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THOR INDUSTRIES INC  
Form 10-Q  
March 05, 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 January 31, 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

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.

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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 2/28/2015
Common stock, par value \$ .10 per share	53,389,563 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)**

	January 31, 2015	July 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 248,256	\$ 289,336
Accounts receivable, trade, less allowance for doubtful accounts of \$365 and \$348, respectively	266,715	264,927
Accounts receivable, other	22,056	14,866
Inventories	244,417	216,354
Notes receivable	8,555	1,429
Prepaid income taxes, expenses and other	16,176	5,740
Deferred income taxes, net	54,365	51,397
Total current assets	860,540	844,049
Property, plant and equipment, net	183,157	169,862
Other assets:		
Goodwill	269,180	256,579
Amortizable intangible assets	132,477	119,783
Long-term notes receivable	609	8,992
Other	9,820	9,453
Total other assets	412,086	394,807
<b>TOTAL ASSETS</b>	<b>\$ 1,455,783</b>	<b>\$ 1,408,718</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 177,954	\$ 164,619
Accrued liabilities:		
Compensation and related items	41,593	43,888
Product warranties	102,048	94,938
Income and other taxes	7,770	18,468
Promotions and rebates	18,224	17,474
Product, property and related liabilities	15,276	12,928
Other	15,077	18,400
Total current liabilities	377,942	370,715
Unrecognized income tax benefits	20,532	23,689
Deferred income taxes, net	20,677	19,388
Other long-term liabilities	17,979	17,229
Total long-term liabilities	59,188	60,306
Contingent liabilities and commitments		

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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 62,301,037 and 62,210,429 shares, respectively	6,230      6,221
Additional paid-in capital		212,261      208,501
Retained earnings		1,069,177      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>1,018,653      977,697</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>\$ 1,455,783      \$ 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 SIX MONTHS ENDED JANUARY 31, 2015 AND 2014 (UNAUDITED)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2015	2014	2015	2014
Net sales	\$ 852,416	\$ 635,330	\$ 1,774,408	\$ 1,435,293
Cost of products sold	750,416	565,003	1,554,743	1,259,783
Gross profit	102,000	70,327	219,665	175,510
Selling, general and administrative expenses	54,302	43,766	112,291	92,107
Amortization of intangible assets	3,967	3,226	7,656	6,064
Impairment charges				710
Interest income	340	391	707	901
Interest expense	1	2	1	7
Other income, net	67	178	419	820
Income from continuing operations before income taxes	44,137	23,902	100,843	78,343
Income taxes	13,870	6,684	31,375	24,731
Net income from continuing operations	30,267	17,218	69,468	53,612
Income (loss) from discontinued operations, net of income taxes	(1,619)	(1,026)	(1,895)	3,688
Net Income	\$ 28,648	\$ 16,192	\$ 67,573	\$ 57,300
Weighted average common shares outstanding:				
Basic	53,377,440	53,289,626	53,355,757	53,247,315
Diluted	53,458,531	53,353,027	53,444,730	53,326,251
Earnings per common share from continuing operations:				
Basic	\$ 0.57	\$ 0.32	\$ 1.30	\$ 1.01
Diluted	\$ 0.57	\$ 0.32	\$ 1.30	\$ 1.01
Earnings (loss) per common share from discontinued operations:				
Basic	\$ (0.03)	\$ (0.02)	\$ (0.03)	\$ 0.07
Diluted	\$ (0.03)	\$ (0.02)	\$ (0.04)	\$ 0.06
Earnings per common share:				
Basic	\$ 0.54	\$ 0.30	\$ 1.27	\$ 1.08
Diluted	\$ 0.54	\$ 0.30	\$ 1.26	\$ 1.07
Regular dividends paid per common share	\$ 0.27	\$ 0.23	\$ 0.54	\$ 0.46
Special dividend paid per common share	\$ 0.00	\$ 1.00	\$ 0.00	\$ 1.00
Net income	\$ 28,648	\$ 16,192	\$ 67,573	\$ 57,300
Unrealized appreciation on investments, net of income tax				22
Comprehensive income	\$ 28,648	\$ 16,192	\$ 67,573	\$ 57,322

See Notes to the Condensed Consolidated Financial Statements.



## THOR INDUSTRIES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JANUARY 31, 2015 AND 2014 (UNAUDITED)

	Six Months Ended January 31,	
	2015	2014
<b>Cash flows from operating activities:</b>		
Net income	\$ 67,573	\$ 57,300
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	6,788	6,393
Amortization of intangible assets	7,656	6,128
Impairment charges		710
Deferred income tax provision (benefit)	(1,679)	4,102
Gain on disposal of bus business		(7,079)
Gain on disposition of property, plant and equipment	(78)	(40)
Stock-based compensation expense	3,327	2,648
Excess tax benefits from stock-based awards	(114)	(796)
Changes in assets and liabilities (excluding acquisitions and disposition):		
Accounts receivable	(17)	30,249
Inventories	(15,477)	(67,997)
Prepaid income taxes, expenses and other	(10,391)	(14,550)
Accounts payable	10,120	(7,159)
Accrued liabilities	(12,139)	(22,772)
Other liabilities	(2,407)	(4,982)
Net cash provided by (used in) operating activities	53,162	(17,845)
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(16,161)	(12,671)
Proceeds from dispositions of property, plant and equipment	41	561
Proceeds from dispositions of investments		700
Proceeds from notes receivable	1,400	6,425
Proceeds from sale of bus business		100,000
Acquisitions, net of cash acquired	(49,265)	(33,487)
Other	15	340
Net cash provided by (used in) investing activities	(63,970)	61,868
<b>Cash flows from financing activities:</b>		
Regular cash dividends paid	(28,824)	(24,510)
Special cash dividend paid		(53,290)
Excess tax benefits from stock-based awards	114	796
Proceeds from issuance of common stock		2,491
Payments related to vesting of stock-based awards	(1,562)	(1,251)
Net cash used in financing activities	(30,272)	(75,764)
<b>Net decrease in cash and cash equivalents</b>	(41,080)	(31,741)
<b>Cash and cash equivalents, beginning of period</b>	289,336	236,601
<b>Cash and cash equivalents, end of period</b>	\$ 248,256	\$ 204,860

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**Supplemental cash flow information:**

Income taxes paid	\$ 59,547	\$ 54,698
Interest paid	\$ 1	\$ 132

**Non-cash transactions:**

Capital expenditures in accounts payable	\$ 220	\$ 811
Other accounts receivable from disposal of bus business	\$	\$ 5,043

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 (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. 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.

