

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the quarterly period ended April 30, 2024.

☐ 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 001-09235



THOR
Industries

THOR INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

601 E. Beardsley Ave., Elkhart, IN

(Address of principal executive offices)

93-0768752

(I.R.S. Employer
Identification No.)

46514-3305

(Zip Code)

(574) 970-7460

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock (Par value \$0.10 Per Share)	THO	New York Stock Exchange

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, every Interactive Data File required to be submitted 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 such files).

Yes ☒ No ☐

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

As of May 31, 2024, 53,197,791 shares of the registrant's common stock, par value \$0.10 per share, were outstanding.

PART I – FINANCIAL INFORMATION (Unless otherwise indicated, amounts in thousands except share and per share data.)

ITEM 1. FINANCIAL STATEMENTS

THOR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	April 30, 2024	July 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 371,819	\$ 441,232
Accounts receivable, trade, net	642,571	543,865
Accounts receivable, other, net	187,439	99,354
Inventories, net	1,578,147	1,653,070
Prepaid income taxes, expenses and other	90,273	56,059
Total current assets	2,870,249	2,793,580
Property, plant and equipment, net	1,379,541	1,387,808
Other assets:		
Goodwill	1,777,335	1,800,422
Amortizable intangible assets, net	889,373	996,979
Deferred income tax assets, net	12,096	5,770
Equity investments	132,270	126,909
Other	157,333	149,362
Total other assets	2,968,407	3,079,442
TOTAL ASSETS	\$ 7,218,197	\$ 7,260,830
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 802,000	\$ 736,275
Current portion of long-term debt	35,491	11,368
Short-term financial obligations	67,957	49,433
Accrued liabilities:		
Compensation and related items	191,122	189,324
Product warranties	320,457	345,197
Income and other taxes	86,515	100,631
Promotions and rebates	152,960	163,410
Product, property and related liabilities	23,789	54,720
Other	58,804	66,124
Total current liabilities	1,739,095	1,716,482
Long-term debt, net	1,209,054	1,291,311
Deferred income tax liabilities, net	64,544	75,668
Unrecognized tax benefits	12,135	14,835
Other liabilities	185,022	179,136
Total long-term liabilities	1,470,755	1,560,950
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 66,859,738 and 66,344,340 shares, respectively	6,686	6,634
Additional paid-in capital	568,905	539,032
Retained earnings	4,190,126	4,091,563
Accumulated other comprehensive loss, net of tax	(110,541)	(68,547)
Less: Treasury shares of 13,661,947 and 13,030,030, respectively, at cost	(651,946)	(592,667)
Stockholders' equity attributable to THOR Industries, Inc.	4,003,230	3,976,015
Non-controlling interests	5,117	7,383
Total stockholders' equity	4,008,347	3,983,398
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 7,218,197	\$ 7,260,830

See Notes to the Condensed Consolidated Financial Statements.

THOR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2024	2023	2024	2023
Net sales	\$ 2,801,113	\$ 2,928,820	\$ 7,509,241	\$ 8,383,539
Cost of products sold	2,379,261	2,496,183	6,458,610	7,181,491
Gross profit	421,852	432,637	1,050,631	1,202,048
Selling, general and administrative expenses	226,515	210,044	664,536	660,411
Amortization of intangible assets	32,316	35,113	97,124	105,531
Interest expense, net	21,830	26,362	70,256	74,802
Other income (expense), net	1,159	(5,667)	3,111	6,136
Income before income taxes	142,350	155,451	221,826	367,440
Income tax provision	28,773	35,722	47,890	84,482
Net income	113,577	119,729	173,936	282,958
Less: Net loss attributable to non-controlling interests	(934)	(990)	(1,357)	(1,026)
Net income attributable to THOR Industries, Inc.	<u>\$ 114,511</u>	<u>\$ 120,719</u>	<u>\$ 175,293</u>	<u>\$ 283,984</u>
Weighted-average common shares outstanding:				
Basic	53,310,318	53,425,379	53,309,546	53,534,746
Diluted	53,722,154	53,820,400	53,742,146	53,854,542
Earnings per common share:				
Basic	\$ 2.15	\$ 2.26	\$ 3.29	\$ 5.30
Diluted	\$ 2.13	\$ 2.24	\$ 3.26	\$ 5.27
Comprehensive income:				
Net income	\$ 113,577	\$ 119,729	\$ 173,936	\$ 282,958
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustment	(17,773)	21,592	(42,792)	106,640
Unrealized gain (loss) on derivatives, net of tax	—	(452)	—	(309)
Other loss, net of tax	—	—	(111)	(39)
Total other comprehensive income (loss), net of tax	(17,773)	21,140	(42,903)	106,292
Total Comprehensive income	95,804	140,869	131,033	389,250
Less: Comprehensive loss attributable to non-controlling interests	(1,060)	(968)	(2,266)	(1,413)
Comprehensive income attributable to THOR Industries, Inc.	<u>\$ 96,864</u>	<u>\$ 141,837</u>	<u>\$ 133,299</u>	<u>\$ 390,663</u>

