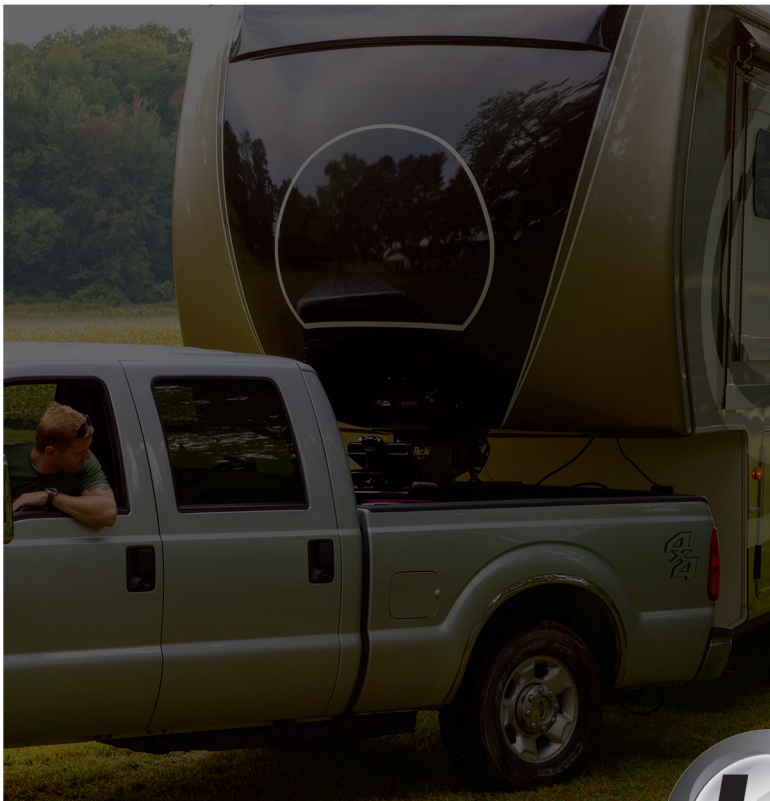




LCI INDUSTRIES

2019 ANNUAL REPORT

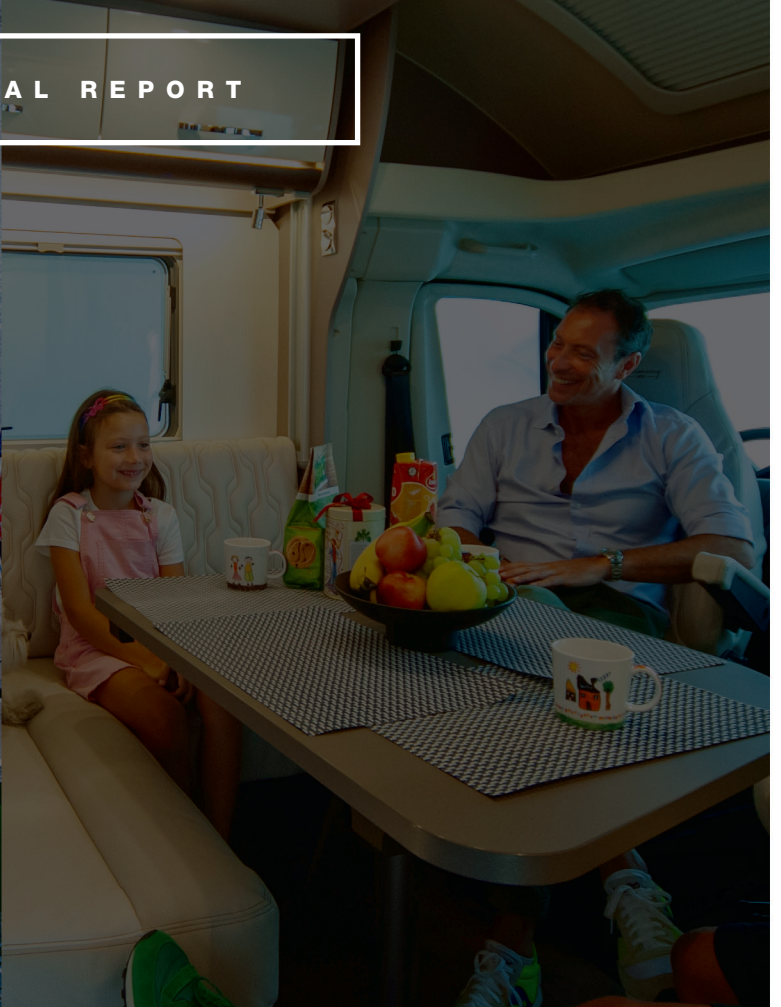




TABLE OF CONTENTS

To Our Shareholders	2-3
Financial Data	4-5
Corporate Information	6-7
2019 Form 10-K	1-78

TO OUR SHAREHOLDERS



2019 marked a year of tremendous progress for LCI as we advanced our diversification strategy.

We announced eight strategic acquisitions, two of which were the largest in our company's history, carving a path for further diversification of our business outside of North American RV. While it was a challenging year for the broader RV OEM industry, with wholesale shipments down 16 percent as dealers re-balanced their inventory levels, we delivered revenues of \$2.4 billion. These results were supported by substantial growth across our aftermarket, adjacent and international markets, which increased 20 percent, 7 percent, and 40 percent, respectively. Further, operating profit for the year rose to \$200.2, despite a double-digit decline in demand in our core market, which is a testament to the execution of our entire team, effectiveness of our operational improvement initiatives, and momentum of our diversification strategy.

\$2.4
BILLION IN REVENUE

Our team also delivered on LCI's culture of innovation by bringing value-added and highly engineered product solutions to our customers. As I have said before, product innovation is a key competitive advantage for LCI. It is the foundation of everything we do from adding new customers and markets to further advancing our leadership position. For example, our OneControl technology, which now holds 25 percent of the total market for digital RV platforms, has supported LCI's ongoing content growth, as advanced technological features become increasingly important to our customers within the RV space.

In addition, growing our presence in our adjacent, aftermarket and international markets is an essential part of our long-term strategy. This year we made great strides towards our goal of reducing the contribution of North American RV OEM revenue to 40 percent of total revenues by 2022. We broadened our product portfolio available to the marine OEMs through the acquisitions of Lewmar Marine, the PWR-ARM electric powered Bimini business from Schwintek, and SureShade, which we believe will strengthen our foothold in these attractive markets.

In December, we closed our largest acquisition to date, CURT Group, a leader in the automotive and trailering aftermarket business. This acquisition effectively doubled the size of our aftermarket segment. With CURT's research and development capabilities, expansive dealer and customer networks, and strong distribution channels, we're looking forward to fully integrating the business into our already strong RV aftermarket networks and taking advantage of cross-selling and cost synergies opportunities.

We're also pleased with the growth in our international businesses. We believe with the European acquisitions we announced in 2019, we have the right brands, leadership, and innovation in place to help us grow in the European caravan, rail and marine industries, which we expect to deliver promising results in the future.

Our efforts to integrate all of these great new companies into the LCI family is progressing as planned and will continue to be a big focus for us in 2020. We look forward to bringing together best-in-class research and development expertise to expand the quality and reach of our product portfolio, capture meaningful synergies, and identify new areas of growth for the business.

As we add additional teams to our organization through acquisition, I'm excited about the environment we're welcoming them into. Our team has worked incredibly hard over the past few years to evolve and strengthen our company's culture, and we're seeing those results pay off, with our attrition rate having reached an all-time low, well-below the industry average.

Strong culture and community service initiatives not only help to increase retention, they help improve our employee engagement. Our team members successfully completed more than 120,000 hours of volunteer service in our communities this year. We launched the Lippert Academy for Leadership this year, a program designed to share our recommended best practices for creating a great culture, leadership development, and learning programs at work. We already have over 20 companies participating in the Lippert Academy for Leadership, which includes several of our customers. The Lippert Academy for Leadership enables us to engage and create value for our customers in a more progressive way.

We would like to thank all of our LCI team members for their hard work this year in helping to drive our company forward and outperform a tough industry environment in 2019. We made large strides as a business as we executed on our strategic initiatives, delivered ongoing product expansion and innovation, and enhanced our operations, and we are confident in the opportunities that lie ahead in 2020 for us to continue delivering long-term value to our shareholders.



JASON D. LIPPERT

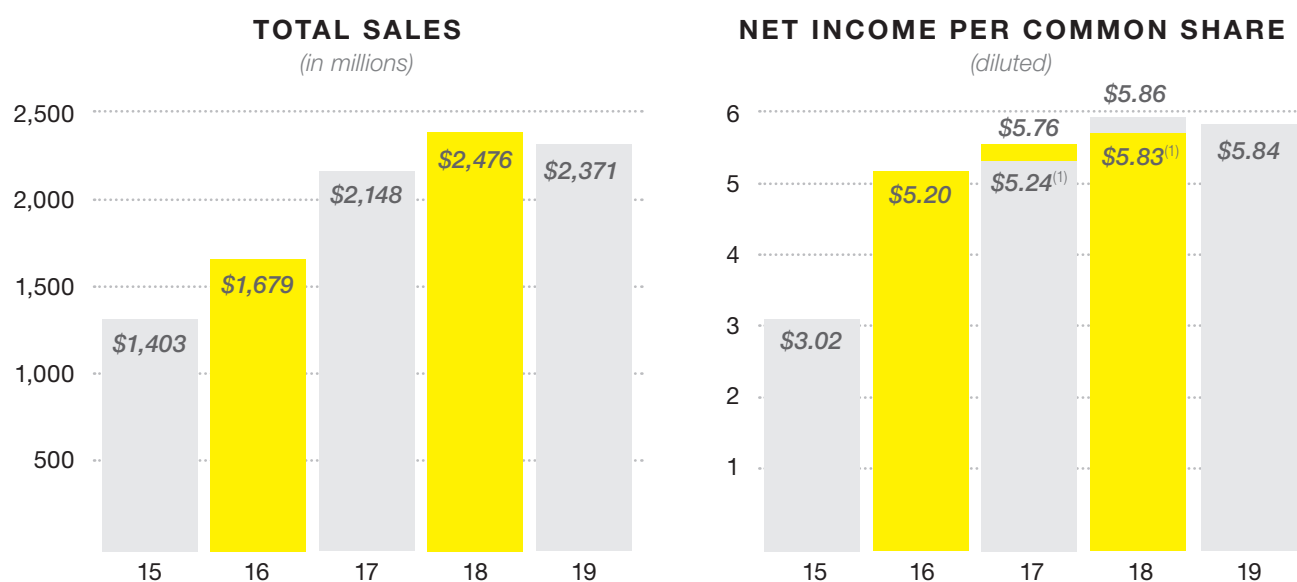
President and Chief Executive Officer

FINANCIAL DATA

Year Ended December 31

	2015	2016	2017	2018	2019
OPERATING DATA:					
Net sales	\$ 1,403,066	\$ 1,678,898	\$ 2,147,770	\$ 2,475,807	\$ 2,371,482
Operating profit	116,254	200,850	214,281	198,788	200,210
Income before income taxes	114,369	199,172	212,844	192,352	191,414
Provision for income taxes ⁽¹⁾	40,024	69,501	79,960	43,801	44,905
Net income ⁽¹⁾	\$ 74,345	\$ 129,671	\$ 132,884	\$ 148,551	\$ 146,509
Net income per common share:					
Basic ⁽¹⁾	\$ 3.06	\$ 5.26	\$ 5.31	\$ 5.90	\$ 5.86
Diluted ⁽¹⁾	\$ 3.02	\$ 5.20	\$ 5.24	\$ 5.83	\$ 5.84
Cash dividends per common share	\$ 2.00	\$ 1.40	\$ 2.05	\$ 2.35	\$ 2.55
FINANCIAL DATA:					
Working capital	\$ 146,964	\$ 218,043	\$ 235,066	\$ 349,069	\$ 399,533
Total assets	\$ 622,856	\$ 786,904	\$ 945,858	\$ 1,243,893	\$ 1,862,595
Long-term obligations ⁽²⁾	\$ 85,419	\$ 87,284	\$ 111,100	\$ 360,056	\$ 790,665
Stockholders' equity	\$ 438,575	\$ 550,269	\$ 652,745	\$ 706,255	\$ 800,672

In thousands, except per share amounts

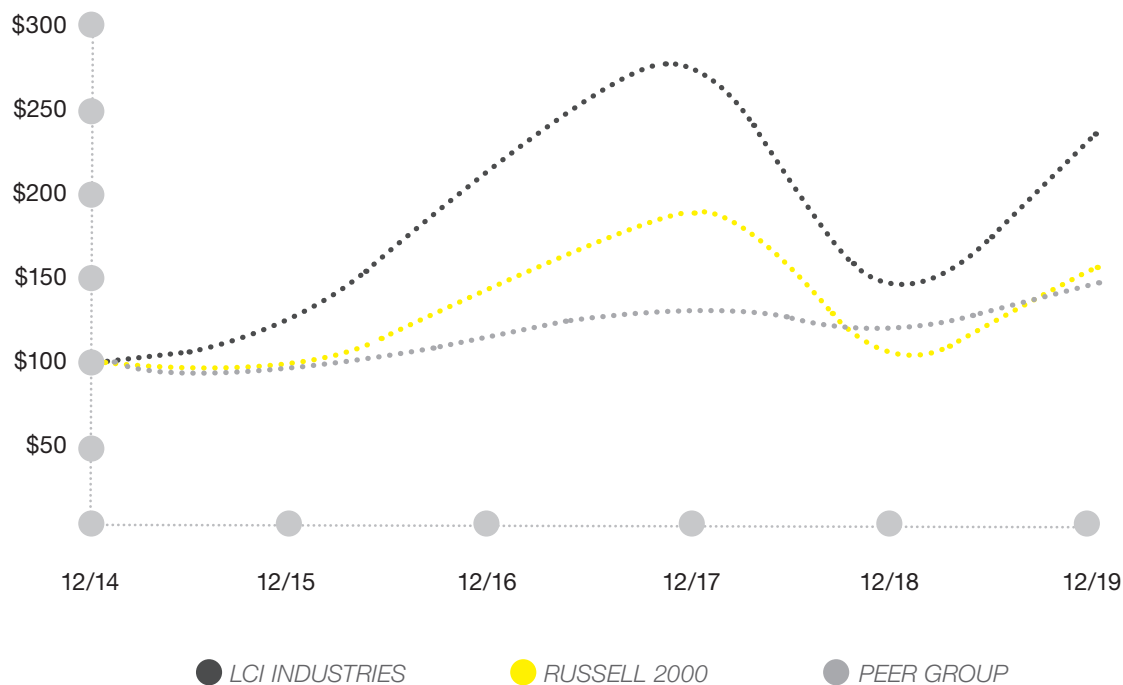


(1) Amounts include a non-cash charge of \$612,000 (\$0.02 per diluted share) and \$13.2 million (\$0.52 per diluted share), for the years ended December 31, 2018 and 2017, respectively, related to the enactment of the Tax Cuts and Jobs Act (the "TCJA"). See "Provision for Income Taxes" and "Non-GAAP Measures" included in Item 7. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Form 10-K for further information related to the impact of the TCJA and for additional information regarding the Company's use of non-GAAP financial measures and a reconciliation to the most directly comparable GAAP financial measures.

(2) Long-term obligations at December 31, 2019 include \$79.8 million of operating lease obligations following the company's adoption of ASC 842 - Leases on January 1, 2019.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*

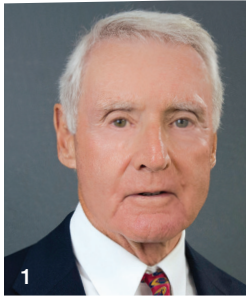
Among LCI Industries, the Russell 2000 Index, and a Peer Group



*\$100 invested on 12/31/14 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

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The graph above matches the cumulative 5-Year total return of holders of LCI Industries' common stock with the cumulative total returns of the Russell 2000 index and a customized peer group of seven companies that includes: Brunswick Corp, Cavco Industries Inc., Patrick Industries Inc., Spartan Motors Inc., Thor Industries Inc., Trimas Corp, and Winnebago Industries Inc. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was \$100 on 12/31/2013 and tracks it through 12/31/2019.



Members of the Committees
of the Board of Directors, as follows:

⁽¹⁾Compensation Committee

⁽²⁾Audit Committee

⁽³⁾Corporate Governance and Nominating
Committee

⁽⁴⁾Risk Committee

⁽⁵⁾Strategy and Acquisition Committee

BOARD OF DIRECTORS

1 James F. Gero ⁽²⁾⁽³⁾

Chairman of the Board
of LCI Industries,
and a Private Investor

2 Frank J. Crespo ⁽³⁾⁽⁴⁾

Senior VP and Chief Supply
Chain Officer of Indigo Agriculture

3 Brendan J. Deely ⁽¹⁾⁽³⁾

Chief Executive Officer of
Banner Solutions

4 Ronald J. Fenech ⁽⁴⁾⁽⁵⁾

Founding Partner, Grand Design
Recreational Vehicle Co.

5 Tracy D. Graham ⁽¹⁾⁽⁵⁾

Chief Executive Officer of
Graham Allen Partners

6 Virginia L. Henkels ⁽¹⁾⁽²⁾

Retired Chief Financial Officer of
Swift Transportation Company

7 Jason D. Lippert

President and Chief Executive
Officer of LCI Industries

8 Kieran M. O'Sullivan ⁽²⁾⁽³⁾⁽⁴⁾

President, Chief Executive
Officer and Chairman of the
Board of CTS Corporation

9 David A. Reed ⁽²⁾⁽⁵⁾

President of a privately-held family
investment management company

10 John A. Sirpilla ⁽³⁾⁽⁵⁾

Founder and Chief Executive
Officer of Encourage LLC

CORPORATE INFORMATION

CORPORATE OFFICERS

Jason D. Lippert

President and
Chief Executive Officer

Brian M. Hall

Executive Vice President and Chief
Financial Officer

Andrew J. Namenye

Executive Vice President, Chief Legal
Officer, and Corporate Secretary

Jamie M. Schnur

Group President - Aftermarket

Nick C. Fletcher

Executive Vice President and
Chief Human Resources Officer

Kip A. Emenhiser

Corporate Controller and
Vice President of Finance

EXECUTIVE OFFICES

3501 County Road 6 East
Elkhart, IN 46514
(574) 535-1125
website: www.lci1.com
E-mail: lcii@lci1.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

KPMG LLP
Aon Center
200 East Randolph
Chicago, IL 60601

TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038
(212) 936-5100
(800) 937-5449
website: www.amstock.com

CORPORATE GOVERNANCE

Copies of the Company's Governance Principles, Guidelines for Business Conduct, Code of Ethics for Senior Financial Officers, Whistleblower Policy, Charters of the Audit, Compensation, Corporate Governance and Nominating, Risk, and Strategy and Acquisition Committees, and the Key Practices of the Audit, Compensation, and Corporate Governance and Nominating Committees are on the Company's website at lci1.com/investors, and are available upon request, without charge, by writing to:

Secretary
LCI Industries
4100 Edison Lakes Pkwy. Ste. 210
Mishawaka, IN 46545

CEO/CFO CERTIFICATIONS

The most recent certifications by our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits to our Form 10-K. We have also filed with the New York Stock Exchange the most recent Annual CEO Certification as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

PAY-FOR-PERFORMANCE

Through a combination of performance-based incentives and stock-based awards, LCI strives to attract, motivate, and retain talented, entrepreneurial, and innovative management.

We have designed our pay-for-performance incentive compensation program to be the "workhorse" of our management compensation. Performance-based incentive compensation has historically represented the major portion of the overall compensation of our key managers. We believe that those key employees who have the greatest ability to influence the Company's results should be compensated primarily based on the financial results of those operations for which they are responsible.

Our stock-based awards ensure that our managers have a continuing personal interest in the long-term success of the Company and create a culture of ownership among management, while also rewarding long-term return to stockholders.



LCI INDUSTRIES

LCI1.COM

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2019**

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number **001-13646**



LCI INDUSTRIES

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3250533

(I.R.S. Employer
Identification Number)

3501 County Road 6 East

Elkhart, Indiana

(Address of principal executive offices)

46514

(Zip Code)

(574) 535-1125

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols(s)	Name of each exchange on which registered
Common Stock, \$.01 par value	LCII	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files.) Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Non-accelerated filer ☐

Emerging growth company ☐

Accelerated filer ☐

Smaller reporting company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant’s most recently completed second fiscal quarter was \$1,663,932,960. The registrant has no non-voting common equity.

The number of shares outstanding of the registrant’s common stock, as of the latest practicable date (February 14, 2020), was 25,046,413 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2020 Annual Meeting of Stockholders to be held on May 21, 2020 are incorporated by reference into Part III of this Annual Report on Form 10-K.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain “forward-looking statements” with respect to our financial condition, results of operations, business strategies, operating efficiencies or synergies, competitive position, growth opportunities, acquisitions, plans and objectives of management, markets for the Company’s common stock, the impact of legal proceedings, and other matters. Statements in this Form 10-K that are not historical facts are “forward-looking statements” for the purpose of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended, and involve a number of risks and uncertainties.

Forward-looking statements, including, without limitation, those relating to the Company’s future business prospects, net sales, expenses and income (loss), capital expenditures, tax rate, cash flow, and financial condition, whenever they occur in this Form 10-K are necessarily estimates reflecting the best judgment of the Company’s senior management at the time such statements were made. There are a number of factors, many of which are beyond the Company’s control, which could cause actual results and events to differ materially from those described in the forward-looking statements. These factors include, in addition to other matters described in this Form 10-K, pricing pressures due to domestic and foreign competition, costs and availability of, and tariffs on, raw materials (particularly steel and aluminum) and other components, seasonality and cyclicity in the industries to which we sell our products, availability of credit for financing the retail and wholesale purchase of products for which we sell our components, inventory levels of retail dealers and manufacturers, availability of transportation for products for which we sell our components, the financial condition of our customers, the financial condition of retail dealers of products for which we sell our components, retention and concentration of significant customers, the costs, pace of and successful integration of acquisitions and other growth initiatives, availability and costs of production facilities and labor, employee benefits, employee retention, realization and impact of expansion plans, efficiency improvements and cost reductions, the disruption of business resulting from natural disasters or other unforeseen events, the successful entry into new markets, the costs of compliance with environmental laws, laws of foreign jurisdictions in which we operate, other operational and financial risks related to conducting business internationally, and increased governmental regulation and oversight, information technology performance and security, the ability to protect intellectual property, warranty and product liability claims or product recalls, interest rates, oil and gasoline prices, and availability, the impact of international, national and regional economic conditions and consumer confidence on the retail sale of products for which we sell our components, and other risks and uncertainties discussed more fully under the caption “Risk Factors” in this Annual Report on Form 10-K, and in our subsequent filings with the Securities and Exchange Commission (“SEC”). Readers of this report are cautioned not to place undue reliance on these forward-looking statements, since there can be no assurance that these forward-looking statements will prove to be accurate. The Company disclaims any obligation or undertaking to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements are made, except as required by law.

INDUSTRY AND MARKET DATA

Certain market and industry data and forecasts included in this report were obtained from independent market research, industry publications and surveys, governmental agencies and publicly available information. Industry surveys, publications and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. We believe the data from such third-party sources to be reliable. However, we have not independently verified any of such data and cannot guarantee its accuracy or completeness. Similarly, internal market research and industry forecasts, which we believe to be reliable based upon our management’s knowledge of the market and the industry, have not been verified by any independent sources. While we are not aware of any misstatements regarding the market or industry data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the headings “Special Note Regarding Forward-Looking Statements,” “Risk Factors,” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this report.

LCI INDUSTRIES
TABLE OF CONTENTS

	Page
PART I –	
ITEM 1 - BUSINESS	6
ITEM 1A - RISK FACTORS	12
ITEM 1B - UNRESOLVED STAFF COMMENTS	22
ITEM 2 - PROPERTIES	22
ITEM 3 - LEGAL PROCEEDINGS	23
ITEM 4 - MINE SAFETY DISCLOSURES	23
PART II –	
ITEM 5 - MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	24
ITEM 6 - SELECTED FINANCIAL DATA	25
ITEM 7 - MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	25
ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	37
ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	38
ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	72
ITEM 9A - CONTROLS AND PROCEDURES	72
ITEM 9B - OTHER INFORMATION	73
PART III –	
ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	73
ITEM 11 - EXECUTIVE COMPENSATION	73

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	73
ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	74
ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES	74
PART IV –	
ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES	74
ITEM 16 - FORM 10-K SUMMARY	77
SIGNATURES	78

PART I

Item 1. BUSINESS.

Summary

LCI Industries (“LCI” and collectively with its subsidiaries, the “Company,” the “Registrant,” “we,” “us,” or “our”), through its wholly-owned subsidiary, Lippert Components, Inc. and its subsidiaries (collectively, “Lippert Components” or “LCI”), supplies, domestically and internationally, a broad array of engineered components for the leading original equipment manufacturers (“OEMs”) in the recreation and transportation product markets, consisting of recreational vehicles (“RVs”) and adjacent industries including buses; trailers used to haul boats, livestock, equipment and other cargo; trucks; boats; trains; manufactured homes; and modular housing. The Company also supplies engineered components to the related aftermarkets of these industries, primarily by selling to retail dealers, wholesale distributors, and service centers.

LCI’s products include steel chassis and related components; axles and suspension solutions; slide-out mechanisms and solutions; thermoformed bath, kitchen and other products; vinyl, aluminum and frameless windows; manual, electric and hydraulic stabilizer and leveling systems; furniture and mattresses; entry, luggage, patio, and ramp doors; electric and manual entry steps; awning and awning accessories; branded towing products; truck accessories; electronic components; and other accessories.

The Company has two reportable segments: the original equipment manufacturers segment (the “OEM Segment”) and the aftermarket segment (the “Aftermarket Segment”).

The Company is focused on profitable growth in its industries, both organic and through acquisitions. In order to support this growth, over the past several years the Company has expanded its geographic market and product lines, consolidated manufacturing facilities, and integrated manufacturing, distribution, and administrative functions. At December 31, 2019, the Company operated over 90 manufacturing and distribution facilities located throughout North America and Europe, and reported consolidated net sales of \$2.4 billion for the year ended December 31, 2019.

The Company was incorporated under the laws of Delaware on March 20, 1984, and is the successor to Drew National Corporation, which was incorporated under the laws of Delaware in 1962. The Company’s principal executive and administrative offices are located at 3501 County Road 6 East, Elkhart, Indiana 46514; telephone number (574) 535-1125; website www.lci1.com; e-mail LCI1@lci1.com. The Company makes available free of charge on its website its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K (and amendments to those reports) filed or furnished with the SEC as soon as reasonably practicable after such materials are electronically filed or furnished.

Recent Developments

Sales and Profits

Consolidated net sales for the year ended December 31, 2019 were \$2.4 billion, a decline of 4 percent from the consolidated net sales for the year ended December 31, 2018 of \$2.5 billion. The decrease in year-over-year net sales reflects a continuation of lower RV wholesale shipments seen throughout the year as dealers continued to correct their inventory levels, partially offset by continued growth in the Company’s adjacent industries OEM, aftermarket and international markets. Net sales from acquisitions completed by the Company over the twelve months ended December 31, 2019 contributed \$93 million in 2019.

Net income for the full-year 2019 was \$146.5 million, or \$5.84 per diluted share, compared to net income of \$148.6 million, or \$5.83 per diluted share, in 2018. Net income for 2018 included one-time non-cash charges of \$0.6 million (\$0.03 per diluted share) related to the impact of the Tax Cuts and Jobs Act (the “TCJA”). Excluding the estimated impact of the TCJA, adjusted net income was \$149.2 million, or \$5.86 per diluted share, in 2018. Adjusted net income and adjusted net income per diluted share are non-GAAP financial measures. See “Non-GAAP Measures” included in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for additional information regarding the Company’s use of non-GAAP financial measures and reconciliations to the most directly comparable financial measures prepared in accordance with generally accepted accounting principles (“GAAP”).

In Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the Company describes in detail the change in its sales and profits during 2019.

Customer Concentrations

Thor Industries, Inc. (“Thor”), a customer of both segments, accounted for 27 percent, 31 percent, and 38 percent of the Company’s consolidated net sales for the years ended December 31, 2019, 2018, and 2017, respectively. Berkshire Hathaway Inc. (through its subsidiaries Forest River, Inc. and Clayton Homes, Inc.), a customer of both segments, accounted for 21 percent, 23 percent, and 25 percent of the Company’s consolidated net sales for the years ended December 31, 2019, 2018, and 2017, respectively. No other customer accounted for more than 10 percent of consolidated net sales in the years ended December 31, 2019, 2018, and 2017. International sales, primarily in Europe and Australia, and export sales represented approximately six percent, four percent, and two percent of consolidated net sales in 2019, 2018, and 2017, respectively.

Acquisitions

In January 2020, the Company acquired 100 percent of the equity interests of Polyplastic Group B.V. (with its subsidiaries “Polyplastic”), a premier window supplier to the caravanning industry, headquartered in Rotterdam, Netherlands. The purchase price was \$97.6 million, net of cash acquired, plus contingent consideration based on future sales by this operation. The results of the acquired business will be included primarily in the Company’s OEM Segment. The Company is in the process of determining the fair value of the assets acquired and liabilities assumed for the opening balance sheet.