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. Accordingly, 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 six months ended January 31, 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 amount 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 is effective for fiscal years, and the interim periods within those years, beginning on or after December 15, 2016, and is therefore 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 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 consideration for this acquisition was \$47,412, subject to adjustment, and was funded entirely from the Company's cash on hand. The total cash consideration to be paid is subject to the final determination of the actual net working capital as of the close of business on December 31, 2014, which is expected to be finalized later in 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 preliminary fair values assigned to the CRV and DRV net assets acquired, subject to the finalization of internal and independent external valuations:

Cash	\$ 1,062
Other current assets	22,099
Property, plant and equipment	4,500
Dealer network	14,500
Trademarks	5,400
Backlog	450
Goodwill	12,601
Current liabilities	(13,200)
<b>Total fair value of net assets acquired</b>	<b>47,412</b>
Less cash acquired	(1,062)
<b>Total cash consideration for acquisition, less cash acquired</b>	<b>\$ 46,350</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 will be 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 ( KZ SPA ) 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 adjustment 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. KZ operates as an independent operation in the same manner as the Company's existing 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.

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

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Non-compete agreements	450
Backlog	420
Goodwill	2,703
Current liabilities	(16,127)
Total fair value of net assets acquired	56,320
Less cash acquired	(996)
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)
 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.

**Livin Lite RV, Inc.**

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.

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

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Current liabilities	(2,147)
Total fair value of net assets acquired	17,016
Less cash acquired	(247)
Total cash paid for acquisition, less cash acquired	\$ 16,769

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. This divestiture has allowed the Company to focus on the strategic development and growth of its core recreational vehicle business.

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 due from ASV and subsequently collected in February 2014, representing the increase in bus net assets since April 30, 2013. As a result, final net cash consideration received for the sale of the bus business totaled \$105,043.

The Company recorded a preliminary pre-tax gain on the bus business sale of \$7,825 in the first quarter of fiscal 2014 and a \$746 unfavorable adjustment in the second quarter of fiscal 2014 based on the completion of the post-close audit, resulting in a final pre-tax gain 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:

Discontinued Operations:	Three Months Ended January 31,		Six Months Ended January 31,	
	2015	2014	2015	2014
Net sales	\$	\$	\$	\$ 83,903
Operating loss of discontinued operations	\$ (2,564)	\$ (1,131)	\$ (2,999)	\$ (4,564)
Pre-tax gain (loss) on disposal of discontinued business		(746)		7,079
Income (loss) before income taxes	(2,564)	(1,877)	(2,999)	2,515
Income tax benefit	(945)	(851)	(1,104)	(1,173)
Income (loss) from discontinued operations, net of taxes	\$ (1,619)	\$ (1,026)	\$ (1,895)	\$ 3,688

The operating loss of discontinued operations for the three and six months ended January 31, 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.

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 \$1,173 for the six months ended January 31, 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 January 31,		Six Months Ended January 31,	
	2015	2014	2015	2014
<b>Net sales:</b>				
Recreational vehicles:				
Towables	\$ 675,090	\$ 472,474	\$ 1,374,868	\$ 1,095,327
Motorized	177,326	162,856	399,540	339,966
<b>Total</b>	<b>\$ 852,416</b>	<b>\$ 635,330</b>	<b>\$ 1,774,408</b>	<b>\$ 1,435,293</b>

	Three Months Ended January 31,		Six Months Ended January 31,	
	2015	2014	2015	2014
<b>Income (loss) from continuing operations before income taxes:</b>				
Recreational vehicles:				
Towables	\$ 40,320	\$ 18,915	\$ 89,619	\$ 64,539
Motorized	11,867	11,193	26,968	24,636
<b>Total recreational vehicles</b>	<b>52,187</b>	<b>30,108</b>	<b>116,587</b>	<b>89,175</b>
Corporate	(8,050)	(6,206)	(15,744)	(10,832)
<b>Total</b>	<b>\$ 44,137</b>	<b>\$ 23,902</b>	<b>\$ 100,843</b>	<b>\$ 78,343</b>

	January 31, 2015	July 31, 2014
<b>Total assets:</b>		
Recreational vehicles:		
Towables	\$ 932,530	\$ 868,017
Motorized	175,456	170,251
<b>Total recreational vehicles</b>	<b>1,107,986</b>	<b>1,038,268</b>
Corporate	347,797	370,450
<b>Total</b>	<b>\$ 1,455,783</b>	<b>\$ 1,408,718</b>

## 5. Earnings Per Common Share

	Three Months Ended January 31,		Six Months Ended January 31,	
	2015	2014	2015	2014
Weighted average common shares outstanding for basic earnings per share	53,377,440	53,289,626	53,355,757	53,247,315
Stock options, unvested restricted stock and restricted stock units	81,091	63,401	88,973	78,936
Weighted average common shares outstanding for diluted earnings per share	53,458,531	53,353,027	53,444,730	53,326,251

