PATRICK INDUSTRIES INC
Form 424B5
March 09, 2017
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-204777

1,350,000 Shares

Common Stock

We are offering 1,350,000 shares of our common stock, no par value. Our common stock is traded on the NASDAQ Global Select Market under the symbol PATK. On March 8, 2017 the closing sale price of our common stock on the NASDAQ Global Select Market was $75.20 per share.

Investing in our common stock involves certain risks. Before purchasing our common stock, please review the information included in, and incorporated by reference into, the Risk Factors section beginning on page S-10 of this prospectus supplement and page 2 of the accompanying prospectus.

	Per Share	Total
Public offering price	$ 73.00	$ 98,550,000
Underwriting discount	$ 3.65	$ 4,927,500
Proceeds, before expenses, to us	$ 69.35	$ 93,622,500

The underwriters may also purchase up to an additional 202,500 shares of our common stock from us, at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about March 14, 2017.

Joint Book-Running Managers

BofA Merrill Lynch **Wells Fargo Securities** **Baird**
KeyBanc Capital Markets

Co-Managers

CJS Securities **C.L. King & Associates** **Fifth Third Securities** **Sidoti & Company, LLC**

The date of this prospectus supplement is March 8, 2017

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

We are providing information to you about this offering of our common stock in two parts. The first part is this prospectus supplement, which provides the specific details regarding this offering. The second part is the accompanying prospectus, which provides general information, including information about the shares of our common stock. Unless the context indicates otherwise, when we refer to this prospectus, we are referring to both documents combined. Some of the information in the accompanying prospectus may not apply to this offering. If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on the information contained in this prospectus supplement. You should read and consider all information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus before making your investment decision. See Where You Can Find More Information in the accompanying prospectus and Incorporation of Certain Documents by Reference in this prospectus supplement and the accompanying prospectus.

We have not, and the underwriters have not, authorized anyone to provide you with information that is in addition to or different from that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or in any free writing prospectus. We take no responsibility for, and can provide no assurances as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, offering to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than as of the date of this prospectus supplement or the accompanying prospectus, as the case may be, or in the case of the documents incorporated by reference, the date of such documents regardless of the time of delivery of this prospectus supplement and the accompanying prospectus or any sale of our common stock. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless the context otherwise requires, references to Patrick, we, us, our or the Company refer to Patrick Industri Inc. and our subsidiaries. The term you refers to a prospective investor.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. This information is not complete and does not contain all of the information you should consider before investing in our common stock. You should read the entire prospectus supplement and the accompanying prospectus carefully, especially the matters discussed under Risk Factors beginning on page S-10 and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including the audited consolidated financial statements and related notes included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. See Incorporation of Certain Documents by Reference below.

OUR COMPANY

We are a leading component manufacturer and supplier serving original equipment manufacturers (OEMs) primarily in the recreational vehicle (RV) and manufactured housing (MH) markets. We also supply certain products to adjacent industrial (Industrial) markets, including the commercial, institutional, and residential furniture and fixtures markets.

We play an important role in the value chain within each of the end markets in which we participate. We offer a broad product portfolio consisting of components that are integral to the overall aesthetics, quality, and function of the finished product sold to the consumer. To deliver a wide variety of components to our customers, we source raw materials and select products, innovate and collaborate on design, product and materials and manufacture or assemble components that are differentiated and aligned with consumer preferences in today s competitive market. Our success depends on our ability to provide quality products and service through our value added relationships to help our customers satisfy consumer preferences. Our goal is to present them with significant product line depth and breadth allowing them to focus on designing, assembling and marketing the end product.

We serve our customers in the estimated $4 billion currently addressable portion of the RV market, which includes both towable and motorized RVs, the $900 million currently addressable portion of the MH market, and the large and fragmented Industrial markets. Our customers include the largest manufacturers in each of the RV and MH segments as well as distributors, component suppliers, and manufacturers serving the Industrial markets.

We operate through a nationwide network of 56 manufacturing and 22 distribution facilities in 16 states, thereby allowing us to be responsive and close to our customers, while simultaneously reducing in-transit delivery time and cost to the regional manufacturing footprint of our customers. We believe that we are one of the few suppliers to the RV and MH markets that has such an extensive network.

Our strategic and capital allocation strategy is focused on optimally managing and utilizing our resources and leveraging our platform of operating brands to continue to grow our business. Through strategic acquisitions, expansion geographically and into new product lines, investment in infrastructure and capital expenditures, we seek to ensure that our operating network contains the capacity, technology, and innovative thought process necessary to proactively support anticipated growth needs. Additionally, we look to effectively and efficiently respond to changes in market conditions, successfully integrate manufacturing, distribution and administrative functions, and provide capital and operational resources to our acquired companies while still allowing them to maintain an entrepreneurial spirit and, in turn, enabling the continuation of their legacy value proposition to our customer base.

Over the last three years, we have executed on a number of new product initiatives and have invested approximately $351 million to complete 14 acquisitions involving 19 companies, which directly complement our

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core competencies and existing product lines. Additionally, we introduced over 300 new products and product line extensions through strategic acquisitions and organically in an ongoing effort to bring additional value to customers.

