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THOR INDUSTRIES INC  
Form 10-Q  
March 07, 2016

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, 2016.

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

COMMISSION FILE NUMBER 1-9235

**THOR INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

93-0768752  
(I.R.S. Employer  
Identification No.)

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

46514-3305  
(Zip Code)

(574) 970-7460

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐

No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐

No ☐

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

Large accelerated filer    
 Non-accelerated filer  (Do not check if a smaller reporting company)   
 Accelerated filer    
 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 2/29/2016
Common stock, par value \$ .10 per share	52,482,615 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, 2016	July 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 185,371	\$ 183,478
Accounts receivable, trade, less allowance for doubtful accounts of \$780 and \$1,283, respectively	309,298	244,052
Accounts receivable, other	22,743	25,642
Inventories, net	274,545	246,115
Notes receivable		8,367
Prepaid income taxes, expenses and other	17,092	8,323
Deferred income taxes, net	59,056	59,864
Total current assets	868,105	775,841
Property, plant and equipment, net	246,577	234,045
Other assets:		
Goodwill	303,509	312,622
Amortizable intangible assets, net	157,136	169,018
Other	11,036	11,722
Total other assets	471,681	493,362
<b>TOTAL ASSETS</b>	<b>\$ 1,586,363</b>	<b>\$ 1,503,248</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 180,554	\$ 162,587
Accrued liabilities:		
Compensation and related items	53,142	51,984
Product warranties	106,260	108,206
Income and other taxes	7,730	11,000
Promotions and rebates	21,244	19,817
Product, property and related liabilities	11,330	10,892
Other	16,943	13,849
Total current liabilities	397,203	378,335
Unrecognized tax benefits	12,478	11,945
Deferred income taxes, net	18,494	20,563
Other liabilities	26,794	27,218
Total long-term liabilities	57,766	59,726

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Contingent liabilities and commitments

Stockholders' equity:

Preferred stock	authorized 1,000,000 shares; none outstanding		
Common stock	par value of \$.10 per share; authorized 250,000,000 shares; issued 62,439,795 and 62,306,037 shares, respectively	6,244	6,231
Additional paid-in capital		220,537	215,539
Retained earnings		1,236,112	1,172,432
Less treasury shares of 9,957,180 and 9,911,474, respectively, at cost		(331,499)	(329,015)
Total stockholders' equity		1,131,394	1,065,187
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>\$ 1,586,363</b>	<b>\$ 1,503,248</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, 2016 AND 2015 (UNAUDITED)

	Three Months Ended January 31,		Six Months Ended January 31,	
	2016	2015	2016	2015
Net sales	\$ 975,071	\$ 852,416	\$ 2,005,422	\$ 1,774,408
Cost of products sold	826,249	750,416	1,704,384	1,554,743
Gross profit	148,822	102,000	301,038	219,665
Selling, general and administrative expenses	67,366	54,302	135,820	112,291
Amortization of intangible assets	5,854	3,967	11,882	7,656
Impairment charges	9,113		9,113	
Interest income	105	340	243	707
Interest expense	168	1	342	1
Other income (expense), net	(538)	67	(545)	419
Income from continuing operations before income taxes	65,888	44,137	143,579	100,843
Income taxes	20,641	13,870	47,596	31,375
Net income from continuing operations	45,247	30,267	95,983	69,468
Loss from discontinued operations, net of income taxes	(579)	(1,619)	(818)	(1,895)
Net Income and comprehensive income	\$ 44,668	\$ 28,648	\$ 95,165	\$ 67,573
Weighted-average common shares outstanding:				
Basic	52,474,801	53,377,440	52,442,373	53,355,757
Diluted	52,561,122	53,458,531	52,553,341	53,444,730
Earnings per common share from continuing operations:				
Basic	\$ 0.86	\$ 0.57	\$ 1.83	\$ 1.30
Diluted	\$ 0.86	\$ 0.57	\$ 1.83	\$ 1.30
Loss per common share from discontinued operations:				
Basic	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.03)
Diluted	\$ (0.01)	\$ (0.03)	\$ (0.02)	\$ (0.04)
Earnings per common share:				
Basic	\$ 0.85	\$ 0.54	\$ 1.81	\$ 1.27
Diluted	\$ 0.85	\$ 0.54	\$ 1.81	\$ 1.26
Regular dividends declared and paid per common share	\$ 0.30	\$ 0.27	\$ 0.60	\$ 0.54

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, 2016 AND 2015 (UNAUDITED)

	Six Months Ended January 31, 2016	2015
<b>Cash flows from operating activities:</b>		
Net income	\$ 95,165	\$ 67,573
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	10,958	6,788
Amortization of intangible assets	11,882	7,656
Impairment charges	9,113	
Deferred income tax provision	(1,261)	(1,679)
(Gain) loss on disposition of property, plant and equipment	47	(78)
Stock-based compensation expense	4,679	3,327
Excess tax benefits from stock-based awards	(291)	(114)
Changes in assets and liabilities (excluding acquisitions):		
Accounts receivable	(62,347)	(17)
Inventories	(28,430)	(15,477)
Prepaid income taxes, expenses and other	(8,083)	(10,391)
Accounts payable	18,922	10,120
Accrued liabilities	1,231	(12,139)
Other liabilities	281	(2,407)
Net cash provided by operating activities	51,866	53,162
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(24,539)	(16,161)
Proceeds from dispositions of property, plant and equipment	47	41
Proceeds from notes receivable	8,367	1,400
Acquisitions, net of cash acquired		(49,265)
Other		15
Net cash used in investing activities	(16,125)	(63,970)
<b>Cash flows from financing activities:</b>		
Regular cash dividends paid	(31,485)	(28,824)
Principal payments on capital lease obligations	(170)	
Excess tax benefits from stock-based awards	291	114
Payments related to vesting of stock-based awards	(2,484)	(1,562)
Net cash used in financing activities	(33,848)	(30,272)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>1,893</b>	<b>(41,080)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>183,478</b>	<b>289,336</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 185,371</b>	<b>\$ 248,256</b>
<b>Supplemental cash flow information:</b>		
Income taxes paid	\$ 63,301	\$ 59,547
Interest paid	\$ 342	\$ 1

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**Non-cash transactions:**

Capital expenditures in accounts payable	\$	585	\$	220
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See Notes to the Condensed Consolidated Financial Statements.

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

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

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

**Nature of Operations**

Thor Industries, Inc. was founded in 1980 and, through its subsidiaries (collectively, the Company), manufactures a wide range of recreational vehicles (RVs) in the United States 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 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 that were sold during the quarter ended October 31, 2013. The accompanying financial statements (including footnote disclosures unless otherwise indicated) reflect these bus operations as discontinued operations apart from the Company's continuing operations.

The July 31, 2015 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, 2015. Due to seasonality within the recreational vehicle industry, annualizing the results of operations for the six months ended January 31, 2016 would not necessarily be indicative of the results for a full fiscal year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Key estimates include reserves for inventory, incurred but not reported medical claims, warranty claims, recall liabilities, workers' compensation claims, vehicle repurchases, uncertain tax positions, product and non-product litigation and assumptions 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. The Company adopted ASU 2014-08 as of August 1, 2015. 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 after December 15, 2017. The standard is effective for the Company in its fiscal year 2019 beginning on August 1, 2018. 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.





