SYNAPTICS Inc
Form DEF 14A
September 17, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

Synaptics Incorporated

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

October 30, 2018

The Annual Meeting of Stockholders of Synaptics Incorporated, a Delaware corporation, will be held at 9:00 a.m., Pacific time, on Tuesday, October 30, 2018, via live interactive webcast on the Internet at www.virtualshareholdermeeting.com/syna2018 for the following purposes:

1. To elect three directors, each to serve for a three-year term expiring in 2021.

2. To approve, on a non-binding advisory basis, the compensation of our named executive officers for fiscal 2018 (say-on-pay).

3. To ratify the appointment of KPMG LLP, an independent registered public accounting firm, as the independent auditor of our company for the fiscal year ending June 29, 2019.

4. To approve an amendment to our Amended and Restated 2010 Incentive Compensation Plan, which (i) provides for an increase of 1,700,000 shares of the Company s common stock authorized for issuance thereunder, and (ii) expressly prohibits the payout of dividends and dividend equivalents on equity awards until the underlying award has been earned or becomes vested.

5. To approve our Amended and Restated 2010 Employee Stock Purchase Plan, which provides for an increase of 100,000 shares of the Company s common stock authorized for issuance thereunder.

6. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

Only stockholders of record at the close of business on September 4, 2018, are entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

All stockholders are cordially invited to attend the meeting and vote their shares electronically during the meeting via the Internet. To assure your representation at the meeting, however, you are urged to vote by proxy as soon as possible over the Internet as instructed in the Notice of Internet Availability of Proxy Materials or, if you receive paper copies of the proxy materials by mail, you can also vote by telephone or by mail by following the instructions on the proxy card. You may vote your shares electronically during the virtual meeting even if you have previously returned a proxy.

Sincerely,

San Jose, California	Richard A. Bergman
September 17, 2018	President and Chief Executive Officer

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SYNAPTICS INCORPORATED

1251 McKay Drive

San Jose, CA 95131-1709

PROXY STATEMENT

VOTING AND OTHER MATTERS

General

The accompanying proxy is solicited on behalf of Synaptics Incorporated, a Delaware corporation, by our Board of Directors for use at our Annual Meeting of Stockholders to be held on Tuesday, October 30, 2018, at 9:00 a.m., Pacific time, or at any adjournment or postponement thereof, for the purposes set forth in this proxy statement and in the accompanying meeting notice. The meeting will be held via live interactive webcast on the Internet. You will be able to attend, vote and submit your questions during the meeting at www.virtualshareholdermeeting.com/syna2018.

In accordance with rules adopted by the Securities and Exchange Commission, or the SEC, that allow companies to furnish their proxy materials over the Internet, we are mailing a Notice of Internet Availability of Proxy Materials instead of a paper copy of our proxy statement and our 2018 Annual Report to most of our stockholders. The Notice of Internet Availability of Proxy Materials contains instructions on how to access those documents and vote over the Internet. The Notice of Internet Availability of Proxy Materials also contains instructions on how to request a paper copy of our proxy materials, including our proxy statement, our 2018 Annual Report, and a form of proxy card. We believe this process will allow us to provide our stockholders with the information they need in a more timely manner, while reducing the environmental impact and lowering our costs of printing and delivering the proxy materials.

These proxy solicitation materials were first released on or about September 17, 2018, to all stockholders entitled to vote at the meeting.

Record Date and Outstanding Shares

Stockholders of record at the close of business on September 4, 2018, which we have set as the record date, are entitled to notice of and to vote at the meeting. On the record date, there were 34,881,570 outstanding shares of our common stock, par value $0.001 per share.

Quorum

The presence, via online attendance or by proxy, of the holders of a majority of the total number of shares of common stock outstanding and entitled to vote constitutes a quorum for the transaction of business at the meeting. Each stockholder voting at the meeting, either via online attendance or by proxy, may cast one vote per share of common stock held on all matters to be voted on at the meeting.

Required Votes

Assuming that a quorum is present, the affirmative vote of a majority of the votes cast is required for the election of the three director nominees for three-year terms expiring in 2021, to ratify the appointment of KPMG LLP, an independent registered public accounting firm, as the independent auditor of our company for the fiscal year ending June 29, 2019, to approve the Amended and Restated 2010 Incentive Compensation Plan, and to approve the Amended and Restated 2010 Employee Stock Purchase Plan. The advisory vote on the compensation of our named executive officers for fiscal 2018 (say-on-pay) is non-binding, but our Board of Directors will consider the input of stockholders based on a majority of votes cast for the say-on-pay proposal.

Our Board of Directors recommends that you vote for the three director nominees named herein, and in favor of each of the other proposals.

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Voting of Proxies

When a proxy is properly executed and returned, the shares it represents will be voted at the meeting as directed. If no specification is indicated, the shares will be voted (1) for the election of each of the nominees for director set forth in this proxy statement, (2) for the advisory approval of the compensation of our named executive officers for fiscal 2018, (3) for the proposal to ratify the appointment of KPMG LLP, an independent registered public accounting firm, as the independent auditor of our company for the fiscal year ending June 29, 2019, (4) for the proposal to amend the Amended and Restated 2010 Incentive Compensation Plan, (5) for the approval of the Amended and Restated 2010 Employee Stock Purchase Plan, and (6) as the persons specified in the proxy deem advisable on such other matters as may come before the meeting.

Broker Non-Votes and Abstentions

Brokers, banks, or other nominees that hold shares of common stock in street name for a beneficial owner of those shares typically have the authority to vote in their discretion if permitted by the stock exchange or other organization of which they are members. Brokers, banks, and other nominees are permitted to vote the beneficial owner s proxy in their own discretion as to certain routine proposals, such as the ratification of the appointment of KPMG LLP as the independent auditor of our company for the fiscal year ending June 29, 2019, when they have not received instructions from the beneficial owner. If a broker, bank, or other nominee votes such uninstructed shares for or against a routine proposal, those shares will be counted towards determining whether or not a quorum is present and are considered entitled to vote on the routine proposals. However, when a proposal is non-routine, a broker, bank, or other nominee is not permitted to exercise its voting discretion on that proposal without specific instructions from the beneficial owner. These non-voted shares are referred to as broker non-votes when the nominee has voted on other non-routine matters with authorization or voted on routine matters. These shares will be counted towards determining whether or not a quorum is present, but will not be counted for purposes of determining the votes received on the non-routine proposals.

Please note that brokers, banks, or other nominees may not use discretionary authority to vote shares on the election of directors, the say-on-pay, the approval of the Amended and Restated 2010 Incentive Compensation Plan, or the approval of the Amended and Restated 2010 Employee Stock Purchase Plan proposals if they have not received specific instructions from their clients. For your vote to be counted in the above, you will need to communicate your voting decisions to your broker, bank, or other nominee before the date of the meeting.

As provided in our bylaws, a majority of the votes cast means that the number of votes cast for a proposal exceeds the number of votes cast against that proposal. Because abstentions and broker non-votes do not represent votes cast for or against a proposal, broker non-votes and abstentions will have no effect on the proposal to elect directors, the say-on-pay proposal, the proposal to ratify the appointment of KPMG LLP as the independent auditor of our company for the fiscal year ending June 29, 2019, the proposal to approve the Amended and Restated 2010 Incentive Compensation Plan, or the proposal to approve the Amended and Restated 2010 Employee Stock Purchase Plan, as each such proposal is determined by reference to the votes actually cast by the shares present or represented by proxy and entitled to vote.

In accordance with our policy, an incumbent candidate for director who does not receive the required votes for re-election is expected to tender their resignation to our Board of Directors. Our Board of Directors, or another duly authorized committee of our Board of Directors, will make a determination as to whether to accept or reject the tendered resignation generally within 90 days after certification of the election results of the stockholder vote. If applicable, we will publicly disclose the decision regarding any tendered resignation and the rationale behind the decision in a filing of a Current Report on Form 8-K with the SEC.

Revocability of Proxies

Any stockholder giving a proxy may revoke the proxy at any time before its use by furnishing to us either a written notice of revocation or a duly executed proxy bearing a later date, or by attending the meeting via the Internet at www.virtualshareholdermeeting.com/syna2018 and voting electronically during the live webcast of the meeting. Attendance at the meeting will not cause your previously granted proxy to be revoked unless you specifically so request.

Election Inspector

Votes cast by proxy or by voting electronically during the live webcast of the meeting will be tabulated by the election inspector appointed for the meeting, who will determine whether a quorum is present. The election inspector will treat broker non-votes and abstentions as shares that are present and entitled to vote for purposes of determining the presence of a quorum, and as described in the Broker Non-Votes and Abstentions section of this proxy statement for purposes of determining the approval of any matter submitted to stockholders for a vote.

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Solicitation

We will bear the cost of this solicitation. In addition, we may reimburse brokerage firms and other persons representing beneficial owners of shares for expenses incurred in forwarding solicitation materials to such beneficial owners. Proxies also may be solicited by certain of our directors and officers, personally or by telephone or e-mail, without additional compensation.

Annual Report and Other Matters

Our 2018 Annual Report to Stockholders, which was made available to stockholders with or preceding this proxy statement, contains financial and other information about our company, but is not incorporated into this proxy statement and is not to be considered a part of these proxy materials or subject to Regulations 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The information contained in the Compensation Committee Report and the Report of the Audit Committee shall not be deemed filed with the SEC or subject to Regulations 14A or 14C, or to the liabilities of Section 18 of the Exchange Act.

Through our website, www.synaptics.com, we make available free of charge all of our SEC filings, including our proxy statements, our annual reports on Form 10-K, our quarterly reports on Form 10-Q, and our current reports on Form 8-K, as well as Form 3, Form 4, and Form 5 reports of our directors, officers, and principal stockholders, together with amendments to these reports filed or furnished pursuant to Sections 13(a), 15(d), or 16 of the Exchange Act. **We will also provide, upon written request, without charge to each stockholder of record as of the record date, a copy of our Annual Report on Form 10-K for the fiscal year ended June 30, 2018, as filed with the SEC.** Any exhibits listed in the Form 10-K report also will be furnished upon request at the actual expense we incur in furnishing such exhibits. Any such requests should be directed to our corporate secretary at our executive offices set forth in this proxy statement.

Our fiscal year is the 52- or 53-week period ending on the last Saturday in June. The fiscal periods presented in this proxy statement were the 53-week period for the fiscal year ended June 30, 2018, or fiscal 2018 and the 52-week periods for the fiscal years ended June 24, 2017, or fiscal 2017, and June 25, 2016, or fiscal 2016. Our principal executive offices are located at 1251 McKay Drive, San Jose, California 95131-1709.

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PROPOSAL ONE: ELECTION OF DIRECTORS

Nominees

Our Certificate of Incorporation and bylaws provide that the number of directors shall be fixed from time to time by resolution of our Board of Directors. Our Board of Directors has fixed the number of directors at eight. The directors are divided into three classes, with one class standing for election each year for a three-year term. Our Board of Directors has nominated Jeffrey D. Buchanan, Keith B. Geeslin, and James L. Whims for election as class 1 directors for three-year terms expiring in 2021 or until their successors have been elected and qualified.

Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named above. Messrs. Buchanan, Geeslin and Whims are currently directors of our company. In the event that Messrs. Buchanan, Geeslin or Whims are unable or decline to serve as directors at the time of the meeting, the proxies will be voted for any nominees designated by our current Board of Directors to fill the vacancies. At this time, it is not expected that Messrs. Buchanan, Geeslin and Whims will be unable or will decline to serve as directors.

Our Board of Directors recommends a vote **for** the nominees named herein.

