



Annual Report 2016

# INSPIRED



# INSPIRED

Insight. Innovation. Experience.

Our purpose at Johnson Outdoors is to continually inspire more people to experience the awe of the great outdoors. Our mission is to make that experience the best it can be. We recognize that “best” is ever-changing...inspiring us to continually evolve, so we can stay on top.



## Contents

- Company Snapshot ... 8
- Inspired Insight ... 10
- Inspired Innovation ... 18
- Inspired Experience ... 24
- Inspired Strategy ... 30
- Business Performance ... 32
- Management Perspective ... 34
- Letter From the Chairman ... 36
- Inspired Leadership ... 38
- Inspired Teamwork ... 42



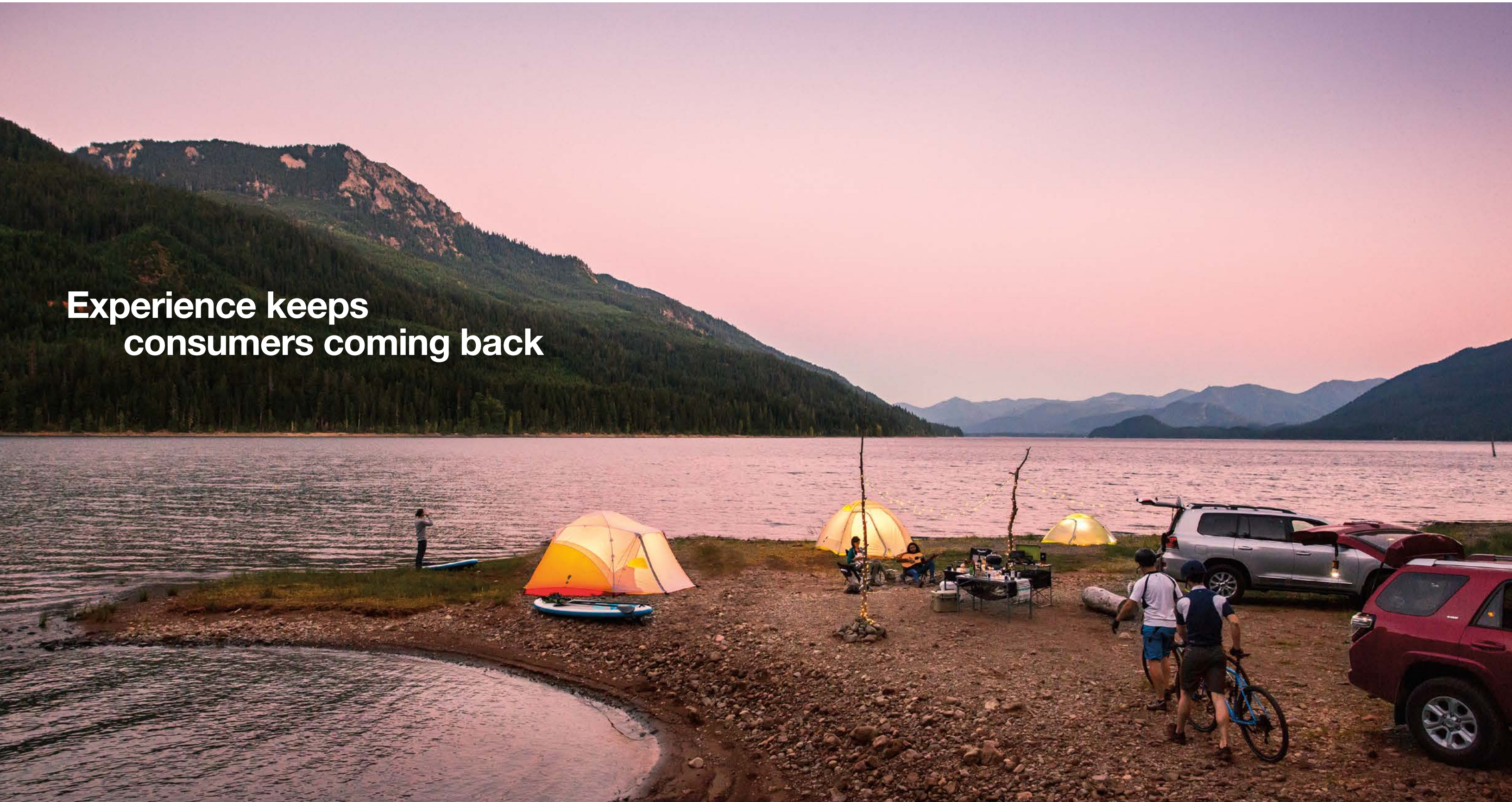


**Insight puts us  
in the right place,  
with the right people**



**Innovation  
keeps us out in front**

Experience keeps  
consumers coming back



# Company Snapshot



~\$359 m market cap  
AS OF 9/30/16

- 80 countries
- 16 product categories
- 20 facilities worldwide
- 1,200 employees

**Johnson Outdoors is a family of core brands** preferred by consumers for creating the best possible outdoor experience. Through innovative, top-quality products, we earn industry awards, customer loyalty, and above all, consumer trust.

## FISHING

**\$274.9 M**

FY2016 NET SALES

- Fishing motors
- Fishfinders
- Downriggers
- Shallow water anchors
- Digital charts & maps



## DIVING

**\$69.1 M**

FY2016 NET SALES

- Regulators
- Buoyancy compensators
- Dive computers
- Masks/fins/snorkels
- Divewear



## WATERCRAFT RECREATION

**\$50.4 M**

FY2016 NET SALES

- Kayaks & canoes
- Fishing craft
- Personal flotation devices
- Paddles & accessories



## CAMPING & HIKING

**\$40.0 M**

FY2016 NET SALES

- Tents
- Sleeping bags & pads
- Personal & family cooking systems
- Compasses
- Camp furniture & accessories



# Inspired INSIGHT



Looking inside  
our consumers'  
minds and hearts

**Consumer insights are the guideposts to innovation** across our chosen playing field: the ever-expanding, ever-evolving outdoor recreation market.

The Johnson Outdoors legacy of success has been built on our unmatched knowledge of outdoor consumers. Now we're deploying a fresh array of market research and analytical tools to ensure we constantly stay ahead of their changing needs and expectations.