In July 2015, the FASB issued Accounting Standards Update No. 2015-11 ( ASU 2015-11 ) Inventory (Topic 330): Simplifying the Measurement of Inventory. ASU 2015-11 requires inventory measured using any method other than last-in, first-out ( LIFO ) or the retail inventory method to be subsequently measured at the lower of cost or net realizable value, rather than at the lower of cost or market. Under this ASU, subsequent measurement of inventory using the LIFO and retail inventory method is unchanged. ASU 2015-11 is effective prospectively for fiscal years, and for interim periods within those years, beginning after December 15, 2016. The standard is effective for the Company in its fiscal year 2018 beginning on August 1, 2017. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

In September 2015, the FASB issued Accounting Standards Update No. 2015-16 ( ASU 2015-16 ) Business Combinations (Topic 805): Simplifying the Accounting for Measurement Period Adjustments, to simplify the accounting for measurement-period adjustments in a business combination. Under the new standard, an acquirer must recognize adjustments to provisional amounts in a business combination in the reporting period in which the adjustment amounts are determined, rather than retrospectively adjusting the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill as under current guidance. ASU 2015-16 is effective for fiscal years, and the interim periods within those years, beginning after December 15, 2015. This standard is effective for the Company in its fiscal year 2017 beginning on August 1, 2016. This new standard will be applied prospectively to adjustments to provisional amounts that occur after the effective date with earlier application permitted for financial statements that have not been issued. The Company is currently evaluating the impact of this ASU on its consolidated financial statements, which will be dependent on future acquisitions.

In November 2015, the FASB issued Accounting Standards Update No. 2015-17 ( ASU 2015-17 ) Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, to simplify the presentation of deferred income taxes. Under the new standard, both deferred tax liabilities and assets are required to be classified as noncurrent in a classified balance sheet. ASU 2015-17 is effective for fiscal years, and the interim periods within those years, beginning after December 15, 2016. This standard is effective for the Company in its fiscal year 2018 beginning on August 1, 2017. The Company is currently evaluating the impact of this ASU on its consolidated financial statements.

## 2. Acquisitions

### Postle

On May 1, 2015, the Company closed on a Membership Interest Purchase Agreement with Postle Aluminum Company, LLC for the acquisition of all the outstanding membership units of Postle Operating, LLC ( Postle ), a manufacturer of aluminum extrusion and specialized component products sold to RV and other manufacturers, for total cash consideration of \$144,048, net of cash acquired. The net cash consideration of \$144,048 was funded entirely from the Company's cash on hand, based on a final determination of the actual net assets as of the May 1, 2015 closing date and paid during the fourth quarter of fiscal 2015. Postle operates as an independent operation in the same manner as the Company's other subsidiaries. The operations of Postle are reported in Other, which is a non-reportable segment.

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

Cash	\$ 2,963
Other current assets	54,780
Property, plant and equipment	32,251
Customer relationships	38,800
Trademarks	6,000
Backlog	300
Goodwill	42,871
Current liabilities	(23,729)
Capital lease obligations	(7,225)
Total fair value of net assets acquired	147,011
Less cash acquired	(2,963)
Total cash consideration for acquisition, less cash acquired	\$ 144,048

On the acquisition date, amortizable intangible assets had a weighted-average useful life of 12.3 years. The customer relationships were 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

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Relief from Royalty Method and will be amortized on a straight-line basis over 15 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.

**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 ). The Heartland operations are reported within the towable recreational vehicle reportable segment. In accordance with the CRV/DRV SPA, the closing was deemed effective as of January 1, 2015. As contemplated in the CRV/DRV SPA, the Company also acquired, in a series of integrated transactions, certain real estate used in the ongoing operations of CRV and DRV. The initial cash paid for this acquisition was \$47,412, subject to adjustment, and was funded entirely from the Company's cash on hand. This payment of \$47,412, less the \$1,062 of cash on hand at the acquisition date, resulted in initial net cash consideration of \$46,350. Adjustments to increase the net cash consideration by \$1,173 were identified, based on the preliminary determination of the actual net assets as of the close of business on December 31, 2014 and the finalization of certain tax matters, and paid during the fourth quarter of fiscal 2015. The \$1,173 included reimbursing the seller for \$1,062 of cash on hand at the acquisition date and resulted in total net cash consideration of \$47,523. The Company purchased CRV and DRV to expand its towable recreational vehicle market share and to supplement and expand its existing lightweight travel trailer and luxury fifth wheel product offerings and dealer base.

The following table summarizes the fair values assigned to the CRV and DRV net assets acquired, which are based on internal and independent external valuations.

Cash	\$ 1,062
Other current assets	22,175
Property, plant and equipment	4,533
Dealer network	14,300
Trademarks	5,400
Backlog	450
Goodwill	13,172
Current liabilities	(12,507)
<b>Total fair value of net assets acquired</b>	<b>48,585</b>
Less cash acquired	(1,062)
<b>Total cash consideration for acquisition, less cash acquired</b>	<b>\$ 47,523</b>

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

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

	<b>Three Months Ended January 31, 2015</b>	<b>Six Months Ended January 31, 2015</b>
Net sales	\$ 912,924	\$ 1,914,151
Net income	\$ 31,318	\$ 75,087
Basic earnings per common share	\$ 0.59	\$ 1.41
Diluted earnings per common share	\$ 0.59	\$ 1.40

**3. Discontinued Operations**

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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.

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The sale was completed as of October 20, 2013, and the Company received the \$100,000 on October 21, 2013, and an additional \$5,043 in February 2014, representing the increase in bus net assets since April 30, 2013.

The results of operations for the bus business have been reported as discontinued operations in the Condensed Consolidated Statements of Income and Comprehensive Income for all periods presented.

The following table summarizes the results of discontinued operations:

	Three Months Ended		Six Months Ended	
	January 31,		January 31,	
	2016	2015	2016	2015
Operating loss of discontinued operations before income taxes	\$ (918)	\$ (2,564)	\$ (1,296)	\$ (2,999)
Income tax benefit	(339)	(945)	(478)	(1,104)
<b>Loss from discontinued operations, net of taxes</b>	<b>\$ (579)</b>	<b>\$ (1,619)</b>	<b>\$ (818)</b>	<b>\$ (1,895)</b>

The operating loss of discontinued operations before income taxes for the three and six months ended January 31, 2016 and 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. 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 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.

The operations of the Company's Postle subsidiary, which was acquired May 1, 2015, are included in Other, which is a non-reportable segment. Net sales included in Other mainly relate to the sale of aluminum extrusions and specialized component products. Intercompany eliminations adjust for Postle sales to the Company's towable and motorized segments, which are transacted at established arm's length transfer prices generally consistent with the selling prices of extrusion components to third party customers.

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

	Three Months Ended		Six Months Ended	
	January 31,		January 31,	
	2016	2015	2016	2015
<b>Net sales:</b>				
<b>Recreational vehicles:</b>				
Towables	\$ 698,318	\$ 675,090	\$ 1,442,997	\$ 1,374,868
Motorized	242,867	177,326	493,966	399,540
Total recreational vehicles	941,185	852,416	1,936,963	1,774,408
Other	48,011		98,393	
Intercompany eliminations	(14,125)		(29,934)	
<b>Total</b>	<b>\$ 975,071</b>	<b>\$ 852,416</b>	<b>\$ 2,005,422</b>	<b>\$ 1,774,408</b>



	Three Months Ended January 31,		Six Months Ended January 31,	
	2016	2015	2016	2015
<b>Income (loss) from continuing operations before income taxes:</b>				
Recreational vehicles:				
Towables	\$ 53,069	\$ 40,320	\$ 116,293	\$ 89,619
Motorized	20,519	11,867	42,172	26,968
<b>Total recreational vehicles</b>	<b>73,588</b>	<b>52,187</b>	<b>158,465</b>	<b>116,587</b>
Other, net	3,010		5,666	
Corporate	(10,710)	(8,050)	(20,552)	(15,744)
<b>Total</b>	<b>\$ 65,888</b>	<b>\$ 44,137</b>	<b>\$ 143,579</b>	<b>\$ 100,843</b>