The following table sets forth certain information regarding our directors and the nominees for director:

Name	Age	Position	Term Expires
Francis F. Lee	66	Chairman of the Board	2020
Richard A. Bergman	54	President, Chief Executive Officer, and Director	2019
Jeffrey D. Buchanan	62	Director	2018
Nelson C. Chan	57	Director	2020
Keith B. Geeslin	65	Director	2018
Russell J. Knittel	68	Director	2019
Richard L. Sanquini	83	Director	2020
James L. Whims	63	Director	2018

Francis F. Lee has been the Chairman of the Board of Directors of our company since October 2008 and a director of our company since December 1998. Mr. Lee served as Chief Executive Officer of our company from December 1998 until July 2009 and as President of our company from December 1998 to July 2008. Mr. Lee was a consultant from August 1998 to November 1998. From May 1995 until July 1998, Mr. Lee served as General Manager of NSM, a Hong Kong-based joint venture between National Semiconductor Corporation and S. Megga. Mr. Lee held a variety of executive positions for National Semiconductor from 1988 until August 1995. These positions included Vice President of Communication and Computing Group, Vice President of Quality and Reliability, Director of Standard Logic Business Unit, and various other operations and engineering management positions. Mr. Lee is a member of the Board of Directors of Adesto Technologies, a NASDAQ Global Select Market-listed company, which develops innovative, low-power memory solutions. Mr. Lee holds a Bachelor of Science degree, with honors, in Electrical Engineering from the University of California at Davis. We believe Mr. Lee s service for more than 10 years as our Chief Executive Officer gives him invaluable insights into our business, our culture, our personnel, our opportunities, and our challenges and provides the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

Richard A. Bergman has been President, Chief Executive Officer, and a director of our company since September 2011. Prior to joining our company, Mr. Bergman was Senior Vice President and General Manager of Product Group at Advanced Micro Devices, Inc. or AMD, a New York Stock Exchange-listed global semiconductor company, from May 2009 to September 2011. From October 2006 to May 2009, Mr. Bergman served as Senior Vice President and General Manager of AMD s Graphics Product Group. Mr. Bergman s career at AMD began in October 2006 when AMD acquired ATI Technologies, or ATI, where he served as Senior Vice President and General Manager of PC Group. Prior to ATI, Mr. Bergman served as Chief Operating Officer at S3 Graphics, a division of SonicBlue Inc. Mr. Bergman has held senior level management positions in the technology field since his early roles at Texas Instruments, Inc. and IBM. Mr. Bergman is a member of the Board of Directors, Chairman of the Compensation Committee, and a member of the Audit Committee of Maxwell Technologies, a developer and manufacturer of energy storage and power delivery solutions. Mr. Bergman holds a Bachelor of Science degree in Electrical Engineering from the University of Michigan and a Master s degree in Business Administration from the University of Colorado. We believe Mr. Bergman s position as Chief Executive Officer of our company, his intimate knowledge and experience with all aspects of the opportunities, operations, and challenges of our company, and his successful career at major companies before joining our company provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

Jeffrey D. Buchanan has been a director of our company since September 2005. Mr. Buchanan has been the Executive Vice President, Chief Financial Officer, and Treasurer of American Outdoor Brands Corporation, a NASDAQ Global Select Market-listed company that is a U.S.-based leader in firearm manufacturing and design, since January 2011. Mr. Buchanan became the Chief Administrative Officer of American Outdoor Brands Corporation in May 2015. Mr. Buchanan also served as Secretary of American Outdoor Brands Corporation from January 2011 until April 2012, and as a member of the Board of Directors and as the Chairman of the Audit Committee of American Outdoor Brands Corporation from November 2004 until December 2010. He was Of Counsel to the law firm of Ballard Spahr LLP from May 2010 until December 2010. Mr. Buchanan served as a Senior Managing Director of CKS Securities, LLC, a registered broker-dealer, from August 2009 until May 2010 and as a Senior Managing Director of Alare Capital Securities, L.L.C., a registered broker-dealer, from November 2006 until July 2009. From 2005 to 2006, Mr. Buchanan was principal of Echo Advisors, Inc., a corporate consulting and advisory firm focusing on mergers, acquisitions, and strategic planning. Mr. Buchanan served in various positions for Three-Five Systems, Inc., a publicly traded electronic manufacturing services company, including as Executive Vice President, Chief Financial Officer, and Treasurer, from May 1996 until February 2005. Mr. Buchanan was a business attorney for the law firm of O Connor, Cavanagh, Anderson, Killingsworth & Beshears from 1986 until 1996 and for the law firm of Davis Wright Tremaine LLP from 1984 until 1986. He was a senior staff person at Deloitte & Touche LLP from 1982 to 1984. Mr. Buchanan holds a Bachelor of Science degree in Accounting from Arizona State University, a Juris Doctor degree from the University of Arizona, and a Master of Laws degree in Tax from the University of Florida. We believe Mr. Buchanan s legal, accounting, and investment banking background, his roles as the chief financial officer and treasurer of public companies, and his public company board service provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

Nelson C. Chan has been a director of our company since February 2007. From December 2006 until August 2008, Mr. Chan served as the Chief Executive Officer of Magellan Corporation, a leader in the consumer, survey, GIS, and OEM GPS navigation and positioning markets. From 1992 through 2006, Mr. Chan served in various senior management positions with SanDisk Corporation, a global leader in flash memory cards, including most recently as Executive Vice President and General Manager, Consumer Business. From 1983 to 1992, Mr. Chan held marketing and engineering positions at Chips and Technologies, Signetics, and Delco Electronics. Mr. Chan is Chairman of the Board of Directors of Adesto Technologies, a NASDAQ Global Select Market-listed company, which develops innovative, low-power memory solutions, a member of the Board of Directors and a member of the Audit Committee of Deckers Outdoor Corporation, a footwear, apparel and accessories designer and distributor, and a member of the Board of Directors and Chair of the Compensation Committee of Socket Mobile, a company that creates data capture and delivery solutions for enhanced productivity in retail point of sale, field service, healthcare and other mobile markets. Mr. Chan was a member of the Board of Directors of Silicon Laboratories, Inc., a NASDAQ Global Select Market-listed company, which is a fabless, analog-intensive mixed-signal semiconductor company from 2007 to 2010, and a member of the Board of Directors, Chairman of the Audit Committee and member of the Compensation Committee of Affymetrix, a company which developed, manufactured and sold products and services for genetic analysis to the life science research and clinical healthcare markets from 2010 to 2016, prior to its acquisition by Thermo Fisher. Mr. Chan was also a member of the Board of Directors from July 2011 to September 2016 and Chairman of the Board of Directors from June 2013 to September 2016 of Outerwall, a NASDAQ Global Select Market-listed company, which was a provider of automated retail solutions offering services that drove incremental traffic and revenue for retailers, prior to its acquisition by Apollo Global Management, a private equity firm. Mr. Chan also currently serves on the Boards of Directors of several private companies. Mr. Chan holds a Bachelor of Science degree in Electrical and Computer Engineering from the University of California at Santa Barbara and a Master s degree in Business Administration from Santa Clara University. We believe that Mr. Chan s experience as the Chief Executive Officer of Magellan, his senior management positions with other leading companies, and his service as a director of multiple companies provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

Keith B. Geeslin has been a director of our company since 1986. Mr. Geeslin has been a General Partner of Francisco Partners, a firm specializing in structured investments in technology companies undergoing strategic, technological, and operational inflection points, since January 2004. From 2001 until October 2003, Mr. Geeslin served as Managing General Partner of the Sprout Group, a venture capital firm, with which he became associated in 1984. In addition, Mr. Geeslin served as a general or limited partner in a series of investment funds associated with the Sprout Group, a division of DLJ Capital Corporation, which is a subsidiary of Credit Suisse (USA), Inc. Mr. Geeslin is a member of the Board of Directors and Chairman of the Compensation Committee of CommVault Systems, Inc., a public company that provides data management software. Mr. Geeslin holds a Bachelor of Science degree in Electrical Engineering, a Master s of Science degree in Engineering and Economic Systems from Stanford University, and a Master of Arts degree in Philosophy, Politics, and Economics from Oxford University. We believe Mr. Geeslin s long career at leading private equity and venture capital firms with a focus on investments in high-technology companies, his service on multiple boards of directors, and his engineering background provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

Russell J. Knittel has been a director of our company since October 2010. Mr. Knittel served as Interim President and Chief Executive Officer of our company from October 2010 through September 2011, and as Executive Vice President of our company from July 2007 to October 2010. Mr. Knittel served as Chief Financial Officer, Chief Administrative Officer, Secretary, and Treasurer of our company from November 2001 through September 2009; as Senior Vice President of our company from

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November 2001 until July 2007; and as Vice President of Administration and Finance, Chief Financial Officer, and Secretary of our company from April 2000 through October 2001. Mr. Knittel is a member of the Board of Directors and a member of the Audit Committee, the Compensation Committee, and the Corporate Governance and Nominations Committee of Quest Resource Holding Corporation, a NASDAQ Global Select Market-listed company that provides waste management and recycling services programs. Mr. Knittel served as a director of Source Photonics, a privately held company that designs, manufactures and sells optical communications and data connectivity products, from March 2012 to January 2017, a director of MarineMax, Inc., a New York Stock Exchange-listed company that is the nation s largest recreational boat dealer, from June 2009 to February 2014, and as a director of OCZ Technology Group, Inc., a former public company, that designed, manufactured, and distributed solid-state drives and computer components, from June 2010 to August 2014. Mr. Knittel holds a Bachelor of Arts degree in Accounting from California State University at Fullerton and a Master s degree in Business Administration from San Jose State University. We believe Mr. Knittel s service as Interim Chief Executive Officer and Chief Financial Officer of our company and his board service at other companies provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

Richard L. Sanquini has been a director of our company since 1994. Mr. Sanquini is presently a Partner at LiteCAP, a private equity firm, and has been a consultant in the semiconductor industry for more than five years. Mr. Sanquini is the former Chairman of the Board of Directors of PortalPlayer, Inc., formerly a public company that developed the silicon and operating system firmware for the Apple iPod, and was acquired by NVIDIA Corporation in January 2007. Mr. Sanquini retired from National Semiconductor in 1999 after a 20-year tenure, where he managed key business units, including microprocessors and microcontrollers, served as Chief Technology Officer, managed business development and intellectual property protection, and was Chairman of the Board of Directors for two China joint ventures. Prior to National Semiconductor, he served as President and Chief Executive Officer of Information Storage Devices and in various executive positions at RCA. Mr. Sanquini is the Chairman of the Board of Directors of Pixelworks Inc., a NASDAQ Global Select Market-listed company that designs, develops, and markets video and pixel processing semiconductors and software for digital video applications, and is on the Board of Directors of R2 Semiconductor, a power management company for consumer devices. Mr. Sanquini previously served on the Board of Directors of Validity Sensors, Inc., which we acquired in fiscal 2014, and Keyssa. Mr. Sanquini holds a Bachelor of Science degree in Electrical Engineering from the Milwaukee School of Engineering, Wisconsin. We believe that Mr. Sanquini s long career and executive positions with numerous high-technology companies, his engineering background, his knowledge and experience in the semiconductor industry, and his service on numerous boards of directors provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

James L. Whims has been a director of our company since October 2007. Mr. Whims has been a partner at Alsop-Louie Partners, a venture capital firm focused on identifying promising entrepreneurs, since February 2010. From 1996 to 2007, Mr. Whims was a Managing Director of Techfund Capital l, LP and Techfund Capital II, LP and since 2001, a Managing Director and Venture Partner at Techfund Capital Europe, which are venture capital firms concentrating on high-technology enterprises. Mr. Whims also serves on the Board of Directors and as a member of the Compensation Committee of DigiLens . Mr. Whims was formerly a member of the Board of Directors of THQ, Inc., Portal Player, and 3DFX, all of which were NASDAQ Global Select Market-listed companies, and of Phizzle, Twitch TV and Keyssa, which were private companies. Mr. Whims was Executive Vice President of Sony Computer Entertainment of America from 1994 to 1996, where he was responsible for the North American launch of the Playstation and was the winner of the Brandweek/Ad Week marketing executive of the year. From 1990 to 1994, Mr. Whims was Executive Vice President of Software Toolworks. Mr. Whims co-founded Worlds of Wonder, an American toy company that launched Teddy Ruxpin, Lazer Tag and the United States launch of Nintendo, where he was an executive from 1985 to 1988. Mr. Whims holds a Bachelor of Science degree from Northwestern University and a Master s degree in Business Administration from the University of Arizona. We believe Mr. Whims senior executive positions with major companies, his experience as an investor in high-technology companies, his service as a director of multiple companies, and his expertise in e-communications and marketing provide the requisite qualifications, skills, perspectives, and experiences that make him well qualified to serve on our Board of Directors.

Election of Nominees

The election of Messrs. Buchanan, Geeslin and Whims as class 1 directors for three-year terms expiring in 2021 or until their successors have been elected and qualified will require the affirmative vote of a majority of the votes cast, assuming that a quorum is present at the meeting.