**Our intense focus gives us a deeper understanding of our target consumers:** Who they are. What makes them tick. And how to put the awe in their outdoor experience.

This enhanced understanding is critical to generating the "aha" insights that focus us on the biggest, best opportunities in our highly competitive market. Nothing is more important.



**AWARD-WINNING**  
This year's new Jetboil® Genesis™ dual burner cooking system was named "gear of the year" by leading outdoor enthusiast publications like *National Geographic Adventure*, *Outside* magazine, and *Gear Junkie*, to name a few.

## Jetboil® Genesis™ fires up camp cookware

The world's first dual-burner cooking system in an easy-to-carry travel bag affirms that today's campers and hikers are eager to enjoy great food in the great outdoors. The Jetboil Genesis system delivers unmatched simmer control under its non-stick fry pan, while its FluxRing® technology boils a five-liter pot of water at amazing speeds.

Jetboil's innovative cooking systems keep Johnson Outdoors at the forefront of a market that has doubled in size over the past two years. True to its name, the Genesis launches a new generation of outdoor cooking solutions that make it easy to fuel the most demanding crew on the most rewarding adventures.





## Riptide® Ulterra™ transforms saltwater fishing

Building on the success of freshwater Ulterra™, Minn Kota® this year introduced Riptide® Ulterra for saltwater anglers. The corrosion-resistant bow-mount trolling motor lets anglers push a button to stow, deploy and change the depth of the motor. With the wireless i-Pilot® remote, anglers can adjust to changing conditions without having to get down from the tower or move to the bow.

Ulterra and Riptide Ulterra are inspired by the insight that consumers want to spend their time catching fish instead of wrestling with a trolling motor. These revolutionary motors deliver unmatched boat control and ease of use—empowering anglers to win on the water, and Johnson Outdoors to win in the marketplace.

# Online to Outdoors

Creating deeper relationships with digital transformation



**From our websites to ecommerce to social media**, we're expanding digital sophistication. We'll continue to encourage vibrant communities around our brands, from Jetboil® "Jetheads" tweeting atop mountains to SCUBAPRO® users posting to Instagram from their latest dive. These changes will begin rolling out in the coming year, enhancing consumers' experience in the virtual world, and in reality.



