

WGO Earnings Call Transcript

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Operator: Welcome to the Winnebago Industries First Quarter Fiscal 2026 Financial Results Conference Call. At this time, participants are in a listen-only mode. After the speakers' presentation, there will be a question and answer session. Please be advised that today's conference call is being recorded. I would now like to hand the call over to Joanne Ondala, Vice President, Treasury and Investor Relations. Miss Ondala, please go ahead.

Joanne Ondala: Good morning, everyone, and thank you for joining us to discuss our fiscal 2026 first quarter results. This call is being broadcast live on our website at investor.wgo.net, and a replay of the call will be available on our website later today. The news release with our first quarter results was issued and posted to our website earlier this morning. Please note that the earnings slide deck that follows along with our prepared remarks is also available on the Investors section of our website under quarterly results. Turning to Slide two, certain statements made during today's conference call regarding Winnebago Industries and its operations may be considered forward-looking statements under securities law. The company cautions you that forward-looking statements involve a number of risks and are inherently uncertain, and a number of factors, many of which are beyond the company's control, could cause the actual results to differ materially from these statements. These factors are identified in our SEC filings, which we encourage you to read. In addition, on today's call, management will refer to GAAP and non-GAAP financial measures. The reconciliation of the non-GAAP measures to the comparable GAAP measures is available in our earnings press release. Please turn to Slide three. Hosting today's call are Michael Happe, President and Chief Executive Officer of Winnebago Industries, and Bryan Hughes, Senior Vice President and Chief Financial Officer. Mike will begin with an overview of our first quarter performance, as well as a forward view of the market. Bryan will discuss the associated drivers of our financial results and our updated fiscal year 2026 guidance. Mike will conclude our prepared remarks. Then management will be happy to take your questions. With that, please turn to Slide four as I hand the call over to Mike.

Michael Happe: Thank you, Joanne, and good morning, everyone. Winnebago Industries posted strong top and bottom line results in the first quarter, performing ahead of our expectations and advancing meaningfully on our priorities. Revenue increased in all three segments, with operating profitability higher in both our motorhome and towable RV businesses. Marine segment results in Q1 were just slightly below prior year, which we view favorably given the continued softness in the industry. We entered fiscal 2026 with a disciplined plan and a pragmatic view of industry demand conditions. Our Q1 performance reflected steady execution against our controllables: product innovation, operational efficiency, and brand expansions, while navigating a macroeconomic backdrop that remains mixed. Although the recent rate relief from the Fed may be a positive development for consumers, as outlined during our year-end earnings call, our financial outlook remains firmly anchored in the strategic within our business and is not solely reliant on industry growth. In our Towable RV segment, affordability continues to shape buying power. We are aggressively leaning into the shift towards lower-priced products with models including the Transcend series, Imagine, and Reflection 100 from Grand Design, which enable families to enjoy the outdoors in a great travel trailer that combines quality and value. Winnebago's new Thrive is proving to be an exceptionally popular entry-level travel trailer among consumers whose RV journey is just getting started. While our recent share position in towables has