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 January 31, 2015 and 2014, the Company had 14,048 and 12,064, 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:

	<b>January 31, 2015</b>	<b>July 31, 2014</b>
Raw materials	\$ 131,915	\$ 122,150
Chassis	51,947	45,231
Work in process	51,411	49,537
Finished goods	38,067	27,424
<b>Total</b>	<b>273,340</b>	<b>244,342</b>
Excess of FIFO costs over LIFO costs	(28,923)	(27,988)
<b>Total inventories</b>	<b>\$ 244,417</b>	<b>\$ 216,354</b>

Of the \$273,340 and \$244,342 of inventories at January 31, 2015 and July 31, 2014, all but \$51,588 and \$36,096, respectively, at certain subsidiaries were valued on a last-in, first-out basis. The \$51,588 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:

	January 31, 2015	July 31, 2014
Land	\$ 24,541	\$ 21,592
Buildings and improvements	188,738	175,611
Machinery and equipment	77,046	76,298
Total cost	290,325	273,501
Less accumulated depreciation	(107,168)	(103,639)
Property, plant and equipment, net	\$ 183,157	\$ 169,862

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:

	Weighted Average Remaining Life in Years at January 31, 2015	January 31, 2015		July 31, 2014	
		Cost	Accumulated Amortization	Cost	Accumulated Amortization
Dealer networks	9	\$ 105,260	\$ 32,137	\$ 90,760	\$ 27,102
Trademarks	20	49,282	6,438	43,882	5,479
Design technology and other intangibles	10	22,850	7,277	23,070	6,775
Non-compete agreements	2	4,710	3,773	4,710	3,283
Total amortizable intangible assets		\$ 182,102	\$ 49,625	\$ 162,422	\$ 42,639

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	\$ 15,238
For the fiscal year ending July 31, 2016	15,161
For the fiscal year ending July 31, 2017	15,123
For the fiscal year ending July 31, 2018	14,057
For the fiscal year ending July 31, 2019	12,687
For the fiscal year ending July 31, 2020	11,614
For the fiscal year ending July 31, 2021 and thereafter	56,253
	\$ 140,133

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

Balance at July 31, 2014	\$ 256,579
Acquisition of towables business	12,601
Balance at January 31, 2015	\$ 269,180

All of the recorded goodwill at January 31, 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.

#### **9. Concentration of Risk**

One dealer, FreedomRoads, LLC ( FreedomRoads ), accounted for 14% and 16% of the Company's continuing consolidated net sales for the six months ended January 31, 2015 and the six months ended January 31, 2014, respectively. This dealer also accounted for 17% of the Company's consolidated trade accounts receivable at January 31, 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, we 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, we 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 January 31, 2015 with the final payment due on August 30, 2015. All payments of principal and interest due to date have been paid in full.

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 \$9,495 and \$8,973 were recorded as of January 31, 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 January 31,		Six Months Ended January 31,	
	2015	2014	2015	2014
Beginning balance	\$ 97,640	\$ 86,530	\$ 94,938	\$ 84,250
Provision	26,769	18,701	56,230	41,193
Payments	(27,025)	(21,097)	(53,784)	(41,918)
Acquisitions	4,664		4,664	609
Ending balance	\$ 102,048	\$ 84,134	\$ 102,048	\$ 84,134

**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.

The overall effective income tax rate for the three months ended January 31, 2015 was 31.4% compared with 28.0% for the three months ended January 31, 2014. The primary reason for the increase in the effective income tax rate is due to uncertain tax benefits that settled favorably in the three months ended January 31, 2014 while no such settlements occurred in the three months ended January 31, 2015. For the three months ended January 31, 2015, the Company recorded a tax benefit from the retroactive reinstatement of the federal research and development credit and other credits that were enacted on December 19, 2014.

The overall effective income tax rate for the six months ended January 31, 2015 was 31.1% compared with 31.6% for the six months ended January 31, 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 six months ended January 31, 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 six months ended January 31, 2015, the Company released \$4,506 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, which resulted in a net income tax benefit of \$2,387. The Company accrued \$293 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 January 31, 2015, the Company recorded \$90 of additional uncertain tax benefit reserve related to previous tax periods and accrued \$147 in interest and penalties.



The Company anticipates a decrease of approximately \$2,560 in unrecognized tax benefits, and \$385 in accrued interest and penalties related to unrecognized tax benefits recorded as of January 31, 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 between \$100 and \$2,700 and related accrued interest and penalties may decrease between \$150 and \$1,200. 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 and 2013 remain open for federal income tax purposes and fiscal years 2011, 2012 and 2013 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. During the three months ended January 31, 2015, the Company settled its Oregon audit for July 31, 2011, 2012 and 2013 for a nominal amount. The Company believes it has adequately reserved for its potential 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

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 January 31, 2015 and July 31, 2014 were \$1,496,008 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 \$4,690 and \$3,948 as of January 31, 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		Six Months Ended	
	January 31,		January 31,	
	2015	2014	2015	2014
Cost of units repurchased	\$ 4,582	\$ 326	\$ 6,227	\$ 449
Realization of units resold	3,721	289	5,161	390
Losses due to repurchase	\$ 861	\$ 37	\$ 1,066	\$ 59



**Legal Matters**

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.

**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 January 31, 2015 and January 31, 2014 for these restricted stock unit awards and other stock based compensation was \$1,762 and \$1,272, respectively, related entirely to continuing operations in both periods. Total expense recognized in the six months ended January 31, 2015 and January 31, 2014 for these restricted stock unit awards and other stock based compensation was \$3,327 and \$2,648, respectively, which included \$0 and \$480, respectively, related to discontinued operations.