	January 31, 2016	July 31, 2015
<b>Total assets:</b>		
Recreational vehicles:		
Towables	\$ 928,841	\$ 907,175
Motorized	220,368	162,940
<b>Total recreational vehicles</b>	<b>1,149,209</b>	<b>1,070,115</b>
Other, net	156,103	161,075
Corporate	281,051	272,058
<b>Total</b>	<b>\$ 1,586,363</b>	<b>\$ 1,503,248</b>

## 5. Earnings Per Common Share

	Three Months Ended January 31,		Six Months Ended January 31,	
	2016	2015	2016	2015
Weighted-average common shares outstanding for basic earnings per share	52,474,801	53,377,440	52,442,373	53,355,757
Unvested restricted stock and restricted stock units	86,321	81,091	110,968	88,973
Weighted-average common shares outstanding for diluted earnings per share	52,561,122	53,458,531	52,553,341	53,444,730

At January 31, 2016 and 2015, the Company had 30,716 and 14,048, respectively, of 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 as follows:

	January 31, 2016	July 31, 2015
Finished goods RV	\$ 37,764	\$ 35,693



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Finished goods other	17,542	18,045
Work in process	59,506	51,556
Raw materials	139,876	133,482
Chassis	50,597	37,739
Total	305,285	276,515
Excess of FIFO costs over LIFO costs	(30,740)	(30,400)
Total inventories, net	\$ 274,545	\$ 246,115

Of the \$305,285 and \$276,515 of inventories at January 31, 2016 and July 31, 2015, all but \$82,324 and \$72,498, respectively, at certain subsidiaries were valued on a last-in, first-out basis. The \$82,324 and \$72,498 of inventories were valued on a first-in, first-out basis.

## 7. Property, Plant and Equipment

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

	January 31, 2016	July 31, 2015
Land	\$ 29,208	\$ 27,447
Buildings and improvements	228,622	214,462
Machinery and equipment	112,065	106,959
Total cost	369,895	348,868
Less accumulated depreciation	(123,318)	(114,823)
Property, plant and equipment, net	\$ 246,577	\$ 234,045

Property, plant and equipment at both January 31, 2016 and July 31, 2015 includes buildings and improvements under capital leases of \$6,527, and includes related amortization included in accumulated depreciation of \$408 and \$136 at January 31, 2016 and July 31, 2015, respectively.

## 8. Intangible Assets and Goodwill

The components of amortizable intangible assets are as follows:

	Weighted-Average	January 31, 2016		July 31, 2015	
	Remaining	Cost	Accumulated	Cost	Accumulated
	Life in Years at January 31, 2016				
Dealer networks/customer relationships	9	\$ 143,860	\$ 46,300	\$ 143,860	\$ 37,194
Trademarks	18	55,282	8,880	55,282	7,608
Design technology and other intangibles	9	22,400	9,518	22,400	8,168
Non-compete agreements	3	450	158	4,710	4,264
Total amortizable intangible assets		\$ 221,992	\$ 64,856	\$ 226,252	\$ 57,234

The dealer networks and customer relationships are being amortized on an accelerated basis. Trademarks, design technology and other intangibles and non-compete agreements are amortized on a straight-line basis.

Estimated annual amortization expense is as follows:

For the fiscal year ending July 31, 2016	\$ 23,440
For the fiscal year ending July 31, 2017	20,671
For the fiscal year ending July 31, 2018	18,986
For the fiscal year ending July 31, 2019	16,975
For the fiscal year ending July 31, 2020	15,256
For the fiscal year ending July 31, 2021 and thereafter	73,690
	\$ 169,018

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 the same as its operating segments, which are identified in Note 4 to the Condensed Consolidated Financial Statements. Fair values are determined by a discounted cash flow model. These estimates are subject to significant management judgment, including the determination of

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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.

Of the recorded goodwill of \$303,509 at January 31, 2016 and \$312,622 at July 31, 2015, \$260,638 and \$269,751, respectively, resides in the towable recreational vehicle segment and \$42,871 resides in the other non-reportable segment at both January 31, 2016 and July 31, 2015.

Based on recent and future forecasted operating results, the Company determined that sufficient evidence existed as of the second quarter of fiscal 2016 to warrant an interim goodwill impairment analysis for one of its reporting units. As a result of this analysis, the Company recorded a pre-tax, non-cash goodwill impairment charge of \$9,113 related to this reporting unit within the towables reportable segment. For the purpose of this goodwill test, the fair value of the reporting unit was determined by employing a discounted cash flow model, which utilized Level 3 inputs as defined by ASC 820. The \$9,113 charge represents the full impairment of the goodwill related to this reporting unit.

#### 9. Concentration of Risk

One dealer, FreedomRoads, LLC, accounted for 21% and 14% of the Company's continuing consolidated net sales for the six months ended January 31, 2016 and the six months ended January 31, 2015, respectively. This dealer also accounted for 24% of the Company's consolidated trade accounts receivable at January 31, 2016 and 22% at July 31, 2015. The loss of this dealer could have a significant effect on the Company's business.

#### 10. Investments and Fair Value Measurements

The Company carries at fair value its investments in securities (primarily mutual funds) held for the benefit of certain employees of the Company as part of a deferred compensation plan. These investments are measured with Level 1 inputs as prescribed by ASC 820, which include quoted prices in active markets for identical assets or liabilities and are the most observable inputs. Deferred compensation plan asset balances of \$10,460 and \$10,803 were recorded as of January 31, 2016 and July 31, 2015, respectively, as components of other long-term assets in the Condensed Consolidated Balance Sheets. An equal and offsetting liability is 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 reflected in other income (expense), net and selling, general and administrative expenses, respectively, in the Condensed Consolidated Statements of Income and Comprehensive Income.

#### 11. 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 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		Six Months Ended	
	January 31,		January 31,	
	2016	2015	2016	2015
Beginning balance	\$ 107,847	\$ 97,640	\$ 108,206	\$ 94,938
Provision	25,283	26,769	51,516	56,230
Payments	(26,870)	(27,025)	(53,462)	(53,784)
Acquisitions		4,664		4,664
Ending balance	\$ 106,260	\$ 102,048	\$ 106,260	\$ 102,048

#### 12. Provision for Income Taxes

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The overall effective income tax rate for the three months ended January 31, 2016 was 31.3% compared with 31.4% for the three months ended January 31, 2015. The effective income tax rates for the fiscal 2015 three-month period and fiscal 2016 three-month period were both impacted, to a similar extent, by the retroactive reinstatement of the federal research and development credit and other credits that were enacted on December 19, 2014 and December 18, 2015 respectively.

The overall effective income tax rate for the six months ended January 31, 2016 was 33.1% compared with 31.1% for the six months ended January 31, 2015. The primary reason for the increase in the effective income tax rate is due to uncertain tax benefits that settled favorably in the six months ended January 31, 2015 while no such settlements occurred in the six months ended January 31, 2016. The effective income tax rates for the fiscal 2015 and fiscal 2016 periods were both impacted, to a similar extent, by the retroactive reinstatement of the federal research and development credit and other credits that were enacted on December 19, 2014 and December 18, 2015 respectively.

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, 2016, there were no material changes to the balance of unrecognized tax benefits and the Company accrued \$282 in interest and penalties related to the remaining uncertain tax positions recorded at July 31, 2015. For the three months ended January 31, 2016, the Company accrued \$141 in interest and penalties related to the remaining uncertain tax positions recorded at July 31, 2015.