room for growth, we are appropriately prioritizing profitability, stronger product value, and our dual-branded strategy. The transformation underway at Winnebago Towables is designed to give us a second strong brand and access to a higher quality and quantity of dealers in that category, an initiative we believe will lead to meaningful share growth over time. On the Motorhome RV side, we've grown our share in Class A gas, Class A diesel, and Class C over the most recent multi-month periods ended October 31. For many motorhome RV buyers, the priorities versus other RV types are greater convenience, premium amenities, reliable power, and more than ever, integrated technology. Our luxury Newmar brand and Grand Design motorhomes wrap growing Lineage series are hitting those sweet spots. The business refresh initiative is taking shape at our flagship Winnebago motorhomes business, further strengthening that brand as a third pillar of our motorized RV strategy. When you consider that over the trailing twelve months, as a premium branded OEM, we have achieved 33.9% share in Class A diesel, 21.4% share in Class B, 13.7% share in Class C, and 12.3% share in Class A gas, we are a formidable and well-diversified player in a dollar-weighted segment we believe will gain momentum as market conditions improve. The right side of Slide four highlights several products that contributed to our Q1 performance, including the Cabrio from Barletta, which had strong retail in the first quarter. Barletta continues to grow its position in the US aluminum pontoon space, ranking as the number three brand by market share in the segment. From a financial perspective, we've made outstanding progress over the past two quarters, strengthening our balance sheet, reducing our net leverage ratio, and driving positive operating cash flow. Q1 is a seasonally tougher cash generation period historically, and I am very pleased with our balance sheet standing going into calendar 2026. Bryan will provide more details on that shortly. Looking at key RV retail trends on slide five, based on preliminary FSI data, industry RV retail registrations declined 7.6% year over year in October before final adjustments, following a 2.2% net increase in the prior month. Keep in mind, gross monthly numbers are frequently adjusted upward as additional states report. On the wholesale side, North American RV unit shipments totaled just over 30,000 units in October. This is down about 1% from prior year, although on a calendar year-to-date basis, shipments are up about 4% higher. Specifically, towable unit shipments were down about 3% for the month and 4% higher for the calendar year-to-date period. Motorhome unit shipments grew nearly 13% in October and posted a growth rate of 3.5% calendar year-to-date. Based on RVIA's wholesale industry shipment data through October for calendar year 2025, we are revising our industry forecast upward to a range of 335,000 to 345,000 units, or a midpoint of 340,000 units, compared to our prior midpoint of 330,000 units. Our updated forecast essentially aligns with RVIA's current midpoint projection of 339,100 units for calendar year 2025. Now for calendar year 2026, we continue to expect North American RV wholesale shipments in the range of 315,000 to 345,000 units. Our midpoint of 330,000 units for 2026 is 5.5% lower than RVIA's current midpoint estimate, but more optimistic than some industry peers. We do expect the RV retail market to stabilize in the back half of our fiscal year. Inventory turns were 1.8 times in the first quarter, reflecting the seasonal shipment dynamics and dealer demand for our new products. Specifically, we are seeing dealer stocking orders on Grand Design Motorhome and Winnebago Towables as the channel embraces these new lineups. As noted on our year-end call, we are targeting two turns across all of our businesses generally as a yardstick to measure consistent growth and operational efficiency. This number will be dictated largely by dealer behavior and the rhythm of key business initiatives. Moving to the marine segment on slide six, sales improved modestly in the first quarter. Amid ongoing headwinds for the industry, our Barletta and Chris Craft brands continued to demonstrate disciplined inventory management and strong dealer relationships. Both brands saw positive retail momentum coming out of the 2025 Fort Lauderdale International Boat Show and received solid dealer orders from their fall dealer meetings. The customer reception to Chris Craft's Sportster series and the new Catalina 31 has been fantastic. Barletta has received accolades for its model year 2026 offerings, including its industry-exclusive TEC cover, which has been well received as a practical solution that simplifies the ownership experience. Dealer feedback has reinforced that this innovation addresses a real customer need and reflects our focus on thoughtful, owner-centric design. For the trailing twelve months ended October 31, Barletta expanded its share of the aluminum pontoon segment in the US by 30 basis points to 9.1% and has seen even stronger recent retail share results on a monthly standalone basis. Turning to slide seven, our Winnebago, Newmar, and Grand Design brands earned multiple top honors for the

2026 model year from leading RV industry publications. These include RV of the Year awards across several categories, top debut recognition for standout models like Freedom Air and Sun Flyer, best new models for Thrive and Foundation, editor's picks for SupremeAir, and Innovation of the Year for Grand Design's Lineage Shower System. These accolades and many more reflect our relentless focus on innovation, quality, and delivering exceptional experiences for every traveler. In addition, our Grand Design and Newmar businesses both received dealer satisfaction index awards this past November. Chris Craft and Barletta received industry customer satisfaction index awards in 2025 as well. On slide eight, I also want to highlight our recent recognition by Newsweek as one of America's most responsible companies. This was the fourth consecutive year we have received this award, reflecting our ongoing commitment to sustainability and social impact. In fiscal 2025, we contributed over \$3.9 million, volunteered 13,600 employee hours, supported Habitat for Humanity Restores, and grew our employee resource group memberships by 38%. We also advanced inclusion initiatives and began a comprehensive sustainability assessment, with our annual and best-ever corporate responsibility report coming next month. Together, these achievements demonstrate how we're driving innovation forward while staying true to our values. I will now turn the call over to Bryan Hughes for the financial review. Bryan?

