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THOR INDUSTRIES INC  
Form 10-Q  
June 04, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 10-Q**

☐ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended April 30, 2015.

☐ 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 1-9235

**THOR INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

93-0768752  
(I.R.S. Employer

Identification No.)

601 E. Beardsley Ave., Elkhart, IN  
(Address of principal executive offices)

46514-3305  
(Zip Code)

(574) 970-7460

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).

Yes ☐

No ☐

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                                       | Outstanding at 5/31/2015 |
|---|--------------------------|
| Common stock, par value<br>\$ .10 per share | 52,394,563 shares        |

**PART I FINANCIAL INFORMATION (Unless otherwise indicated, amounts in thousands except share and per share data.)****ITEM 1. FINANCIAL STATEMENTS****THOR INDUSTRIES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

|   | April 30, 2015      | July 31,<br>2014    |
|---|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |
| Current assets:   |                     |                     |
| Cash and cash equivalents   | \$ 259,418          | \$ 289,336          |
| Accounts receivable, trade, less allowance for doubtful accounts of \$509 and \$348, respectively | 339,889             | 264,927             |
| Accounts receivable, other  | 18,256              | 14,866              |
| Inventories   | 256,556             | 216,354             |
| Notes receivable  | 8,549               | 1,429               |
| Prepaid income taxes, expenses and other  | 9,039               | 5,740               |
| Deferred income taxes, net  | 56,157              | 51,397              |
| Total current assets  | 947,864             | 844,049             |
| Property, plant and equipment, net  | 192,814             | 169,862             |
| Other assets:   |                     |                     |
| Goodwill  | 269,651             | 256,579             |
| Amortizable intangible assets   | 128,327             | 119,783             |
| Long-term notes receivable  | 601                 | 8,992               |
| Other   | 11,005              | 9,453               |
| Total other assets  | 409,584             | 394,807             |
| <b>TOTAL ASSETS</b>   | <b>\$ 1,550,262</b> | <b>\$ 1,408,718</b> |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |                     |                     |
| Current liabilities:  |                     |                     |
| Accounts payable  | \$ 198,392          | \$ 164,619          |
| Accrued liabilities:  |                     |                     |
| Compensation and related items  | 51,853              | 43,888              |
| Product warranties  | 107,758             | 94,938              |
| Income and other taxes  | 14,554              | 18,468              |
| Promotions and rebates  | 19,921              | 17,474              |
| Product, property and related liabilities   | 12,142              | 12,928              |
| Other   | 17,021              | 18,400              |
| Total current liabilities   | 421,641             | 370,715             |
| Unrecognized income tax benefits  | 18,738              | 23,689              |
| Deferred income taxes, net  | 21,361              | 19,388              |
| Other long-term liabilities   | 19,738              | 17,229              |
| Total long-term liabilities   | 59,837              | 60,306              |

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Contingent liabilities and commitments

|  |  |                                       |
|--|--|---------------------------------------|
| Stockholders' equity:  |  |                                       |
| Preferred stock  | authorized 1,000,000 shares; none outstanding  |                                       |
| Common stock   | par value of \$.10 per share; authorized 250,000,000 shares; issued 62,306,037 and 62,210,429 shares, respectively | 6,231      6,221                      |
| Additional paid-in capital   |  | 213,959      208,501                  |
| Retained earnings  |  | 1,117,609      1,030,428              |
| Less treasury shares of 8,911,474 and 8,880,877, respectively, at cost |  | (269,015)      (267,453)              |
| <b>Total stockholders' equity</b>                                      |  | <b>1,068,784      977,697</b>         |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                      |  | <b>\$ 1,550,262      \$ 1,408,718</b> |

See Notes to the Condensed Consolidated Financial Statements.

## THOR INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2015 AND 2014 (UNAUDITED)

|   | Three Months Ended April 30, |              | Nine Months Ended April 30, |              |
|---|------------------------------|--------------|-----------------------------|--------------|
|   | 2015                         | 2014         | 2015                        | 2014         |
| Net sales   | \$ 1,174,255                 | \$ 1,046,823 | \$ 2,948,663                | \$ 2,482,116 |
| Cost of products sold   | 1,007,654                    | 904,743      | 2,562,397                   | 2,164,526    |
| Gross profit  | 166,601                      | 142,080      | 386,266                     | 317,590      |
| Selling, general and administrative expenses                    | 68,940                       | 56,953       | 181,231                     | 149,060      |
| Amortization of intangible assets                               | 3,950                        | 3,102        | 11,606                      | 9,166        |
| Impairment charges  |                              |              |                             | 710          |
| Interest income   | 287                          | 314          | 994                         | 1,215        |
| Interest expense  |                              |              | 1                           | 7            |
| Other income, net   | 563                          | 409          | 982                         | 1,229        |
| Income from continuing operations before income taxes           | 94,561                       | 82,748       | 195,404                     | 161,091      |
| Income taxes  | 31,009                       | 27,623       | 62,384                      | 52,354       |
| Net income from continuing operations                           | 63,552                       | 55,125       | 133,020                     | 108,737      |
| Income (loss) from discontinued operations, net of income taxes | (707)                        | (3)          | (2,602)                     | 3,685        |
| Net Income  | \$ 62,845                    | \$ 55,122    | \$ 130,418                  | \$ 112,422   |
| Weighted average common shares outstanding:                     |                              |              |                             |              |
| Basic   | 53,380,651                   | 53,289,864   | 53,363,872                  | 53,261,186   |
| Diluted   | 53,495,499                   | 53,385,364   | 53,461,470                  | 53,345,644   |
| Earnings per common share from continuing operations:           |                              |              |                             |              |
| Basic   | \$ 1.19                      | \$ 1.03      | \$ 2.49                     | \$ 2.04      |
| Diluted   | \$ 1.19                      | \$ 1.03      | \$ 2.49                     | \$ 2.04      |
| Earnings (loss) per common share from discontinued operations:  |                              |              |                             |              |
| Basic   | \$ (0.01)                    | \$           | \$ (0.05)                   | \$ 0.07      |
| Diluted   | \$ (0.02)                    | \$           | \$ (0.05)                   | \$ 0.07      |
| Earnings per common share:                                      |                              |              |                             |              |
| Basic   | \$ 1.18                      | \$ 1.03      | \$ 2.44                     | \$ 2.11      |
| Diluted   | \$ 1.17                      | \$ 1.03      | \$ 2.44                     | \$ 2.11      |
| Regular dividends paid per common share                         | \$ 0.27                      | \$ 0.23      | \$ 0.81                     | \$ 0.69      |
| Special dividend paid per common share                          | \$                           | \$           | \$                          | \$ 1.00      |
| Net income  | \$ 62,845                    | \$ 55,122    | \$ 130,418                  | \$ 112,422   |
| Unrealized appreciation on investments, net of income tax       |                              |              |                             | 22           |
| Comprehensive income  | \$ 62,845                    | \$ 55,122    | \$ 130,418                  | \$ 112,444   |

See Notes to the Condensed Consolidated Financial Statements.



## THOR INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED APRIL 30, 2015 AND 2014 (UNAUDITED)

|   | Nine Months Ended April 30,<br>2015 | 2014              |
|---|-------------------------------------|-------------------|
| <b>Cash flows from operating activities:</b>  |                                     |                   |
| Net income  | \$ 130,418                          | \$ 112,422        |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                                     |                   |
| Depreciation  | 10,442                              | 9,462             |
| Amortization of intangible assets   | 11,606                              | 9,229             |
| Impairment charges  |                                     | 710               |
| Deferred income tax provision (benefit)   | (2,787)                             | 1,456             |
| Gain on disposal of bus business  |                                     | (7,079)           |
| Gain on disposition of property, plant and equipment  | (81)                                | (194)             |
| Stock-based compensation expense  | 5,047                               | 3,943             |
| Excess tax benefits from stock-based awards   | (114)                               | (796)             |
| Changes in assets and liabilities (excluding acquisitions and disposition):                 |                                     |                   |
| Accounts receivable   | (69,373)                            | (125,492)         |
| Inventories   | (27,541)                            | (79,362)          |
| Prepaid income taxes, expenses and other  | (4,466)                             | (1,890)           |
| Accounts payable  | 30,136                              | 29,401            |
| Accrued liabilities   | 10,549                              | 18,590            |
| Other liabilities   | (2,442)                             | (3,950)           |
| Net cash provided by (used in) operating activities   | 91,394                              | (33,550)          |
| <b>Cash flows from investing activities:</b>  |                                     |                   |
| Purchases of property, plant and equipment  | (29,014)                            | (19,431)          |
| Proceeds from dispositions of property, plant and equipment                                 | 91                                  | 917               |
| Proceeds from dispositions of investments   |                                     | 700               |
| Proceeds from notes receivable  | 1,400                               | 6,425             |
| Proceeds from sale of bus business  |                                     | 105,043           |
| Acquisitions, net of cash acquired  | (49,265)                            | (33,683)          |
| Transfer of cash to restricted account  |                                     | (53,405)          |
| Other   | 20                                  | (660)             |
| Net cash provided by (used in) investing activities   | (76,768)                            | 5,906             |
| <b>Cash flows from financing activities:</b>  |                                     |                   |
| Regular cash dividends paid   | (43,237)                            | (36,767)          |
| Special cash dividend paid  |                                     | (53,290)          |
| Excess tax benefits from stock-based awards   | 114                                 | 796               |
| Proceeds from issuance of common stock  | 141                                 | 2,491             |
| Payments related to vesting of stock-based awards   | (1,562)                             | (1,251)           |
| Net cash used in financing activities   | (44,544)                            | (88,021)          |
| <b>Net decrease in cash and cash equivalents</b>  | <b>(29,918)</b>                     | <b>(115,665)</b>  |
| <b>Cash and cash equivalents, beginning of period</b>                                       | <b>289,336</b>                      | <b>236,601</b>    |
| <b>Cash and cash equivalents, end of period</b>   | <b>\$ 259,418</b>                   | <b>\$ 120,936</b> |

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**Supplemental cash flow information:**

|                   |           |           |
|-------------------|-----------|-----------|
| Income taxes paid | \$ 74,062 | \$ 63,204 |
| Interest paid     | \$ 1      | \$ 134    |

**Non-cash transactions:**

|  |        |          |
|--|--------|----------|
| Capital expenditures in accounts payable | \$ 625 | \$ 1,249 |
|--|--------|----------|

See Notes to the Condensed Consolidated Financial Statements.



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(All dollar amounts presented in thousands except per share data)

**1. Nature of Operations and Accounting Policies****Nature of Operations**

Thor Industries, Inc. was founded in 1980 and, through its subsidiaries (collectively, the Company), manufactures a wide range of recreational vehicles (RVs) at various manufacturing facilities located primarily in Indiana and Ohio. These products are sold to independent dealers primarily throughout the United States and Canada. See Note 16 to the Condensed Consolidated Financial Statements regarding the acquisition of a supplier to the RV and other industries made subsequent to the quarter ended April 30, 2015. Unless the context otherwise requires or indicates, all references to Thor, the Company, we, our and us refer to Thor Industries, Inc. and its subsidiaries.

As of April 30, 2015, the Company's core business activities are comprised of two distinct operations, which include the design, manufacture and sale of both towable recreational vehicles and motorized recreational vehicles. Accordingly, the Company has presented segment financial information for these two segments in Note 4 to the Condensed Consolidated Financial Statements. See Note 3, Discontinued Operations, in the Notes to the Condensed Consolidated Financial Statements for a description of the Company's bus operations which were sold during the three months ended October 31, 2013. The accompanying financial statements (including footnote disclosures unless otherwise indicated) reflect these bus operations as discontinued operations apart from the Company's continuing recreational vehicle operations.

The July 31, 2014 amounts are derived from the annual audited financial statements. The interim financial statements are unaudited. In the opinion of management, all adjustments (which consist of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented have been made. These financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2014. Due to seasonality within the recreational vehicle industry, annualizing the results of operations for the nine months ended April 30, 2015 would not necessarily be indicative of the results for a full fiscal year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Key estimates include reserves for inventory, incurred but not reported medical claims, warranty claims, recall liabilities, workers' compensation claims, vehicle repurchases, uncertain tax positions, product and non-product litigation and fair value determinations made for both intangible assets acquired and asset impairment assessments. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. The Company believes that such estimates are made using consistent and appropriate methods. Actual results could differ from these estimates.