The combination of improving economic conditions and demographic trends benefitting the RV industry and the execution of the strategic initiatives identified above, among others, resulted in increases in our sales, operating income, net income and cash flows for each of the last four years ended December 31, 2016.

As of December 31, 2016, we employed approximately 4,800 employees. Our corporate headquarters are located in Elkhart, Indiana.

OUR VALUE PROPOSITION

We believe our customers value a partner who can deliver high quality products, service, design expertise and innovation, efficient operations and timely delivery of components to their assembly facilities, both regionally and nationwide. Our goal is to offer a broad and relevant range of products to our customers so they can focus on assembly, delivery of finished goods, brand awareness, product marketing, and dealer relationships. We supply critical and highly visible interior and exterior components that differentiate our customers   products in the RV, MH, and Industrial markets.

As a result of our longstanding relationships with many of the largest players in our markets, our customers encourage us to supply new or extended categories of products in order to help them drive efficiencies with the same level of quality and service. We have provided these expanded offerings either by acquiring companies with strong product niches that we can leverage across our network or through new product development.

When we acquire companies to expand our geographic and product reach, we typically seek to integrate certain functions that are best managed centrally, such as administrative, finance, legal, information technology, and human resources while allowing our acquired businesses to retain significant autonomy which fosters entrepreneurial spirit and brand individuality, and in turn enables the continuation of legacy value propositions for customers.

OUR COMPETITIVE STRENGTHS

A Leading Provider of Components to RV, MH and Industrial End Markets

We are a leading provider of a range of core components that go into the RV, MH and Industrial end markets. The RV market has experienced several years of recovery and growth driven by increased consumer interest in spending quality time with family and the recreational lifestyle. This shift in consumer behavior is driven by favorable demographic trends, including a growing interest in experiences, especially active and outdoor activities, among the emerging   millennial   and minority demographic and the increasing population of aging, retiring   baby boomers   who have the disposal income and time to pursue RV ing. Additionally, all three of our segments have benefitted from increased consumer confidence, expanded credit availability, and lower unemployment, aiding our growth.

Robust Opportunities across Diverse Range of End Markets

We believe there are significant opportunities to grow within our established end markets while also expanding operations into new markets, such as marine. As a result of our presence across multiple recreational lifestyle categories, as well as MH and residential and commercial construction, our revenue is not solely dependent on a single end market. We believe each of these end markets has a favorable growth outlook.

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Ability to Steadily Increase Content Revenue per Unit in RV and MH Markets

We experienced RV unit content growth of 15% and MH unit content growth of 8% in 2016 compared to 2015. This growth was driven by new products, extension growth, acquisitions and market share gain. We estimate that our current revenue opportunity in existing products is $6,300 per RV unit and $6,900 per MH unit.

Leadership in New Product Introductions

New product introductions and product line extensions are key components of our strategy to grow our market share and revenue base, adapt to changing market conditions, and proactively address customer demand. We believe there are numerous opportunities to launch product line extensions in our RV and MH product lines. Our commitment to design and innovation allows us to increase our presence in the markets that we serve and gain entrance into other markets. Over the last three years, we have introduced over 300 new products and product lines extensions to the market through acquisitions and internal development.

Continued Expansion into Complementary End Markets to Core RV Sales

Over the last several years, we have targeted certain sales efforts towards market segments that are less directly tied to recreational vehicle and residential new home construction, including the retail fixture, furniture, and countertop markets. As a result, we have seen a shift in our product mix, which has had a positive impact on revenues from the Industrial markets. Additionally, we have gained market share and expanded into new geographic territories as a result of acquisitions and investment in new team members with significant product knowledge, relationships, and expertise in the commercial markets.

Proven and Active Industry Consolidator

We have a track record of successfully executing small- and mid-sized acquisitions. We are focused on driving growth in each of our primary markets through the opportunistic acquisition of companies with strong management teams having a strategic fit with Patrick s core values, business model, and customer presence, as well as additional product lines, facilities, or other assets to complement or expand our existing businesses. Since 2010, we have acquired 31 component manufacturers and distributors that have added breadth and depth to our product offering. The OEM supplier landscape includes numerous suppliers and remains highly fragmented, providing additional opportunity for growth through acquisitions. Our disciplined, focused acquisition strategy is to target acquisitions that can strengthen or broaden our product offering and achieve established payback hurdles. To facilitate ongoing acquisition activity, we plan to continue to utilize our methodical, strategic and value-driven approach to consolidating a highly fragmented industry with a long tail of attractive targets.

Proven Management Team that has Successfully Managed the Company Through Different Business Environments and Executed on a Successful Growth Strategy

Our experienced executive management team, including Todd Cleveland, Andy Nemeth, Jeff Rodino, Joshua Boone, and Kip Ellis, combines deep industry expertise and experience with mergers and acquisitions with more than 100 years of cumulative experience. The team demonstrated its knowledge and expertise by managing our business successfully through the last economic downturn.