During 2019, the Company completed seven acquisitions:

In December 2019, the Company acquired 100 percent of the equity interests of CURT Acquisition Holdings, Inc. (with its subsidiaries, “CURT”), a leading manufacturer and distributor of branded towing products and truck accessories for the aftermarket, headquartered in Eau Claire, Wisconsin. The purchase price was \$337.6 million, net of cash acquired, and is subject to potential post-closing adjustments related to net working capital.

In November 2019, the Company acquired the PWR-ARM brand and electric powered Bimini business assets of Schwintek, Inc. (“PWR-ARM”), a premier electric sunshade solution for pontoon and smaller power boats. The purchase price was \$45.0 million, which includes holdback payments of \$5.0 million.

In October 2019, the Company acquired substantially all of the business assets (collectively referred to under the business name “SureShade”) of Rodan Enterprises, LLC, a designer and manufacturer of sunshade systems for the outdoor recreation industry in North America and Europe headquartered in Philadelphia, Pennsylvania. The purchase price was \$14.0 million, subject to certain adjustments and a holdback of \$1.4 million for indemnity matters and certain potential post-closing adjustments related to net working capital.

In August 2019, the Company acquired 100 percent of the equity interests of Ciesse Holdings S.r.l. and related entities (collectively, “Ciesse”), a supplier of railway interior products and systems, headquartered in Rignano sull’Arno, Italy. The purchase price was \$5.4 million, net of cash acquired.

In August 2019, the Company acquired 100 percent of the equity interests of Lewmar Marine Ltd. and related entities (collectively, “Lewmar”), a supplier of leisure marine equipment, headquartered in Havant, United Kingdom. The purchase price was \$43.2 million, net of cash acquired.

In June 2019, the Company acquired 100 percent of the equity interests of Lavet S.r.l. (“Lavet”), a manufacturer of window blind systems for European leisure vehicles, headquartered in Siena, Italy. The purchase price was \$2.4 million, net of cash acquired.

In June 2019, the Company acquired 100 percent of the equity interests of Femto Engineering S.r.l. and related entities (collectively, “Femto”), an engineering company with a focus on designing and manufacturing of plastic moldings, headquartered in San Casciano, Italy. The purchase price was \$6.5 million, net of cash acquired.

Diversification Strategy

The Company is executing a strategic initiative to diversify the markets it serves away from the historical concentration within the North American RV industry. The Company's goal is to have 60 percent of net sales be generated outside of the North American RV industry by the year 2022. Approximately 42 percent of net sales for the year ended December 31, 2019 were generated outside of the North American RV market.

Other Developments

On December 19, 2019, the Company entered into an amendment to its amended credit agreement with several banks, which provided, among other things, for an incremental term loan in the amount of \$300.0 million, which the Company borrowed to fund a portion of the purchase price for the acquisition of CURT. The credit agreement was also modified to allow the Company to request an increase to the facility of up to an additional \$300.0 million as an increase to the revolving credit facility or one, or more, incremental term loan facilities upon approval of the lenders and the Company receiving certain other consents. As a result of the new incremental term loan, the total borrowing capacity under the credit agreement increased from \$600.0 million to \$900.0 million.

In August 2019, the Company and Furrion Limited (“Furrion”) agreed to terminate their exclusive distribution and supply agreement effective December 31, 2019, and transition all sale and distribution of Furrion products then handled by the Company to Furrion. Effective January 1, 2020, Furrion is responsible for distributing its products directly to the customer and assumed all responsibilities previously carried out by the Company relating to Furrion products. Upon termination of the agreement, Furrion agreed to purchase from the Company all non-obsolete stock and certain obsolete and slow-moving stock of Furrion products at the cost paid by the Company. Net sales of Furrion products were \$100.4 million to the OEM Segment and \$29.0 million to the Aftermarket Segment in 2019. These sales will not be recurring in 2020 following the termination of the agreement.

OEM Segment

Through its wholly-owned subsidiaries, the Company manufactures and distributes a broad array of engineered components for the leading OEMs in the recreation and transportation product markets, consisting of RVs and adjacent industries, including buses; trailers used to haul boats, livestock, equipment and other cargo; trucks; boats; trains; manufactured homes; and modular housing.

In 2019, the OEM Segment represented 88 percent of the Company’s consolidated net sales and 83 percent of consolidated segment operating profit. Approximately 61 percent of the Company’s OEM Segment net sales in 2019 were of products to manufacturers of travel trailer and fifth-wheel RVs. RVs may be motorized (motorhomes) or towable (travel trailers, fifth-wheel travel trailers, folding camping trailers and truck campers).

Raw materials used by the Company’s OEM Segment, consisting primarily of steel (coil, sheet, tube, and I-beam), extruded aluminum, glass, wood, fabric, and foam, are available from a number of sources, both domestic and foreign.

Operations of the Company’s OEM Segment consist primarily of fabricating, welding, thermoforming, painting, sewing, and assembling components into finished products. The Company’s OEM Segment operations are conducted at manufacturing and distribution facilities throughout North America and Europe, strategically located in proximity to the customers they serve. See Item 2. “Properties.”

The Company’s OEM Segment products are sold primarily to major manufacturers of RVs such as Thor Industries, Inc. (symbol: THO), Forest River, Inc. (a Berkshire Hathaway company, symbol: BRKA), Winnebago Industries, Inc. (symbol: WGO) and other RV OEMs, and to manufacturers in other adjacent industries, including buses; trailers used to haul boats, livestock, equipment and other cargo; trucks; boats; trains; manufactured homes; and modular housing.

The RV industry is highly competitive, both among manufacturers of RVs and the suppliers of RV components, generally with low barriers to entry other than compliance with industry standards, codes and safety requirements, and the initial capital investment required to establish manufacturing operations. The Company competes with several other component suppliers on a regional and national basis with respect to a broad array of components for both towable and motorized RVs. The Company’s operations compete on the basis of product quality and reliability, product innovation, price, customer service, and customer satisfaction. Although definitive information is not readily available, the Company believes it is a leading supplier for towable RVs for the following principal RV products:

- windows,
- doors,
- chassis,
- slide-out mechanisms,
- axles,
- furniture,
- leveling systems, and
- awnings.

In addition to LCI, Dexter Axle Company is also a leading supplier of axles and Carefree of Colorado and Dometic Corporation are also leading suppliers of awnings.

OEM Segment net sales to adjacent industries increased 7 percent from \$614.6 million in 2018 to \$659.6 million in 2019, or 32 percent and 27 percent of total OEM Segment net sales in 2019 and 2018, respectively. Within adjacent industries, OEM marine net sales were \$167.5 million in 2019, an increase of \$13.4 million compared to 2018.

The Company's market share for its products in adjacent industries cannot be readily determined; however, the Company continues to make investments in people, technology, and equipment and is committed to expanding its presence in these industries.

Detailed narrative information about the results of operations of the OEM Segment is included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Aftermarket Segment

Many of the Company's OEM Segment products are also sold through various aftermarket channels, including dealerships, warehouse distributors and service centers, as well as direct to retail customers. The Company has teams dedicated to product training and marketing support for its Aftermarket Segment customers. The Company also supports multiple call centers to provide quick responses to customers for both product delivery and technical support. This support is designed for a rapid response to critical repairs so customer downtime is minimized. The Aftermarket Segment also includes the sale of replacement glass and awnings to fulfill insurance claims, biminis, covers, buoys, and fenders to the marine industry, and towing products and truck accessories. Many of the optional upgrades and non-critical replacements for RVs are purchased outside the normal product selling seasons, thereby causing these Aftermarket Segment sales to be counter-seasonal.

According to the Recreation Vehicle Industry Association ("RVIA"), estimated RV ownership in the United States has increased to over nine million units. Additionally, as a result of a vibrant secondary market, one-third of current owners purchased their RV new while the remaining two-thirds purchased a previously owned RV. This vibrant secondary market is a key driver for aftermarket sales, as the Company anticipates owners of previously owned RVs will likely upgrade their units as well as replace parts and accessories which have been subjected to normal wear and tear.

Aftermarket Segment net sales increased 20 percent from \$233.2 million in 2018 to \$279.6 million in 2019. The Company continues to make investments in people and technology to grow the Aftermarket Segment and is committed to continue these expansion efforts.

In December 2019, the Company acquired CURT, a leading manufacturer and distributor of branded towing products and truck accessories for the aftermarket. CURT maintains a robust product portfolio comprised of thousands of SKUs across various product lines, including hitches, towing electricals, ball mounts, and cargo management. CURT brands include CURT, Aries, Luverne, Retrac, and UWS. CURT's net sales were \$268 million for the year ended December 31, 2019.

Detailed narrative information about the results of operations of the Aftermarket Segment is included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Sales and Marketing

The Company's sales activities are related to developing new customer relationships and maintaining existing customer relationships, primarily through the quality and reliability of its products, innovation, price, customer service, and customer satisfaction. As a result of the Company's strategic decision to increase its sales to the aftermarket and adjacent industries, as well as expand into international markets, the Company has increased its annual marketing and advertising expenditures over the past few years, which were \$6.4 million, \$4.1 million, and \$3.2 million in 2019, 2018, and 2017, respectively.

The Company has several supply agreements or other arrangements with certain of its customers that provide for prices of various products to be fixed for periods generally not in excess of eighteen months; however, in certain cases the Company has the right to renegotiate the prices on sixty-days' notice. The Company has agreements with certain customers that indexes their pricing to select commodities. Both the OEM Segment and the Aftermarket Segment typically ship products on average within one to two weeks of receipt of orders from their customers and, as a result, neither segment has any significant backlog.

Capacity

At December 31, 2019, the Company operated over 90 manufacturing and distribution facilities across North America and Europe. For most products, the Company has the ability to fill excess demand by shifting production to other facilities, usually at an increased cost. The ability to adjust capacity in certain product areas through lean manufacturing and automation initiatives, reallocation of existing resources and/or additional capital expenditures is monitored regularly by management in an effort to achieve a high level of production efficiency and return on invested capital. The Company has adequate capacity to meet projected demand. Capital expenditures for 2019 were \$58 million, which included normal replacement expenditures along with \$21 million in automation investments and over \$24 million in capacity investments for operational improvements.

Seasonality

Most industries where the Company sells products or where its products are used historically have been seasonal and generally at the highest levels when the weather is moderate. Accordingly, the Company's sales and profits have generally been the highest in the second quarter and lowest in the fourth quarter. However, because of fluctuations in dealer inventories, the impact of international, national, and regional economic conditions and consumer confidence on retail sales of recreation and transportation products for which the Company sells its components, the timing of dealer orders, as well as the impact of severe weather conditions on the timing of industry-wide shipments from time to time, current and future seasonal industry trends may be different than in prior years. Additionally, sales of certain components to the aftermarket channels of these industries tend to be counter-seasonal.

International

Over the past several years, the Company has been gradually growing international sales, primarily in Europe and Australia, and international and export sales represented approximately six percent, four percent, and two percent of consolidated net sales in 2019, 2018, and 2017, respectively. The Company continues to focus on developing products tailored for international recreation and transportation markets. The Company participates in the largest RV shows in Europe and has been receiving positive feedback on its products, especially its proprietary slide-out products. The Company's international business development team spends time in Australia, Europe, and other international markets, assessing the dynamics of the local marketplace, building relationships with OEMs and helping the Company introduce its existing products and develop new products for those markets, with the goal of identifying long-term growth opportunities. The Company estimates the addressable market for annual net sales of its products outside of North America to be over \$1 billion. Financial information relating to certain of the Company's international acquisitions is included in Note 3 of the Notes to Consolidated Financial Statements in Item 8 of this Report.

Intellectual Property

The Company holds approximately 350 United States and foreign patents and has approximately 100 patent applications pending that relate to various products sold by the Company. The Company has also granted certain licenses that permit third parties to manufacture and sell products in consideration for royalty payments.

From time to time, the Company has received notices or claims it may be infringing certain patent or other intellectual property rights of others, and the Company has given notices to, or asserted claims against, others that they may be infringing certain patent or other intellectual property rights of the Company. The Company believes its patents are valuable and vigorously protects its patents when appropriate.

Research and Development

The Company strives to be an industry leader in product innovation and is focused on developing new products, as well as improving existing products. Research and development expenditures are expensed as they are incurred. Research and development expenses were approximately \$14 million, \$16 million, and \$14 million in 2019, 2018, and 2017, respectively.

Regulatory Matters

We are subject to numerous federal, state and local regulations governing the manufacture and sale of our products in the United States. Sales and manufacturing operations outside the United States are subject to similar regulations.

Rules promulgated under the Transportation Recall Enhancement, Accountability and Documentation Act require manufacturers of motor vehicles and certain motor vehicle related equipment to regularly make reports and submit documents

and certain historical data to the National Highway Traffic Safety Administration (“NHTSA”) of the United States Department of Transportation (“DOT”) to enhance motor vehicle safety, and to respond to requests for information relating to specific complaints or incidents.

Trailers produced by the Company for hauling boats, personal watercraft, snowmobiles and equipment must comply with Federal Motor Vehicle Safety Standards (“FMVSS”) promulgated by NHTSA relating to lighting, braking, wheels, tires and other vehicle systems.

Windows and doors produced by the Company for the RV industry must comply with regulations promulgated by NHTSA governing safety glass performance, egress ability, door hinge and lock systems, egress window retention hardware, and baggage door ventilation. Windows produced by the Company for buses also must comply with FMVSS promulgated by NHTSA.

Upholstered products and mattresses produced by the Company for RVs and buses must comply with FMVSS promulgated by NHTSA regarding flammability. In addition, upholstered products and mattresses produced by the Company for RVs must comply with regulations promulgated by the Consumer Product Safety Commission regarding flammability, as well as standards for toxic chemical levels and labeling requirements promulgated by the California Office of Environmental Health Hazard Assessment. Plywood, particleboard and fiberboard used in RV products are required to comply with standards for formaldehyde emission levels promulgated by the California Air Resources Board and adopted by the RVIA.

Windows and entry doors produced by the Company for manufactured homes must comply with performance and construction regulations promulgated by the U.S. Department of Housing and Urban Development (“HUD”) and by the American Architectural Manufacturers Association relating to air and water infiltration, structural integrity, thermal performance, emergency exit conformance, and hurricane resistance. Certain of the Company’s products must also comply with the International Code Council standards, such as the IRC (International Residential Code), the IBC (International Building Code), and the IECC (International Energy Conservation Code) as well as state and local building codes. Thermoformed bath products manufactured by the Company for manufactured homes must comply with performance and construction regulations promulgated by HUD.

The Company believes it is currently operating in compliance, in all material respects, with applicable laws and regulations and has made reports and submitted information as required. The Company does not believe the expense of compliance with these laws and regulations, as currently in effect, will have a material effect on the Company’s operations, financial condition or competitive position; however, there can be no assurance this trend will continue as health and safety laws, regulations or other pertinent requirements evolve.

Environmental

The Company’s operations are subject to certain federal, state and local regulatory requirements relating to the use, storage, discharge, transport and disposal of hazardous materials used during the manufacturing processes. Although the Company believes its operations have been consistent with prevailing industry standards, and are in substantial compliance with applicable environmental laws and regulations, one or more of the Company’s current or former operating sites, or adjacent sites owned by third parties, have been affected, and may in the future be affected, by releases of hazardous materials. As a result, the Company may incur expenditures for future investigation and remediation of these sites, including in conjunction with voluntary remediation programs or third-party claims. In the past, environmental compliance costs have not had, and are not expected in the future to have, a material effect on the Company’s operations or financial condition; however, there can be no assurance that this trend will continue.

Employees

As of December 31, 2019, the Company had approximately 10,500 full-time employees. None of the employees of the Company in the U.S. are subject to collective bargaining agreements, although certain international employees are covered by national labor laws. The Company believes relations with its employees are good.

Information About our Executive Officers

The following table sets forth our executive officers as of December 31, 2019:

<u>Name</u>	<u>Position</u>
Jason D. Lippert	Chief Executive Officer and Director
Brian M. Hall	Chief Financial Officer
Andrew J. Namenye	Vice President – Chief Legal Officer and Secretary
Jamie M. Schnur	Group President – Aftermarket
Nick C. Fletcher	Chief Human Resources Officer

Officers are elected annually by the Board of Directors. There are no family relationships between or among any of the executive officers or directors of the Company. Additional information with respect to the Company's directors is included in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 21, 2020.

JASON D. LIPPERT (age 47) became Chief Executive Officer of the Company effective May 10, 2013, and has been Chief Executive Officer of Lippert Components since February 2003. Mr. Lippert has over 20 years of experience with the Company, and has served in a wide range of leadership positions.

BRIAN M. HALL (age 45) joined the Company in March 2013, served as Corporate Controller from June 2013 until January 2017, and has served as Chief Financial Officer of the Company since November 2016. Prior to joining the Company, he spent more than 16 years in public accounting.

ANDREW J. NAMENYE (age 39) joined the Company in September 2017, and has been Vice President – Chief Legal Officer and Secretary since November 2017. Prior to joining the Company, he held roles in senior level positions at Thor Industries, Inc. and All American Group, Inc. (f/k/a Coachmen Industries), and practiced law at Barnes & Thornburg LLP.

JAMIE M. SCHNUR (age 48) became Group President – Aftermarket of the Company in October 2019. Previously, he served as Chief Administrative Officer of the Company beginning in May 2013. Mr. Schnur has over 20 years of experience with the Company, and has served in a wide range of leadership positions with Lippert Components.

NICK C. FLETCHER (age 59) joined the Company in February 2013 as Vice President of Human Resources. Since January 2015, he has been Chief Human Resources Officer. Prior to joining the Company, Mr. Fletcher provided consulting services and held roles in senior level positions at American Commercial Lines, Continental Tire, Wabash National, Siemens and TRW.

Other Officers

KIP A. EMENHISER (age 46) joined the Company in January 2017, and has been Vice President of Finance since September 2019 and Corporate Controller and our principal accounting officer since March 2017. Prior to joining the Company, he held various roles including Senior Vice President of Finance, Chief Accounting Officer, and Vice President and Corporate Controller at Press Ganey Associates, Inc. Mr. Emehiser is a Certified Public Accountant.

Item 1A. RISK FACTORS.

The following risk factors should be considered carefully in addition to the other information contained in this Annual Report on Form 10-K. The risks and uncertainties described below are not the only ones we face, but represent the most significant risk factors that we believe may adversely affect the RV and other industries we supply our products to, as well as our business, operations or financial position. The risks and uncertainties discussed in this report are not exclusive and other risk factors that we may consider immaterial or do not anticipate may emerge as significant risks and uncertainties.

Industry Risk Factors

Economic and business factors beyond our control, including cyclicity and seasonality in the industries where we sell our products, could lead to fluctuations in our operating results.

The RV, recreational boat and other markets where we sell many of our products or where our products are used, have been characterized by cycles of growth and contraction in consumer demand, often because the purchase of such products is viewed as a consumer discretionary purchase. Periods of economic recession have adversely affected, and could again adversely affect, our operating results. Companies in these industries are subject to volatility in production levels, shipments, sales, and operating results due to changes in external factors such as general economic conditions, including credit availability, consumer confidence, employment rates, prevailing interest rates, inflation, fuel prices, and other economic conditions affecting consumer demand and discretionary consumer spending, as well as demographic and political changes, all of which are beyond our control. Consequently, our operating results for any prior period may not be indicative of results for any future period.

Additionally, manufacturing operations in most of the industries where we sell our products or where our products are used historically have been seasonal. However, because of fluctuations in dealer inventories, the impact of international, national, and regional economic conditions and consumer confidence on retail sales of products which include our components, and other factors, current and future seasonal industry trends may be different than in prior years. Unusually severe weather conditions in some geographic areas may also, from time to time, impact the timing of industry-wide shipments from one period to another.

Reductions in the availability of wholesale financing limits the inventories carried by retail dealers of RVs and other products which use our components, which would cause reduced production by our customers, and therefore reduced demand for our products.

Retail dealers of RVs and other products which use our components generally finance their purchases of inventory with financing known as floor-plan financing provided by lending institutions. A dealer's ability to obtain financing is significantly affected by the number of lending institutions offering floor-plan financing, and by an institution's lending limits, which are beyond our control. Reduction in the availability of floor-plan financing has in the past caused, and would in the future again likely cause, many dealers to reduce inventories, which would result in reduced production by OEMs, and consequently result in reduced demand for our products. Moreover, dealers which are unable to obtain adequate financing could cease operations. Their remaining inventories would likely be sold at discounts, disrupting the market. Such sales have historically caused a decline in orders for new inventory, which reduced demand for our products, and which could recur in the future.

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

Retail consumers who purchase RVs and other products which use our components generally obtain retail financing from third-party lenders. The availability, terms, and cost of retail financing depend on the lending practices of financial institutions, governmental policies, and economic and other conditions, all of which are beyond our control. Restrictions on the availability of consumer financing and increases in the costs of such financing have in the past limited, and could again limit, the ability of consumers to purchase such discretionary products, which would result in reduced production of such products by our customers, and therefore reduce demand for our products.

Excess inventories at dealers and manufacturers can cause a decline in the demand for our products.

Dealers and manufacturers could accumulate unsold inventory. High levels of unsold inventory have in the past caused, and would cause, a reduction in orders, which would likely cause a decline in demand for our products.

Gasoline shortages, or high prices for gasoline, could lead to reduced demand for our products.

Fuel shortages, and substantial increases in the price of fuel, have had an adverse effect on the RV industry as a whole in the past, and could again in the future. Travel trailer and fifth-wheel RVs, components for which represented approximately 61 percent of our OEM Segment net sales in 2019, are usually towed by light trucks or SUVs. Generally, these vehicles use more fuel than automobiles, particularly while towing RVs or other trailers. High prices for gasoline, or anticipation of potential fuel shortages, can affect consumer use and purchase of light trucks and SUVs, which could result in reduced demand for travel trailer and fifth-wheel RVs, and therefore reduced demand for our products.

Company-Specific Risk Factors

A significant percentage of our sales are concentrated in the RV industry, and declines in industry-wide wholesale shipments of travel trailer and fifth-wheel RVs could reduce demand for our products and adversely impact our operating results and financial condition.

In 2019, the OEM Segment represented 88 percent of our consolidated net sales, and 83 percent of consolidated segment operating profit. Approximately 61 percent of our OEM Segment net sales in 2019 were of products to manufacturers of travel trailer and fifth-wheel RVs. While we measure our OEM Segment sales against industry-wide wholesale shipment statistics, the underlying health of the RV industry is determined by retail demand. Retail sales of RVs historically have been closely tied to general economic conditions, as well as consumer confidence. Declines in industry-wide wholesale shipments of travel trailer and fifth-wheel RVs could reduce demand for our products and adversely affect our operating results and financial condition.

The loss of any key customer, or a significant reduction in purchases by such customers, could have an adverse material impact on our operating results.

Two customers of both the OEM Segment and the Aftermarket Segment accounted for 48 percent of our consolidated net sales in 2019. The loss of either of these customers or other significant customers, or a substantial reduction in sales to any such customer, would have an adverse material impact on our operating results and financial condition. In addition, we generally 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.

Volatile raw material costs could adversely impact our financial condition and operating results.

Steel and aluminum represented approximately 45 percent and 15 percent, respectively, of our raw material costs in 2019. The prices of these, and other key raw materials, have historically been volatile and can fluctuate dramatically with changes in the global demand and supply for such products.

Because competition and business conditions may limit the amount or timing of increases in raw material costs that can be passed through to our customers in the form of sales price increases, future increases in raw material costs could adversely impact our financial condition and operating results. Conversely, as raw material costs decline, we may not be able to maintain selling prices consistent with higher cost raw materials in our inventory, which could adversely affect our operating results.

Inadequate or interrupted supply of raw materials or components used to make our products could adversely impact our financial condition and operating results.

Our business depends on our ability to source raw materials, such as steel, aluminum, glass, wood, fabric and foam, and certain components such as electric motors, in a timely and cost efficient manner. Most materials and components are readily available from a variety of sources. However, a few key components are currently produced by only a small group of quality suppliers that have the capacity to supply large quantities. If raw materials or components that are used in manufacturing our products or for which we act as a distributor, particularly those which we import, become unavailable, or if the supply of these raw materials and components is interrupted or delayed, our manufacturing and distribution operations could be adversely affected, which could adversely impact our financial condition and operating results.

In 2019, we imported, or purchased from suppliers who imported, approximately 30 percent of our raw materials and components. Consequently, we rely on the free flow of goods through open and operational ports and on a consistent basis for a significant portion of our raw materials and components. Adverse political conditions, trade embargoes, increased tariffs or import duties, inclement weather, natural disasters, epidemics, public health crises, war, terrorism or labor disputes at various ports or otherwise adversely impacting our suppliers create significant risks for our business, particularly if these conditions or disputes result in work slowdowns, lockouts, strikes, facilities closures, supply chain interruptions, or other disruptions, and could have an adverse impact on our operating results if we are unable to fulfill customer orders or are required to accumulate excess inventory or find alternate sources of supply, if available, at higher costs.

We import a portion of our raw materials and the components we sell, and the effect of foreign exchange rates could adversely affect our operating results.

We negotiate for the purchase of a significant portion of raw materials and semi-finished components with suppliers that are not located in the United States. As such, the prices we pay in part are dependent upon the rate of exchange for U.S. Dollars versus the currency of the local supplier. A dramatic weakening of the U.S. Dollar could increase our cost of sales, and such cost increases may not be offset through price increases for our products, adversely impacting our margins.

Changes in consumer preferences relating to our products, or the inability to develop innovative new products, could cause reduced sales.

Changes in consumer preferences for RV, manufactured housing and recreational boat models, and for the components we make for such products, occur over time. Our inability to anticipate changes in consumer preferences for such products, or delays in responding to such changes, could reduce demand for our products and adversely affect our net sales and operating results. Similarly, we believe our ability to remain competitive also depends on our ability to develop innovative new products or enhance features of existing products. Delays in the introduction or market acceptance of new products or product features could have an adverse effect on our net sales and operating results.

Competitive pressures could reduce demand for our products or impact our sales prices.

The industries in which we are engaged are highly competitive and generally characterized by low barriers to entry, and we have numerous existing and potential competitors. Competition is based primarily upon product quality and reliability, product innovation, price, customer service, and customer satisfaction.

Competitive pressures have, from time to time, resulted in a reduction of our profit margins and/or reduction in our market share. Domestic and foreign competitors may lower prices on products which currently compete with our products, or develop product improvements, which could reduce demand for our products or cause us to reduce prices for our products. Sustained increases in these competitive pressures could have an adverse material effect on our results of operations. In addition, the manufacture by our customers themselves of products supplied by us could reduce demand for our products and adversely affect our operating results and financial condition.

Increases in demand could result in difficulty obtaining additional skilled labor, and available capacity may initially not be utilized efficiently.

In certain geographic regions in which we have a larger concentration of manufacturing facilities, we have experienced, and could again experience, shortages of qualified employees. Competition for skilled workers, especially during improving economic times, may increase the cost of our labor and create employee retention and recruitment challenges, as employees with knowledge and experience have the ability to change employers relatively easily. If such conditions become extreme, we may not be able to increase production to timely satisfy demand, and may incur higher labor and production costs, which could adversely impact our operating results and financial condition.

We may incur unexpected expenses, or face delays and other obstacles, in connection with expansion plans or investments we make in our business, which could adversely impact our operating results.

It may take longer than initially anticipated for us to realize expected results from investments in research and development or acquired businesses, as well as initiatives we have implemented to increase capacity and improve production efficiencies, automation, customer service and other aspects of our business, or we may incur unexpected expenses in connection with these matters. Expansion plans may involve the acquisition of existing manufacturing facilities that require upgrades and improvements or the need to build new manufacturing facilities. Such activities may be delayed or incur unanticipated costs which could have an adverse effect on our operating results. Similarly, competition for desirable production facilities, especially during times of increasing production, may increase the cost of acquiring production facilities or limit the availability of obtaining such facilities. In addition, the start-up of operations in new facilities may incur unanticipated costs and inefficiencies which may adversely affect our profitability during the ramp up of production in those facilities. Delays in the construction, re-configuration or relocation of facilities could result in an adverse impact to our operating results or a loss of market share.

In addition, to the extent our expansion plans involve acquisitions or joint ventures, we may not be able to successfully identify suitable acquisition or joint venture opportunities or complete any acquisition, combination, joint venture, or other transaction on acceptable terms. Our identification of suitable acquisition candidates and joint venture opportunities and the integration of acquired business operations involve risks inherent in assessing the values, strengths, weaknesses, risks, and profitability of these opportunities, as well as significant financial, management and related resources that would otherwise be used for the ongoing development of our existing operations and internal expansion.

Natural disasters, unusual weather conditions, epidemic outbreaks, terrorist acts, and political events could disrupt our business and result in lower sales and otherwise adversely affect our financial performance.

Our facilities may be affected by natural disasters, such as tornadoes, hurricanes, fires, floods, earthquakes, and unusual weather conditions, as well as other external events such as epidemic outbreaks, terrorist attacks, or disruptive political events, any one of which could adversely affect our business and result in lower sales. In the event that one of our manufacturing or distribution facilities was affected by a disaster or other event, we could be forced to shift production to one of our other facilities, which we may not be able to do effectively or at all, or to cease operations. Although we maintain insurance for damage to our property and disruption of our business from casualties, such insurance may not be sufficient to cover all of our potential losses. Any disruption in our manufacturing capacity could have an adverse impact on our ability to produce sufficient inventory of our products or may require us to incur additional expenses in order to produce sufficient inventory, and therefore, may adversely affect our net sales and operating results. Any disruption or delay at our manufacturing or distribution facilities or customer service centers could impair our ability to meet the demands of our customers, and our customers may cancel orders with us or purchase products from our competitors, which could adversely affect our business and operating results.