**Accounting Pronouncements**

In April 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-08 (ASU 2014-08) Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. Under the new guidance, the disposal of a component or group of components of a business will be reported as discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. For the Company, ASU 2014-08 is effective for disposals (or classifications as held for sale) of components that first occur after July 31, 2015. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued. The impact to the Company will depend on future disposals.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 Revenue from Contracts with Customers (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. This standard will supersede most current revenue recognition guidance. Under the new standard, entities are required to identify the contract with a customer, identify the separate performance obligations in the contract, determine the transaction price, allocate the transaction price to the separate performance obligations in the contract and recognize the appropriate amount of revenue when (or as) the entity satisfies each performance obligation. The standard as stated is effective for fiscal years, and the interim periods within those years, beginning on or after December 15, 2016. In April 2015, however, the FASB proposed a one year deferral of the effective date which is still under consideration. Absent this one year deferral, the standard is effective for the Company in its fiscal year 2018 beginning on August 1, 2017. Entities have the option of using either retrospective transition or a modified approach in applying the new standard. The Company is currently evaluating the approach it will use to apply the new

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standard and the impact that the adoption of the new standard will have on the Company's consolidated financial statements.

**2. Acquisitions****Cruiser RV, LLC and DRV, LLC**

On January 5, 2015, the Company closed on a Stock Purchase Agreement ( CRV/DRV SPA ) for the acquisition of all the outstanding membership units of towable recreational vehicle manufacturer Cruiser RV, LLC ( CRV ) and luxury fifth wheel towable recreational vehicle manufacturer DRV, LLC ( DRV ) through its Heartland Recreational Vehicles, LLC subsidiary ( Heartland ). In accordance with the CRV/DRV SPA, the closing was deemed effective as of January 1, 2015. As contemplated in the CRV/DRV SPA, the Company also acquired, in a series of integrated transactions, certain real estate used in the ongoing operations of CRV and DRV. The initial cash paid for this acquisition was \$47,412, subject to adjustment, and was funded entirely from the Company's cash on hand. This payment of \$47,412, less the \$1,062 of cash on hand at the acquisition date, resulted in initial net cash consideration of \$46,350. Thus far, adjustments to increase the net cash consideration of \$1,073 have been identified and are included in accounts payable in the April 30, 2015 Condensed Consolidated Balance Sheet. The \$1,073 was based on the preliminary determination of the actual net assets as of the close of business on December 31, 2014, includes reimbursing the seller for the \$1,062 of cash on hand at the acquisition date and was paid during the fourth quarter of fiscal 2015. The Company purchased CRV and DRV to expand its towable recreational vehicle market share and to supplement and expand its existing lightweight travel trailer and luxury fifth wheel product offerings and dealer base.

The following table summarizes the fair values assigned to the CRV and DRV net assets acquired, which are based on internal and independent external valuations. Additional adjustments to certain accounts, such as acquired medical benefit liabilities, are possible but not expected to be material:

|   |                  |
|---|------------------|
| Cash  | \$ 1,062         |
| Other current assets  | 22,175           |
| Property, plant and equipment                                       | 4,533            |
| Dealer network  | 14,300           |
| Trademarks  | 5,400            |
| Backlog   | 450              |
| Goodwill  | 13,072           |
| Current liabilities   | (12,507)         |
| <b>Total fair value of net assets acquired</b>                      | <b>48,485</b>    |
| Less cash acquired  | (1,062)          |
| <b>Total cash consideration for acquisition, less cash acquired</b> | <b>\$ 47,423</b> |

On the acquisition date, amortizable intangible assets had a weighted average useful life of 13.9 years. The dealer network was valued based on the Discounted Cash Flow Method and will be amortized on an accelerated basis over 12 years. The trademarks were valued on the Relief from Royalty Method and will be amortized on a straight line basis over 20 years. Backlog was valued based on the Discounted Cash Flow Method and was amortized on a straight line basis over 6 weeks. Goodwill is deductible for tax purposes.

**K.Z., Inc.**

On May 1, 2014, the Company closed on a Stock Purchase Agreement for the acquisition of all the outstanding capital stock of towable recreational vehicle manufacturer K.Z., Inc. ( KZ ) for initial cash consideration of \$53,405, subject to adjustment, which was funded entirely from the Company's cash on hand. The final purchase price payment of \$2,915, included in accounts payable as of July 31, 2014, was based on a final determination of actual net working capital as of the May 1, 2014 closing date and was paid during the first quarter of fiscal 2015. The \$2,915 included reimbursing the seller for \$996 of cash on hand at the acquisition date. KZ operates as an independent operation in the same manner as the Company's other recreational vehicle subsidiaries and is aggregated within the Company's towable recreational vehicle reportable segment. The Company purchased KZ to expand its towable recreational vehicle market share and supplement its existing towable RV product offerings and dealer base.

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The following table summarizes the final fair values assigned to the KZ net assets acquired, which are based on internal and independent external valuations:

|  |           |
|--|-----------|
| Cash   | \$ 996    |
| Other current assets   | 34,121    |
| Property, plant and equipment                                | 15,057    |
| Dealer network   | 13,160    |
| Trademarks   | 5,540     |
| Non-compete agreements                                       | 450       |
| Backlog  | 420       |
| Goodwill   | 2,703     |
| Current liabilities  | (16,127)  |
| <br>   |           |
| Total fair value of net assets acquired                      | 56,320    |
| Less cash acquired   | (996)     |
| <br>   |           |
| Total cash consideration for acquisition, less cash acquired | \$ 55,324 |

On the acquisition date, amortizable intangible assets had a weighted average useful life of 13.9 years. The dealer network was valued based on the Discounted Cash Flow Method and is amortized on an accelerated basis over 12 years. The trademarks were valued on the Relief from Royalty Method and are amortized on a straight line basis over 20 years. The non-compete agreements and backlog were both valued based on the Discounted Cash Flow Method, and the non-compete agreements are amortized on a straight line basis over 5 years while the backlog was amortized on a straight line basis over 2 months. Goodwill is deductible for tax purposes.

**Bison Coach**

On October 31, 2013, the Company closed on an Asset Purchase Agreement with Bison Coach, LLC for the acquisition of its net operating assets for initial cash consideration of \$16,718, subject to adjustment, which was funded entirely from the Company's cash on hand. The purchase price adjustment, which was based on a final determination of net assets, was finalized in the third quarter of fiscal 2014 and required an additional cash payment of \$196, resulting in total cash consideration of \$16,914. As a result of this acquisition, the Company formed a new entity, Bison Coach ( Bison ), which is aggregated within the Company's towable recreational vehicle reportable segment. The Company purchased the net assets of Bison Coach, LLC to supplement its existing product offerings with Bison's equestrian products with living quarters.

The following table summarizes the final fair values assigned to the Bison net assets acquired, which are based on internal and independent external valuations:

|   |           |
|---|-----------|
| Current assets                          | \$ 4,050  |
| Property, plant and equipment           | 625       |
| Dealer network                          | 7,400     |
| Trademarks                              | 1,800     |
| Backlog                                 | 140       |
| Goodwill                                | 6,660     |
| Current liabilities                     | (3,761)   |
| <br>                                    |           |
| Total fair value of net assets acquired | \$ 16,914 |

On the acquisition date, amortizable intangible assets had a weighted average useful life of 13.3 years. The dealer network was valued based on the Discounted Cash Flow Method and is amortized on an accelerated cash flow basis over 12 years. The trademarks were valued on the Relief from Royalty Method and are amortized on a straight line basis over 20 years. Backlog was valued based on the Discounted Cash Flow Method and was amortized on a straight line basis over 6 weeks. Goodwill is deductible for tax purposes.

**Living Lite RV, Inc.**

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On August 30, 2013, the Company closed on an Asset Purchase Agreement with Livin Lite Corp. for the acquisition of its net operating assets for aggregate cash consideration of \$16,769, net of cash acquired, which was funded entirely from the Company's cash on hand. As a result of this acquisition, the Company formed a new entity, Livin Lite RV, Inc. ( Livin Lite ), which is aggregated within the Company's towable recreational vehicle reportable segment. The Company purchased the Livin Lite Corp. operating assets to expand its recreational vehicle market share and complement its existing brands with Livin Lite's advanced lightweight product offerings.

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The following table summarizes the final fair values assigned to the Livin Lite net assets acquired, which are based on internal and independent external valuations:

|  |                  |
|--|------------------|
| Cash   | \$ 247           |
| Other current assets                                       | 3,626            |
| Property, plant and equipment                              | 137              |
| Dealer network   | 3,200            |
| Trademarks   | 1,500            |
| Design technology assets                                   | 1,100            |
| Non-compete agreements                                     | 130              |
| Backlog  | 110              |
| Goodwill   | 9,113            |
| Current liabilities  | (2,147)          |
| <b>Total fair value of net assets acquired</b>             | <b>17,016</b>    |
| Less cash acquired   | (247)            |
| <b>Total cash paid for acquisition, less cash acquired</b> | <b>\$ 16,769</b> |

On the acquisition date, amortizable intangible assets had a weighted average useful life of 10.2 years. The dealer network was valued based on the Discounted Cash Flow Method and is amortized on an accelerated cash flow basis over 8 years. The trademarks were valued on the Relief from Royalty Method and are amortized on a straight line basis over 20 years. The design technology assets were valued on the Relief from Royalty Method and are amortized on a straight line basis over 5 years. The non-compete agreements and backlog were both valued based on the Discounted Cash Flow Method, and the non-compete agreements are amortized on a straight line basis over 2 years while the backlog was amortized on a straight line basis over 6 weeks. Goodwill is deductible for tax purposes.

### 3. Discontinued Operations

On July 31, 2013, the Company entered into a Stock Purchase Agreement ( ASV SPA ) to sell its bus business to Allied Specialty Vehicles, Inc. ( ASV ) for cash of \$100,000, subject to closing adjustments for changes in the net assets sold from April 30, 2013 to the closing date. The Company's bus business manufactured and sold transit and shuttle buses.

The sale was completed as of October 20, 2013 and the Company received \$100,000 on October 21, 2013. Under the terms of the ASV SPA, the total cash consideration to be received was subject to adjustment based on changes in the carrying value of the net assets of the bus business between April 30, 2013 and October 20, 2013. The amount of the final net asset adjustment was determined through the completion of a post-close audit during the second quarter of fiscal 2014. Based on the final agreed-upon carrying value of the bus business net assets sold as of October 20, 2013, an additional \$5,043 was collected from ASV in February 2014, representing the increase in bus net assets since April 30, 2013. As a result, net cash consideration received for the sale of the bus business totaled \$105,043.

The Company recorded a pre-tax gain on the bus business sale of \$7,079. The results of operations for the bus business, including the gain on the sale of the bus business, have been reported as discontinued operations in the Condensed Consolidated Statements of Income and Comprehensive Income for all periods presented.

The following table summarizes the results of discontinued operations:

|                          | Three Months Ended |      | Nine Months Ended |           |
|--------------------------|--------------------|------|-------------------|-----------|
|                          | April 30,          |      | April 30,         |           |
| Discontinued Operations: | 2015               | 2014 | 2015              | 2014      |
| Net sales                | \$                 | \$   | \$                | \$ 83,903 |

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|  |            |          |            |            |
|--|------------|----------|------------|------------|
| Operating loss of discontinued operations                | \$ (1,280) | \$ (716) | \$ (4,279) | \$ (5,280) |
| Pre-tax gain on disposal of discontinued business        |            |          |            | 7,079      |
| Income (loss) before income taxes                        | (1,280)    | (716)    | (4,279)    | 1,799      |
| Income tax benefit                                       | (573)      | (713)    | (1,677)    | (1,886)    |
| Income (loss) from discontinued operations, net of taxes | \$ (707)   | \$ (3)   | \$ (2,602) | \$ 3,685   |

The operating loss of discontinued operations for the three and nine months ended April 30, 2015 reflects expenses incurred directly related to the former bus operations, including ongoing costs related to liabilities retained by the Company under the ASV SPA for bus product liability and worker's compensation claims occurring prior to the closing date of the sale.