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CORPORATE GOVERNANCE

Director Independence

Our Board of Directors has determined, after considering all the relevant facts and circumstances, including information requested from and provided by each director concerning his background, employment and affiliation, including family relationships, that Messrs. Buchanan, Chan, Geeslin, Lee, Knittel, Sanquini, and Whims are independent directors, as independence is defined by the listing standards of NASDAQ and the SEC, because they have no relationship with us that would interfere with their exercise of independent judgment. Mr. Bergman is not considered an independent director of our company because of his current position as CEO of our company. There are no family relationships among any of our directors and director nominees or executive officers.

Board Committees

Our bylaws authorize our Board of Directors to appoint, from among its members, one or more committees, each consisting of one or more directors. Our Board of Directors has established three standing committees: an Audit Committee, a Compensation Committee, and a Nominations and Corporate Governance Committee. The members of our Audit Committee, Compensation Committee, and Nominations and Corporate Governance Committee consist entirely of independent directors.

The Audit Committee

The purposes of the Audit Committee include overseeing the financial and reporting processes of our company and the audits of the financial statements of our company, and providing assistance to our Board of Directors with respect to the oversight of the integrity of the financial statements of our company; our company s compliance with legal and regulatory matters; the independent auditor s qualifications and independence; and the performance of our company s independent auditor. The primary responsibilities of the Audit Committee are set forth in its charter and include various matters with respect to the oversight of our company s accounting and financial reporting processes and audits of the financial statements of our company on behalf of our Board of Directors. The Audit Committee also selects the independent auditor to conduct the annual audit of the financial statements of our company; reviews the proposed scope of such audit; reviews accounting and financial controls of our company with the independent auditor and our financial accounting staff; and reviews and approves any transactions between us and our directors, executive officers, and their affiliates.

The Audit Committee currently consists of Messrs. Buchanan, Chan, Geeslin and Knittel, each of whom is an independent director of our company under NASDAQ listing standards as well as under rules adopted by the SEC pursuant to the Sarbanes- Oxley Act of 2002, or Sarbanes-Oxley. Our Board of Directors has determined that each of Messrs. Buchanan and Knittel (whose backgrounds are detailed above) qualify as an audit committee financial expert in accordance with applicable rules and regulations of the SEC. Mr. Geeslin serves as the Chairman of the Audit Committee.

The Compensation Committee

The purposes of the Compensation Committee include determining, or recommending to our Board of Directors for determination, the compensation of our Chief Executive Officer and other executive officers of our company, and discharging the responsibilities of our Board of Directors relating to compensation programs of our company. The Compensation Committee currently consists of Messrs. Chan, Sanquini, and Whims, each of whom is an independent director of our company under NASDAQ listing standards as well as under rules adopted by the SEC pursuant to

Sarbanes-Oxley. Mr. Chan serves as the Chairman of the Compensation Committee.

The Nominations and Corporate Governance Committee

The purposes of the Nominations and Corporate Governance Committee include selecting, or recommending to our Board of Directors for selection, individuals to stand for election as directors at the annual meeting of stockholders or, if applicable, a special meeting of stockholders, overseeing the selection and composition of the committees of our Board of Directors, and, as applicable, overseeing the management succession planning process. The Nominations and Corporate Governance Committee currently consists of Messrs. Buchanan, Sanquini, and Whims, each of whom is an independent director of our company under NASDAQ listing standards as well as under rules adopted by the SEC pursuant to Sarbanes-Oxley. Mr. Whims serves as the Chairman of the Nominations and Corporate Governance Committee.

The Nominations and Corporate Governance Committee will consider persons recommended by stockholders for inclusion as nominees for election to our Board of Directors if the information required by our bylaws is submitted in writing in a timely manner, and addressed and delivered to our corporate secretary at our executive offices set forth in this proxy statement. In addition to persons recommended by stockholders for inclusion as nominees for election to our Board of Directors, the Nominations and Corporate Governance Committee may also identify director candidates that come to its attention through incumbent directors, management or third parties, and may, if it deems appropriate under the circumstances, engage a third-party search firm to assist in identifying qualified candidates. The Nominations and Corporate Governance Committee evaluates nominees for director in the same manner, regardless of whether the nominee is recommended by a stockholder or other person or entity.

In making its selection of director candidates, the Nominations and Corporate Governance Committee bears in mind that the foremost responsibility of a director is to represent the interests of our stockholders as a whole. Directors are expected to exemplify the highest standards of personal and professional integrity, and to constructively challenge management through their active participation and questioning. The Nominations and Corporate Governance Committee identifies and evaluates nominees for our Board of Directors based on these and other factors it considers appropriate, some of which may include strength of character, mature judgment, career specialization, relevant technical skills, expertise in areas relevant to the strategy and operations of our company, diversity, and the extent to which the nominee would fill a present need on our Board of Directors. The activities and associations of candidates are also reviewed for any legal impediment, conflict of interest, or other consideration that might prevent service on our Board of Directors.

Committee Charters, Corporate Governance, and Code of Ethics

Our Board of Directors has adopted charters for the Audit, Compensation, and Nominations and Corporate Governance Committees describing the authority and responsibilities delegated to each committee by our Board of Directors. Our Board of Directors has also adopted Corporate Governance Guidelines, a Code of Conduct, and a Code of Ethics for the CEO and Senior Financial Officers. We post the charters of our Audit, Compensation, and Nominations and Corporate Governance Committees; our Corporate Governance Guidelines, Code of Conduct, and Code of Ethics for the CEO and Senior Financial Officers, and any amendments or waivers thereto; and any other corporate governance materials specified by SEC or NASDAQ regulations on our website at www.synaptics.com. These documents are also available in print for any stockholder requesting a copy in writing from our corporate secretary at our executive offices set forth in this proxy statement.

Board s Role in Risk Oversight

As is the case in virtually all businesses, we face a number of risks, including operational, economic, financial, legal, regulatory, and competitive risks. Our management is responsible for the day-to-day management of the risks we face. Our Board of Directors, as a whole and through its committees, has responsibility for the oversight of risk management.

Our Board of Directors involvement in our business strategy and strategic plans plays a key role in its oversight of risk management, its assessment of management s risk appetite, and its determination of the appropriate level of enterprise risk. Our Board of Directors receives updates at least quarterly from senior management and periodically from outside advisors regarding the various risks we face. Our Board of Directors also reviews the various risks we identify in our filings with the SEC, as well as risks relating to various specific developments, such as acquisitions, stock repurchases, debt and equity placements, and product introductions.

Our Board committees assist our Board of Directors in fulfilling its oversight role in certain areas of risk. Pursuant to its charter, the Audit Committee oversees the financial and reporting processes of our company and the audit of the financial statements of our company, and provides assistance to our Board of Directors with respect to the oversight and integrity of the financial statements of our company, our company s compliance with legal and regulatory matters, the independent auditor s qualification and independence, and the performance of our independent auditor. The Compensation Committee considers the risks that our compensation policies and practices may have in attracting, retaining, and motivating valued employees and endeavors to assure that it is not reasonably likely that our compensation policies and practices would have a material adverse effect on our company. Our Nominations and Corporate Governance Committee oversees governance-related risks, such as director independence, conflicts of interests, and management succession planning.

Board Diversity

We seek diversity in experience, viewpoint, education, skill, and other individual qualities and attributes to be represented on our Board of Directors. We believe directors should have various qualifications, including individual character and integrity; business experience and leadership ability; strategic planning skills, ability, and experience; requisite knowledge of our industry and finance, accounting, and legal matters; communications and interpersonal skills; and the ability and willingness to devote time to our company. We also believe the skill sets, backgrounds, and qualifications of our directors, taken as a whole, should provide a significant mix of diversity in personal and professional experience, background, viewpoints, perspectives, knowledge, and abilities. Nominees are not to be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability, or any other basis proscribed by law. The assessment of directors is made in the context of the perceived needs of our Board of Directors from time to time.

All of our directors have held high-level positions in business or professional service firms and have experience in dealing with complex issues. We believe that all of our directors are individuals of high character and integrity, are able to work well with others, and have committed to devote sufficient time to the business and affairs of our company. In addition to these attributes, the description of each director s background set forth above indicates the specific experience, qualifications, and skills necessary to conclude that each individual should continue to serve as a director of our company.

Board Leadership Structure

We believe that effective board leadership structure can depend on the experience, skills, and personal interaction between persons in leadership roles as well as the needs of our company at any point in time. We currently maintain separate roles between the Chief Executive Officer and Chairman of the Board in recognition of the differences between the two responsibilities. Our Chief Executive Officer is responsible for setting our strategic direction and for day-to-day leadership and performance of our company. Our Chairman of the Board provides input to the Chief Executive Officer, sets the agenda for Board of Directors meetings, and presides over meetings of the full Board of Directors as well as executive sessions of the Board of Directors.

We currently select, on a rotating basis, one of our independent directors to serve as Lead Director. Mr. Geeslin is currently serving as our Lead Director. In that role, Mr. Geeslin helps to facilitate communication and interaction between the Board of Directors and management.

Prohibition on Derivatives Trading and Hedging

Our Insider Trading Policy prohibits the members of our Board of Directors and employees, including our executive officers, and any family member residing in the same household from engaging in derivatives trading and hedging involving our securities without the prior approval of our Chief Financial Officer and our General Counsel.

Stock Ownership Guidelines

We maintain stock ownership guidelines that require our Chief Executive Officer to own shares of our common stock with a value equal to at least three times his annual base salary and the non-employee members of our Board of Directors to own shares of our common stock with a value equal to at least five times their annual cash retainer. These individuals had five years from fiscal 2012, when these guidelines were adopted, to achieve their required ownership levels, and each of these individuals is currently in compliance with such guidelines. We believe that these guidelines promote the alignment of the long-term interests of our Chief Executive Officer and the members of our Board of Directors with our stockholders. Further, we believe that these guidelines help mitigate the risks associated with our executive compensation program.

Compensation Committee Interlocks and Insider Participation

Our Compensation Committee consists of Messrs. Chan, Sanquini and Whims. None of these individuals was an officer or employee of the Company or had any contractual or other relationships with us during the fiscal year except as directors, and none of these individuals was formerly an officer of the Company. None of our executive officers currently serves, or in the past has served, as a member of the board of directors or as a member of the compensation committee for any entity, which has one or more of its executive officers serving on our Company s Board of Directors or Compensation Committee.

Board and Committee Meetings

Our Board of Directors held a total of seven meetings during fiscal 2018. During fiscal 2018, the Audit Committee held five meetings; the Compensation Committee held six meetings; and the Nominations and Corporate Governance Committee held three meetings. Each of our directors attended at least 75% of the total number of meetings held in fiscal 2018 by our Board of Directors and each of the committees of our Board of Directors on which such person served during fiscal 2018.

Executive Sessions

We regularly schedule executive sessions of our Board of Directors at which non-management directors meet without the presence or participation of management. The Chairman of our Board of Directors presides at such executive sessions. We also schedule meetings of the independent directors, which are presided over by our Lead Director.

Annual Meeting Attendance

We encourage our directors to attend each Annual Meeting of Stockholders. To that end, and to the extent reasonably practicable, we generally schedule a meeting of our Board of Directors on the same day as our Annual Meeting of Stockholders. All of our directors attended our Annual Meeting of Stockholders last year.

Communications with Directors

Interested parties may communicate with our Board of Directors or specific members of our Board of Directors, including our independent directors and the members of the various committees of our Board of Directors, by submitting a letter addressed to the Board of Directors of Synaptics Incorporated, c/o any specified individual director or directors at our executive offices: 1251 McKay Drive, San Jose, California 95131-1709. Any such letters will be forwarded to the indicated directors.

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COMPENSATION DISCUSSION AND ANALYSIS

Named Executive Officers

This Compensation Discussion and Analysis provides an overview of the material components of our executive compensation program for the following executive officers:

- Richard A. Bergman, our Chief Executive Officer & President (our CEO);
- Wajid Ali, our Senior Vice President and Chief Financial Officer (our CFO);
- Kevin Barber, our Senior Vice President & General Manager, Mobile Division;
- Huibert Verhoeven, our Senior Vice President & General Manager, Internet of Things (IoT) Division; and
- Alex Wong, our Senior Vice President of Worldwide Operations.