Bryan Hughes: Thank you, Mike. Good morning, everyone. Starting on slide nine, in the first quarter, our net revenue growth exceeded 12%, primarily reflecting higher unit volume and selective price increases. Our towable RV and motorhome RV segments each posted double-digit percentage growth in the quarter, with our marine segment up low single digits on the top line compared to prior year. On a consolidated basis, warranty expense was 3.6% of net revenues, up 40 basis points from Q4, primarily reflecting our ongoing commitment to ensuring product quality and customer service. Operating expenses declined 3.2% compared to prior year, primarily related to the cost reduction initiative implemented in 2025, partially offset by investments to support the growth of our Grand Design motorhome business. On the bottom line, we reported adjusted earnings per diluted share of \$0.38 compared with an adjusted net loss per share of \$0.03 in the first quarter of last year. Turning to our segment results beginning with Towable RV on Slide 10. Net revenues grew 15.5%. This increase was driven by higher volume from products like the Grand Design Imagine, Grand Design Reflection, Winnebago's New Thrive, and Winnebago Access, all of which are resonating strongly with our dealer partners along with selective price increases partially offset by a mix shift toward lower price point products. Operating income margin of 3.8% improved 30 basis points from prior year primarily due to volume leverage. This increase was partially offset by higher warranty expense. Turning to our Motorhome segment performance on slide 11. First quarter net revenues grew 13.5% year over year. This was driven primarily by favorable product mix and selective price increases partially offset by lower unit volume. Motorhome RV segment operating income margin improved 390 basis points from the prior year due to targeted price increases, lower discounts and allowances, and lower warranty expense. As shown on slide 12, net revenues in the Marine segment for the first quarter grew 2.2% from prior year due to selective price increases, partially offset by lower unit volume. As we noted on our year-end call, both Chris Craft and Barletta have demonstrated strong discipline in managing production, adapting effectively to the cautious retail environment. We continued to strengthen our balance sheet in the first quarter while further reducing our net leverage ratio. Dealer inventory for the quarter remained essentially flat versus the Marine segment operating income comparable period of fiscal 2025, decreased less than 1% primarily due to lower unit volume. Turning to slide 13. Cash and cash equivalents were \$181.7 million at quarter end, driven by \$25.4 million in net cash from operating activities. While inventories increased just over 4% in the quarter, accounts receivables decreased by more than 22% from year-end, which contributed to improved working capital. We continue to manage working capital prudently, balancing inventory discipline with the flexibility to support retail demand. Adjusted EBITDA more than doubled year over year to \$30.2 million and combined with our cash from operations reduced our net leverage ratio to 2.7x at the end of the quarter. We continue to target a net leverage ratio approximating two times by the end of 2026. Turning to guidance on slide 14. We are raising our fiscal 2026 full-year guidance as follows. Consolidated net revenues in the range of \$2.8 billion to \$3 billion versus a prior expectation of \$2.75 billion to \$2.95 billion. Reported earnings per diluted share in the range of \$1.40 to \$2.10 compared with \$1.25 to \$1.95 previously and adjusted

earnings per diluted share in the range of \$2.10 to \$2.80 versus a prior range of \$2.20 to \$2.70. From a segment perspective, we continue to expect flat to modest low single-digit growth in the towable RV segment. In the motorhome RV segment, we remain on track for operating income improvement in the low single digits for the fiscal year. Even with some outperformance in the marine segment in the first quarter, industry retail trends remain soft. And as a result, we expect full-year net revenues to be down in fiscal 2026 compared to the prior year. Our revenue and earnings expectations for the fiscal year reflect the strength of our performance rather than reliance on industry-level unit growth. This approach underscores confidence in our ability to deliver results through disciplined execution and strategic initiatives regardless of external market fluctuations. For Q2, we expect a modest increase versus the prior year's Q2 sales, driven by growth in the Motorhome segment. We expect Q2 sales to be down sequentially from Q1 due to the normal seasonal flow of our business further influenced by dealers' preference for low inventory. Similar to sales, we expect EPS to be down sequentially in Q2. Compared to the prior year, we expect EPS to be flat to up modestly taking into consideration the relatively strong sequential recovery we witnessed in Q2 EPS last year. I want to reiterate that our financial guidance reflects current trade policy positions and prevailing tariff rates, which remain under a broader legal challenge before the US Supreme Court concerning presidential tariff authority. Now let me take a moment to formally introduce Joanne Ondala, who has recently expanded her role to lead investor relations here at Winnebago Industries. Since joining the organization more than four years ago, Joanne has been a critical leader on our enterprise team in building the foundation for our strategic planning, risk management, and business development initiatives. And most recently has led our treasury function. Joanne brings a strong background in strategy, corporate development, and finance, including senior roles at Tenant Company and Ecolab. We are excited to leverage Joanne's broad skill set in this new capacity. Joanne, I'll hand things over to you for some brief comments.

Joanne Ondala: Thank you, Bryan. I am thrilled to lead the Investor Relations function at Winnebago Industries. During my time at the company, I've deeply valued my work with our commercial and banking partners, and I'm eager to bring that same level of engagement to our analysts and shareholders. I look forward to working with all of you as we execute on our long-term growth strategy. Now please turn to Slide 15 as I hand the call back to Mike for his closing comments.

Michael Happe: Thanks, Joanne. In closing, Winnebago Industries continues to demonstrate disciplined execution and resilience across our diversified portfolio. We are expanding margins, strengthening our balance sheet, and advancing a focused product roadmap that positions us for sustainable growth. The process we outlined last quarter—delivering better products, deepening dealer partnerships, and driving operational performance—are gaining meaningful traction and generating tangible results. On slide 15, which we discussed on our year-end call, this shows what we believe are the key drivers for our success in fiscal 2026. While we continue to navigate a dynamic market environment, we do so with a realistic and disciplined optimism. Our approach is rooted in intentional risk management and targeted investment, ensuring we deploy resources where returns are clear and sustainable. Above all, we are committed to supporting our dealer partners and consumers with innovative, high-quality products that deliver on our purpose: elevating every moment outdoors. Now, Bryan and I are happy to take your questions this morning. Operator, please open the line for the Q&A session.