Further, as a result of pandemic outbreaks, including the recent outbreak of respiratory illness caused by a novel coronavirus first identified in China, businesses can be shut down, supply chains can be interrupted, slowed or rendered inoperable and individuals can become ill, quarantined or otherwise unable to work and/or travel due to health reasons or governmental restrictions. Such outbreaks could result in the operations of our third-party manufacturers and suppliers being disrupted or suspended, or could interfere with our supply chain, which could have an adverse effect on our business. See also the risk factor “Inadequate or interrupted supply of raw materials or components used to make our products could adversely impact our financial condition and operating results.” In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our products and likely impact our operating results.

We have entered new markets in an effort to enhance our growth potential, and uncertainties with respect to these new markets could impact our operating results.

Our ability to expand our market share for our products that are used as components for RVs is limited. We have made investments in an effort to expand the sale of our products in adjacent industries, such as buses, trucks, pontoon boats and trains, where we may have less familiarity with OEM or consumer preferences and could encounter difficulties in attracting customers due to a reduced level of familiarity with our brands. We have also made investments to expand the sale of our products in the aftermarket of our industries, and are exploring opportunities to increase export sales of our products to international markets. These investments involve significant resources, put a strain on our administrative, operational, and financial capabilities and carry a risk of failure. Limited operating experience or limited brand recognition in new markets may limit our business expansion strategy. Lack of demand for our products in these markets or competitive pressures requiring us to lower prices for our products could adversely impact our business growth in these markets and our results of operations.

If acquired businesses are not successfully integrated into our operations, our financial condition and operating results could be adversely impacted.

We have completed several business acquisitions and may continue to engage in acquisitions or similar activities, such as joint ventures and other business transactions. Our ability to grow through acquisitions will depend, in part, on the availability of suitable candidates at acceptable prices, terms, and conditions, our ability to compete effectively for acquisition candidates, and the availability of capital and personnel to complete such acquisitions and run the acquired business effectively. Such acquisitions, joint ventures and other business transactions involve potential risks, including:

- the failure to successfully integrate personnel, departments and systems, including IT and accounting systems, technologies, books and records, and procedures;
- the need for additional investments post-acquisition that could be greater than anticipated;
- the assumption of liabilities of the acquired businesses that could be greater than anticipated;
- incorrect estimates made in the accounting for acquisitions, incurrence of non-recurring charges, and write-off of significant amounts of goodwill or other assets that could adversely affect our operating results;
- unforeseen difficulties related to entering geographic regions or industries in which we do not have prior experience; and
- the potential loss of key employees or existing customers or adverse effects on existing business relationships with suppliers and customers.

Integrating acquired operations is a significant challenge and there is no assurance that we will be able to manage the integrations successfully. If we are unable to efficiently integrate these businesses, the attention of our management could be

diverted from our existing operations and the ability of the management teams at these business units to meet operational and financial expectations could be adversely impacted, which could impair our ability to execute our business plans. Failure to successfully integrate acquired operations or to realize the expected benefits of such acquisitions may have an adverse impact on our results of operations and financial condition.

As we expand our business internationally, we are subject to new operational and financial risks.

We have been gradually growing sales overseas and plan to continue pursuing international opportunities. Nine of our acquisitions since 2017 are headquartered in Europe or have international operations and customers.

Conducting business outside of the United States is subject to various risks, many of which are beyond our control, including:

- adverse political and economic conditions;
- trade protection measures, including tariffs, trade restrictions, trade agreements, and taxation;
- difficulties in managing or overseeing foreign operations and agents;
- differences in regulatory environments, including complex data privacy and labor relations laws, as well as differences in labor practices and market practices;
- cultural and linguistic differences;
- foreign currency fluctuations;
- limitations on the repatriation of funds because of foreign exchange controls;
- different liability standards;
- potentially longer payment cycles;
- different credit risks;
- different technology risks;
- the uncertainty surrounding the implementation and effects of Brexit;
- political, social and economic instability and uncertainty, including sovereign debt issues; and
- intellectual property laws of countries which do not protect our rights in our intellectual property to the same extent as the laws of the United States.

The occurrence or consequences of any of these factors may have an adverse impact on our operating results and financial condition, as well as impact our ability to operate in international markets.

The loss of key management could reduce our ability to execute our business strategy and could adversely affect our business and results of operations.

We are dependent on the knowledge, experience, and skill of our leadership team. The loss of the services of one or more key managers or the failure to attract or retain qualified managerial, technical, sales and marketing, operations and customer service staff could impair our ability to conduct and manage our business and execute our business strategy, which would have an adverse effect on our business, financial condition and results of operations.

Our business is subject to numerous international, federal, state and local regulations, and increased costs of compliance, failure in our compliance efforts, or events beyond our control could result in damages, expenses, or liabilities that could adversely impact our financial condition and operating results.

We are subject to numerous federal, state and local regulations governing the manufacture and sale of our products, including regulations and standards promulgated by the NHTSA of the DOT, the Consumer Products Safety Commission, HUD, and consumer safety standards promulgated by state regulatory agencies and industry associations. Sales and manufacturing operations in foreign countries may be subject to similar regulations. Any major recalls of our products, voluntary or involuntary, could adversely impact our reputation, net sales, financial condition and operating results. Changes in laws or regulations that impose additional regulatory requirements on us could increase our cost of doing business or restrict our actions, causing our results of operations to be adversely affected. Our failure to comply with present or future regulations and standards could result in fines, penalties, recalls, or injunctions being imposed on us, administrative penalties, potential civil and criminal liability, suspension of sales or production, or cessation of operations.

Further, certain other U.S. and foreign laws and regulations affect our activities. Areas of our business affected by such laws and regulations include, but are not limited to, labor, advertising, consumer protection, quality of services, warranty, product liability, real estate, intellectual property, tax, import and export duties, tariffs, competition, environmental, and health and safety. We are also subject to compliance with the U.S. Foreign Corrupt Practices Act ("FCPA"), and other anti-corruption and anti-bribery laws applicable to our operations. Compliance with these laws and others may be onerous and costly, and may

be inconsistent from jurisdiction to jurisdiction, which further complicates compliance efforts. Violations of these laws and regulations could lead to significant penalties, including restraints on our export or import privileges, monetary fines, criminal proceedings and regulatory or other actions that could adversely affect our results of operations. We cannot assure you that our employees, contractors, vendors or agents will not violate such laws and regulations or our policies and procedures related to compliance.

In addition, potentially significant expenditures could be required in order to comply with evolving healthcare, health and safety laws, regulations or other pertinent requirements that may be adopted or imposed in the future by governmental authorities.

Our risk management policies and procedures may not be fully effective in achieving their purposes.

Our policies, procedures, controls and oversight to monitor and manage our enterprise risks may not be fully effective in achieving their purpose and may leave exposure to identified or unidentified risks. Past or future misconduct by our employees, contractors, vendors, or agents could result in violations of law by us, regulatory sanctions and/or serious reputational harm or financial harm. We cannot assure you that our policies, procedures, and controls will be sufficient to prevent all forms of misconduct. We review our compensation policies and practices as part of our overall enterprise risk management program, but it is possible that our compensation policies could incentivize inappropriate risk taking or misconduct. If such inappropriate risks or misconduct occurs, it could have an adverse effect on our results of operations and/or our financial condition.

Our operations are subject to certain environmental laws and regulations, and costs of compliance, investigation, or remediation of environmental conditions could have an adverse effect on our business and results of operations.

Our operations are also subject to certain complex federal, state and local environmental laws and regulations relating to air, water, and noise pollution and the use, storage, discharge and disposal of hazardous materials used during the manufacturing processes. Under certain of these laws, namely the Comprehensive Environmental Response, Compensation, and Liability Act and its state counterparts, liability for investigation and remediation of hazardous substance contamination at currently or formerly owned or operated facilities or at third-party waste disposal sites is joint and several. Failure to comply with these regulations could cause us to become subject to fines and penalties or otherwise have an adverse impact on our business. Although we believe that our operations and facilities have been and are being operated in compliance, in all material respects, with such laws and regulations, one or more of our current or former operating sites, or adjacent sites owned by third-parties, have been affected, and may in the future be affected, by releases of hazardous materials. As a result, we may incur expenditures for future investigation and remediation, including in conjunction with voluntary remediation programs or third-party claims. If other potentially responsible persons are unable or otherwise not obligated to contribute to remediation costs, we could be held responsible for their portion of the remediation costs, and those costs could be material. The operation of our manufacturing facilities entails risks, and we cannot assure you that our costs in relation to these environmental matters or compliance with environmental laws in general will not have an adverse effect on our business and results of operations.

We may not be able to protect our intellectual property and may be subject to infringement claims.

We rely on certain trademarks, patents and other intellectual property rights, including contractual rights with third parties. Our success depends, in part, on our ability to protect our intellectual property against dilution, infringement, and competitive pressure by defending our intellectual property rights. We rely on intellectual property laws of the U.S., European Union, Canada, and other countries, as well as contractual and other legal rights, for the protection of our property rights. However, we cannot assure that these measures will be successful in any given instance, or that third parties will not infringe upon our intellectual property rights. We may be forced to take steps to protect our rights, including through litigation, which could result in a significant expenditure of funds and a diversion of resources. The inability to protect our intellectual property rights could result in competitors manufacturing and marketing similar products which could adversely affect our market share and results of operations. Competitors may challenge, invalidate, or avoid the application of our existing or future intellectual property rights that we receive or license.

From time to time, we receive notices or claims that we may be infringing certain patent or other intellectual property rights of others. While it is not possible to predict the outcome of patent and other intellectual property litigation, such litigation could result in our payment of significant monetary damages and/or royalty payments, negatively impact our ability to sell current or future products, reduce the market value of our products and services, lower our profits, and could otherwise have an adverse effect on our business, financial condition or results of operation. From time to time, we also face claims of misappropriation by a third party that believes we or our employees have inappropriately obtained and used trade secrets or other confidential information of such third parties. Claims that we have misappropriated the trade secrets or other confidential

information of third parties could result in our payment of significant monetary damages, and we could be prevented from further using such trade secrets or confidential information, limiting our ability to develop our products, any of which may have an adverse effect on our business, financial condition, results of operations, and prospects.

Compliance with conflict mineral disclosure requirements creates additional compliance cost and may create reputational challenges.

The SEC adopted rules pursuant to Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act setting forth disclosure requirements concerning the use or potential use of certain minerals, deemed conflict minerals (tantalum, tin, gold and tungsten), that are mined from the Democratic Republic of Congo and adjoining countries. These requirements necessitate due diligence efforts on our part to assess whether such minerals are used in our products in order to make the relevant required annual disclosures that began in May 2014. We have incurred costs and diverted internal resources to comply with these disclosure requirements, including for diligence to determine the sources of those minerals that may be used in or necessary to the production of our products. Compliance costs are expected to continue in future periods, subject to any regulatory changes implemented by the current administration in Washington, D.C. Further action or clarification from the SEC or a court regarding required disclosures could result in reputational challenges that could impact future sales if we determine that certain of our products contain minerals not determined to be conflict free or if we are unable to sufficiently verify the origins for all conflict minerals used in our products and are required to make such disclosures.

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

The efficient operation of our business depends on our information technology systems. 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. We use information systems to report and support the audit of our operational and financial results. Additionally, we rely upon information systems in our sales, marketing, human resources, and communication efforts. The failure of our information technology systems to perform as we anticipate could disrupt our business and could result in transaction errors, processing inefficiencies, and the loss of sales and customers, causing our business and results of operations to suffer.

In addition, our information technology systems may be vulnerable to damage, interruption or unauthorized access from circumstances beyond our control, including fire, natural disasters, security breaches, telecommunications failures, computer viruses, hackers, phishing attempts, cyber-attacks, ransomware and other malware, payment fraud, and other manipulation or improper use of our systems. 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. Further, we have selected and have been implementing a new enterprise resource planning (“ERP”) system, the full implementation of which is expected to take several years; however, there may be other challenges and risks as we upgrade and standardize our ERP system on a company-wide basis.

Cyber-attacks, such as those involving the deployment of malware, are increasing in frequency, sophistication, and intensity and have become increasingly difficult to detect. We have an information security team that deploys the latest firewalls and constantly monitors and continually updates our security protections to mitigate these risks, but despite these ongoing efforts, we cannot assure you that they will be effective or will work as designed. If we fail to maintain or protect our information systems and data integrity effectively, we could: lose existing customers; have difficulty attracting new customers; suffer outages or disruptions in our operations or supply chains; have difficulty preventing, detecting, and controlling fraud; have disputes with customers and suppliers; have regulatory sanctions or penalties imposed; incur increased operating expenses; incur expenses or lose revenues as a result of a data privacy breach; or suffer other adverse consequences.

If we fail to comply with data privacy and security laws and regulations, we could face substantial penalties and our business, operations, and financial condition could be adversely affected.

We are subject to various data privacy and security laws and regulations. A number of U.S. states have enacted data privacy and security laws and regulations that govern the collection, use, disclosure, transfer, storage, disposal, and protection of personal information, such as social security numbers, financial information and other information. For example, several U.S. territories and all 50 states now have data breach laws that require timely notification to individuals, and at times regulators, the media or credit reporting agencies, if a company has experienced the unauthorized access or acquisition of personal information. Other state laws include the California Consumer Privacy Act (the “CCPA”), which largely took effect on January 1, 2020. The CCPA, among other things, contains new disclosure obligations for businesses that collect personal information about California residents and affords those individuals numerous rights relating to their personal information that

may affect our ability to use personal information or share it with our business partners. Other states have considered and/or enacted privacy laws like the CCPA. We will continue to monitor and assess the impact of these state laws, which may impose substantial penalties for violations, impose significant costs for investigations and compliance, allow private class-action litigation and carry significant potential liability for our business.

Outside of the U.S., data protection laws, including the EU General Data Protection Regulation (the “GDPR”), also apply to some of our operations in [the countries in which we provide services to our customers]. Legal requirements in these countries relating to the collection, storage, processing and transfer of personal data continue to evolve. The GDPR imposes, among other things, data protection requirements that include strict obligations and restrictions on the ability to collect, analyze and transfer EU personal data, a requirement for prompt notice of data breaches to data subjects and supervisory authorities in certain circumstances, and possible substantial fines for any violations (including possible fines for certain violations of up to the greater of 20 million Euros or 4% of total worldwide annual revenue). Governmental authorities around the world have enacted similar types of legislative and regulatory requirements concerning data protection, and additional governments are considering similar legal frameworks.

The interpretation and enforcement of the laws and regulations described above are uncertain and subject to change, and may require substantial costs to monitor and implement compliance with those or any additional requirements. Failure to comply with U.S. and international data protection laws and regulations could result in government enforcement actions (which could include substantial civil and/or criminal penalties), private litigation and/or adverse publicity and could negatively affect our operating results and business.

Additionally, because we accept debit and credit cards for payment, we are subject to the Payment Card Industry Data Security Standard (the “PCI Standard”), issued by the Payment Card Industry Security Standards Council. The PCI Standard contains compliance guidelines with regard to our security surrounding the physical and electronic storage, processing, and transmission of cardholder data. Complying with the PCI Standard and implementing related procedures, technology, and information security measures requires significant resources and ongoing attention. Costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology such as those necessary to maintain compliance with the PCI Standard or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations. Any material interruptions or failures in our payment-related systems could have an adverse effect on our business, financial condition and results of operations.

We could incur warranty claims in excess of reserves.

We receive warranty claims from our customers in the ordinary course of our business. Although we maintain reserves for such claims, which to date have been adequate, there can be no assurance that warranty expense levels will remain at current levels or that such reserves will continue to be adequate. A significant increase in warranty claims exceeding our current warranty expense levels could have an adverse effect on our results of operations and financial condition.

In addition to the costs associated with the contractual warranty coverage provided on our products, we also occasionally incur costs as a result of additional service actions not covered by our warranties, including product recalls and customer satisfaction actions. Although we estimate and reserve for the cost of these service actions, there can be no assurance that expense levels will remain at current levels or such reserves will continue to be adequate.

We may be subject to product liability claims if people or property are harmed by the products we sell.

Some of the products we sell may expose us to product liability claims relating to personal injury, death, or property damage, and may require product recalls or other actions. Although we maintain liability and product recall insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. In addition, even if a product liability claim is not successful or is not fully pursued, the negative publicity surrounding a product recall or any assertion that our products caused property damage or personal injury could damage our brand identity and our reputation with existing and potential consumers and have an adverse effect on our business, financial condition and results of operations.

We could incur asset impairment charges for goodwill, intangible assets or other long-lived assets.

A portion of our total assets as of December 31, 2019 was comprised of goodwill, intangible assets and other long-lived assets. At least annually, we review goodwill for impairment. Long-lived assets, identifiable intangible assets and goodwill are also reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the

business, or other factors. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Our determination of future cash flows, future recoverability, and fair value of our long-lived assets includes significant estimates and assumptions. Changes in those estimates or assumptions or lower than anticipated future financial performance may result in the identification of an impaired asset and a non-cash impairment charge, which could be material. Any such charge could adversely affect our operating results and financial condition.

We may become more leveraged.

Financing for our investments is typically provided through a combination of currently available cash and cash equivalents, term loans, and use of our revolving credit facility. The incurrence of indebtedness may cause us to become more leveraged, which could (1) require us to dedicate a greater portion of our cash flow to the payment of debt service, (2) make us more vulnerable to a downturn in the economy, (3) limit our ability to obtain additional financing, or (4) negatively affect our outlook by one or more of our lenders.

We are subject to covenants in our debt agreements that may restrict or limit our operations and acquisitions and our failure to comply with the covenants in our debt agreements could have an adverse material impact on our business, results of operations and financial condition.

Our debt agreements contain various covenants, restrictions, and events of default. Among other things, these provisions require us to maintain certain financial ratios, including a maximum net leverage ratio and a minimum debt service coverage ratio, and impose certain limits on our ability to incur indebtedness, create liens, and make investments or acquisitions. Breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, which may permit the lenders under these debt agreements to exercise remedies. These defaults could have an adverse material impact on our business, results of operations and financial condition.

An increase in interest rates could adversely impact our financial condition, results of operations and cash flows.

Our financial condition, results of operations and cash flows could be significantly affected by changes in interest rates and actions taken by the Federal Reserve or changes in the London Interbank Offered Rate (“LIBOR”) or its replacement. Future increases in market interest rates would increase our interest expense. Borrowings under our Amended Credit Agreement currently bear interest at variable rates based on either an Alternate Base Rate or an Adjusted LIBOR plus, in each case, an applicable margin. In July 2017, the U.K. Financial Conduct Authority announced that, after the end of 2021, it would no longer persuade or compel contributing banks to make rate submissions to the ICE Benchmark Administration (together with any successor to the ICE Benchmark Administrator, the “IBA”) for purposes of the IBA setting the LIBOR. As a result, it is possible that commencing in 2022, the LIBOR may no longer be available or may no longer be deemed an appropriate reference rate upon which to determine the interest rate on eurocurrency loans. While our Amended Credit Agreement provides a mechanism for determining an alternative rate of interest in the event that LIBOR is no longer available, any such alternative, successor, or replacement rate may not be similar to, or produce the same value or economic equivalence of, LIBOR or have the same volume or liquidity as did LIBOR prior to its discontinuance or unavailability, which may increase our overall interest expense. In addition, there can be no assurance that we will be able to reach an agreement with the administrative agent for our lenders on any such replacement benchmark before experiencing adverse effects due to changes in interest rates, if at all. We will continue to monitor the situation and address the potential reference rate changes in future debt obligations that we may incur.

Although we currently pay regular quarterly dividends on our common stock, we cannot assure you that we will continue to pay a regular quarterly dividend.

In March 2016, our Board of Directors approved the commencement of a dividend program under which we have paid regular quarterly cash dividends to holders of our common stock. Our ability to pay dividends, and our Board of Directors’ determination to maintain our current dividend policy, will depend on a number of factors, including:

- the state of our business, competition, and changes in our industry;
- changes in the factors, assumptions, and other considerations made by our Board of Directors in reviewing and revising our dividend policy;
- our future results of operations, financial condition, liquidity needs, and capital resources;
- limitations in our debt agreements; and
- our various expected cash needs, including cash interest and principal payments on our indebtedness, capital expenditures, the purchase price of acquisitions, and taxes.

Each of the factors listed above could negatively affect our ability to pay dividends in accordance with our dividend policy or at all. In addition, our Board of Directors may elect to suspend or alter the current dividend policy at any time.

Although we have initiated a stock repurchase program, we cannot assure you that we will continue to repurchase shares or that we will repurchase shares at favorable prices.

In October 2018, our Board of Directors authorized a stock repurchase program granting the Company authority to repurchase up to \$150.0 million of the Company's common stock over a three-year period. The amount and timing of share repurchases are subject to capital availability and our determination that share repurchases are in the best interest of our shareholders. In addition, any share repurchases must comply with all respective laws and any agreements applicable to the repurchase of shares, including our debt agreements. Our ability to repurchase shares will depend upon, among other factors, our cash balances and potential future capital requirements for strategic investments, our results of operations, our financial condition, and other factors beyond our control that we may deem relevant. A reduction in repurchases, or the completion of our stock repurchase program, could have a negative impact on our stock price. Additionally, we can provide no assurance that we will repurchase shares at favorable prices, if at all.

Our stock price may be volatile.

The price of our common stock may fluctuate widely, depending upon a number of factors, many of which are beyond our control. These factors include:

- the perceived prospects of our business and our industries as a whole;
- differences between our actual financial and operating results and those expected by investors and analysts;
- changes in analysts' recommendations or projections;
- changes affecting the availability of financing in the wholesale and consumer lending markets;
- actions or announcements by competitors;
- changes in laws and regulations affecting our business;
- the gain or loss of significant customers;
- significant sales of shares by a principal stockholder;
- activity under our stock repurchase program;
- changes in key personnel;
- actions taken by stockholders that may be contrary to our Board of Directors' recommendations; and
- changes in general economic or market conditions.

In addition, stock markets generally experience significant price and volume volatility from time to time, which may adversely affect the market price of our common stock for reasons unrelated to our performance.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES.

The Company's manufacturing operations are conducted at facilities that are used for both manufacturing and distribution. Many of the properties manufacture and warehouse products sold through both the OEM Segment and Aftermarket Segment and are included in the OEM Segment in the table below. The Company believes that substantially all of its properties are in generally good condition and there is sufficient capacity to meet current and projected manufacturing and distribution requirements. In addition, the Company maintains administrative facilities used for corporate and administrative functions. The Company's primary administrative offices are located in Elkhart and Mishawaka, Indiana. Total administrative space company-

wide aggregates approximately 500,000 square feet. At December 31, 2019, the Company's key property holdings are summarized in the following table:

Segment	Type	North America Facilities	Europe Facilities	Total Facilities*	Owned Facilities
OEM	Manufacturing ^(a)	53	14	67	34
	Other ^(b)	12	5	17	4
Aftermarket	Manufacturing ^(a)	2	—	2	—
	Other ^(b)	19	—	19	1
Total		86	19	105	39

(a) Includes multi-activity sites which are predominately manufacturing

(b) Includes engineering, administrative, and distribution locations

(*) Excludes three unutilized facilities

Item 3. LEGAL PROCEEDINGS.

In the normal course of business, the Company is subject to proceedings, lawsuits, regulatory agency inquiries, and other claims. All such matters are subject to uncertainties and outcomes that are not predictable with assurance. While these matters could materially affect operating results when resolved in future periods, management believes that, after final disposition, including anticipated insurance recoveries in certain cases, any monetary liability or financial impact to the Company beyond that provided for in the Consolidated Balance Sheet as of December 31, 2019, would not be material to the Company's financial position or annual results of operations.

Item 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market and Stockholders

As of February 14, 2020, there were 274 holders of the Company's common stock, in addition to beneficial owners of shares held in broker and nominee names. The Company's common stock trades on the New York Stock Exchange under the symbol "LCII".

The table and related information required for the Equity Compensation Plan is incorporated by reference from the information contained under the caption "Equity Compensation Plan Information" in the Company's 2020 Proxy Statement.

Dividends and Share Repurchases

See Note 12 - Stockholders' Equity of the Notes to Consolidated Financial Statements (Part II, Item 8 of this Form 10-K) for further discussion regarding dividends and share repurchases. There were no share repurchases for the year ended December 31, 2019.

In 2016, the Company initiated the payment of regular quarterly dividends. Future dividend policy with respect to the common stock will be determined by the Board of Directors of the Company in light of prevailing financial needs and earnings of the Company and other relevant factors, including any limitations in our debt agreements, such as maintenance of certain financial ratios.

Item 6. SELECTED FINANCIAL DATA.

The following table summarizes certain selected historical financial and operating information of the Company and is derived from the Company's Consolidated Financial Statements. Historical financial data may not be indicative of the Company's future performance. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto included in Item 7 and Item 8 of this Report, respectively.

<i>(In thousands, except per share amounts)</i>	Year Ended December 31,				
	2019	2018	2017	2016	2015
Operating Data:					
Net sales	\$ 2,371,482	\$ 2,475,807	\$ 2,147,770	\$ 1,678,898	\$ 1,403,066
Operating profit	200,210	198,788	214,281	200,850	116,254
Income before income taxes	191,414	192,352	212,844	199,172	114,369
Provision for income taxes ⁽¹⁾	44,905	43,801	79,960	69,501	40,024
Net income ⁽¹⁾	146,509	148,551	132,884	129,671	74,345
Net income per common share:					
Basic ⁽¹⁾	\$ 5.86	\$ 5.90	\$ 5.31	\$ 5.26	\$ 3.06
Diluted ⁽¹⁾	5.84	5.83	5.24	5.20	3.02
Cash dividends per common share	\$ 2.55	\$ 2.35	\$ 2.05	\$ 1.40	\$ 2.00
Financial Data:					
Net working capital	\$ 399,533	\$ 349,069	\$ 235,066	\$ 218,043	\$ 146,964
Total assets	1,862,595	1,243,893	945,858	786,904	622,856
Long-term obligations ⁽²⁾	790,665	360,056	111,100	87,284	85,419
Stockholders' equity	800,672	706,255	652,745	550,269	438,575

⁽¹⁾ Amounts include a one-time non-cash charge of \$0.6 million (\$0.03 per diluted share) and \$13.2 million (\$0.52 per diluted share) related to the impact of the TCJA for the years ended December 31, 2018 and 2017, respectively. See "Provision for Income Taxes" and "Non-GAAP Measures" included in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information related to the impact of the TCJA and for additional information regarding the Company's use of non-GAAP financial measures and reconciliations to the most directly comparable GAAP financial measures.

⁽²⁾ Long-term obligations at December 31, 2019 include \$79.8 million of operating lease obligations following the Company's adoption of ASC 842 - Leases on January 1, 2019.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto included in Item 8 of this Report.

The Company, through its wholly-owned subsidiary, LCI, supplies, domestically and internationally, a broad array of engineered components for the leading OEMs in the recreation and transportation product markets, consisting of RVs and adjacent industries including buses; trailers used to haul boats, livestock, equipment and other cargo; trucks; boats; trains; manufactured homes; and modular housing. The Company also supplies engineered components to the related aftermarkets of these industries, primarily by selling to retail dealers, wholesale distributors, and service centers.

The Company has two reportable segments, the OEM Segment and the Aftermarket Segment. At December 31, 2019, the Company operated over 90 manufacturing and distribution facilities located throughout North America and Europe.

Net sales and operating profit were as follows for the years ended December 31:

(In thousands)	2019	2018	2017
Net sales:			
OEM Segment:			
RV OEMs:			
Travel trailers and fifth-wheels	\$ 1,276,718	\$ 1,440,730	\$ 1,405,983
Motorhomes	155,623	187,297	159,417
Adjacent Industries OEMs	659,560	614,589	411,223
Total OEM Segment net sales	2,091,901	2,242,616	1,976,623
Aftermarket Segment:			
Total Aftermarket Segment net sales	279,581	233,191	171,147
Total net sales	\$ 2,371,482	\$ 2,475,807	\$ 2,147,770
Operating profit:			
OEM Segment	\$ 165,290	\$ 167,459	\$ 190,276
Aftermarket Segment	34,920	31,329	24,005
Total operating profit	\$ 200,210	\$ 198,788	\$ 214,281

Corporate expenses are allocated between the segments based upon net sales. Accretion related to contingent consideration is included in the segment to which it relates.

