THOR INDUSTRIES INC
Form 10-Q/A
March 18, 2005

Table of Contents

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

Amendment No. 1

QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED January 31, 2005 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.)
419 West Pike Street, Jackson Center, OH (Address of principal executive offices)	45334-0629 (Zip Code)

Registrant s telephone number, including area code: (937) 596-6849

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 þ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes þ No o

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 1/31/2005
Common stock, par value $.10 per share	56,865,592 shares

1

TABLE OF CONTENTS

Table of Contents

EXPLANATORY NOTE

This Amendment No. 1 on Form 10-Q/A is being filed by the registrant to amend the registrant s Quarterly Report on Form 10-Q for the period ended January 31, 2005, filed with the Securities and Exchange Commission on March 10, 2005 (the Initial Report), solely to correct an error regarding the number of units of towables sold during the three and six months ended January 31, 2005, and the corresponding total of recreation vehicles and total units sold by the registrant during such periods, contained in Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 2 of Part I. Except for the foregoing, no information included in the Initial Report is amended by this Form 10-Q/A.

PART I - Financial Information

ITEM 1. Financial Statements

THOR INDUSTRIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	January 31, 2005	July 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 70,122,280	$ 136,120,530
Investments short term	14,174,291	63,045,616
Accounts receivable:		
Trade	160,090,817	132,615,992
Other	5,095,815	4,304,573
Inventories	194,224,585	147,588,254
Prepaid expenses	12,295,293	5,974,938
Deferred income taxes	8,316,457	8,316,457
Total current assets	464,319,538	497,966,360
Property:		
Land	20,113,119	17,263,271
Buildings and improvements	101,504,542	74,436,370
Machinery and equipment	44,853,731	40,046,081
Total cost	166,471,392	131,745,722
Accumulated depreciation	(37,629,497)	(32,982,694)
Property, net	128,841,895	98,763,028
Investments:		
Joint ventures	2,341,633	2,514,449
Other assets:		
Goodwill	161,388,764	140,857,162

Non-compete agreements		4,285,721	3,580,962
Trademarks		12,961,642	12,269,642
Other		6,830,320	6,635,161
Total other assets		185,466,447	163,342,927
TOTAL ASSETS	**$**	**780,969,513**	**$ 762,586,764**
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$	109,512,089	$ 125,574,124
Accrued liabilities:			
Taxes		11,290,291	20,890,901
Compensation and related items		22,979,475	25,712,538
Product warranties		49,151,842	45,829,471
Promotions and rebates		8,637,778	8,915,220
Product/property liability and related		7,043,648	11,055,752
Other		4,800,404	3,790,324
Total current liabilities		213,415,527	241,768,330
Deferred income taxes and other liabilities		10,517,298	9,214,698
Stockholders equity:			
Common stock - authorized 250,000,000 shares; issued 56,865,592 shares @ 1/31/05 and 57,146,160 shares @ 7/31/04; par value of $.10 per share		5,686,559	5,714,616
Additional paid-in capital		81,316,225	81,018,989
Accumulated other comprehensive income		790,997	63,722
Retained earnings		470,225,077	425,933,821
Restricted stock plan		(982,170)	(1,127,412)
Total stockholders equity		557,036,688	511,603,736
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	**$**	**780,969,513**	**$ 762,586,764**

See notes to consolidated financial statements

Table of Contents

THOR INDUSTRIES, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED INCOME
FOR THE THREE AND SIX MONTHS ENDED JANUARY 31, 2005 AND 2004

	Three Months Ended January 31		Six Months Ended January 31	
	2005	**2004**	**2005**	**2004**
Net sales	$ 537,041,204	$ 426,479,447	$ 1,169,767,296	$ 916,906,559
Cost of products sold	469,209,204	373,144,706	1,011,160,877	797,363,282
Gross profit	67,832,000	53,334,741	158,606,419	119,543,277
Selling, general and administrative expenses	35,762,252	28,728,268	72,042,755	56,936,979
Gains on equity securities		1,814,265		1,814,265
Interest income	541,288	430,510	1,345,351	910,760
Interest expense	66,903	50,509	109,344	102,114
Other income	364,346	625,023	1,124,958	1,277,301
Income before income taxes	32,908,479	27,425,762	88,924,629	66,506,510
Provision for income taxes	12,270,540	9,906,047	33,213,960	25,282,942
Net income	$ 20,637,939	$ 17,519,715	$ 55,710,669	$ 41,223,568
Average common shares outstanding:				
Basic	56,712,923	57,327,356	56,834,930	57,276,091
Diluted	57,141,714	57,701,234	57,210,661	57,668,857
Earnings per common share:				
Basic	$ .36	$ .31	$ .98	$ .72
Diluted	$ .36	$ .30	$ .97	$ .71
Dividends paid per common share:	$ .03	$ .015	$ .06	$ .03