**Customer-centric insights shape not only our products but also our advertising, promotions—and digital presence.** When today's consumers swipe their tablet or smartphone to start an adventure, Johnson Outdoors needs to be there as a reliable, inspiring guide, whether they're looking for a product or a place to use it.



# Inspired INNOVATION



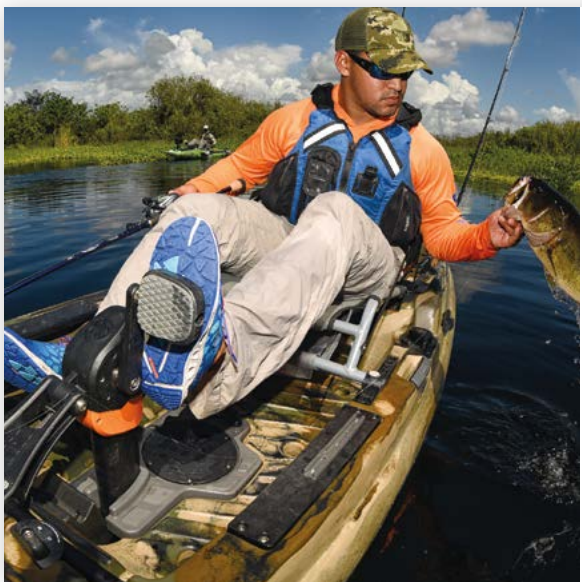
## Raising the bar to exceed consumers' high expectations

**Innovation is what consumers demand, what customers expect and what we continue to deliver.** To stay ahead, we're taking the Johnson Outdoors innovation process to a world-class level. The key is to involve consumers at every step, from concept to commercialization to category leadership.

We emphasize a disciplined, fact-based approach that homes in on the best ideas with the greatest potential. And we align product development with sales and marketing plans to drive even bigger, more successful new product launches.

**The result: products that are meaningfully better than what's out there**—with unique design, function and quality that improve the outdoor experience. Products that deliver higher-impact, longer-lasting results.

At Johnson Outdoors, we know innovation is a game-changer in every sense of the word.



### AWARD-WINNING

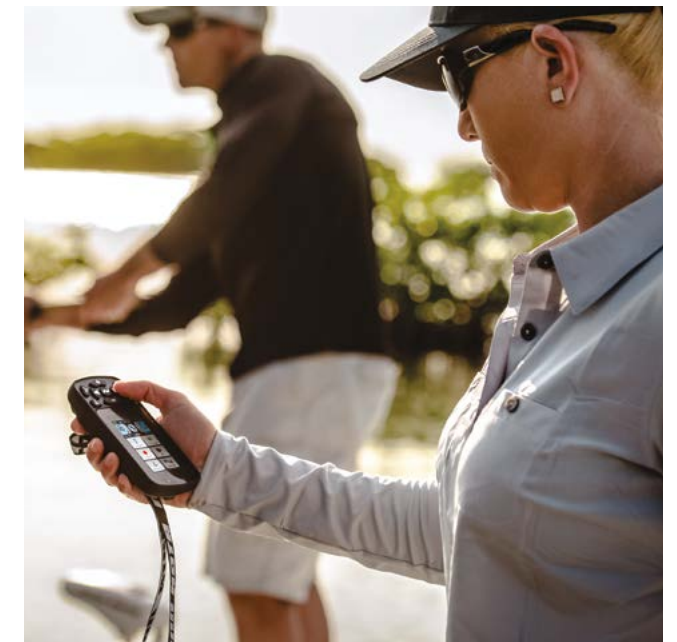
The Old Town® Predator™ PDL reeled in the 2016 ICAST award for Best Boat, following in the footsteps of the Predator MK in 2015 and the Predator XL in 2014.



## Old Town® continues to lead the revolution

Anglers can fish hands-free all day and enjoy precise boat control with the Old Town Predator PDL, the market's most advanced pedal-powered watercraft. Its patent-pending pedal system moves anglers through the water as quickly and smoothly as Johnson Outdoors is driving this fast-growing kayak fishing segment.