OUR SEGMENTS

Manufacturing Our lamination operations utilize various materials, such as lauan, medium-density fiberboard (MDF), gypsum, and particleboard, which are bonded by adhesives or a heating process to a number of products, including vinyl, paper, foil, and high-pressure laminates. These products are utilized to produce

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furniture, shelving, wall, counter, and cabinet products with a wide variety of finishes and textures. This segment also includes the following divisions: cabinet doors, fiberglass bath fixtures, hardwood furniture, vinyl printing, solid surface, granite, and quartz countertop fabrication, RV painting, fabricated aluminum products, fiberglass and plastic components, softwoods lumber, custom cabinetry, polymer-based flooring, electrical systems components, and other products. Patrick s major manufactured products also include wrapped vinyl, paper and hardwood profile mouldings, interior passage doors, slide-out trim and fascia, and slotwall panels and components.

Distribution We distribute pre-finished wall and ceiling panels, drywall and drywall finishing products, electronics and audio systems components, wiring, electrical and plumbing products, fiber reinforced polyester products, cement siding, interior passage doors, roofing products, laminate and ceramic flooring, shower doors, furniture, fireplaces and surrounds, interior and exterior lighting products, and other miscellaneous products.

Net Sales by Segment, Product, and End Market:

Revenue By Segment (2016)

Net Sales By Product (2016)

Net Sales By End Market (2016)

MARKETS

We supply highly visible interior and exterior components that differentiate our customers products in the RV, MH, and Industrial markets. We have consistently captured market share through our new product initiatives and strategic acquisitions, resulting in sales levels growing at a rate in excess of the general industry over the last five years.

The RV industry has demonstrated continued growth in the past three years with broad-based demand strength across towable and motorized product categories. According to the Recreation Vehicle Industry

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Association (RVIA), as noted in its December 2016 Recreation Vehicle Market Report**,** RV shipments surpassed 430,000 units in 2016, representing a 15% increase over 2015. We believe factors that support RV demand include: consumer wealth, consumer confidence, availability of financing and levels of disposable income. We believe the current economic environment and these factors provide for a near-term positive RV outlook with favorable secular trends in RV ownership, outdoor lifestyle and demographics driving long-term industry growth. We believe society is increasingly participating in nature-based tourism activities, with millennials and minorities embracing the outdoor lifestyle and entering into the RV marketplace. According to the RVIA, RV sales will continue to benefit from ongoing aging of the baby boomers as more people enter the primary RV ownership age group of 55 to 70 years old.

RV Wholesale Unit Shipments

(shipments in thousands):

Source: Recreation Vehicle Industry Association, 1990-2017 RVIA

The marine industry has been improving over the past few years and we believe there is meaningful growth ahead in this industry. With similar demand factors as RVs, we believe a continued improvement in economic conditions will contribute to a marine market recovery. According to the National Marine Manufacturers Association, preliminary data indicates that 2016 new power boat registrations increased 6% year over year. In addition, current power boat sales levels still remain significantly below the 1984 to 2015 annual average of approximately 307,000 units, suggesting growth potential.

The MH industry has demonstrated steady growth in the last three years with increased levels of wholesale shipments. We continue to believe there is pent up demand and upside potential for this market based on improving residential housing market conditions, high consumer confidence levels, increased affordability and quality, and improving credit and financing considerations. The MH industry, however, continues to face some challenges presented by the lack of financing alternatives and credit availability.

MH Wholesale Unit Shipments in the U.S.

(shipments in thousands):

Source: Institute for Building Technology and Safety (IBTS) Report dated December 2016

Our MH end market is dependent upon wholesale shipments of units which are in turn historically closely related to housing starts. Meanwhile, approximately 50% of our Industrial revenue base in 2016 was

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associated with the U.S. residential housing market. Therefore, there is a correlation between the demand for our products in this market and new residential housing construction and remodeling activities. With housing starts projected to increase by 8% and 9% in 2017 and 2018, respectively, according to the National Association of Realtors U.S. Economic Outlook as of February 2017, we believe the positive momentum in both our MH and Industrial segments will continue to increase.

New Housing Starts in the U.S.

(housing starts in thousands):

Source: U.S. Census Bureau New Privately Owned Housing Units Started Annual Data through 2016

Corporate Information

Patrick Industries, Inc. was founded in 1959 and incorporated in the state of Indiana in 1961. Our executive offices are located at 107 West Franklin Street, Elkhart, Indiana 46515 and our telephone number is (574) 294-7511. Our website address is located at www.patrickind.com. The information contained in our website is not part of and shall not be deemed incorporated by reference in this prospectus supplement.