See notes to consolidated financial statements

3

Table of Contents

THOR INDUSTRIES, INC. AND SUBSIDIARIES
STATEMENTS OF CONSOLIDATED CASH FLOWS
FOR THE SIX MONTHS ENDED JANUARY 31, 2005 AND 2004

	2005	2004
Cash flows from operating activities:		
Net income	$ 55,710,669	$ 41,223,568
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	4,686,249	3,738,391
Amortization	471,241	395,504
Loss on disposition of assets	74,022	
Loss (gains) on sale of trading investments	883,890	(552,670)
Unrealized (gain) loss on trading investments	274,051	(543,428)
Changes in non cash assets and liabilities, net of effect from acquisitions:		
Purchases of trading investments	(54,870,723)	(47,007,628)
Proceeds from sales of trading investments	102,584,107	46,950,536
Accounts receivable	(25,002,513)	(20,040,194)
Inventories	(43,216,030)	(32,768,573)
Prepaid expense & other	(6,343,530)	(469,385)
Accounts payable	(27,399,366)	(19,705,086)
Accrued liabilities	(3,578,270)	(8,818,982)
Other liabilities	224,096	1,165,333
Net cash provided by (used in) operating activities	4,497,893	(36,432,614)
Cash flows from investing activities:		
Purchase of property, plant & equipment	(31,120,524)	(10,721,628)
Proceeds from disposition of assets	21,496	39,779
Acquisitions Net of cash acquired	(27,973,305)	(29,618,354)
Net cash used in investing activities	(59,072,333)	(40,300,203)
Cash flows from financing activities:		
Cash dividends	(3,419,813)	(1,718,399)
Purchase of common stock for retirement	(8,490,265)	
Retirement of acquired debt	(1,000,851)	(12,972,498)
Proceeds from issuance of common stock	759,844	1,083,745
Net cash used in financing activities	(12,151,085)	(13,607,152)
Effect of exchange rate changes on cash	727,275	553,471

Net decrease in cash and equivalents	(65,998,250)	(89,786,498)
Cash and equivalents, beginning of year	136,120,530	132,124,452
Cash and equivalents, end of period	$ 70,122,280	$ 42,337,954
Supplemental cash flow information:		
Income taxes paid	$ 42,115,918	$ 32,547,198
Interest paid	109,344	102,114
Non cash transactions:		
Retirement of treasury shares	$ 8,490,265	$
Issuance of restricted stock		309,465

See notes to consolidated financial statements

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The July 31, 2004 amounts are 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 change in cash flow 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 and 10-K/A for the year ended July 31, 2004. The results of operations for the six months ended January 31, 2005 are not necessarily indicative of the results for the full year.

2. Major classifications of inventories are:

	January 31, 2005	July 31, 2004
Raw materials	$ 83,344,228	$ 72,323,887
Chassis	39,826,118	30,161,715
Work in process	46,620,216	41,117,720
Finished goods	36,284,909	13,604,925
Total	206,075,471	157,208,247
Less excess of FIFO costs over LIFO costs	11,850,886	9,619,993
Total inventories	$ 194,224,585	$ 147,588,254

3. Earnings Per Share

	Three Months Ended January 31, 2005	Three Months Ended January 31, 2004	Six Months Ended January 31, 2005	Six Months Ended January 31, 2004
Weighted average shares outstanding for basic earnings per share	56,712,923	57,327,356	56,834,930	57,276,091
Stock options and restricted stock	428,791	373,878	375,731	392,766
Total - For diluted shares	57,141,714	57,701,234	57,210,661	57,668,857

4. Comprehensive Income

	Three Months Ended January 31, 2005	Three Months Ended January 31, 2004	Six Months Ended January 31, 2005	Six Months Ended January 31, 2004
Net income	$ 20,637,939	$ 17,519,715	$ 55,710,669	$ 41,223,568
Foreign currency translation adjustment	(121,734)	(145,904)	727,275	553,471

Unrealized appr. on investments				1,011,865
Transfer from available- for-sale to trading		(1,369,424)		(1,369,424)
Comprehensive income	$ 20,516,205	$ 16,004,387	$ 56,437,944	$ 41,419,480

5. Segment Information

The Company has three reportable segments: 1.) towable recreation vehicles, 2.) motorized recreation vehicles, and 3.) buses.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended January 31, 2005	Three Months Ended January 31, 2004	Six Months Ended January 31, 2005	Six Months Ended January 31, 2004
Net Sales:				
Recreation vehicles:				
Towables	$ 365,497,384	$ 268,010,988	$ 805,658,685	$ 601,772,615
Motorized	113,529,511	106,211,153	255,664,400	205,420,869
Buses	58,014,309	52,257,306	108,444,211	109,713,075
Total	$ 537,041,204	$ 426,479,447	$ 1,169,767,296	$ 916,906,559