A specially designed hull perfectly balances forward/reverse maneuverability with stand-up stability. The removable pedal drive installs in seconds and tips up instantly for shallow water docking. With all the features we know anglers desire, including tons of storage and easy customization, the PDL delivers a more intimate experience for reeling that big one in.



**AWARD-WINNING DUO**  
The revolutionary Minn Kota® Ultrex™ took home the gold with the coveted Best in Show at the 2016 ICAST, while the ultra-bright Humminbird® Helix™ 10" SI snagged its sixth Best Electronics award.



## “Owning the boat” to give anglers an edge

From bow to stern, Johnson Outdoors marine electronics make fishing enthusiasts’ dreams as real and exciting as our market leadership.

Thanks to breakthrough innovation, anglers can feast their eyes on the Humminbird® Helix™ 10 SI fishfinder and its ultra-bright, ultra-clear screen. They’re eager to get their feet on the Minn Kota® Ultrex™ trolling motor’s foot pedal with first-of-its-kind electric cable steering. And they bring it all together with the i-Pilot Link, controlling the motor via wireless remote or Humminbird—making it easier than ever to get their hands on some fish.

# Inspired EXPERIENCE



## Finding the point of view that brings everything into focus

Consumers using a Johnson Outdoors product don't describe what they do as "using a trolling motor" or "putting on a wetsuit" or "traveling with an outdoor cooking system." Instead, they view it through the lens of the total experience: *I explore. I discover. I enjoy.*

And the more closely we associate our brands with each user's outdoor experience—before, during and after use—the more likely we are to create the connections that drive growth.

**"Consumer-centric" is our mandate and our mantra.** We are committed to shaping every aspect of our business with the consumer's point of view, working to make each outdoor experience the best it can be.

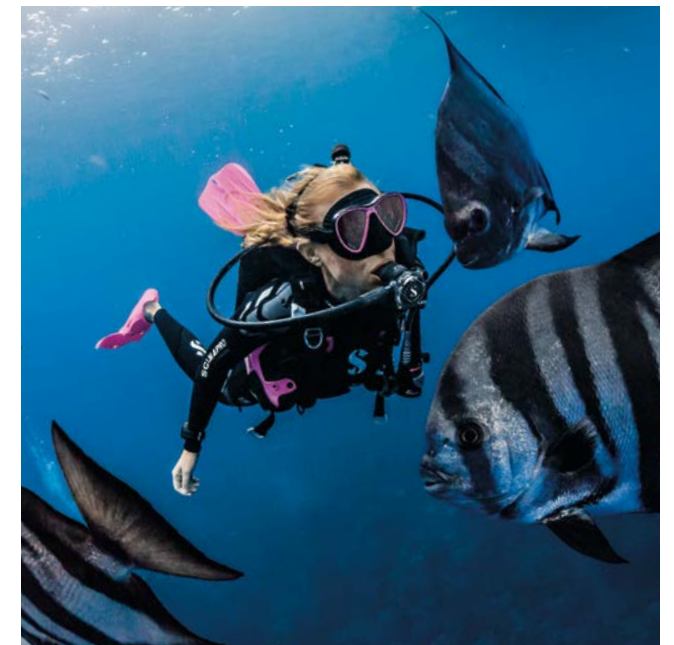
That drives us to innovate more powerfully, produce more efficiently, distribute more effectively. From our internal processes to our digital presence, we draw on our own experience to amplify the consumer's adventure—and our success.



## “Aha” moments lead to moments of “Ahhh”

Our camping and paddling brands pursue innovations that lead the next generation back to nature and point Johnson Outdoors toward the future. Eureka!® tents welcome adventurers with easy setup and roomy design. The new Camp Comfort™ Sleep System combines sleeping bags, air pads and tent floors for true no-slip sleep.

Old Town® watercraft serve paddlers on weeks-long expeditions and weekends of family fun. Our classic Loon™ series, relaunched last year for its 20th anniversary, reinvents recreational kayaks with updates like workdeck storage and a USB port. With comfort and convenience a given, consumers are free to enjoy the wonders nature lays before them.



**AWARD-WINNING**  
SCUBAPRO® never fails to collect honors at the user-voted Tauchen awards. In 2016, the Everflex drysuit took home the “bronze dolphin.”