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As a result of the sale of the bus business, and in accordance with the ASV SPA, the Company is no longer the primary obligor to the taxing authorities for bus operations in certain states. As a result, the Company eliminated certain reserves associated with uncertain tax positions resulting in a net tax benefit of \$1,883, which is included in the discontinued operations income tax benefit of \$1,886 for the nine months ended April 30, 2014. Under the terms of the sale, the Company has agreed to indemnify ASV for any claims made by the taxing authorities after the date of sale for these uncertain tax positions, but does not expect future losses under this guarantee to be material.

**4. Business Segments**

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

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

|                        | Three Months Ended<br>April 30, |                     | Nine Months Ended<br>April 30, |                     |
|------------------------|---------------------------------|---------------------|--------------------------------|---------------------|
|                        | 2015                            | 2014                | 2015                           | 2014                |
| <b>Net sales:</b>      |                                 |                     |                                |                     |
| Recreational vehicles: |                                 |                     |                                |                     |
| Towables               | \$ 919,358                      | \$ 800,737          | \$ 2,294,226                   | \$ 1,896,064        |
| Motorized              | 254,897                         | 246,086             | 654,437                        | 586,052             |
| <b>Total</b>           | <b>\$ 1,174,255</b>             | <b>\$ 1,046,823</b> | <b>\$ 2,948,663</b>            | <b>\$ 2,482,116</b> |

|  | Three Months Ended<br>April 30, |                  | Nine Months Ended<br>April 30, |                   |
|--|---------------------------------|------------------|--------------------------------|-------------------|
|  | 2015                            | 2014             | 2015                           | 2014              |
| <b>Income (loss) from continuing operations before income taxes:</b> |                                 |                  |                                |                   |
| Recreational vehicles:   |                                 |                  |                                |                   |
| Towables   | \$ 83,771                       | \$ 72,572        | \$ 173,390                     | \$ 137,111        |
| Motorized  | 19,853                          | 17,669           | 46,821                         | 42,305            |
| <b>Total recreational vehicles</b>                                   | <b>103,624</b>                  | <b>90,241</b>    | <b>220,211</b>                 | <b>179,416</b>    |
| Corporate  | (9,063)                         | (7,493)          | (24,807)                       | (18,325)          |
| <b>Total</b>   | <b>\$ 94,561</b>                | <b>\$ 82,748</b> | <b>\$ 195,404</b>              | <b>\$ 161,091</b> |

|                                    | April 30, 2015       | July 31, 2014       |
|------------------------------------|----------------------|---------------------|
|                                    | <b>Total assets:</b> |                     |
| Recreational vehicles:             |                      |                     |
| Towables                           | \$ 995,488           | \$ 868,017          |
| Motorized                          | 207,201              | 170,251             |
| <b>Total recreational vehicles</b> | <b>1,202,689</b>     | <b>1,038,268</b>    |
| Corporate                          | 347,573              | 370,450             |
| <b>Total</b>                       | <b>\$ 1,550,262</b>  | <b>\$ 1,408,718</b> |



5. Earnings Per Common Share

|   | Three Months Ended<br>April 30, |            | Nine Months Ended<br>April 30, |            |
|---|---------------------------------|------------|--------------------------------|------------|
|   | 2015                            | 2014       | 2015                           | 2014       |
| Weighted average common shares outstanding for basic earnings per share   | 53,380,651                      | 53,289,864 | 53,363,872                     | 53,261,186 |
| Stock options, unvested restricted stock and restricted stock units       | 114,848                         | 95,500     | 97,598                         | 84,458     |
| Weighted average common shares outstanding for diluted earnings per share | 53,495,499                      | 53,385,364 | 53,461,470                     | 53,345,644 |

The Company excludes stock options, unvested restricted stock and restricted stock units that have an antidilutive effect from its calculation of weighted average shares outstanding assuming dilution. At April 30, 2015 and 2014, the Company had 25,290 and 20,318, respectively, of stock options, unvested restricted stock and restricted stock units outstanding which were excluded from this calculation as their effect would be antidilutive.

## 6. Inventories

Major classifications of inventories are:

|                                      | April 30, 2015    | July 31, 2014     |
|--------------------------------------|-------------------|-------------------|
| Raw materials                        | \$ 136,492        | \$ 122,150        |
| Chassis                              | 44,096            | 45,231            |
| Work in process                      | 55,277            | 49,537            |
| Finished goods                       | 50,564            | 27,424            |
| <b>Total</b>                         | <b>286,429</b>    | <b>244,342</b>    |
| Excess of FIFO costs over LIFO costs | (29,873)          | (27,988)          |
| <b>Total inventories</b>             | <b>\$ 256,556</b> | <b>\$ 216,354</b> |

Of the \$286,429 and \$244,342 of inventories at April 30, 2015 and July 31, 2014, all but \$55,826 and \$36,096, respectively, at certain subsidiaries were valued on a last-in, first-out basis. The \$55,826 and \$36,096 of inventories were valued on a first-in, first-out method.

## 7. Property, Plant and Equipment

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

|   | April 30, 2015    | July 31, 2014     |
|---|-------------------|-------------------|
| Land                                      | \$ 24,696         | \$ 21,592         |
| Buildings and improvements                | 198,731           | 175,611           |
| Machinery and equipment                   | 79,971            | 76,298            |
| <b>Total cost</b>                         | <b>303,398</b>    | <b>273,501</b>    |
| Less accumulated depreciation             | (110,584)         | (103,639)         |
| <b>Property, plant and equipment, net</b> | <b>\$ 192,814</b> | <b>\$ 169,862</b> |

During the quarter ended October 31, 2013, the Company determined it was more likely than not that certain long-lived assets, consisting of certain RV facilities, would be sold or altered before the end of their previously estimated useful life. Therefore, the Company performed impairment assessments over these facilities using a discounted cash flow model and Level 3 inputs as defined by ASC 820 to determine whether an impairment existed. As a result of these assessments, a non-cash impairment charge of \$710 was recognized in the quarter ended October 31, 2013.

## 8. Intangible Assets and Goodwill

The components of amortizable intangible assets are as follows:

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|  | Weighted<br>Average Remaining<br>Life in Years at<br>April 30, 2015 | April 30, 2015    |                             | July 31, 2014     |                             |
|--|---|-------------------|-----------------------------|-------------------|-----------------------------|
|  |   | Cost              | Accumulated<br>Amortization | Cost              | Accumulated<br>Amortization |
| Dealer networks                            | 9   | \$ 105,060        | \$ 34,641                   | \$ 90,760         | \$ 27,102                   |
| Trademarks                                 | 20  | 49,282            | 6,973                       | 43,882            | 5,479                       |
| Design technology and other intangibles    | 9   | 22,850            | 7,942                       | 23,070            | 6,775                       |
| Non-compete agreements                     | 2   | 4,710             | 4,019                       | 4,710             | 3,283                       |
| <b>Total amortizable intangible assets</b> |   | <b>\$ 181,902</b> | <b>\$ 53,575</b>            | <b>\$ 162,422</b> | <b>\$ 42,639</b>            |

Dealer networks are primarily amortized on an accelerated basis. Trademarks, design technology and other intangibles and non-compete agreements are amortized on a straight-line basis. The increase in amortizable intangible assets since July 31, 2014 is due to the acquisition of CRV and DRV, as more fully described in Note 2 to the Condensed Consolidated Financial Statements.

Estimated annual amortization expense is as follows:

|   |            |
|---|------------|
| For the fiscal year ending July 31, 2015                | \$ 15,615  |
| For the fiscal year ending July 31, 2016                | 16,942     |
| For the fiscal year ending July 31, 2017                | 14,681     |
| For the fiscal year ending July 31, 2018                | 13,545     |
| For the fiscal year ending July 31, 2019                | 12,198     |
| For the fiscal year ending July 31, 2020                | 11,155     |
| For the fiscal year ending July 31, 2021 and thereafter | 55,797     |
|   | \$ 139,933 |

The change in the carrying value of goodwill from July 31, 2014 to April 30, 2015 is as follows:

|                                  |            |
|----------------------------------|------------|
| Balance at July 31, 2014         | \$ 256,579 |
| Acquisition of towables business | 13,072     |
| Balance at April 30, 2015        | \$ 269,651 |

All of the recorded goodwill at both April 30, 2015 and July 31, 2014 resides in the towable recreational vehicle segment.

Goodwill is not subject to amortization, but instead is reviewed for impairment by applying a fair-value based test to the Company's reporting units on an annual basis as of April 30, or more frequently if events or circumstances indicate a potential impairment. The Company's reporting units are generally the same as its operating segments, which are identified in Note 4 to the Condensed Consolidated Financial Statements. Fair values are generally determined by a discounted cash flow model. These estimates are subject to significant management judgment, including the determination of many factors such as sales growth rates, gross margin patterns, cost growth rates, terminal value assumptions and discount rates, and therefore largely represent Level 3 inputs as defined by ASC 820. Changes in these estimates can have a significant impact on the determination of cash flows and fair value and could potentially result in future material impairments.

Management engages an independent valuation firm to assist in its impairment assessments. The Company completed its annual impairment review as of April 30, 2015 and no impairment of goodwill was identified.

#### 9. Concentration of Risk

One dealer, FreedomRoads, LLC ( FreedomRoads ), accounted for 16% of the Company's continuing consolidated net sales for both the nine months ended April 30, 2015 and the nine months ended April 30, 2014. This dealer also accounted for 19% of the Company's consolidated trade accounts receivable at April 30, 2015 and 21% at July 31, 2014. The loss of this dealer could have a significant effect on the Company's business.

#### 10. Loan Transactions and Related Notes Receivable

In January 2009, the Company entered into two credit agreements, for \$10,000 each, with Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Stephen Adams Living Trust (the Trust and, together with each of the foregoing persons, the January 2009 Loan Borrowers ). The final principal and interest payments on the first agreement were received in the second quarter of fiscal 2014 and the final principal and interest payments on the second agreement were received in fiscal 2012.

In December 2009, the Company entered into a \$10,000 credit agreement with Marcus Lemonis, Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Trust (collectively, the December 2009 Loan Borrowers ), and later modified in December 2012, pursuant to which \$6,000 of original principal is outstanding as of April 30, 2015 with the final payment due on August 30, 2015. All payments of principal and interest due to date have been paid in full.

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The January 2009 and December 2009 Loan Borrowers own, directly or indirectly, a controlling interest in FreedomRoads Holding Company, LLC, the parent company of FreedomRoads, the Company's largest dealer.

**11. Investments and Fair Value Measurements**

The Company assesses the inputs used to measure the fair value of certain assets and liabilities using a three level hierarchy as prescribed in ASC 820. Level 1 inputs include quoted prices in active markets for identical assets or liabilities and are the most observable. Level 2 inputs include inputs other than Level 1 that are either directly or indirectly observable, such as quoted market prices for similar but not identical assets or liabilities, quoted prices in inactive markets or other inputs that can be corroborated by observable market data. Level 3 inputs are not observable, are supported by little or no market activity and include management's judgments about the assumptions market participants would use in pricing the asset or liability.

The Company carries at fair value its investments in securities (primarily in mutual funds) held for the benefit of certain employees of the Company as part of a deferred compensation plan measured with Level 1 inputs. Deferred compensation plan asset balances of \$10,582 and \$8,973 were recorded as of April 30, 2015 and July 31, 2014, respectively, as components of other long-term assets in the Condensed Consolidated Balance Sheets. An equal and offsetting liability was also recorded in regards to the deferred compensation plan as a component of other long-term liabilities in the Condensed Consolidated Balance Sheets. Changes in the fair value of the plan assets and the related liability are both reflected in the Condensed Consolidated Statements of Income and Comprehensive Income.