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The Offering

Issuer:	Patrick Industries, Inc.
Common stock offered by us:	1,350,000 shares of our common stock, or 1,552,500 shares of our common stock if the underwriters exercise their option to purchase additional shares of common stock in full.
Common stock outstanding after the offering:	16,759,386 shares of our common stock, or 16,961,886 shares of our common stock if the underwriters exercise their option to purchase additional shares of common stock in full.
NASDAQ Global Select Market symbol:	PATK
Use of proceeds:	We estimate that the net proceeds from the sale of shares of our common stock in this offering will be approximately $93.2 million (or approximately $107.3 million if the underwriters exercise their option to purchase additional shares in full), based on the public offering price of $73.00 per share, after deducting the underwriting discount and commissions and estimated offering expenses. We intend to use all of the net proceeds from the offering to pay down a portion of our indebtedness under our 2015 Credit Facility (defined below). See Use of Proceeds. Affiliates of certain of the underwriters are lenders under our 2015 Credit Facility and may receive a portion of the net proceeds of this offering. Because of the manner in which the proceeds will be used, this offering will be conducted in accordance with FINRA 5121. In accordance with that rule, no qualified independent underwriter is required because a bona fide public market exists in the shares, as that term is defined in the rule. See Underwriting (Conflicts of Interest) Conflicts of Interest.
Risk factors:	You should carefully consider the risk factors set forth in the section entitled Risk Factors beginning on page S-10 of this prospectus supplement, in the accompanying prospectus, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and in our other reports that are filed with the SEC, which are incorporated by reference in this prospectus supplement, before making any decision to invest in our common stock.

The share information above is based on 15,409,386 shares of common stock outstanding as of March 3, 2017 and excludes:

419,107 shares of our common stock issuable upon exercise of options granted under our 2009 Omnibus Incentive Plan at a weighted average exercise price of $59.93 per share;

407,336 shares issuable under stockholder appreciation rights granted under our 2009 Omnibus Incentive Plan with strike prices ranging from $18.45 to $111.94 per share;

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- 55,000 shares issuable under restricted stock units granted to our management under our 2009 Omnibus Incentive Plan which have performance-based vesting criteria; and

- 750,000 shares of common stock to be reserved for future issuance under our 2009 Omnibus Incentive Plan. The availability of these shares under the 2009 Omnibus Incentive Plan is subject to stockholder approval of these shares at the Company s 2017 annual meeting of stockholders.

Unless we indicate otherwise, the information in this prospectus supplement assumes that the underwriters will not exercise their option to purchase up to 202,500 additional shares of our common stock.

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Summary Consolidated Financial and Operating Data

The following table shows our summary consolidated income statement, balance sheet, and other financial and operating data for the fiscal years ended December 31, 2012, December 31, 2013, December 31, 2014, December 31, 2015 and December 31, 2016. The summary consolidated income statement and other financial data for fiscal years 2014, 2015 and 2016 are derived from our audited consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles, which are incorporated by reference in this prospectus supplement and accompanying prospectus. Our historical results are not necessarily indicative of our results for any future period.

This information should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2016, including the Management s Discussion and Analysis of Financial Condition and Results of Operations, and our audited consolidated financial statements and related notes which are incorporated by reference in this prospectus supplement and accompanying prospectus.

	As of or for the Year Ended December 31,				
	2012	2013	2014	2015	2016
	(thousands except per share amounts)				
Operating Data:					
Net sales	$ 437,367	$ 594,931	$ 735,717	$ 920,333	$ 1,221,887
Gross profit	65,744	91,023	118,503	152,279	202,469
Operating income	27,040	40,945	51,471	69,918	90,837
Net income	28,095	24,040	30,674	42,219	55,577
Basic net income per common share	$ 1.77	$ 1.49	$ 1.92	$ 2.76	$ 3.70
Diluted net income per common share	$ 1.76	$ 1.49	$ 1.91	$ 2.72	$ 3.64
Financial Data:					
Total assets (1)	$ 143,469	$ 174,187	$ 255,561	$ 381,584	$ 534,950
Total short-term and long-term debt (2)	49,716	55,000	101,054	204,484	273,153
Shareholders equity	61,408	82,310	102,768	128,597	185,448
Cash flows from operating activities (3)	20,997	22,431	46,318	66,856	97,147

(1) Total assets as of December 31, 2015 reflect the reclassification of assets related to deferred financing costs associated with the term loan outstanding under the Company s 2015 Credit Facility that were reclassified and presented net of long-term debt outstanding. For additional details see Deferred Financing Costs in Note 2 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, which are incorporated by reference in this prospectus supplement and accompanying prospectus. In addition, total assets as of December 31, 2015 were reduced by the reclassification of long-term deferred tax liabilities to long-term deferred tax assets to conform to the current year presentation. For additional details see Income Taxes in Note 3 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016, which are incorporated by reference in this prospectus supplement and accompanying prospectus. Total assets as presented in the table above as of December 31, 2012, 2013 and 2014 are shown as originally reported.

(2) Total short-term and long-term debt for each of the periods presented in the table above do not reflect the reclassification of assets related to deferred financing costs to long-term debt outstanding as described in footnote (1) above.