## Quality creates high confidence down deep

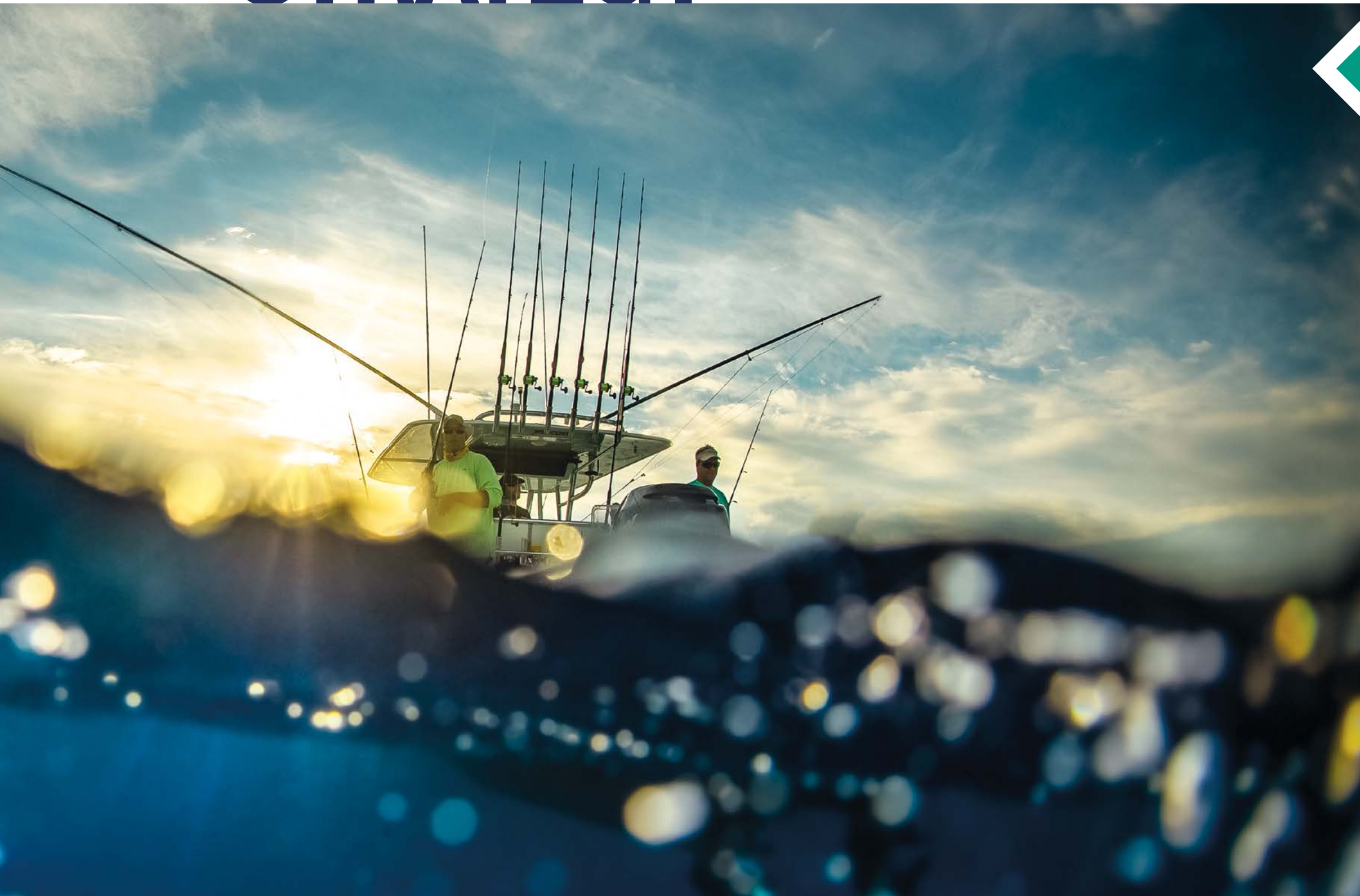
SCUBAPRO® is the largest, most respected dive brand in the world, inspiring lifelong loyalty among diving enthusiasts for our world-class quality and technical expertise.

They search out our innovations in core life-support products, specifically buoyancy compensators, dive computers and breathing regulators. We round out their experience with a full range of divewear; masks, fins and snorkels; and a host of accessories.