We refer to these executive officers collectively in this Compensation Discussion and Analysis and the related compensation tables as our Named Executive Officers or NEOs.

Specifically, this Compensation Discussion and Analysis provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program, and each component of compensation that we provide. In addition, we explain how and why the Compensation Committee of our Board of Directors, or the Compensation Committee, arrived at the specific compensation policies and decisions involving our executive officers, including our Named Executive Officers, during fiscal 2018.

Executive Summary

Our executive compensation program is designed to align executive realized compensation with company performance (both financial results and stock price performance). Both cash and equity compensation for fiscal 2018 reflect the generally weak financial and stock price performance of the Company in fiscal 2018.

The following compensation practices and decisions highlight our commitment to pay for performance:

- Excluding the impact of the voluntary temporary salary reductions in fiscal 2017, no increases were made to cash compensation for our CEO, CFO or our SVP of Worldwide Operations from fiscal 2016 through fiscal 2018 (this includes no increase to base salary or target annual cash bonus opportunities).

Our Compensation Committee and our CEO chose to retain base salaries for our CEO and CFO that trail the market median in order to emphasize performance-based pay through bonus opportunity and equity compensation.

Annual performance-based cash bonus payouts are aligned with company performance. In fiscal 2018, the CEO bonus was paid out at 34% of target and other NEO bonuses were paid at approximately 46% of target, on average. Below-target payouts reflect performance relative to our operating plan.

Equity compensation was granted in a mix of 29% performance stock units (PSUs), 37% market stock units (MSUs), 29% deferred stock units (DSUs) and 5% stock options. Our Compensation Committee believes that performance-based equity, in the form of both PSUs and MSUs, provide stronger alignment with stockholder value, requiring financial performance targets to be met and our stock price to perform well on an absolute and relative basis for value to be realized. Therefore, our Compensation Committee decided to no longer grant stock options to our executive officers starting in fiscal 2018 (the last stock option grant made in fiscal 2018 was approved in fiscal 2017. See Fiscal 2018 Long-Term Incentive Compensation Decisions in this section for additional information. The Compensation Committee s decision to grant the majority of executive officer equity in performance-based equity also demonstrates the Compensation Committee s commitment to performance-based compensation and alignment with stockholder value creation.

Fiscal 2018 was our sixth full fiscal year under the tenure of Mr. Bergman as our CEO. During fiscal 2018, net revenue decreased from fiscal 2017, and operating income/(loss), net income/(loss), and net income/(loss) per diluted share declined from fiscal 2017. As a result, given our emphasis on non-GAAP operating income, or operating profit, in our annual cash bonus plan, the actual cash compensation paid to our executive officers, including our Named Executive Officers, was significantly below their target total direct compensation opportunities for the year.

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Fiscal 2018 Financial Results

Our performance for fiscal 2018 came in below expectations with revenue down from the prior fiscal year driven by a steep decline in our mobile fingerprint and discrete display driver business, partially offset by strong growth from our acquired IoT businesses. GAAP and non-GAAP operating income/(loss) for fiscal 2018 were down $126.6 million and $42.6 million from fiscal 2017, respectively, driven primarily by higher operating expenses and costs associated with the acquired IoT businesses. GAAP operating income/(loss) was further negatively impacted by incremental acquisition-related costs of $62.1 million driving lower GAAP gross margins, while non-GAAP gross margin improved year-over-year. GAAP net income/(loss) per diluted share was down $5.00 year-over-year, while non-GAAP net income per diluted share was down $0.83 year-over-year.

For fiscal 2018, we recorded the following significant financial results:

- Net revenue was $1.63 billion, a 5% decrease from net revenue of $1.72 billion for fiscal 2017;
- GAAP operating income/(loss) was $(61.9) million, compared with GAAP operating income of $64.7 million for fiscal 2017;
- GAAP net income/(loss) was $(124.1) million, or $(3.63) per diluted share, compared with GAAP net income of $48.8 million, or $1.37 per diluted share, for fiscal 2017;
- Non-GAAP operating income, or operating profit, was $161.8 million, or 10.0% of net revenue, compared with non-GAAP operating income of $204.4 million, or 11.9% of net revenue, for fiscal 2017; and
- Non-GAAP net income was $141.4 million, or $4.05 per diluted share, compared with non-GAAP net income of $173.9 million, or $4.88 per diluted share, for fiscal 2017.

See Appendix A to this Proxy Statement for a reconciliation of GAAP to non-GAAP results.

Pay for Performance Analysis

Our compensation philosophy emphasizes performance-oriented compensation through:

- Modest base salaries, which are generally positioned below the peer market median;
- Annual performance-based cash bonus aligned with our annual operating plan and key strategic objectives; and

Stock-based compensation provided in three components to balance performance orientation and stockholder alignment (with approximately 71% of the total fiscal 2018 equity awards granted to our NEOs as PSUs, MSUs and options), and retention hold (approximately 29% of the fiscal 2018 equity awards granted to our NEOs were in the form of DSUs).

The Company s weak performance in fiscal 2018 and strong performance-based plan design resulted in significantly below-target compensation, as detailed below:

Annual cash bonus pool achievement was approximately 49% of target for fiscal 2018, with individual performance adjustments resulting in a payout at 34% of target for the CEO.

As of our record date (September 4, 2018), outstanding MSUs are tracking to target as follows:

Fiscal 2016 MSUs granted to our NEOs (with payouts through fiscal 2019) are tracking to a 0% payout for the third performance period;

Fiscal 2017 MSUs granted to our NEOs (with payouts through fiscal 2020) are tracking to a 0% payout for the second performance period; and

Fiscal 2018 MSUs granted to our NEOs (with payouts through fiscal 2021) are tracking to a 124% payout for the first performance period.

As of our record date, the exercise price of all options granted to our NEOs in fiscal 2016 and 2017 is below the closing price of our stock on such date.

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In the following chart, we summarize CEO target and realizable compensation. Over the last three fiscal years, realizable compensation significantly trailed target compensation levels.

1. Target compensation reflects target base salary, target bonus opportunity and the grant-date fair value of equity awards based on a targeted value mix of 33/33/33 PSUs/DSUs/MSUs for fiscal 2018 and 33/33/33 options/DSUs/MSUs for fiscal 2017 and fiscal 2016.

2. Realizable compensation reflects the actual cash compensation earned and the current value of equity holdings based on the closing price of our common stock on June 29, 2018 (the last trading day of fiscal 2018), which was $50.37, and tracking of outstanding MSU awards as of June 29, 2018. (Note that as of the record date, outstanding MSUs granted in fiscal 2016 and 2017 were each tracking at 0%.)

As reflected in the CEO realizable pay analysis above, the equity compensation we grant to our executive officers aligns their compensation with company performance and the creation of stockholder value. In our fiscal 2018, approximately 75% of our CEO s target total direct compensation was delivered through equity awards; as a result, realizable compensation varies meaningfully based on stock price performance.

CEO pay is also aligned with performance on a relative basis. The following tables illustrate the alignment of our CEO s target total direct compensation (on a realizable pay basis) with our financial performance (based on total stockholder return, or TSR) relative to the Company s current compensation peer group. As demonstrated by these tables, the realizable compensation of our CEO for fiscal 2018 was well aligned with our one-year and three-year TSR, as of June 29, 2018, when compared with our current compensation peer group.

The vertical axis represents the percentile ranking of our TSR and our compensation peer group s TSR over the indicated period. The horizontal axis represents the percentile ranking of our CEO s realizable compensation and our compensation peer group s chief executive officers realizable compensation over the indicated period.

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1. The One-Year CEO Pay for Performance chart illustrates CEO Realizable Compensation fo

Other current assets	258,158
Property, plant and equipment	80,824
Dealer network	261,100
Trademarks	92,800
Backlog	12,400
Goodwill	74,184
Current liabilities	(216,776)
Total fair value of net assets acquired	581,099
Less cash acquired	(18,409)

Total cash consideration for acquisition, less cash acquired

$562,690

On the acquisition date, amortizable intangible assets had a weighted-average useful life of 19.3 years. The dealer network was valued based on the Discounted Cash Flow Method and is amortized on an accelerated basis over 20 years. The trademarks were valued on the Relief from Royalty Method and are amortized on a straight-line basis over 20 years. Backlog was valued based on the Discounted Cash Flow Method and was amortized on a straight-line basis over 3 months. Goodwill is deductible for tax purposes.

The following unaudited pro forma information represents Thor s results of operations for the period presented as if the fiscal 2016 acquisition of Jayco had occurred at the beginning of fiscal 2015. These performance results may not be indicative of the actual results that would have occurred under the ownership and management of Thor.

	Three Months Ended October 31, 2015	
Net sales	$	1,426,564
Net income	$	54,921
Basic earnings per common share	$	1.05
Diluted earnings per common share	$	1.05

3. Business Segments

The Company has two reportable segments: (1) towable recreational vehicles and (2) motorized recreational vehicles. The towable recreational vehicle reportable segment consists of the following operating segments that have been aggregated: Airstream (towable), Heartland (including Bison, CRV and DRV), Jayco (including Jayco towable, Starcraft and Highland Ridge), Keystone (including CrossRoads and Dutchmen) and KZ (including Livin Lite). The motorized recreational vehicle reportable segment consists of the following operating segments that have been aggregated: Airstream (motorized), Jayco (including Jayco motorized and Entegra Coach) and Thor Motor Coach.

The operations of the Company s Postle subsidiary are included in Other, which is a non-reportable segment. Net sales included in Other mainly relate to the sale of aluminum extrusions and specialized component products. Intercompany eliminations adjust for Postle sales to the Company s towable and motorized segments, which are consummated at established arm s-length transfer prices generally consistent with the selling prices of extrusion components to third-party customers.

All manufacturing is conducted within the United States. Total assets include those assets used in the operation of each reportable and non-reportable segment, and the Corporate assets consist primarily of cash and cash equivalents and deferred income tax assets.

Net sales:	Three Months Ended October 31, 2016	2015
Recreational vehicles:		
Towables	$ 1,210,873	$ 744,679
Motorized	461,454	251,099
Total recreational vehicles	1,672,327	995,778
Other	58,996	50,382
Intercompany eliminations	(22,792)	(15,809)
Total	$ 1,708,531	$ 1,030,351

Income (loss) from continuing operations before income taxes:	Three Months Ended October 31, 2016	2015
Recreational vehicles:		
Towables	$ 94,173	$ 63,224
Motorized	28,923	21,653
Total recreational vehicles	123,096	84,877
Other, net	6,378	2,656
Corporate	(13,674)	(9,842)
Total	$ 115,800	$ 77,691

Total assets:	October 31, 2016	July 31, 2016
Recreational vehicles:		
Towables	$ 1,459,849	$ 1,425,168
Motorized	511,529	476,973
Total recreational vehicles	1,971,378	1,902,141
Other, net	157,019	156,822
Corporate	253,361	266,501
Total	$ 2,381,758	$ 2,325,464

Depreciation and amortization expense:	Three Months Ended October 31, 2016	2015
Recreational vehicles		
Towables	$ 20,926	$ 7,456
Motorized	2,343	643
Total recreational vehicles	23,269	8,099
Other	3,004	3,056
Corporate	322	278
Total	$ 26,595	$ 11,433

Three Months Ended
October 31,

Capital acquisitions:	2016	2015
Recreational vehicles		
Towables	$ 20,865	$ 12,806
Motorized	5,156	993
Total recreational vehicles	26,021	13,799
Other	296	773
Corporate	176	342
Total	$ 26,493	$ 14,914

4. Earnings Per Common Share

The following table reflects the weighted-average common shares used to compute the basic and diluted earnings per common share as included on the Condensed Consolidated Statements of Income and Comprehensive Income:

	Three Months Ended October 31, 2016	Three Months Ended October 31, 2015
Weighted-average common shares outstanding for basic earnings per common share	52,503,966	52,409,945
Unvested restricted stock and restricted stock units	201,976	135,615
Weighted-average common shares outstanding for diluted earnings per common share	52,705,942	52,545,560

At October 31, 2016 and 2015, the Company had 52,098 and 48,119, respectively, of unvested restricted stock and restricted stock units outstanding which were excluded from this calculation as their effect would be antidilutive.