Operator: And wait for your name to be announced. Our first question comes from Craig Kennison with Baird. Your line is open.

Craig Kennison: Hey. Good morning. Mike, a lot of optimism building around the 2026 retail consumer driven by lower rates and tax policy. What signals are you looking for to ascertain whether your end markets might grow for the first time since the pandemic?

Michael Happe: Yeah. Good morning, Craig. The retail environment, as Bryan Hughes indicated in his comments, continues to be soft and tempered here in the fall, early winter the last few months of 2025. But as you well know, we are heading into our retail show season really in the January and February, even early March, periods where we hit the retail shows hard with our RV and marine brands. And so certainly one sign we'll be looking for here in the next, you know, thirty to ninety days is the foot traffic, but more importantly, the retail appetite from consumers at these shows. The other note that I would probably include would be reception to the new products that our teams are bringing to the market. We

have a slate of new products across many of our brands. And we'll be monitoring carefully the consumer and dealer reception candidly to those new products in the near future. So as you well know, the early parts of the calendar year are important barometers for the industries that we compete in. And by the time we show up on our next call in March, we'll certainly obviously have a good understanding as to retail prospects in calendar '26.

Bryan Hughes: Hey, Craig. I'll just add. You know, we continue to monitor as you would expect, a basket of macro indicators. You know, it's certainly helpful to have interest rates reduced, but lower gas prices, housing starts. We had a good inflation reading. And then certainly and probably most importantly, consumer sentiment we'll keep a close eye on that as well. All these things will certainly weigh in contribute to, an improved retail environment as you would expect. And if I could, on a follow-up, I know you've got some affordable units in the market now that chase a new price point and a new consumer. But I'm wondering if you can look at your portfolio of customers today and wonder, I guess I'm wondering when we might see an upgrade cycle, if feels like that has been deferred much like the housing market, but you should be pretty well positioned as consumers look for higher quality. And I'm wondering if you're seeing any of that in your checks or data.

Michael Happe: Craig, we agree with your sentiments about the deferral of an upgrade cycle that seems to have taken place over the last couple years. I think many of our industry peers are also thinking the same thing. We are not seeing probably yet any signs of that upgrade cycle taking off with any significant momentum. Again, you know, we'll see if that happens in the '26. As you said, I mean, our brands are positioned better from an accessibility standpoint for a first-time or younger or more cost-conscious buyers. But we are absolutely well positioned for those consumers that are looking for a step up in product to, especially products that offer innovation quality, and a great aftermarket customer experience as well. So optimistic that as the cycle eventually turns upward, know, that our product lineups and brands are well positioned.

Craig Kennison: Thank you.

Operator: Thank you. Our next question comes from Joe Altobello with Raymond James. Your line is open.

Joe Altobello: First question on the Towable business. It looks like incremental margins almost \$40 million year over year. Operating income was up about \$2 million. I know you guys called out higher warranty expense, but what were the big driver or drivers of that were pretty light this quarter. I think revenue was up.

Bryan Hughes: Yeah. Good morning, Joseph. Bryan. You know, warranty was certainly one of the drivers. We continue to have some mix you know, that we are seeing as headwinds as well. I'd say that those are the primary drivers. You know, down at this level of volume, you know, a lot of the equation is leverage. We did have growth, as you pointed out, which contributed favorably. But overall, I think those are the drivers. It's mix. It's and it is that higher warranty expense.

Joe Altobello: Got it. Okay. And just in terms of the guidance for this year, if I look at your industry shipment outlook, it calls for at least at the midpoints a little bit of decline in calendar 2026. What sort of market share trends on the RV side are you guys baking into that guidance?

Michael Happe: Craig, we are or excuse me, Joe, good morning, by the way. This is Mike. We are absolutely looking to drive a little bit of market share in fiscal twenty-six. It'll be in areas like super c's from Newmar and Grand Design, The Winnebago brand should see some share lift as well. We anticipate, obviously, share increases with some of our Grand Design travel trailers, Transcend brand specifically. And then when you get to the marine side, Barletta continues to show very strong market share growth. You know, in even in recent individual months, that haven't been reported, I'm quite confident that you'll see Barletta standalone monthly market share continue to be at very impressive levels. I do want to emphasize, Joe, that, know, we have been very consistent since the call in October. And including the call this morning. That much of our increase in earnings from fiscal twenty-five to fiscal twenty-six is within our control. And while we are somewhat conservative on our industry wholesale shipment assumptions that we're sharing, we view any upside to the number that we're sharing as something that could flow through to our financials in the future. We are executing the controllables here at Winnebago Industries. Operational discipline, we have significant cost improvement, margin improvement, initiatives that are happening new products that are being launched

that we believe will both drive share, but also potentially, you know, add some profitability as well. So our plan is really based this fiscal year on what we can control. And we'll certainly be agile should the market grow. Or even decline versus our current assumption.