Net sales and operating profit by segment, as a percent of the total, were as follows for the years ended December 31:

	2019	2018	2017
Net sales:			
OEM Segment	88%	91%	92%
Aftermarket Segment	12%	9%	8%
Total net sales	100%	100%	100%
Operating Profit:			
OEM Segment	83%	84%	89%
Aftermarket Segment	17%	16%	11%
Total segment operating profit	100%	100%	100%

Operating profit margin by segment was as follows for the years ended December 31:

	2019	2018	2017
OEM Segment	7.9%	7.5%	9.6%
Aftermarket Segment	12.5%	13.4%	14.0%

The Company's OEM Segment manufactures and distributes a broad array of engineered components for the leading OEMs of RVs and adjacent industries, including buses; trailers used to haul boats, livestock, equipment and other cargo; trucks; boats; trains; manufactured homes; and modular housing. Approximately 61 percent of the Company's OEM Segment net sales for the year ended December 31, 2019 were of components for travel trailer and fifth-wheel RVs, including:

- Steel chassis and related components
- Axles and suspension solutions
- Slide-out mechanisms and solutions
- Thermoformed bath, kitchen and other products
- Vinyl, aluminum and frameless windows
- Manual, electric and hydraulic stabilizer and leveling systems
- Entry, luggage, patio and ramp doors
- Furniture and mattresses
- Electric and manual entry steps
- Awnings and awning accessories
- Electronic components
- Other accessories

The Aftermarket Segment supplies many of these components to the related aftermarket channels of the RV and adjacent industries, primarily to retail dealers, wholesale distributors, and service centers. The Aftermarket Segment also

includes the sale of replacement glass and awnings to fulfill insurance claims, biminis, covers, buoys, and fenders to the marine industry, and towing products and truck accessories.

Diversification Strategy

The Company is executing a strategic initiative to diversify the markets it serves away from the historical concentration within the North American RV industry. The Company's goal is to have 60 percent of net sales be generated outside of the North American RV industry by the year 2022. Approximately 42 percent of net sales for the year ended December 31, 2019 were generated outside of the North American RV market.

INDUSTRY BACKGROUND

OEM Segment

North American Recreational Vehicle Industry

An RV is a vehicle designed as temporary living quarters for recreational, camping, travel or seasonal use. RVs may be motorized (motorhomes) or towable (travel trailers, fifth-wheel travel trailers, folding camping trailers and truck campers).

The annual sales cycle for the RV industry generally starts in October after the “Open House” in Elkhart, Indiana where many of the largest RV OEMs display product to RV retail dealers and ends after the conclusion of the summer selling season in September in the following calendar year. Between October and March, industry-wide wholesale shipments of travel trailer and fifth-wheel RVs have historically exceeded retail sales as dealers build inventories to support anticipated sales. Between April and September, the spring and summer selling seasons, retail sales of travel trailer and fifth-wheel RVs have historically exceeded industry-wide wholesale shipments. Although 2019 saw a disruption of wholesale shipments as dealers attempted to normalize their inventory levels, the Company expects wholesale and retail volumes to more closely align in 2020.

According to the RVIA, industry-wide wholesale shipments from the United States of travel trailer and fifth-wheel RVs in 2019, the Company’s primary RV market, decreased 16 percent to 349,500 units, compared to 2018. The decrease was a result of an estimated 28,800 units, or seven percent, decrease in retail sales in 2019, as compared to 2018, and an effort to normalize retail inventories as evidenced by RV dealers decreasing inventory levels by an estimated 45,100 units for 2019, compared to a decrease in inventory levels of 8,300 units in 2018. Retail demand is typically revised upward in subsequent months, primarily due to delayed RV registrations.

While the Company measures its OEM Segment RV sales against industry-wide wholesale shipment statistics, the underlying health of the RV industry is determined by retail demand. A comparison of the number of units and the year-over-year percentage change in industry-wide wholesale shipments and retail sales of travel trailers and fifth-wheel RVs, as reported by Statistical Surveys, Inc., as well as the resulting estimated change in dealer inventories, for both the United States and Canada, is as follows:

	Wholesale		Retail		Estimated Unit Impact on Dealer Inventories
	Units	Change	Units	Change	
Year ended December 31, 2019	349,500	(16)%	394,600	(7)%	(45,100)
Year ended December 31, 2018	415,100	(3)%	423,400	6%	(8,300)
Year ended December 31, 2017	429,500	15%	401,200	11%	28,300

According to the RVIA, industry-wide wholesale shipments of motorhome RVs in 2019 decreased 19 percent to 46,700 units compared to 2018. Retail demand for motorhome RVs also decreased 13 percent in 2019, following a one percent decrease in retail demand in 2018.

The RVIA has projected a modest decrease in industry-wide wholesale shipments of travel trailer and fifth-wheel RVs for 2020. Several RV OEMs, however, are introducing new product lines and additional features. Retail sales of RVs historically have been closely tied to general economic conditions, as well as consumer confidence, which was above historical averages in 2019. Industry resources report strong attendance and high consumer interest at RV shows around the United States and Canada in 2020, thus far.

Adjacent Industries

The Company's portfolio of products used in RVs can also be used in other applications, including buses; trailers used to haul boats, livestock, equipment and other cargo; trucks; boats; trains; manufactured homes; and modular housing (collectively, "Adjacent Industries"). In many cases, OEM customers of the Adjacent Industries are affiliated with RV OEMs through related subsidiaries. The Company believes there are significant opportunities in these Adjacent Industries and, as a result, five of the seven 2019 business acquisitions completed by the Company were focused in Adjacent Industries.

The estimated potential content per unit the Company may supply to the Adjacent Industries varies by OEM product and differs from RVs. As a means to understand the potential of each of these markets, management reviews the number of retail units sold. The following are key target markets for Adjacent Industries component sales:

- Enclosed trailers. According to Statistical Surveys, approximately 208,400, 217,500, and 210,200 enclosed trailers were sold in 2019, 2018, and 2017, respectively.
- Traditional power boats. Statistical Surveys also reported approximately 282,500, 210,500, and 203,200 traditional power boats were sold in 2019, 2018, and 2017, respectively. Traditional power boats include bass, deck, jet, pontoon, ski-wake, and other boats. Included in this total, Statistical Surveys reported approximately 57,100, 58,600, and 55,000 pontoon boats were sold in 2019, 2018, and 2017, respectively.
- School buses. According to School Bus Fleet, there were approximately 44,400 school buses sold in each of 2019, 2018, and 2017.
- Manufactured housing. According to the Institute for Building Technology and Safety, there were approximately 94,600, 96,600, and 92,900 manufactured home wholesale shipments in 2019, 2018, and 2017, respectively.

Aftermarket Segment

Many of the Company's OEM Segment products are also sold through various aftermarket channels, including dealerships, wholesale distributors, and service centers, as well as direct to retail customers via the Internet. This includes discretionary accessories and replacement service parts. The Company has teams dedicated to product technical and installation training as well as marketing support for its Aftermarket Segment customers. The Company also supports multiple call centers to provide responses to customers for both product delivery and technical support. This support is designed for a rapid response to critical repairs, so customer downtime is minimized. The Aftermarket Segment also includes the sale of replacement glass and awnings to fulfill insurance claims, biminis, covers, buoys, and fenders to the marine industry, and towing products and truck accessories. Many of the optional upgrades and non-critical replacements for RVs are purchased outside the normal product selling seasons, thereby causing certain Aftermarket Segment sales to be counter-seasonal.

According to the RVIA, estimated RV ownership in the United States has increased to over nine million units. Additionally, as a result of a vibrant secondary market, one-third of current owners purchased their RV new while the remaining two-thirds purchased a previously owned RV. This vibrant secondary market is a key driver for aftermarket sales, as the Company anticipates owners of previously owned RVs will likely upgrade their units as well as replace parts and accessories which have been subjected to normal wear and tear.

RESULTS OF OPERATIONS

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Consolidated Highlights

- Consolidated net sales for the full-year 2019 were \$2.4 billion, four percent lower than consolidated net sales for the full-year 2018 of \$2.5 billion. The decrease in year-over-year net sales reflects a continuation of lower RV wholesale shipments seen throughout the year as dealers continued to correct their inventory levels, partially offset by continued growth in the Company's adjacent industries OEM, aftermarket and international markets. Net sales from acquisitions completed by the Company contributed \$93.0 million in 2019.
- Net income for the full-year 2019 decreased to \$146.5 million, down from net income of \$148.6 million in 2018, while earnings per share increased to \$5.84 per diluted share for 2019 compared to \$5.83 per diluted share in 2018. Net income for 2018 included one-time non-cash charges of \$0.6 million (\$0.03 per diluted share), related to the impact of the TCJA. Excluding the estimated impact of the TCJA, adjusted net income was \$149.2 million, or \$5.86 per diluted share, in 2018. Adjusted net income and adjusted net income per diluted share are non-GAAP

financial measures. See “Non-GAAP Measures” for additional information regarding the Company’s use of non-GAAP financial measures and a reconciliation to the most directly comparable GAAP financial measures.

- Consolidated operating profit during 2019 increased one percent, to \$200.2 million from \$198.8 million in 2018. Operating profit margin increased to 8.4 percent in 2019 from 8.0 percent in 2018.
- The cost of aluminum and steel used in certain of the Company’s manufactured components continued to decrease in 2019 from peak costs during the second and third quarter of 2018 and have favorably impacted margins while being offset, in part, by contractual reductions in customer selling prices that are indexed to select commodities. Raw material costs continue to fluctuate and are expected to remain volatile.
- Labor costs were favorable in 2019 as the Company seeks to continuously manage its labor cost while supporting the operations of the business. Lean manufacturing teams continue working to reduce cost and implement processes to better utilize manufacturing capacity. The Company has also reduced direct labor attrition, which improves efficiency and reduces other costs associated with workforce turnover.
- The effective tax rate of 23.5 percent for the full-year 2019 was higher than the prior year, primarily due to a year-over-year reduction in the excess tax benefits related to the vesting of equity-based compensation awards, as discussed below under “Provision for Income Taxes.”
- In 2019, the Company paid quarterly dividends aggregating \$2.55 per share, or \$63.8 million.

OEM Segment

Net sales of the OEM Segment in 2019 decreased 7 percent, or \$150.7 million, compared to 2018. Net sales of components to OEMs were to the following markets for the years ended December 31:

<i>(In thousands)</i>	2019	2018	Change
RV OEMs:			
Travel trailers and fifth-wheels	\$ 1,276,718	\$ 1,440,730	(11)%
Motorhomes	155,623	187,297	(17)%
Adjacent Industries OEMs	659,560	614,589	7%
Total OEM Segment net sales	<u>\$ 2,091,901</u>	<u>\$ 2,242,616</u>	<u>(7)%</u>

According to the RVIA, industry-wide wholesale shipments for the years ended December 31, were:

	2019	2018	Change
Travel trailer and fifth-wheel RVs	349,500	415,100	(16)%
Motorhomes	46,700	57,600	(19)%

The trend in the Company’s average product content per RV produced is an indicator of the Company’s overall market share of components for new RVs. The Company’s average product content per type of RV, calculated based upon the Company’s net sales of components to domestic RV OEMs for the different types of RVs produced for the twelve months ended December 31, divided by the industry-wide wholesale shipments of the different product mix of RVs for the same period, was:

<i>Content per:</i>	2019	2018	Change
Travel trailer and fifth-wheel RV	\$ 3,618	\$ 3,449	5%
Motorhome	\$ 2,364	\$ 2,491	(5)%

The Company’s average product content per type of RV excludes international sales and sales to the Aftermarket Segment and Adjacent Industries. Content per RV is impacted by market share gains, acquisitions, new product introductions, and changes in selling prices for the Company’s products, as well as changes in the types of RVs produced industry-wide.

The Company’s decrease in net sales to RV OEMs of travel trailers, fifth-wheel, and motorhome components during 2019 related to declines in industry-wide wholesale unit shipments. The net sales decrease was partially offset by pricing changes of targeted products and content gains in travel trailers and fifth-wheels during 2019. Motorized content was impacted by a continued market shift to smaller units in 2019.

The Company’s net sales to Adjacent Industries OEMs increased during 2019, primarily due to acquisitions completed in 2019 and market share gains. OEM marine net sales were \$167.5 million in 2019, an increase of \$13.4 million compared to 2018, primarily due to acquisitions completed in 2019 and 2018. The Company continues to believe there are significant opportunities in Adjacent Industries.

Operating profit of the OEM Segment was \$165.3 million in 2019, a decrease of \$2.2 million compared to 2018. The operating profit margin of the OEM Segment increased to 7.9 percent in 2019 compared to 7.5 percent in 2018 and was positively impacted by:

- Pricing changes of targeted products, resulting in an increase to net sales of \$40.0 million in 2019 compared to 2018.
- Investments over the past several years to improve operating efficiencies, including lean manufacturing initiatives, increased use of automation, and employee retention initiatives, which reduced direct labor costs by \$15.0 million during 2019 compared to 2018.
- Reductions in insurance related costs of \$11.2 million in 2019.

Partially offset by:

- Fixed costs being spread over an OEM Segment sales base that decreased by \$150.7 million.
- Increases in incentive compensation of \$10.4 million as a result of improved operating margin.
- Investments in selling and administration resources of \$8.8 million to support the complexities of international growth and acquisition-related costs.
- Higher production facility costs due to investments to expand capacity over the past couple of years, which increased expenses by \$5.8 million in 2019.

Aftermarket Segment

Net sales of the Aftermarket Segment in 2019 increased 20 percent, or \$46.4 million, compared to 2018. Net sales of components in the Aftermarket Segment were as follows for the years ended December 31:

<i>(In thousands)</i>	2019	2018	Change
Total Aftermarket Segment net sales	\$ 279,581	\$ 233,191	20%

The Company's net sales to the Aftermarket Segment increased during 2019 primarily due to increases in market share, acquisitions which contributed approximately \$20.0 million in sales, and the Company's focus on building out well qualified, customer-focused teams, and infrastructure to service this market.

Operating profit of the Aftermarket Segment was \$34.9 million in 2019, an increase of \$3.6 million compared to 2018. The operating profit margin of the Aftermarket Segment was 12.5 percent in 2019, compared to 13.4 percent in 2018, and was negatively impacted by:

- Increase in sales of lower margin Furrion product which negatively impacted operating profit by \$1.8 million.
- Higher production facility costs due to investments to expand capacity over the past couple of years, which increased expenses by \$1.6 million in 2019.
- Acquisition integration costs, which reduced operating profit by \$1.0 million.

Partially offset by:

- Fixed costs being spread over an Aftermarket Segment sales base that increased by \$46.4 million.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Consolidated Highlights

- Consolidated net sales for the year ended December 31, 2018 increased to a record \$2.5 billion, 15 percent higher than consolidated net sales for the year ended December 31, 2017 of \$2.1 billion. The increase in year-over-year sales reflects growth across the Company's segments, as well as acquisitions completed by the Company over the twelve months ended December 31, 2018 which added \$231.4 million in net sales.
- Net income for the full-year 2018 increased to \$148.6 million, or \$5.83 per diluted share, up from net income of \$132.9 million, or \$5.24 per diluted share, in 2017. Net income for 2018 and 2017 included one-time non-cash charges of \$0.6 million (\$0.03 per diluted share) and \$13.2 million (\$0.52 per diluted share), respectively, related to the impact of the TCJA. Excluding the estimated impact of the TCJA, adjusted net income was \$149.2 million, or \$5.86 per diluted share, in 2018, compared to \$146.1 million, or \$5.76 per diluted share, in 2017. Adjusted net income and adjusted net income per diluted share are non-GAAP financial measures. See "Non-GAAP Measures"

for additional information regarding the Company's use of non-GAAP financial measures and a reconciliation to the most directly comparable GAAP financial measures.

- Consolidated operating profit during 2018 decreased seven percent, to \$198.8 million from \$214.3 million in 2017. Operating profit margin decreased to 8.0 percent in 2018 from 10.0 percent in 2017.
- The cost of aluminum and steel used in certain of the Company's manufactured components increased throughout 2018 from lows in 2016 and 2015, having a large impact on operating profits. Raw material costs continue to fluctuate and are expected to remain volatile.
- The Company continues to take actions to improve its cost structure. The Company seeks to continuously manage its labor cost, particularly indirect labor, while supporting the growth of the business. Lean manufacturing teams continue working to reduce costs and implement processes to better utilize available floorspace. The Company has also reduced direct labor attrition, which improves efficiency and reduces other costs associated with workforce turnover.
- During 2018, the Company completed four acquisitions:
 - In November 2018, the Company acquired the business and certain assets of the furniture manufacturing operation of Smoker Craft, Inc., a leading pontoon, aluminum fishing, and fiberglass boat manufacturer located in New Paris, Indiana. The purchase price was \$28.1 million paid at closing.
 - In June 2018, the Company acquired 100 percent of the equity interests of ST. LA. S.r.l., a manufacturer of bed lifts and other RV components for the European caravan market, headquartered in Pontedera, Italy. The purchase price was \$14.8 million, net of cash acquired, paid at closing.
 - In February 2018, the Company acquired substantially all of the business assets of Hehr International Inc., a manufacturer of windows and tempered and laminated glass for the RV, transit, specialty vehicle, and other adjacent industries, headquartered in Los Angeles, California. The purchase price was \$51.5 million paid at closing.
 - In January 2018, the Company acquired 100 percent of the equity interests of Taylor Made Group, LLC, a marine supplier to boat builders and the aftermarket, as well as a key supplier to a host of other industrial end markets, headquartered in Gloversville, New York. The purchase price was \$90.4 million, net of cash acquired, paid at closing.
- Integration activities for these acquired businesses are underway and proceeding in line with established plans. The Company plans to leverage its purchasing power, manufacturing capabilities, engineering expertise and design resources to improve the cost structure of the acquired operations.
- In March 2018, the Company paid a quarterly dividend of \$0.55 per share, aggregating \$13.9 million. In June, September and December 2018, the Company paid a quarterly dividend of \$0.60 per share, aggregating \$15.1 million, \$15.1 million and \$15.2 million, respectively.
- In 2018, the Company repurchased 0.4 million of its common shares for \$28.7 million of the authorized \$150.0 million under its new stock repurchase program.

OEM Segment

Net sales of the OEM Segment in 2018 increased 13 percent, or \$266.0 million, compared to 2017. Net sales of components to OEMs were to the following markets for the years ended December 31:

<i>(In thousands)</i>	2018	2017	Change
RV OEMs:			
Travel trailers and fifth-wheels	\$ 1,440,730	\$ 1,405,983	2%
Motorhomes	187,297	159,417	17%
Adjacent industries	614,589	411,223	49%
Total OEM Segment net sales	<u>\$ 2,242,616</u>	<u>\$ 1,976,623</u>	<u>13%</u>

According to the RVIA, industry-wide wholesale shipments for the years ended December 31, were:

	2018	2017	Change
Travel trailer and fifth-wheel RVs	415,100	429,500	(3)%
Motorhomes	57,600	62,600	(8)%

The Company's net sales growth in components for travel trailer and fifth-wheel RVs during 2018 outperformed industry-wide wholesale shipments of travel trailer and fifth-wheel RVs during the same period primarily due to market share gains as a result of price increases, new product introductions and customer penetration.

The Company's net sales growth in components for motorhomes during 2018 outperformed industry-wide wholesale shipments of motorhomes during the same period primarily due to acquisitions and market share gains in 2018. Over the past few years, the Company has been expanding its product line of components for motorhomes in order to increase its customer base and market penetration.

The trend in the Company's average product content per RV produced is an indicator of the Company's overall market share of components for new RVs. The Company's average product content per type of RV, calculated based upon the Company's net sales of components to RV OEMs for the different types of RVs produced for the years ended December 31, divided by the industry-wide wholesale shipments of the different types of RVs for the same period, was:

Content per:	2018	2017	Change
Travel trailer and fifth-wheel RV	\$ 3,449	\$ 3,263	6%
Motorhome	\$ 2,491	\$ 2,219	12%

The Company's average product content per type of RV excludes international sales and sales to the Aftermarket Segment and Adjacent Industries. Content per RV is impacted by market share gains, acquisitions, new product introductions, and changes in selling prices for the Company's products, as well as changes in the types of RVs produced industry-wide.

The Company's net OEM sales to Adjacent Industries increased during 2018 primarily due to market share gains and acquisitions completed in 2018.

Operating profit of the OEM Segment was \$167.5 million in 2018, a decrease of \$22.8 million compared to 2017. The operating profit margin of the OEM Segment was negatively impacted by:

- Higher material costs for certain raw materials. Steel, aluminum and foam costs continued to increase in 2018 primarily driven by tariffs and tariff speculation on steel and aluminum, which increased material costs by \$53.7 million in 2018. Material costs are subject to global supply and demand forces, as well as tariff changes, and are expected to remain volatile.
- The Company made significant investments over the past couple of years in manufacturing capacity, in both facilities and personnel, to prepare for the expected increase in net sales in 2018 and beyond. Rent, utilities, and depreciation expense negatively impacted operating profit by \$12.7 million in 2018 as a result of expansion of manufacturing capacity. In addition to these investments, the Company has made improvements in marketing, human resources, engineering, customer service and other critical departments. The Company also added the teams from acquired businesses, and expenses were negatively impacted by amortization costs of intangible assets related to those businesses, which were \$1.4 million in 2018.
- Higher labor costs. While the Company seeks to continuously manage its labor cost, it has added staff to support the growth of the business. Additionally, competition for skilled workers has continued to tighten the labor market which has increased the cost of labor. Overall compensation, including benefits, negatively impacted operating profit by \$22.4 million in 2018.

Partially offset by:

- Pricing changes of certain products, resulting in an increase of \$65.7 million in net sales for 2018 compared to 2017.
- Increased sales to higher margin Adjacent Industries OEMs of \$203.4 million, from \$411.2 million in 2017 to \$614.6 million in 2018, which improved operating profit by \$1.4 million in 2018.
- Cost savings related to investments over the past several years to improve operating efficiencies, including lean manufacturing initiatives, increased use of automation and employee retention initiatives. The Company has also reduced direct labor attrition which improves efficiency and reduces other costs associated with workforce turnover.

Aftermarket Segment

Net sales of the Aftermarket Segment in 2018 increased 36 percent, or \$62.0 million, compared to 2017. Net sales of components in the Aftermarket Segment were as follows for the years ended December 31:

<i>(In thousands)</i>	2018	2017	Change
Total Aftermarket Segment net sales	\$ 233,191	\$ 171,147	36%

The Company's net sales to the Aftermarket Segment increased during 2018 primarily due to acquisitions and the Company's focus on building out well qualified, customer-focused teams and infrastructure to service this market.

Operating profit of the Aftermarket Segment was \$31.3 million in 2018, an increase of \$7.3 million compared to 2017, primarily due to the increase in net sales. Operating profit margin of the Aftermarket Segment was 13.4 percent in 2018, compared to 14.0 percent in 2017.

Provision for Income Taxes

The effective income tax rate for 2019 was 23.5 percent compared to 22.8 percent in 2018. The effective tax rate of 23.5 percent for the full-year 2019 was higher than the prior year, primarily due to a year-over-year reduction in the excess tax benefits related to the vesting of equity-based compensation awards. During the fourth quarter of 2018, the Company finalized its tax accounting for the TCJA and pursuant to Staff Accounting Bulletin No. 118 ("SAB 118") recorded a one-time non-cash charge of \$0.6 million related to adjustments to deferred tax amounts provisionally recorded in the prior year. During the fourth quarter of 2017, the Company recorded a provisional one-time non-cash charge of \$13.2 million related to the enactment of the TCJA. The charge resulted from the re-measurement of the Company's deferred tax assets considering the TCJA's newly enacted tax rates. This provisional amount was subject to adjustment during the measurement period of up to one year following the December 2017 enactment of the TCJA, as provided by SEC guidance. Excluding the one-time charge, the Company's effective tax rate for 2018 was 22.5 percent compared to 31.4 percent for 2017, as referenced in the "Non-GAAP Measures" section. The 2018 effective tax rate, adjusted for the impact of TCJA, was lower than 2017 primarily due to the reduction in the U.S. corporate income tax rate.

The Company estimates the 2020 effective income tax rate to be approximately 24 percent to 26 percent.

Non-GAAP Measures

In addition to reporting financial results in accordance with U.S. GAAP, the Company also has included in this Annual Report on Form 10-K non-GAAP measures that adjust for the impact of enactment of the TCJA. This item represented a significant charge that impacted the Company's financial results in 2017 and, to a lesser extent, in 2018. Net income, earnings per diluted share, the provision for income taxes and the effective tax rate are all measures for which the Company provides the reported GAAP measure and an adjusted measure. The adjusted measures are not in accordance with, nor are they a substitute for, GAAP measures. The Company considers these non-GAAP measures in evaluating and managing the Company's operations. The Company believes that discussion of results adjusted for this item is meaningful to investors as it provides a useful analysis of ongoing underlying operating trends. In addition, from time to time, certain of these non-GAAP measures may also be used in our compensation programs. The determination of these non-GAAP financial measures may not be comparable to the determination of similarly titled measures used by other companies. The following are reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures.

<i>(In thousands, except per share amounts)</i>	Twelve months ended December 31, 2018				
	Income before income taxes	Provision for income taxes	Net income	Effective tax rate	Diluted earnings per share
As reported GAAP	\$ 192,352	\$ 43,801	\$ 148,551	23 %	\$ 5.83
Impact of TCJA ⁽¹⁾	—	(612)	612	(1)%	0.03
Adjusted non-GAAP	<u>\$ 192,352</u>	<u>\$ 43,189</u>	<u>\$ 149,163</u>	<u>22 %</u>	<u>\$ 5.86</u>

Twelve months ended December 31, 2017					
<i>(In thousands, except per share amounts)</i>	Income before income taxes	Provision for income taxes	Net income	Effective tax rate	Diluted earnings per share
As reported GAAP	\$ 212,844	\$ 79,960	\$ 132,884	38 %	\$ 5.24
Impact of TCJA ⁽¹⁾	—	(13,209)	13,209	(7)%	0.52
Adjusted non-GAAP	\$ 212,844	\$ 66,751	\$ 146,093	31 %	\$ 5.76

⁽¹⁾ During the fourth quarter of 2018, the Company finalized its tax accounting for the TCJA and pursuant to SAB 118 recorded a one-time non-cash charge of \$0.6 million related to adjustments to deferred tax amounts provisionally recorded in the prior year. During the fourth quarter of 2017, the Company recorded a provisional one-time non-cash charge of \$13.2 million related to the enactment of the TCJA. The charge resulted from the re-measurement of the Company's deferred tax assets considering the TCJA's newly enacted tax rates. This provisional amount was subject to adjustment during the measurement period of up to one year following the December 2017 enactment of the TCJA, as provided by SEC guidance.

LIQUIDITY AND CAPITAL RESOURCES

The Consolidated Statements of Cash Flows reflect the following for the years ended December 31:

<i>(In thousands)</i>	2019	2018	2017
Net cash flows provided by operating activities	\$ 269,525	\$ 156,608	\$ 152,702
Net cash flows used in investing activities	(503,834)	(302,795)	(145,875)
Net cash flows provided by (used in) financing activities	254,971	135,066	(66,948)
Effect of exchange rate changes on cash and cash equivalents	(231)	—	—
Net increase (decrease) in cash and cash equivalents	\$ 20,431	\$ (11,121)	\$ (60,121)

Cash Flows from Operations

Net cash flows provided by operating activities were \$269.5 million in 2019, compared to \$156.6 million in 2018. Changes in net assets and liabilities, net of acquisitions of businesses, in 2019 generated \$117.1 million more cash than in 2018. This was partially offset by a \$4.2 million decrease in net income, adjusted for depreciation and amortization, stock-based compensation expense, deferred taxes, and other non-cash items. Reduced inventory levels driven by lower commodity prices and reductions in Furrion inventory during 2019 were the primary sources of cash generated from reductions in net assets.

Over the long term, based on the Company's historical collection and payment patterns, as well as inventory turnover, and also giving consideration to emerging trends and changes to the sales mix, the Company expects working capital to increase or decrease equivalent to approximately 10 to 15 percent of the increase or decrease, respectively, in net sales. However, there are many factors that can impact this relationship, especially in the short term.

Depreciation and amortization was \$75.4 million in 2019, and is expected to be approximately \$105 million to \$110 million in 2020. Non-cash stock-based compensation in 2019 was \$16.1 million. Non-cash stock-based compensation is expected to be approximately \$16 million to \$21 million in 2020.

Net cash flows provided by operating activities were \$156.6 million in 2018, compared to \$152.7 million in 2017. The increase was primarily due to a \$25.2 million increase in net income, adjusted for non-cash items, partially offset by a \$21.3 million use of cash for net assets and liabilities. Inventory growth was the primary use of cash in net assets due to hedge buying of raw materials, the rapid industry slow-down at the end of 2018, and purchases in advance of the Chinese New Year.

Cash Flows from Investing Activities

Cash flows used in investing activities of \$503.8 million in 2019 were primarily comprised of \$447.8 million for the acquisition of businesses and \$58.2 million for capital expenditures. Cash flows used in investing activities of \$302.8 million in 2018 were primarily comprised of \$184.8 million for the acquisition of businesses and \$119.8 million for capital expenditures.

Cash flows used in investing activities of \$145.9 million in 2017 were primarily comprised of \$87.2 million for capital expenditures and \$60.6 million for the acquisition of businesses.

The Company's capital expenditures are primarily for replacement and growth. Over the long term, based on the Company's historical capital expenditures, the replacement portion has averaged approximately one to two percent of net sales, while the growth portion has averaged approximately two to three percent of net sales. However, there are many factors that can impact the actual spending compared to these historical averages.

The 2019 capital expenditures and acquisitions were funded by cash from operations and borrowings under the Company's credit agreement. Capital expenditures and acquisitions in 2020 are expected to be funded primarily from cash generated from operations, as well as periodic borrowings under the Company's revolving credit facility.