See Notes to the Condensed Consolidated Financial Statements.

THOR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended April 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 173,936	\$ 282,958
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	106,424	97,295
Amortization of intangible assets	97,124	105,531
Amortization of debt issuance costs and extinguishment charges	14,900	8,569
Deferred income tax benefit	(18,722)	(9,052)
Gain on disposition of property, plant and equipment	(9,927)	(374)
Stock-based compensation expense	29,049	26,607
Changes in assets and liabilities:		
Accounts receivable, net	(191,483)	143,591
Inventories, net	26,103	(87,841)
Prepaid income taxes, expenses and other	(29,237)	2,119
Accounts payable	79,752	(63,642)
Accrued liabilities	(81,339)	(35,388)
Long-term liabilities and other	10,952	3,747
Net cash provided by operating activities	<u>207,532</u>	<u>474,120</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(106,069)	(150,466)
Proceeds from dispositions of property, plant and equipment	24,682	4,179
Business acquisitions, net of cash acquired	(3,814)	(6,184)
Other	(17,688)	(19,091)
Net cash used in investing activities	<u>(102,889)</u>	<u>(171,562)</u>
Cash flows from financing activities:		
Borrowings on term-loan credit facilities	186,723	—
Payments on term-loan credit facilities	(227,626)	(102,355)
Borrowings on revolving asset-based credit facilities	113,502	—
Payments on revolving asset-based credit facilities	(111,555)	(50,000)
Payments on other debt	(7,361)	(8,155)
Payments of debt issuance costs	(10,480)	—
Cash dividends paid	(76,730)	(71,978)
Payments on finance lease obligations	(557)	(905)
Purchases of treasury shares	(43,034)	(42,007)
Payments related to vesting of stock-based awards	(16,245)	(6,765)
Short-term financial obligations and other, net	20,036	16,097
Net cash used in financing activities	<u>(173,327)</u>	<u>(266,068)</u>
Effect of exchange rate changes on cash and cash equivalents	(729)	5,183
Net increase (decrease) in cash and cash equivalents	(69,413)	41,673
Cash and cash equivalents, beginning of period	441,232	311,553
Cash and cash equivalents, end of period	<u>\$ 371,819</u>	<u>\$ 353,226</u>
Supplemental cash flow information:		
Income taxes paid	\$ 111,269	\$ 118,602
Interest paid	\$ 70,198	\$ 75,877
Non-cash investing and financing transactions:		
Capital expenditures in accounts payable	\$ 2,273	\$ 4,874

See Notes to the Condensed Consolidated Financial Statements.