Joe Altobello: Got it. Okay. Thank you, guys.

Operator: Thank you. Our next question comes from Scott Stember with ROTHMKM. Your line is open.

Scott Stember: Good morning, and thanks for taking my questions.

Michael Happe: Yeah. Good morning, Scott.

Scott Stember: Yeah. Clearly, some very nice progress here on the operational front. But just trying to get a sense of the price increases that you guys talked about on a select basis. On RV. Just trying to get a sense of the size and the scale and basically see if you've seen any pushback at retail at any point just given those increases.

Michael Happe: Yeah. Good morning, Scott. I think the word that we used was selective related to the price increases, and that is an important word. The market is not conducive nor supportive of broad significant price increases, even with some of the cost input pressure that we're seeing from still ongoing tariffs for the time being. So our teams are really focusing their pricing around new products, around some of the feature enhancements we made in the latest model year transition. Certainly, as we transform some of our brands, like particularly the Winnebago brand of RVs, we are actively pruning both the motorized and towable lines under the Winnebago brand, by discontinuing some products that were not performing at retail and candidly, we're pressuring our margin and replacing those with healthier products. In some cases, even with probably an ASP lift as well. So the pricing is intentional, but it's also disciplined and selective. And we'll monitor the cost input environment, obviously, here as we go forward. We have seen a few shifts in some commodities like aluminum lately as an example. That we'll have to react to in the future if those trends continue. But to your point, we have to price to market and not necessarily to profit, because we do want to maintain and in fact, grow market share over time as well.

Scott Stember: Got it. And then just, touching on the comment you made about what's in your control within guidance. I guess given your commentary about where you expect Q2 to come in on the bottom line, obviously, back half of the year is virtually everything. So just trying to get a sense of self-help items versus the market. Just trying to get a sense of how much will be based on what you have in your control.

Michael Happe: Yeah, Scott. Our business model, as you well know, is always back half loaded from an EPS standpoint. Q1 and Q2 from our fiscal year timing are always softer from an EPS contribution standpoint. So the back half loading isn't abnormal from my standpoint from a historical perspective. That being said, when I talk about controllables, I talk about several of the cost management and profit improvement initiatives we have underway here at the company. In different parts of the business, across supply chain, I talk about a lot of the new products that we're bringing out. Some of which the market doesn't know about yet that we'll be bringing to some of the retail shows later in the spring for the first time. We have brand expansion going on, and we're candidly still seeing stock ins on business revenue streams like Grand Design Motorized and Winnebago Towables. The new class c Freedom Air from Newmar has not hit the market yet in any material way. So the back half of the year is certainly a reflection of a market assumption that we've been transparent about. But to your point, it's a collection of the commercial and the operational initiatives that we're driving. And so while we still have a relatively broad range on the guidance, I think you can take our moderate guidance increase this quarter to reflect our confidence in executing Q1 well and looking at the following three quarters, Q2 and Q4, and saying, listen, most of those results are within our control.

Scott Stember: Got it. Thanks again.

Operator: Thank you. Our next question comes from Tristan Thomas with BMO Capital Markets. Your line is open.

Tristan Thomas: Hey. Good morning.

Michael Happe: Good morning.

Tristan Thomas: You guys shipped in above retail during the quarter tied to new products. How should we think about that retail wholesale relationship the rest of the year?

Michael Happe: Well, we've been very clear that, you know, every business is expected to try to drive

their trailing twelve-month turns level in the field to around two times. Now there's some seasonality related to that. There'll be businesses that will be slightly above that. At times, there will be businesses that are slightly below that. As an example, our motorized RV businesses, at times tend to run below two times, particularly in the high-end Newmar type product. But I would say we're really trying to stay disciplined. And with the exception of new products, and some of these, let's call it sort of brand reinvigoration efforts. Or new revenue streams like Grand Design Motorized. We're really trying to stay disciplined and keep dealer inventory in good shape. If you look at our aging inventory, Tristan, year over year in macro, on both the RV and marine side, the percentage of aged inventory in our businesses is on a consolidated basis, less than it was a year ago. And so we not only feel good about the quantity of inventory in the business, but we are particularly pleased with the quality of the inventory at this time. The next three, four months are gonna be critical, obviously, to seeing what retail, how that will shape up in '26 selling season and how some of the current model of your inventory moves going forward.

Tristan Thomas: Okay. Thank you. And this is necessarily a directly related follow-up. But just, you mentioned a couple of times some of the operational and margin improvement initiatives you've done. My understanding is a lot of that's the motor asset? So can you maybe just give an update on everything you've done and how much more there is to come and kind of what you're doing. Thanks.