(3) Cash flows from operating activities for the years ended December 31, 2015 and 2014 reflect the reclassification of payments related to vesting of share-based awards, net of shares tendered for tax, to cash flows from financing activities to conform to the current year presentation. Cash flows from operating activities as presented in the table above for the years ended December 31, 2013 and 2012 are shown as originally reported. See Stock Compensation in Note 3 to our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016 and which are incorporated by reference in this prospectus supplement and accompanying prospectus for further details.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below and the information set forth in the accompanying prospectus to this prospectus supplement and in our Annual Report on Form 10-K for the year ended December 31, 2016, together with all other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, before you decide to invest in our common stock. The risks and uncertainties described in such incorporated documents and described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition and results of operations would suffer. In that event, the trading price of our common stock could decline, and you may lose all or part of your investment. The risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. See Cautionary Note Regarding Forward-Looking Statements below.

Economic and business conditions beyond Patrick s control, including cyclicality and seasonality in the industries it sells products, could lead to fluctuations in and negatively impact operating results.

The RV, MH and Industrial markets in which we operate are subject to cycles of growth and contraction in consumer demand, and volatility in production levels, shipments, sales and operating results, due to external factors such as general economic conditions, consumer confidence, employment rates, financing availability, interest rates, inflation, fuel prices, and other economic conditions affecting consumer demand and discretionary spending. Periods of economic recession and downturns have adversely affected our business and operating results in the past, and have the potential to adversely impact our future results. Consequently, the results for any prior period may not be indicative of results for any future period. In addition, fluctuation in demand could adversely affect our management of inventory, which could lead to an inability to meet customer needs or a charge for obsolete inventory.

Sales in the RV and MH markets historically have been seasonal and are generally at the highest levels when the climate is moderate. However, seasonal industry trends in the past several years have differed from prior years, primarily due to volatile economic conditions, fluctuations in RV dealer inventories, changing dealer show schedules, interest rates, access to financing, the cost of fuel, and increased demand from RV dealers. Consequently, future seasonal trends may differ from prior years. In addition, unusually severe weather conditions may impact the timing of industry-wide shipments from one period to another and lead to unanticipated fluctuations in our operating results.

If the financial condition of our customers and suppliers deteriorates, our business and operating results could suffer.

The markets we serve have been highly sensitive to changes in the economic environment. Weakening conditions in the economy, or the lack of available financing in the credit market, could cause the financial condition of our customers and suppliers to deteriorate, which could negatively affect our business through the loss of sales or the inability to meet our commitments. Many of our customers participate in highly competitive markets and their financial condition may deteriorate as a result. In addition, a decline in the financial condition of our customers could hinder our ability to collect amounts owed by customers.

Although we have a large number of customers, our sales are significantly concentrated with two customers, the loss of either of which could have a material adverse impact on our operating results and financial condition.

Two customers in the RV market accounted for a combined 60% of our consolidated net sales in 2016. The loss of either of these customers could have a material adverse impact on our operating results and financial

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condition. We do not have long-term agreements with our customers and cannot predict that we will maintain our current relationships with these customers or that we will continue to supply them at current levels.

Changes in consumer preferences relating to our products could adversely impact our sales levels and our operating results.

Changes in consumer preferences, or our inability to anticipate changes in consumer preferences for RVs or manufactured homes, or for the products we make could reduce demand for our products and adversely affect our operating results and financial condition.

A significant percentage of the Company s sales are concentrated in the RV market, and declines in the level of RV unit shipments or reductions in industry growth could reduce demand for our products and adversely impact our operating results and financial condition.

In both 2015 and 2016, the Company s net sales to the RV market were approximately 75% of consolidated net sales. While the Company measures its RV segment sales against industry-wide wholesale shipment statistics, the underlying health of the RV market is determined by retail demand. Retail sales of RVs historically have been closely tied to general economic conditions, as well as consumer confidence, which was above historical averages in 2016. Future declines in RV unit shipment levels or reductions in industry growth could significantly reduce the Company s revenue from the RV market and have a material adverse impact on its operating results in 2017 and other future periods.

The manufactured housing and recreational vehicle industries are highly competitive and some of our competitors may have greater resources than we do.

We operate in a highly competitive business environment and our sales could be negatively impacted by our inability to maintain or increase prices, changes in geographic or product mix, or the decision of our customers to purchase our competitors products or to produce in-house products that we currently produce. We compete not only with other suppliers to the RV and MH producers, but also with suppliers to traditional site-built homebuilders and suppliers of cabinetry and countertops. Sales could also be affected by pricing, purchasing, financing, advertising, operational, promotional, or other decisions made by purchasers of our products. Additionally, we cannot control the decisions made by suppliers of our distributed and manufactured products, and therefore, our ability to maintain our distribution arrangements may be adversely impacted.

The greater financial resources or the lower level of debt or financial leverage of certain of our competitors may enable them to commit larger amounts of capital in response to changing market conditions. Competitors may develop innovative new products that could put the Company at a competitive disadvantage. If we are unable to compete successfully against other manufacturers and suppliers to the RV and MH markets, we could lose customers and sales could decline, or we may not be able to improve or maintain profit margins on sales to customers or be able to continue to compete successfully in our core markets.