THOR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2024 AND 2023 (UNAUDITED)

Three Months Ended April 30, 2024										
	Common Stock		Additional	Retained	Accumulated	Treasury Stock		Stockholders'	Non-	Total
	Shares	Amount	Paid-In	Earnings	Other	Shares	Amount	Equity	controlling	Stockholders'
			Capital		Comprehensive			Attributable	Interests	Equity
					Income (Loss)			to THOR		
Balance at February 1, 2024	66,859,738	\$ 6,686	\$ 560,365	\$ 4,101,210	\$ (92,894)	13,535,193	\$(638,949)	\$ 3,936,418	\$ 6,177	\$ 3,942,595
Net income (loss)	—	—	—	114,511	—	—	—	114,511	(934)	113,577
Purchases of treasury shares	—	—	—	—	—	126,754	(12,997)	(12,997)	—	(12,997)
Restricted stock unit activity	—	—	(811)	—	—	—	—	(811)	—	(811)
Dividends \$0.48 per common share	—	—	—	(25,595)	—	—	—	(25,595)	—	(25,595)
Stock-based compensation expense	—	—	9,351	—	—	—	—	9,351	—	9,351
Other comprehensive income (loss)	—	—	—	—	(17,647)	—	—	(17,647)	(126)	(17,773)
Balance at April 30, 2024	66,859,738	\$ 6,686	\$ 568,905	\$ 4,190,126	\$ (110,541)	13,661,947	\$(651,946)	\$ 4,003,230	\$ 5,117	\$ 4,008,347

Nine Months Ended April 30, 2024										
	Common Stock		Additional	Retained	Accumulated	Treasury Stock		Stockholders'	Non-	Total
	Shares	Amount	Paid-In	Earnings	Other	Shares	Amount	Equity	controlling	Stockholders'
			Capital		Comprehensive			Attributable	Interests	Equity
					Income (Loss)			to THOR		
Balance at August 1, 2023	66,344,340	\$ 6,634	\$ 539,032	\$ 4,091,563	\$ (68,547)	13,030,030	\$(592,667)	\$ 3,976,015	\$ 7,383	\$ 3,983,398
Net income (loss)	—	—	—	175,293	—	—	—	175,293	(1,357)	173,936
Purchases of treasury shares	—	—	—	—	—	454,630	(43,034)	(43,034)	—	(43,034)
Restricted stock unit activity	515,398	52	824	—	—	177,287	(16,245)	(15,369)	—	(15,369)
Dividends \$1.44 per common share	—	—	—	(76,730)	—	—	—	(76,730)	—	(76,730)
Stock-based compensation expense	—	—	29,049	—	—	—	—	29,049	—	29,049
Other comprehensive income (loss)	—	—	—	—	(41,994)	—	—	(41,994)	(909)	(42,903)
Balance at April 30, 2024	66,859,738	\$ 6,686	\$ 568,905	\$ 4,190,126	\$ (110,541)	13,661,947	\$(651,946)	\$ 4,003,230	\$ 5,117	\$ 4,008,347

See Notes to the Condensed Consolidated Financial Statements.

THOR INDUSTRIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2024 AND 2023 (UNAUDITED)

Three Months Ended April 30, 2023										
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Stockholders' Equity Attributable to THOR	Non- controlling Interests	Total Stockholders' Equity
	Shares	Amount				Shares	Amount			
Balance at February 1, 2023	66,334,072	\$ 6,633	\$ 517,510	\$ 3,928,361	\$ (96,046)	12,815,099	\$(575,675)	\$ 3,780,783	\$ 7,347	\$ 3,788,130
Net income (loss)	—	—	—	120,719	—	—	—	120,719	(990)	119,729
Purchases of treasury shares	—	—	—	—	—	210,799	(16,600)	(16,600)	—	(16,600)
Restricted stock unit activity	—	—	18	—	—	—	—	18	—	18
Dividends \$0.45 per common share	—	—	—	(23,813)	—	—	—	(23,813)	—	(23,813)
Stock-based compensation expense	—	—	9,672	—	—	—	—	9,672	—	9,672
Other comprehensive income (loss)	—	—	—	—	21,118	—	—	21,118	22	21,140
Balance at April 30, 2023	66,334,072	\$ 6,633	\$ 527,200	\$ 4,025,267	\$ (74,928)	13,025,898	\$(592,275)	\$ 3,891,897	\$ 6,379	\$ 3,898,276
Nine Months Ended April 30, 2023										
	Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Stockholders' Equity Attributable to THOR	Non- controlling Interests	Total Stockholders' Equity
	Shares	Amount				Shares	Amount			
Balance at August 1, 2022	66,059,403	\$ 6,606	\$ 497,946	\$ 3,813,261	\$ (181,607)	12,382,441	\$(543,344)	\$ 3,592,862	\$ 7,792	\$ 3,600,654
Net income (loss)	—	—	—	283,984	—	—	—	283,984	(1,026)	282,958
Purchases of treasury shares	—	—	—	—	—	549,532	(42,007)	(42,007)	—	(42,007)
Restricted stock unit activity	274,669	27	2,647	—	—	93,925	(6,924)	(4,250)	—	(4,250)
Dividends \$1.35 per common share	—	—	—	(71,978)	—	—	—	(71,978)	—	(71,978)
Stock-based compensation expense	—	—	26,607	—	—	—	—	26,607	—	26,607
Other comprehensive income (loss)	—	—	—	—	106,679	—	—	106,679	(387)	106,292
Balance at April 30, 2023	66,334,072	\$ 6,633	\$ 527,200	\$ 4,025,267	\$ (74,928)	13,025,898	\$(592,275)	\$ 3,891,897	\$ 6,379	\$ 3,898,276