Michael Happe: Yeah. We probably use the word operational from a broad definition standpoint, but we have been more transparent about the operational initiatives particularly around our Winnebago motor home business where we have been consolidating the footprint where we are undergoing rationalization of vertical discussions and even actions here at the company. We have been consolidating assembly lines across much of the RV portfolio candidly. There are lines that are not running today that were running two years ago. But there are also lines in, and or buildings in the company that are running multiple models today that weren't doing that a couple years ago as well. I also use the word operational when talking about supply chain efforts. As Bryan indicated, our tariff exposure for fiscal year twenty-six is embedded in the guidance that he provided, but there's a significant amount of work being done to obviously mitigate the tariff pressures. But also more importantly, we are really putting our foot on the pedal on what we'll call coordinated or centralized strategic sourcing initiatives to try to be smarter about how we buy, working with our valued supply partners, but also leveraging candidly some of the volume that we do have. And even working on things like engineering efficiency, to harmonize specs on key components across brands. That allows us to buy a little smarter. So, you know, over time, I think we'll probably figure out a way how to be more articulate about some of these operations initiatives and how they'll improve or contribute to improving gross margin in the future. But you know, there's a lot of things going on across the whole of the portfolio.

Tristan Thomas: Thank you.

Operator: Thank you. Our next question comes from Mike Albanese with Benchmarkstone X. Your line is open.

Mike Albanese: Yeah. Hey. Good morning, guys. Thanks for taking my question. Nice to see some momentum in the business. Here. Just quickly on Grand Design, Motor, could you just comment on where you're tracking relative to your expectations as it relates to kind of that initial \$100 million dealer stock?

Michael Happe: Yeah. We had mentioned in our fiscal twenty-five year that Grand Design Motorized would exceed \$100 million in net revenue. And in fact, for the year that ended in August, we did reach that goal. The great news about the Grand Design Motorized strategy is that it's multiyear in its formation. We have a candidly, a three to five-year plan on making Grand Design Motorized one of the most exciting brands in the motorized segment. We've already reached more than four points of market share, fifteen months into this journey. And many of the products that are on the wish list at Grand Design from a motorized perspective have not seen the light of day yet in the market. So we are really pleased with the products that have been released. Even some things that, you know, candidly, I personally wasn't sure how the market would react to, like the series f lineage, super c. That's been fantastic. The market has reacted very strongly. And as you all know, the super c category has been one of those sort of hot trendy categories in motorized RVs the last several years. So we're on track, if

not ahead of our plan. We just gave our board an update on this here recently as well. So we anticipate, you know, fiscal twenty-six to benefit. But from the continued progression, not just at wholesale, but in the market and with our dealer relationships from the retail success that we're beginning to see across their line. So very, very excited about that particular business initiative.

Bryan Hughes: Yeah, and the series M for that the Grand Design Motorhome series m is already number two, number three in its class. For retail share. So just a phenomenal entry point by that particular model and floor plan. And then similarly, as Mike was just talking about the class f, a super c has already achieved a top three rating as well in retail. So, you know, the two models that they've come forward with have both hit the market extremely well. Both from a retail and wholesale perspective.

Mike Albanese: That's great context. Thank you. That just quick follow-up. That you know, initial stock, if you will, for some of these new models, I mean, how would you frame the opportunity size relative to, you know, the original lineage that came out? And yeah, I'm just trying to think about growth here as new models are implemented.

Michael Happe: Yeah. Michael, we're not sharing a specific target number for Grand Design Motorized for fiscal twenty-six as it becomes a more meaningful part of the portfolio. We tend to obviously share disclosure by segment, but you can expect it to grow. You know, we won't provide a sales target this morning. Some of the back half wholesale volume certainly be dependent on retail replenishment of current models in the field. In addition to any new products that you'll see Grand Design Motorized bring to the market, you know, as well.

Mike Albanese: Fair enough. Thanks. And then just another quick one, if I may. I just want to follow-up on mix shift. Obviously, you have some selective price increases. You come out with new models across the board to kinda meet consumers where they're at from an affordability standpoint. Just taking a step back here and thinking about the overall mix shift from the consumer, they've obviously, over the last couple of years, gravitated toward those value products. I mean, are we still moving in that direction, or has that kind of stabilized? And, again, that's a little more industry-specific than company-specific because you have some that are obviously affecting mix shift within your portfolio. But