From casual snorkelers to recreational scuba divers to dedicated tech divers, underwater adventurers find what they're looking for with SCUBAPRO.



# Inspired STRATEGY



## Advancing on our plan

Like the consumers at the heart of our business, Johnson Outdoors is moving toward new horizons with clarity and confidence.

Across our business, we continue to build the momentum required to drive sustainable growth and enhance long-term profitability.

Our strategy takes a long-term view, ensuring we take all the steps necessary to turn ideas into adventure. We're pleased by our progress and inspired by our opportunities.

And at every phase of our journey, our focus is clear: Johnson Outdoors will deliver the best possible outdoor experience by being the best at what we do.

# Winning with INNOVATION

New products spur momentum

## FISHING



**Marine Electronics** once again delivered record sales and profits in 2016. Our flagship Minn Kota® and Humminbird® brands exceeded expectations on every measure.

- New products across key channels powered 5 percent growth
- The Minn Kota® Riptide Ulterra™ made waves in saltwater trolling with power-assist and auto stow-and-deploy
- The ultra-bright Humminbird® Helix™ 10 SI earned our sixth consecutive ICAST “Best of Electronics” award

## DIVING



**Diving**, our most global business, continued to deal with weak Middle East markets and European currency translation. Our strategy is to exceed divers’ expectations with meaningful innovation.

- SCUBAPRO®, the world’s best-known, most respected dive brand, focused on advancing technology
- We continue to evaluate and prepare to implement more effective go-to-market and distribution models

## OUTSTANDING BRANDS

Minn Kota® | Motors  
Minn Kota® | Shallow Water Anchors  
Humminbird® | Fishfinders  
Humminbird® | Digital Maps

Eureka!® | Family Tents  
Jetboil® | Personal Cooking Systems  
Old Town® | Canoes  
Ocean Kayak® | Kayaks  
Scubapro® | Diving Gear

## CAMPING & HIKING



**Outdoor Gear** again moved forward as the line of Jetboil® personal cooking systems drove consumer demand with the Genesis™ dual-burner system.

- Eureka!® remains a trusted camping outfitter as we reposition the brand against emerging consumer targets and focus innovation on customization
- Growth in Jetboil® cooking systems did not offset declines in non-core military tent sales

## WATERCRAFT RECREATION



**Watercraft** sustained its profitable growth trajectory, fueled by demand for the Old Town® Predator™ series, as we work to maximize long-term innovation and brand growth.

- Strong marketplace momentum from Old Town® and Ocean Kayak® propelled a 3 percent increase in Watercraft sales
- Old Town® Predator™ fishing kayaks captured their third ICAST “Best Boat” award in four years

# Management PERSPECTIVE

Well-positioned for accelerated, sustained, profitable growth

**Award-winning innovation drove higher volume** and improved margins in fiscal 2016. Total company sales for the year increased 1 percent to \$433.7 million, and net earnings advanced 27 percent to \$13.5 million, or \$1.34 per diluted share.

New products in Minn Kota®, Humminbird®, Jetboil® and Old Town® brands more than

offset lower sales in dive equipment and military tents. Gross margins improved in every business, combining with higher volume to deliver 28 percent growth in operating profit, to \$22.9 million. Non-cash goodwill impairment charges of \$6.2 million in the current year were more than offset by a \$9.9 million improvement in legal expense year over year.

**We ended the year with the balance sheet in great shape**, maintaining a strong cash position that gives us the flexibility and resources to invest strategically in growing our businesses while continuing to pay cash dividends to our shareholders. Debt to total capitalization stood at 3 percent at year-end, a 25 percent improvement over year-end 2015. Cash, net of debt, reached an all-time high of \$79.9 million at year-end versus \$61.7 million in 2015.

**Heading into fiscal 2017, positive momentum for new products is building** and order positions are steadily growing. In line with our strategic plan,

Johnson Outdoors is well-positioned for accelerated, sustained, profitable growth in the future.