See Notes to the Condensed Consolidated Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(All U.S. Dollar and Euro amounts presented in thousands except share and per share data or except as otherwise specified)

1. Nature of Operations and Accounting Policies

Nature of Operations

THOR Industries, Inc. was founded in 1980 and is the sole owner of operating subsidiaries (collectively, the “Company” or “THOR”), that, combined, represent the world's largest manufacturer of recreational vehicles (“RVs”). The Company manufactures a wide variety of RVs in the United States and Europe and sells those vehicles, as well as related parts and accessories, primarily to independent, non-franchise dealers throughout the United States, Canada and Europe. Unless the context requires or indicates otherwise, all references to “THOR,” the “Company,” “we,” “our” and “us” refer to THOR Industries, Inc. and its subsidiaries.

The July 31, 2023 amounts are derived from the annual audited financial statements of THOR. 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, 2023. Due to seasonality within the recreational vehicle industry, the impact of supply chain disruptions primarily in Europe, inflation and shifting consumer demand on our industry, among other factors, annualizing the results of operations for the nine months ended April 30, 2024 would not necessarily be indicative of the results expected for the full fiscal year.

Recently Issued Accounting Standards Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update No. 2023-07 (“ASU 2023-07”) “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures”, which requires additional disclosures about significant segment expenses regularly provided to the Chief Operating Decision Maker. ASU 2023-07 is effective for annual reporting periods beginning after December 15, 2023, or the annual report for fiscal 2025 for the Company, and interim periods within fiscal years beginning after December 15, 2024, or interim periods starting in fiscal 2026 for the Company. Early adoption is permitted. We are currently evaluating the impact of ASU 2023-07 on our consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”, requiring enhancements and further transparency to certain income tax disclosures. Under this ASU, entities must disclose, on an annual basis, specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold. In addition, ASU 2023-09 requires entities to disclose additional information about income taxes paid. The new standard also eliminates certain existing disclosure requirements related to uncertain tax positions and unrecognized deferred tax liabilities. ASU 2023-09 is effective for financial statements for annual periods beginning after December 15, 2024. This ASU is effective for the Company in its fiscal year 2026 beginning on August 1, 2025. Early adoption is permitted. The Company is currently evaluating the potential impact of adopting this guidance on the consolidated financial statements.

2. Business Segments

The Company has three reportable segments, all related to recreational vehicles: (1) North American Towable Recreational Vehicles, (2) North American Motorized Recreational Vehicles and (3) European Recreational Vehicles. The operations of the Company's Airxcel and Postle subsidiaries are included in "Other". Net sales included in Other relate primarily to the sale of specialized component parts and aluminum extrusions. Intercompany eliminations adjust for Airxcel and Postle sales to the Company's North American Towable and North American Motorized segments, which are consummated at established transfer prices generally consistent with the selling prices of products to third parties.