Conditions in the credit market could limit the ability of consumers to obtain retail financing for RVs and manufactured homes, resulting in reduced demand for our products.

Restrictions on the availability of consumer financing for RVs and manufactured homes and increases in the costs of such financing have in the past limited, and could again limit, the ability of consumers to purchase RVs and manufactured homes, which would result in reduced production of RVs and manufactured homes by our customers, and therefore reduce demand for our products.

Loans used to finance the purchase of manufactured homes usually have shorter terms and higher interest rates, and are more difficult to obtain than mortgages for site-built homes. Historically, lenders required a higher down payment, higher credit scores and other criteria for these loans. Current lending criteria are more stringent than historical criteria, and many potential buyers of manufactured homes may not qualify.

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The availability, cost, and terms of these manufactured housing loans are also dependent on economic conditions, lending practices of financial institutions, government policies, and other factors, all of which are beyond our control. Reductions in the availability of financing for manufactured homes and increases in the costs of financing have limited, and could continue to limit, the ability of consumers to purchase manufactured homes, resulting in reduced production of manufactured homes by our customers, and therefore reduced demand for our products. In addition, certain provisions of the Dodd-Frank Act, which regulate financial transactions, could make certain types of loans more difficult to obtain, including those historically used to finance the purchase of manufactured homes.

The manufactured housing industry has experienced a significant long-term decline in shipments, which has led to reduced demand for our products.

Our MH segment, which accounted for 13% of consolidated net sales for 2016, operates in an industry which has experienced a significant decline in production of new homes compared to the last peak production level in 1998. The downturn was caused, in part, by limited availability and high cost of financing for manufactured homes, and was exacerbated by economic and political conditions during the financial crisis. Although industry-wide wholesale production of manufactured homes has improved somewhat in recent years, a worsening of conditions in the MH market could have a material adverse impact on our operating results.

Fuel shortages or high prices for fuel could have an adverse impact on our operations.

The products produced by the RV market typically require gasoline or diesel fuel for their operation, or the use of a vehicle requiring gasoline or diesel fuel for their operation. There can be no assurance that the supply of gasoline and diesel fuel will continue uninterrupted or that the price or tax on fuel will not significantly increase in the future. Shortages of gasoline and diesel fuel, and substantial increases in the price of fuel, have had a material adverse effect on our business and the RV industry as a whole in the past and could have a material adverse effect on our business in the future.

We are dependent on third-party suppliers and manufacturers.

Generally, our raw materials, supplies and energy requirements are obtained from various sources and in the quantities desired. While alternative sources are available, our business is subject to the risk of price increases and periodic delays in delivery. Fluctuations in prices may be driven by the supply/demand relationship for that commodity, governmental regulation, tariffs or other cross-border taxes, economic conditions in other countries, religious holidays, natural disasters, and other events. In addition, if any of our suppliers seek bankruptcy relief or otherwise cannot continue their business as anticipated, the availability or price of these requirements could be adversely affected.

If we cannot effectively manage the challenges and risks associated with doing business internationally, our revenues and profitability may suffer.

We purchase a significant portion of our raw materials and other supplies from suppliers located in Indonesia, China and Malaysia. As a result, our ability to obtain raw materials and supplies on favorable terms and in a timely fashion are subject to a variety of risks, including fluctuations in foreign currencies, changes in the economic strength of the foreign countries in which we do business, difficulties in enforcing contractual obligations and intellectual property rights, compliance burdens associated with a wide variety of international and United States import laws, and social, political, and economic instability. Our business with our international suppliers could be adversely affected by restrictions on travel to and from any of the countries in which we do business due to a health epidemic or outbreak or other event. Additional risks associated with our foreign business include restrictive trade policies, imposition of duties, taxes, or government royalties by foreign governments, and compliance with the Foreign Corrupt Practices Act and local anti-bribery laws. Recently, the new White House administration, certain members of Congress and key policy makers have suggested the renegotiation of the North American Free Trade Agreement. In addition, the new administration has suggested the adoption of other laws to implement tariffs, border taxes, or other measures that could impact the level of trade between the U.S., Mexico and China. Any such proposals or measures could negatively impact our relations with our international suppliers and the volume of shipments to the U.S. from these countries, which could have a material adverse effect on our business and operating results.

Any increased cost and limited availability of certain raw materials may have a material adverse effect on our business and results of operations.

Prices of certain materials, including gypsum, lauan, particleboard, MDF, aluminum and other commodity products, can be volatile and change dramatically with changes in supply and demand. Certain products are purchased from overseas and their availability is dependent upon weather conditions, seasonal and religious holidays, political unrest, economic conditions overseas, natural disasters, vessel shipping schedules and port availability. Further, our commodity product suppliers sometimes operate at or near capacity, resulting in some products having the potential of being put on allocation. We generally have been able to maintain adequate supplies of materials and pass higher material costs on to our customers in the form of surcharges and base price increases where needed. However, it is not certain future price increases can be passed on to our customers without affecting demand or that limited availability of materials will not impact our production capabilities. Our sales levels and operating results could be negatively impacted by changes in any of these items.