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 \$5,340 in unrecognized tax benefits, and \$1,182 in accrued interest and penalties related to unrecognized tax benefits recorded as of January 31, 2016, within the next 12 months from expected settlements or payments of uncertain tax positions and lapses of the applicable statutes of limitations. Actual results may differ from these estimates.

Generally, fiscal years 2012, 2013 and 2014 remain open for federal income tax purposes and fiscal years 2011, 2012, 2013 and 2014 remain open for state and Canadian 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 disputing the audit results by the state of Indiana for tax years ended July 31, 2008, 2009 and 2010. The Company believes it has adequately reserved for its exposure to additional payments for uncertain tax positions related to its Indiana income tax returns in its liability for unrecognized tax benefits.

### **13. Contingent Liabilities, Commitments and Legal Matters**

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

The Company's total commercial commitments under standby repurchase obligations on dealer inventory financing as of January 31, 2016 and July 31, 2015 were \$1,558,560 and \$1,363,576, 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 \$4,650 and \$4,163 as of January 31, 2016 and July 31, 2015, respectively, which are included in other current liabilities on the Condensed Consolidated Balance Sheets.

The following table 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,	
	2016	2015	2016	2015
Cost of units repurchased	\$ 189	\$ 4,582	\$ 1,008	\$ 6,227
Realization of units resold	189	3,721	876	5,161
Losses due to repurchase	\$	\$ 861	\$ 132	\$ 1,066

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

#### 14. 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. Under this program, the Committee approved awards that were granted in fiscal 2015 related to fiscal year 2014 performance and approved additional awards that were granted in fiscal 2016 related to fiscal 2015 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. In fiscal 2016 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, 2016 and January 31, 2015 for these restricted stock unit awards and other stock-based compensation was \$2,400 and \$1,762, respectively. Total expense recognized in the six months ended January 31, 2016 and January 31, 2015 for these restricted stock unit awards and other stock-based compensation was \$4,679 and \$3,327, respectively.

For the restricted stock units that vested during the six month periods ended January 31, 2016 and January 31, 2015, a 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 these stock-based awards for the six months ended January 31, 2016 and January 31, 2015 totaled \$2,484 and \$1,562, respectively.

##### Retained Earnings

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

Balance as of July 31, 2015	\$ 1,172,432
Net income	95,165
Dividends declared and paid	(31,485)
Balance as of January 31, 2016	\$ 1,236,112

The dividends declared and paid total of \$31,485 represents the regular quarterly dividend of \$0.30 per share for each of the first two quarters of fiscal 2016.

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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.

**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. We cannot assure you that actual results will not differ from our expectations. Factors which could cause materially different results include, among others, raw material and commodity price fluctuations, material or chassis supply restrictions, legislative and regulatory developments, the costs of compliance with increased governmental regulation, legal issues, the potential impact of increased tax burdens on our dealers and retail consumers, lower consumer confidence and the level of discretionary consumer spending, interest rate fluctuations and the potential economic impact of rising interest rates, restrictive lending practices, management changes, the success of new product introductions, the pace of obtaining and producing at new production facilities, the pace of acquisitions, the potential loss of existing customers of acquisitions, the integration of new acquisitions, the loss or reduction of sales to key dealers, the availability of delivery personnel, asset impairment charges, cost structure changes, competition, the impact of potential losses under repurchase agreements, 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, 2015. 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 37.1% for the calendar year ended December 31, 2015. In the motorized segment of the RV industry, we have a combined U.S. and Canadian market share of approximately 25.0% for the calendar year ended December 31, 2015.

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

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

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

We have relied on internally generated cash flows from operations to finance substantially all of our growth, although we may borrow to make an acquisition if we believe the incremental cash flows will provide for rapid payback. Capital expenditures of \$24,539 for the six months ended January 31, 2016 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 May 1, 2015, the Company closed on a Membership Interest Purchase Agreement with Postle Aluminum Company, LLC for the acquisition of all the outstanding membership units of Postle Operating, LLC (Postle) for cash consideration paid in fiscal 2015 of \$144,048, net of cash acquired. Postle is a manufacturer of aluminum extrusion and specialized component products for the RV and other markets, and operates as an independent operation in the same manner as the Company's other subsidiaries.



On January 5, 2015, the Company closed on a Stock Purchase Agreement ( CRV/DRV SPA ) for the acquisition of all the outstanding membership units of towable recreational vehicle manufacturer Cruiser RV, LLC ( CRV ) and luxury fifth wheel towable recreational vehicle manufacturer DRV, LLC ( DRV ) by its Heartland Recreational Vehicles, LLC subsidiary ( Heartland ). In accordance with the CRV/DRV SPA, the closing was deemed effective as of January 1, 2015. As contemplated in the CRV/DRV SPA, the Company also acquired, in a series of integrated transactions, certain real estate used in the ongoing operations of CRV and DRV. Cash consideration paid for this acquisition in fiscal 2015 was \$47,523, net of cash acquired. The Company purchased CRV and DRV to expand its towable recreational vehicle market share and to supplement and expand its existing lightweight travel trailer and luxury fifth wheel product offerings and dealer base.

### **Industry Outlook**

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

We believe our dealer inventory levels are appropriate for seasonal consumer demand. RV dealer inventory of Thor products as of January 31, 2016 increased 2.0% to approximately 78,000 units from approximately 76,440 units as of January 31, 2015. Thor's RV backlog as of January 31, 2016 increased 17.3% to \$1,105,247 from \$942,060 as of January 31, 2015.

### **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			%
	2015	2014	Increase	Change
Towable Units	326,936	312,784	14,152	4.5
Motorized Units	47,310	43,951	3,359	7.6
<b>Total</b>	<b>374,246</b>	<b>356,735</b>	<b>17,511</b>	<b>4.9</b>

According to the most recent RVIA forecast in March 2016, calendar year 2016 shipments for towable and motorized units will approximate 332,800 and 49,000 units, respectively, which are 1.8% higher and 3.6% higher than the calendar year 2015 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 84% of all RV shipments in calendar year 2016. The outlook for calendar year 2016 growth in RV sales is based on continued gains in job and disposable income prospects as well as low inflation, and takes into account the impact of slowly rising interest rates, a strong U.S. dollar and continued weakness in energy production and prices.

### **Industry Retail Statistics**

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

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

	U.S. and Canada Retail Unit Registrations			
	Calendar Year			%
	2015	2014	Increase	Change
Towable Units	325,907	289,934	35,973	12.4
Motorized Units	43,976	38,932	5,044	13.0

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Total	369,883	328,866	41,017	12.5
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*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 years ended December 31, 2015 and 2014 to correspond to the industry periods denoted above, were as follows:

	U.S. and Canada Wholesale Unit Shipments			
	Calendar Year			%
	2015	2014	Increase	Change
Towable Units	119,034	108,704	10,330	9.5
Motorized Units	11,689	10,923	766	7.0
<b>Total</b>	<b>130,723</b>	<b>119,627</b>	<b>11,096</b>	<b>9.3</b>

**Company Retail Statistics**

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

	U.S. and Canada Retail Unit Registrations			
	Calendar Year			%
	2015	2014	Increase	Change
Towable Units	116,550	103,070	13,480	13.1
Motorized Units	10,978	9,247	1,731	18.7
<b>Total</b>	<b>127,528</b>	<b>112,317</b>	<b>15,211</b>	<b>13.5</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 incremental improvements in RV sales and expect to benefit from our ability to increase production to meet increasing demand.