The following tables reflect certain financial information by reportable segment:

NET SALES:	Three Months Ended April 30,		Nine Months Ended April 30,	
	2024	2023	2024	2023
Recreational vehicles				
North American Towable	\$ 1,071,393	\$ 1,124,410	\$ 2,747,815	\$ 3,271,967
North American Motorized	646,948	795,940	1,928,531	2,658,042
Total North America	1,718,341	1,920,350	4,676,346	5,930,009
European	931,061	866,751	2,421,556	2,017,991
Total recreational vehicles	2,649,402	2,787,101	7,097,902	7,948,000
Other	216,227	201,164	581,682	598,671
Intercompany eliminations	(64,516)	(59,445)	(170,343)	(163,132)
Total	\$ 2,801,113	\$ 2,928,820	\$ 7,509,241	\$ 8,383,539

INCOME (LOSS) BEFORE INCOME TAXES:	Three Months Ended April 30,		Nine Months Ended April 30,	
	2024	2023	2024	2023
Recreational vehicles				
North American Towable	\$ 68,409	\$ 77,583	\$ 118,319	\$ 181,471
North American Motorized	33,172	48,186	96,684	234,163
Total North America	101,581	125,769	215,003	415,634
European	77,382	72,401	144,206	77,948
Total recreational vehicles	178,963	198,170	359,209	493,582
Other, net	18,831	16,970	35,650	30,004
Corporate	(55,444)	(59,689)	(173,033)	(156,146)
Total	\$ 142,350	\$ 155,451	\$ 221,826	\$ 367,440

TOTAL ASSETS:	April 30, 2024		July 31, 2023	
Recreational vehicles				
North American Towable	\$ 1,412,923	\$ 1,429,899		
North American Motorized	1,180,707	1,268,109		
Total North America	2,593,630	2,698,008		
European	2,983,548	2,898,175		
Total recreational vehicles	5,577,178	5,596,183		
Other	1,045,512	1,048,076		
Corporate	595,507	616,571		
Total	\$ 7,218,197	\$ 7,260,830		

DEPRECIATION AND INTANGIBLE ASSET AMORTIZATION EXPENSE:	Three Months Ended April 30,		Nine Months Ended April 30,	
	2024	2023	2024	2023
Recreational vehicles				
North American Towable	\$ 13,555	\$ 15,188	\$ 41,107	\$ 45,653
North American Motorized	8,556	8,114	26,347	24,447
Total North America	22,111	23,302	67,454	70,100
European	31,517	29,840	93,050	85,855
Total recreational vehicles	53,628	53,142	160,504	155,955
Other	13,865	14,563	41,159	45,549
Corporate	658	446	1,885	1,322
Total	\$ 68,151	\$ 68,151	\$ 203,548	\$ 202,826

CAPITAL ACQUISITIONS:	Three Months Ended April 30,		Nine Months Ended April 30,	
	2024	2023	2024	2023
Recreational vehicles				
North American Towable	\$ 3,726	\$ 14,367	\$ 15,099	\$ 52,361
North American Motorized	2,642	4,918	15,503	34,248
Total North America	6,368	19,285	30,602	86,609
European	13,268	15,889	44,144	36,960
Total recreational vehicles	19,636	35,174	74,746	123,569
Other	5,762	13,144	20,297	25,913
Corporate	945	854	7,852	1,125
Total	\$ 26,343	\$ 49,172	\$ 102,895	\$ 150,607

3. Earnings Per Common Share

The following table reflects the weighted-average common shares used to compute basic and diluted earnings per common share as included on the Condensed Consolidated Statements of Income and Comprehensive Income:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2024	2023	2024	2023
Weighted-average common shares outstanding for basic earnings per share	53,310,318	53,425,379	53,309,546	53,534,746
Unvested restricted and performance stock units	411,836	395,021	432,600	319,796
Weighted-average common shares outstanding assuming dilution	53,722,154	53,820,400	53,742,146	53,854,542

For the three months ended April 30, 2024 and 2023, the Company had 43,000 and 113,964 unvested restricted stock units and performance stock units outstanding, respectively, which were excluded from this calculation as their effect would have been antidilutive. For the nine months ended April 30, 2024 and 2023, the Company had 34,125 and 162,565 unvested restricted stock units and performance stock units outstanding, respectively, which were excluded from this calculation as their effect would have been antidilutive.