Michael Happe: Yeah. I don't think the consumer has stabilized quite yet from an affordability perspective. I mean, as you guys are well aware, there's a lot of chatter in the financial media and many industries about consumer affordability, particularly of this discretionary higher-priced items. I'll tell you this. We're kinda playing the game at both ends. We have absolutely improved our lower price point products. Almost in every brand that we carry. And so while we sometimes don't get that first-time buyer, we have a better chance through some of the products that we've introduced here recently with access the Winnebago Towables line, Transcend One in the Grand Design line, The ARIA from Barletta continues to do fantastic. But when I say we're playing both ends, we're also introducing products with higher price points that are being successful as well. The Super C products from Newmar and Grand Design are a good example of that. You know, some of Barletta's best-performing brands continue to be in the higher side of their line. The LUSO, of which I own a LUSO myself. That continues to be a really strong performer in the Barletta line, and that's probably their one of their top two or three brands in the whole catalog. And so we're gonna try to have a broad full lineup within, better bet within our segments. And not only attract more affordable consumers, but those consumers who also have a little higher level of discernment and will trade up buy up, and expect the best as well. So we don't talk a lot about retail dollar share on the call. Candidly because we don't have the greatest data here at Winnebago Industries. But I'm really confident that if you look at the combination of our unit retail volume, and our ASP trends versus the rest of the market, that we're actually gaining retail market share, in both the RV and marine industry. And I think that's just as important as unit volume. You take dollars to the bank, and those retail dollars, you know, ultimately are really, really valuable to us.

Bryan Hughes: The only other thing I'd add as it relates to mix is that, you know, we welcome the more recent strength in both retail and growth in the motor home business. You know, as I think everyone on the call understands motor home for a long time had been seeing declines. And more recently, we're finally starting to see that show year over year improvement. So we welcome that trend as well, as it relates to our portfolio of business.

Mike Albanese: Got it. Great contacts. Appreciate it. Nice quarter, guys. Thank you.

Michael Happe: Thank you, Mike.

Operator: Thank you. Our next question comes from Bret Jordan with Jefferies. Your line is open.

Bret Jordan: Hey, good morning, guys.

Michael Happe: Good morning, Bret.

Bret Jordan: Pretty much everything's been asked. But I guess one macro question when you think about your forecast for 2026, what is the assumption on sort of a rate backdrop? And, you know, what kind of Fed move would make you either more positive or negative on that outlook?

Bryan Hughes: Yeah. But this is Bryan. You know, we hesitate to drop too much correlation to Fed action. We are anticipating from a macro perspective another two to three twenty-five point cuts over the next year. I think that that's the prevailing expectation in how the bond market's priced out right now. You know, what happens to the ten-year as I think you know, Bret, is probably more important for our industry as it relates to floor plan financing costs as well as retail finance. So we'll keep a close eye on that. You know, there's differing points of view, I think, as to what will happen with the ten-year rate. You know, as it relates to the correlation between that and the fed funds rate. But that's kinda how we're thinking about it right now.

Bret Jordan: Okay. Great. Thank you.

Operator: You bet. Thank you. Our next question comes from Noah Zatzkin with KeyBanc Capital Markets. Your line is open.

Noah Zatzkin: Hi. Thanks for taking my questions. I guess, first, just on the margin recapture initiatives at Winnebago Motorhomes. You touched on this a bit, but any way to, like, quantify kind of the magnitude of those initiatives on the improvement in motorized margins in the quarter? And then just kind of thinking through like where you are maybe, like, in terms of innings or opportunity that's kind of left from a margin perspective? Structurally moving forward. Any thoughts would be helpful. Thanks.

Michael Happe: Yeah. Good morning, Noah, and thanks for the questions. Let me comment. The other motorized contributors in that segment, which means from a positive standpoint that the contributions of a stronger Winnebago motorhome business are still ahead of us. Not just in fiscal twenty-six, but fiscal twenty-seven. That particular business is obviously our flagship legacy business. We're very busy there under Chris West's leadership and his team. To improve that business. I would not tell you that the financial benefits of that business are being quite felt yet within the Q1 financials. But the expectation is that those do grow sequentially in the future. So we're not providing specific dollar references there, but that journey should become a bigger contributor in the future.

Bryan Hughes: Yeah. I guess what I'd add, on that one, Noah, is you know, we gave guidance that the motor home segment would reach OI yield in the low single digits. We stand by that guidance. You know, that compares to a negative 0.6% so slightly negative OI yield in '25. So that continues to be our target. Hey, I think we saw a good proof point in Q1. You know, some good improvement there. A lot of the improvements longer term, including the back half of fiscal year, are tied to the product and the new introductions, the refreshes that the team is working very hard on. And as Mike alluded to, some of those are yet to really impact the yield. So we look for continued improvement there long term. But we like what we saw in Q1 here as it relates to an initial proof point.

Noah Zatzkin: That's really helpful. And maybe just one more. Thinking about this from an industry perspective, I think motorized shipments have been kind of stronger at least year over year overall for the industry. Of late. When you think about kind of inventory levels there for the industry, as well as drivers of that, is that more that levels kind of got the products that they want to have in the class c space. We're watching that class c category carefully. It's pretty crowded. There's a lot of competition. And I would say the turns in that class c category need to be a little bit higher in the future. And hopefully, we'll see some retail momentum in the calendar '26 to help the whole industry, you know, get the inventory in that particular segment, maybe even in a little bit better shape. But, you know, I don't think we're overly concerned. You know, the dealers are putting their bets there, and obviously, the OEMs are working closely with them. I don't know, Bryan, if you'd have.

