

NEW RISK ALERT: (WGO)

Winnebago's Backlog Warning Resurfaces

Latest 10-Q includes a warning in the footnotes about the RV maker's order backlog that was omitted last quarter.

By [Nick Winkler](#)

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This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.

Winnebago's Order Backlog Not Accurate Predictor of Future Sales

Winnebago Industries, a recreation vehicle (RV) manufacturer, has been a COVID-19 winner as consumers perceive RV travel as safer than alternatives. The stock is up 225% over the last year but the company has reissued a warning investors shouldn't dismiss. In its Q2 FY21 [10-Q](#), Winnebago warns in the footnotes that its backlog isn't necessarily to be trusted:

*"We include in our backlog all accepted orders from dealers to generally be shipped within the next six months. **Orders in backlog can be cancelled or postponed at the option of the dealer at any time without penalty and, therefore, backlog may not necessarily be an accurate measure of future sales.**"*

The backlog warning was omitted from the prior quarter's 10-Q. Though it is included in the two previous 10-Qs and Winnebago's 10-K, it's no accident the warning was inserted. But if Winnebago is hinting that backlog orders are at greater risk of being cancelled, it's not showing up in the numbers yet.

In the latest quarter, Winnebago's unit backlog is up 307% while dealer inventories are down 19.2%. This suggests orders are firm. On the earnings call, the backlog was mentioned three times with the company saying:

"Our manufacturing processes are running daily at peak levels as the supply chain allows. And executing against an increasingly robust order backlog to replenish, as quickly as possible, inventories for our dealer partners."

The backlog isn't likely to decline significantly, barring an exogenous shock, until Winnebago is less supply constrained which is preventing the company from selling more motorized RVs, especially Class A vehicles. However, investors may soon look back and see the warning's re-emergence as the top in Winnebago's backlog.