Cash Flows from Financing Activities

Cash flows provided by financing activities in 2019 primarily included term loan borrowings of \$300.0 million, net borrowings on the revolving credit facility of \$26.5 million, partially offset by the payment of dividends to stockholders of \$63.8 million, and \$8.1 million from the vesting of stock-based awards, net of shares tendered for the payment of taxes.

Cash flows provided by financing activities in 2018 primarily included net borrowings on the revolving credit facility of \$240.1 million offset by the payment of dividends to stockholders of \$59.3 million, repurchases of common stock of \$28.7 million under the stock repurchase program, and \$16.1 million from the vesting of stock-based awards, net of shares tendered for the payment of taxes.

Cash flows used in financing activities in 2017 primarily included the payment of dividends to stockholders of \$51.1 million, \$10.5 million from the vesting of stock-based awards, net of shares tendered for the payment of taxes, and \$5.3 million in payments for contingent consideration related to acquisitions. The Company had no outstanding borrowings under the revolving credit facility as of December 31, 2017, but borrowings reached a high of \$9.8 million during 2017.

In connection with certain business acquisitions, if established sales targets for the acquired products are achieved, the Company is contractually obligated to pay additional cash consideration. The Company has recorded a \$4.4 million liability for the aggregate fair value of these expected contingent consideration liabilities at December 31, 2019. For further information, see Note 11 of the Notes to the Consolidated Financial Statements.

Credit Facilities

See Note 8 of the Notes to Consolidated Financial Statements for a description of our credit facilities.

The Company believes the availability under the revolving credit facility under the Amended Credit Agreement (as defined in Note 8 of the Notes to Consolidated Financial Statements), along with its cash flows from operations, are adequate to finance the Company's anticipated cash requirements for the next twelve months.

Contractual Obligations and Commitments

Future minimum commitments relating to the Company's contractual obligations at December 31, 2019 were as follows:

(In thousands)	Payments due by period					
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years	Other
Total indebtedness	\$ 630,789	\$ 17,883	\$ 88,067	\$ 513,517	\$ 11,322	\$ —
Interest on fixed rate indebtedness ^(a)	46,302	17,695	21,973	6,634	—	—
Operating leases	122,342	26,764	40,073	22,428	33,077	—
Employment contracts ^(b)	22,667	16,777	5,732	158	—	—
Deferred compensation ^(c)	30,479	211	8,181	3,732	8,616	9,739
Contingent consideration and holdback payments ^(d)	11,965	5,130	4,102	1,513	1,220	—
Purchase obligations ^(e)	150,036	147,535	1,863	638	—	—
Taxes ^(f)	7,900	7,900	—	—	—	—
Total	<u>\$ 1,022,480</u>	<u>\$ 239,895</u>	<u>\$ 169,991</u>	<u>\$ 548,620</u>	<u>\$ 54,235</u>	<u>\$ 9,739</u>

- The Company has used the contractual payment dates and the fixed interest rates in effect as of December 31, 2019, to determine the estimated future interest payments for fixed rate indebtedness.
- Includes amounts payable under employment contracts and arrangements, and retirement and severance agreements.
- Includes amounts payable under deferred compensation arrangements. The Other column represents the liability for deferred compensation for employees that have elected to receive payment upon separation from service from the Company.
- Comprised of estimated future contingent consideration payments for which a liability has been recorded in connection with business acquisitions.
- Primarily comprised of (i) purchase orders issued in the normal course of business and (ii) long term purchase commitments, for which the Company has estimated the expected future obligation based on current prices and usage.
- Represents unrecognized tax benefits, as well as related interest and penalties.

Commitments are described more fully in the Notes to Consolidated Financial Statements.

CORPORATE GOVERNANCE

The Company is in compliance with the corporate governance requirements of the SEC and the New York Stock Exchange. The Company's governance documents and committee charters and key practices have been posted to the Company's website (www.lci1.com) and are updated periodically. The website also contains, or provides direct links to, all SEC filings, press releases and investor presentations. The Company has also established a Whistleblower Policy, which includes a toll-free hotline (877-373-9123) to report complaints about the Company's accounting, internal controls, auditing matters or other concerns. The Whistleblower Policy and procedure for complaints can be found on the Company's website (www.lci1.com).

CONTINGENCIES

Additional information required by this item is included under Item 3 of Part I of this Annual Report on Form 10-K.

CRITICAL ACCOUNTING POLICIES

The Company's Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which requires certain estimates and assumptions to be made that affect the amounts and disclosures reported in those financial statements and the related accompanying notes. Actual results could differ from these estimates and assumptions. The following critical accounting policies, some of which are impacted significantly by judgments, assumptions and estimates, affect the Company's Consolidated Financial Statements. Management has discussed

the development and selection of its critical accounting policies with the Audit Committee of the Company's Board of Directors and the Audit Committee has reviewed the disclosure presented below relating to the critical accounting policies.

Warranty

The Company provides warranty terms based upon the type of product sold. The Company estimates the warranty accrual based upon various factors, including historical warranty costs, current trends, product mix, and sales. The accounting for warranty accruals requires the Company to make assumptions and judgments, and to the extent actual results differ from original estimates, adjustments to recorded accruals may be required.

Fair Value of Net Assets of Acquired Businesses

The Company values the assets and liabilities associated with the acquisitions of businesses on the respective acquisition dates. Depending upon the type of asset or liability acquired, the Company uses different valuation techniques in determining the fair value. Those techniques include comparable market prices, long-term sales, profitability and cash flow forecasts, assumptions regarding future industry-specific economic and market conditions and a market participant's weighted average cost of capital, as well as other techniques as circumstances require. By their nature, these assumptions require judgment, and if management had chosen different assumptions, the fair value of net assets of acquired businesses would have been different. For further information on acquired assets and liabilities, see Notes 3 of the Notes to Consolidated Financial Statements.

New Accounting Pronouncements

Information required by this item is included in Note 2 of the Notes to the Consolidated Financial Statements.

INFLATION

The prices of key raw materials, consisting primarily of steel and aluminum, and components used by the Company which are made from these raw materials, are influenced by demand and other factors specific to these commodities, rather than being directly affected by inflationary pressures. Prices of these commodities have historically been volatile, and over the past few months prices have continued to fluctuate. The Company did not experience any significant increases in its labor costs in 2019 related to inflation.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

At December 31, 2019, the Company had \$566.2 million of borrowings outstanding on its variable rate revolving credit facility and incremental term loan. Assuming consistent borrowing levels and an increase of 100 basis points in the interest rate for borrowings of a similar nature subsequent to December 31, 2019, future cash flows would be reduced by approximately \$5.7 million per annum.

At December 31, 2019, the Company had \$50.0 million of fixed rate debt outstanding. Assuming there is a decrease of 100 basis points in the interest rate for borrowings of a similar nature subsequent to December 31, 2019, which the Company becomes unable to capitalize on in the short-term as a result of the structure of its fixed rate financing, future cash flows would be approximately \$0.5 million lower per annum than if the fixed rate financing could be obtained at current market rates.

The Company is also exposed to changes in the prices of raw materials, specifically steel and aluminum. The Company has, from time to time, entered into derivative instruments for the purpose of managing a portion of the exposures associated with fluctuations in steel and aluminum prices. While these derivative instruments are subject to fluctuations in value, these fluctuations are generally offset by the changes in fair value of the underlying exposures. See Note 13 of the Notes to Consolidated Financial Statements for a more detailed discussion of derivative instruments.

The Company has historically been able to obtain sales price increases to partially offset the majority of raw material cost increases. However, there can be no assurance future cost increases, if any, can be partially or fully passed on to customers, or that the timing of such sales price increases will match raw material cost increases.

Additional information required by this item is included under the caption "Inflation" in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this Report.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
LCI Industries:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of LCI Industries and subsidiaries (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019 based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The Company completed the CURT Acquisition Holdings, Inc. (CURT), Lewmar Marine Ltd. (Lewmar), Rodan Enterprises, LLC (SureShade), Ciesse Holdings S.r.l (Ciesse), Lavet S.r.l. (Lavet), and Femto Engineering S.r.l. (Femto) acquisitions during 2019, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, CURT, Lewmar, SureShade, Ciesse, Lavet, and Femto internal control over financial reporting associated with total assets of \$568 million and total revenues of \$65.4 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2019. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of CURT, Lewmar, SureShade, Ciesse, Lavet, and Femto.

Change in Accounting Principle

As discussed in Note 10 to the consolidated financial statements, the Company changed its method of accounting for leases effective January 1, 2019 due to the adoption of Accounting Standards Update 2016-02, Leases (Topic 842), and all related amendments, which established Accounting Standards Codification Topic 842, Leases.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting.

Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal

control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of acquisition date fair value of customer relationship intangible assets

As discussed in Note 3 to the consolidated financial statements, during fiscal year 2019, the Company acquired CURT for approximately \$337.6 million. As a result of this transaction, the Company acquired \$112 million of customer relationship intangible assets. The Company determined the fair value of customer relationships based on a discounted cash flow analyses that required the Company to make assumptions regarding cash flow forecasts, the customer attrition rate and the discount rate used in the valuation.

We identified the evaluation of the acquisition-date fair value of acquired customer relationship intangible assets as a critical audit matter. Evaluating the forecasted cash flow, customer attrition rate and discount rate assumptions required specialized skills and knowledge, and there was limited observable market information. Additionally, the acquisition date fair value of customer relationships was sensitive to changes in the assumptions used in the forecasted cash flows, specifically as it relates to customer attrition rates.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's acquisition-date fair value process, including controls related to the development of the relevant assumptions as identified above. We performed sensitivity analyses over the cash flow forecasts, customer attrition rate and discount rate assumptions to assess their impact on the Company's determination of the fair value of the acquired customer relationship intangible assets. We evaluated the cash flow forecast by comparing it to the historical results of the acquired entity, industry benchmarks and publicly available market data, and the cash flow forecast and customer attrition rate of previous acquisitions made by the Company. In addition, we involved valuation professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's discount rate, by comparing it against a discount rate range that was independently developed using publicly available market data for comparable entities; and
- testing the estimate of the customer relationship intangible assets fair value using the Company's cash flow assumptions and an independently developed discount rate, and comparing the result to the Company's fair value estimate.

Estimation of product warranty accrual

As discussed in Notes 2 and 6 to the consolidated financial statements, the Company's product warranty accrual as of December 31, 2019 was \$47.2 million. The Company provides warranty terms based upon the type of product sold and estimates the amount of warranty costs associated with future product warranty claims, which are accrued at the time revenue is recognized. The estimate of the likelihood and cost of future claims considers various factors, including historical warranty costs, current trends, product mix and sales.

We identified the evaluation of the likelihood and cost of future claims that are used to estimate the product warranty accrual as a critical audit matter. The likelihood and cost of future claims in the calculation were challenging to test as minor changes to those factors and assumptions had a significant effect on the Company's estimation of the accrual.

The primary procedures we performed to address this critical audit matter included the following. We tested certain internal controls over the Company's product warranty accrual process including controls over the likelihood and cost of future claim assumptions used as inputs to the estimate. We identified and considered the relevance, reliability, and sufficiency of the sources of data used by the Company in developing the estimate. We developed an estimate of the product warranty accrual, based on actual warranty claims relative to sales for the period, and compared the results to the Company's product warranty accrual estimate. We compared the Company's historical product warranty estimates to actual results to assess the Company's ability to accurately estimate the product warranty accrual.

/s/ KPMG LLP

We have served as the Company's auditor since 1980.

Chicago, Illinois
February 27, 2020

LCI INDUSTRIES
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2019	2018	2017
<i>(In thousands, except per share amounts)</i>			
Net sales	\$ 2,371,482	\$ 2,475,807	\$ 2,147,770
Cost of sales	1,832,280	1,955,463	1,654,656
Gross profit	539,202	520,344	493,114
Selling, general and administrative expenses	338,992	321,556	278,833
Operating profit	200,210	198,788	214,281
Interest expense, net	8,796	6,436	1,437
Income before income taxes	191,414	192,352	212,844
Provision for income taxes	44,905	43,801	79,960
Net income	<u>\$ 146,509</u>	<u>\$ 148,551</u>	<u>\$ 132,884</u>
Net income per common share:			
Basic	\$ 5.86	\$ 5.90	\$ 5.31
Diluted	\$ 5.84	\$ 5.83	\$ 5.24
Weighted average common shares outstanding:			
Basic	24,998	25,178	25,020
Diluted	25,093	25,463	25,375

The accompanying notes are an integral part of these Consolidated Financial Statements.

LCI INDUSTRIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2019	2018	2017
<i>(In thousands)</i>			
Net income	\$ 146,509	\$ 148,551	\$ 132,884
Other comprehensive income (loss):			
Net foreign currency translation adjustment	4,262	(3,936)	4,237
Unrealized loss on fair value of derivative instruments	(534)	(1,108)	—
Total comprehensive income	<u>\$ 150,237</u>	<u>\$ 143,507</u>	<u>\$ 137,121</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

LCI INDUSTRIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2019	2018
<i>(In thousands, except per share amount)</i>		
ASSETS		
Current assets		
Cash and cash equivalents	\$ 35,359	\$ 14,928
Accounts receivable, net of allowances of \$3,144 and \$1,895 at December 31, 2019 and 2018, respectively	199,976	121,812
Inventories, net	393,607	340,615
Prepaid expenses and other current assets	41,849	49,296
Total current assets	670,791	526,651
Fixed assets, net	366,309	322,876
Goodwill	351,114	180,168
Other intangible assets, net	341,426	176,342
Operating lease right-of-use assets	98,774	—
Deferred taxes	—	10,948
Other assets	34,181	26,908
Total assets	<u>\$ 1,862,595</u>	<u>\$ 1,243,893</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term indebtedness	\$ 17,883	\$ 596
Accounts payable, trade	99,262	78,354
Current portion of operating lease obligations	21,693	—
Accrued expenses and other current liabilities	132,420	98,632
Total current liabilities	271,258	177,582
Long-term indebtedness	612,906	293,528
Operating lease obligations	79,848	—
Deferred taxes	35,740	8,501
Other long-term liabilities	62,171	58,027
Total liabilities	1,061,923	537,638
Stockholders' equity		
Common stock, par value \$.01 per share: authorized		
75,000 shares; issued 28,133 shares at December 31, 2019		
and 27,948 shares at December 31, 2018	281	280
Paid-in capital	212,485	203,246
Retained earnings	644,945	563,496
Accumulated other comprehensive income (loss)	1,123	(2,605)
Stockholders' equity before treasury stock	858,834	764,417
Treasury stock, at cost, 3,087 shares at December 31, 2019 and 2018	(58,162)	(58,162)
Total stockholders' equity	800,672	706,255
Total liabilities and stockholders' equity	<u>\$ 1,862,595</u>	<u>\$ 1,243,893</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

LCI INDUSTRIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2019	2018	2017
<i>(In thousands)</i>			
Cash flows from operating activities:			
Net income	\$ 146,509	\$ 148,551	\$ 132,884
Adjustments to reconcile net income to cash flows provided by operating activities:			
Depreciation and amortization	75,358	67,526	54,727
Stock-based compensation expense	16,077	14,065	20,036
Deferred taxes	3,416	13,874	6,808
Other non-cash items	(1,553)	(13)	4,371
Changes in assets and liabilities, net of acquisitions of businesses:			
Accounts receivable, net	(25,452)	(11,352)	(12,601)
Inventories, net	57,790	(34,730)	(78,698)
Prepaid expenses and other assets	6,882	(17,691)	(10,898)
Accounts payable, trade	(12,189)	(17,335)	20,727
Accrued expenses and other liabilities	2,687	(6,287)	15,346
Net cash flows provided by operating activities	269,525	156,608	152,702
Cash flows from investing activities:			
Capital expenditures	(58,202)	(119,827)	(87,221)
Acquisitions of businesses, net of cash acquired	(447,764)	(184,792)	(60,588)
Other investing activities	2,132	1,824	1,934
Net cash flows used in investing activities	(503,834)	(302,795)	(145,875)
Cash flows from financing activities:			
Vesting of stock-based awards, net of shares tendered for payment of taxes	(8,084)	(16,097)	(10,531)
Proceeds from revolving credit facility borrowings	655,387	1,387,013	28,130
Repayments under revolving credit facility borrowings	(628,891)	(1,146,953)	(28,130)
Proceeds from term loan borrowings	300,000	—	—
Proceeds from other borrowings	—	4,509	—
Payment of dividends	(63,813)	(59,270)	(51,057)
Payment of contingent consideration related to acquisitions	(10)	(3,068)	(5,301)
Repurchases of common stock	—	(28,695)	—
Other financing activities	382	(2,373)	(59)
Net cash flows provided by (used in) financing activities	254,971	135,066	(66,948)
Effect of exchange rate changes on cash and cash equivalents	(231)	—	—
Net increase (decrease) in cash and cash equivalents	20,431	(11,121)	(60,121)
Cash and cash equivalents at beginning of period	14,928	26,049	86,170
Cash and cash equivalents at end of period	\$ 35,359	\$ 14,928	\$ 26,049
Supplemental disclosure of cash flow information:			
Cash paid during the period for interest	\$ 9,143	\$ 5,645	\$ 1,650
Cash paid during the period for income taxes, net of refunds	\$ 37,836	\$ 39,991	\$ 53,620
Purchase of property and equipment in accrued expenses	\$ 3,417	\$ 385	\$ 2,640

The accompanying notes are an integral part of these Consolidated Financial Statements.

LCI INDUSTRIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

<i>(In thousands, except shares and per share amounts)</i>	Common Stock	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Stockholders' Equity
Balance - January 1, 2017	\$ 274	\$ 185,981	\$ 395,279	\$ (1,798)	\$ (29,467)	\$ 550,269
Net income	—	—	132,884	—	—	132,884
Issuance of 239,854 shares of common stock pursuant to stock-based awards, net of shares tendered for payment of taxes	3	(10,534)	—	—	—	(10,531)
Stock-based compensation expense	—	20,036	—	—	—	20,036
Issuance of 63,677 deferred stock units relating to prior year compensation	—	6,907	—	—	—	6,907
Other comprehensive income	—	—	—	4,237	—	4,237
Cash dividends (\$2.05 per share)	—	—	(51,057)	—	—	(51,057)
Dividend equivalents on stock-based awards	—	1,600	(1,600)	—	—	—
Balance - December 31, 2017	277	203,990	475,506	2,439	(29,467)	652,745
Net income	—	—	148,551	—	—	148,551
Issuance of 274,177 shares of common stock pursuant to stock-based awards, net of shares tendered for payment of taxes	3	(16,100)	—	—	—	(16,097)
Stock-based compensation expense	—	14,065	—	—	—	14,065
Repurchase of 402,570 shares of common stock	—	—	—	—	(28,695)	(28,695)
Other comprehensive loss	—	—	—	(5,044)	—	(5,044)
Cash dividends (\$2.35 per share)	—	—	(59,270)	—	—	(59,270)
Dividend equivalents on stock-based awards	—	1,291	(1,291)	—	—	—
Balance - December 31, 2018	280	203,246	563,496	(2,605)	(58,162)	706,255
Net income	—	—	146,509	—	—	146,509
Issuance of 185,020 shares of common stock pursuant to stock-based awards, net of shares tendered for payment of taxes	1	(8,085)	—	—	—	(8,084)
Stock-based compensation expense	—	16,077	—	—	—	16,077
Other comprehensive income	—	—	—	3,728	—	3,728
Cash dividends (\$2.55 per share)	—	—	(63,813)	—	—	(63,813)
Dividend equivalents on stock-based awards	—	1,247	(1,247)	—	—	—
Balance - December 31, 2019	<u>\$ 281</u>	<u>\$ 212,485</u>	<u>\$ 644,945</u>	<u>\$ 1,123</u>	<u>\$ (58,162)</u>	<u>\$ 800,672</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

LCI INDUSTRIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The Consolidated Financial Statements include the accounts of LCI Industries and its wholly-owned subsidiaries (“LCII” and collectively with its subsidiaries, the “Company”). LCII has no unconsolidated subsidiaries. LCII, through its wholly-owned subsidiary, Lippert Components, Inc. and its subsidiaries (collectively, “Lippert Components” or “LCI”), supplies, domestically and internationally, a broad array of engineered components for the leading original equipment manufacturers (“OEMs”) in the recreation and transportation product markets, consisting of recreational vehicles (“RVs”) and adjacent industries including buses; trailers used to haul boats, livestock, equipment, and other cargo; trucks; boats; trains; manufactured homes; and modular housing. The Company also supplies engineered components to the related aftermarkets of these industries, primarily by selling to retail dealers, wholesale distributors, and service centers. At December 31, 2019, the Company operated over 90 manufacturing and distribution facilities located throughout North America and Europe.

Most industries where the Company sells products or where its products are used historically have been seasonal and are generally at the highest levels when the weather is moderate. Accordingly, the Company’s sales and profits have generally been the highest in the second quarter and lowest in the fourth quarter. However, because of fluctuations in dealer inventories, the impact of international, national and regional economic conditions and consumer confidence on retail sales of recreation and transportation products for which the Company sells its components, the timing of dealer orders, and the impact of severe weather conditions on the timing of industry-wide shipments from time to time, current and future seasonal industry trends may be different than in prior years. Additionally, sales of certain engineered components to the aftermarket channels of these industries tend to be counter-seasonal.

The Company is not aware of any significant events, except as disclosed in the Notes to Consolidated Financial Statements, which occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on the Consolidated Financial Statements. All significant intercompany balances and transactions have been eliminated. Certain prior year balances have been reclassified to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, net sales and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including, but not limited to, those related to product returns, sales and purchase rebates, accounts receivable, inventories, goodwill and other intangible assets, net assets of acquired businesses, income taxes, warranty and product recall obligations, self-insurance obligations, operating lease right-of-use assets and obligations, asset retirement obligations, long-lived assets, post-retirement benefits, stock-based compensation, segment allocations, contingent consideration, environmental liabilities, contingencies, and litigation. The Company bases its estimates on historical experience, other available information, and various other assumptions believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities not readily apparent from other resources. Actual results and events could differ significantly from management estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at historical carrying value, net of write-offs and allowances. The Company establishes allowances based upon historical experience and any specific customer collection issues identified by the Company. Uncollectible accounts receivable are written off when a settlement is reached or when the Company has determined the balance will not be collected.

Inventories

Inventories are stated at the lower of cost (using the first-in, first-out (FIFO) method) or net realizable value. Cost includes material, labor, and overhead.

Fixed Assets

Fixed assets which are owned are stated at cost less accumulated depreciation, and are depreciated on a straight-line basis over the estimated useful lives of the properties and equipment. Leasehold improvements and leased equipment are amortized over the shorter of the lives of the leases or the underlying assets. Maintenance and repair costs that do not improve service potential or extend economic life are expensed as incurred.

Warranty

The Company provides warranty terms based upon the type of product sold. The Company estimates the warranty accrual based upon various factors, including historical warranty costs, current trends, product mix, and sales. The accounting for warranty accruals requires the Company to make assumptions and judgments, and to the extent actual results differ from original estimates, adjustments to recorded accruals may be required. See Note 6 - Accrued Expenses and Other Current Liabilities for further detail.

Income Taxes

Deferred tax assets and liabilities are determined based on the temporary differences between the financial reporting and tax basis of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the differences are expected to reverse. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all the deferred tax assets will not be realized.

The Tax Cuts and Jobs Act (the "TCJA"), enacted in 2017, created a new requirement that certain income earned by foreign subsidiaries, known as global intangible low-tax income ("GILTI"), must be included in the gross income of their U.S. shareholder. We have elected to account for GILTI tax in the year the tax is incurred.

The Company accounts for uncertainty in tax positions by recognizing in its financial statements the impact of a tax position only if that position is more likely than not of being sustained on audit, based on the technical merits of the position. Further, the Company assesses the tax benefits of the tax positions in its financial statements based on experience with similar tax positions, information obtained during the examination process and the advice of experts. The Company recognizes previously unrecognized tax benefits upon the earlier of the expiration of the period to assess tax in the applicable taxing jurisdiction or when the matter is constructively settled and upon changes in statutes or regulations and new case law or rulings. The Company classifies interest and penalties related to income taxes as a component of income tax expense in its Consolidated Statements of Income.

Goodwill

Goodwill represents the excess of the total consideration given in an acquisition of a business over the fair value of the net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but instead is tested at the reporting unit level for impairment annually in November, or more frequently if certain circumstances indicate a possible impairment may exist. In 2019 and 2018, the Company assessed qualitative factors of its reporting units to determine whether it was more likely than not the fair value of the reporting unit was less than its carrying amount, including goodwill. The qualitative impairment test consists of an assessment of qualitative factors, including general economic and industry conditions, market share and input costs.

Other Intangible Assets

Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment. Intangible assets are amortized using either an accelerated or straight-line method, whichever best reflects the pattern in which the estimated future economic benefits of the asset will be consumed. The useful lives of intangible assets are determined after considering the expected cash flows and other specific facts and circumstances related to each intangible asset. Intangible assets with indefinite lives are not amortized, but instead are tested for impairment annually in November, or more frequently if certain circumstances indicate a possible impairment may exist.

Impairment of Long-Lived Assets

Long-lived assets, other than goodwill, are tested for impairment when changes in circumstances indicate their carrying value may not be recoverable. A determination of impairment, if any, is made based on the undiscounted value of estimated future cash flows, salvage value or expected net sales proceeds, depending on the circumstances. Impairment is measured as the excess of the carrying value over the estimated fair value of such assets.

Environmental Liabilities

Accruals for environmental matters are recorded when it is probable a liability has been incurred and the amount of the liability can be reasonably estimated, based upon current law and existing technologies. These amounts, which are not discounted and are exclusive of claims against potentially responsible third parties, are adjusted periodically as assessment and remediation efforts progress or additional technical or legal information becomes available. Environmental exposures are difficult to assess for numerous reasons, including the identification of new sites, developments at sites resulting from investigatory studies and remedial activities, advances in technology, changes in environmental laws and regulations and their application, the scarcity of reliable data pertaining to identified sites, the difficulty in assessing the involvement and financial capability of other potentially responsible parties and the Company's ability to obtain contributions from other parties, and the lengthy time periods over which site remediation occurs. It is possible some of these matters (the outcomes of which are subject to various uncertainties) may be resolved unfavorably against the Company, and could materially affect operating results when resolved in future periods.

Foreign Currency Translation

The financial statements of the Company's international subsidiaries generally are measured using the local currency as the functional currency. The translation from the applicable foreign currency to U.S. Dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using the weighted average exchange rate for the period. The resulting translation adjustments are recorded in accumulated other comprehensive income (loss) as a component of stockholders' equity. The Company reflects net foreign exchange transaction gains and losses resulting from the conversion of the transaction currency to functional currency as a component of foreign currency exchange gains or losses in selling, general and administrative expenses in the Consolidated Statements of Income.

Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, derivative instruments, and accounts payable approximate their fair value due to the short-term nature of these instruments.

Stock-Based Compensation

All stock-based compensation awards are expensed over their vesting period, based on fair value. For awards having a service-only vesting condition, the Company recognizes stock-based compensation expense on a straight-line basis over the requisite service periods. For awards with a performance vesting condition, which are subject to certain pre-established performance targets, the Company recognizes stock-based compensation expense on a graded-vesting basis to the extent it is probable the performance targets will be met. The fair values of deferred stock units, restricted stock units, restricted stock, and stock awards are based on the market price of the Company's common stock, all on the date the stock-based awards are granted.

Revenue Recognition

The Company recognizes revenue when performance obligations under the terms of contracts with customers are satisfied, which occurs with the transfer of control of the Company's products. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring its products to its customers. Sales, value added and other taxes collected concurrent with revenue-producing activities are excluded from revenue.

For the majority of product sales, the Company transfers control and recognizes revenue when it ships the product from its facility to its customer. The amount of consideration the Company receives and the revenue recognized varies with sales discounts, volume rebate programs and indexed material pricing. When the Company offers customers retrospective

volume rebates, it estimates the expected rebates based on an analysis of historical experience. The Company adjusts its estimate of revenue related to volume rebates at the earlier of when the most likely amount of consideration expected to be received changes or when the consideration becomes fixed. When the Company offers customers prompt pay sales discounts or agrees to variable pricing based on material indices, it estimates the expected discounts or pricing adjustments based on an analysis of historical experience. The Company adjusts its estimate of revenue related to sales discounts and indexed material pricing to the expected value of the consideration to which the Company will be entitled. The Company includes the variable consideration in the transaction price to the extent that it is probable that a significant reversal of cumulative revenue will not occur when the volume, discount or indexed material price uncertainties are resolved.

See Note 14 - Segment Reporting for the Company's disclosures of disaggregated revenue.

Shipping and Handling Costs

The Company recognizes shipping and handling costs as fulfillment costs when control over products has transferred to the customer, and records the expense within selling, general and administrative expenses. Such costs aggregated \$77.3 million, \$83.2 million, and \$68.6 million in the years ended December 31, 2019, 2018, and 2017, respectively.

Legal Costs

The Company expenses all legal costs associated with litigation as incurred. Legal expenses are included in selling, general and administrative expenses in the Consolidated Statements of Income.

Fair Value Measurements

Fair value is determined using a hierarchy that has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs, and Level 3 includes fair values estimated using significant unobservable inputs.