**12. Product Warranties**

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

Changes in our product warranty reserves are as follows:

|                   | Three Months Ended |           | Nine Months Ended |           |
|-------------------|--------------------|-----------|-------------------|-----------|
|                   | April 30,          |           | April 30,         |           |
|                   | 2015               | 2014      | 2015              | 2014      |
| Beginning balance | \$ 102,048         | \$ 84,134 | \$ 94,938         | \$ 84,250 |
| Provision         | 31,995             | 24,383    | 88,225            | 65,576    |
| Payments          | (26,685)           | (21,564)  | (80,469)          | (63,482)  |
| Acquisitions      | 400                |           | 5,064             | 609       |
| Ending balance    | \$ 107,758         | \$ 86,953 | \$ 107,758        | \$ 86,953 |

**13. Provision for Income Taxes**

The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current period and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Fluctuations in the actual outcome of these tax consequences could materially impact our financial position or results of operations.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires the Company to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as the probability of various possible outcomes must be determined. These uncertain tax positions are re-evaluated on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, voluntary settlements and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

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The overall effective income tax rate for the three months ended April 30, 2015 was 32.8% compared with 33.4% for the three months ended April 30, 2014. The primary reason for the decrease in the effective income tax rate was the favorable effective settlement of uncertain tax benefits that occurred in the three months ended April 30, 2015.

The overall effective income tax rate for the nine months ended April 30, 2015 was 31.9% compared with 32.5% for the nine months ended April 30, 2014. The primary reason for the decrease in the effective income tax rate was the retroactive reinstatement of the federal research and development credit and other credits that occurred during the nine months ended April 30, 2015. In addition, the effective income tax rates for the fiscal 2014 and fiscal 2015 periods were both impacted, to a similar extent, by various uncertain tax benefits that settled favorably.

It is the Company's policy to recognize interest and penalties accrued relative to unrecognized tax benefits in income tax expense. For the nine months ended April 30, 2015, the Company released \$7,368 of gross uncertain tax positions and related interest and penalties recorded at July 31, 2014 related to the effective settlement of various uncertain tax positions and statute of limitation expirations, which resulted in a net income tax benefit of \$3,762. The Company accrued \$385 in interest and penalties related to the remaining uncertain tax positions recorded at July 31, 2014 and recorded \$90 of additional uncertain tax benefit reserve related to previous tax periods. For the three months ended April 30, 2015, the Company released \$2,862 of gross uncertain tax positions and related interest and penalties recorded at July 31, 2014 related to the effective settlement of various uncertain tax positions and statute of limitation expirations, which resulted in a net income tax benefit of \$1,375 and accrued \$92 in interest and penalties.

The Company anticipates a decrease of approximately \$3,640 in unrecognized tax benefits, and \$690 in accrued interest and penalties related to unrecognized tax benefits recorded as of April 30, 2015, within the next 12 months from expected settlements or payments of uncertain tax positions and lapses of the applicable statutes of limitations. In addition, the Company is currently in the process of pursuing a variety of settlement alternatives with taxing authorities. It is reasonably possible that some of these settlements could be finalized in the next 12 months. If these settlements are finalized within the next 12 months, the gross unrecognized tax benefits may decrease \$540 and related accrued interest and penalties may decrease \$410. It is reasonably possible that some of these settlements will result in cash payments by the Company. Actual results may differ from these estimates.

Generally, fiscal years 2012, 2013 and 2014 remain open for federal income tax purposes and fiscal years 2011, 2012, 2013 and 2014 remain open for state and foreign income tax purposes. The Company and its subsidiaries file a consolidated U.S. federal income tax return and multiple state income tax returns. The Company is currently being audited by the state of Indiana for tax years ended July 31, 2008, 2009 and 2010 and the state of Illinois for tax years ended July 31, 2011 and 2012. The Company believes it has adequately reserved for its exposure to additional payments for uncertain tax positions related to its Indiana and Illinois income tax returns in its liability for unrecognized tax benefits.

#### 14. Contingent Liabilities and Commitments and Legal Matters

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

The Company's total commercial commitments under standby repurchase obligations on dealer inventory financing as of April 30, 2015 and July 31, 2014 were \$1,576,439 and \$1,226,650, respectively. The commitment term is primarily up to eighteen months.

The Company accounts for the guarantee under repurchase agreements of dealers' financing by deferring a portion of the related product sale that represents the estimated fair value of the guarantee at inception. The estimated fair value takes into account an estimate of the losses that may be incurred upon resale of any repurchases. This estimate is based on recent historical experience supplemented by the Company's assessment of current economic and other conditions affecting its dealers. This deferred amount is included in the repurchase and guarantee reserve balances of \$4,942 and \$3,948 as of April 30, 2015 and July 31, 2014, respectively, which are included in other current liabilities on the Condensed Consolidated Balance Sheets.

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

| Three Months Ended<br>April 30, | Nine Months Ended<br>April 30, |
|---------------------------------|--------------------------------|
|---------------------------------|--------------------------------|



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|                             | 2015   | 2014   | 2015     | 2014     |
|-----------------------------|--------|--------|----------|----------|
| Cost of units repurchased   | \$ 257 | \$ 598 | \$ 6,484 | \$ 1,047 |
| Realization of units resold | 244    | 526    | 5,405    | 916      |
| Losses due to repurchase    | \$ 13  | \$ 72  | \$ 1,079 | \$ 131   |

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

**15. Stockholders Equity**  
**Stock-Based Compensation**

During fiscal 2013, the Compensation and Development Committee of the Board (the Committee) approved a program to award restricted stock units to certain employees at the operating subsidiary and corporate levels. The first awards under this program were granted in the first quarter of fiscal 2013 related to fiscal 2012 performance. The Committee approved additional awards that were granted in fiscal 2014 related to fiscal year 2013 performance and approved additional awards that were granted in fiscal 2015 related to fiscal 2014 performance. The employee restricted stock units vest, and shares of common stock will be issued, in equal installments on the first, second and third anniversaries of the date of grant. Starting in fiscal 2013, and again in fiscal 2014 and fiscal 2015, the Nominating and Governance Committee of the Board awarded restricted stock units to Board members that will vest, and shares of common stock will be issued, on the first anniversary of the date of the grant.

Total expense recognized in the three months ended April 30, 2015 and April 30, 2014 for these restricted stock unit awards and other stock based compensation was \$1,720 and \$1,295, respectively, related entirely to continuing operations in both periods. Total expense recognized in the nine months ended April 30, 2015 and April 30, 2014 for these restricted stock unit awards and other stock based compensation was \$5,047 and \$3,943, respectively, which included \$0 and \$480, respectively, related to discontinued operations.

For the restricted stock units that vested during the nine month periods ended April 30, 2015 and April 30, 2014, a certain portion of the vested shares awarded were withheld as treasury shares to cover the recipients' estimated withholding taxes. Tax payments made by the Company related to stock-based awards for the nine months ended April 30, 2015 and April 30, 2014 totaled \$1,562 and \$1,251, respectively.

**Retained Earnings**

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

|                                  |                  |
|----------------------------------|------------------|
| Balance as of July 31, 2014      | \$ 1,030,428     |
| Net income                       | 130,418          |
| Dividends declared and paid      | (43,237)         |
| <br>Balance as of April 30, 2015 | <br>\$ 1,117,609 |

The dividends declared and paid total of \$43,237 represents the regular quarterly dividend of \$0.27 per share for each of the first three quarters of fiscal 2015.

**16. Subsequent Events**  
**Acquisition**

On May 1, 2015, the Company closed on a Membership Interest Purchase Agreement with Postle Aluminum Company, LLC for the acquisition of all the outstanding membership units of Postle Operating, LLC (Postle), a manufacturer of aluminum extrusion and specialized component products sold to RV and other manufacturers, for initial cash consideration of \$144,315, subject to adjustment. The initial cash consideration was funded entirely from the Company's cash on hand. The purchase price adjustment will be based on a final determination of the actual net assets as of the May 1, 2015 closing date and is expected to be finalized no later than early fiscal 2016. Postle will operate as an independent operation in the same manner as the Company's other subsidiaries. Postle generated sales of approximately \$220 million in calendar year 2014, which

includes sales to certain Company subsidiaries.

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The following table summarizes our preliminary approximation of the fair value of the net assets acquired:

|   |                   |
|---|-------------------|
| Cash  | \$ 1,639          |
| Accounts receivable   | 23,000            |
| Inventories   | 34,000            |
| Property, plant and equipment   | 26,000            |
| Other assets  | 500               |
| Goodwill and intangible assets  | 91,315            |
| Current liabilities   | (26,000)          |
| Capital lease obligations   | (4,500)           |
| <b>Total preliminary approximation of net assets acquired</b>                   | <b>145,954</b>    |
| Less cash acquired  | (1,639)           |
| <b>Total preliminary cash consideration for acquisition, less cash acquired</b> | <b>\$ 144,315</b> |

The determination of the fair values of the assets acquired and liabilities assumed, particularly the fair value of the individual intangible assets acquired, requires significant judgment. This fair value analysis and valuation has not yet been completed. We anticipate completing the fair value determinations by early fiscal 2016. The final fair value determinations may differ from the approximations reflected in the table above. The goodwill arising from the Postle acquisition will be assigned to a non-reportable segment and will be deductible for tax purposes.

The following unaudited pro forma information represents the Company's results of operations as if the fiscal 2015 acquisitions of both Postle and CRV/DRV had occurred at the beginning of fiscal 2014. These performance results may not be indicative of the actual results that would have occurred under the ownership and management of the Company.

|                                   | Three Months Ended |              | Nine Months Ended |              |
|-----------------------------------|--------------------|--------------|-------------------|--------------|
|                                   | April 30,          |              | April 30,         |              |
|                                   | 2015               | 2014         | 2015              | 2014         |
| Net sales                         | \$ 1,223,333       | \$ 1,124,114 | \$ 3,137,484      | \$ 2,676,873 |
| Net income                        | \$ 64,834          | \$ 58,925    | \$ 140,174        | \$ 116,108   |
| Basic earnings per common share   | \$ 1.21            | \$ 1.11      | \$ 2.63           | \$ 2.18      |
| Diluted earnings per common share | \$ 1.21            | \$ 1.10      | \$ 2.62           | \$ 2.18      |

### **Treasury Stock Purchase**

The Company entered into a repurchase agreement, dated May 15, 2015 (the "May 15, 2015 Repurchase Agreement"), to purchase certain shares of its common stock from the Thompson Family Foundation (the "Foundation") in a private transaction. Pursuant to the terms of the May 15, 2015 Repurchase Agreement, the Company purchased from the Foundation 1,000,000 shares of its common stock at a price of \$60.00 per share, and held them as treasury stock, representing an aggregate purchase price of \$60,000. The closing price of Thor common stock on May 15, 2015 was \$61.29. The Foundation held shares of common stock of the Company previously owned by the late Wade F. B. Thompson, the Company's co-founder and former Chief Executive Officer. At the time of the repurchase transaction, Alan Siegel, a member of the board of directors of the Company (the "Board"), served as a director of the Foundation. The repurchase transaction was evaluated and approved by members of the Board who are not affiliated with the Foundation. The transaction was consummated on May 19, 2015, and the Company used available cash to purchase the shares. The number of shares repurchased by the Company represented 1.9% of the Company's issued and outstanding common stock immediately prior to the repurchase.

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

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

The following discussion of our business relates primarily to ongoing operations.

**Forward Looking Statements**

This report includes certain statements that are forward looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act ). These forward looking statements are made based on management's current expectations and beliefs regarding future and anticipated developments and their effects upon Thor Industries, Inc., and inherently involve uncertainties and risks. These forward looking statements are not a guarantee of future performance. There can be no assurance that actual results will not differ from our expectations. Factors which could cause materially different results include, among others, raw material and commodity price fluctuations, material or chassis supply restrictions, legislative and regulatory developments, the costs of compliance with increased governmental regulation, legal issues, the potential impact of increased tax burdens on our dealers and retail consumers, lower consumer confidence and the level of discretionary consumer spending, interest rate fluctuations and the potential economic impact of rising interest rates, restrictive lending practices, management changes, the success of new product introductions, the pace of obtaining and producing at new production facilities, the pace of acquisitions, the potential loss of existing customers of acquisitions, the integration of new acquisitions, the impact of the divestiture of the Company's bus business, the availability of delivery personnel, asset impairment charges, cost structure changes, competition, the potential impact of the strengthening U.S. dollar on international demand, general economic, market and political conditions and the other risks and uncertainties discussed more fully in Item 1A of our Annual Report on Form 10-K for the year ended July 31, 2014. We disclaim any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained in this report or to reflect any change in our expectations after the date hereof or any change in events, conditions or circumstances on which any statement is based, except as required by law.