Increases in demand for our products could make it more difficult for us to obtain additional skilled labor, which may adversely impact our operating efficiencies.

In certain geographic regions in which we have manufacturing facilities, we are experiencing shortages of qualified employees, which negatively impacted our cost of goods sold in 2016. Labor shortages and continued competition for qualified employees may increase the cost of our labor and create employee retention and recruitment challenges, especially during improving economic times as employees with knowledge and experience have the ability to change employers more easily.

If demand continues to increase, we may not be able to increase production to satisfy demand in a timely fashion, and may initially incur higher labor and production costs, which could adversely impact our financial condition and operating results.

We may incur significant charges or be adversely impacted by the consolidation and/or closure of all or part of a manufacturing or distribution facility.

We periodically assess the cost structure of our operating facilities to distribute and/or manufacture products in the most efficient manner. We may make capital investments to move, discontinue manufacturing and/or distribution capabilities, or products and product lines, sell or close all or part of additional manufacturing and/or distribution facilities in the future. These changes could result in significant future charges or disruptions in our operations, and we may not achieve the expected benefits from these changes, which could result in an adverse impact on our operating results, cash flows, and financial condition.

We are subject to governmental and environmental laws and regulations, and failure in our compliance efforts, changes to such laws and regulations or events beyond our control could result in damages, expenses or liabilities that individually, or in the aggregate, would have a material adverse effect on our financial condition and results of operations.

Some of our manufacturing processes involve the use, handling, storage and contracting for recycling or disposal of hazardous or toxic substances or wastes. Accordingly, we are subject to various governmental and environmental laws and regulations regarding these substances, as well as environmental requirements relating to air, water and noise pollution. The implementation of new laws and regulations or amendments to existing laws and regulations could significantly increase the cost of the Company s products. We cannot presently determine what, if any, legislation may be adopted by federal, state or local governing bodies, or the effect any such legislation may have on our customers or us. Failure to comply with present or future laws and regulations could result in fines or potential civil or criminal liability. Both scenarios could negatively impact our results of operations or financial condition.

The inability to attract and retain qualified executive officers and key personnel may adversely affect our operations.

While we include succession planning as part of our ongoing talent development and management process to help ensure the continuity of our business model, the loss of any of our executive officers or other key personnel could reduce our ability to manage our business and strategic plan in the short-term and could cause our sales and operating results to decline. In addition, our future success will depend on, among other factors, our ability to attract and retain executive management, key employees, and other qualified personnel.

Our ability to integrate acquired businesses may adversely affect operations.

As part of our business and strategic plan, we look for strategic acquisitions to provide shareholder value. Any acquisition will require the effective integration of an existing business and its administrative, financial, sales and marketing, manufacturing, and other functions to maximize synergies. Acquired businesses involve a number of risks that may affect our financial performance, including increased leverage, diversion of management resources, assumption of liabilities of the acquired businesses, and possible corporate culture conflicts. If we are unable to successfully integrate these acquisitions, we may not realize the benefits identified in our due diligence process, and our financial results may be negatively impacted. Additionally, significant unexpected liabilities could arise from these acquisitions.

Our level of indebtedness could limit our operational flexibility and harm our financial condition and results of operations.

As of December 31, 2016, we had $273.0 million of total long-term debt outstanding under our $360.0 million revolving credit facility (the 2015 Credit Facility) that was established pursuant to our current credit agreement, as amended (the 2015 Credit Agreement). Our level of indebtedness could have adverse consequences on our future operations, including making it more difficult for us to meet our payments on outstanding debt, and we may not be able to find alternative financing sources to replace our indebtedness in such an event. Our level of indebtedness could: (i) reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes, and limit our ability to obtain additional financing for these purposes; (ii) limit our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business and the industry in which we operate; (iii) place us at a competitive disadvantage compared to our competitors that have less debt or are less leveraged; and (iv) create concerns about our credit quality which could result in the loss of supplier contracts and/or customers. Our ability to satisfy our debt obligations will depend on our future operating performance which may be affected by factors beyond our control.

Our 2015 Credit Agreement contains various financial performance and other covenants. If we do not remain in compliance with these covenants, our 2015 Credit Agreement could be terminated and the amounts outstanding thereunder could become immediately due and payable.

We have debt outstanding that contains financial and non-financial covenants with which we must comply that place restrictions on us. There can be no assurance that we will maintain compliance with the financial covenants under our

2015 Credit Agreement. These covenants require that we comply with a maximum level of a consolidated total leverage ratio and a minimum level of a consolidated fixed charge coverage ratio. If we fail to comply with the covenants contained in our 2015 Credit Agreement, the lenders could cause our debt

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to become due and payable prior to maturity or it could result in our having to refinance the indebtedness under unfavorable terms. If our debt were accelerated, our assets might not be sufficient to repay our debt in full and there can be no assurance that we would be able to refinance any or all of our indebtedness.

