

Winnebago CEO: RV industry outlook worsening

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- * RV industry outlook deteriorates
- * Fear price war may break out
- * Winnebago looks for non-RV revenue sources

By James B. Kelleher

FOREST CITY, Iowa (Reuters) - The head of Winnebago Industries Inc (WGO.N: Quote, Profile, Research) told Reuters the economic challenges facing motor-home makers has only worsened in the month since it reported that quarterly earnings tumbled 73 percent.

In an interview late Sunday at an annual get-together of hundreds of customers near the company's headquarters, Bob Olson, Winnebago's new chief executive, acknowledged, "We've got a lot of things going against us." He said the current slump was different from previous ones because of its complexity.

In the past, he said, "you had only one thing to worry about. This one's different ... There's about four, five, six different variables, not just one focus point.

"You have escalating food prices. You can't turn on the TV or radio without hearing it's another record-setting day for fuel. And I think that's probably one of the biggest concerns right now, not only of RVers but everybody. They don't know where this is going to settle in."

Olson also cited declining home prices, interest rates and the uncertainty growing out of the wide-open presidential race.

Asked if the headwinds were abating or getting worse a month into its fiscal fourth quarter, Olson said: "I hate to say this, but they're probably even worse than they were at the end of the third quarter."

Winnebago shares dropped 58 cents, or 5 percent, to \$11.49 Monday on the New York Stock Exchange. The stock has traded in a 52-week range of \$9.09 to \$32.35.

He said the decision last week by rival Monaco Coach Corp (MNC.N: Quote, Profile, Research) to close three plants and lay off up to one-third of its work force illustrated "in spades what this industry is going through right now."

Wearing a button that read "You can't take sex, booze or weekends away from the American people," Olson predicted that if fuel prices stabilized, even at recent highs, RV buyers would adjust and head back into showrooms.

"We're a pretty adaptable crew, the American consumer," he said. "Even if it settled in at \$4 a gallon, once we got accustomed to it, we'll be fine."

Olson said Winnebago's effort to keep its plants working in the face of the downturn by becoming a contractor for non-RV manufacturers had not turned up any promising leads so far.

"One of the problems we're facing is that there are very few businesses or industries today that aren't impacted by this downturn in the economy," he said.

"So to find that magic industry out there that's looking for additional capacity ... they're few and far between. But we're still looking."

The motor-home industry is in the middle of what is shaping up to be its fourth straight year of sales declines -- and its worst year since 1991 -- as tight credit, higher fuel prices and the housing downturn discourage buyers from purchasing its pricey, gas-guzzling vehicles.

In May, the latest month for which data is available, motor-home shipments to dealers dropped 49 percent, according to industry watcher Statistical Surveys. Sales of Class A motorhomes -- the big, bus-like behemoths that provide RV makers with their fattest margins -- fell nearly 59 percent.

Overall sales of the two most important types of RVs are down 28 percent so far this year, with sales decreases accelerating in April and May.

Olson says he fears a price war may break out in the industry -- a concern he reiterated during the interview.

Deteriorating industry fundamentals have also prompted plant closures and layoffs across the industry and forced more than once manufacturer to file for bankruptcy.

In June, Winnebago said it was closing a plant in Charles City, Iowa, idling 30 percent of its capacity and laying off 270 salaried and hourly workers, due to "extremely challenging" market conditions.

That was the second time this year it slashed costs. In January the company, which leads the motor-home market with a 19 percent share, laid off 300 workers in reaction to the slump in sales.

In April, Fleetwood Enterprises Inc (FLE.N: Quote, Profile, Research), which makes bus-sized motor homes and towable camping trailers, said fiscal fourth-quarter sales tumbled 24

percent. Fleetwood sold its Riverside, California, headquarters and said it was deferring dividend payments on some convertible debt to boost its finances.

Late last week, Monaco said it was closing plants in Wakarusa, Elkhart and Nappanee, Indiana, laying off more than 1,000 workers and cutting Class A capacity by nearly 50 percent.