**Executive Overview**

We were founded in 1980 and through our operating subsidiaries have grown to be one of the largest manufacturers of recreational vehicles (RVs) in North America, by units sold and revenue, based on retail statistics published by Statistical Surveys, Inc. (Stat Surveys) and other reported data. Our combined U.S. and Canadian RV industry market share in the travel trailer and fifth wheel portion of the towable segment is approximately 36.6% for the calendar quarter ended March 31, 2015. In the motorized segment of the RV industry, we have a combined U.S. and Canadian market share of approximately 26.1% for the calendar year ended March 31, 2015.

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

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

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

We have relied on internally generated cash flows from operations to finance substantially all of our growth, although we may borrow to make an acquisition if we believe the incremental cash flows will provide for rapid payback. Capital expenditures of \$29,014 for the nine months ended April 30, 2015 were made primarily for land and production building additions and improvements, as well as for replacing machinery and equipment used in the ordinary course of business.

**Recent Events**

Subsequent to the end of the Company's fiscal 2015 third quarter, the Company entered into a repurchase agreement, dated as of May 15, 2015 (the May 15, 2015 Repurchase Agreement), to purchase shares of its common stock from the Thompson Family Foundation (the Foundation) in a private transaction. Pursuant to the terms of the May 15, 2015 Repurchase Agreement, the Company purchased from the Foundation 1,000,000 shares of its common stock at a price of \$60.00 per share, and held them as treasury stock, representing an aggregate purchase price of \$60,000. The closing price of Thor common stock on May 15, 2015 was \$61.29. The transaction was consummated on May 19, 2015, and the Company used available cash to purchase the shares. The number of shares repurchased by the Company represented 1.9% of the Company's issued and outstanding common stock immediately prior to the repurchase.



Also subsequent to the end of the Company's fiscal 2015 third quarter, on May 1, 2015, the Company closed on a Membership Interest Purchase Agreement with Postle Aluminum Company, LLC for the acquisition of all the outstanding membership units of Postle Operating, LLC ( Postle ) for initial net cash consideration of \$144,315, subject to adjustment. Postle is a manufacturer of aluminum extrusion and specialized component products for the RV and other markets, and will operate as an independent operation in the same manner as the Company's other subsidiaries.

On January 5, 2015, the Company closed on a Stock Purchase Agreement ( CRV/DRV SPA ) for the acquisition of all the outstanding membership units of towable recreational vehicle manufacturer Cruiser RV, LLC ( CRV ) and luxury fifth wheel towable recreational vehicle manufacturer DRV, LLC ( DRV ) by its Heartland Recreational Vehicles, LLC subsidiary ( Heartland ). In accordance with the CRV/DRV SPA, the closing was deemed effective as of January 1, 2015. As contemplated in the CRV/DRV SPA, the Company also acquired, in a series of integrated transactions, certain real estate used in the ongoing operations of CRV and DRV. Cash consideration paid to date for this acquisition is \$46,350, net of cash acquired. The Company purchased CRV and DRV to expand its towable recreational vehicle market share and to supplement and expand its existing lightweight travel trailer and luxury fifth wheel product offerings and dealer base.

### **Industry Outlook**

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

We believe our dealer inventory levels are appropriate for seasonal consumer demand. RV dealer inventory of Thor products as of April 30, 2015 increased 23.2% to 81,335 units from 66,014 units as of April 30, 2014, partially attributable to acquisitions since the prior year. Thor's backlog as of April 30, 2015 decreased 11.4% to \$726,788 from \$820,159 as of April 30, 2014, partially attributable to expanded facilities and production capacity since the prior year enhancing the Company's ability to meet higher demand levels more quickly.

### **Industry Wholesale Statistics**

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

|                 | U.S. and Canada Wholesale Unit Shipments |               |              |            |
|-----------------|--|---------------|--------------|------------|
|                 | Calendar Year through                    |               |              | %          |
|                 | March 31,                                |               |              |            |
|                 | 2015                                     | 2014          | Increase     | Change     |
| Towable Units   | 85,111                                   | 78,846        | 6,265        | 7.9        |
| Motorized Units | 11,963                                   | 11,125        | 838          | 7.5        |
| <b>Total</b>    | <b>97,074</b>                            | <b>89,971</b> | <b>7,103</b> | <b>7.9</b> |

According to the RVIA, calendar year 2015 shipments for towables and motorized units will approximate 333,000 and 47,000 units, respectively, which are 6.5% and 6.8% higher than the corresponding calendar year 2014 wholesale unit shipments. Travel trailers and fifth wheels are expected to account for 84% of all RV shipments in calendar year 2015. The outlook for calendar year 2015 growth in RV sales is based on rising consumer confidence, rising home and stock values, improved credit availability and continued gains in job and disposable income prospects.

### **Industry Retail Statistics**

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

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

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|                 | U.S. and Canada Retail Unit Registrations |               |              |             |
|-----------------|---|---------------|--------------|-------------|
|                 | Calendar Year through                     |               |              |             |
|                 | March 31,                                 |               | Increase     | %<br>Change |
| 2015            | 2014                                      |               |              |             |
| Towable Units   | 54,148                                    | 47,891        | 6,257        | 13.1        |
| Motorized Units | 8,984                                     | 8,076         | 908          | 11.2        |
| <b>Total</b>    | <b>63,132</b>                             | <b>55,967</b> | <b>7,165</b> | <b>12.8</b> |

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



**Company Wholesale Statistics**

The Company's wholesale RV shipments, for the calendar quarter ended March 31, 2015 and 2014 to correspond to the industry periods denoted above, were as follows:

|                 | U.S. and Canada Wholesale Unit Shipments |               |                        |             |
|-----------------|--|---------------|------------------------|-------------|
|                 | Calendar Year through                    |               | Increase<br>(Decrease) | %<br>Change |
|                 | 2015                                     | 2014          |                        |             |
| Towable Units   | 30,880                                   | 25,038        | 5,842                  | 23.3        |
| Motorized Units | 2,854                                    | 2,936         | (82)                   | (2.8)       |
| <b>Total</b>    | <b>33,734</b>                            | <b>27,974</b> | <b>5,760</b>           | <b>20.6</b> |

**Company Retail Statistics**

Retail statistics of the Company's RV products, as reported by Stat Surveys, for the calendar quarter ended March 31, 2015 and 2014 to correspond to the industry periods denoted above (and adjusted to include results of acquisitions only from the date of acquisition forward), were as follows:

|                 | U.S. and Canada Retail Unit Registrations |               |              |             |
|-----------------|---|---------------|--------------|-------------|
|                 | Calendar Year through                     |               | Increase     | %<br>Change |
|                 | 2015                                      | 2014          |              |             |
| Towable Units   | 19,226                                    | 16,343        | 2,883        | 17.6        |
| Motorized Units | 2,344                                     | 2,239         | 105          | 4.7         |
| <b>Total</b>    | <b>21,570</b>                             | <b>18,582</b> | <b>2,988</b> | <b>16.1</b> |

Our outlook for future growth in retail sales is dependent upon various economic conditions faced by consumers such as the rate of unemployment, the level of consumer confidence, the growth in disposable income of consumers, changes in interest rates, credit availability, the pace of recovery in the housing market, the impact of rising taxes and fuel prices. With continued improvement in consumer confidence, availability of retail and wholesale credit, low interest rates and the absence of negative economic factors, we would expect to see additional incremental improvements in RV sales and expect to benefit from our ability to increase production to meet increasing demand. In recent years, the industry has benefited from growing retail sales to younger consumers with new product offerings targeted to younger, more active families. In addition, a positive longer-term outlook for the RV business is supported by favorable demographics as more people reach the age brackets that historically have accounted for the bulk of retail RV sales. The number of consumers between the ages of 55 and 74 will total 78 million by 2025, 24% higher than in 2012 according to the RVIA.

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

To date, we have not experienced any unusual cost increases or supply constraints from our chassis suppliers. The recreational vehicle industry has, from time to time, experienced shortages of chassis due to various causes such as component shortages, production delays or work stoppages at the chassis manufacturers which has impacted our sales and earnings. We believe that the current supply of chassis used in our motorized RV production is adequate for current production levels and that available inventory would compensate for short-term changes in supply schedules if they occur.

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Three Months Ended April 30, 2015 vs. Three Months Ended April 30, 2014

|                       | Three Months Ended<br>April 30, 2015 | Three Months Ended<br>April 30, 2014 | Change<br>Amount | %<br>Change |
|-----------------------|--------------------------------------|--------------------------------------|------------------|-------------|
| <b>NET SALES:</b>     |                                      |                                      |                  |             |
| Recreational Vehicles |                                      |                                      |                  |             |
| Towables              | \$ 919,358                           | \$ 800,737                           | \$ 118,621       | 14.8        |
| Motorized             | 254,897                              | 246,086                              | 8,811            | 3.6         |
| Total                 | \$ 1,174,255                         | \$ 1,046,823                         | \$ 127,432       | 12.2        |

**# OF UNITS:**

|                       |        |        |       |      |
|-----------------------|--------|--------|-------|------|
| Recreational Vehicles |        |        |       |      |
| Towables              | 34,417 | 29,479 | 4,938 | 16.8 |
| Motorized             | 3,321  | 3,216  | 105   | 3.3  |
| Total                 | 37,738 | 32,695 | 5,043 | 15.4 |

|                       | % of<br>Segment<br>Net<br>Sales |      | % of<br>Segment<br>Net<br>Sales |      | Change<br>Amount | %<br>Change |
|-----------------------|---------------------------------|------|---------------------------------|------|------------------|-------------|
| <b>GROSS PROFIT:</b>  |                                 |      |                                 |      |                  |             |
| Recreational Vehicles |                                 |      |                                 |      |                  |             |
| Towables              | \$ 134,388                      | 14.6 | \$ 113,886                      | 14.2 | \$ 20,502        | 18.0        |
| Motorized             | 32,213                          | 12.6 | 28,194                          | 11.5 | 4,019            | 14.3        |
| Total                 | \$ 166,601                      | 14.2 | \$ 142,080                      | 13.6 | \$ 24,521        | 17.3        |

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:**

|                             |           |     |           |     |           |      |
|-----------------------------|-----------|-----|-----------|-----|-----------|------|
| Recreational Vehicles       |           |     |           |     |           |      |
| Towables                    | \$ 46,891 | 5.1 | \$ 38,287 | 4.8 | \$ 8,604  | 22.5 |
| Motorized                   | 12,360    | 4.8 | 10,519    | 4.3 | 1,841     | 17.5 |
| Total Recreational Vehicles | 59,251    | 5.0 | 48,806    | 4.7 | 10,445    | 21.4 |
| Corporate                   | 9,689     |     | 8,147     |     | 1,542     | 18.9 |
| Total                       | \$ 68,940 | 5.9 | \$ 56,953 | 5.4 | \$ 11,987 | 21.0 |

**INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES:**

|                             |           |     |           |     |           |        |
|-----------------------------|-----------|-----|-----------|-----|-----------|--------|
| Recreational Vehicles       |           |     |           |     |           |        |
| Towables                    | \$ 83,771 | 9.1 | \$ 72,572 | 9.1 | \$ 11,199 | 15.4   |
| Motorized                   | 19,853    | 7.8 | 17,669    | 7.2 | 2,184     | 12.4   |
| Total Recreational Vehicles | 103,624   | 8.8 | 90,241    | 8.6 | 13,383    | 14.8   |
| Corporate                   | (9,063)   |     | (7,493)   |     | (1,570)   | (21.0) |
| Total                       | \$ 94,561 | 8.1 | \$ 82,748 | 7.9 | \$ 11,813 | 14.3   |

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|                       | As of<br>April 30, 2015 | As of<br>April 30, 2014 | Change<br>Amount   | %<br>Change   |
|-----------------------|-------------------------|-------------------------|--------------------|---------------|
| <b>ORDER BACKLOG:</b> |                         |                         |                    |               |
| Recreational Vehicles |                         |                         |                    |               |
| Towables              | \$ 484,228              | \$ 548,522              | \$ (64,294)        | (11.7)        |
| Motorized             | 242,560                 | 271,637                 | (29,077)           | (10.7)        |
| <b>Total</b>          | <b>\$ 726,788</b>       | <b>\$ 820,159</b>       | <b>\$ (93,371)</b> | <b>(11.4)</b> |

**CONSOLIDATED**

Consolidated net sales for the three months ended April 30, 2015 increased \$127,432, or 12.2%, compared to the three months ended April 30, 2014. Consolidated gross profit increased \$24,521, or 17.3%, compared to the three months ended April 30, 2014. Consolidated gross profit was 14.2% of consolidated net sales for the three months ended April 30, 2015 and 13.6% for the three months ended April 30, 2014. Selling, general and administrative expenses for the three months ended April 30, 2015 increased 21.0% compared to the three months ended April 30, 2014. Income from continuing operations before income taxes for the three months ended April 30, 2015 was \$94,561, as compared to \$82,748 for the three months ended April 30, 2014, an increase of \$11,813 or 14.3%. The reasons for the changes in net sales, gross profit, selling, general and administrative expenses and income before income taxes are addressed in the segment reporting that follows.