Recent Accounting Pronouncements

Recently issued accounting pronouncements not yet adopted

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-04, *Simplifying the Test for Goodwill Impairment*, which amends Accounting Standards Codification ("ASC") 350, *Intangibles - Goodwill and Other*. This ASU simplifies how an entity is required to test goodwill for impairment by eliminating step 2 from the goodwill impairment test. Step 2 measures goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. This ASU is effective for interim and annual reporting periods, beginning after December 15, 2019, and early adoption is permitted. The Company will adopt this ASU in the first quarter of 2020 and does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. This ASU is effective for interim and annual reporting periods, beginning after December 15, 2019, and early adoption is permitted. The Company will adopt this ASU in the first quarter of 2020 and does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

Recently adopted accounting pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, and all related amendments, which established ASC Topic 842 (Topic 842), which requires, in most instances, a lessee to recognize on its balance sheet a liability to make lease payments (the lease liability) and also a right-of-use asset representing its right to use the underlying asset for the lease term. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The Company adopted Topic 842 on January 1, 2019, using the cumulative-effect adjustment transition method, which applies the new standard at the effective date without adjusting the comparative periods presented. The Company elected the package of practical expedients permitted under the transition guidance, which allowed the carryforward of historical lease classification, the assessment of whether a contract is or contains a lease, and initial direct costs for any leases that existed prior to adoption of the new standard. The Company also elected to keep leases with an initial term of 12 months or

less off its Consolidated Balance Sheet and recognize the associated lease payments in its Consolidated Statements of Income on a straight-line basis over the lease term.

The adoption of Topic 842 resulted in the recognition of right-of-use assets of \$66.4 million and operating lease obligations of \$69.0 million at January 1, 2019. The adoption did not result in a cumulative effect adjustment to beginning retained earnings and is not expected to materially impact the Company's Consolidated Statements of Income or Cash Flows. See Note 10 of the Notes to Consolidated Financial Statements for expanded disclosures required under Topic 842.

3. ACQUISITIONS, GOODWILL AND OTHER INTANGIBLE ASSETS

Subsequent Event

Polyplastic

In January 2020, the Company acquired 100 percent of the equity interests of Polyplastic Group B.V. (with its subsidiaries "Polyplastic"), a premier window supplier to the caravanning industry, headquartered in Rotterdam, Netherlands. The purchase price was \$97.6 million, net of cash acquired, plus contingent consideration up to \$7.7 million, based on future sales by this operation. The results of the acquired business will be included primarily in the Company's OEM Segment. The Company is in the process of determining the fair value of the assets acquired and liabilities assumed for the opening balance sheet.

Acquisitions in 2019

CURT

In December 2019, the Company acquired 100 percent of the equity interests of CURT Acquisition Holdings, Inc. (with its subsidiaries "CURT"), a leading manufacturer and distributor of branded towing products and truck accessories for the aftermarket, headquartered in Eau Claire, Wisconsin. The purchase price was \$337.6 million, net of cash acquired, and is subject to potential post-closing adjustments related to net working capital. The results of the acquired business have been included in the Consolidated Statements of Income since the acquisition date, primarily in the Company's Aftermarket Segment. The Company is validating account balances and finalizing the valuation for the acquisition. The acquisition of this business was preliminarily recorded on the acquisition date as follows (*in thousands*):

Cash consideration, net of cash acquired	\$	337,640
Assets Acquired		
Accounts receivable	\$	28,611
Inventories		88,765
Fixed assets		24,036
Customer relationship		112,000
Tradename and other identifiable intangible assets		37,705
Operating lease right-of-use assets		27,925
Other tangible assets		4,060
Liabilities Assumed		
Accounts payable		(18,577)
Current portion of operating lease obligations		(5,360)
Accrued expenses and other current liabilities		(10,002)
Operating lease obligations		(22,565)
Deferred taxes		(31,877)
Total fair value of net assets acquired	\$	234,721
Goodwill (not tax deductible)	\$	102,919

The fair values of the customer relationship and tradename intangible assets are being amortized over their estimated useful lives of 17 years and 20 years, respectively. The fair values of these assets were determined using a discounted cash flow model, which is a level 3 input in the fair value hierarchy. The consideration given was greater than the fair value of the net assets acquired, resulting in goodwill, because the Company anticipates the attainment of synergies and an increase in the markets for the acquired products.

The results of CURT are included in the Company's Consolidated Statements of Income since the December 19, 2019 acquisition date and were not material to the consolidated results.

The following unaudited pro forma information represents the Company's results of operations as if the 2019 acquisition of CURT had occurred at the beginning of 2018. The disclosure of pro forma net sales and earnings does not purport to indicate the results that would actually have been obtained had the acquisition been completed on the assumed date for the periods presented, or which may be realized in the future. The unaudited pro forma information combines the reported results of the Company and CURT but does not reflect any operating efficiencies, cost savings, financing costs, step-up of assets, or other accounting related adjustments resulting from the acquisition.

<i>(In thousands, except per share amounts)</i>	(unaudited)	
	Year Ended December 31,	
	2019	2018
Net sales	\$ 2,639,761	\$ 2,735,378
Net income	\$ 144,878	\$ 147,878
Basic net income per common share	\$ 5.80	\$ 5.87
Diluted net income per common share	\$ 5.77	\$ 5.81

The pro forma earnings for the year ended December 31, 2019 were adjusted to exclude \$20.2 million of costs incurred directly attributable to the acquisition. Nonrecurring expenses for goodwill amortization of \$5.2 million and \$5.0 million were excluded from pro forma earnings for the years ended December 31, 2019 and 2018, respectively. The pro forma earnings do not reflect adjustments for any changes in CURT's historical capital structure, which included interest charges of \$14.8 million and \$14.0 million for the years ended December 31, 2019 and 2018, respectively.

The Company incurred costs during the year ended December, 31 2019 related specifically to this acquisition of \$1.0 million, which are included in selling, general, and administrative expenses in the Consolidated Statements of Income.

PWR-ARM

In November 2019, the Company acquired the PWR-ARM brand and electric powered Bimini business assets of Schwintek, Inc. ("PWR-ARM"), a premier electric sunshade solution for pontoon and smaller power boats. The purchase price was \$45.0 million, which includes holdback payments of \$5.0 million to be paid over the next two years. The results of the acquired business have been included in the Consolidated Statements of Income since the acquisition date, primarily in the Company's OEM Segment. As the acquisition of PWR-ARM is not considered to have a material impact on the Company's financial statements, pro forma results of operations and other disclosures are not presented. The Company is validating account balances and finalizing the valuation for the acquisition. The acquisition of this business was preliminarily recorded on the acquisition date as follows *(in thousands)*:

Cash consideration	\$ 40,000
Holdback payment	5,000
Total value of consideration given	<u>\$ 45,000</u>
Customer relationship and other identifiable intangible assets	\$ 7,030
Net tangible assets	520
Total fair value of net assets acquired	<u>\$ 7,550</u>
Goodwill (tax deductible)	\$ 37,450

The customer relationship intangible asset is being amortized over its estimated useful life of 5 years. The consideration given was greater than the fair value of the net assets acquired, resulting in goodwill, because the Company anticipates an increase in the markets for the acquired products.

Lewmar Marine Ltd.

In August 2019, the Company acquired 100 percent of the equity interests of Lewmar Marine Ltd. and related entities (collectively, “Lewmar”), a supplier of leisure marine equipment, headquartered in Havant, United Kingdom. The purchase price was \$43.2 million, net of cash acquired. The results of the acquired business have been included in the Consolidated Statements of Income since the acquisition date, primarily in the Company’s OEM Segment. The Company is validating account balances and finalizing the valuation for the acquisition. As the acquisition of Lewmar is not considered to have a material impact on the Company’s financial statements, pro forma results of operations and other disclosures are not presented. The acquisition of this business was preliminarily recorded on the acquisition date as follows (*in thousands*):

Cash consideration, net of cash acquired	\$	43,224
Customer relationship and other identifiable intangible assets	\$	19,579
Net tangible assets		3,287
Total fair value of net assets acquired	\$	22,866
Goodwill (not tax deductible)	\$	20,358

The customer relationship intangible asset is being amortized over its estimated useful life of 15 years. The consideration given was greater than the fair value of the net assets acquired, resulting in goodwill, because the Company anticipates the attainment of synergies and an increase in the markets for the acquired products.

Other Acquisitions in 2019

During fiscal 2019, the Company completed four other acquisitions totaling \$28.3 million of purchase consideration, net of cash acquired, and subject to potential post-closing adjustments related to net working capital. The preliminary purchase price allocations resulted in \$11.6 million of goodwill, of which \$5.8 million is not deductible for tax purposes, and \$9.2 million of acquired identifiable intangible assets.

The accounting for these acquisitions is incomplete at December 31, 2019. The estimated fair values of assets acquired and liabilities assumed are based on preliminary allocations and will be finalized during the respective measurement periods which will not exceed 12 months from the respective acquisition dates. As these acquisitions are not considered to have a material impact on the Company’s financial statements, pro forma results of operations and other disclosures are not presented.

Acquisitions in 2018

Smoker Craft Furniture

In November 2018, the Company acquired the business and certain assets of the furniture manufacturing operation of Smoker Craft Inc., a leading pontoon, aluminum fishing, and fiberglass boat manufacturer located in New Paris, Indiana. The purchase price was \$28.1 million paid at closing. The results of the acquired business have been included in the Consolidated Statements of Income since the acquisition date, primarily in the Company’s OEM Segment.

ST.LA. S.r.l.

In June 2018, the Company acquired 100 percent of the equity interests of ST.LA. S.r.l., a manufacturer of bed lifts and other RV components for the European caravan market, headquartered in Pontedera, Italy. The purchase price was \$14.8 million, net of cash acquired, paid at closing. The results of the acquired business have been included in the Consolidated Statements of Income since the acquisition date, primarily in the Company’s OEM Segment.

Hehr

In February 2018, the Company acquired substantially all of the business assets of Hehr International Inc., (“Hehr”), a manufacturer of windows and tempered and laminated glass for the RV, transit, specialty vehicle, and other adjacent industries, headquartered in Los Angeles, California. The purchase price was \$51.5 million paid at closing. The results of the acquired business have been included in the Consolidated Statements of Income since the acquisition date, primarily in the Company’s OEM Segment.

Taylor Made

In January 2018, the Company acquired 100 percent of the equity interests of Taylor Made Group, LLC, (“Taylor Made”), a marine supplier to boat builders and the aftermarket, as well as a key supplier to a host of other industrial end markets, headquartered in Gloversville, New York. The purchase price was \$90.4 million, net of cash acquired, paid at closing. The results of the acquired business have been included in the Consolidated Statements of Income since the acquisition date, primarily in the Company’s OEM Segment.

Acquisitions in 2017

Metallarte S.r.l.

In June 2017, the Company acquired 100 percent of the equity interests of Metallarte S.r.l., (“Metallarte”), a manufacturer of entry and compartment doors for the European caravan market located near Siena, Italy, and its subsidiary, RV Doors, S.r.l., a manufacturer of driver-side doors located near Venice, Italy. The purchase price was \$14.1 million paid at closing, plus contingent consideration based on future sales by this operation. The results of the acquired business have been included in the Consolidated Statements of Income since the acquisition date, primarily in the Company’s OEM Segment.

Lexington

In May 2017, the Company acquired the business and certain assets of Lexington LLC, (“Lexington”), a manufacturer of high quality seating solutions for the marine, RV, transportation, medical and office furniture industries located in Elkhart, Indiana. The purchase price was \$40.1 million paid at closing. The results of the acquired business have been included in the Consolidated Statements of Income since the acquisition date, primarily in the Company’s OEM Segment.

SessaKlein S.p.A.

In February 2017, the Company acquired 100 percent of the outstanding shares of SessaKlein S.p.A., (“SessaKlein”), a manufacturer of highly engineered side window systems for both high speed and commuter trains, located near Varese, Italy. The purchase price was \$6.5 million paid at closing, net of cash acquired, plus contingent consideration based on future sales by this operation. The results of the acquired business have been included in the Consolidated Statements of Income since the acquisition date, primarily in the Company’s OEM Segment.

Goodwill

Changes in the carrying amount of goodwill by reportable segment were as follows:

<i>(In thousands)</i>	OEM Segment	Aftermarket Segment	Total
Net balance – December 31, 2017	\$ 109,641	\$ 14,542	\$ 124,183
Acquisitions – 2018	50,698	5,369	56,067
Other	(82)	—	(82)
Net balance – December 31, 2018	160,257	19,911	180,168
Acquisitions – 2019	57,245	115,178	172,423
Other	(1,882)	405	(1,477)
Net balance – December 31, 2019	<u>\$ 215,620</u>	<u>\$ 135,494</u>	<u>\$ 351,114</u>

The Company performed its annual goodwill impairment procedures for all of its reporting units as of November 30, 2019, 2018, and 2017, and concluded no goodwill impairment existed at that time. The Company plans to update its assessment as of November 30, 2020, or sooner if events occur or circumstances change that could more likely than not reduce the fair value of a reporting unit below its carrying value. The goodwill balance as of each of December 31, 2019, 2018, and 2017 included \$50.5 million of accumulated impairment, which occurred prior to December 31, 2017.

Any change in the goodwill amounts resulting from foreign currency translations and purchase accounting adjustments are presented as “Other” in the above table.

Other Intangible Assets

Other intangible assets, by segment, at December 31 were as follows:

<i>(In thousands)</i>	2019	2018
OEM Segment	\$ 164,047	\$ 159,803
Aftermarket Segment	177,379	16,539
Other intangible assets	<u>\$ 341,426</u>	<u>\$ 176,342</u>

Other intangible assets consisted of the following at December 31, 2019:

<i>(In thousands)</i>	Gross Cost	Accumulated Amortization	Net Balance	Estimated Useful Life in Years
Customer relationships	\$ 319,934	\$ 69,008	\$ 250,926	6 to 17
Patents	76,206	44,611	31,595	3 to 19
Trade names (finite life)	50,917	7,086	43,831	3 to 20
Trade names (indefinite life)	7,600	—	7,600	Indefinite
Non-compete agreements	7,598	4,947	2,651	3 to 6
Other	309	173	136	2 to 12
Purchased research and development	4,687	—	4,687	Indefinite
Other intangible assets	<u>\$ 467,251</u>	<u>\$ 125,825</u>	<u>\$ 341,426</u>	

The Company performed its annual impairment test for indefinite lived intangible assets as of November 30, 2019, 2018, and 2017, and concluded no impairment existed at that time.

Other intangible assets consisted of the following at December 31, 2018:

<i>(In thousands)</i>	Gross Cost	Accumulated Amortization	Net Balance	Estimated Useful Life in Years
Customer relationships	\$ 191,919	\$ 54,889	\$ 137,030	6 to 16
Patents	58,787	40,079	18,708	3 to 19
Trade names (finite life)	10,885	5,507	5,378	3 to 15
Trade names (indefinite life)	7,600	—	7,600	Indefinite
Non-compete agreements	6,919	4,148	2,771	3 to 6
Other	309	141	168	2 to 12
Purchased research and development	4,687	—	4,687	Indefinite
Other intangible assets	<u>\$ 281,106</u>	<u>\$ 104,764</u>	<u>\$ 176,342</u>	

Amortization expense related to other intangible assets was as follows for the years ended December 31:

<i>(In thousands)</i>	2019	2018	2017
Cost of sales	\$ 5,200	\$ 5,350	\$ 5,631
Selling, general and administrative expense	18,558	15,912	13,942
Amortization expense	<u>\$ 23,758</u>	<u>\$ 21,262</u>	<u>\$ 19,573</u>

Estimated amortization expense for other intangible assets for the next five years is as follows:

<i>(In thousands)</i>	2020	2021	2022	2023	2024
Cost of sales	\$ 4,469	\$ 4,393	\$ 4,180	\$ 3,321	\$ 2,566
Selling, general and administrative expense	28,887	28,372	28,227	27,484	27,038
Amortization expense	<u>\$ 33,356</u>	<u>\$ 32,765</u>	<u>\$ 32,407</u>	<u>\$ 30,805</u>	<u>\$ 29,604</u>

4. INVENTORIES

Inventories consisted of the following at December 31:

<i>(In thousands)</i>	2019	2018
Raw materials	\$ 256,850	\$ 284,467
Work in process	23,653	12,291
Finished goods	113,104	43,857
Inventories, net	<u>\$ 393,607</u>	<u>\$ 340,615</u>

5. FIXED ASSETS

Fixed assets consisted of the following at December 31:

<i>(In thousands)</i>	2019	2018	Estimated Useful Life in Years
Land	\$ 23,868	\$ 22,962	
Buildings and improvements	185,744	159,805	10 to 40
Leasehold improvements	23,012	16,132	3 to 12
Machinery and equipment	311,554	251,995	3 to 15
Furniture and fixtures	85,901	51,893	3 to 8
Construction in progress	48,288	56,447	
Fixed assets, at cost	678,367	559,234	
Less accumulated depreciation and amortization	312,058	236,358	
Fixed assets, net	<u>\$ 366,309</u>	<u>\$ 322,876</u>	

Depreciation and amortization of fixed assets was as follows for the years ended December 31:

<i>(In thousands)</i>	2019	2018	2017
Cost of sales	\$ 39,442	\$ 35,656	\$ 27,042
Selling, general and administrative expenses	12,158	10,608	7,798
Total	<u>\$ 51,600</u>	<u>\$ 46,264</u>	<u>\$ 34,840</u>

6. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following at December 31:

<i>(In thousands)</i>	2019	2018
Employee compensation and benefits	\$ 45,612	\$ 33,835
Current portion of accrued warranty	29,898	32,180
Customer rebates	14,129	6,193
Other	42,781	26,424
Accrued expenses and other current liabilities	<u>\$ 132,420</u>	<u>\$ 98,632</u>

Estimated costs related to product warranties are accrued at the time products are sold. In estimating its future warranty obligations, the Company considers various factors, including the Company's historical warranty costs, current trends, product mix, and sales.

The following table provides a reconciliation of the activity related to the Company's accrued warranty, including both the current and long-term portions, for the years ended December 31:

<i>(In thousands)</i>	2019	2018	2017
Balance at beginning of period	\$ 46,530	\$ 38,502	\$ 32,393
Provision for warranty expense	30,520	31,819	25,399
Warranty liability from acquired businesses	287	760	150
Warranty costs paid	(30,170)	(24,551)	(19,440)
Balance at end of period	47,167	46,530	38,502
Less long-term portion	17,269	14,350	15,447
Current portion of accrued warranty at end of period	<u>\$ 29,898</u>	<u>\$ 32,180</u>	<u>\$ 23,055</u>

7. RETIREMENT AND OTHER BENEFIT PLANS

Defined Contribution Plan

The Company maintains a discretionary defined contribution 401(k) profit sharing plan covering all eligible employees. The Company contributed \$7.7 million, \$6.8 million, and \$4.2 million to this plan during the years ended December 31, 2019, 2018, and 2017, respectively.

Deferred Compensation Plan

The Company has an Executive Non-Qualified Deferred Compensation Plan (the "Plan"). Pursuant to the Plan, certain management employees are eligible to defer all or a portion of their regular salary and incentive compensation. Participants deferred \$0.9 million, \$6.9 million, and \$4.9 million during the years ended December 31, 2019, 2018, and 2017, respectively. The amounts deferred under this Plan are credited with earnings or losses based upon changes in values of the notional investments elected by the Plan participants. Each Plan participant is fully vested in their deferred compensation and earnings credited to his or her account as all contributions to the Plan are made by the participant. The Company is responsible for certain costs of Plan administration, which are not significant, and will not make any contributions to the Plan. Pursuant to the Plan, payments to the Plan participants are made from the general unrestricted assets of the Company, and the Company's obligations pursuant to the Plan are unfunded and unsecured. Participants withdrew \$1.7 million, \$0.2 million, and \$0.2 million from the Plan during the years ended December 31, 2019, 2018, and 2017, respectively. At December 31, 2019 and 2018, deferred compensation of \$30.3 million and \$25.9 million, respectively, was recorded in other long-term liabilities, and deferred compensation of \$0.2 million and \$0.4 million, respectively, was recorded in accrued expenses and other current liabilities. The Company invests approximately 99 percent of the amounts deferred by the Plan participants in life insurance contracts, matching the investments elected by the Plan participants. Deferred compensation assets and liabilities are recorded at contract value. At December 31, 2019 and 2018, life insurance contract assets of \$30.1 million and \$22.2 million, respectively, were recorded in other assets.

8. LONG-TERM INDEBTEDNESS

Long-term debt consisted of the following at December 31:

<i>(In thousands)</i>	2019	2018
Term Loan	\$ 300,000	\$ —
Revolving Credit Loan	266,214	240,060
Shelf-Loan Facility	50,000	50,000
Other	16,349	4,425
Unamortized deferred financing fees	(1,774)	(361)
	630,789	294,124
Less current portion	(17,883)	(596)
Long-term indebtedness	<u>\$ 612,906</u>	<u>\$ 293,528</u>

Amended Credit Agreement

On December 14, 2018, the Company refinanced its credit agreement with JPMorgan Chase, N.A., Wells Fargo Bank, N.A., Bank of America, N.A., and other bank lenders (as amended, the “Amended Credit Agreement”). The Amended Credit Agreement amended and restated an existing credit agreement dated April 27, 2016 and now expires on December 14, 2023. The Amended Credit Agreement increased the revolving credit facility from \$325.0 million to \$600.0 million, and permits the Company to borrow up to \$250.0 million in approved foreign currencies, including Australian dollars, Canadian dollars, pounds sterling, and euros (\$45.0 million, or €40.0 million drawn at December 31, 2019).

On December 19, 2019, the Company entered into an Incremental Joinder and Amendment No. 1 (“Amendment No. 1”) of the Amended Credit Agreement with several banks, which provided an incremental term loan in the amount of \$300.0 million, which the Company borrowed to fund a portion of the purchase price for the acquisition of CURT. The term loan is required to be repaid in an amount equal to 1.25% of original principal amount of the term loan for the first eight quarterly periods commencing March 31, 2020, and then 1.875% of the original principal amount of the term loan for each quarter thereafter, until the maturity date of December 14, 2023. In addition, Amendment No. 1 modified the credit agreement to allow the Company to request an increase to the facility of up to an additional \$300.0 million as an increase to the revolving credit facility or one, or more, incremental term loan facilities upon approval of the lenders and the Company receiving certain other consents. As a result of the new incremental term loan, the total borrowing capacity under the Amended Credit Agreement was increased from \$600.0 million to \$900.0 million.

Interest on borrowings under the revolving credit facility and incremental term loan are designated from time to time by the Company as either (i) the Alternate Base Rate (defined in the Amended Credit Agreement as the greatest of (a) the Prime Rate of JPMorgan Chase Bank, N.A., (b) the federal funds effective rate plus 0.5 percent, and (c) the Adjusted LIBO Rate (as defined in the Amended Credit Agreement) for a one month interest period plus 1.0 percent), plus additional interest ranging from 0.0 percent to 0.625 percent (0.375 percent at December 31, 2019) depending on the Company’s total net leverage ratio, or (ii) the Adjusted LIBO Rate for a period equal to one, two, three, six, or twelve months (with the consent of each lender) as selected by the Company, plus additional interest ranging from 0.875 percent to 1.625 percent (1.375 percent at December 31, 2019) depending on the Company’s total net leverage ratio. At December 31, 2019 and 2018, the Company had \$2.5 million and \$2.2 million, respectively, in issued, but undrawn, standby letters of credit under the revolving credit facility. Availability under the Company’s revolving credit facility was \$331.8 million at December 31, 2019.

Shelf-Loan Facility

On February 24, 2014, the Company entered into a \$150.0 million shelf-loan facility (as amended, the “Shelf-Loan Facility”) with PGIM, Inc. (formerly Prudential Investment Management, Inc.) and its affiliates (“Prudential”). On March 20, 2015, the Company issued \$50.0 million of Senior Promissory Notes (“Series A Notes”) to Prudential for a term of five years, at a fixed interest rate of 3.35 percent per annum, payable quarterly in arrears. On March 29, 2019, the Company issued \$50.0 million of Series B Senior Notes (the “Series B Notes”) to certain affiliates of Prudential for a term of three years, at a fixed interest rate of 3.8 percent per annum, payable quarterly in arrears, of which the entire amount was outstanding at December 31, 2019. The net proceeds of the Series B Notes were used to repay the Series A Notes. On November 11, 2019, the Company further amended the Shelf-Loan Facility to provide for a new \$200.0 million shelf facility pursuant to which the Series B Notes are currently outstanding. The Shelf-Loan Facility expires on November 11, 2022.

The Shelf-Loan Facility provides for Prudential to consider purchasing, at the Company's request, in one or a series of transactions, additional Senior Promissory Notes of the Company in the aggregate principal amount of up to \$150.0 million (excluding the Company's Series B Notes already outstanding). Prudential has no obligation to purchase the Senior Promissory Notes. Interest payable on the Senior Promissory Notes will be at rates determined by Prudential within five business days after the Company issues a request to Prudential.

General

At December 31, 2019, the fair value of the Company's long-term debt under the Amended Credit Agreement and the Shelf-Loan Facility approximates the carrying value, as estimated using quoted market prices and discounted future cash flows based on similar borrowing arrangements.

Borrowings under both the Amended Credit Agreement and the Shelf-Loan Facility are secured on a pari-passu basis by first priority liens on the capital stock or other equity interests of the Company's direct and indirect subsidiaries (including up to 65 percent of the equity interest of certain "controlled foreign corporations").

Pursuant to the Amended Credit Agreement and Shelf-Loan Facility, the Company shall not permit its net leverage ratio to exceed certain limits, shall maintain a minimum debt service coverage ratio and must meet certain other financial requirements. At December 31, 2019 and 2018, the Company was in compliance with all such requirements, and expects to remain in compliance for the next twelve months.

The Amended Credit Agreement and the Shelf-Loan Facility include a maximum net leverage ratio covenant which limits the amount of consolidated outstanding indebtedness that the Company may incur on a trailing twelve-month EBITDA, as defined. This limitation did not impact the Company's ability to incur additional indebtedness under its revolving credit facility at December 31, 2019. The remaining availability under the revolving credit facility was \$481.8 million at December 31, 2019. The Company believes the availability under the revolving credit facility under the Amended Credit Agreement, along with its cash flows from operations, are adequate to finance the Company's anticipated cash requirements for the next twelve months.

9. INCOME TAXES

The components of earnings before income taxes consisted of the following for the years ended December 31:

<i>(In thousands)</i>	2019	2018	2017
United States	\$ 189,834	\$ 191,095	\$ 213,967
Foreign	1,580	1,257	(1,123)
Total earnings before income taxes	<u>\$ 191,414</u>	<u>\$ 192,352</u>	<u>\$ 212,844</u>

The provision for income taxes in the Consolidated Statements of Income was as follows for the years ended December 31:

<i>(In thousands)</i>	2019	2018	2017
Current:			
Federal	\$ 33,655	\$ 22,297	\$ 62,274
State and local	6,764	6,416	10,720
Foreign	1,070	1,214	158
Total current provision	41,489	29,927	73,152
Deferred:			
Federal	5,923	12,478	7,614
State and local	(969)	1,639	(806)
Foreign	(1,538)	(243)	—
Total deferred provision	3,416	13,874	6,808
Provision for income taxes	<u>\$ 44,905</u>	<u>\$ 43,801</u>	<u>\$ 79,960</u>

On December 22, 2017, the TCJA was signed into law making significant changes to the Internal Revenue Code (“IRC”). The TCJA changes included a reduction of the corporate income tax rate from 35 percent to 21 percent effective for tax years beginning after December 31, 2017, a provision that allows for full expensing of certain qualified property, repeal of the manufacturing deduction, and further limitations on the deductibility of certain executive compensation. The TCJA contains other provisions that have not materially affected the Company, including a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries, limitations on the deductibility of interest expense, and the creation of U.S. tax base erosion provisions.

Following the enactment of the TCJA, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 118 (“SAB 118”) to provide guidance on the accounting and reporting impacts of the TCJA. For the year ended December 31, 2018, the Company finalized its tax accounting for the TCJA and pursuant to SAB 118 recorded a one-time non-cash charge of \$0.6 million related to adjustments to deferred tax amounts provisionally recorded in the prior year. During the year ended December 31, 2017, the Company recorded a provisional one-time non-cash charge of \$13.2 million related to the enactment of the TCJA, which resulted from the re-measurement of certain deferred tax assets using the lower U.S. corporate income tax rate.

The Company has historically reinvested all unremitted earnings of our foreign subsidiaries and affiliates, and therefore has not recognized any U.S. deferred tax liability on those earnings. However, the TCJA change in the U.S. taxation of foreign income has led the Company to reassess its position as it relates to permanent reinvestment and it has now determined that it will only assert permanent reinvestment in its Canadian subsidiaries. The Company examined the potential liabilities related to investments in foreign subsidiaries and concluded that there is no material deferred tax liabilities that should be recorded.