For the restricted stock units that vested during the six month periods ended January 31, 2015 and January 31, 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 six months ended January 31, 2015 and January 31, 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	67,573
Dividends declared and paid	(28,824)
Balance as of January 31, 2015	\$ 1,069,177

The dividends declared and paid total of \$28,824 represents the regular quarterly dividend of \$0.27 per share for each of the first two quarters of fiscal 2015.

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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, 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, 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 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 37.9% for the calendar year ended December 31, 2014. In the motorized segment of the RV industry, we have a combined U.S. and Canadian market share of approximately 23.7% for the calendar year ended December 31, 2014.

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 internal and by acquisition. Our strategy has been to increase our profitability in North America in the RV industry through product innovation, service to our customers, manufacturing quality products, improving the efficiencies of our facilities and by acquisitions. We have no plans to enter unrelated businesses in the future.

We have relied on internally generated cash flows from operations to finance substantially all 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 \$16,161 for the six months ended January 31, 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**

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. The initial cash consideration for this acquisition was \$47,412, subject to adjustment. The Company purchased CRV and DRV to expand its towable recreational vehicle market share and to

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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 January 31, 2015 increased 27.1% to 76,441 units from 60,149 units as of January 31, 2014, partially attributable to acquisitions since the prior year and to winter weather conditions which hampered deliveries in January 2014. Thor's backlog as of January 31, 2015 increased 11.5% to \$942,060 from \$845,178 as of January 31, 2014, also partially attributable to acquisitions since the prior year.

**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			%
	2014	2013	Increase	Change
Towable Units	312,784	282,795	29,989	10.6
Motorized Units	43,951	38,332	5,619	14.7
<b>Total</b>	<b>356,735</b>	<b>321,127</b>	<b>35,608</b>	<b>11.1</b>

According to the RVIA, calendar year 2015 shipments for towables and motorized units will approximate 315,200 and 46,200 units, respectively, which are 0.8% and 5.1% higher than the calendar year 2014 wholesale shipments noted above and the highest combined total since the record levels of 2006. Travel trailers and fifth wheels are expected to account for 83% 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. With appropriate levels of dealer inventory currently, we believe that RV industry wholesale shipments will generally be on a one-to-one replenishment ratio with retail sales going forward.

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

	U.S. and Canada Retail Unit Registrations			
	Calendar Year			%
	2014	2013	Increase	Change
Towable Units	287,478	268,019	19,459	7.3
Motorized Units	38,690	33,462	5,228	15.6
<b>Total</b>	<b>326,168</b>	<b>301,481</b>	<b>24,687</b>	<b>8.2</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 year periods through December 31, 2014 and 2013 to correspond to the industry periods denoted above, were as follows:

	U.S. and Canada Wholesale Unit Shipments			
	Calendar Year			%
	2014	2013	Increase	Change
Towable Units	108,704	97,244	11,460	11.8
Motorized Units	10,923	8,446	2,477	29.3
<b>Total</b>	<b>119,627</b>	<b>105,690</b>	<b>13,937</b>	<b>13.2</b>

**Company Retail Statistics**

Retail statistics of the Company's RV products, as reported by Stat Surveys, for the calendar year periods through December 31, 2014 and 2013 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			%
	2014	2013	Increase	Change
Towable Units	102,540	94,686	7,854	8.3
Motorized Units	9,164	7,788	1,376	17.7
<b>Total</b>	<b>111,704</b>	<b>102,474</b>	<b>9,230</b>	<b>9.0</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 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.

**Three Months Ended January 31, 2015 vs. Three Months Ended January 31, 2014**

	Three Months Ended January 31, 2015	Three Months Ended January 31, 2014	Change Amount	%
<b>NET SALES:</b>				
Recreational Vehicles				
Towables	\$ 675,090	\$ 472,474	\$ 202,616	42.9
Motorized	177,326	162,856	14,470	8.9
<b>Total</b>	<b>\$ 852,416</b>	<b>\$ 635,330</b>	<b>\$ 217,086</b>	<b>34.2</b>

**# OF UNITS:**

Recreational Vehicles				
Towables	24,795	17,108	7,687	44.9
Motorized	2,181	2,037	144	7.1
<b>Total</b>	<b>26,976</b>	<b>19,145</b>	<b>7,831</b>	<b>40.9</b>

	% of Segment Net Sales		% of Segment Net Sales		Change Amount	%
<b>GROSS PROFIT:</b>						
Recreational Vehicles						
Towables	\$ 80,694	12.0	\$ 50,641	10.7	\$ 30,053	59.3
Motorized	21,306	12.0	19,686	12.1	1,620	8.2
<b>Total</b>	<b>\$ 102,000</b>	<b>12.0</b>	<b>\$ 70,327</b>	<b>11.1</b>	<b>\$ 31,673</b>	<b>45.0</b>

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:**

Recreational Vehicles						
Towables	\$ 36,517	5.4	\$ 28,572	6.0	\$ 7,945	27.8
Motorized	9,433	5.3	8,493	5.2	940	11.1
<b>Total Recreational Vehicles</b>	<b>45,950</b>	<b>5.4</b>	<b>37,065</b>	<b>5.8</b>	<b>8,885</b>	<b>24.0</b>
Corporate	8,352		6,701		1,651	24.6
<b>Total</b>	<b>\$ 54,302</b>	<b>6.4</b>	<b>\$ 43,766</b>	<b>6.9</b>	<b>\$ 10,536</b>	<b>24.1</b>

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

Recreational Vehicles						
Towables	\$ 40,320	6.0	\$ 18,915	4.0	\$ 21,405	113.2
Motorized	11,867	6.7	11,193	6.9	674	6.0
<b>Total Recreational Vehicles</b>	<b>52,187</b>	<b>6.1</b>	<b>30,108</b>	<b>4.7</b>	<b>22,079</b>	<b>73.3</b>
Corporate	(8,050)		(6,206)		(1,844)	29.7
<b>Total</b>	<b>\$ 44,137</b>	<b>5.2</b>	<b>\$ 23,902</b>	<b>3.8</b>	<b>\$ 20,235</b>	<b>84.7</b>

