)	78%
% IRR	(28.8%)	(2.3%)	21.1%
		Proba	
Bull	€119	20%	
Base	€62	50%	
Bear	€24	30%	
Probability Adjusted	€62		

	Bear (1)	Base (2)	Bull (3)
Unit Shipments	48,800	59,000	66,500
Average Selling price	\$52,300	\$59,400	\$64,500
Gross Margin	15.0%	16.1%	18.5%
Operating margin	6.5%	9.1%	11.5%
EPS	\$3.02	\$6.24	\$9.90

# \*\*\*Reward / Risk

Ticker	WGO									
Action	Short		2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
Last Updated	6.21.23	Revenue	\$1,986	\$2,356	\$3,630	\$4,958	\$3,524	\$2,953	\$2,972	\$3,149
Cap Table		% yoy	4.3%	18.6%	54.1%	36.6%	(28.9%)	(16.2%)	0.6%	6.0%
Price as of 5.9.23	\$63.36									
Diluted Shares	35	Adjusted EBITDA	\$180	\$168	\$436	\$649	\$355	\$336	\$341	\$356
Market Cap	\$2,246	% margin	9.0%	7.1%	12.0%	13.1%	10.1%	11.4%	11.5%	11.3%
Total Debt	\$592	% yoy	(1.2%)	(6.4%)	159.4%	48.8%	(45.4%)	(5.1%)	1.2%	4.6%
Cash	\$226									
Net Debt	\$366	Adjusted EPS	\$3.44	\$2.59	\$8.89	\$13.82	\$7.61	\$6.33	\$6.42	\$6.76
Enterprise Value	\$2,612	% yoy	4.5%	(24.6%)	243.0%	55.4%	(44.9%)	(16.9%)	1.4%	5.3%
		Street EPS					\$7.48	\$7.57	\$8.75	
Sell price	\$65.87	% yoy					(45.9%)	(0.6%)	38.2%	
No-brainer price	\$45.00	Expected Delta					1.8%	(16.4%)	(26.6%)	
Normalized FCF	\$150		2019A	2020A	2021A	2022A	2023E	2024E	2025E	2026E
FCF / Share	\$4.23	EV/Sales	1.3x	1.1x	0.7x	0.5x	0.7x	0.9x	0.9x	0.8x
% yield	6.7%	EV/EBITDA	14.5x	15.5x	6.0x	4.0x	7.4x	7.8x	7.7x	7.3x
		P/E	18.4x	24.4x	7.1x	4.6x	8.3x	10.0x	9.9x	9.4x
3 Year Target		Street P/E	18.4x	24.4x	7.1x	4.6x	8.5x	8.4x	7.2x	n.a.
2026 EPS	\$6.76									
Target P/E	10.0x									
3 Year Target	\$67.63									
% return	6.7%									
x money multiple	1.1x									
% IRR	2.2%									
12 Months Base Target										
2025 EPS	\$6.42									
Target P/E	10.0x									
EOY Target Price	\$64.22									
% return	1.4%									
12 Months Risk Case										
2025 Risk EPS	\$5.50									
Target P/E	8.0x									
Next 12 Months Risk	\$44.00									
% return	(30.6%)									