	Three Months Ended January 31, 2005	Three Months Ended January 31, 2004	Six Months Ended January 31, 2005	Six Months Ended January 31, 2004
Income Before Income Taxes:				
Recreation vehicles:				
Towables	$ 29,706,741	$ 19,956,359	$ 77,392,555	$ 51,503,538
Motorized	3,877,579	4,925,101	11,786,017	10,921,918
Buses	1,342,502	3,418,617	2,468,213	6,151,356
Corporate	(2,018,343)	(874,315)	(2,722,156)	(2,070,302)
Total	$ 32,908,479	$ 27,425,762	$ 88,924,629	$ 66,506,510

	January 31, 2005	July 31, 2004
Identifiable Assets:		
Recreation vehicles:		
Towables	$ 425,607,856	$ 324,041,069
Motorized	155,115,447	123,607,436
Buses	77,738,633	65,054,523
Corporate	122,507,577	249,883,736
Total	$ 780,969,513	$ 762,586,764

6. Treasury Shares

The Company purchased and retired 323,200 shares of treasury stock in the first quarter of fiscal 2005 at an average cost of $26.27 per share. This retirement resulted in a reduction of $32,320 in common stock and $458,345 in additional paid-in-capital and $7,999,600 in retained earnings.

7. Investments

The Company classifies its debt and equity securities as trading or available-for-sale. Trading securities are bought and held principally for the purpose of selling them in the near term. All securities not classified as trading are classified as available-for-sale. During the second quarter of fiscal 2004, the Company decided to begin actively trading its equity securities
previously classified as available-for-sale securities.

Trading and available-for-sale investments are recorded at fair market value. Unrealized holding gains and losses on trading investments are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale investments are excluded from earnings and are reported as a separate component of accumulated other comprehensive income, net of income taxes until realized. Realized gains and losses from the sale of available-for-sale investments are determined on a specific-identification basis. Dividend and interest income are recognized when earned.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company also holds certain corporate investments that are classified as trading investments and reported as Investments short term.

8. Business Combination

On September 2, 2003, we acquired 100% of the common stock of Damon Corporation (Damon). Damon is engaged in the business of manufacturing Class A motorhomes and park models. The cash price of the acquisition was $29,618,354, which was paid from internal funds. Immediately after the closing, the Company paid off a $12,972,498 bank debt assumed in connection with the acquisition.

The following table summarizes the allocation of the fair values of the assets acquired and liabilities assumed at the date of acquisition:

Current assets	$ 45,897,168
Property, plant and equipment	6,142,073
Goodwill	10,302,290
Trademarks and non-compete agreements	4,240,000
Other assets	450,510
Total assets acquired	67,032,041
Current liabilities	24,441,189
Other liabilities	12,972,498
Net assets acquired	$ 29,618,354

The purchase price allocation includes $640,000 of non-compete agreements, which will be amortized over seven to ten years, $10,302,290 of goodwill and $3,600,000 for trademarks that are not subject to amortization. The Company has made an election under Section 338 of the Internal Revenue Code allowing it to deduct non-compete, goodwill and trademarks for tax purposes.

The primary reasons for the acquisition include Damon s future earnings potential, its fit with our existing operations, its market share, and its cash flow. The results of operations for Damon are included in Thor s operating results beginning September 3, 2003.

Pro forma Information: Pro forma results of operations, as if the acquisition occurred as of the beginning of the period is presented below. These pro forma results may not be indicative of the actual results that would have occurred under the ownership and management of the Company.

	Six Months Ended January 31, 2005 (Actual)	Six Months Ended January 31, 2004 (Pro Forma)
Net Sales	$ 1,169,767,296	$ 938,907,622
Net Income	55,710,669	41,412,181
Earnings per common share		
Basic	$ .98	$ .72
Diluted	$ .97	$ .72

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On November 1, 2004, we completed our acquisition of the stock of DS Corp. dba CrossRoads RV, an Indiana corporation (CrossRoads), pursuant to an Agreement and Plan of Merger (the Merger Agreement), dated as of October 28, 2004, by and among our company, Thor Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of our company (Acquisition Subsidiary), CrossRoads and the securityholders of CrossRoads. CrossRoads is engaged in the business of manufacturing towable recreation vehicles. Under the terms of the Merger Agreement, Acquisition Subsidiary merged with and into CrossRoads, and CrossRoads continued as the surviving corporation (the Merger). In addition, as part of the Merger, certain members of management of CrossRoads entered into non-competition agreements with our company.

The purchase price paid by us for the acquisition of the stock of CrossRoads was $27,973,305, which was payable in cash and was funded from our cash on hand.

9. Goodwill and Other Intangible Assets

The components of other intangible assets are as follows:

	January 31, 2005		July 31, 2004	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Amortized Intangible Assets:				
Non-compete agreements	$ 15,889,367	$ 11,603,646	$ 14,713,367	$ 11,132,405

	Three Months Ended January 31, 2005	Three Months Ended January 31, 2004	Six Months Ended January 31, 2005	Six Months Ended January 31, 2004
Non-compete Agreement:				
Amortization Expense	$ 269,679	$ 201,562	$ 471,241	$ 395,504

Non-compete agreements are amortized on a straight-line basis.