Corporate costs included in selling, general and administrative expenses increased \$1,542 to \$9,689 for the three months ended April 30, 2015 compared to \$8,147 for the three months ended April 30, 2014. The increase is primarily attributable to increased compensation costs, as bonuses increased \$388 in correlation with the increase in income from continuing operations before income taxes and stock based compensation increased \$425. In addition, costs related to our Corporate repurchase reserve required for vehicle repurchase commitments increased \$550, primarily due to increased dealer inventory levels in the current year and a favorable adjustment in the prior year.

Corporate interest income and other income and expense was \$626 of income for the three months ended April 30, 2015 compared to \$654 of income for the three months ended April 30, 2014. The \$28 decrease is primarily due to a decrease in overall interest income of \$50, primarily due to reduced interest income on notes receivable as a result of lower note balances.

The overall effective income tax rate for the three months ended April 30, 2015 was 32.8% compared with 33.4% for the three months ended April 30, 2014. The primary reason for the decrease in the effective income tax rate was the favorable effective settlement of uncertain tax benefits that occurred in the three months ended April 30, 2015.

**Segment Reporting****TOWABLE RECREATIONAL VEHICLES**

Analysis of the change in net sales for the three months ended April 30, 2015 vs. the three months ended April 30, 2014:

|                   | Three Months<br>Ended<br>April 30, 2015 | % of<br>Segment<br>Net Sales | Three Months<br>Ended<br>April 30, 2014 | % of<br>Segment<br>Net Sales | Change<br>Amount | %<br>Change |
|-------------------|---|------------------------------|---|------------------------------|------------------|-------------|
| <b>NET SALES:</b> |   |                              |   |                              |                  |             |
| Towables          |   |                              |   |                              |                  |             |
| Travel Trailers   | \$ 464,678                              | 50.5                         | \$ 379,419                              | 47.4                         | \$ 85,259        | 22.5        |
| Fifth Wheels      | 452,948                                 | 49.3                         | 413,844                                 | 51.7                         | 39,104           | 9.4         |
| Other             | 1,732                                   | 0.2                          | 7,474                                   | 0.9                          | (5,742)          | (76.8)      |
| Total Towables    | \$ 919,358                              | 100.0                        | \$ 800,737                              | 100.0                        | \$ 118,621       | 14.8        |

|                    | Three<br>Months<br>Ended<br>April 30,<br>2015 | % of<br>Segment<br>Shipments | Three<br>Months<br>Ended<br>April 30,<br>2014 | % of<br>Segment<br>Shipments | Change<br>Amount | %<br>Change |
|--------------------|---|------------------------------|---|------------------------------|------------------|-------------|
| <b># OF UNITS:</b> |   |                              |   |                              |                  |             |
| Towables           |   |                              |   |                              |                  |             |
| Travel Trailers    | 23,865  | 69.3                         | 18,933  | 64.2                         | 4,932            | 26.0        |
| Fifth Wheels       | 10,354  | 30.1                         | 10,184  | 34.5                         | 170              | 1.7         |
| Other              | 198   | 0.6                          | 362   | 1.3                          | (164)            | (45.3)      |
| Total Towables     | 34,417  | 100.0                        | 29,479  | 100.0                        | 4,938            | 16.8        |

|  | %<br>Increase<br>(Decrease) |
|--|-----------------------------|
| <b>Impact of Change in Mix and Price on Net Sales:</b> |                             |
| Towables   |                             |
| Travel Trailers  | (3.5)                       |
| Fifth Wheels   | 7.7                         |
| Other  | (31.5)                      |
| Total Towables   | (2.0)                       |

The increase in total towables net sales of 14.8% compared to the prior year quarter resulted from a 16.8% increase in unit shipments and a 2.0% decrease in the impact of the change in the overall net price per unit. The overall industry increase in combined travel trailer and fifth wheel wholesale unit shipments for the three months ended April 30, 2015 was 9.8% compared to the same period last year according to statistics published by RVIA.

The decrease in the overall net price per unit within the travel trailer product lines of 3.5% is primarily due to product mix, as sales in the current period include a higher concentration of entry-level to mid-level product lines as compared to the prior year period, which is partially attributable to recent acquisitions. The increase in the overall net price per unit within the fifth wheel product lines of 7.7% is primarily due to net price increases and changes in product mix since the comparable prior year period.

Cost of products sold increased \$98,119 to \$784,970, or 85.4% of towables net sales, for the three months ended April 30, 2015 compared to \$686,851, or 85.8% of towables net sales, for the three months ended April 30, 2014. The change in material, labor, freight-out and warranty comprised \$92,473 of the \$98,119 increase in cost of products sold due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of towables net sales decreased to 80.0% for the three months ended April 30, 2015 compared to 80.3% for the three

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months ended April 30, 2014. Total manufacturing overhead increased \$5,646 with the increase in sales, but decreased as a percentage of towables net sales from 5.5% to 5.4% as the increased production resulted in better absorption of fixed overhead costs.

Towables gross profit increased \$20,502 to \$134,388, or 14.6% of towables net sales, for the three months ended April 30, 2015 compared to \$113,886, or 14.2% of towables net sales, for the three months ended April 30, 2014. The \$20,502 increase was primarily due to the increase in net sales noted above.

Selling, general and administrative expenses were \$46,891, or 5.1% of towables net sales, for the three months ended April 30, 2015 compared to \$38,287, or 4.8% of towables net sales, for the three months ended April 30, 2014. The primary reason for the \$8,604 increase was increased towables net sales and towables income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$6,324. Sales related travel, advertising and promotional costs also increased \$629 in correlation with the sales increase. Legal, professional and related settlement costs also increased \$624.

Towables income before income taxes was 9.1% of towables net sales for both the three months ended April 30, 2015 and the three months ended April 30, 2014.

**MOTORIZED RECREATIONAL VEHICLES**

Analysis of the change in net sales for the three months ended April 30, 2015 vs. the three months ended April 30, 2014:

|                   | Three Months<br>Ended<br>April 30, 2015 | % of<br>Segment<br>Net Sales | Three Months<br>Ended<br>April 30, 2014 | % of<br>Segment<br>Net Sales | Change<br>Amount | %<br>Change |
|-------------------|---|------------------------------|---|------------------------------|------------------|-------------|
| <b>NET SALES:</b> |   |                              |   |                              |                  |             |
| Motorized         |   |                              |   |                              |                  |             |
| Class A           | \$ 141,873                              | 55.7                         | \$ 133,430                              | 54.2                         | \$ 8,443         | 6.3         |
| Class C           | 93,840                                  | 36.8                         | 93,089                                  | 37.8                         | 751              | 0.8         |
| Class B           | 19,184                                  | 7.5                          | 19,567                                  | 8.0                          | (383)            | (2.0)       |
| Total Motorized   | \$ 254,897                              | 100.0                        | \$ 246,086                              | 100.0                        | \$ 8,811         | 3.6         |

|                    | Three<br>Months<br>Ended<br>April 30,<br>2015 | % of<br>Segment<br>Shipments | Three<br>Months<br>Ended<br>April 30,<br>2014 | % of<br>Segment<br>Shipments | Change<br>Amount | %<br>Change |
|--------------------|---|------------------------------|---|------------------------------|------------------|-------------|
| <b># OF UNITS:</b> |   |                              |   |                              |                  |             |
| Motorized          |   |                              |   |                              |                  |             |
| Class A            | 1,573   | 47.4                         | 1,471   | 45.7                         | 102              | 6.9         |
| Class C            | 1,583   | 47.7                         | 1,576   | 49.0                         | 7                | 0.4         |
| Class B            | 165   | 4.9                          | 169   | 5.3                          | (4)              | (2.4)       |
| Total Motorized    | 3,321   | 100.0                        | 3,216   | 100.0                        | 105              | 3.3         |

|  | %<br>Increase<br>(Decrease) |
|--|-----------------------------|
| <b>Impact of Change in Mix and Price on Net Sales:</b> |                             |
| Motorized  |                             |
| Class A  | (0.6)                       |
| Class C  | 0.4                         |
| Class B  | 0.4                         |
| Total Motorized  | 0.3                         |

The increase in total motorized net sales of 3.6% compared to the prior year quarter resulted from a 3.3% increase in unit shipments and a 0.3% increase in the impact of the change in the overall net price per unit. The overall market increase in wholesale unit shipments of motorhomes was 6.2% for the three months ended April 30, 2015 compared to the same period last year according to statistics published by RVIA.

The decrease in the overall net price per unit within the Class A product line of 0.6% is primarily due to a slight shift in the concentration of sales from the generally larger and more expensive diesel units to the more moderately priced gas units compared to a year ago. Increasing sales from a newer line of innovative product offerings of smaller, more moderately priced units that still offer many of the same amenities as larger

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models also contributed to the decrease. The increases in the overall net price per unit within both the Class C and Class B product lines of 0.4% each are primarily due to changes in product mix.



Cost of products sold increased \$4,792 to \$222,684, or 87.4% of motorized net sales, for the three months ended April 30, 2015 compared to \$217,892, or 88.5% of motorized net sales, for the three months ended April 30, 2014. The change in material, labor, freight-out and warranty comprised \$4,756 of the \$4,792 increase due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of motorized net sales was 83.3% compared to 84.3% for the prior year period. The decrease in percentage is primarily due to improved labor and warranty costs percentages, as the combination of assimilating an increasing labor force while expanding production lines and product offerings a year ago led to increased labor and warranty costs in the prior year period. Total manufacturing overhead increased \$36 but decreased as a percentage of motorized net sales from 4.2% to 4.1%.

Motorized gross profit increased \$4,019 to \$32,213, or 12.6% of motorized net sales, for the three months ended April 30, 2015 compared to \$28,194, or 11.5% of motorized net sales, for the three months ended April 30, 2014. The \$4,019 increase in gross profit was due primarily to the impact of the 3.3% increase in unit sales volume noted above, while the increase in gross profit as a percentage of motorized net sales was due to the increase in sales and the reduction in the costs of products sold percentage noted above.

Selling, general and administrative expenses were \$12,360, or 4.8% of motorized net sales, for the three months ended April 30, 2015 compared to \$10,519, or 4.3% of motorized net sales, for the three months ended April 30, 2014. The primary reason for the \$1,841 increase was increased motorized net sales and motorized income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$1,334. Legal, professional and related settlement costs also increased \$405.

Motorized income before income taxes was 7.8% of motorized net sales for the three months ended April 30, 2015 and 7.2% of motorized net sales for the three months ended April 30, 2014. The primary reason for this increase in percentage was the impact of the decrease in the cost of products sold percentage noted above, partially offset by the increase in the selling, general and administrative expense percentage noted above.