A positive future outlook for the RV segment 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. In addition, in recent years the industry has benefited from growing retail sales to younger consumers with new product offerings targeted to younger, more active families, as they place a higher value on family outdoor recreation than any prior generation. Based on a study from the Pew Research Center, the Millennial generation, defined as those currently between the ages of 18 and 33, consisted of more than 68 million people in 2014. In general, these consumers are more technologically savvy, but still value active outdoor experiences shared with family and friends, making them strong potential customers for our industry in the decades to come. Younger RV consumers are generally attracted to lower and moderately priced entry-level travel trailers, as affordability is a key driver at this stage in their lives. As the first generation of the internet age, Millennials are more comfortable gathering information online, and are therefore generally more knowledgeable about products and competitive pricing than any prior generation.

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.

Recently, we have not experienced any unusual cost increases or supply constraints from our chassis suppliers. The recreational vehicle industry has, from time to time, experienced shortages of chassis due to various causes such as component shortages, production delays or work stoppages at the chassis manufacturers which have impacted our sales and earnings. We believe that the current supply of chassis used in our

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motorized RV production is adequate for current production levels and that available inventory would compensate for short-term changes in supply schedules if they occur.

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Three Months Ended January 31, 2016 vs. Three Months Ended January 31, 2015

	Three Months Ended January 31, 2016	Three Months Ended January 31, 2015	Change Amount	% Change
<b>NET SALES:</b>				
Recreational vehicles				
Towables	\$ 698,318	\$ 675,090	\$ 23,228	3.4
Motorized	242,867	177,326	65,541	37.0
Total recreational vehicles	941,185	852,416	88,769	10.4
Other	48,011		48,011	
Intercompany eliminations	(14,125)		(14,125)	
Total	\$ 975,071	\$ 852,416	\$ 122,655	14.4

**# OF UNITS:**

Recreational vehicles				
Towables	26,544	24,795	1,749	7.1
Motorized	3,014	2,181	833	38.2
Total	29,558	26,976	2,582	9.6

		% of Segment Net Sales		% of Segment Net Sales	Change Amount	% Change
<b>GROSS PROFIT:</b>						
Recreational vehicles						
Towables	\$ 108,615	15.6	\$ 80,694	12.0	\$ 27,921	34.6
Motorized	33,350	13.7	21,306	12.0	12,044	56.5
Total recreational vehicles	141,965	15.1	102,000	12.0	39,965	39.2
Other, net	6,857	14.3			6,857	
Total	\$ 148,822	15.3	\$ 102,000	12.0	\$ 46,822	45.9

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:**

Recreational vehicles						
Towables	\$ 42,356	6.1	\$ 36,517	5.4	\$ 5,839	16.0
Motorized	12,823	5.3	9,433	5.3	3,390	35.9
Total recreational vehicles	55,179	5.9	45,950	5.4	9,229	20.1
Other	2,026	4.2			2,026	
Corporate	10,161		8,352		1,809	21.7
Total	\$ 67,366	6.9	\$ 54,302	6.4	\$ 13,064	24.1

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

Recreational vehicles						
Towables	\$ 53,069	7.6	\$ 40,320	6.0	\$ 12,749	31.6
Motorized	20,519	8.4	11,867	6.7	8,652	72.9

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Total recreational vehicles	73,588	7.8	52,187	6.1	21,401	41.0
Other, net	3,010	6.3			3,010	
Corporate	(10,710)		(8,050)		(2,660)	(33.0)
Total	\$ 65,888	6.8	\$ 44,137	5.2	\$ 21,751	49.3

<b>ORDER BACKLOG:</b>	<b>As of January 31, 2016</b>	<b>As of January 31, 2015</b>	<b>Change Amount</b>	<b>% Change</b>
Recreational vehicles				
Towables	\$ 708,408	\$ 626,052	\$ 82,356	13.2
Motorized	396,839	316,008	80,831	25.6
Total	\$ 1,105,247	\$ 942,060	\$ 163,187	17.3

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**CONSOLIDATED**

Consolidated net sales for the three months ended January 31, 2016 increased \$122,655, or 14.4%, compared to the three months ended January 31, 2015, partially attributable to the acquisitions of CRV/DRV and Postle. Consolidated gross profit increased \$46,822, or 45.9%, compared to the three months ended January 31, 2015. Consolidated gross profit was 15.3% of consolidated net sales for the three months ended January 31, 2016 and 12.0% for the three months ended January 31, 2015. Selling, general and administrative expenses for the three months ended January 31, 2016 increased 24.1% compared to the three months ended January 31, 2015. Income from continuing operations before income taxes for the three months ended January 31, 2016 was \$65,888, as compared to \$44,137 for the three months ended January 31, 2015, an increase of \$21,751 or 49.3%. The reasons for the changes in net sales, gross profit, selling, general and administrative expenses and income before income taxes are addressed in the segment reporting that follows.

Corporate costs included in selling, general and administrative expenses increased \$1,809 to \$10,161 for the three months ended January 31, 2016 compared to \$8,352 for the three months ended January 31, 2015. The increase is primarily due to an increase in compensation costs, as bonuses increased \$708 in correlation with the increase in income from continuing operations before income taxes compared to the prior year, and stock-based compensation increased \$638. The stock-based compensation increase is due to increasing income from continuing operations before income taxes over the past three years, as most stock awards vest ratably over a three-year period. Costs related to the actuarially determined workers' compensation and product liability reserves recorded at Corporate also increased by a total of \$575, and charitable contributions expense increased \$447. These increases were partially offset by a decrease in deferred compensation expense of \$619, which relates to the equal and offsetting increase in net other expense noted below due to the market value change in the deferred compensation plan assets.

Corporate interest income and other income and expense was \$549 of net expense for the three months ended January 31, 2016 compared to \$302 of net interest and other income for the three months ended January 31, 2015. The \$851 increase in net expense is primarily due to the market value of the Company's deferred compensation plan assets depreciating \$598 in the current period as compared to appreciating \$21 in the prior year, an increase in net expense of \$619. In addition, interest income on notes receivable decreased \$281 as a result of lower note balances.

The overall effective income tax rate for the three months ended January 31, 2016 was 31.3% compared with 31.4% for the three months ended January 31, 2015. The effective income tax rates for the fiscal 2015 three month period and fiscal 2016 three month period were both impacted, to a similar extent, by the retroactive reinstatement of the federal research and development credit and other credits that were enacted on December 19, 2014 and December 18, 2015 respectively.

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

Analysis of the change in net sales for the three months ended January 31, 2016 vs. the three months ended January 31, 2015:

	Three Months Ended January 31, 2016	% of Segment Net Sales	Three Months Ended January 31, 2015	% of Segment Net Sales	Change Amount	% Change
<b>NET SALES:</b>						
Towables						
Travel Trailers and Other	\$ 378,245	54.2	\$ 346,401	51.3	\$ 31,844	9.2
Fifth Wheels	320,073	45.8	328,689	48.7	(8,616)	(2.6)
Total Towables	\$ 698,318	100.0	\$ 675,090	100.0	\$ 23,228	3.4

	Three Months Ended January 31, 2016	% of Segment Shipments	Three Months Ended January 31, 2015	% of Segment Shipments	Change Amount	% Change
<b># OF UNITS:</b>						
Towables						
Travel Trailers and Other	19,257	72.5	17,226	69.5	2,031	11.8
Fifth Wheels	7,287	27.5	7,569	30.5	(282)	(3.7)
Total Towables	26,544	100.0	24,795	100.0	1,749	7.1

	% Increase (Decrease)
<b>Impact of Change in Mix and Price on Net Sales:</b>	
Towables	
Travel Trailers and Other	(2.6)
Fifth Wheels	1.1
Total Towables	(3.7)

The increase in total towables net sales of 3.4% compared to the prior year quarter resulted from a 7.1% increase in unit shipments and a 3.7% decrease in the impact of the change in the overall net price per unit. The increase in total towables net sales was primarily due to the inclusion of three months of operations of CRV/DRV in the current year period as compared to one month of operations in the prior year period from the date of acquisition. The overall industry increase in combined travel trailer and fifth wheel wholesale unit shipments for the three months ended January 31, 2016 was 5.7% 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 2.6% was 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. The slight increase in the overall net price per unit within the fifth wheel product lines of 1.1% was due to changes in product mix, which is primarily due to acquisitions since the prior year.