Estimated Amortization Expense:	
For the year ending July 2005	$ 967,268
For the year ending July 2006	$ 948,719
For the year ending July 2007	$ 886,844
For the year ending July 2008	$ 827,969
For the year ending July 2009	$ 491,733

The change in the carrying amount of goodwill and trademarks for the period ended January 31, 2005.

	Goodwill	Trademarks
Balance as of July 31, 2004	$ 140,857,162	$ 12,269,642
Arising from acquisition	20,531,602	692,000
Balance as of January 31, 2005	$ 161,388,764	$ 12,961,642

8

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of January 31, 2005, Goodwill and Trademarks by segments totaled as follows:

	Goodwill	Trademarks
Recreation Vehicles:		
Towable	$ 143,841,233	$ 10,133,674
Motorized	17,252,031	2,600,000
Total Recreation Vehicles	161,093,264	12,733,674
Bus	295,500	227,968
Total	$ 161,388,764	$ 12,961,642

10. Warranty

Thor provides customers of our products with a warranty covering defects in material or workmanship for periods generally ranging from one to two years, with longer warranties on certain structural components. We record a liability based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Factors we use 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. A significant increase in dealer shop rates, the cost of parts or the frequency of claims could have a material adverse impact on our operating results for the period or periods in which such claims or additional costs materialize. Management believes that the warranty reserve is adequate; however, actual claims incurred could differ from estimates, requiring adjustments to the reserves. Warranty reserves are reviewed and adjusted as necessary on a quarterly basis.

	Three Months Ended January 31, 2005	Three Months Ended January 31, 2004	Six Months Ended January 31, 2005	Six Months Ended January 31, 2004
Beginning Balance	$ 48,163,870	$ 42,714,930	$ 45,829,471	$ 35,114,825
Provision	12,586,128	10,843,637	27,380,967	26,506,537
Payments	12,692,725	11,585,269	25,153,165	23,373,324
Acquisitions	1,094,569		1,094,569	3,725,260
Ending Balance	$ 49,151,842	$ 41,973,298	$ 49,151,842	$ 41,973,298

11. Stock Split

In the second quarter of 2004, the Company declared a two-for-one common stock split that was distributed to shareholders of record as of January 5, 2004. All share and per share amounts have been retroactively adjusted for the effect of the common stock split.

12. Commercial Commitments

Our principal commercial commitments at January 31, 2005 are summarized in the following chart:

Commitment	Total Amount Committed		Term of Guarantee
Guarantee on dealer financing	$	2,860,000	less than 1 year
Standby repurchase obligation on dealer financing	$	735,436,000	less than 1 year

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company records repurchase and guarantee reserves based on prior experience and known current events. The combined repurchase and recourse reserve balances are approximately $848,000 and $546,000 as of January 31, 2005 and July 31, 2004, respectively. The Company incurred losses due to repurchases of approximately $1,362,000 and $255,000 for the six months ended January 31, 2005 and 2004, respectively. Of the $1,362,000, $1,033,000 was a repurchase from a single dealer. The repurchase sales value of units repurchased was $6,836,068 for the six months ended January 31, 2005, and $523,508 for the six months ended January 31, 2004. The sales value of units repurchased from the single dealer mentioned above was $5,463,139.

13. Stock-Based Compensation

In December 2002, The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. This Statement amends the disclosure requirements of Statement 123, Accounting for Stock-Based Compensation, to require disclosure in interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results.

As an alternative to accounting for stock-based compensation under APB No. 25, SFAS No. 123, establishes a fair-value method of accounting for employee stock options. The Company used the Black-Scholes option pricing model to estimate the grant date fair value of its option grants. The fair value is recognized over the option vesting period which is three years. Had compensation cost for these grants been determined in accordance with SFAS No. 123, the Company s net income and earnings per common share would have been:

	Three Months Ended January 31, 2005	Three Months Ended January 31, 2004	Six Months Ended January 31, 2005	Six Months Ended January 31, 2004
Net Income:				
As reported	$ 20,637,939	$ 17,519,715	$ 55,710,669	$ 41,223,568
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects	(302,046)	(220,048)	(604,092)	(317,752)
Pro Forma	$ 20,335,893	$ 17,299,667	$ 55,106,577	$ 40,905,816
Earnings Per Common Share Basic				
As reported	$ .36	$ .31	$ .98	$ .72
Pro forma	$ .36	$ .30	$ .97	$ .71
Earnings Per Common Share Diluted				
As reported	$ .36	$ .30	$ .97	$ .71
Pro forma	$ .36	$ .30	$ .96	$ .71

The assumptions used in determining the fair value of options granted during the first quarter of fiscal 2005 are as follows:

Expected volatility	38%
Expected life of grant	6 years
Risk free interest rate	3.73%
Expected dividend rate	.29%