Bryan Hughes: Just one small add. You know, we feel really good about our dealer inventory position. We saw a pretty sizable decline year over year, 19% in inventories. Out in the field, and that is even

with the launch of the Grand Design Motorhome and the stocking up in the feed of that business, the series M and F. So we feel really good about our position there, and I think that that will serve us well throughout fiscal twenty-six.

Noah Zatzkin: Thank you.

Operator: Thank you. Our next question comes from John Healy with Northcoast Research. Your line is open.

John Healy: I wanted to ask one about the margin outlook in the business and how it ties into the tariff environment we're in. Mike, I know you've mentioned numerous times on the call that you guys are working on sourcing, working with your suppliers. You're doing all the things that we would expect you to. But was curious if there's been any development in terms of tying cost and input costs to the actual tariff environment. Have you been able to develop any sort of linkage? So, theoretically, if we do get some relief on tariffs, and maybe certain ones kinda go to the wayside in calendar '26, is there any sort of kind of automatic kind of indexed type relief that you would get, or is this gonna be a situation where you have to go back and try to price some dollars out of things? And you know, hypothetically, is there a view with your suppliers that hey. We need to maybe share more of this or work with more of this than there was six months ago. Just to impact and solve this affordability issue. Because when I listen to calls of your industry, everyone talks about affordability and interest rates. But you know, it seems like there could be more giveback with the suppliers and the sourcing community. So was hoping to hear your thoughts on that. Thanks.

Michael Happe: Thank you, John, for the question. So multiple dimensions to what you talked about. Let me try to break it down efficiently here. We have a very robust tariff exposure risk management process in the company. It extends from our centralized strategic sourcing function as the air traffic control tower on that, to deep within the businesses in terms of their day-to-day with suppliers. I think we feel good that there's a high level of transparency by our tier one suppliers as to the tariff pressures that they have been experiencing. They're not always the importer of record, that they have either tier two or tier three supply relationships that pass those costs up to them. And in many cases, our suppliers have agreed to defer and or share the increased tariff costs that we've seen since April of 2025. But that's on a case-by-case basis, and it's one of those cases where if you don't ask, you may not get that as an initial response, but our supply chain partnerships have been good there. We've also done a lot of other things in terms of engineering design, bill of material management, working through some of our own raw materials, and component inventory to try to be creative and mitigate that. And so while that's been a Herculean exercise for really the last eight, nine months, we feel good about managing the exposure. And as I said earlier, Bryan's guidance here this morning embeds that into our earnings outlook for fiscal twenty-six. Now overall, should the Supreme Court make the decision target for fiscal twenty-six to secure some savings. And that doesn't always necessarily mean that's a bad thing for our supply chain. That just may mean that we're going about our purchasing just a little bit differently as well. There could be some consolidation or of how many suppliers we use on a certain part. So all of that is kinda baked into this, you know, I think 40% plus increase in EPS year over year. It's one of the controllables, quote, unquote, that we believe that we can execute in the year. But tariffs continue to be very top of mind and we'll manage those for as long as that pressure is upon us. But you're absolutely right that any input pressure cost-wise in this industry is nonconstructive. You talked about in Newmar having competitors in lower price segments. Are we talking just new product there? Or are you actually talking about price reductions? Because that's a luxury brand. You don't have a lot of leeway to cut pricing there.

Bryan Hughes: Yes. Good morning, David. Good to hear from you. It's really about new products in the Newmar business. Not price reductions. I would tell you that Casey Tubman, who leads that has been very disciplined with, again, managing their floor plan and their model mix to make sure that, you know, we have the right floor plans that are moving in the market. So you may see a little ASP shift, you know, because of that. Newmar is one of our most coveted brand assets. Just a tremendous consumer experience, great dealer partnerships, and the product is second to none in the marketplace. So everything we do at Newmar is about maintaining that brand promise that is luxury, that is second to none. So when we talk about affordability there, it's really coming up with new products. That, you know, maybe fill out the little lower side of that luxury lineup, on the pricing side. So the Freedom Air in

the class c space is premium versus the other class c's in the market. But it is affordable for people to get into the Newmar brand in a whole different way. So it depends on how you kinda define affordability. But a lot of people wanna get into that brand and we're trying to provide a catalog there that gives them access across multiple segments. But, no, we're not looking to raise price dramatically on that brand by any means, but we're certainly trying to keep that consumer experience just best in class.

Operator: Thank you. This concludes the question and answer session. I would now like to turn it back to Joanne Ondala for closing remarks.

Joanne Ondala: Thank you all for joining us. For those of you planning to attend the upcoming Florida RV Super Show in Tampa, we look forward to meeting with you. Have a wonderful holiday season.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.