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	As of January 31, 2015	As of January 31, 2014	Change Amount	% Change
<b>ORDER BACKLOG:</b>				
Recreational Vehicles				
Towables	\$ 626,052	\$ 501,882	\$ 124,170	24.7
Motorized	316,008	343,296	(27,288)	(7.9)
Total	\$ 942,060	\$ 845,178	\$ 96,882	11.5



**CONSOLIDATED**

Consolidated net sales for the three months ended January 31, 2015 increased \$217,086, or 34.2%, compared to the three months ended January 31, 2014. Consolidated gross profit increased \$31,673, or 45.0%, compared to the three months ended January 31, 2014. Consolidated gross profit was 12.0% of consolidated net sales for the three months ended January 31, 2015 and 11.1% for the three months ended January 31, 2014. Selling, general and administrative expenses for the three months ended January 31, 2015 increased 24.1% compared to the three months ended January 31, 2014. Income from continuing operations before income taxes for the three months ended January 31, 2015 was \$44,137, as compared to \$23,902 for the three months ended January 31, 2014, an increase of \$20,235 or 84.7%. 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 \$1,651 to \$8,352 for the three months ended January 31, 2015 compared to \$6,701 for the three months ended January 31, 2014. The increase is attributable to an increase in professional fees of \$717, and an increase in bonuses of \$619 in correlation with the increase in income from continuing operations before income taxes. Stock-based compensation also increased by \$490.

Corporate interest income and other income and expense was \$302 of income for the three months ended January 31, 2015 compared to \$495 of income for the three months ended January 31, 2014. The \$193 decrease is due to a decrease in overall interest income of \$69, 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 \$21 in the current year as compared to appreciation of \$110 in the prior year, an unfavorable decrease of \$89.

The overall effective income tax rate for the three months ended January 31, 2015 was 31.4% compared with 28.0% for the three months ended January 31, 2014. The primary reason for the increase in the effective income tax rate is due to uncertain tax benefits that settled favorably in the three months ended January 31, 2014 while no such settlements occurred in the three months ended January 31, 2015. For the three months ended January 31, 2015, the Company recorded a tax benefit from the retroactive reinstatement of the federal research and development credit and other credits that were enacted on December 19, 2014.

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

Analysis of the change in net sales for the three months ended January 31, 2015 vs. the three months ended January 31, 2014:

	Three Months Ended January 31, 2015	% of Segment Net Sales	Three Months Ended January 31, 2014	% of Segment Net Sales	Change Amount	% Change
<b>NET SALES:</b>						
Towables						
Travel Trailers	\$ 344,812	51.1	\$ 225,325	47.7	\$ 119,487	53.0
Fifth Wheels	328,689	48.7	242,832	51.4	85,857	35.4
Other	1,589	0.2	4,317	0.9	(2,728)	(63.2)
Total Towables	\$ 675,090	100.0	\$ 472,474	100.0	\$ 202,616	42.9

	Three Months Ended January 31, 2015	% of Segment Shipments	Three Months Ended January 31, 2014	% of Segment Shipments	Change Amount	% Change
<b># OF UNITS:</b>						
Towables						
Travel Trailers	17,071	68.8	10,919	63.8	6,152	56.3
Fifth Wheels	7,569	30.5	5,940	34.7	1,629	27.4
Other	155	0.7	249	1.5	(94)	(37.8)
Total Towables	24,795	100.0	17,108	100.0	7,687	44.9

	% Increase (Decrease)
<b>Impact of Change in Mix and Price on Net Sales:</b>	
Towables	
Travel Trailers	(3.3)
Fifth Wheels	8.0
Other	(25.4)
Total Towables	(2.0)

The increase in total towables net sales of 42.9% compared to the prior year quarter resulted from a 44.9% 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 January 31, 2015 was 20.5% 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 3.3% 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 8.0% is primarily due to net price increases and changes in product mix since the comparable prior year period.

Cost of products sold increased \$172,563 to \$594,396, or 88.0% of towables net sales, for the three months ended January 31, 2015 compared to \$421,833, or 89.3% of towables net sales, for the three months ended January 31, 2014. The change in material, labor, freight-out and warranty comprised \$163,885 of the \$172,563 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 81.5% for the three months ended January 31, 2015 compared to 81.8% for the three months ended January 31, 2014. Total manufacturing overhead increased \$8,678 with the increase in sales, but decreased as a percentage of

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towables net sales from 7.5% to 6.5% as the increased production resulted in better absorption of fixed overhead costs.

Towables gross profit increased \$30,053 to \$80,694, or 12.0% of towables net sales, for the three months ended January 31, 2015 compared to \$50,641, or 10.7% of towables net sales, for the three months ended January 31, 2014. The \$30,053 increase was primarily due to the increase in net sales noted above.

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Selling, general and administrative expenses were \$36,517, or 5.4% of towables net sales, for the three months ended January 31, 2015 compared to \$28,572, or 6.0% of towables net sales, for the three months ended January 31, 2014. The primary reason for the \$7,945 increase was increased towables net sales and towables income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$5,175. Sales related travel, advertising and promotional costs also increased \$1,018 in correlation with the sales and backlog increases. Repurchase costs also increased \$593.

Towables income before income taxes was 6.0% of towables net sales for the three months ended January 31, 2015 compared to 4.0% of towables net sales for the three months ended January 31, 2014. The primary reason for this increase in percentage was the impact of the increase in net towables sales noted above.