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Nine Months Ended April 30, 2015 vs. Nine Months Ended April 30, 2014

|                       | Nine Months<br>Ended<br>April 30,<br>2015 | Nine Months<br>Ended<br>April 30,<br>2014 | Change<br>Amount | %<br>Change |
|-----------------------|---|---|------------------|-------------|
| <b>NET SALES:</b>     |   |   |                  |             |
| Recreational Vehicles |   |   |                  |             |
| Towables              | \$ 2,294,226                              | \$ 1,896,064                              | \$ 398,162       | 21.0        |
| Motorized             | 654,437                                   | 586,052                                   | 68,385           | 11.7        |
| Total                 | \$ 2,948,663                              | \$ 2,482,116                              | \$ 466,547       | 18.8        |

**# OF UNITS:**

|                       |        |        |        |      |
|-----------------------|--------|--------|--------|------|
| Recreational Vehicles |        |        |        |      |
| Towables              | 85,659 | 69,567 | 16,092 | 23.1 |
| Motorized             | 8,236  | 7,432  | 804    | 10.8 |
| Total                 | 93,895 | 76,999 | 16,896 | 21.9 |

|                       |            | % of<br>Segment<br>Net Sales |            | % of<br>Segment<br>Net Sales | Change<br>Amount | %<br>Change |
|-----------------------|------------|------------------------------|------------|------------------------------|------------------|-------------|
| <b>GROSS PROFIT:</b>  |            |                              |            |                              |                  |             |
| Recreational Vehicles |            |                              |            |                              |                  |             |
| Towables              | \$ 306,688 | 13.4                         | \$ 247,357 | 13.0                         | \$ 59,331        | 24.0        |
| Motorized             | 79,578     | 12.2                         | 70,233     | 12.0                         | 9,345            | 13.3        |
| Total                 | \$ 386,266 | 13.1                         | \$ 317,590 | 12.8                         | \$ 68,676        | 21.6        |

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:**

|                             |            |     |            |     |           |      |
|-----------------------------|------------|-----|------------|-----|-----------|------|
| Recreational Vehicles       |            |     |            |     |           |      |
| Towables                    | \$ 122,173 | 5.3 | \$ 100,506 | 5.3 | \$ 21,667 | 21.6 |
| Motorized                   | 32,740     | 5.0 | 27,953     | 4.8 | 4,787     | 17.1 |
| Total Recreational Vehicles | 154,913    | 5.3 | 128,459    | 5.2 | 26,454    | 20.6 |
| Corporate                   | 26,318     |     | 20,601     |     | 5,717     | 27.8 |
| Total                       | \$ 181,231 | 6.1 | \$ 149,060 | 6.0 | \$ 32,171 | 21.6 |

**INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES:**

|                             |            |     |            |     |           |        |
|-----------------------------|------------|-----|------------|-----|-----------|--------|
| Recreational Vehicles       |            |     |            |     |           |        |
| Towables                    | \$ 173,390 | 7.6 | \$ 137,111 | 7.2 | \$ 36,279 | 26.5   |
| Motorized                   | 46,821     | 7.2 | 42,305     | 7.2 | 4,516     | 10.7   |
| Total Recreational Vehicles | 220,211    | 7.5 | 179,416    | 7.2 | 40,795    | 22.7   |
| Corporate                   | (24,807)   |     | (18,325)   |     | (6,482)   | (35.4) |
| Total                       | \$ 195,404 | 6.6 | \$ 161,091 | 6.5 | \$ 34,313 | 21.3   |



**CONSOLIDATED**

Consolidated net sales for the nine months ended April 30, 2015 increased \$466,547, or 18.8%, compared to the nine months ended April 30, 2014. Consolidated gross profit increased \$68,676, or 21.6%, compared to the nine months ended April 30, 2014. Consolidated gross profit was 13.1% of consolidated net sales for the nine months ended April 30, 2015 and 12.8% for the nine months ended April 30, 2014. Selling, general and administrative expenses for the nine months ended April 30, 2015 increased 21.6% compared to the nine months ended April 30, 2014. Income from continuing operations before income taxes for the nine months ended April 30, 2015 was \$195,404, as compared to \$161,091 for the nine months ended April 30, 2014, an increase of \$34,313 or 21.3%. The reasons for the changes in net sales, gross profit, selling, general and administrative expenses and income before income taxes are addressed in the segment reporting that follows.

Corporate costs included in selling, general and administrative expenses increased \$5,717 to \$26,318 for the nine months ended April 30, 2015 compared to \$20,601 for the nine months ended April 30, 2014. The increase is partially attributable to an increase of \$1,832 related to the change in the portion of our actuarially determined workers compensation reserve recorded at the corporate level. This increase is largely due to the prior year period including a non-recurring favorable adjustment. Stock-based compensation also increased by \$1,584 and bonuses increased by \$1,103 in correlation with the increase in income from continuing operations before income taxes. In addition, expenses related to our Corporate repurchase reserve required for vehicle repurchase commitments has increased \$875 due to increased dealer inventory levels and more repurchase activity this year compared to the prior year, which had unusually low activity.

Corporate interest income and other income and expense was \$1,511 of income for the nine months ended April 30, 2015 compared to \$2,276 of income for the nine months ended April 30, 2014. The \$765 decrease is due to a decrease in overall interest income of \$288, primarily due to reduced interest income on notes receivable as a result of lower note balances. In addition, the market value appreciation on the Company's deferred compensation plan assets was \$655 in the current year as compared to appreciation of \$857 in the prior year, an unfavorable decrease of \$202.

The overall effective income tax rate for the nine months ended April 30, 2015 was 31.9% compared with 32.5% for the nine months ended April 30, 2014. The primary reason for the decrease in the effective income tax rate was the retroactive reinstatement of the federal research and development credit and other credits that occurred during the nine months ended April 30, 2015. The effective income tax rates for the fiscal 2014 and fiscal 2015 periods were both impacted, to a similar extent, by various uncertain tax benefits that settled favorably.

**Segment Reporting****TOWABLE RECREATIONAL VEHICLES**

Analysis of the change in net sales for the nine months ended April 30, 2015 vs. the nine months ended April 30, 2014:

|                   | Nine Months<br>Ended<br>April 30, 2015 | % of<br>Segment<br>Net Sales | Nine Months<br>Ended<br>April 30, 2014 | % of<br>Segment<br>Net Sales | Change<br>Amount | %<br>Change |
|-------------------|--|------------------------------|--|------------------------------|------------------|-------------|
| <b>NET SALES:</b> |  |                              |  |                              |                  |             |
| Towables          |  |                              |  |                              |                  |             |
| Travel Trailers   | \$ 1,166,208                           | 50.8                         | \$ 924,510                             | 48.8                         | \$ 241,698       | 26.1        |
| Fifth Wheels      | 1,121,928                              | 48.9                         | 955,074                                | 50.4                         | 166,854          | 17.5        |
| Other             | 6,090                                  | 0.3                          | 16,480                                 | 0.8                          | (10,390)         | (63.0)      |
| Total Towables    | \$ 2,294,226                           | 100.0                        | \$ 1,896,064                           | 100.0                        | \$ 398,162       | 21.0        |

|                    | Nine Months<br>Ended<br>April 30, 2015 | % of<br>Segment<br>Shipments | Nine Months<br>Ended<br>April 30, 2014 | % of<br>Segment<br>Shipments | Change<br>Amount | %<br>Change |
|--------------------|--|------------------------------|--|------------------------------|------------------|-------------|
| <b># OF UNITS:</b> |  |                              |  |                              |                  |             |
| Towables           |  |                              |  |                              |                  |             |
| Travel Trailers    | 59,073                                 | 69.0                         | 45,330                                 | 65.2                         | 13,743           | 30.3        |
| Fifth Wheels       | 26,011                                 | 30.4                         | 23,417                                 | 33.7                         | 2,594            | 11.1        |
| Other              | 575                                    | 0.6                          | 820                                    | 1.1                          | (245)            | (29.9)      |
| Total Towables     | 85,659                                 | 100.0                        | 69,567                                 | 100.0                        | 16,092           | 23.1        |

|  | %<br>Increase<br>(Decrease) |
|--|-----------------------------|
| <b>Impact of Change in Mix and Price on Net Sales:</b> |                             |

|                 |        |
|-----------------|--------|
| Towables        |        |
| Travel Trailers | (4.2)  |
| Fifth Wheels    | 6.4    |
| Other           | (33.1) |
| Total Towables  | (2.1)  |

The increase in total towables net sales of 21.0% compared to the prior year period resulted from a 23.1% increase in unit shipments and a 2.1% decrease in the impact of the change in the overall net price per unit. The overall industry increase in combined travel trailer and fifth wheel wholesale unit shipments for the nine months ended April 30, 2015 was 12.5% compared to the same period last year according to statistics published by RVIA.

The decrease in the overall net price per unit within the travel trailer product lines of 4.2% is primarily due to product mix, as sales in the current period include a higher concentration of entry-level to mid-level product lines as compared to the prior year period, which is partially attributable to recent acquisitions. The increase in the overall net price per unit within the fifth wheel product lines of 6.4% is primarily due to net price increases and changes in product mix since the comparable prior year period.

Cost of products sold increased \$338,831 to \$1,987,538, or 86.6% of towables net sales, for the nine months ended April 30, 2015 compared to \$1,648,707, or 87.0% of towables net sales, for the nine months ended April 30, 2014. The change in material, labor, freight-out and warranty comprised \$318,285 of the \$338,831 increase in cost of products sold due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of towables net sales decreased slightly to 80.8% for the nine months ended April 30, 2015 compared to 81.0% for the nine months ended April 30, 2014. Total manufacturing overhead increased \$20,546 with the increase in sales, but decreased as a percentage of

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towables net sales from 6.0% to 5.8%, as the increase in production resulted in better absorption of fixed overhead costs.

Towables gross profit increased \$59,331 to \$306,688, or 13.4% of towables net sales, for the nine months ended April 30, 2015 compared to \$247,357, or 13.0% of towables net sales, for the nine months ended April 30, 2014. The \$59,331 increase was primarily due to the increase in net sales noted above.

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Selling, general and administrative expenses were \$122,173, or 5.3% of towables net sales, for the nine months ended April 30, 2015 compared to \$100,506, or 5.3% of towables net sales, for the nine months ended April 30, 2014. The primary reason for the \$21,667 increase was increased towables net sales and towables income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$14,131. Sales related travel, advertising and promotional costs also increased \$2,623 in correlation with the sales increase. Legal, professional and related settlement costs also increased \$1,519, self-insured group insurance costs increased \$946 and repurchase costs increased \$678.

Towables income before income taxes was 7.6% of towables net sales for the nine months ended April 30, 2015 compared to 7.2% of towables net sales for the nine months ended April 30, 2014. The primary reason for this increase in percentage was the impact of the increase in towables net sales, which resulted in the decrease in the cost of products sold percentage noted above.