Cost of products sold decreased \$4,693 to \$589,703, or 84.4% of towables net sales, for the three months ended January 31, 2016 compared to \$594,396, or 88.0% of towables net sales, for the three months ended January 31, 2015. The change in material, labor, freight-out and warranty comprised \$6,018 of the \$4,693 decrease in cost of products sold. Material, labor, freight-out and warranty as a combined percentage of towables net sales decreased to 77.9% for the three months ended January 31, 2016 compared to 81.5% for the three months ended January 31, 2015. This decrease in percentage was primarily the result of a decrease in the material cost percentage to sales due to favorable product mix, selective net selling price increases and improved material management since the prior year period. Warranty and freight-out improved as a percentage of sales as well. Total manufacturing overhead increased \$1,325 with the increase in sales, but remained the same as a percentage of towables net sales at 6.5% for both periods.



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Towables gross profit increased \$27,921 to \$108,615, or 15.6% of towables net sales, for the three months ended January 31, 2016 compared to \$80,694, or 12.0% of towables net sales, for the three months ended January 31, 2015. The increases in gross profit and gross profit percentage were primarily due to the increase in net sales noted above coupled with the decrease in the cost of products sold percentage noted above.

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Selling, general and administrative expenses were \$42,356, or 6.1% of towables net sales, for the three months ended January 31, 2016 compared to \$36,517, or 5.4% of towables net sales, for the three months ended January 31, 2015. The primary reason for the \$5,839 increase was increased towables net sales and towables income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$5,282. Sales related travel, advertising and promotional costs also increased \$551 in correlation with the sales increase. These two cost categories were also the primary reasons for the increase in selling, general and administrative expense as a percentage of net sales.

Towables income before income taxes was 7.6% of towables net sales for the three months ended January 31, 2016 and 6.0% for the three months ended January 31, 2015. The primary reasons for this increase in percentage were the impact of the increase in net sales along with the decrease in the cost of products sold percentage noted above, partially offset by the increase in the selling, general and administrative expense percentage noted above and the goodwill impairment charge of \$9,113 included in the results for the three months ended January 31, 2016 as discussed in Note 8 to the Condensed Consolidated Financial Statements.

**MOTORIZED RECREATIONAL VEHICLES**

Analysis of the change in net sales for the three months ended January 31, 2016 vs. the three months ended January 31, 2015:

	Three Months Ended January 31, 2016	% of Segment Net Sales	Three Months Ended January 31, 2015	% of Segment Net Sales	Change Amount	% Change
<b>NET SALES:</b>						
Motorized						
Class A	\$ 138,664	57.1	\$ 108,080	60.9	\$ 30,584	28.3
Class C	82,257	33.9	51,074	28.8	31,183	61.1
Class B	21,946	9.0	18,172	10.3	3,774	20.8
Total Motorized	\$ 242,867	100.0	\$ 177,326	100.0	\$ 65,541	37.0

	Three Months Ended January 31, 2016	% of Segment Shipments	Three Months Ended January 31, 2015	% of Segment Shipments	Change Amount	% Change
<b># OF UNITS:</b>						
Motorized						
Class A	1,476	49.0	1,199	55.0	277	23.1
Class C	1,357	45.0	831	38.1	526	63.3
Class B	181	6.0	151	6.9	30	19.9
Total Motorized	3,014	100.0	2,181	100.0	833	38.2

	% Increase (Decrease)
<b>Impact of Change in Mix and Price on Net Sales:</b>	
Motorized	
Class A	5.2
Class C	(2.2)
Class B	0.9
Total Motorized	(1.2)

The increase in total motorized net sales of 37.0% compared to the prior year quarter resulted from a 38.2% increase in unit shipments and a 1.2% decrease in the impact of the change in the overall net price per unit. The increase in total motorized net sales is partially attributable to certain rental unit shipments typically made in the third quarter being accelerated into the second quarter in the current year. The overall market increase in wholesale unit shipments of motorhomes was 17.6% for the three months ended January 31, 2016 compared to the same period last year according to statistics published by RVIA.



The increase in the overall net price per unit within the Class A product line of 5.2% was primarily due to a slight increase in the concentration of sales of the larger and generally more expensive diesel units from the more moderately priced gas units compared to a year ago. The decrease in the overall net price per unit within the Class C product line of 2.2% is primarily due to a higher concentration of sales of the generally less expensive rental units in the current period compared to a year ago. The slight increase in the overall net price per unit within the Class B product line of 0.9% is primarily due to changes in product mix.

Cost of products sold increased \$53,497 to \$209,517, or 86.3% of motorized net sales, for the three months ended January 31, 2016 compared to \$156,020, or 88.0% of motorized net sales, for the three months ended January 31, 2015. The change in material, labor, freight-out and warranty comprised \$52,045 of the \$53,497 increase due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of motorized net sales was 82.0% compared to 82.9% for the prior year period. The decrease in percentage was due to the material cost percentage to net sales improving due to product mix and a reduction in certain material costs. The warranty cost percentage also improved, as the combination of assimilating an increasing labor force while expanding production lines and product offerings in the past two years led to increased warranty costs in the prior year period. Total manufacturing overhead increased \$1,452 but decreased as a percentage of motorized net sales from 5.1% to 4.3%, as the significant increase in motorized net sales resulted in better absorption of fixed overhead costs.

Motorized gross profit increased \$12,044 to \$33,350, or 13.7% of motorized net sales, for the three months ended January 31, 2016 compared to \$21,306, or 12.0% of motorized net sales, for the three months ended January 31, 2015. The \$12,044 increase in gross profit was due primarily to the impact of the 38.2% increase in unit sales volume noted above, while the increase in gross profit as a percentage of motorized net sales was due to the increase in sales and the reduction in the costs of products sold percentage noted above.

Selling, general and administrative expenses were \$12,823, or 5.3% of motorized net sales, for the three months ended January 31, 2016 compared to \$9,433, or 5.3% of motorized net sales, for the three months ended January 31, 2015. The primary reason for the \$3,390 increase was increased motorized net sales and motorized income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$3,027.

Motorized income before income taxes was 8.4% of motorized net sales for the three months ended January 31, 2016 and 6.7% of motorized net sales for the three months ended January 31, 2015. The primary reasons for this increase in percentage were the impact of the increase in net sales coupled with the decrease in the cost of products sold percentage noted above.