**MOTORIZED RECREATIONAL VEHICLES**

Analysis of the change in net sales for the three months ended January 31, 2015 vs. the three months ended January 31, 2014:

	Three Months Ended January 31, 2015	% of Segment Net Sales	Three Months Ended January 31, 2014	% of Segment Net Sales	Change Amount	% Change
<b>NET SALES:</b>						
Motorized						
Class A	\$ 108,080	60.9	\$ 94,464	58.0	\$ 13,616	14.4
Class C	51,074	28.8	51,004	31.3	70	0.1
Class B	18,172	10.3	17,388	10.7	784	4.5
Total Motorized	\$ 177,326	100.0	\$ 162,856	100.0	\$ 14,470	8.9

	Three Months Ended January 31, 2015	% of Segment Shipments	Three Months Ended January 31, 2014	% of Segment Shipments	Change Amount	% Change
<b># OF UNITS:</b>						
Motorized						
Class A	1,199	55.0	1,006	49.4	193	19.2
Class C	831	38.1	879	43.2	(48)	(5.5)
Class B	151	6.9	152	7.4	(1)	(0.7)
Total Motorized	2,181	100.0	2,037	100.0	144	7.1

	% Increase (Decrease)
<b>Impact of Change in Mix and Price on Net Sales:</b>	
Motorized	
Class A	(4.8)
Class C	5.6
Class B	5.2
Total Motorized	1.8

The increase in total motorized net sales of 8.9% compared to the prior year quarter resulted from a 7.1% increase in unit shipments and a 1.8% 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 5.8% for the three months ended January 31, 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 4.8% 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 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 models also contributed to the decrease. The increase in the overall net price per unit within the Class C product line of 5.6% is primarily due to changes

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in product mix and net price increases. Within the Class B product line, the increase in the overall net price per unit of 5.2% is due to a greater concentration of sales of higher priced models and net price increases.

Cost of products sold increased \$12,850 to \$156,020, or 88.0% of motorized net sales, for the three months ended January 31, 2015 compared to \$143,170, or 87.9% of motorized net sales, for the three months ended January 31, 2014. The change in material, labor, freight-out and warranty comprised \$11,885 of the \$12,850 increase due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of motorized net sales was 82.9% compared to 83.0% for the prior year period. Total manufacturing overhead increased \$965 with the increase in sales volume and increased as a percentage of motorized net sales from 4.9% to 5.1%. 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 \$1,620 to \$21,306, or 12.0% of motorized net sales, for the three months ended January 31, 2015 compared to \$19,686, or 12.1% of motorized net sales, for the three months ended January 31, 2014. The \$1,620 increase in gross profit was due primarily to the impact of the 7.1% increase in unit sales volume noted above, while the decrease in gross profit as a percentage of motorized net sales was due to the increase in the cost of products sold percentage noted above.

Selling, general and administrative expenses were \$9,433, or 5.3% of motorized net sales, for the three months ended January 31, 2015 compared to \$8,493, or 5.2% of motorized net sales, for the three months ended January 31, 2014. The primary reason for the \$940 increase was increased motorized net sales and motorized income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$779.

Motorized income before income taxes was 6.7% of motorized net sales for the three months ended January 31, 2015 and 6.9% of motorized net sales for the three months ended January 31, 2014. The primary reason for this decrease in percentage was the impact of the increases in the cost of products sold and selling, general and administrative expense percentages noted above.

Six Months Ended January 31, 2015 vs. Six Months Ended January 31, 2014

	Six Months Ended January 31, 2015	Six Months Ended January 31, 2014	Change Amount	% Change
<b>NET SALES:</b>				
Recreational Vehicles				
Towables	\$ 1,374,868	\$ 1,095,327	\$ 279,541	25.5
Motorized	399,540	339,966	59,574	17.5
Total	\$ 1,774,408	\$ 1,435,293	\$ 339,115	23.6

**# OF UNITS:**

Recreational Vehicles				
Towables	51,242	40,088	11,154	27.8
Motorized	4,915	4,216	699	16.6
Total	56,157	44,304	11,853	26.8

		% of Segment Net Sales		% of Segment Net Sales	Change Amount	% Change
<b>GROSS PROFIT:</b>						
Recreational Vehicles						
Towables	\$ 172,300	12.5	\$ 133,471	12.2	\$ 38,829	29.1
Motorized	47,365	11.9	42,039	12.4	5,326	12.7
Total	\$ 219,665	12.4	\$ 175,510	12.2	\$ 44,155	25.2

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:**

Recreational Vehicles						
Towables	\$ 75,282	5.5	\$ 62,219	5.7	\$ 13,063	21.0
Motorized	20,380	5.1	17,434	5.1	2,946	16.9
Total Recreational Vehicles	95,662	5.4	79,653	5.5	16,009	20.1
Corporate	16,629		12,454		4,175	33.5
Total	\$ 112,291	6.3	\$ 92,107	6.4	\$ 20,184	21.9

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

Recreational Vehicles						
Towables	\$ 89,619	6.5	\$ 64,539	5.9	\$ 25,080	38.9
Motorized	26,968	6.7	24,636	7.2	2,332	9.5
Total Recreational Vehicles	116,587	6.6	89,175	6.2	27,412	30.7
Corporate	(15,744)		(10,832)		(4,912)	(45.3)
Total	\$ 100,843	5.7	\$ 78,343	5.5	\$ 22,500	28.7





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**CONSOLIDATED**

Consolidated net sales for the six months ended January 31, 2015 increased \$339,115, or 23.6%, compared to the six months ended January 31, 2014. Consolidated gross profit increased \$44,155, or 25.2%, compared to the six months ended January 31, 2014. Consolidated gross profit was 12.4% of consolidated net sales for the six months ended January 31, 2015 and 12.2% for the six months ended January 31, 2014. Selling, general and administrative expenses for the six months ended January 31, 2015 increased 21.9% compared to the six months ended January 31, 2014. Income from continuing operations before income taxes for the six months ended January 31, 2015 was \$100,843, as compared to \$78,343 for the six months ended January 31, 2014, an increase of \$22,500 or 28.7%. 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 \$4,175 to \$16,629 for the six months ended January 31, 2015 compared to \$12,454 for the six months ended January 31, 2014. The increase is primarily attributable to increases of \$1,473 and \$376, respectively, related to the change in the portion of our actuarially determined worker's compensation and product liability reserves recorded at the corporate level. These increases are largely due to the prior year period including non-recurring favorable adjustments. Stock-based compensation also increased by \$1,159, and bonuses increased by \$714 in correlation with the increase in income from continuing operations before income taxes.