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 151 (SFAS 151), Inventory Costs, which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. SFAS 151 will be effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We do not believe the adoption of SFAS 151 will have a material impact on our financial statements.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment (SFAS 123R). SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense in the consolidated financial statements based on their fair values. This standard is effective for public companies at the beginning of the first interim or annual period beginning after June 15, 2005 and companies may elect to use either the modified-prospective or modified-retrospective transition method. Under the modified prospective method, awards that are granted, modified, or settled after the date of adoption should be measured and accounted for in accordance with SFAS 123R. Unvested equity-classified awards that were granted prior to the effective date should continue to be accounted for in accordance with SFAS 123 except that amounts must be recognized in the income statement. Under the modified retrospective approach, the previously reported amounts are restated (either to the beginning of the year of adoption or for all periods presented) to reflect the SFAS 123 amounts in the income statement. We are currently evaluating the impact of this standard and its transition alternatives, which may impact the Company s results of operations in the first quarter of fiscal 2006 and thereafter.

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

Executive Overview

We were founded in 1980 and have grown to be the largest manufacturer of Recreation Vehicles (RV s) and small and midsize buses in North America. Our position in the travel trailer and fifth wheel segment of the industry (towables), with the acquisition of CrossRoads RV, gives us an approximate 30% market share. In the motorized segment of the industry we have an approximate 11% market share. Our market share in small and mid-size buses is approximately 29%. We have recently entered the 40-foot bus market with a new facility in Southern California designed for that product as well as our existing 30-foot and 35-foot buses.

Our growth has been internal and by acquisition. Our strategy has been to increase our profitability in North America in the recreation vehicle industry and in the bus business by improving our facilities, product innovation, opportunistic acquisitions and manufacturing quality products. We have not entered unrelated businesses and have no plans to do so in the future.

We rely on internally generated cash flows from operations to finance our growth although we may borrow to make an acquisition if we believe the incremental cash flows will provide for rapid payback. We have invested significant capital to modernize our plant facilities and have expended approximately $54 million for that purpose in the past two fiscal years.

Our business model includes decentralized operating units and we compensate operating management based upon profitability of the unit which they manage. Our corporate staff provides financial management, centralized purchasing services, insurance, legal and human resources. Senior corporate management interacts regularly with operating management to assure that corporate objectives are understood clearly and are monitored appropriately.

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Our RV products are sold to dealers who, in turn, retail those products. Our buses are sold through dealers to municipalities and private purchasers such as rental car companies and hotels. We do not directly finance dealers but do provide repurchase agreements in order to facilitate the dealers obtaining floor plan financing. We have a joint venture, Thor Credit, operated by E-Trade, which provides retail credit to ultimate purchasers of any recreation vehicle purchased from a Thor dealer. This retail credit on recreation vehicles is not limited to Thor product only.

For management and reporting purposes, we segment our business into Recreation Vehicles Towables and Motorized and Buses.

Trends and Business Outlook

The most important determinant of demand for Recreation Vehicles is demographics. The baby boomer population is now reaching retirement age and retirees are a large market for our products. The baby boomer population in the United States is expected to grow 48% by 2010, or five times as fast as the expected 9% growth in the total United States population. We believe a primary indicator of the strength of the recreation vehicle industry is retail sales, which we closely monitor to determine industry trends.

Government entities are primary users of our buses. Demand in this segment is subject to fluctuations in government spending on transit. In addition, hotel and rental car companies are also major users of our small and mid-size buses and therefore airline travel is an important indicator for this market. The majority of our buses have a 5-year useful life, so that many of the buses we sold in 1999 and 2000 will need to be replaced.

Fuel price fluctuations have not historically influenced our sales materially and we do not anticipate that modest increases in interest rates will have a significant negative effect on such sales. Retail sales in the recreation vehicle industry have been strong due to low inflation, favorable interest rates, population trends and concerns about the safety of international travel.

Economic or industry-wide factors affecting our recreation vehicle business include raw material costs of commodities used in the manufacture of our product. Material cost is the primary factor determining our cost of goods sold. During fiscal 2005, we increased product prices on our RV segments approximately 1.5% to offset increased raw material costs. Price increases for buses were less than 1% due to continued soft market conditions and competitive pressures. Additional increases in raw material costs would impact our profit margins if we were unable to raise prices for our products by corresponding amounts without negatively affecting sales.

Quarter Ended January 31, 2005 vs.
Quarter Ended January 31, 2004

Net sales for the second quarter of fiscal 2005 were up 25.9% to $537,041,204 compared to $426,479,447 for the second quarter of fiscal 2004. Income before income taxes in fiscal 2005 was $32,908,479 a 20% increase from $27,425,762 in fiscal 2004. Included in the second quarter of fiscal 2005 are sales of $14,435,024 and income before income taxes of $833,642 for CrossRoads RV acquired November 1, 2004. The increase in income before income taxes of $5,482,717 in the second quarter of fiscal 2005, compared to the same period of fiscal 2004, is the result of the following items. $833,642 income generated by CrossRoads RV, $7,869,219 income from increased recreation vehicle revenues, and reduced Corporate costs of $670,236 due primarily to favorable settlement of certain insurance claims accrued in prior periods. Offsetting these items was reduced income of $2,076,115 by our bus companies and $1,814,265 income from the sale of certain equity securities in fiscal 2004.