1 Year Return Scenarios				
	2025 EPS	P/E	12m Target	% return
Bull	\$8.11	12.0x	\$97.32	53.6%
Base	\$6.33	10.0x	\$63.31	(0.1%)
Bear	\$5.50	8.0x	\$44.00	(30.6%)
Reward (25% bull, 75% base)			\$71.81	13.3%
Risk			\$44.00	(30.6%)
R/R				2.3x
Tactical R/R				
Price	Reward	Risk	R/R	% move
\$70.00	4.6%	(37.1%)	0.1x	4.6%
\$69.00	6.1%	(36.2%)	0.2x	3.1%
\$68.00	7.7%	(35.3%)	0.2x	1.6%
\$67.00	9.3%	(34.3%)	0.3x	0.1%
\$66.00	10.9%	(33.3%)	0.3x	(1.4%)
\$65.00	12.6%	(32.3%)	0.4x	(2.9%)
\$64.00	14.4%	(31.3%)	0.5x	(4.3%)
\$63.00	16.2%	(30.2%)	0.5x	(5.8%)
\$62.00	18.1%	(29.0%)	0.6x	(7.3%)
\$61.00	20.0%	(27.9%)	0.7x	(8.8%)
\$60.00	22.0%	(26.7%)	0.8x	(10.3%)
\$59.00	24.1%	(25.4%)	0.9x	(11.8%)
\$58.00	26.2%	(24.1%)	1.1x	(13.3%)
\$57.00	28.4%	(22.8%)	1.2x	(14.8%)
\$56.00	30.7%	(21.4%)	1.4x	(16.3%)
\$55.00	33.1%	(20.0%)	1.7x	(17.8%)
\$54.00	35.6%	(18.5%)	1.9x	(19.3%)
\$53.00	38.1%	(17.0%)	2.2x	(20.8%)
\$52.00	40.8%	(15.4%)	2.7x	(22.3%)
\$51.00	43.6%	(13.7%)	3.2x	(23.8%)
\$50.00	46.4%	(12.0%)	3.9x	(25.3%)
\$49.00	49.4%	(10.2%)	4.8x	(26.8%)
\$48.00	52.5%	(8.3%)	6.3x	(28.3%)
\$47.00	55.8%	(6.4%)	8.7x	(29.8%)
\$46.00	59.2%	(4.3%)	13.6x	(31.3%)
\$45.00	62.7%	(2.2%)	28.2x	(32.7%)

Note: Risk/Reward inversed – short trade

## Risk to Short Case

---

- Acceleration in RV shipments/consumer demand
- Repurchase agreement contingent due to dealers' default payment
- M&A, which accretive EPS accelerating algorithm

# Due Diligence – Key Focus Areas Going Forward

- **Refine view on business quality, deepen understanding of the industry & business**
  - Meet management & build relationships
  - Attend industry conferences
  - Speak w/ former WGO employees
  - Speak w/ key dealers
  - Speak w/ key competitors
  - Speak w/ large/smart shareholders
  - Speak w/ smart private equity investors in the space – try to give them the public market view
  - Speak w/ investment bankers who are active in the space (avoid those who have worked on WGO)
- **\*\*\*Solidify data on future ASP and RV shipments outlook**
  - Get better data from price web scrapping analysis (e.g. Vertical Knowledge)
  - Speak with RVIA and RV Dealer Association (membership subscription needed for additional data)
  - **Key Areas to Diligence:**
    - RV shipments/dealers dynamics
    - ASP and market share analysis
    - Company backlog vs. markets needs
- **Put better probabilities around the externalities inherent in WGO's operating environment**
  - Shipment recovery
  - Dealers default payment
  - Recession scenario
- **Get a better understanding of expectations**
  - Build out detailed line-by-line street expectations
  - Speak w/ buy-siders who follow the space, try to understand where true expectations lie
  - Understand what could be thesis-changing for longs



# Due Diligence – To Do List

---

- **Meet management team**

- Ideally visit senior management team – see how they think, deeply understand how they view the world, understand their long-term strategy, establish a quality relationship and try to be helpful to them if possible (so they will pick up the phone when I call)
- RVIA Association conf. (August), Raymond James Conf. (September)

- **Attend key industry conference**

- RVIA Association 2023 conf.
- Use to establish strong, ongoing relationships with industry experts and clients
- Sell-side notes from this conference tend to be helpful, indicating there is real news flow on supply/demand

- **Speak w/ key dealers/customers**

- Understand how they think about RV – on what drivers motivate investment decision? Understand how pricing is set, and what price gaps are needed to cancel a purchase? Understand how customers think about RV replacement. Always try to be helpful in any way I can, to build strong relationships.

- **Speak w/ key competitors**

- Understand how they look at economics of expansions – IRR/ROE/ROIC/etc. Understand how they view WGO as a competitor, the importance of scale, and how larger/smaller players compete w/ WGO. Also run through my thoughts on industry, what I am hearing from other players and from WGO. Always try to be helpful in any way I can, to build strong relationships.

- **Get better data**

- Most/all of the data herein is from the web-scraping and Kepler – mentioned that data is spotty/incomplete, so getting better monthly/quarterly data on shipment capacity and ASP could give me an analytical edge vs. Street

- **Learn how dealership work**

- Dealers' demand is a key value driver – ask sell-side firms if I can sit down with their consumers trader/analyst to do an “RV dealers 101” to understand destocking approach and keep contact with them to try to get a better sense of dealer demand dynamics.