Corporate interest income and other income and expense was \$885 of income for the six months ended January 31, 2015 compared to \$1,622 of income for the six months ended January 31, 2014. The \$737 decrease is due to a decrease in overall interest income of \$242, 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 \$267 in the current year as compared to appreciation of \$609 in the prior year, an unfavorable decrease of \$342.

The overall effective income tax rate for the six months ended January 31, 2015 was 31.1% compared with 31.6% for the six months ended January 31, 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 six months ended January 31, 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.

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

Analysis of the change in net sales for the six months ended January 31, 2015 vs. the six months ended January 31, 2014:

	Six Months Ended January 31, 2015	% of Segment Net Sales	Six Months Ended January 31, 2014	% of Segment Net Sales	Change Amount	% Change
<b>NET SALES:</b>						
Towables						
Travel Trailers	\$ 701,530	51.0	\$ 545,091	49.8	\$ 156,439	28.7
Fifth Wheels	668,980	48.7	541,230	49.4	127,750	23.6
Other	4,358	0.3	9,006	0.8	(4,648)	(51.6)
Total Towables	\$ 1,374,868	100.0	\$ 1,095,327	100.0	\$ 279,541	25.5

	Six Months Ended January 31, 2015	% of Segment Shipments	Six Months Ended January 31, 2014	% of Segment Shipments	Change Amount	% Change
<b># OF UNITS:</b>						
Towables						
Travel Trailers	35,208	68.7	26,397	65.8	8,811	33.4
Fifth Wheels	15,657	30.6	13,233	33.0	2,424	18.3
Other	377	0.7	458	1.2	(81)	(17.7)
Total Towables	51,242	100.0	40,088	100.0	11,154	27.8

	% Increase (Decrease)
<b>Impact of Change in Mix and Price on Net Sales:</b>	
Towables	
Travel Trailers	(4.7)
Fifth Wheels	5.3
Other	(33.9)
Total Towables	(2.3)

The increase in total towables net sales of 25.5% compared to the prior year quarter resulted from a 27.8% increase in unit shipments and a 2.3% 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 six months ended January 31, 2015 was 14.4% 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 4.7% 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 5.3% is primarily due to net price increases and changes in product mix since the comparable prior year period.

Cost of products sold increased \$240,712 to \$1,202,568, or 87.5% of towables net sales, for the six months ended January 31, 2015 compared to \$961,856, or 87.8% of towables net sales, for the six months ended January 31, 2014. The change in material, labor, freight-out and warranty comprised \$225,812 of the \$240,712 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 81.4% for the six months ended January 31, 2015 compared to 81.5% for the

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six months ended January 31, 2014. Total manufacturing overhead increased \$14,900 with the increase in sales, but decreased as a percentage of towables net sales from 6.3% to 6.1%, as the increase in production resulted in better absorption of fixed overhead costs.

Towables gross profit increased \$38,829 to \$172,300, or 12.5% of towables net sales, for the six months ended January 31, 2015 compared to \$133,471, or 12.2% of towables net sales, for the six months ended January 31, 2014. The \$38,829 increase was primarily due to the increase in net sales noted above.

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Selling, general and administrative expenses were \$75,282, or 5.5% of towables net sales, for the six months ended January 31, 2015 compared to \$62,219, or 5.7% of towables net sales, for the six months ended January 31, 2014. The primary reason for the \$13,063 increase was increased towables net sales and towables income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$7,751. Sales related travel, advertising and promotional costs also increased \$2,000 in correlation with the sales and backlog increase. Legal, professional and related settlement costs also increased \$895, and self-insured group insurance costs and repurchase costs both increased \$668 each.

Towables income before income taxes was 6.5% of towables net sales for the six months ended January 31, 2015 compared to 5.9% of towables net sales for the six months ended January 31, 2014. The primary reason for this increase in percentage was the impact of the increase in towables net sales noted above.

**MOTORIZED RECREATIONAL VEHICLES**

Analysis of the change in net sales for the six months ended January 31, 2015 vs. the six months ended January 31, 2014:

	Six Months Ended January 31, 2015	% of Segment Net Sales	Six Months Ended January 31, 2014	% of Segment Net Sales	Change Amount	% Change
<b>NET SALES:</b>						
Motorized						
Class A	\$ 245,928	61.6	\$ 198,998	58.5	\$ 46,930	23.6
Class C	113,914	28.5	109,628	32.2	4,286	3.9
Class B	39,698	9.9	31,340	9.3	8,358	26.7
Total Motorized	\$ 399,540	100.0	\$ 339,966	100.0	\$ 59,574	17.5

	Six Months Ended January 31, 2015	% of Segment Shipments	Six Months Ended January 31, 2014	% of Segment Shipments	Change Amount	% Change
<b># OF UNITS:</b>						
Motorized						
Class A	2,750	56.0	2,083	49.4	667	32.0
Class C	1,825	37.1	1,856	44.0	(31)	(1.7)
Class B	340	6.9	277	6.6	63	22.7
Total Motorized	4,915	100.0	4,216	100.0	699	16.6

	% Increase (Decrease)
<b>Impact of Change in Mix and Price on Net Sales:</b>	
Motorized	
Class A	(8.4)
Class C	5.6
Class B	4.0
Total Motorized	0.9

The increase in total motorized net sales of 17.5% compared to the prior year quarter resulted from a 16.6% 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 9.7% for the six months ended January 31, 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 8.4% 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 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 models also contributed to the decrease. The increase in the overall net price per unit within the Class C product line of 5.6% is primarily due to changes in product mix and net price increases. Within the Class B product line, the increase in the overall net price per unit of 4.0% is due to a greater concentration of sales of higher priced models and net price increases.