12

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Recreation vehicle revenues increased in fiscal 2005 by 28% to $479,026,895 compared to $374,222,141 in fiscal 2004, and accounted for 89.2% of total company revenues compared to 87.7% in fiscal 2004. Recreation vehicle order backlogs of $313,565,000 at January 31, 2005, were down 22.6% compared to the same period last year. Bus revenues in fiscal 2005 increased by 11% to $58,014,309 compared to $52,257,306 in fiscal 2004 and accounted for 10.8% of the total company revenues compared to 12.3% in fiscal 2004. Bus vehicle order backlogs of $135,817,000 at January 31, 2005 were up 44.4% compared to the same period last year.

Gross profit as a percentage of sales in the second quarter of fiscal 2005 increased to 12.6% from 12.5% for the same period last year. The increase in gross profits for the second quarter of fiscal 2005 is due primarily to reduced warranty costs and increased recreation vehicle revenues. Our bus segment gross profits have been affected by continuing discounts offered to achieve bus contracts in a very competitive market place.

Selling, general and administrative expense and amortization of intangibles were $35,762,252 compared to $28,728,268 for the same period in fiscal 2004. As a percentage of sales, selling, general and administrative expense was 6.7% in fiscal 2005 and fiscal 2004. Amortization of intangibles was $269,679 in fiscal 2005 compared to $201,562 in fiscal 2004. The additional selling, general and administrative costs are due primarily to the increased costs associated with the 25.9% increase in revenue.

The overall effective tax rate was 37.3% for fiscal 2005 compared to 36.1% for fiscal 2004. The fiscal 2004 tax rate included an increased tax benefit for research and development credits.

The following table represents the results of our reporting segments for the quarter ended January 31, 2005 and 2004:

	Three Months Ended 1/31/2005					
	Towables	Motorized	Total RV	Buses	Corporate	Total Company
Net Sales	$ 365,497,384	$ 113,529,511	$ 479,026,895	$ 58,014,309		$ 537,041,204
# Units	18,813	1,541	20,354	997		21,351
Gross Profit	$ 52,542,348	$ 10,844,732	$ 63,387,080	$ 4,444,920		$ 67,832,000
% of net sales	14.4	9.6	13.2	7.7		12.6
Income Before Income Tax:	$ 29,706,741	$ 3,877,579	$ 33,584,320	$ 1,342,502	$ (2,018,343)	$ 32,908,479
% of net sales	8.1	3.4	7.0	2.3		6.1

	Three Months Ended 1/31/2004					
	Towables	Motorized	Total RV	Buses	Corporate	Total Company
Net Sales	$ 268,010,988	$ 106,211,153	$ 374,222,141	$ 52,257,306		$ 426,479,447
# Units	15,235	1,551	16,786	934		17,720

Gross Profit	$ 37,198,033	$ 10,244,386	$ 47,442,419	$ 5,892,322		$ 53,334,741
% of net sales	13.9	9.6	12.7	11.3		12.5
Income Before Income Tax:	$ 19,956,359	$ 4,925,101	$ 24,881,460	$ 3,418,617	$ (874,315)	$ 27,425,762
% of net sales	7.4	4.6	6.6	6.5		6.4

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

	Order Backlog As of January 31 (000 s)	
	2005	2004
Recreation Vehicles:		
Towables	$ 190,435	$ 210,070
Motorized	123,130	194,838
Total	313,565	404,908
Buses	135,817	94,062
Total Company	$ 449,382	$ 498,970

Six Months Ended January 31, 2005 vs.
Six Months Ended January 31, 2004

Net sales for the six months of fiscal 2005 were up 27.6% to $1,169,767,296 compared to $916,906,559 for the six months of fiscal 2004. Income before income taxes in fiscal 2005 was $88,924,629 a 33.7% increase from $66,506,510 in fiscal 2004. Included in the six months of fiscal 2005 are sales of $14,435,024 and income before taxes of $833,642 for CrossRoads RV acquired November 1, 2004. The increase in income before income taxes of $22,418,119 in the six months of fiscal 2005, compared to the same period of fiscal 2004, is the result of the following items. $833,642 income generated by CrossRoads RV, $25,919,474 income from increased recreation vehicle revenues, and reduced Corporate costs of $1,162,410, due primarily to favorable settlement of certain insurance claims accrued in prior periods. Offsetting these items was reduced income of $3,683,143 by our bus companies and $1,814,265 income from the sale of certain equity securities in fiscal 2004.