5. Inventories

Major classifications of inventories are as follows:

	October 31, 2016	July 31, 2016
Finished goods RV	$ 48,128	$ 39,943
Finished goods other	23,613	20,141
Work in process	107,442	97,872
Raw materials	183,500	173,362
Chassis	84,579	102,686
Total	447,262	434,004
Excess of FIFO costs over LIFO costs	(30,135)	(30,135)
Total inventories, net	$ 417,127	$ 403,869

Of the $447,262 and $434,004 of inventories at October 31, 2016 and July 31, 2016, $230,481 and $219,050, respectively, was valued on the last-in, first-out (LIFO) basis, and $216,781 and $214,954, respectively, was valued on the first-in, first-out (FIFO) method.

6. Property, Plant and Equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation, and consists of the following:

	October 31, 2016	July 31, 2016
Land	$ 46,171	$ 46,422
Buildings and improvements	315,947	300,902
Machinery and equipment	140,170	133,112
Total cost	502,288	480,436
Less accumulated depreciation	(142,049)	(136,169)
Property, plant and equipment, net	$ 360,239	$ 344,267

Property, plant and equipment at both October 31, 2016 and July 31, 2016 includes buildings and improvements under capital leases of $6,527, and includes related amortization included in accumulated depreciation of $816 and $680 at October 31, 2016 and July 31, 2016, respectively.

7. Intangible Assets and Goodwill

The components of amortizable intangible assets, net, are as follows:

	Weighted-Average Remaining Life in Years at October 31, 2016	October 31, 2016		July 31, 2016	
		Cost	Accumulated Amortization	Cost	Accumulated Amortization
Dealer networks/customer relationships	16	$ 404,960	$ 62,876	$ 404,960	$ 55,191
Trademarks	19	148,117	12,422	148,117	10,539
Design technology and other intangibles	9	19,300	8,128	22,400	10,870
Non-compete agreements	3	450	225	450	203
Backlog				12,400	4,133
Total amortizable intangible assets		$ 572,827	$ 83,651	$ 588,327	$ 80,936

The dealer networks and customer relationships are being amortized on an accelerated basis. Trademarks, design technology and other intangibles and non-compete agreements are amortized on a straight-line basis. The backlog at July 31, 2016 related to the Jayco acquisition, and the remaining unamortized backlog of $8,267 at that date was fully amortized in the three-month period ended October 31, 2016 and therefore removed from this schedule.

Estimated annual amortization expense is as follows:

For the fiscal year ending July 31, 2017	$ 63,925
For the fiscal year ending July 31, 2018	54,463
For the fiscal year ending July 31, 2019	50,367
For the fiscal year ending July 31, 2020	46,480
For the fiscal year ending July 31, 2021	43,131
For the fiscal year ending July 31, 2022 and thereafter	249,025
	$ 507,391

Of the recorded goodwill of $377,693 at both October 31, 2016 and July 31, 2016, $334,822 resides in the towable recreational vehicle segment and $42,871 resides in the other non-reportable segment.

Goodwill is not subject to amortization, but instead is reviewed for impairment by applying a fair-value based test to the Company s reporting units on an annual basis as of April 30, or more frequently if events or circumstances indicate a potential impairment. The Company s reporting units are generally the same as its operating segments, which are identified in Note 3 to the Condensed Consolidated Financial Statements. Fair values are determined by a discounted cash flow model. These estimates are subject to significant management judgment, including the determination of many factors such as sales growth rates, gross margin patterns, cost growth rates, terminal value assumptions and discount rates, and therefore largely represent Level 3 inputs as defined by ASC 820. Changes in these estimates can have a significant impact on the determination of cash flows and fair value and could potentially result in future material impairments.

8. Concentration of Risk

One dealer, FreedomRoads, LLC, accounted for 17% and 18% of the Company s continuing consolidated net sales for the three-month periods ended October 31, 2016 and October 31, 2015, respectively. This dealer also accounted for 19% of the Company s consolidated trade accounts receivable at October 31, 2016 and 18% at July 31, 2016. The loss of this dealer could have a significant effect on the Company s business.

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9. Investments and Fair Value Measurements

The Company carries at fair value its investments in securities (primarily mutual funds) held for the benefit of certain employees of the Company as part of a deferred compensation plan. These investments are measured with Level 1 inputs as prescribed by ASC 820, which include quoted prices in active markets for identical assets or liabilities and are the most observable inputs. Deferred compensation plan asset balances of $17,487 and $15,529 were recorded as of October 31, 2016 and July 31, 2016, respectively, as components of Other long-term assets in the Condensed Consolidated Balance Sheets. An equal and offsetting liability is also recorded in regards to the deferred compensation plan as a component of Other long-term liabilities in the Condensed Consolidated Balance Sheets. Changes in the fair value of the plan assets and the related liability are reflected in Other income (expense), net and Selling, general and administrative expenses, respectively, in the Condensed Consolidated Statements of Income and Comprehensive Income.

10. Product Warranties

The Company generally provides retail customers of its products with a one-year or two-year warranty covering defects in material or workmanship, with longer warranties on certain structural components. The Company records a liability based on its best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Factors used in estimating the warranty liability include a history of units sold, existing dealer inventory, average cost incurred and a profile of the distribution of warranty expenditures over the warranty period. Management believes that the warranty reserves are adequate, however, actual claims incurred could differ from estimates, requiring adjustments to the reserves. Warranty reserves are reviewed and adjusted as necessary on at least a quarterly basis.

Changes in our product warranty reserves are as follows:

	Three Months Ended October 31,	
	2016	**2015**
Beginning balance	$ 201,840	$ 108,206
Provision	51,947	26,233
Payments	(44,799)	(26,592)
Ending balance	$ 208,988	$ 107,847

11. Long-Term Debt

The Company has a five-year credit agreement, which was entered into on June 30, 2016 and matures on June 30, 2021. The agreement provides for a $500,000 asset-based revolving credit facility and a $100,000 expansion option, subject to certain conditions. Borrowings outstanding on this facility totaled $340,000 at October 31, 2016 and $360,000 at July 31, 2016, and are subject to a variable pricing structure which can result in increases or decreases to the borrowing spread. Depending on the Company s borrowing availability as a percentage of the revolving credit commitment, pricing spreads can range from 1.25% to 1.75% in the case of loans bearing interest at LIBOR, and from 0.25% to 0.75% for loans bearing interest at the base rate. As of October 31, 2016, the borrowing spread on the LIBOR-based borrowings of $335,000 was 1.50%, resulting in a total rate of approximately 2.03%, and the spread on the base loans of $5,000 was 0.5%, resulting in a total rate of 4.00%. In addition, a 0.25% annual fee is payable quarterly on the unused portion of the credit line under the revolver. As of October 31, 2016, the available and unused credit line under the revolver was $157,825. The revolving credit facility, which is secured by substantially all of the Company s tangible and intangible assets excluding real property, contains customary limits and restrictions concerning investments, sales of assets, liens on assets, stock repurchases and dividend and other payments depending on adjusted excess cash availability as defined in the agreement and summarized below. The terms of the facility permit prepayment without penalty at any time, subject to customary breakage costs relative to the LIBOR-based loans.

Borrowing availability under the credit agreement is limited to the lesser of the facility total and the monthly calculated borrowing base, which is based on stipulated loan percentages applied to the Company s eligible trade accounts receivable and eligible inventories plus a defined amount related to certain machinery and equipment. The credit agreement has no financial covenant restrictions for borrowings as long as the Company has adjusted excess availability under the facility that exceeds 10% of the lesser of the line commitment or the borrowing base total, with a floor of $40,000. Adjusted excess availability consists of the calculated borrowing base availability plus eligible cash on deposit as specified in the facility agreement. If the adjusted excess availability is less than the stipulated amount, then the Company must comply with one financial covenant, a trailing twelve-month minimum fixed charge coverage ratio of 1:1. The Company was in compliance with its financial covenant in place at October 31, 2016. As of October 31, 2016, the Company had borrowing availability in excess of the outstanding loan balances of $157,825 and adjusted excess availability for covenant purposes of $289,420.

In the first quarter of fiscal 2017, the total LIBOR and base rate interest expense on the facility was $1,878 and the weighted-average interest rate on borrowings from the facility was 2.11%. The Company incurred fees to secure the facility of $7,850 in fiscal 2016, and those fees will be amortized ratably over the five-year term of the agreement, or a shorter period if the credit agreement period is shortened for any reason. The Company recorded charges related to the amortization of these fees, which are recorded in interest expense, of $393 in the first quarter of fiscal 2017, and the unamortized balance of these facility fees was $7,327 at October 31, 2016 and is included in Other long-term assets in the Condensed Consolidated Balance Sheet.

The carrying value of the Company s long-term debt at October 31, 2016 approximates fair value as the entire balance is subject to variable market interest rates that the Company believes are market rates for a similarly situated Company. The fair value of debt is largely estimated using level 2 inputs as defined by ASC 820.

12. Provision for Income Taxes

The overall effective income tax rate for the three months ended October 31, 2016 was 32.0% compared with 34.7% for the three months ended October 31, 2015. The primary reason for the decrease in the effective income tax rate was due to an income tax provision benefit of $1,843 resulting from the adoption of ASU 2016-09 related to share-based compensation as discussed in Note 1 to the Condensed Consolidated Financial Statements. In addition, various uncertain tax benefits settled favorably in the three months ended October 31, 2016, while no such settlements occurred in the three months ended October 31, 2015.

It is the Company s policy to recognize interest and penalties accrued relative to unrecognized tax benefits in income tax expense. For the three months ended October 31, 2016, the Company released $892 of gross uncertain tax positions and related interest recorded at July 31, 2016 related to the effective settlement of various uncertain tax positions which resulted in a net income tax benefit of $580. The Company accrued $96 in interest and penalties related to the remaining uncertain tax positions recorded at July 31, 2016.

The Company anticipates a decrease of approximately $4,556 in unrecognized tax benefits, and $922 in accrued interest related to unrecognized tax benefits recorded as of October 31, 2016, within the next 12 months from expected settlements or payments of uncertain tax positions and lapses of the applicable statutes of limitations. Actual results may differ from these estimates.

Generally, fiscal years 2013, 2014 and 2015 remain open for federal income tax purposes and fiscal years 2012, 2013, 2014 and 2015 remain open for state and Canadian income tax purposes. The Company and its subsidiaries file a consolidated U.S. federal income tax return and multiple state income tax returns. The Company is currently being audited by the IRS for tax year end July 31, 2014 and the state of California for tax years ended July 31, 2013 and 2014. In addition, the Company is currently disputing the audit results by the state of Indiana for tax years ended July 31, 2008, 2009 and 2010. The Company believes it has adequately reserved for its exposure to additional payments for uncertain tax positions related to its federal, California and Indiana income tax returns in its liability for unrecognized tax benefits.

13. Contingent Liabilities, Commitments and Legal Matters

The Company is contingently liable under terms of repurchase agreements with financial institutions providing inventory financing for certain dealers of certain of its products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to dealers in the event of default by the dealer on the agreement to pay the financial institution. The repurchase price is generally determined by the original sales price of the product and pre-defined curtailment arrangements. The Company typically resells the repurchased product at a discount from its repurchase price. The risk of loss from these agreements is spread over numerous dealers. In addition to the guarantee under these repurchase agreements, we may also be required to repurchase inventory relative to dealer terminations in certain states in accordance with state laws or regulatory requirements. The repurchase activity related to dealer terminations in certain states has been insignificant in relation to our repurchase obligation with financial institutions.

The Company s total commercial commitments under standby repurchase obligations on dealer inventory financing as of October 31, 2016 and July 31, 2016 were $1,919,329 and $1,898,307, respectively. The commitment term is generally up to eighteen months.

The Company accounts for the guarantee under repurchase agreements of dealers financing by deferring a portion of the related product sale that represents the estimated fair value of the guarantee at inception. The estimated fair value takes into account an estimate of the losses that may be incurred upon resale of any repurchases. This estimate is based on recent historical experience supplemented by the Company s assessment of current economic and other conditions affecting its dealers. This deferred amount is included in the repurchase and guarantee reserve balances of $5,834 and $6,068 as of October 31, 2016 and July 31, 2016, respectively, which are included in Other current liabilities on the Condensed Consolidated Balance Sheets.