Helen P. Johnson-Leipold  
Chairman & Chief Executive Officer



David W. Johnson  
Vice President & Chief Financial Officer

## FY2016 Financial Highlights

- Record sales for Minn Kota® and Jetboil®
- 2017 new products command top industry awards
- Watercraft sustains profitable growth trajectory
- Net cash at all-time high, debt at record low
- Maintained strong balance sheet and quarterly dividend

### Operating Results\*

	2014	2015	2016
Net sales	\$425,410	\$430,489	\$433,727
Gross profit	168,613	171,733	176,462
Operating profit	16,691	17,853	22,894
Net income	9,123	10,616	13,501

Diluted earnings per common share	\$0.90	\$1.06	\$1.34
Diluted average common shares outstanding	9,635	9,727	9,855

### Capitalization

	2014	2015	2016
Total debt	\$7,791	\$7,430	\$7,389
Shareholders' equity	198,458	197,968	207,496
Total debt to total capital	4%	4%	3%

\* \$ Thousands, except per-share amount

# Letter from the CHAIRMAN



We are moving forward with a heightened sense of urgency to quicken the pace of change in areas of strategic priority.

Johnson Outdoors continues to make progress on our long-term strategy, focused on raising the bar across our organization to ensure our brands are strong, our businesses are healthy and our company thrives. Our strategic priorities are clear:

**1. Advance market research capabilities for a deeper, richer understanding of our consumers.**

Outdoor recreation markets change constantly, and so do the needs and expectations of consumers. We must stay on top of this rapid, ongoing evolution. And staying on top requires an increasingly better, more intimate knowledge of our target outdoor consumers. In-depth

consumer and market research and data analytics empower us to consistently uncover “aha” insights that inspire continuous innovation.

**2. Institute a world-class innovation process.**

Our performance this year demonstrates just how crucial sustained innovation is to delivering long-term, profitable growth. Products that are meaningfully and measurably better than what’s out there helped drive record sales in our fishing business this year. Innovation has also been central to the turnaround in our watercraft recreation business, which is now on a positive, profitable growth trajectory.

Building on a solid foundation, we are taking new product development to the next level. It’s essential that we involve consumers at every step in a disciplined, iterative feedback loop, and focus resources on ideas with the potential for bigger, better marketplace success.

**3. Enhance digital sophistication.**

Most consumers begin their purchase journey online. We are working to build better connections along that journey, strengthening relationships with our consumers. Over the next 18 months, we will be rolling out changes from websites to social media to ecommerce, transforming the consumer experience with our brands and our company.

With planning and preliminary execution phases under our belt, we are now moving forward with a heightened sense of urgency to quicken the pace of change in all three priority areas. Targeted, strategic

investments will continue, with the long-term goal of delivering sustained, profitable growth.

Johnson Outdoors is committed to focusing our enterprise on consumer needs and helping them enjoy the best outdoor experience at every step—from planning their adventure, to shopping and buying equipment, to having fun fishing, camping, diving and recreating on the water, to sharing the memories and awe inspired by the great outdoors.

We are excited by the future we see for Johnson Outdoors and confident in our plans and ability to make it happen.

A handwritten signature in black ink, reading "Helen P. Johnson-Leipold".

Helen P. Johnson-Leipold  
*Chairman & Chief Executive Officer*



Photo by John Sibilski Photography

# Inspired LEADERSHIP

Our board of directors offers vital business acumen and experience.

**Terry E. London**  
Director since 1999

**John M. Fahey, Jr.**  
Director since 2001

**Kathy Button Bell**  
Director since 2014

**Thomas F. Pyle, Jr.**  
Vice Chairman of the Board  
Director since 1997

**Richard "Casey" Sheahan**  
Director since 2014

**Helen P. Johnson-Leipold**  
Chairman of the Board  
Director since 1999

**Edward Stevens**  
Director since 2016

**Edward F. Lang**  
Director since 2006



**Helen P. Johnson-Leipold**, Johnson Outdoors chairman and CEO, leads with skills in strategic planning, global operations, strategic marketing and branding, drawing on deep knowledge of the company and its industry. She served as a marketing executive with SC Johnson and Foote, Cone & Belding. Ms. Johnson-Leipold is chairman and director of Johnson Bank and Financial Services.; director of SC Johnson; and chairman, The Johnson Foundation at Wingspread.