The provision for income taxes differs from the amount computed by applying the federal statutory rate of 21 percent for 2019 and 2018 and 35 percent for 2017 to income before income taxes for the following reasons for the years ended December 31:

<i>(In thousands)</i>	2019	2018	2017
Income tax at federal statutory rate	\$ 40,197	\$ 40,394	\$ 74,495
State income tax, net of federal income tax impact	4,578	6,261	6,011
Domestic production deduction	—	—	(5,511)
Share-based payment compensation excess tax benefit	(1,579)	(2,914)	(7,683)
Changes in tax law (TCJA)	—	612	13,210
Other	1,709	(552)	(562)
Provision for income taxes	<u>\$ 44,905</u>	<u>\$ 43,801</u>	<u>\$ 79,960</u>

At December 31, 2019, the Company had domestic federal income taxes receivable of \$7.1 million, domestic state income taxes receivable of \$4.6 million, and foreign taxes payable of \$0.5 million recorded. At December 31, 2018, the Company had domestic federal income taxes receivable of \$10.2 million, domestic state income taxes receivable of \$0.4 million, and foreign taxes payable of \$0.6 million recorded.

Deferred Income Tax Assets and Liabilities and Valuation Allowances

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities were as follows at December 31:

<i>(In thousands)</i>	2019	2018
Deferred tax assets:		
Goodwill and other intangible assets	\$ —	\$ 3,854
Stock-based compensation	2,290	2,956
Deferred compensation	5,976	6,710
Warranty	11,246	10,931
Inventory	8,001	6,375
Other	2,585	3,454
Lease obligation asset	25,055	822
Net operating loss and interest carryforwards	7,352	1,467
Total deferred tax assets before valuation allowance	62,505	36,569
Less: Valuation allowance	(1,662)	(1,261)
Total deferred tax assets net of valuation allowance	60,843	35,308
Deferred tax liabilities:		
Lease obligation liability	(24,368)	—
Fixed assets	(27,898)	(24,360)
Intangible assets	(44,317)	(8,501)
Total deferred tax liabilities	(96,583)	(32,861)
Net deferred tax (liabilities) assets	\$ (35,740)	\$ 2,447

At December 31, 2019 and 2018, the Company had net foreign deferred tax liabilities of \$9.7 million and \$8.5 million, respectively, related to goodwill and other intangible assets included in other long-term liabilities on the Consolidated Balance Sheets.

As of December 31, 2019, the Company had deferred tax assets recorded related to foreign net operating losses and tax credit carryforwards of \$2.6 million, net. This includes \$1.7 million related to UK entities and \$0.9 million related to Italian entities. The net operating losses and tax credit carryforwards have indefinite lives.

The valuation allowance for deferred tax assets as of December 31, 2019 and 2018 was \$1.7 million and \$1.3 million, respectively. The valuation allowance at 2019 and 2018 was related to net operating losses and tax credit carryforwards related to the UK entities. The net change in the total valuation allowance for the year ended December 31, 2019 was an increase of \$0.4 million. The increase in the valuation allowance relates to the current year losses in the UK. Based upon historical results and estimated future results, it is the judgment of management that these tax carryforward attributes related to the UK entities are not likely to be realized.

As of December 31, 2019, the Company had a domestic deferred tax asset recorded related to net operating losses acquired during the year of \$0.3 million which will begin to expire as of December 31, 2029. Additionally, the Company had a domestic deferred tax asset recorded related to interest expense limitation of \$4.4 million net, which has an indefinite life carry forward. No valuation allowance has been established against these net operating losses and interest carryforwards as they are more likely than not to be realized prior to expiration. Certain tax attributes are subject to annual limitations as defined under Internal Revenue Code Section 382 as a result of the stock acquisitions in 2019.

The Company has concluded it is more likely than not that it will realize the benefit of all other existing deferred tax assets, net of the valuation allowances mentioned above.

Unrecognized Tax Benefits

The following table reconciles the total amounts of unrecognized tax benefits, at December 31:

<i>(In thousands)</i>	2019	2018	2017
Balance at beginning of period	\$ 4,325	\$ 4,145	\$ 3,747
Changes in tax positions of prior years	480	114	(174)
Additions based on tax positions related to the current year	4,288	802	1,255
Payments	—	—	(211)
Closure of tax years	(879)	(736)	(472)
Balance at end of period	<u>\$ 8,214</u>	<u>\$ 4,325</u>	<u>\$ 4,145</u>

In addition, the total amount of accrued interest and penalties related to taxes, recognized as a liability, was \$0.4 million, \$0.2 million, and \$0.2 million at December 31, 2019, 2018, and 2017, respectively.

The total amount of unrecognized tax benefits, net of federal income tax benefits, of \$7.9 million, \$3.9 million, and \$3.7 million at December 31, 2019, 2018, and 2017, respectively, would, if recognized, increase the Company's earnings, and lower the Company's annual effective tax rate in the year of recognition.

The Company is subject to taxation in the United States and various states and foreign jurisdictions. In the normal course of business, the Company is subject to examinations by taxing authorities in these jurisdictions. For U.S. federal and state income tax purposes, tax years 2018, 2017, and 2016 remain subject to examination.

The Company has assessed its risks associated with all tax return positions, and believes its tax reserve estimates reflect its best estimate of the deductions and positions it will be able to sustain, or it may be willing to concede as part of a settlement. At this time, the Company does not anticipate any change in its tax reserves in the next twelve months. The Company will continue to monitor the progress and conclusion of all audits and will adjust its estimated liability as necessary.

10. LEASES

The Company leases certain manufacturing and distribution facilities, administrative office space, semi-tractors, trailers, forklifts, and other equipment through operating leases with unrelated third parties. The operating leases have remaining terms of up to 12 years and some leases include options to purchase, terminate, or extend for one or more years. The options are included in the lease term when it is reasonably certain the option will be exercised. Leases with an initial term of 12 months or less are recognized in lease expense on a straight-line basis over the lease term and not recorded on the Consolidated Balance Sheet.

The Company uses its incremental borrowing rate based on information available at lease inception in determining the present value of the lease payments. The Company applies a portfolio approach for determining the incremental borrowing rate based on applicable lease terms and the current economic environment.

Certain of the Company's lease arrangements contain lease components (such as minimum rent payments) and non-lease components (such as common-area or other maintenance costs and taxes). The Company generally accounts for each component separately based on the estimated standalone price of each component. Some of the Company's lease arrangements include rental payments that are adjusted periodically for an index rate. These leases are initially measured using the projected payments in effect at the inception of the lease. Certain of the Company's leased semi-tractors, trailers, and forklifts include variable costs for usage or mileage. Such variable costs are expensed as incurred and included in the variable lease cost item noted in the table below. The Company's lease agreements do not contain any significant residual value guarantees or restrictive covenants. The components of lease cost for the year ended December 31, 2019 were as follows:

<i>(in thousands)</i>	
Operating lease cost	\$ 21,899
Short-term lease cost	2,611
Variable lease cost	1,781
Total lease cost	<u>\$ 26,291</u>

Rent expense for operating leases was \$24.2 million and \$15.2 million for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments under operating leases as of December 31, 2019 were as follows:

(in thousands)

Year Ending December 31,	
2020	\$ 26,764
2021	23,042
2022	17,031
2023	11,951
2024	10,477
Thereafter	33,077
Total future minimum lease payments ^(a)	122,342
Less: Interest	(20,801)
Present value of operating lease liabilities	<u>\$ 101,541</u>

^(a) Refer to the Company's 2018 Annual Report on Form 10-K for disclosure of future minimum lease payments at December 31, 2018 under ASC Topic 840, the accounting standard applicable to leases prior to the adoption of Topic 842.

At December 31, 2019, the Company's operating leases had a weighted-average remaining lease term of 6.6 years and a weighted-average discount rate of 5.5 percent.

Cash Flows

The initial right-of-use assets of \$66.4 million were recognized as non-cash asset additions upon adoption of Topic 842. Additional right-of use assets of \$50.5 million were recognized as non-cash asset additions that resulted from new operating lease obligations during the twelve months ended December 31, 2019, which includes \$34.3 million of right-of-use assets from acquisitions. Cash paid for amounts included in the present value of operating lease obligations and included in cash flows from operations was \$21.8 million for the twelve months ended December 31, 2019.

Finance Leases

The Company has various leases classified as finance leases, which are included in fixed assets, net and long-term indebtedness on the Consolidated Balance Sheets. These leases were not material to the Consolidated Financial Statements as of December 31, 2019.

Lessor

The Company has various lease arrangements to lease office space and other real estate under which the Company is the lessor. These leases are classified as operating leases and income associated with these leases is not material.

11. COMMITMENTS AND CONTINGENCIES

Contingent Consideration

In connection with several business acquisitions, if certain sales targets for the acquired products are achieved, the Company would pay additional cash consideration. The Company has recorded a liability for the fair value of this contingent consideration at December 31, 2019 and 2018, based on the present value of the expected future cash flows using a market participant's weighted average cost of capital of 11.4 percent and 12.1 percent, respectively.

As required, the liability for this contingent consideration is measured at fair value quarterly, considering actual sales of the acquired products, updated sales projections, and the updated market participant weighted average cost of capital.

Depending upon the weighted average costs of capital and future sales of the products which are subject to contingent consideration, the Company could record adjustments in future periods.

The following table provides a reconciliation of the Company's contingent consideration liability for the years ended December 31:

<i>(In thousands)</i>	2019	2018	2017
Balance at beginning of period	\$ 7,302	\$ 12,545	\$ 9,241
Acquisitions	—	43	7,288
Payments	(10)	(4,803)	(7,682)
Accretion ^(a)	792	951	1,652
Fair value adjustments ^{(a) (b)}	(3,691)	(944)	1257
Net foreign currency translation adjustment	3	(490)	789
Balance at end of the period ^(c)	4,396	7,302	12,545
Less current portion in accrued expenses and other current liabilities	(2,351)	(17)	(4,658)
Total long-term portion in other long-term liabilities	\$ 2,045	\$ 7,285	\$ 7,887

- Recorded in selling, general and administrative expenses in the Consolidated Statements of Income.*
- Includes adjustments to assumptions on weighted average cost of capital and relevant sales projections.*
- Amounts represent the fair value of estimated remaining payments. The total estimated remaining undiscounted payments as of December 31, 2019 were \$5.6 million. The liability for contingent consideration expires at various dates through September 2029. Certain of the contingent consideration arrangements are subject to a maximum payment amount, while the remaining arrangements have no maximum contingent consideration.*

Furrion Distribution and Supply Agreement

In July 2015, the Company entered into a six-year exclusive distribution and supply agreement with Furrion Limited ("Furrion"), a Hong Kong based firm that designs, engineers, and supplies premium electronics. This agreement provided the Company with the rights to distribute Furrion's complete line of products to OEMs and aftermarket customers in the RV, specialty vehicle, utility trailer, horse trailer, marine, transit bus, manufactured housing, and school bus industries throughout the United States and Canada.

In August 2019, the Company and Furrion agreed to terminate the agreement effective December 31, 2019, and transition all sale and distribution of Furrion products then handled by the Company to Furrion. Effective January 1, 2020, Furrion is responsible for distributing its products directly to the customer and assumed all responsibilities previously carried out by the Company relating to Furrion products. Upon termination of the agreement, Furrion has agreed to purchase from the Company all non-obsolete stock and certain obsolete and slow-moving stock of Furrion products at the cost paid by the Company. At December 31, 2019, the Company had receivables of \$40.0 million recorded for purchases of inventory stock by Furrion.

Product Recalls

From time to time, the Company cooperates with and assists its customers on their product recalls and inquiries, and occasionally receives inquiries directly from the National Highway Traffic Safety Administration regarding reported incidents involving the Company's products. As a result, the Company has incurred expenses associated with product recalls from time to time, and may incur expenditures for future investigations or product recalls.

Environmental

The Company's operations are subject to certain Federal, state and local regulatory requirements relating to the use, storage, discharge and disposal of hazardous materials used during the manufacturing processes. Although the Company believes its operations have been consistent with prevailing industry standards, and are in substantial compliance with applicable environmental laws and regulations, one or more of the Company's current or former operating sites, or adjacent sites owned by third-parties, have been affected, and may in the future be affected, by releases of hazardous materials. As a

result, the Company may incur expenditures for future investigation and remediation of these sites, including in conjunction with voluntary remediation programs or third-party claims.

Litigation

In the normal course of business, the Company is subject to proceedings, lawsuits, regulatory agency inquiries and other claims. All such matters are subject to uncertainties and outcomes that are not predictable with assurance. While these matters could materially affect operating results when resolved in future periods, management believes that, after final disposition, including anticipated insurance recoveries in certain cases, any monetary liability or financial impact to the Company beyond that provided in the Consolidated Balance Sheet as of December 31, 2019, would not be material to the Company's financial position or annual results of operations.

12. STOCKHOLDERS' EQUITY

Dividends

In 2016, the Company initiated the payment of regular quarterly dividends. The table below summarizes the regular quarterly dividends declared and paid during the years ended December 31, 2019, 2018, and 2017:

<i>(In thousands, except per share data)</i>	Per Share	Record Date	Payment Date	Total Paid
First Quarter 2017	\$ 0.50	03/06/17	03/17/17	\$ 12,442
Second Quarter 2017	0.50	05/19/17	06/02/17	12,445
Third Quarter 2017	0.50	08/18/17	09/01/17	12,459
Fourth Quarter 2017	0.55	11/17/17	12/01/17	13,711
Total 2017	<u>\$ 2.05</u>			<u>\$ 51,057</u>
First Quarter 2018	\$ 0.55	03/16/18	03/29/18	\$ 13,858
Second Quarter 2018	0.60	06/04/18	06/15/18	15,127
Third Quarter 2018	0.60	08/31/18	09/14/18	15,129
Fourth Quarter 2018	0.60	11/26/18	12/07/18	15,156
Total 2018	<u>\$ 2.35</u>			<u>\$ 59,270</u>
First Quarter 2019	\$ 0.60	03/08/19	03/22/19	\$ 14,999
Second Quarter 2019	0.65	06/07/19	06/21/19	16,267
Third Quarter 2019	0.65	09/06/19	09/20/19	16,267
Fourth Quarter 2019	0.65	12/06/19	12/20/19	16,280
Total 2019	<u>\$ 2.55</u>			<u>\$ 63,813</u>

Stock-Based Awards

Prior to stockholder approval of the LCI Industries 2018 Omnibus Incentive Plan (the "2018 Plan") in May 2018, the Company granted to its directors, employees, and other eligible persons common stock-based awards, such as stock options, deferred and restricted stock units, restricted stock, and stock awards pursuant to the LCI Industries Equity Award and Incentive Plan, as Amended and Restated (the "2011 Plan"), which was approved by stockholders in May 2011. On May 24, 2018, the Company's stockholders approved the 2018 Plan, which provides that the number of shares of common stock that may be the subject of awards and issued under the 2018 Plan is 1,500,000, plus shares subject to any awards outstanding as of May 24, 2018 under the 2011 Plan that subsequently expire, are forfeited or canceled, are settled for cash, are not issued in shares, or are tendered or withheld to pay the exercise price or satisfy any tax withholding obligations related to the award. Following the stockholders' approval of the 2018 Plan, no further awards may be made under the 2011 Plan. Executive officers and other employees of the Company and its subsidiaries and affiliates, and independent directors, consultants, and others who provide substantial services to the Company and its subsidiaries and affiliates, are eligible to be granted awards under the 2018 Plan. Under the 2018 Plan, the Compensation Committee of LCII's Board of Directors is authorized to grant stock options, stock appreciation rights, restricted stock awards, stock unit awards, other stock-based awards, and cash incentive awards.

The number of shares available for future awards under the 2018 Plan and 2011 Plan, as applicable, was 1,361,748, 1,570,274, and 737,689 at December 31, 2019, 2018, and 2017, respectively.

Stock-based compensation resulted in charges to operations as follows for the years ended December 31:

<i>(In thousands)</i>	2019	2018	2017
Deferred and restricted stock units	\$ 14,342	\$ 12,427	\$ 10,696
Restricted stock	—	590	1,191
Stock awards	1,735	1,048	8,149
Stock-based compensation expense	<u>\$ 16,077</u>	<u>\$ 14,065</u>	<u>\$ 20,036</u>

Stock-based compensation expense is recorded in the Consolidated Statements of Income in the same line as cash compensation to those employees is recorded, primarily in selling, general and administrative expenses. In addition, the Company issued deferred stock units to certain executive officers in lieu of cash for a portion of prior year incentive compensation, in accordance with their compensation arrangements, of \$6.9 million, for the year ended December 31, 2017.

Deferred and Restricted Stock Units

The 2018 Plan provides for the grant or issuance of stock units, including those that have deferral periods, such as deferred stock units (“DSUs”), and those with time-based vesting provisions, such as restricted stock units (“RSUs”), to directors, employees and other eligible persons. Recipients of DSUs and RSUs are entitled to receive shares at the end of a specified vesting or deferral period. Holders of DSUs and RSUs receive dividend equivalents based on dividends granted to holders of the common stock, which dividend equivalents are payable in additional DSUs and RSUs, and are subject to the same vesting criteria as the original grant.

DSUs vest (i) ratably over the service period, (ii) at a specified future date, or (iii) for certain officers, based on achievement of specified performance conditions. RSUs vest (i) ratably over the service period or (ii) at a specified future date. As a result of the Company’s executive succession and corporate relocation, the vesting of certain deferred stock units was accelerated pursuant to contractual obligations with certain employees whose employment terminated. In addition, DSUs are issued in lieu of certain cash compensation. Transactions in DSUs and RSUs under the 2011 Plan or the 2018 Plan, as applicable, are summarized as follows:

	Number of Shares	Weighted Average Price
Outstanding at December 31, 2016	506,447	\$ 50.00
Issued	68,340	108.61
Granted	95,079	109.50
Dividend equivalents	9,799	104.12
Forfeited	(3,094)	72.96
Vested	<u>(227,516)</u>	<u>40.39</u>
Outstanding at December 31, 2017	449,055	\$ 72.55
Issued	5,354	106.10
Granted	101,650	103.20
Dividend equivalents	8,036	89.66
Forfeited	(9,557)	76.71
Vested	<u>(290,132)</u>	<u>74.83</u>
Outstanding at December 31, 2018	264,406	\$ 83.84
Issued	6,073	89.82
Granted	252,068	81.07
Dividend equivalents	10,243	89.65
Forfeited	(9,079)	89.67
Vested	<u>(177,563)</u>	<u>69.65</u>
Outstanding at December 31, 2019	<u>346,148</u>	<u>\$ 87.54</u>

As of December 31, 2019, there was \$18.3 million of total unrecognized compensation cost related to DSUs and RSUs, which is expected to be recognized over a weighted average remaining period of 1.4 years.

Stock Awards and Performance Stock Units

The 2011 Plan provided for stock awards and the 2018 Plan provides for performance stock units (“PSUs”) that vest at a specific future date based on achievement of specified performance conditions. Transactions under the 2011 Plan or the 2018 Plan, as applicable, are summarized as follows:

	Number of Shares	Stock Price
Outstanding at December 31, 2016	232,622	\$ 55.60
Granted	103,382	90.36
Dividend equivalents	5,249	104.93
Vested	(69,434)	51.20
Outstanding at December 31, 2017	271,819	\$ 70.29
Issued	5,641	106.10
Granted	111,246	106.10
Dividend equivalents	6,280	90.47
Forfeited	(71,618)	86.65
Vested	(136,000)	64.32
Outstanding at December 31, 2018	187,368	\$ 91.39
Granted	48,995	78.11
Dividend equivalents	3,658	67.03
Forfeited	(8,459)	106.10
Vested	(102,434)	77.93
Outstanding at December 31, 2019	<u>129,128</u>	<u>\$ 96.21</u>

As of December 31, 2019, there was \$2.9 million of total unrecognized compensation cost related to outstanding stock awards and PSUs, which is expected to be recognized over a weighted average remaining period of 0.9 years.

Weighted Average Common Shares Outstanding

The following reconciliation details the denominator used in the computation of basic and diluted earnings per share for the years ended December 31:

<i>(In thousands)</i>	2019	2018	2017
Weighted average shares outstanding for basic earnings per share	24,998	25,178	25,020
Common stock equivalents pertaining to stock-based awards	95	285	355
Weighted average shares outstanding for diluted earnings per share	<u>25,093</u>	<u>25,463</u>	<u>25,375</u>

The weighted average diluted shares outstanding for the years ended December 31, 2019, 2018, and 2017, exclude the effect of 122,775, 94,747, and 104,073 shares of common stock, respectively, subject to stock-based awards. Such shares were excluded from total diluted shares because they were anti-dilutive or the specified performance conditions that those shares were subject to were not yet achieved.

Stock Repurchase Program

On October 31, 2018, the Company’s Board of Directors authorized a new stock repurchase program granting the Company authority to repurchase up to \$150.0 million of the Company’s common stock over a three-year period. The timing of stock repurchases and the number of shares repurchased will depend upon the market conditions and other factors. Share repurchases, if any, will be made in the open market or in privately negotiated transactions in accordance with applicable securities laws. The stock repurchase program may be modified, suspended or terminated at any time by the Board of Directors.

In 2018, the Company purchased 402,570 shares at a weighted average price of \$71.28 per share, totaling \$28.7 million. There were no share repurchases for the year ended December 31, 2019.

13. FAIR VALUE MEASUREMENTS

Recurring

The following table presents the Company's liabilities measured at fair value on a recurring basis at December 31:

(In thousands)	2019				2018			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Liabilities								
Contingent consideration	\$ 4,396	\$ —	\$ —	\$ 4,396	\$ 7,302	\$ —	\$ —	\$ 7,302
Derivative liabilities	679	—	679	—	1,108	—	1,108	—

The Company did not have any assets measured at fair value on a recurring basis at December 31, 2019 or 2018.

Derivative Instruments

The Company's objectives in using commodity derivatives are to add stability to expense and to manage its exposure to certain commodity price movements. To accomplish this objective, the Company uses commodity swaps as part of its commodity risk management strategy. Commodity swaps designated as cash flow hedges involve fixing the price on a fixed volume of a commodity on specified dates. The commodity swaps are typically cash settled for their fair value at or close to their settlement dates.

At December 31, 2019, the Company had six commodity swap derivative instruments for a total of 11.2 million pounds of steel used to hedge its commodity price risk on a portion of the exposure to movements associated with steel costs. These derivatives expire at various dates through April 2020, at an average steel price of \$0.37 per pound. These derivatives are designated and qualify as cash flow hedges of commodity price risk; therefore, the gain or loss on the derivative is recorded in accumulated other comprehensive income (loss) and subsequently reclassified in the period during which the hedged transactions affects earnings within the same income statement line item as the earnings effect of the hedged transaction. These derivative instruments were valued at fair value using a market approach based on the quoted market prices of similar instruments at the end of the reporting period. At December 31, 2019, the \$0.7 million corresponding liability was recorded in accrued expenses and other current liabilities as reflected in the Consolidated Balance Sheets.

At December 31, 2018, the Company had five commodity swap derivative instruments for a total of 34.4 million pounds of steel used to hedge its commodity price risk on a portion of the exposure to movements associated with steel costs. These derivatives expire at various dates through February 2020, at an average steel price of \$0.39 per pound. These derivatives are designated and qualify as cash flow hedges of commodity price risk; therefore, the gain or loss on the derivative is recorded in accumulated other comprehensive income (loss) and subsequently reclassified in the period during which the hedged transactions affects earnings within the same income statement line item as the earnings effect of the hedged transaction. These derivative instruments were valued at fair value using a market approach based on the quoted market prices of similar instruments at the end of the reporting period. At December 31, 2018, the \$1.1 million corresponding liability was recorded in accrued expenses and other current liabilities (\$0.9 million) and other long-term liabilities (\$0.2 million) as reflected in the Consolidated Balance Sheets.

Contingent Consideration Related to Acquisitions

Liabilities for contingent consideration related to acquisitions were estimated at fair value using management's projections for long-term sales forecasts, including assumptions regarding market share gains and future industry-specific economic and market conditions, and a market participant's weighted average cost of capital. Over the next six years, the Company's long-term sales growth forecasts for products subject to contingent consideration arrangements average approximately 14 percent per year. For further information on the inputs used in determining the fair value, and a roll-forward of the contingent consideration liability, see Note 11 of the Notes to Consolidated Financial Statements.

Changes in either of the inputs in isolation would result in a change in the fair value measurement. A change in the assumptions used for sales forecasts would result in a directionally similar change in the fair value liability, while a change in the weighted average cost of capital would result in a directionally opposite change in the fair value liability. If there is an increase in the fair value liability, the Company would record a charge to selling, general and administrative expenses, and if there is a decrease in the fair value liability, the Company would record a benefit in selling, general and administrative expenses.

14. SEGMENT REPORTING

The Company has two reportable segments, the OEM Segment and the Aftermarket Segment. Intersegment sales are insignificant.

The OEM Segment, which accounted for 88 percent, 91 percent, and 92 percent of consolidated net sales for each of the years ended December 31, 2019, 2018, and 2017, respectively, manufactures and distributes a broad array of engineered components for the leading OEMs in the recreation and industrial product markets, consisting of RVs and adjacent industries, including buses; trailers used to haul boats, livestock, equipment, and other cargo; trucks; boats; trains; manufactured homes; and modular housing. Approximately 61 percent, 64 percent, and 71 percent of the Company's OEM Segment net sales in 2019, 2018, and 2017, respectively, were of components for travel trailer and fifth-wheel RVs.

The Aftermarket Segment, which accounted for 12 percent, 9 percent, and 8 percent of consolidated net sales for each of the years ended December 31, 2019, 2018, and 2017, respectively, supplies engineered components to the related aftermarket channels of the RV and adjacent industries, primarily to retail dealers, wholesale distributors, and service centers. The Aftermarket Segment also includes the sale of replacement glass and awnings to fulfill insurance claims, biminis, covers, buoys, and fenders to the marine industry, and towing products and truck accessories.

Decisions concerning the allocation of the Company's resources are made by the Company's Chief Operating Decision Maker ("CODM"), with oversight by the Board of Directors. The CODM evaluates the performance of each segment based upon segment operating profit or loss, generally defined as income or loss before interest and income taxes. Decisions concerning the allocation of resources are also based on each segment's utilization of assets. Management of debt is a corporate function. The accounting policies of the OEM and Aftermarket Segments are the same as those described in Note 2 of the Notes to Consolidated Financial Statements.

The following tables presents the Company's revenues disaggregated by segment and geography based on the billing address of the Company's customers for the years ended December 31:

<i>(In thousands)</i>	2019		
	U.S. (a)	Int'l (b)	Total
OEM Segment:			
RV OEMs:			
Travel trailers and fifth-wheels	\$ 1,264,404	\$ 12,314	\$ 1,276,718
Motorhomes	110,405	45,218	155,623
Adjacent Industries OEMs	587,521	72,039	659,560
Total OEM Segment net sales	1,962,330	129,571	2,091,901
Aftermarket Segment:			
Total Aftermarket Segment net sales	263,382	16,199	279,581
Total net sales	<u>\$ 2,225,712</u>	<u>\$ 145,770</u>	<u>\$ 2,371,482</u>

(In thousands)	2018		
	U.S. (a)	Int'l (b)	Total
OEM Segment:			
RV OEMs:			
Travel trailers and fifth-wheels	\$ 1,431,574	\$ 9,156	\$ 1,440,730
Motorhomes	143,488	43,809	187,297
Adjacent Industries OEMs	574,100	40,489	614,589
Total OEM Segment net sales	2,149,162	93,454	2,242,616
Aftermarket Segment:			
Total Aftermarket Segment net sales	222,588	10,603	233,191
Total net sales	<u>\$ 2,371,750</u>	<u>\$ 104,057</u>	<u>\$ 2,475,807</u>

(In thousands)	2017		
	U.S. (a)	Int'l (b)	Total
OEM Segment:			
RV OEMs:			
Travel trailers and fifth-wheels	\$ 1,403,079	\$ 2,904	\$ 1,405,983
Motorhomes	138,895	20,522	159,417
Adjacent Industries OEMs	398,919	12,304	411,223
Total OEM Segment net sales	1,940,893	35,730	1,976,623
Aftermarket Segment:			
Total Aftermarket Segment net sales	160,637	10,510	171,147
Total net sales	<u>\$ 2,101,530</u>	<u>\$ 46,240</u>	<u>\$ 2,147,770</u>

^(a) Net sales to customers in the United States of America

^(b) Net sales to customers domiciled in countries outside of the United States of America

Corporate expenses are allocated between the segments based upon net sales. Accretion related to contingent consideration and other non-segment items are included in the segment to which they relate. Information relating to segments follows for the years ended December 31:

(In thousands)	Segments			Corporate and Other	Total
	OEM	Aftermarket	Subtotal		
<u>2019</u>					
Net sales to external customers ^(a)	\$ 2,091,901	\$ 279,581	\$ 2,371,482	\$ —	\$ 2,371,482
Operating profit ^(b)	165,290	34,920	200,210	—	200,210
Total assets ^(c)	1,167,899	595,688	1,763,587	99,008	1,862,595
Expenditures for long-lived assets ^(d)	166,331	302,857	469,188	—	469,188
Depreciation and amortization	70,136	5,222	75,358	—	75,358

(In thousands)	Segments			Corporate and Other	Total	
	OEM	Aftermarket	Subtotal			
2018						
Net sales to external customers ^(a)	\$ 2,242,616	\$ 233,191	\$ 2,475,807	\$ —	\$ 2,475,807	
Operating profit ^(b)	167,459	31,329	198,788	—	198,788	
Total assets ^(c)	1,034,254	129,776	1,164,030	79,863	1,243,893	
Expenditures for long-lived assets ^(d)	247,895	20,544	268,439	—	268,439	
Depreciation and amortization	63,447	4,079	67,526	—	67,526	
2017						
Net sales to external customers ^(a)	\$ 1,976,623	\$ 171,147	\$ 2,147,770	\$ —	\$ 2,147,770	
Operating profit ^(b)	190,276	24,005	214,281	—	214,281	
Total assets ^(c)	785,926	76,309	862,235	83,623	945,858	
Expenditures for long-lived assets ^(d)	148,570	4,875	153,445	—	153,445	
Depreciation and amortization	50,751	3,662	54,413	314	54,727	

- (a) Thor Industries, Inc. ("Thor"), a customer of both segments, accounted for 27 percent, 31 percent, and 38 percent of the Company's consolidated net sales for the years ended December 31, 2019, 2018, and 2017, respectively. Berkshire Hathaway Inc. (through its subsidiaries Forest River, Inc. and Clayton Homes, Inc.), a customer of both segments, accounted for 21 percent, 23 percent, and 25 percent of the Company's consolidated net sales for the years ended December 31, 2019, 2018, and 2017, respectively. No other customer accounted for more than 10 percent of consolidated net sales in the years ended December 31, 2019, 2018, and 2017.
- (b) Certain general and administrative expenses are allocated between the segments based upon net sales or operating profit, depending upon the nature of the expense.
- (c) Segment assets include accounts receivable, inventories, fixed assets, goodwill and other intangible assets. Corporate and other assets include cash and cash equivalents, prepaid expenses and other current assets, deferred taxes, and other assets.
- (d) Expenditures for long-lived assets include capital expenditures, as well as fixed assets, goodwill and other intangible assets purchased as part of the acquisition of businesses. The Company purchased \$395.6 million, \$150.9 million, and \$65.0 million of long-lived assets, as part of the acquisitions of businesses in the years ended December 31, 2019, 2018, and 2017, respectively.