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Six Months Ended January 31, 2016 vs. Six Months Ended January 31, 2015

	Six Months Ended January 31, 2016	Six Months Ended January 31, 2015	Change Amount	% Change
<b>NET SALES:</b>				
Recreational vehicles				
Towables	\$ 1,442,997	\$ 1,374,868	\$ 68,129	5.0
Motorized	493,966	399,540	94,426	23.6
Total recreational vehicles	1,936,963	1,774,408	162,555	9.2
Other	98,393		98,393	
Intercompany eliminations	(29,934)		(29,934)	
Total	\$ 2,005,422	\$ 1,774,408	\$ 231,014	13.0

**# OF UNITS:**

Recreational vehicles				
Towables	55,477	51,242	4,235	8.3
Motorized	6,083	4,915	1,168	23.8
Total	61,560	56,157	5,403	9.6

		% of Segment Net Sales		% of Segment Net Sales	Change Amount	% Change
<b>GROSS PROFIT:</b>						
Recreational vehicles						
Towables	\$ 219,380	15.2	\$ 172,300	12.5	\$ 47,080	27.3
Motorized	68,712	13.9	47,365	11.9	21,347	45.1
Total recreational vehicles	288,092	14.9	219,665	12.4	68,427	31.2
Other, net	12,946	13.2			12,946	
Total	\$ 301,038	15.0	\$ 219,665	12.4	\$ 81,373	37.0

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:**

Recreational vehicles						
Towables	\$ 85,698	5.9	\$ 75,282	5.5	\$ 10,416	13.8
Motorized	26,533	5.4	20,380	5.1	6,153	30.2
Total recreational vehicles	112,231	5.8	95,662	5.4	16,569	17.3
Other	3,628	3.7			3,628	
Corporate	19,961		16,629		3,332	20.0
Total	\$ 135,820	6.8	\$ 112,291	6.3	\$ 23,529	21.0

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

Recreational vehicles						
Towables	\$ 116,293	8.1	\$ 89,619	6.5	\$ 26,674	29.8
Motorized	42,172	8.5	26,968	6.7	15,204	56.4

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Total recreational vehicles	158,465	8.2	116,587	6.6	41,878	35.9
Other, net	5,666	5.8			5,666	
Corporate	(20,552)		(15,744)		(4,808)	(30.5)
Total	\$ 143,579	7.2	\$ 100,843	5.7	\$ 42,736	42.4

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**CONSOLIDATED**

Consolidated net sales for the six months ended January 31, 2016 increased \$231,014, or 13.0%, compared to the six months ended January 31, 2015, partially attributable to the acquisitions of CRV/DRV and Postle. Consolidated gross profit increased \$81,373, or 37.0%, compared to the six months ended January 31, 2015. Consolidated gross profit was 15.0% of consolidated net sales for the six months ended January 31, 2016 and 12.4% for the six months ended January 31, 2015. Selling, general and administrative expenses for the six months ended January 31, 2016 increased 21.0% compared to the six months ended January 31, 2015. Income from continuing operations before income taxes for the six months ended January 31, 2016 was \$143,579, as compared to \$100,843 for the six months ended January 31, 2015, an increase of \$42,736 or 42.4%. 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 \$3,332 to \$19,961 for the six months ended January 31, 2016 compared to \$16,629 for the six months ended January 31, 2015. The increase is primarily due to an increase in legal and professional service fees of \$1,643, largely attributable to professional fees incurred related to the development of long-term strategic growth initiatives and increased sales and marketing initiatives. In addition, compensation costs also increased, as bonuses increased \$1,166 in correlation with the increase in income from continuing operations before income taxes compared to the prior year, and stock-based compensation increased \$1,352. The stock-based compensation increase is due to increasing income from continuing operations before income taxes over the past three years, as most stock awards vest ratably over a three-year period. Costs related to the actuarially determined workers' compensation and product liability reserves recorded at Corporate also increased by a total of \$538. These increases were partially offset by a decrease in deferred compensation expense of \$1,057, which relates to the equal and offsetting increase in net other expense noted below due to the market value change in the deferred compensation plan assets.

Corporate interest income and other income and expense was \$591 of net expense for the six months ended January 31, 2016 compared to \$885 of net income for the six months ended January 31, 2015. The \$1,476 increase in net expense is primarily due to the market value of the Company's deferred compensation plan assets depreciating \$790 in the current period as compared to appreciating \$267 in the prior year, an increase in net expense of \$1,057. In addition, interest income on notes receivable decreased \$498 as a result of lower note balances.

The overall effective income tax rate for the six months ended January 31, 2016 was 33.1% compared with 31.1% for the six months ended January 31, 2015. The primary reason for the increase in the effective income tax rate is due to uncertain tax benefits that settled favorably in the six months ended January 31, 2015 while no such settlements occurred in the six months ended January 31, 2016. The effective income tax rates for the fiscal 2015 and fiscal 2016 periods were both impacted, to a similar extent, by the retroactive reinstatement of the federal research and development credit and other credits that were enacted on December 19, 2014 and December 18, 2015 respectively.

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

Analysis of the change in net sales for the six months ended January 31, 2016 vs. the six months ended January 31, 2015:

	Six Months Ended January 31, 2016	% of Segment Net Sales	Six Months Ended January 31, 2015	% of Segment Net Sales	Change Amount	% Change
<b>NET SALES:</b>						
Towables						
Travel Trailers and Other	\$ 795,508	55.1	\$ 705,888	51.3	\$ 89,620	12.7
Fifth Wheels	647,489	44.9	668,980	48.7	(21,491)	(3.2)
Total Towables	\$ 1,442,997	100.0	\$ 1,374,868	100.0	\$ 68,129	5.0

	Six Months Ended January 31, 2016	% of Segment Shipments	Six Months Ended January 31, 2015	% of Segment Shipments	Change Amount	% Change
<b># OF UNITS:</b>						
Towables						
Travel Trailers and Other	40,653	73.3	35,585	69.4	5,068	14.2
Fifth Wheels	14,824	26.7	15,657	30.6	(833)	(5.3)
Total Towables	55,477	100.0	51,242	100.0	4,235	8.3

	% Increase (Decrease)
<b>Impact of Change in Mix and Price on Net Sales:</b>	
Towables	
Travel Trailers and Other	(1.5)
Fifth Wheels	2.1
Total Towables	(3.3)

The increase in total towables net sales of 5.0% compared to the prior year period resulted from a 8.3% increase in unit shipments and a 3.3% decrease in the impact of the change in the overall net price per unit. The increase in total towables net sales was primarily due to the inclusion of six months of operations of CRV/DRV in the current year as compared to one month in the prior year period from the date of acquisition. The overall industry increase in combined travel trailer and fifth wheel wholesale unit shipments for the six months ended January 31, 2016 was 6.5% 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 1.5% was 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. The increase in the overall net price per unit within the fifth wheel product lines of 2.1% was due to changes in product mix, which is primarily due to acquisitions since the prior year.

Cost of products sold increased \$21,049 to \$1,223,617, or 84.8% of towables net sales, for the six months ended January 31, 2016 compared to \$1,202,568, or 87.5% of towables net sales, for the six months ended January 31, 2015. The change in material, labor, freight-out and warranty comprised \$15,602 of the \$21,049 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 78.6% for the six months ended January 31, 2016 compared to 81.4% for the six months ended January 31, 2015. This decrease in percentage was primarily the result of a decrease in the material cost percentage to sales due to favorable product mix, selective net selling price increases and improved material management since the prior year period. Labor, warranty and freight-out all improved as a percentage of sales as well. Total manufacturing overhead increased \$5,447 with the increase in sales, and



increased slightly as a percentage of towables net sales from 6.1% last year to 6.2% in the current period.

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Towables gross profit increased \$47,080 to \$219,380, or 15.2% of towables net sales, for the six months ended January 31, 2016 compared to \$172,300, or 12.5% of towables net sales, for the six months ended January 31, 2015. The increases in gross profit and gross profit percentage were primarily due to the increase in net sales noted above coupled with the decrease in the cost of products sold percentage noted above.

Selling, general and administrative expenses were \$85,698, or 5.9% of towables net sales, for the six months ended January 31, 2016 compared to \$75,282, or 5.5% of towables net sales, for the six months ended January 31, 2015. The primary reason for the \$10,416 increase was increased towables net sales and towables income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$8,687. Sales related travel, advertising and promotional costs also increased \$1,305 in correlation with the sales increase. These two cost categories were also the primary reasons for the increase in selling, general and administrative expense as a percentage of net sales.