Recreation vehicle revenues increased in fiscal 2005 by 31.5% to $1,061,323,085 compared to $807,193,484 in fiscal 2004, and accounted for 90.7% of total company revenues compared to 88.0% in fiscal 2004. Bus revenues in fiscal 2005 decreased by 1.2% to $108,444,211 compared to $109,713,075 in fiscal 2004 and accounted for 9.3% of the total company revenues compared to 12.0% in fiscal 2004.

Gross profit as a percentage of sales in the six months of fiscal 2005 increased to 13.6% from 13.0% for the same period last year. The increase in gross profits for the six months of fiscal 2005 is due primarily to reduced warranty costs and increased recreation vehicle revenues. Our bus segment gross profits have been affected by continuing discounts offered to achieve bus contracts in a very competitive market place.

Selling, general and administrative expense and amortization of intangibles were $72,042,755 compared to $56,936,979 for the same period in fiscal 2004. As a percentage of sales, selling, general and administrative expense was 6.2% in fiscal 2005 and fiscal 2004. Amortization of intangibles was $471,241 in fiscal 2005 compared to $395,504 in fiscal 2004. The additional selling, general and administrative costs are due primarily to the increased costs associated with the 27.6% increase in revenue.

The overall effective tax rate was 37.4% for fiscal 2005 compared to 38.0% for fiscal 2004.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The following table represents the results of our reporting segments for the six months ended January 31, 2005 and 2004:

	Six Months Ended January 31, 2005					
	Towables	Motorized	Total RV	Buses	Corporate	Total Company
Net Sales	$ 805,658,685	$ 255,664,400	$ 1,061,323,085	$ 108,444,211		$ 1,169,767,296
# Units	41,347	3,532	44,879	1,898		46,777
Gross Profit	$ 124,106,136	$ 25,280,199	$ 149,386,335	$ 9,220,084		$ 158,606,419
% of net sales	15.4	9.9	14.1	8.5		13.6
Income Before Income Tax:	$ 77,392,555	$ 11,786,017	$ 89,178,572	$ 2,468,213	$ (2,722,156)	$ 88,924,629
% of net sales	9.6	4.6	8.4	2.3		7.6

	Six Months Ended January 31, 2004					
	Towables	Motorized	Total RV	Buses	Corporate	Total Company
Net Sales	$ 601,772,615	$ 205,420,869	$ 807,193,484	$ 109,713,075		$ 916,906,559
# Units	33,959	3,049	37,008	1,944		38,952
Gross Profit	$ 87,748,651	$ 20,645,878	$ 108,394,529	$ 11,196,543	$ (47,795)	$ 119,543,277
% of net sales	14.6	10.1	13.4	10.2		13.0
Income Before Income Tax:	$ 51,503,538	$ 10,921,918	$ 62,425,456	$ 6,151,356	$ (2,070,302)	$ 66,506,510
% of net sales	8.6	5.3	7.7	5.6		7.3

Financial Condition and Liquidity

As of January 31, 2005, we had $84,296,571 in cash, cash equivalents and short-term investments, compared to $199,166,146 on July 31, 2004. The decrease in cash equivalents is related to $31,000,000 in capital expenditures, the $28,000,000 acquisition of CrossRoads, and seasonal increases in inventory and receivables. We classify our debt and equity securities as trading or available-for-sale securities. The former are carried on our consolidated balance sheets as Cash and cash equivalents or Investments short term .

Trading securities, principally investment grade securities composed of asset-based notes, mortgage-backed notes and corporate bonds, are generally bought and held for sale in the near term. All other securities are classified as available-for-sale. In each case, securities are carried at fair market value. Unrealized gains and losses on trading securities are included in earnings. Unrealized gains and losses on investments classified as available-for-sale, net of related tax effect, are not included in earnings, but appear as a component of Accumulated other comprehensive income on our consolidated balance sheets until the gain or loss is realized upon the disposition of the investment or if a decline in the fair market value is determined to be other than temporary .

Due to the relative short-term maturity (average 3 months) of our trading securities, we do not believe that a change in the interest rates will have a significant impact on our financial position or results of future operations.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Working capital at January 31, 2005 was $250,904,011 compared to $256,198,030 on July 31, 2004. We have no long-term debt. We currently have a $30,000,000 revolving line of credit which bears interest at negotiated rates below prime and expires on November 30, 2005. There were no borrowings on this line of credit at January 31, 2005. The loan agreement executed in connection with the line of credit contains certain covenants, including restrictions on additional indebtedness, and requires us to maintain certain financial ratios. We believe that internally generated funds and the line of credit will be sufficient to meet our current needs and any additional capital requirements. Capital expenditures of approximately $31,121,000 for the six months ended January 31, 2005 were primarily for planned purchases of leased buildings of approximately $10,100,000 and planned capacity expansions of approximately $21,021,000 in our RV companies.

The Company anticipates additional capital expenditures in fiscal 2005 of approximately $19,444,000. These expenditures will be made primarily to expand our RV companies and for replacement of machinery and equipment to be used in the ordinary course of business.