The following table reflects losses incurred related to repurchase agreements that were settled in the periods noted. The Company believes that any future losses under these agreements will not have a significant effect on the Company s consolidated financial position, results of operations or cash flows.

	Three Months Ended October 31,	
	2016	**2015**
Cost of units repurchased	$ 1,552	$ 819
Realization of units resold	1,544	687
Losses due to repurchase	$ 8	$ 132

The Company is also involved in certain litigation arising out of its operations in the normal course of its business, most of which is based upon state lemon laws , warranty claims and vehicle accidents (for which the Company carries insurance above a specified self-insured retention or deductible amount). The outcomes of legal proceedings and claims brought against the Company are subject to significant uncertainty. There is significant judgment required in assessing both the probability of an adverse outcome and the determination as to whether an exposure can be reasonably estimated. In management s opinion, the ultimate disposition of any current legal proceedings or claims against the Company will not have a material effect on the Company s financial condition, operating results or cash flows. Litigation is, however, inherently uncertain and an adverse outcome from such litigation could have a material effect on the operating results of a particular reporting period.

14. Stockholders Equity

Stock-Based Compensation

During fiscal 2013, the Compensation and Development Committee of the Board (the Committee) approved a program to award restricted stock units (RSU program) to certain employees at the operating subsidiary and corporate levels. This program was subsequently modified for awards granted in fiscal 2017 and subsequent years to include a double-trigger change in control provision. The double-trigger provision stipulates that immediate vesting of an outstanding grant would occur only upon the occurrence of both a change in control, as defined by the plan, and a corresponding change in employment status.

Under the RSU program, the Committee has approved awards each October related to the financial performance of the most recently completed fiscal year since 2012. The awarded employee restricted stock units vest, and shares of common stock are issued, in equal installments on the first, second and third anniversaries of the date of grant. In addition, concurrent with the timing of the employee awards, the Nominating and Governance Committee of the Board has awarded restricted stock units to Board members that will vest, and shares of common stock will be issued, on the first anniversary of the date of the grant.

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Total expense recognized in the three-month periods ended October 31, 2016 and October 31, 2015 for stock-based compensation was $2,738 and $2,279, respectively.

For the restricted stock units that vested during the three-month period ended October 31, 2016, a portion of the vested shares awarded were withheld as treasury shares to cover the recipients estimated withholding taxes. The total related taxes withheld of $4,572, to be paid by the Company on behalf of the recipients of these awards, is included in accrued compensation and related items in the Condensed Consolidated Balance Sheet and will be paid in the second quarter of fiscal 2017.

In the case of any awards related to fiscal 2017 financial performance, the grant of an award is conditioned upon approval of the 2016 Equity and Incentive Plan (2016 Plan) by the shareholders of the Company, and no such grant shall be paid unless and until such time as the shareholders have approved the 2016 Plan by vote at the Company s annual meeting to be held on December 9, 2016, and any such grants related to 2017 financial performance shall be null and void if the shareholders do not approve the 2016 Plan.

Retained Earnings

The components of the change in retained earnings are as follows:

Balance as of July 31, 2016	$ 1,365,981
Net income	78,745
Dividends declared but not paid	(17,352)
Balance as of October 31, 2016	$ 1,427,374

During the first quarter of fiscal 2017, the Company s Board of Directors approved and declared the payment of a regular quarterly dividend of $0.33 per share for the first quarter of fiscal 2017. This dividend totaled $17,352 and was paid in the second quarter of fiscal 2017.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless otherwise indicated, all dollar amounts are presented in thousands except per share data.

Forward Looking Statements

This report includes certain statements that are forward looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward looking statements are made based on management s current expectations and beliefs regarding future and anticipated developments and their effects upon Thor Industries, Inc., and inherently involve uncertainties and risks. These forward looking statements are not a guarantee of future performance. We cannot assure you that actual results will not differ from our expectations. Factors which could cause materially different results include, among others, raw material and commodity price fluctuations, material or chassis supply restrictions, legislative and regulatory developments, the impact of rising interest rates on our operating results, the costs of compliance with increased governmental regulation, legal and compliance issues including those that may arise in conjunction with recent transactions, the potential impact of increased tax burdens on our dealers and retail consumers, lower consumer confidence and the level of discretionary consumer spending, interest rate fluctuations and the potential economic impact of rising interest rates, restrictive lending practices, management changes, the success of new product introductions, the pace of obtaining and producing at new production facilities, the pace of acquisitions, the potential loss of existing customers of acquisitions, the integration of new acquisitions, our ability to retain key management personnel of acquired companies, the loss or reduction of sales to key dealers, the availability of delivery personnel, asset impairment charges, cost structure changes, competition, the impact of potential losses under repurchase agreements, the potential impact of the strengthening U.S. dollar on international demand, general economic, market and political conditions and the other risks and uncertainties discussed more fully in ITEM 1A of our Annual Report on Form 10-K for the year ended July 31, 2016.

We disclaim any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained in this report or to reflect any change in our expectations after the date hereof or any change in events, conditions or circumstances on which any statement is based, except as required by law.

Executive Overview

We were founded in 1980 and have grown to be one of the largest manufacturers of RVs in North America. According to Statistical Surveys, Inc., for the nine months ended September 30, 2016, Thor s combined U.S. and Canadian market share, excluding Jayco, was approximately 36.0% for travel trailers and fifth wheels and approximately 27.0% for motorhomes. For the nine months ended September 30, 2016, Jayco s combined U.S. and Canadian market share, which includes results prior to its acquisition by Thor, was 14.5% for travel trailers and fifth wheels and approximately 9.2% for motorhomes. For the three months ended September 30, 2016, Thor s combined U.S. and Canadian market share, including Jayco, was approximately 50.6% for travel trailers and fifth wheels and approximately 37.8% for motorhomes.

Our business model includes decentralized operating units, and we compensate operating management with a combination of cash and restricted stock units, based primarily upon the profitability of the business unit which they manage. Our corporate staff provides financial management, insurance, legal, human resource, risk management and internal audit functions to our operating units. Senior corporate management interacts regularly with operating management to assure that corporate objectives are understood and are monitored appropriately.

Our RV products are sold to dealers who, in turn, retail those products. We generally do not finance dealers directly, but do provide industry-customary repurchase agreements to certain of the dealers floor plan lenders.

Our growth has been achieved both organically and by acquisition. Our strategy is designed to increase our profitability by driving innovation, servicing our customers, manufacturing quality products, improving the efficiencies of our facilities and by acquisitions.

We have historically relied on internally generated cash flows from operations to finance substantially all of our growth, however, we obtained a revolving asset-based credit facility to partially fund the fiscal 2016 acquisition of Jayco as discussed in Notes 2 and 11 to the Condensed Consolidated Financial Statements. Capital expenditures of $26,164 for the three months ended October 31, 2016 were made primarily for land and production building additions and improvements, as well as for replacing machinery and equipment used in the ordinary course of business.

Recent Events

On June 30, 2016, the Company closed on a Stock Purchase Agreement (Jayco SPA) for the acquisition of all the issued and outstanding capital stock of towable and motorized recreational vehicle manufacturer Jayco, Corp. (Jayco) for total cash consideration of $581,099. This acquisition was funded from the Company s cash on hand and $360,000 from an asset-based revolving credit facility as more fully described in Notes 2 and 11 to the Condensed Consolidated Financial Statements. Jayco operates as an independent operation in the same manner as the Company s other recreational vehicle subsidiaries. The Company purchased Jayco to complement its existing towable and motorized RV product offerings and dealer base.

Industry Outlook

The Company monitors the industry conditions in the RV market through the use of monthly wholesale shipment data as reported by the Recreation Vehicle Industry Association (RVIA), which is typically issued on a one-month lag and represents manufacturers RV production and delivery to dealers. In addition, we also monitor monthly retail sales trends as reported by Stat Surveys, whose data is typically issued on a month-and-a-half lag. The Company believes that monthly RV retail sales data is important as consumer purchases impact future dealer orders and ultimately our production.

We believe our dealer inventory levels are appropriate for seasonal consumer demand. RV dealer inventory of Thor products as of October 31, 2016 increased 49.7% to approximately 99,100 units from approximately 66,200 units as of October 31, 2015. The acquisition of Jayco accounted for 27,500 of the 32,900 unit increase and 41.5% of the 49.7% percentage increase.

Thor s RV backlog as of October 31, 2016 increased $1,055,771, or 100.5%, to $2,106,794 from $1,051,023 as of October 31, 2015, with Jayco s backlog accounting for $577,495 and 54.9% of these increases, respectively.

Industry Wholesale Statistics

Key wholesale statistics for the RV industry, as reported by RVIA, are as follows:

	U.S. and Canada Wholesale Unit Shipments			
	Nine Months Ended September 30,			%
	2016	2015	Increase	Change
Towable Units	282,687	249,136	33,551	13.5
Motorized Units	41,599	35,913	5,686	15.8
Total	324,286	285,049	39,237	13.8

According to the most recent RVIA forecast in August 2016, 2016 shipments for towable and motorized units for the 2016 calendar year will approximate 353,100 and 52,200 units, respectively, which are 8.0% and 10.4% higher, respectively, than the corresponding 2015 calendar year wholesale shipments. The combined record total of 405,300 surpasses the previous peak level, which was achieved in 2006. Travel trailers and fifth wheels are expected to account for approximately 84% of all RV shipments in calendar year 2016. The outlook for calendar year 2016 growth in RV sales is based on the expectation of continued gains in job and disposable income as well as low inflation, and takes into account the impact of slowly rising interest rates, a strong U.S. dollar and continued stability in energy production and prices. RVIA has also forecasted that 2017 calendar year shipments for towables and motorized units will approximate 357,100 and 53,900 units, respectively, which are 1.1% and 3.3% higher, respectively, than expected 2016 calendar year shipments.

Industry Retail Statistics

We believe that retail demand is the key to continued growth in the RV industry, and that annual RV industry wholesale shipments will generally be in line with annual retail sales going forward.

Key retail statistics for the RV industry, as reported by Stat Surveys, are as follows:

	U.S. and Canada Retail Unit Registrations			
	Nine Months Ended September 30,			
	2016	2015	Increase	% Change
Towable Units	302,445	278,672	23,773	8.5
Motorized Units	39,915	36,092	3,823	10.6
Total	342,360	314,764	27,596	8.8

Note: Data reported by Stat Surveys is based on official state records. This information is subject to adjustment and is continuously updated.

Company Wholesale Statistics

The Company s wholesale RV shipments, for the nine-month periods ended September 30, 2016 and 2015 to correspond to the industry periods denoted above, were as follows (includes Jayco results only from the date of acquisition forward):

	U.S. and Canada Wholesale Unit Shipments			
	Nine Months Ended September 30,			
	2016	2015	Increase	% Change
Towable Units	115,514	90,611	24,903	27.5
Motorized Units	12,508	8,866	3,642	41.1
Total	128,022	99,477	28,545	28.7

Company Retail Statistics

Retail statistics of the Company s RV products, as reported by Stat Surveys, for the nine-month periods ended September 30, 2016 and 2015 to correspond to the industry periods denoted above (and adjusted to include Jayco s results only from the date of acquisition forward), were as follows:

	U.S. and Canada Retail Unit Registrations			
	Nine Months Ended September 30,			
	2016	2015	Increase	% Change
Towable Units	121,119	99,340	21,779	21.9
Motorized Units	12,150	8,873	3,277	36.9
Total	133,269	108,213	25,056	23.2

Our outlook for future growth in retail sales is dependent upon various economic conditions faced by consumers such as the rate of unemployment, the level of consumer confidence, the growth in disposable income of consumers, changes in interest rates, credit availability, the pace of recovery in the housing market, the impact of rising taxes and changes in fuel prices. With continued stability or improvement in consumer confidence, availability of retail and wholesale credit, low interest rates and the absence of negative economic factors, we would expect to see incremental improvements in RV sales.