Towables income before income taxes was 8.1% of towables net sales for the six months ended January 31, 2016 and 6.5% for the six months ended January 31, 2015. The primary reasons for this increase in percentage were the impact of the increase in net sales along with the decrease in the cost of products sold percentage noted above, partially offset by the increase in the selling, general and administrative expense percentage noted above and the goodwill impairment charge of \$9,113 included in the results for the six months ended January 31, 2016 as discussed in Note 8 to the Condensed Consolidated Financial Statements.

**MOTORIZED RECREATIONAL VEHICLES**

Analysis of the change in net sales for the six months ended January 31, 2016 vs. the six months ended January 31, 2015:

	Six Months Ended January 31, 2016	% of Segment Net Sales	Six Months Ended January 31, 2015	% of Segment Net Sales	Change Amount	% Change
<b>NET SALES:</b>						
Motorized						
Class A	\$ 284,095	57.5	\$ 245,928	61.6	\$ 38,167	15.5
Class C	164,684	33.3	113,914	28.5	50,770	44.6
Class B	45,187	9.2	39,698	9.9	5,489	13.8
Total Motorized	\$ 493,966	100.0	\$ 399,540	100.0	\$ 94,426	23.6

	Six Months Ended January 31, 2016	% of Segment Shipments	Six Months Ended January 31, 2015	% of Segment Shipments	Change Amount	% Change
<b># OF UNITS:</b>						
Motorized						
Class A	3,013	49.5	2,750	56.0	263	9.6
Class C	2,698	44.4	1,825	37.1	873	47.8
Class B	372	6.1	340	6.9	32	9.4
Total Motorized	6,083	100.0	4,915	100.0	1,168	23.8

	% Increase (Decrease)
<b>Impact of Change in Mix and Price on Net Sales:</b>	
Motorized	
Class A	5.9
Class C	(3.2)
Class B	4.4
Total Motorized	(0.2)

The increase in total motorized net sales of 23.6% compared to the prior year period resulted from a 23.8% increase in unit shipments and a 0.2% decrease in the impact of the change in the overall net price per unit. The increase in total motorized net sales is partially attributable to

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certain rental unit shipments typically made in the third quarter being accelerated into the second quarter in the current year. The overall market increase in wholesale unit shipments of motorhomes was 12.0% for the six months ended January 31, 2016 compared to the same period last year according to statistics published by RVIA.

The increase in the overall net price per unit within the Class A product line of 5.9% was primarily due to a slight increase in the concentration of sales of the larger and generally more expensive diesel units from the more moderately priced gas units compared to a year ago. The decrease in the overall net price per unit within the Class C product line of 3.2% is primarily due to a higher concentration of sales of the generally less expensive rental units in the current period compared to a year ago. The increase in the overall net price per unit within the Class B product line of 4.4% is primarily due to changes in product mix and net price increases.

Cost of products sold increased \$73,079 to \$425,254, or 86.1% of motorized net sales, for the six months ended January 31, 2016 compared to \$352,175, or 88.1% of motorized net sales, for the six months ended January 31, 2015. The change in material, labor, freight-out and warranty comprised \$70,821 of the \$73,079 increase due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of motorized net sales was 81.8% compared to 83.4% for the prior year period. The decrease in percentage was due to an improved warranty cost percentage, as the combination of assimilating an increasing labor force while expanding production lines and product offerings in the past two years led to increased warranty and labor costs in the prior year period. In addition, the material cost percentage to net sales also improved due to product mix and a reduction in certain material costs. Total manufacturing overhead increased \$2,258 but decreased as a percentage of motorized net sales from 4.7% to 4.3%, as the significant increase in motorized net sales resulted in better absorption of fixed overhead costs.

Motorized gross profit increased \$21,347 to \$68,712, or 13.9% of motorized net sales, for the six months ended January 31, 2016 compared to \$47,365, or 11.9% of motorized net sales, for the six months ended January 31, 2015. The \$21,347 increase in gross profit was due primarily to the impact of the 23.8% increase in unit sales volume noted above, while the increase in gross profit as a percentage of motorized net sales was due to the increase in sales and the reduction in the costs of products sold percentage noted above.

Selling, general and administrative expenses were \$26,533, or 5.4% of motorized net sales, for the six months ended January 31, 2016 compared to \$20,380, or 5.1% of motorized net sales, for the six months ended January 31, 2015. The primary reason for the \$6,153 increase, and the increase as a percentage of motorized net sales, was increased motorized net sales and motorized income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$5,299. Legal, professional and related settlement costs also increased \$1,041. These increases were partially offset by a \$355 reduction in vehicle repurchase losses.

Motorized income before income taxes was 8.5% of motorized net sales for the six months ended January 31, 2016 and 6.7% of motorized net sales for the six months ended January 31, 2015. The primary reasons for this increase in percentage were the impact of the increase in net sales coupled with the decrease in the cost of products sold percentage noted above, partially offset by the increase in the selling, general and administrative expense percentage noted above.

### **Financial Condition and Liquidity**

As of January 31, 2016, we had \$185,371 in cash and cash equivalents compared to \$183,478 on July 31, 2015. The components of this \$1,893 increase in cash and cash equivalents are described in more detail below, but the increase is primarily attributable to cash provided by operations of \$51,866 and \$8,367 in proceeds on notes receivable, less \$24,539 and \$31,485 paid for capital expenditures and dividends, respectively.

Working capital at January 31, 2016 was \$470,902 compared to \$397,506 at July 31, 2015. Capital expenditures of \$24,539 for the six months ended January 31, 2016 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 the remainder of fiscal 2016 of approximately \$25,000, primarily for expanding our recreational vehicle production 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, 2016 was \$51,866 as compared to net cash provided by operating activities of \$53,162 for the six months ended January 31, 2015.

For the six months ended January 31, 2016, net income adjusted for non-cash items (primarily depreciation, amortization of intangibles, impairment charges, deferred income tax provision and stock-based compensation) provided \$130,292 of operating cash. The changes in working capital used \$78,426 of operating cash during that period, primarily due to larger than usual seasonal increases in accounts receivable and inventory in correlation with the increase in current sales, production levels and backlog, partially offset by an increase in accounts payable. In addition, required income tax payments exceeded income tax provisions during the period.

For the six months ended January 31, 2015, net income adjusted for non-cash items provided \$83,473 of operating cash. The changes in working capital used \$30,311 of operating cash during that period, primarily due to a seasonal increase in inventory in correlation with the increase in sales and production levels and backlog. In addition, required income tax payments exceeded income tax provisions during the period.

### ***Investing Activities***

Net cash used in investing activities for the six months ended January 31, 2016 was \$16,125, primarily due to capital expenditures of \$24,539, partially offset by proceeds received on notes receivable of \$8,367.

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.

### ***Financing Activities***

Net cash used in financing activities for the six months ended January 31, 2016 was \$33,848, primarily for the regular quarterly cash dividend payments of \$0.30 per share for each of the first two quarters of fiscal 2016 totaling \$31,485.

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.

The Company increased its previous regular quarterly dividend of \$0.27 per share to \$0.30 per share in October 2015. In October 2014, the Company increased its previous regular quarterly dividend of \$0.23 per share to \$0.27 per share.

### **Accounting Pronouncements**

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

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

None

**ITEM 4. CONTROLS AND PROCEDURES**

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

During the quarter ended January 31, 2016, 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, 2015.

**ITEM 6. EXHIBITS**

Exhibit	Description
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, 2016 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.

**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 7, 2016

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

DATE: March 7, 2016

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