**Edward F. Lang**, senior vice president and CFO of the NFL's New Orleans Saints and the NBA's New Orleans Pelicans, provides insight in leisure industries and consumer products as well as broad experience in corporate finance, operations and enterprise risk management. He previously served with the NHL's Nashville Predators for 13 years, most recently as president of business operations and alternate governor.



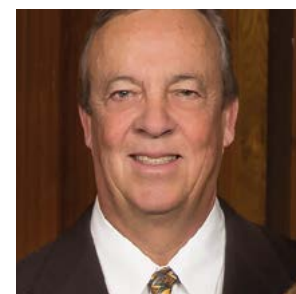
**Thomas F. Pyle, Jr.**, Johnson Outdoors vice chairman, brings extensive managerial, transactional, operational and financial expertise to the role. Currently chairman, The Pyle Group, and non-executive chairman of Uniek, Inc., Mr. Pyle is former owner, chairman and CEO of Rayovac Corporation. He serves as director of Sub-Zero Wolf, Inc.; advisor to the University of Wisconsin Chancellor; and trustee of Wisconsin Alumni Research Foundation and other leading research institutions.



**Terry E. London**, CEO and interim president of Pier 1 Imports, chairman of the Pier 1 Imports, Inc. board of directors, and former chairman of London Broadcasting Company LP and LBK Entertainment Holdings, provides insight on a broad range of corporate management and financial matters. Mr. London has been involved with the outdoor industry for more than 20 years.



**Kathy Button Bell** is vice president and chief marketing officer of Emerson Electric Co., a \$25 billion manufacturing conglomerate. In 2016, she was appointed to Emerson's Office of the Chief Executive. A renowned branding strategist with expertise in global marketing, digital strategy and market research, she has served in lead marketing roles with recreational giants Converse, Inc. and Wilson Sporting Goods. Ms. Button Bell is a director of Sally Beauty Holdings and the American Marketing Association, and past chairwoman, Business Marketing Association.



**Richard "Casey" Sheahan**, president of Keen Footwear, brings proven knowledge, expertise and leadership in management, marketing and sustainable business practices in the outdoors industry. Former president and CEO of Patagonia, Inc. and Lost Arrow Corporation, Mr. Sheahan previously held key executive positions at Kelty, Inc., Wolverine Worldwide, Inc., Merrell Outdoor Division and Nike, Inc. A lifelong outdoor enthusiast, Mr. Sheahan serves on the board of the Outdoor Industry Association and as senior advisor to Backbone Media.



**John M. Fahey, Jr.**, former chairman and CEO of the National Geographic Society, is knowledgeable in key Johnson Outdoors markets and outdoor leisure, travel and recreational industries. He brings skills in leadership, strategic planning, international business and enterprise risk management. Mr. Fahey is also lead director of Time Inc., a director of Lindblad Expeditions Holdings and a regent of the Smithsonian Institution.



**Edward Stevens**, Strategic Board Advisor and previous CEO for KIBO Software, Inc., a unified commerce solutions company, brings extensive experience in digital strategy, ecommerce, and omni-channel distribution, along with his international business strategy skills. Prior to his role at KIBO Software, Inc., he was founder and CEO of Shopatron. Mr. Stevens joined the Johnson Outdoors Board in 2016.



Photo by John Sibilski Photography

# Inspired TEAMWORK

Our executive team gives us an edge with their experience and capabilities.

**Karen James**  
Vice President, Global Operations

**David W. Johnson**  
Vice President and CFO

**Patricia Penman**  
Vice President, Marketing Services and Global Communication

**Khalaf M. Khalaf**  
Managing Director, Legal Affairs and Corporate Secretary

**Helen P. Johnson-Leipold**  
Chairman and CEO

**Sara Vidian**  
Vice President, Human Resources

**Bill Kelly**  
Group Vice President, Outdoor Gear and Watercraft

**John Moon**  
Vice President and Chief Information Officer

**Judy Douglas**  
Group Vice President, Marine Electronics

**Joe Stella**  
Group Vice President, Global Diving

Certain matters discussed in this report are “forward-looking statements” intended to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Please see “Forward-Looking Statements” in the 2016 Form 10-K for a discussion of uncertainties and risks associated with these statements.

**www.JohnsonOutdoors.com**

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<http://investor.johnsonoutdoors.com/contactBoard.cfm>







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