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A positive future outlook for the RV segment is supported by favorable demographics, as more people reach the age brackets that historically have accounted for the bulk of retail RV sales. The number of consumers between the ages of 55 and 74 will total 79 million by 2025, 15% higher than in 2015 according to the RVIA. In addition, in recent years the industry has benefited from growing retail sales to younger consumers with new product offerings targeted to younger, more active families, as they place a higher value on family outdoor recreation than any prior generation. Based on a study from the Pew Research Center, the Millennial generation, defined as those currently between the ages of 18 and 34, consisted of more than 75 million people in 2015. In general, these consumers are more technologically savvy, but still value active outdoor experiences shared with family and friends, making them strong potential customers for our industry in the decades to come. Based on reports published by the Kampgrounds of America (KOA), campers in this age group have grown from 18% of total campers to 23% of total campers between 2012 and 2015. Younger RV consumers are generally attracted to lower and moderately priced travel trailers, as affordability is a key driver at this stage in their lives.

As the first generation of the internet age, Millennials are more comfortable gathering information online, and are therefore generally more knowledgeable about products and competitive pricing than any prior generation. This generation is camping more as they view camping as an opportunity to spend time with family and friends as well as a way to reduce stress, escape the pressures of everyday life, be more active and lead a healthier lifestyle. In addition to younger age demographics, there are opportunities to expand sales to a more ethnically diverse customer base. In our efforts to connect with RV consumers of all generations, during the first quarter of fiscal 2017 we launched a new consumer-facing website designed to inspire consumers to explore the RV lifestyle. The new website includes video and interactive features to help consumers determine the type of RV which may suit their specific camping needs, while providing video footage that can be utilized by dealers to market our products. We will continue to evaluate additional marketing opportunities to younger and more diverse consumers over the coming year.

Economic or industry-wide factors affecting our RV business include the costs of commodities used in the manufacture of our products. Material cost is the primary factor determining our cost of products sold, and any future increases in raw material costs would impact our profit margins negatively if we were unable to raise the prices for our products by corresponding amounts. Historically, we have been able to pass along those cost increases to customers.

Recently, we have not experienced any unusual cost increases or supply constraints from our chassis suppliers. The recreational vehicle industry has, from time to time, experienced shortages of chassis for various reasons, including component shortages, production delays and work stoppages at the chassis manufacturers. These shortages have had a negative impact on our sales and earnings in the past. We believe that the current supply of chassis used in our motorized RV production is adequate for current production levels and that available inventory would compensate for short-term changes in supply schedules if they occur.

Three Months Ended October 31, 2016 vs. Three Months Ended October 31, 2015

	Three Months Ended October 31, 2016	Three Months Ended October 31, 2015	Change Amount	% Change
NET SALES:				
Recreational vehicles				
Towables				
Motorized	$ 1,210,873	$ 744,679	$ 466,194	62.6
	461,454	251,099	210,355	83.8
Total recreational vehicles	1,672,327	995,778	676,549	67.9
Other	58,996	50,382	8,614	17.1
Intercompany eliminations	(22,792)	(15,809)	(6,983)	(44.2)
Total	$ 1,708,531	$ 1,030,351	$ 678,180	65.8
# OF UNITS:				
Recreational vehicles				
Towables	51,174	28,933	22,241	76.9
Motorized	5,419	3,069	2,350	76.6
Total	56,593	32,002	24,591	76.8

GROSS PROFIT:		% of Segment Net Sales		% of Segment Net Sales	Change Amount	% Change
Recreational vehicles						
Towables	$ 174,978	14.5	$ 110,765	14.9	$ 64,213	58.0
Motorized	51,437	11.1	35,362	14.1	16,075	45.5
Total recreational vehicles	226,415	13.5	146,127	14.7	80,288	54.9
Other, net	10,337	17.5	6,089	12.1	4,248	69.8
Total	$ 236,752	13.9	$ 152,216	14.8	$ 84,536	55.5
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:						
Recreational vehicles						
Towables	$ 67,588	5.6	$ 43,342	5.8	$ 24,246	55.9
Motorized	21,314	4.6	13,710	5.5	7,604	55.5
Total recreational vehicles	88,902	5.3	57,052	5.7	31,850	55.8
Other	2,320	3.9	1,602	3.2	718	44.8
Corporate	11,088		9,800		1,288	13.1
Total	$ 102,310	6.0	$ 68,454	6.6	$ 33,856	49.5
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES:						
Recreational vehicles						
Towables	$ 94,173	7.8	$ 63,224	8.5	$ 30,949	49.0

Motorized		28,923	6.3		21,653	8.6	7,270	33.6
Total recreational vehicles		123,096	7.4		84,877	8.5	38,219	45.0
Other, net		6,378	10.8		2,656	5.3	3,722	140.1
Corporate		(13,674)			(9,842)		(3,832)	(38.9)
Total	$	115,800	6.8	$	77,691	7.5	$ 38,109	49.1

ORDER BACKLOG:	As of October 31, 2016	As of October 31, 2015	Change Amount	% Change
Recreational vehicles				
Towables	$ 1,400,403	$ 710,013	$ 690,390	97.2
Motorized	706,391	341,010	365,381	107.1
Total	$ 2,106,794	$ 1,051,023	$ 1,055,771	100.5

CONSOLIDATED

Consolidated net sales for the three months ended October 31, 2016 increased $678,180, or 65.8%, compared to the three months ended October 31, 2015. Recently acquired Jayco accounted for $467,143 of the $678,180 increase and 45.3% of the 65.8% increase in consolidated net sales. Consolidated gross profit for the three months ended October 31, 2016 increased $84,536, or 55.5%, compared to the three months ended October 31, 2015, with Jayco accounting for $44,703 of the $84,536 increase and 29.4% of the 55.5% increase. Jayco s gross profit for the three months ended October 31, 2016 was adversely affected by one-time purchase accounting charges related to inventory of $2,604, which primarily related to the motorized segment. Consolidated gross profit was 13.9% of consolidated net sales for the three months ended October 31, 2016 and 14.8% for the three months ended October 31, 2015, with the decrease in gross profit percentage due to the impact of Jayco s gross profit percentage of 9.6%.

Selling, general and administrative expenses for the three months ended October 31, 2016 increased 49.5% compared to the three months ended October 31, 2015. Amortization of intangible assets expense for the three months ended October 31, 2016 increased $12,187 compared to the three months ended October 31, 2015, primarily due to Jayco s total amortization expense of $12,885. Income from continuing operations before income taxes for the three months ended October 31, 2016 was $115,800, as compared to $77,691 for the three months ended October 31, 2015, an increase of $38,109 or 49.1%. The reasons for the changes in net sales, gross profit, selling, general and administrative expenses and income before income taxes are addressed in the segment reporting that follows.

Corporate costs included in selling, general and administrative expenses increased $1,288 to $11,088 for the three months ended October 31, 2016 compared to $9,800 for the three months ended October 31, 2015. The increase is primarily due to an increase in compensation costs, as incentive compensation increased $995 in correlation with the increase in income from continuing operations before income taxes compared to the prior year, and stock-based compensation increased $459. The stock-based compensation increase is due to increasing income from continuing operations before income taxes over the past three years, as most stock awards vest ratably over a three-year period. Costs related to workers compensation reserves recorded at Corporate also increased by a total of $743. These increases were partially offset by a decrease of $1,211 in legal, professional and marketing fees, primarily due to non-recurring fees in the prior-year period related to the development of long-term strategic growth initiatives.

Corporate interest and other income and expense was $2,586 of net expense for the three months ended October 31, 2016 compared to $42 of net expense for the three months ended October 31, 2015. This increase in net expense of $2,544 is primarily due to interest expense and fees related to the revolving credit facility of $2,398 in the current period, as there were no such charges in the prior-year period.

The overall effective income tax rate for the three months ended October 31, 2016 was 32.0% compared with 34.7% for the three months ended October 31, 2015. The primary reason for the decrease in the effective income tax rate was due to an income tax provision benefit of $1,843 resulting from the adoption of ASU 2016-09 related to share-based compensation as discussed in Note 1 to the Condensed Consolidated Financial Statements. In addition, various uncertain tax benefits settled favorably in the three months ended October 31, 2016, while no such settlements occurred in the three months ended October 31, 2015.

Segment Reporting

TOWABLE RECREATIONAL VEHICLES

Analysis of the change in net sales for the three months ended October 31, 2016 vs. the three months ended October 31, 2015:

	Three Months Ended October 31, 2016	% of Segment Net Sales	Three Months Ended October 31, 2015	% of Segment Net Sales	Change Amount	% Change
NET SALES:						
Towables						
Travel Trailers and Other	$ 723,349	59.7	$ 417,263	56.0	$ 306,086	73.4
Fifth Wheels	487,524	40.3	327,416	44.0	160,108	48.9
Total Towables	$ 1,210,873	100.0	$ 744,679	100.0	$ 466,194	62.6

	Three Months Ended October 31, 2016	% of Segment Shipments	Three Months Ended October 31, 2015	% of Segment Shipments	Change Amount	% Change
# OF UNITS:						
Towables						
Travel Trailers and Other	39,644	77.5	21,396	74.0	18,248	85.3
Fifth Wheels	11,530	22.5	7,537	26.0	3,993	53.0
Total Towables	51,174	100.0	28,933	100.0	22,241	76.9

Impact of Change in Mix and Price on Net Sales:	% (Decrease)
Towables	
Travel Trailers and Other	(11.9)
Fifth Wheels	(4.1)
Total Towables	(14.3)

The increase in total towables net sales of 62.6% compared to the prior-year period resulted from a 76.9% increase in unit shipments and a 14.3% decrease in the impact of the change in the overall net price per unit. Recently acquired Jayco accounted for 43.5% of the 62.6% increase and $324,300 of the $466,194 increase in total towable net sales. Jayco also accounted for 54.4% of the 76.9% increase and 15,739 of the 22,241 increase in total towable unit shipments. The 14.3% decrease in the overall towables net price per unit is greater than the percentage decreases within the travel trailer and fifth wheel product lines due to a higher concentration of more moderately priced travel trailers and other units, as compared to fifth wheels, in the current-year quarter as compared to the prior-year quarter. The overall industry increase in combined travel trailer and fifth wheel wholesale unit shipments for the three months ended October 31, 2016 was 22.7% compared to the same period last year according to statistics published by RVIA.

The decreases in the overall net price per unit within the travel trailer and other product lines of 11.9% and the fifth wheel product lines of 4.1% were both primarily due to a change in product mix attributable to the acquisition of Jayco and market-driven changes in product mix toward smaller and lower-priced units.

Cost of products sold increased $401,981 to $1,035,895, or 85.5% of towables net sales, for the three months ended October 31, 2016 compared to $633,914, or 85.1% of towables net sales, for the three months ended October 31, 2015. The change in material, labor, freight-out and warranty comprised $377,268 of the $401,981 increase in cost of products sold. Material, labor, freight-out and warranty as a combined percentage of towables net sales increased to 79.9% for the three months ended October 31, 2016 compared to 79.2% for the three months ended October 31, 2015. This increase in percentage was primarily the result of increases in both warranty and freight-out percentages to sales, which are primarily attributable to the acquisition of Jayco. Total manufacturing overhead increased $24,713 with the increase in sales, but decreased as a percentage of towables net sales from 5.9% to 5.6% as the increased production resulted in better absorption of fixed overhead costs.

Towables gross profit increased $64,213 to $174,978, or 14.5% of towables net sales, for the three months ended October 31, 2016 compared to $110,765, or 14.9% of towables net sales, for the three months ended October 31, 2015. The increase in gross profit is primarily due to the increase in sales, while the decrease in gross profit percentage is primarily due to the increase in the cost of products sold percentage noted above.

Selling, general and administrative expenses were $67,588, or 5.6% of towables net sales, for the three months ended October 31, 2016 compared to $43,342, or 5.8% of towables net sales, for the three months ended October 31, 2015. The primary reason for the $24,246 increase was increased towables net sales and towables income before income taxes, which caused related commissions, bonuses and other compensation to increase by $17,072. These costs, however, decreased as a percentage of towables net sales by 0.2% compared to the prior-year period. Sales-related travel, advertising and promotional costs also increased $3,700 in correlation with the sales increase.

Towables income before income taxes was $94,173, or 7.8% of towables net sales, for the three months ended October 31, 2016 compared to $63,224, or 8.5% of towables net sales, for the three months ended October 31, 2015. The primary reasons for this decrease in percentage was the impact of the increase in the cost of products sold percentage as noted above. In addition, amortization costs as a percentage of towables net sales also increased due to the addition of $11,686 in amortization costs as a result of the Jayco acquisition. These cost increases were partially offset by a gain of $2,165 from the sale of certain towable RV land and buildings and improvements during the three months ended October 31, 2016 that is included in Other income (expense), net in the Condensed Consolidated Statements of Income and Comprehensive Income.