Cost of products sold increased \$54,248 to \$352,175, or 88.1% of motorized net sales, for the six months ended January 31, 2015 compared to \$297,927, or 87.6% of motorized net sales, for the six months ended January 31, 2014. The change in material, labor, freight-out and warranty comprised \$50,703 of the \$54,248 increase due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of motorized net sales increased slightly to 83.4% compared to 83.2% for the prior year period. The increase in percentage is primarily due to the combination of assimilating an increasing labor force while expanding production lines and product offerings in the past year leading to an increase in the warranty percentage. Total manufacturing overhead increased \$3,545 with the increase in sales volume and increased as a percentage of motorized net sales from 4.4% to 4.7%. 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 \$5,326 to \$47,365, or 11.9% of motorized net sales, for the six months ended January 31, 2015 compared to \$42,039, or 12.4% of motorized net sales, for the six months ended January 31, 2014. The \$5,326 increase in gross profit was due primarily to the impact of the 16.6% increase in unit sales volume noted above, while the decrease in gross profit as a percentage of motorized net sales was due to the increase in the cost of products sold percentage noted above.

Selling, general and administrative expenses were \$20,380, or 5.1% of motorized net sales, for the six months ended January 31, 2015 compared to \$17,434, or 5.1% of motorized net sales, for the six months ended January 31, 2014. The primary reason for the \$2,946 increase was increased motorized net sales and motorized income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$2,059. Sales related travel, advertising and promotion costs also increased \$488 in correlation with the increase in sales.

Motorized income before income taxes was 6.7% of motorized net sales for the six months ended January 31, 2015 and 7.2% of motorized net sales for the six months ended January 31, 2014. The primary reason for this decrease in percentage was the impact of the increase in the cost of products sold percentage noted above.

#### **Financial Condition and Liquidity**

As of January 31, 2015, we had \$248,256 in cash and cash equivalents compared to \$289,336 on July 31, 2014. The components of this \$41,080 decrease in cash and cash equivalents are described in more detail below, but the decrease is primarily attributable to cash provided by operations of \$53,162, less \$28,824 paid for dividends, \$46,350 of net cash paid for the acquisition of the CRV and DRV recreational vehicle businesses and \$16,161 paid for capital expenditures.

Working capital at January 31, 2015 was \$482,598 compared to \$473,334 at July 31, 2014. Capital expenditures of \$16,161 for the six months ended January 31, 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. 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 \$25,000, 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 six months ended January 31, 2015 was \$53,162 as compared to net cash used in operating activities of \$17,845 for the six months ended January 31, 2014. For the six months ended January 31, 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 \$83,473 of operating cash. The changes in working capital used \$30,311 of operating cash during that period, primarily due to an increase in inventory in correlation with the increase in current sales and production levels and backlog. For the six months ended January 31, 2014, net income adjusted for non-cash items resulted in \$69,366 of operating cash. Changes in working capital used \$87,211 during that period, primarily due to a larger than usual increase in inventory due to increasing backlogs and inclement weather disrupting January 2014 production and shipments. In addition, required income tax payments also increased.

***Investing Activities***

Net cash used in investing activities for the six months ended January 31, 2015 was \$63,970, primarily due to net cash of \$46,350 paid for the acquisition of the CRV and DRV towable recreational vehicle businesses, capital expenditures of \$16,161 and a final purchase price adjustment payment of \$2,915 related to the fiscal 2014 acquisition of the KZ towable recreational vehicle business. Net cash provided by investing activities of \$61,868 for the six months ended January 31, 2014 was primarily due to \$100,000 in net cash consideration received from the sale of the bus business and \$6,425 in proceeds received on notes receivable, partially offset by \$16,769 and \$16,718 of net cash consideration paid for the acquisitions of the Livin Lite and Bison towable recreational vehicle businesses, respectively, and capital expenditures of \$12,671.

***Financing Activities***

Net cash used in financing activities for the six months ended January 31, 2015 was \$30,272, primarily for regular quarterly cash dividend payments of \$0.27 per share for each of the first two quarters of fiscal 2015 totaling \$28,824. Net cash used in financing activities of \$75,764 for the six months ended January 31, 2014 was also primarily for cash dividend payments of \$77,800. The Company paid a regular quarterly \$0.23 per share dividend in each of the first two quarters of fiscal 2014 totaling \$24,510 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

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**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 January 31, 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.

**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***

Recent business acquisitions, including the most recent acquisition of CRV/DRV in the second 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;



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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; and

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

**ITEM 6. EXHIBITS**

Exhibit	Description
10.1	Stock Purchase Agreement, dated January 5, 2015, by and among Heartland Recreational Vehicles, LLC and David E. Fought, Jeffrey D. Fought, Paul R. Corman, Robert L. Tiedge, John J. Mohamed, E. Dale Fenton, Dan E. Van Liew, Sidnaw Corporation, and Laure R. Cunningham*
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 January 31, 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 Stock 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: March 5, 2015

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

DATE: March 5, 2015

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