Critical Accounting Principles

The consolidated financial statements of Thor are prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates, judgments, 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 periods presented. We believe that of our accounting policies, the following may involve a higher degree of judgments, estimates, and complexity:

Impairment of Goodwill, Trademarks and Long-Lived Assets

We at least annually review the carrying value of its goodwill and trademarks with indefinite useful lives. Long-lived assets, identifiable intangibles that are amortized, goodwill and trademarks with indefinite useful lives are also reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from undiscounted future cash flows. This review is performed using estimates of future cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Management believes that the estimates of future cash flows and fair values are reasonable; however, changes in estimates of such cash flows and fair values could affect the evaluations.

Insurance Reserves

Generally, we are self-insured for workers compensation and group medical insurance. Under these plans, liabilities are recognized for claims incurred, including those incurred but not reported, and changes in the reserves. At the time a workers compensation claim is filed, a liability is estimated to settle the claim. The liability for workers compensation claims is determined by a third party administrator using various state statutes and reserve requirements. Group medical reserves are funded through a Trust and are estimated using historical claims experience. We have a self-insured retention for products liability and personal injury matters of $5,000,000 per occurrence. We have established a reserve on our balance sheet for such occurrences based on historical data and actuarial information. We maintain excess liability insurance aggregating $5,000,000 with outside insurance carriers to minimize our risks related to catastrophic claims in excess of all our self-insured positions. Any material change in the aforementioned factors could have an adverse impact on our operating results.

16

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Warranty

We provide customers of our products with a warranty covering defects in material or workmanship for periods generally ranging from one to two years, with longer warranties on certain structural components. We record a liability based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Factors we use 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. A significant increase in dealer shop rates, the cost of parts or the frequency of claims could have a material adverse impact on our operating results for the period or periods in which such claims or additional costs materialize. Management believes that the warranty reserve is adequate; however, actual claims incurred could differ from estimates, requiring adjustments to the reserves. Warranty reserves are reviewed and adjusted as necessary on a quarterly basis.

Forward Looking Statements

This report includes certain statements that are forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 as amended. These forward-looking statements involve uncertainties and risks. There can be no assurance that actual results will not differ from the Company s expectations. Factors which could cause materially different results include, among others, fuel availability, interest rate increases, increased material costs, the success of new product introductions, the pace of acquisitions and cost structure improvements, competition and general economic conditions. The Company disclaims any obligation or undertaking to disseminate any updates or revisions to any change in expectation of the Company after the date hereof or any change in events, conditions or circumstances on which any statement is based except as required by law.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to market risk from changes in foreign currency related to its operations in Canada. However, because of the size of Canadian operations, a hypothetical 10% change in the Canadian dollar as compared to the U.S. dollar would not have a significant impact on the Company s financial position or results of operations. The Company is also exposed to market risks related to interest rates because of its investments in corporate debt securities. A hypothetical 10% change in interest rates would not have a significant impact on the Company s financial position or results of operations.

ITEM 4. Controls and Procedures

As of the end of the period covered by this report, the Company s management, with the participation of the Company s Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedure, as required by Exchange Act Rule 13a-15. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms.

The Company s management, including the Chief Executive Officer and the Chief Financial Officer, does not expect that the Company s disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

There have been no significant changes in the Company s internal controls or in other factors which could significantly affect internal controls over financial reporting subsequent to the date the Company carried out its evaluation.

PART II - Other Information

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs [1]	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
August 2004			288,000	1,712,000
September 2004			288,000	1,712,000
October 2004	323,200	$ 26.27	611,200	1,388,800
November 2004			611,200	1,388,800
December 2004			611,200	1,388,800
January 2005			611,200	1,388,800

Total	323,200	$	26.27

(1) On March 11, 2003, we announced that our Board of Directors had approved a share repurchase program, pursuant to which up to 1,000,000 shares of our common stock may be repurchased. In the second quarter of fiscal 2004, we affected a two-for-one stock split, resulting in 2,000,000 shares authorized for repurchase under the program. At January 31, 2005, 1,388,800 shares of common stock remained authorized for repurchase under the repurchase program. Repurchases may occur periodically within 18 to 24 months of the original announcement of the repurchase program.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

ITEM 6. Exhibits

a.) Exhibits

31.1 Chief Executive Officer s Certification, pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.

31.2 Chief Financial Officer s Certification, pursuant to Section 302 of the Sarbanes- Oxley Act of 2002.

32.1 Chief Executive Officer s Certification, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 2002.

32.2 Chief Financial Officer s Certification, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 2002.

Table of Contents

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 18, 2005

/s/ Wade F. B. Thompson

Wade F. B. Thompson
Chairman of the Board, President
and Chief Executive Officer

DATE: March 18, 2005

/s/ Walter L. Bennett

Walter L. Bennett
Executive Vice President,
Secretary and Chief Financial Officer

20