MOTORIZED RECREATIONAL VEHICLES

Analysis of the change in net sales for the three months ended October 31, 2016 vs. the three months ended October 31, 2015:

	Three Months Ended October 31, 2016	% of Segment Net Sales	Three Months Ended October 31, 2015	% of Segment Net Sales	Change Amount	% Change
NET SALES:						
Motorized						
Class A	$ 240,114	52.0	$ 145,431	57.9	$ 94,683	65.1
Class C	199,895	43.3	82,427	32.8	117,468	142.5
Class B	21,445	4.7	23,241	9.3	(1,796)	(7.7)
Total Motorized	$ 461,454	100.0	$ 251,099	100.0	$ 210,355	83.8

	Three Months Ended October 31, 2016	% of Segment Shipments	Three Months Ended October 31, 2015	% of Segment Shipments	Change Amount	% Change
# OF UNITS:						
Motorized						
Class A	2,189	40.4	1,537	50.1	652	42.4
Class C	3,059	56.4	1,341	43.7	1,718	128.1
Class B	171	3.2	191	6.2	(20)	(10.5)
Total Motorized	5,419	100.0	3,069	100.0	2,350	76.6

Impact of Change in Mix and Price on Net Sales:	% Increase
Motorized	
Class A	22.7
Class C	14.4
Class B	2.8
Total Motorized	7.2

The increase in total motorized net sales of 83.8% compared to the prior-year period resulted from a 76.6% increase in unit shipments and a 7.2% increase in the impact of the change in the overall net price per unit. Recently acquired Jayco accounted for 56.9% of the 83.8% increase and $142,843 of the $210,355 increase in total motorized net sales. Jayco also accounted for 43.6% of the 76.6% increase and for 1,337 of the 2,350 increase in total motorized unit shipments. The 7.2% increase in the overall motorized net price per unit, in spite of much larger percentage increases within the Class A and Class C product lines, is primarily due to a higher concentration of the more moderately priced Class C units, as compared to Class A units, in the current-year quarter as compared to the prior-year quarter. The overall industry increase in wholesale unit shipments of motorhomes for the three months ended October 31, 2016 was 13.9% compared to the same period last year according to statistics published by RVIA.

The increase in the overall net price per unit within the Class A product line of 22.7% was primarily due to a higher concentration of sales of larger and generally more expensive diesel units compared to the more moderately priced gas units in the current-year quarter compared to the prior-year quarter. This increase was primarily due to the change in product mix attributable to the acquisition of Jayco s high-end Class A diesel products. The increase in the overall net price per unit within the Class C product line of 14.4% is primarily due to a higher concentration of sales of the generally more expensive high-end Class C diesel units in the current period compared to a year ago, also due to the change in product mix attributable to the acquisition of Jayco. The increase in the overall net price per unit within the Class B product line of 2.8% is primarily due to changes in product mix.

Cost of products sold increased $194,280 to $410,017, or 88.9% of motorized net sales, for the three months ended October 31, 2016 compared to $215,737, or 85.9% of motorized net sales, for the three months ended October 31, 2015. The change in material, labor, freight-out and warranty comprised $186,280 of the $194,280 increase due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of motorized net sales increased to 84.8% for the three months ended October 31, 2016 as compared to 81.7% for the prior year period. This increase in percentage was primarily due to an increase in the material cost percentage to sales due to changes in product mix, which is primarily attributable to the acquisition of Jayco, and partially due to one-time purchase accounting charges related to Jayco. There was also an increase in certain raw material costs as well as warranty costs compared to the prior-year period. Total manufacturing overhead increased $8,000 with the volume increase, but decreased slightly as a percentage of motorized net sales from 4.2% to 4.0%, as the increased production resulted in better absorption of fixed overhead costs.

Motorized gross profit increased $16,075 to $51,437, or 11.1% of motorized net sales, for the three months ended October 31, 2016 compared to $35,362, or 14.1% of motorized net sales, for the three months ended October 31, 2015. The $16,075 increase in gross profit was due primarily to the impact of the 76.6% increase in unit sales volume noted above, and the decrease as a percentage of motorized net sales is due to the increase in the cost of products sold percentage noted above.

Selling, general and administrative expenses were $21,314, or 4.6% of motorized net sales, for the three months ended October 31, 2016 compared to $13,710, or 5.5% of motorized net sales, for the three months ended October 31, 2015. The primary reason for the $7,604 increase was increased motorized net sales and motorized income before income taxes, which caused related commissions, bonuses and other compensation to increase by $5,429. These costs, however, decreased as a percentage of motorized net sales by 0.7% compared to the prior-year period, partially attributable to the impact of the Jayco acquisition. Sales related travel, advertising and promotional costs also increased $1,616 in correlation with the sales increase.

Motorized income before income taxes was $28,923, or 6.3% of motorized net sales, for the three months ended October 31, 2016 compared to $21,653, or 8.6% of motorized net sales, for the three months ended October 31, 2015. The primary reasons for this decrease in percentage were the impact of the increase in the cost of products sold percentage noted above and an increase in amortization costs as a percentage of motorized net sales due to the addition of $1,199 in amortization costs as a result of the Jayco acquisition.

Financial Condition and Liquidity

As of October 31, 2016, we had $161,710 in cash and cash equivalents compared to $209,902 on July 31, 2016. The components of this $48,192 decrease in cash and cash equivalents are described in more detail below, but the decrease is primarily attributable to $26,164 paid for capital expenditures and $20,000 in principal payments on long-term debt, as cash provided by net income adjusted for non-cash items was essentially offset by seasonal increases in working capital usage.

Working capital at October 31, 2016 was $404,927 compared to $365,206 at July 31, 2016, with the increase primarily attributable to an increase in accounts receivable in correlation with the increase in sales. Capital expenditures of $26,164 for the three months ended October 31, 2016 were made primarily for land and production building additions and improvements, as well as replacing machinery and equipment used in the ordinary course of business.

We strive to maintain adequate cash balances to ensure we have sufficient resources to respond to opportunities and changing business conditions. We believe our on-hand cash and cash equivalents, and funds generated from continuing operations, along with funds available under the revolving asset-based credit facility, will be sufficient to fund expected future operational requirements. We have historically relied on internally generated cash flows from operations to finance substantially all our growth, however, we obtained a revolving asset-based credit facility to partially fund the fiscal 2016 acquisition of Jayco as discussed in Notes 2 and 11 to the Condensed Consolidated Financial Statements.

Our main priorities for the use of current and future available cash generated from operations include supporting and growing our core businesses, both organically and through acquisitions, maintaining and growing our regular dividends over time, and reducing indebtedness. Strategic share repurchases or special dividends as determined by the Company s Board will also continue to be considered.

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In regard to supporting and growing our business, we anticipate capital expenditures during the remainder of fiscal 2017 of approximately $75,000, primarily for the continued expansion of our facilities and replacing and upgrading machinery, equipment and other assets to be used in the ordinary course of business. We may also consider additional strategic growth acquisitions that complement or expand our ongoing operations.

The Company s Board currently intends to continue regular quarterly cash dividend payments in the future. As is customary under asset-based lines of credit, certain actions, including our ability to pay dividends, are subject to the satisfaction of certain payment conditions prior to payment. The conditions for the payments of dividends include a minimum level of adjusted excess cash availability and a fixed charge coverage ratio test, both as defined in the credit agreement. The declaration of future dividends and the establishment of the per share amounts, record dates and payment dates for any such future dividends are subject to the determination of the Board, and will be dependent upon future earnings, cash flows and other factors.

Future purchases of the Company s common stock or special cash dividends may occur based upon market and business conditions and excess cash availability, subject to potential customary limits and restrictions pursuant to its credit facility, applicable legal limitations and determination by the Board.

Operating Activities

Net cash provided by operating activities for the three months ended October 31, 2016 was $1,263 as compared to net cash provided by operating activities of $18,892 for the three months ended October 31, 2015.

For the three months ended October 31, 2016, net income adjusted for non-cash items (primarily depreciation, amortization of intangibles, deferred income tax provision and stock-based compensation) provided $103,986 of operating cash. The changes in working capital used $102,723 of operating cash during that period, primarily due to a larger than usual seasonal increase in accounts receivable in correlation with the increase in current sales, production levels and backlog, as well as a typical seasonal increase in inventory. In addition, required income tax payments exceeded income tax provisions during the period.

For the three months ended October 31, 2015, net income adjusted for non-cash items (primarily depreciation, amortization of intangibles, deferred income tax provision and stock-based compensation) provided $66,206 of operating cash. The changes in working capital used $47,314 of operating cash during that period, primarily due to a seasonal increase in accounts receivable and inventory in correlation with the increase in current sales, production levels and backlog, partially offset by an increase in accounts payable.

Investing Activities

Net cash used in investing activities for the three months ended October 31, 2016 was $29,374, primarily due to capital expenditures of $26,164 and a final purchase price adjustment payment of $5,039 related to the fiscal 2016 acquisition of Jayco, partially offset by proceeds received on the dispositions of property, plant and equipment of $4,329.

Net cash used in investing activities for the three months ended October 31, 2015 was $7,515, primarily due to capital expenditures of $15,922, partially offset by proceeds received on notes receivable of $8,367.

Financing Activities

Net cash used in financing activities for the three months ended October 31, 2016 was $20,081, primarily for principal payments on the revolving credit facility totaling $20,000. During the first quarter of fiscal 2017, the Company s Board of Directors approved and declared the payment of a regular quarterly dividend of $0.33 per share for the first quarter of fiscal 2017, but this dividend totaling $17,352 was not paid until the second quarter of fiscal 2017.

Net cash used in financing activities for the three months ended October 31, 2015 was $15,538, primarily for the regular quarterly cash dividend payments of $0.30 per share for the first quarter of fiscal 2016 totaling $15,743.

The Company increased its previous regular quarterly dividend of $0.30 per share to $0.33 per share in October 2016. In October 2015, the Company increased its previous regular quarterly dividend of $0.27 per share to $0.30 per share.

Accounting Pronouncements

Reference is made to Note 1 of our Condensed Consolidated Financial Statements contained in this report for a summary of recently issued accounting pronouncements, which summary is hereby incorporated by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have exposure to market risk from changes in short-term interest rates on our variable-rate debt. Depending upon the borrowing option chosen, the interest charged is based upon either the Base Rate or LIBOR of a selected time period, plus an applicable margin. If interest rates increased by 0.25% (which approximates a 10% increase of the weighted-average interest rate on our borrowings as of October 31, 2016), our results of operations and cash flows for the three months ended October 31, 2016 would not be materially affected.

ITEM 4. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures, as such term is defined under Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and our management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company has carried out an evaluation, as of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at attaining the level of reasonable assurance noted above.

During the quarter ended October 31, 2016, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is involved in certain litigation arising out of its operations in the normal course of its business, most of which is based upon state lemon laws, warranty claims and vehicle accidents (for which the Company carries insurance above a specified self-insured retention or deductible amount). The outcomes of legal proceedings and claims brought against the Company are subject to significant uncertainty. There is significant judgment required in assessing both the probability of an adverse outcome and the determination as to whether an exposure can be reasonably estimated. In management s opinion, the ultimate disposition of any current legal proceedings or claims against the Company will not have a material effect on the Company s financial condition, operating results or cash flows. Litigation is, however, inherently uncertain and an adverse outcome from such litigation could have a material effect on the operating results of a particular reporting period.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2016.

ITEM 6. EXHIBITS

Exhibit	Description
31.1	Chief Executive Officer s Certification filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer s Certification filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer s Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer s Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

Attached as Exhibits 101 to this report are the following financial statements from the Company s Quarterly report on Form 10-Q for the quarter ended October 31, 2016 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income and Comprehensive Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) related notes to these financial statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THOR INDUSTRIES, INC.
(Registrant)

DATE: November 28, 2016	/s/ Robert W. Martin Robert W. Martin President and Chief Executive Officer
DATE: November 28, 2016	/s/ Colleen Zuhl Colleen Zuhl Senior Vice President and Chief Financial Officer