**MOTORIZED RECREATIONAL VEHICLES**

Analysis of the change in net sales for the nine months ended April 30, 2015 vs. the nine months ended April 30, 2014:

|                   | Nine Months<br>Ended<br>April 30, 2015 | % of<br>Segment<br>Net Sales | Nine Months<br>Ended<br>April 30, 2014 | % of<br>Segment<br>Net Sales | Change<br>Amount | %<br>Change |
|-------------------|--|------------------------------|--|------------------------------|------------------|-------------|
| <b>NET SALES:</b> |  |                              |  |                              |                  |             |
| Motorized         |  |                              |  |                              |                  |             |
| Class A           | \$ 387,801                             | 59.3                         | \$ 332,428                             | 56.7                         | \$ 55,373        | 16.7        |
| Class C           | 207,754                                | 31.7                         | 202,717                                | 34.6                         | 5,037            | 2.5         |
| Class B           | 58,882                                 | 9.0                          | 50,907                                 | 8.7                          | 7,975            | 15.7        |
| Total Motorized   | \$ 654,437                             | 100.0                        | \$ 586,052                             | 100.0                        | \$ 68,385        | 11.7        |

|                    | Nine Months<br>Ended<br>April 30,<br>2015 | % of<br>Segment<br>Shipments | Nine Months<br>Ended<br>April 30,<br>2014 | % of<br>Segment<br>Shipments | Change<br>Amount | %<br>Change |
|--------------------|---|------------------------------|---|------------------------------|------------------|-------------|
| <b># OF UNITS:</b> |   |                              |   |                              |                  |             |
| Motorized          |   |                              |   |                              |                  |             |
| Class A            | 4,323                                     | 52.5                         | 3,554                                     | 47.8                         | 769              | 21.6        |
| Class C            | 3,408                                     | 41.4                         | 3,432                                     | 46.2                         | (24)             | (0.7)       |
| Class B            | 505                                       | 6.1                          | 446                                       | 6.0                          | 59               | 13.2        |
| Total Motorized    | 8,236                                     | 100.0                        | 7,432                                     | 100.0                        | 804              | 10.8        |

|  | %<br>Increase<br>(Decrease) |
|--|-----------------------------|
| <b>Impact of Change in Mix and Price on Net Sales:</b> |                             |
| Motorized  |                             |
| Class A  | (4.9)                       |
| Class C  | 3.2                         |
| Class B  | 2.5                         |
| Total Motorized  | 0.9                         |

The increase in total motorized net sales of 11.7% compared to the prior year quarter resulted from a 10.8% increase in unit shipments and a 0.9% increase in the impact of the change in the overall net price per unit. The overall market increase in wholesale unit shipments of motorhomes was 8.4% for the nine months ended April 30, 2015 compared to the same period last year according to statistics published by RVIA.

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The decrease in the overall net price per unit within the Class A product line of 4.9% is primarily due to a shift in the concentration of sales from the generally larger and more expensive diesel units to the more moderately priced gas units compared to the prior year period. Increasing sales from a newer line of innovative product offerings of smaller, more moderately priced units that still offer many of the same amenities as larger models also contributed to the decrease. The increase in the overall net price per unit within the Class C product line of 3.2% is primarily due to changes in product mix. Within the Class B product line, the increase in the overall net price per unit of 2.5% is due to a greater concentration of sales of higher priced models and net price increases.



Cost of products sold increased \$59,040 to \$574,859, or 87.8% of motorized net sales, for the nine months ended April 30, 2015 compared to \$515,819, or 88.0% of motorized net sales, for the nine months ended April 30, 2014. The change in material, labor, freight-out and warranty comprised \$55,459 of the \$59,040 increase due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of motorized net sales decreased slightly to 83.3% compared to 83.6% for the prior year period. Total manufacturing overhead increased \$3,581 with the increase in sales volume and increased as a percentage of motorized net sales from 4.4% to 4.5%. The increase in percentage is primarily due to increased percentages in facility related costs as a result of facility expansions since the prior year period.

Motorized gross profit increased \$9,345 to \$79,578, or 12.2% of motorized net sales, for the nine months ended April 30, 2015 compared to \$70,233, or 12.0% of motorized net sales, for the nine months ended April 30, 2014. The \$9,345 increase in gross profit was due primarily to the impact of the 10.8% increase in unit sales volume noted above.

Selling, general and administrative expenses were \$32,740, or 5.0% of motorized net sales, for the nine months ended April 30, 2015 compared to \$27,953, or 4.8% of motorized net sales, for the nine months ended April 30, 2014. The primary reason for the \$4,787 increase was increased motorized net sales and motorized income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$3,393. Sales related travel, advertising and promotion costs also increased \$662 in correlation with the increase in sales.

Motorized income before income taxes was 7.2% of motorized net sales for both the nine months ended April 30, 2015 and the nine months ended April 30, 2014.

### **Financial Condition and Liquidity**

As of April 30, 2015, we had \$259,418 in cash and cash equivalents compared to \$289,336 on July 31, 2014. The components of this \$29,918 decrease in cash and cash equivalents are described in more detail below, but the decrease is primarily attributable to cash provided by operations of \$91,394, less \$43,237 paid for dividends, \$49,265 of net cash related to the acquisitions of the KZ and CRV/DRV recreational vehicle businesses and \$29,014 paid for capital expenditures.

Working capital at April 30, 2015 was \$526,223 compared to \$473,334 at July 31, 2014. Capital expenditures of \$29,014 for the nine months ended April 30, 2015 were made primarily for land and production building additions and improvements, as well as replacing machinery and equipment used in the ordinary course of business.

We believe our cash and cash equivalents on hand and funds generated from operations will be sufficient to fund expected future operational requirements, as well as the subsequent events discussed in Note 16 to the Condensed Consolidated Financial Statements related to the acquisition of Postle and the May 15, 2015 share repurchase. We have relied on internally generated cash flows from operations to finance substantially all our growth. We may, however, consider debt to make an acquisition.

Our three main priorities for the use of current and future available cash include supporting and growing our core RV business, both organically and through acquisitions, maintaining and growing our regular dividends over time and strategic share repurchases or special dividends as determined by the Company's Board.

In regard to supporting and growing our business, we anticipate additional capital expenditures in fiscal 2015 of approximately \$15,000, primarily for expanding our recreational vehicle facilities and replacing and upgrading machinery, equipment and other assets to be used in the ordinary course of business. We may also consider additional strategic growth acquisitions that complement or expand our ongoing RV operations.

The Company's Board currently intends to continue quarterly cash dividend payments in the future. The declaration of future dividends and the establishment of the per share amounts, record dates and payment dates for any such future dividends are subject to the determination of the Board, and will be dependent upon future earnings, cash flows and other factors. There are no limitations on the Company's ability to pay dividends pursuant to any credit facility.

Future purchases of the Company's common stock or special cash dividends may occur based upon market and business conditions, and excess cash availability, subject to applicable legal limitations and determination by the Board.

### ***Operating Activities***

Net cash provided by operating activities for the nine months ended April 30, 2015 was \$91,394 as compared to net cash used in operating activities of \$33,550 for the nine months ended April 30, 2014. For the nine months ended April 30, 2015, net income adjusted for non-cash items (primarily depreciation, amortization of intangibles, impairment charges, deferred income tax provision (benefit), gain on disposal of bus business and stock-based compensation) resulted in \$154,531 of operating cash. The changes in working capital used \$63,137 of operating cash

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during that period, primarily due to seasonal increases in accounts receivable and inventory in correlation with the increase in current sales and production levels.

For the nine months ended April 30, 2014, net income adjusted for non-cash items resulted in \$129,153 of operating cash. Changes in working capital used \$162,703 during that period, primarily due to a larger than usual increase in accounts receivable. This increase correlated with the seasonal increase in sales, but was also due to longer than usual delays in delivering units to dealers as a result of an elevated shortage of transportation company drivers during that time period. In addition, there was a seasonal increase in inventory correlating with the increase in sales, backlog and production levels.

#### ***Investing Activities***

Net cash used in investing activities for the nine months ended April 30, 2015 was \$76,768, primarily due to cash paid of \$46,350 (net of cash acquired) for the acquisition of the CRV and DRV towable recreational vehicle businesses, a final purchase price adjustment payment of \$2,915 related to the fiscal 2014 acquisition of the KZ towable recreational vehicle business and capital expenditures of \$29,014.

Net cash provided by investing activities for the nine months ended April 30, 2014 was \$5,906, primarily due to \$105,043 in cash consideration received from the sale of the bus business and \$6,425 in proceeds received on notes receivable, partially offset by \$53,405 transferred to a restricted cash account related to the then pending KZ business acquisition, \$16,769 and \$16,914 of net cash consideration paid for the acquisitions of the Livin Lite and Bison recreational vehicle businesses, respectively, and capital expenditures of \$19,431.

#### ***Financing Activities***

Net cash used in financing activities for the nine months ended April 30, 2015 was \$44,544, primarily for regular quarterly cash dividend payments of \$0.27 per share for each of the first three quarters of fiscal 2015 totaling \$43,237.

Net cash used in financing activities of \$88,021 for the nine months ended April 30, 2014 was also primarily for cash dividend payments of \$90,057. The Company paid a regular quarterly \$0.23 per share dividend in each of the first three quarters of fiscal 2014 totaling \$36,767 and a special \$1.00 per share dividend in November 2013 of \$53,290.

The Company increased its previous regular quarterly dividend of \$0.23 per share to \$0.27 per share in October 2014. In October 2013, the Company increased its previous regular quarterly dividend of \$0.18 per share to \$0.23 per share.

#### **Accounting Pronouncements**

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

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

None

#### **ITEM 4. CONTROLS AND PROCEDURES**

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

During the quarter ended April 30, 2015, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



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**PART II Other Information**

**ITEM 1. LEGAL PROCEEDINGS**

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

**ITEM 1A. RISK FACTORS**

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2014, except as noted below.

***Relative strength of the U.S. dollar may impact sales***

Although our sales to dealers are made in U.S. dollars, we have historically generated considerable sales in Canada. The current strength of the U.S. dollar relative to the Canadian dollar has impacted sales in Canada. Should the U.S. dollar remain strong or further strengthen relative to the Canadian dollar, sales will likely be negatively impacted.

***Business acquisitions pose integration risks***

Business acquisitions, including the acquisition of CRV/DRV in the second quarter of fiscal 2015 and Postle early in the fourth quarter of fiscal 2015, and the merger of subsidiaries within Thor, pose a number of potential integration risks that may result in us experiencing negative consequences to our business, financial condition or results of operations. The transaction activity, the integration of recently acquired assets, operations and companies and the merger of subsidiaries within Thor involve a number of related risks, including, but not limited to:

Demands on management related to various transaction and integration activities;

The diversion of management's attention from the management of daily operations to the integration of operations;

The assimilation and retention of employees;

The ability of the management teams at these entities to meet operational and financial expectations;

The integration of departments and systems, including accounting systems, technologies, books and records and procedures

Potential loss of existing customers; and

The establishment or maintenance of uniform standards and controls, including internal accounting controls, procedures and policies.

***Commodity price fluctuations***

Commodity costs, including aluminum which is utilized extensively by our wholly owned subsidiary Postle that was acquired subsequent to April 30, 2015, are subject to price fluctuations outside of our control. The price of aluminum is typically influenced by macroeconomic factors,

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global supply and demand of aluminum (including expectations for growth and contraction and the level of global inventories), and the level of activity by financial investors. In addition, the price of aluminum is influenced by the supply of and demand for metal in a particular region and associated transportation costs. Similarly, other commodity prices such as steel are also subject to price fluctuations outside of our control. Pricing changes for aluminum and steel, and the level of aluminum and steel inventory maintained by the Company, may ultimately impact gross margins.

**ITEM 6. EXHIBITS**

| Exhibit | Description   |
|---------|---|
| 10.1    | Membership Interest Purchase Agreement, dated May 1, 2015, by and among Thor Industries, Inc. and Postle Aluminum Company, LLC*     |
| 10.2    | Stock repurchase agreement, dated as of May 15, 2015, by and between Thor Industries, Inc. and The Thompson Family Foundation, Inc. |
| 31.1    | Chief Executive Officer's Certification filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                             |
| 31.2    | Chief Financial Officer's Certification filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002                             |
| 32.1    | Chief Executive Officer's Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                         |
| 32.2    | Chief Financial Officer's Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002                         |
| 101.INS | XBRL Instance Document  |
| 101.SCH | XBRL Taxonomy Extension Schema Document   |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document   |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document  |
| 101.LAB | XBRL Taxonomy Label Linkbase Document   |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document  |

Attached as Exhibits 101 to this report are the following financial statements from the Company's Quarterly report on Form 10-Q for the quarter ended April 30, 2015 formatted in XBRL ( eXtensible Business Reporting Language ): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income and Comprehensive Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) related notes to these financial statements.

\* The schedules and exhibits referenced in the Membership Interest Purchase Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the Securities and Exchange Commission upon request.

**SIGNATURES**

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

**THOR INDUSTRIES, INC.**  
(Registrant)

DATE: June 4, 2015

/s/ Robert W. Martin  
Robert W. Martin  
President and Chief Executive Officer

DATE: June 4, 2015

/s/ Colleen Zuhl  
Colleen Zuhl  
Vice President and Chief Financial Officer