Due to industry conditions and our operating results, there have been times in the past when we have had limited access to sources of capital. If we are unable to locate suitable sources of capital when needed, we may be unable to maintain or expand our business.

We depend on our cash balances, our cash flows from operations, and our 2015 Credit Facility to finance our operating requirements, capital expenditures and other needs. If a significant economic recession occurred, such as the recession that impacted the economy from 2007 to 2010, production of RVs and manufactured homes could decline, resulting in reduced demand for our products. A decline in our operating results could negatively impact our liquidity. If our cash balances, cash flows from operations, and availability under our 2015 Credit Facility are insufficient to finance our operations and alternative capital is not available, we may not be able to expand our business and make acquisitions, or we may need to curtail or limit our existing operations.

We have letters of credit representing collateral for our casualty insurance programs and for general operating purposes that have been issued under our 2015 Credit Facility. The inability to retain our current letters of credit, to obtain alternative letter of credit sources, or to retain our 2015 Credit Facility to support these programs could require us to post cash collateral, reduce the amount of cash available for our operations, or cause us to curtail or limit existing operations.

If we are unable to manage our inventory, our operating results could be materially and adversely affected.

Our customers generally do not maintain long-term supply contracts and, therefore, we must bear the risk of advanced estimation of customer orders. We maintain inventory to support these customers needs. Changes in demand, market conditions and/or product specifications could result in material obsolescence and a lack of alternative markets for certain of our customer specific products and could negatively impact operating results.

We could incur charges for impairment of assets, including goodwill and other long-lived assets, due to potential declines in the fair value of those assets or a decline in expected profitability of the Company or individual reporting units of the Company.

Approximately 67% of our total assets as of December 31, 2016 was comprised of goodwill, other intangible assets, and property, plant and equipment. Under generally accepted accounting principles, each of these assets is subject to periodic review and testing to determine whether the asset is recoverable or realizable. The events or changes that could require us to test our goodwill and intangible assets for impairment include changes in our estimated future cash flows, changes in rates of growth in our industry or in any of our reporting units, and decreases in our stock price and market capitalization.

In the future, if sales demand or market conditions change from those projected by management, asset write-downs may be required. Significant impairment charges, although not always affecting current cash flow, could have a material effect on our operating results and financial position.

A variety of factors, many of which are beyond our control, could influence fluctuations in the market price for our common stock.

The stock market, in general, experiences volatility that has often been unrelated to the underlying operating performance of companies. If this volatility continues, the trading price of our common stock could decline significantly, independent of our actual operating performance. The market price of our common stock

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could fluctuate significantly in response to a number of factors, many of which are beyond our control, including the following:

- variations in our and our competitors operating results;
- high concentration of shares held by institutional investors;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- announcements by us or our competitors of technological improvements or new products;
- the gain or loss of significant customers;
- additions or departures of key personnel;
- events affecting other companies that the market deems comparable to us;
- changes in investor perception of our business and/or management;
- changes in global economic conditions or general market conditions in the industries in which we operate;
- sales of our common stock held by certain equity investors or members of management;
- issuance of our common stock or debt securities by the Company; and
- the occurrence of other events that are described in these risk factors.

If our information technology systems fail to perform adequately, our operations could be disrupted and could adversely affect our business, reputation and results of operation.

We are increasingly dependent on digital technology, including information systems and related infrastructure, to process and record financial and operating data, manage inventory and communicate with our employees and business partners. We rely on our information technology systems to effectively manage our business data, inventory, supply chain, order entry and fulfillment, manufacturing, distribution, warranty administration, invoicing, collection of payments, and other business processes. Our systems are subject to damage or interruption from power outages, telecommunications or internet failures, computer viruses and malicious attacks, security breaches and catastrophic events. If our systems are damaged or fail to function properly or reliably, we may incur substantial repair or replacement costs, experience data loss or theft and impediments to our ability to manage our business, which could adversely affect our results of operations. Any such events could result in legal claims or proceedings, liability or penalties under privacy laws, disruption in operations, and damage to our reputation, which could adversely affect our business.

In addition, we may be required to make significant technology investments to maintain and update our existing computer systems. Implementing significant system changes increases the risk of computer system disruption. The potential problems and interruptions associated with implementing technology initiatives could disrupt or reduce our operational efficiency.

A cyber incident or data breach could result in information theft, data corruption, operational disruption, and/or financial loss.

Our technologies, systems, networks, and those of our business partners have in the past and may in the future become the target of cyber-attacks or information security breaches that could result in the unauthorized

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release, gathering, monitoring, misuse, loss, or destruction of proprietary and other information, or other disruption of our business operations. A cyber-attack could include gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption or result in denial of service on websites. We have programs in place to detect, contain and respond to data security incidents. However, because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time, we may be unable to anticipate these techniques or implement adequate preventive measures. Unauthorized parties may also attempt to gain access to our systems or facilities, or those of third parties with whom we do business, through fraud, trickery, or other forms of deceiving our team members, contractors, vendors, and temporary staff. In addition, hardware, software, or applications we develop or procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Any cyber-attack on our b