Net sales by OEM Segment product were as follows for the years ended December 31:

(In thousands)	2019	2018	2017
OEM Segment:			
Chassis, chassis parts, and slide-out mechanisms	\$ 796,434	\$ 908,065	\$ 914,397
Windows and doors	585,464	615,644	424,625
Furniture and mattresses	342,691	380,514	342,680
Axles and suspension solutions	129,471	122,897	123,513
Other	237,841	215,496	171,408
Total OEM Segment net sales	2,091,901	2,242,616	1,976,623
Total Aftermarket Segment net sales	279,581	233,191	171,147
Total net sales	<u>\$ 2,371,482</u>	<u>\$ 2,475,807</u>	<u>\$ 2,147,770</u>

15. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Interim unaudited financial information follows:

<i>(In thousands, except per share amounts)</i>	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
<u>Year ended December 31, 2019</u>					
Net sales	\$ 592,172	\$ 629,068	\$ 586,221	\$ 564,021	\$ 2,371,482
Gross profit	132,594	148,653	135,473	122,482	539,202
Income before income taxes	45,248	63,558	47,253	35,355	191,414
Net income	34,366	47,527	35,809	28,807	146,509
Net income per common share:					
Basic	\$ 1.38	\$ 1.90	\$ 1.43	\$ 1.15	\$ 5.86
Diluted	\$ 1.38	\$ 1.89	\$ 1.42	\$ 1.14	\$ 5.84
Stock market price:					
High	\$ 86.13	\$ 97.77	\$ 95.52	\$ 109.79	\$ 109.79
Low	\$ 64.70	\$ 75.59	\$ 92.93	\$ 87.15	\$ 64.70
Close (at end of quarter)	\$ 76.82	\$ 90.00	\$ 91.85	\$ 107.13	\$ 107.13
<u>Year ended December 31, 2018</u>					
Net sales	\$ 650,492	\$ 684,455	\$ 604,244	\$ 536,616	\$ 2,475,807
Gross profit	140,733	150,456	125,901	103,254	520,344
Income before income taxes	58,719	62,428	43,633	27,572	192,352
Net income	47,336	47,224	33,812	20,179	148,551
Net income per common share:					
Basic	\$ 1.88	\$ 1.87	\$ 1.34	\$ 0.80	\$ 5.90
Diluted	\$ 1.86	\$ 1.86	\$ 1.33	\$ 0.80	\$ 5.83
Stock market price:					
High	\$ 132.30	\$ 104.90	\$ 102.23	\$ 80.89	\$ 132.30
Low	\$ 99.46	\$ 80.95	\$ 98.40	\$ 59.68	\$ 59.68
Close (at end of quarter)	\$ 104.15	\$ 90.15	\$ 69.35	\$ 66.80	\$ 66.80

The sum of per share amounts for the four quarters may not equal the total per share amounts for the year as a result of changes in the weighted average common shares outstanding or rounding.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

Item 9A. CONTROLS AND PROCEDURES.

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, in accordance with the definition of "disclosure controls and procedures" in Rule 13a-15 under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance of achieving the desired control objectives. Management included in its evaluation the cost-benefit relationship of possible controls and procedures. The Company continually evaluates its disclosure controls and procedures to determine if changes are appropriate based upon changes in the Company's operations or the business environment in which it operates.

As of the end of the period covered by this Form 10-K, the Company performed an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2019.

(a) Management's Annual Report on Internal Control over Financial Reporting.

We are responsible for the preparation and integrity of the Consolidated Financial Statements appearing in this Annual Report on Form 10-K. We are also responsible for establishing and maintaining adequate internal control over financial reporting for the Company. We maintain a system of internal control that is designed to provide reasonable assurance as to the fair and reliable preparation and presentation of the Consolidated Financial Statements, as well as to safeguard assets from unauthorized use or disposition. The Company continually evaluates its system of internal control over financial reporting to determine if changes are appropriate based upon changes in the Company's operations or the business environment in which it operates.

Our control environment is the foundation for our system of internal control over financial reporting and is embodied in our Guidelines for Business Conduct. It sets the tone of our organization and includes factors such as integrity and ethical values. Our internal control over financial reporting is supported by formal policies and procedures which are reviewed, modified and improved as changes occur in business conditions and operations.

We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Although there are inherent limitations in the effectiveness of any system of internal control over financial reporting, based on our evaluation, we have concluded that our internal control over financial reporting was effective as of December 31, 2019.

During 2019, the Company completed the CURT Acquisition Holdings, Inc. (CURT), Lewmar Marine Ltd. (Lewmar), Rodan Enterprises, LLC (SureShade), Ciesse Holdings S.r.l (Ciesse), Lavet S.r.l. (Lavet), and Femto Engineering S.r.l. (Femto) acquisitions, which contributed \$65.4 million of net sales for the year ended December 31, 2019. Total assets from these acquisitions as of December 31, 2019 were \$568 million. As the CURT, Lewmar, SureShade, Ciesse, Lavet, and Femto acquisitions occurred in the year ended December 31, 2019, the scope of the Company's evaluation of the effectiveness of internal control over financial reporting does not include CURT, Lewmar, SureShade, Ciesse, Lavet, and Femto. This exclusion is in accordance with the SEC's general guidance that an assessment of a recently acquired business may be omitted from the Company's scope in the year of acquisition.

KPMG LLP, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this Annual Report on Form 10-K and, as part of their audit, has issued their attestation report on the effectiveness of our internal control over financial reporting, included elsewhere in this Form 10-K.

(b) Report of the Independent Registered Public Accounting Firm.

The report is included in Item 8. “Financial Statements and Supplementary Data.”

(c) Changes in Internal Control over Financial Reporting.

During the year ended December 31, 2019, the Company implemented controls to support the adoption of ASU 2016-02, *Leases (Topic 842)*. There were no other changes in the Company’s internal control over financial reporting during the quarter ended December 31, 2019, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

The Company began implementation of a new enterprise resource planning (“ERP”) system in late 2013. To date, 34 locations have been put on this ERP system. The roll-out plan is continually evaluated in the context of priorities for the business and may change as needs of the business dictate. The Company anticipates enhancements to controls due to both the installation of the new ERP system and business process changes resulting therefrom.

Item 9B. OTHER INFORMATION.

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information with respect to the Company’s directors, executive officers and corporate governance is incorporated by reference from the information contained under the proposal entitled “Election of Directors” and under the caption “Corporate Governance and Related Matters – Board Committees” in the Company’s Proxy Statement for the Annual Meeting of Stockholders to be held on May 21, 2020 (the “2020 Proxy Statement”) and from the information contained under “Information About our Executive Officers” in Part I, Item 1, “Business,” in this Report.

Information regarding Section 16 reporting compliance is incorporated by reference from the information contained under the caption “Voting Securities – Delinquent Section 16(a) Reports” in the Company’s 2020 Proxy Statement.

The Company has adopted Governance Principles, Guidelines for Business Conduct, a Whistleblower Policy, and a Code of Ethics for Senior Financial Officers (“Code of Ethics”), each of which, as well as the Charters and Key Practices, as applicable, of the Company’s Audit Committee, Risk Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Strategy and Acquisition Committee, are available on the Company’s website at www.lci1.com/investors. A copy of any of these documents will be furnished, without charge, upon written request to Secretary, LCI Industries, 3501 County Road 6 East, Elkhart, Indiana 46514.

If the Company makes any substantive amendment to the Code of Ethics or the Guidelines for Business Conduct, or grants a waiver to a director or executive officer from a provision of the Code of Ethics or the Guidelines for Business Conduct, the Company will disclose the nature of such amendment or waiver on its website or in a Current Report on Form 8-K. There have been no waivers to directors or executive officers of any provisions of the Code of Ethics or the Guidelines for Business Conduct.

Item 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference from the information contained under the captions “Executive Compensation,” “Director Compensation,” “CEO Pay Ratio,” and “Transactions with Related Persons - Compensation Committee Interlocks and Insider Participation” in the Company’s 2020 Proxy Statement.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this item is incorporated by reference from the information contained under the captions “Voting Securities – Principal Holders of Voting Securities” and “Voting Securities – Security Ownership of Certain Beneficial Owners and Management” in the Company’s 2020 Proxy Statement.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item with respect to transactions with related persons and director independence is incorporated by reference from the information contained under the captions “Transactions with Related Persons” and “Corporate Governance and Related Matters – Board of Directors and Director Independence” in the Company’s 2020 Proxy Statement.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this item is incorporated by reference from the information contained under the proposal entitled “Ratification of Appointment of Auditors – Fees for Independent Auditors” in the Company’s 2020 Proxy Statement.

PART IV

ITEM 15. EXHIBITS, AND FINANCIAL STATEMENT SCHEDULES.

- (a) Documents Filed:
 - (1) Financial Statements.
 - (2) Exhibits. See Item 15 (b) - “List of Exhibits” incorporated herein by reference.
- (b) Exhibits - List of Exhibits.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
2.1	Stock Purchase Agreement, dated as of November 21, 2019, by and among Lippert Components, Inc., Curt Acquisition Holdings, LLC and Curt Acquisition Holdings, Inc. (incorporated by reference to Exhibit 2.1 included in the Registrant's Form 8-K filed November 22, 2019).
3.1	LCI Industries Restated Certificate of Incorporation, as amended effective December 30, 2016 (incorporated by reference to Exhibit 3.1 included in the Registrant's Form 10-K for the year ended December 31, 2016).
3.2	Amended and Restated Bylaws of LCI Industries, as amended May 25, 2017 (incorporated by reference to Exhibit 3.2 included in the Registrant's Form 8-K filed on May 31, 2017).
4.1*	Description of Registrant's Securities Registered under Section 12 of the Securities Exchange Act of 1934, as amended.
10.221†	Form of Indemnification Agreement between Registrant and its officers and independent directors (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed on May 26, 2015).
10.231†	Executive Non-Qualified Deferred Compensation Plan, as amended (incorporated by reference to Exhibit 10.231 included in the Registrant's Form 10-K for the year ended December 31, 2015).
10.259†	LCI Industries Equity Award and Incentive Plan, As Amended and Restated (incorporated by reference to Appendix A included in the Registrant's Definitive Proxy Statement on Schedule 14A filed on April 11, 2014).
10.294†	Form of Executive Employment Agreement (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed March 4, 2015).
10.296†	Form of Performance Stock Award (incorporated by reference to Exhibit 10.3 included in the Registrant's Form 8-K filed March 4, 2015).
10.297†	Form of Deferred Stock Award (incorporated by reference to Exhibit 10.4 included in the Registrant's Form 8-K filed March 4, 2015).

<u>Exhibit Number</u>	<u>Description</u>
10.305	Fourth Amended and Restated Pledge and Security Agreement dated as of April 27, 2016, made by Drew Industries Incorporated, Lippert Components, Inc. and certain subsidiaries thereof, in favor of JPMorgan Chase Bank, N.A. as Collateral Agent (incorporated by reference to Exhibit 10.3 included in the Registrant's Form 8-K filed May 3, 2016).
10.306	Fourth Amended and Restated Company Guarantee Agreement dated as of April 27, 2016, made by Drew Industries Incorporated, with and in favor of JPMorgan Chase Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.4 included in the Registrant's Form 8-K filed May 3, 2016).
10.307	Fourth Amended and Restated Subsidiary Guarantee Agreement dated as of April 27, 2016, made by certain subsidiaries of Drew Industries Incorporated and Lippert Components, Inc., with and in favor of JPMorgan Chase Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.5 included in the Registrant's Form 8-K filed May 3, 2016).
10.308	Fourth Amended and Restated Subordination Agreement dated as of April 27, 2016, made by Drew Industries Incorporated and certain subsidiaries of Drew Industries Incorporated, with and in favor of JPMorgan Chase Bank, N.A. as Administrative Agent (incorporated by reference to Exhibit 10.6 included in the Registrant's Form 8-K filed May 3, 2016).
10.311	Second Amended and Restated Parent Guarantee Agreement dated as of April 27, 2016, made by Drew Industries Incorporated in favor of PGIM, Inc. and the Noteholders thereto from time to time (incorporated by reference to Exhibit 10.9 included in the Registrant's Form 8-K filed May 3, 2016).
10.312	Second Amended and Restated Subsidiary Guarantee Agreement dated as of April 27, 2016, made by certain subsidiaries (other than Lippert Components, Inc.) of Drew Industries Incorporated, in favor of PGIM, Inc. and the Noteholders thereto from time to time (incorporated by reference to Exhibit 10.10 included in the Registrant's Form 8-K filed May 3, 2016).
10.313	Second Amended and Restated Pledge and Security Agreement dated as of April 27, 2016, made by Drew Industries Incorporated, Lippert Components, Inc., Lippert Components Manufacturing, Inc. and the other Subsidiary Guarantors, in favor of JPMorgan Chase Bank, N.A., as Collateral Agent for the benefit of the Noteholders (incorporated by reference to Exhibit 10.11 included in the Registrant's Form 8-K filed May 3, 2016).
10.314	Second Amended and Restated Subordination Agreement dated as of April 27, 2016, made by Lippert Components, Inc., Drew Industries Incorporated and certain subsidiaries of Drew Industries Incorporated, with and in favor of PGIM, Inc. and the Noteholders thereto from time to time (incorporated by reference to Exhibit 10.12 included in the Registrant's Form 8-K filed May 3, 2016).
10.315	Second Amended and Restated Collateral Agency Agreement dated as of April 27, 2016, by and among Lippert Components, Inc. and PGIM, Inc. and the Noteholders thereto from time to time, and JPMorgan Chase Bank, N.A. as collateral agent for the Noteholders (incorporated by reference to Exhibit 10.13 included in the Registrant's Form 8-K filed May 3, 2016).
10.316	Third Amended and Restated Intercreditor Agreement dated as of April 27, 2016 by and among PGIM, Inc. and Affiliates, JPMorgan Chase Bank, N.A. (as Administrative Agent, as Credit Agreement Collateral Agent and Notes Collateral Agent) (incorporated by reference to Exhibit 10.14 included in the Registrant's Form 8-K filed May 3, 2016).
10.318†	Grantor Trust Agreement, effective January 15, 2017, by and between LCI Industries and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.318 included in the Registrant's Form 10-K for the year ended December 31, 2016).
10.320†	Second Amended and Restated Executive Non-Qualified Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 included in the Registrant's Form 8-K filed on March 22, 2017).
10.325†	LCI Industries Performance Stock Unit Award Agreement Pursuant to LCI Industries Equity Award and Incentive Plan, As Amended and Restated (ROIC) (incorporated by reference to Exhibit 10.2 included in the Registrant's Form 8-K filed March 5, 2018).
10.326†	LCI Industries Performance Stock Unit Award Agreement Pursuant to LCI Industries Equity Award and Incentive Plan, As Amended and Restated (EPS) (incorporated by reference to Exhibit 10.3 included in the Registrant's Form 8-K filed March 5, 2018).

<u>Exhibit Number</u>	<u>Description</u>
10.327†	LCI Industries Restricted Stock Unit Award Agreement Pursuant to LCI Industries Equity Award and Incentive Plan, As Amended and Restated (Executive Officers) (incorporated by reference to Exhibit 10.4 included in the Registrant's Form 8-K filed March 5, 2018).
10.328†	LCI Industries Restricted Stock Unit Award Agreement Pursuant to LCI Industries Equity Award and Incentive Plan, As Amended and Restated (Directors) (incorporated by reference to Exhibit 10.5 included in the Registrant's Form 8-K filed March 5, 2018).
10.329†	LCI Industries 2018 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed May 29, 2018).
10.330†	Form of Restricted Stock Unit Award Agreement (Executives) under the LCI Industries 2018 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 included in the Registrant's Form 8-K filed May 29, 2018).
10.331†	Form of Performance Stock Unit Award Agreement (EPS) under the LCI Industries 2018 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 included in the Registrant's Form 8-K filed May 29, 2018).
10.332†	Form of Performance Stock Unit Award Agreement (ROIC) under the LCI Industries 2018 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 included in the Registrant's Form 8-K filed May 29, 2018).
10.333†	Form of Restricted Stock Unit Award Agreement (Non-Employee Directors) under the LCI Industries 2018 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.5 included in the Registrant's Form 8-K filed May 29, 2018).
10.334†	Form of Deferred Stock Unit Master Agreement (Non-Employee Directors) under the LCI Industries 2018 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.6 included in the Registrant's Form 8-K filed May 29, 2018).
10.335†	Form of Agreement for Common Stock in Lieu of Cash Compensation for Non-Employee Directors (incorporated by reference to Exhibit 10.7 included in the Registrant's Form 8-K filed May 29, 2018).
10.336†	Separation and General Release Agreement, dated as of November 16, 2018, by and between Lippert Components, Inc. and Scott T. Mereness (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed November 19, 2018).
10.337	Fourth Amended and Restated Credit Agreement dated December 14, 2018 among LCI Industries, Lippert Components, Inc., LCI Industries B.V., LCI Industries C.V., JPMorgan Chase Bank, N.A., individually and as Administrative Agent, Wells Fargo Bank, N.A., individually and as Syndication Agent, Bank of America, N.A., individually and as Documentation Agent, and a syndicate of other lenders (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed December 19, 2018).
10.346†	Form of 2019 Performance Stock Unit Award Agreement under the LCI Industries 2018 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed March 12, 2019).
10.347†	Form of Restricted Stock Unit Award Agreement (Executives) under the LCI Industries 2018 Omnibus Incentive Plan (Revised February 2019) (incorporated by reference to Exhibit 10.2 included in the Registrant's Form 8-K filed March 12, 2019).
10.348†	Form of Extension Agreement with certain officers (incorporated by reference to Exhibit 10.3 included in the Registrant's Form 8-K filed March 12, 2019).
10.349	Form of Series B Note of Lippert Components, Inc. issued pursuant to the Fourth Amended and Restated Note Purchase and Private Shelf Agreement (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed April 2, 2019).
10.350†	LCI Industries 2019 Annual Incentive Program (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 10-Q/A filed June 21, 2019).
10.351†	Form of Restricted Stock Unit Award Agreement (Non-Employee Directors) under the LCI Industries 2018 Omnibus Incentive Plan (Revised February 2019) (incorporated by reference to Exhibit 10.2 included in the Registrant's Form 10-Q/A filed June 21, 2019).

<u>Exhibit Number</u>	<u>Description</u>
10.352†	Form of Deferred Stock Unit Master Agreement (Non-Employee Directors) under the LCI Industries 2018 Omnibus Incentive Plan (Revised February 2019) (incorporated by reference to Exhibit 10.3 included in the Registrant's Form 10-Q/A filed June 21, 2019).
10.353	Fifth Amended and Restated Note Purchase and Private Shelf Agreement dated as of November 11, 2019, by and among PGIM, Inc. and certain of its affiliates, Lippert Components, Inc., guaranteed by LCI Industries (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed November 14, 2019).
10.354	Incremental Joinder and Amendment No. 1, dated as of December 19, 2019, among LCI Industries, Lippert Components, Inc., LCI Industries B.V., LCI Industries C.V., LCI Industries Pte. Ltd., the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 included in the Registrant's Form 8-K filed December 19, 2019).
10.355*	Fourth Amended and Restated Credit Agreement dated December 14, 2018 among LCI Industries, Lippert Components, Inc., LCI Industries B.V., LCI Industries C.V., JPMorgan Chase Bank, N.A., individually and as Administrative Agent, Wells Fargo Bank, N.A., individually and as Syndication Agent, Bank of America, N.A., individually and as Documentation Agent, and a syndicate of other lenders, as amended by Incremental Joinder and Amendment No. 1, dated as of December 19, 2019.
21*	Subsidiaries of the Registrant.
23*	Consent of Independent Registered Public Accounting Firm.
24*	Powers of Attorney (included on the signature page of this Report).
31.1*	Certification of Chief Executive Officer required by Rule 13a-14(a).
31.2*	Certification of Chief Financial Officer required by Rule 13a-14(a).
32.1*	Certification of Chief Executive Officer required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2*	Certification of Chief Financial Officer required by Rule 13a-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101*	The following financial information from the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Inline XBRL: (i) Consolidated Statements of Income; (ii) Consolidated Statements of Comprehensive Income; (iii) Consolidated Balance Sheets; (iv) Consolidated Statements of Cash Flows; (v) Consolidated Statements of Stockholders' Equity; and (vi) Notes to Consolidated Financial Statements.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

*Filed herewith

†Denotes a management contract or compensation plan or arrangement

Item 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 27, 2020

LCI INDUSTRIES

By: /s/ Jason D. Lippert
Jason D. Lippert
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Each person whose signature appears below hereby authorizes Jason D. Lippert and Brian M. Hall, or either of them, to file one or more amendments to the Annual Report on Form 10-K which amendments may make such changes in such Report as either of them deems appropriate, and each such person hereby appoints Jason D. Lippert and Brian M. Hall, or either of them, as attorneys-in-fact to execute in the name and on behalf of each such person individually, and in each capacity stated below, such amendments to such Report.

<u>Date</u>	<u>Signature</u>	<u>Title</u>
February 27, 2020	By: <u>/s/ Jason D. Lippert</u> (Jason D. Lippert)	Chief Executive Officer and Director (principal executive officer)
February 27, 2020	By: <u>/s/ Brian M. Hall</u> (Brian M. Hall)	Chief Financial Officer (principal financial officer)
February 27, 2020	By: <u>/s/ Kip A. Emenhiser</u> (Kip A. Emenhiser)	Corporate Controller and VP of Finance (principal accounting officer)
February 27, 2020	By: <u>/s/ James F. Gero</u> (James F. Gero)	Chairman of the Board of Directors
February 27, 2020	By: <u>/s/ Frank J. Crespo</u> (Frank J. Crespo)	Director
February 27, 2020	By: <u>/s/ Brendan J. Deely</u> (Brendan J. Deely)	Director
February 27, 2020	By: <u>/s/ Ronald Fenech</u> (Ronald Fenech)	Director
February 27, 2020	By: <u>/s/ Tracy D. Graham</u> (Tracy D. Graham)	Director
February 27, 2020	By: <u>/s/ Virginia L. Henkels</u> (Virginia L. Henkels)	Director
February 27, 2020	By: <u>/s/ Kieran M. O'Sullivan</u> (Kieran M. O'Sullivan)	Director
February 27, 2020	By: <u>/s/ David A. Reed</u> (David A. Reed)	Director
February 27, 2020	By: <u>/s/ John A. Sirpilla</u> (John A. Sirpilla)	Director

Active Subsidiaries of Registrant

<u>Name</u>	<u>State of Organization</u>
Curt Manufacturing, Ltd	British Columbia, Canada
Zieman Manufacturing Company	California
Lewmar Inc.	Connecticut
Lewmar USA Inc.	Connecticut
Curt Acquisition Holdings, Inc.	Delaware
Curt Manufacturing, LLC	Delaware
Lippert Components, Inc.	Delaware
Lippert Components International Sales, Inc.	Delaware
Lippert Components Manufacturing, Inc.	Delaware
LCI Transit Corp.	Delaware
Taylor Made Group, LLC	Delaware
Taylor Made Credit, LLC	Delaware
The Hitch Store, LLC	Delaware
LCI Idaho Realty, LLC	Idaho
LCI Idaho Realty II, LLC	Idaho
Lippert Components India Private Limited	India
LCI Service Corp.	Indiana
KM Realty, LLC	Indiana
KM Realty II, LLC	Indiana
LCM Realty, LLC	Indiana
LCM Realty II, LLC	Indiana
LCM Realty III, LLC	Indiana
LCM Realty IV, LLC	Indiana
LCM Realty VI, LLC	Indiana
LCM Realty VII, LLC	Indiana
LCM Realty VIII, LLC	Indiana
LCM Realty IX, LLC	Indiana
LCM Realty X, LLC	Indiana
LCM Realty XI, LLC	Indiana
LCM Realty XII, LLC	Indiana
Taylor Made Glass & Systems Limited	Ireland
Ciesse S.p.A.	Italy
Femto Engineering S.r.l.	Italy
Ke-Star S.r.l.	Italy
Lavet S.r.l.	Italy
LCI Italy S.r.l.	Italy
Innovative Design Solutions, Inc.	Michigan
LCM Realty V, LLC	Michigan
Delta Glass B.V.	Netherlands
doubleCOOL B.V.	Netherlands

Active Subsidiaries of Registrant

<u>Name</u>	<u>State of Organization</u>
LCI Holding B.V.	Netherlands
LCI Industries B.V.	Netherlands
Polyplastic B.V.	Netherlands
Polyplastic Group B.V.	Netherlands
Polyplastic Property B.V.	Netherlands
CS Rail Interiors, Inc.	New York
LCI Canada Group, Inc.	Quebec, Canada
LCI Industries Pte. Ltd.	Singapore
Kinro Texas, Inc.	Texas
Ciesse Med S.a.r.l.	Tunisia
LCI Industries UK, Ltd.	United Kingdom
Lewmar Europe Ltd.	United Kingdom
Lewmar Group Ltd.	United Kingdom
Lewmar Ltd.	United Kingdom
Lewmar Marine Ltd.	United Kingdom
Lewmar Marine Trustees	United Kingdom
Taylor Made Holdings UK Limited	United Kingdom
Trend Marine Products Limited	United Kingdom
Haulgauge, Inc.	Utah

Consent of Independent Registered Public Accounting Firm

The Stockholders and Board of Directors
LCI Industries:

We consent to the incorporation by reference in the registration statement (No. 333-225177, 333-91174, 333-141276, 333-152873, 333-161242, 333-181272, and 333-201336) on Form S-8 of LCI Industries (the Company) of our report dated February 27, 2020, with respect to the consolidated balance sheets of LCI Industries and subsidiaries as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and the effectiveness of internal control over financial reporting as of December 31, 2019, which report appears in the December 31, 2019 annual report on Form 10-K of LCI Industries.

Our report dated February 27, 2020 on the consolidated financial statements refers to a change in the method of accounting for leases effective January 1, 2019 due to the adoption of Accounting Standards Update 2016-02, Leases, and all related amendments, which established Accounting Standards Codification Topic 842, *Leases*.

Our report dated February 27, 2020 on the effectiveness of internal control over financial reporting as of December 31, 2019 contains an explanatory paragraph that states the Company acquired CURT Acquisition Holdings, Inc. (CURT), Lewmar Marine Ltd. (Lewmar), Rodan Enterprises, LLC (SureShade), Ciesse Holdings S.r.l (Ciesse), Lavet S.r.l. (Lavet), and Femto Engineering S.r.l. (Femto) during 2019, and management excluded from its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2019, CURT, Lewmar, SureShade, Ciesse, Lavet and Femto internal control over financial reporting associated with total assets of \$568 million and total revenues of \$65.4 million included in the consolidated financial statements of the Company as of and for the year ended December 31, 2019. Our audit of internal control over financial reporting of the Company also excluded an evaluation of the internal control over financial reporting of CURT, Lewmar, SureShade, Ciesse, Lavet and Femto.

/s/ KPMG LLP

Chicago, Illinois
February 27, 2020

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 13a-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Jason D. Lippert, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of LCI Industries;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2020

By /s/ Jason D. Lippert

Jason D. Lippert, Chief Executive Officer

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 13a-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Brian M. Hall, Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of LCI Industries;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 27, 2020

By /s/ Brian M. Hall

Brian M. Hall, Chief Financial Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C.
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of LCI Industries (the “Company”) for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Jason D. Lippert, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

By /s/ Jason D. Lippert
Chief Executive Officer
Principal Executive Officer
February 27, 2020

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C.
SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of LCI Industries (the “Company”) for the period ended December 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Brian M. Hall, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

By /s/ Brian M. Hall
Chief Financial Officer
Principal Financial Officer
February 27, 2020

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LCI INDUSTRIES

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