4. Derivatives and Hedging

The total amounts presented in the Condensed Consolidated Statements of Income and Comprehensive Income due to changes in the fair value of the derivative instruments are as follows:

	Three Months Ended April 30,	
	2024	2023
Gain (Loss) on Derivatives Designated as Cash Flow Hedges		
Gain (Loss) recognized in Other Comprehensive Income, net of tax		
Interest rate swap agreements ⁽¹⁾	\$ —	\$ (452)
Total gain (loss)	\$ —	\$ (452)

⁽¹⁾ Other comprehensive income (loss), net of tax, before reclassification from accumulated other comprehensive income (“AOCI”) was \$0 and \$16 for the three months ended April 30, 2024 and 2023, respectively.

	Nine Months Ended April 30,	
	2024	2023
Gain (Loss) on Derivatives Designated as Cash Flow Hedges		
Gain (Loss) recognized in Other Comprehensive Income, net of tax		
Interest rate swap agreements ⁽²⁾	\$ —	\$ (367)
Total gain (loss)	\$ —	\$ (367)

⁽²⁾ Other comprehensive income (loss), net of tax, before reclassification from AOCI was \$0 and \$734 for the nine months ended April 30, 2024 and 2023, respectively.

	Three Months Ended April 30,			
	2024		2023	
	Sales	Interest Expense	Sales	Interest Expense
Gain (Loss) Reclassified from AOCI, Net of Tax				
Interest rate swap agreements	\$ —	\$ —	\$ —	\$ 468
Gain (Loss) on Derivatives Not Designated as Hedging Instruments				
Gain (loss) recognized in income, net of tax				
Foreign currency forward contracts	(278)	—	690	—
Interest rate swap agreements	—	45	—	11
Total gain (loss)	\$ (278)	\$ 45	\$ 690	\$ 479

	Nine Months Ended April 30,			
	2024		2023	
	Sales	Interest Expense	Sales	Interest Expense
Gain (Loss) Reclassified from AOCL, Net of Tax				
Foreign currency forward contracts	\$ —	\$ —	\$ (58)	\$ —
Interest rate swap agreements	—	—	—	1,101
Gain (Loss) on Derivatives Not Designated as Hedging Instruments				
Gain (loss) recognized in income, net of tax				
Foreign currency forward contracts	(353)	—	2,636	—
Commodities swap agreements	—	—	(2,229)	—
Interest rate swap agreements	—	(94)	—	182
Total gain (loss)	\$ (353)	\$ (94)	\$ 349	\$ 1,283

As of April 30, 2024 and July 31, 2023 there were no derivative instruments designated as cash flow hedges. The Company has certain other derivative instruments which have not been designated as hedges. These other derivative instruments had a notional amount totaling approximately \$49,681 and a fair value liability of \$1,287 as of April 30, 2024. These other derivative instruments had a notional amount totaling approximately \$25,248 and a fair value liability of \$932 as of July 31, 2023. For these derivative instruments, changes in fair value are recognized in earnings.

Net Investment Hedges

The foreign currency transaction gains and losses on the Euro-denominated portion of the term loan, which is designated and effective as a hedge of the Company's net investment in its Euro-denominated functional currency subsidiaries, are included as a component of the foreign currency translation adjustment. A gain, net of tax, was included in the foreign currency translation adjustment of \$2,984 for the three months ended April 30, 2024 and a gain of \$10,156 was included for the nine months ended April 30, 2024. Losses, net of tax, included in the foreign currency translation adjustments were \$4,901 for the three months ended April 30, 2023 and \$25,813 for the nine months ended April 30, 2023.

There were no amounts reclassified out of AOCI pertaining to the net investment hedge during the three and nine-month periods ended April 30, 2024 and April 30, 2023, respectively.

5. Inventories

Major classifications of inventories are as follows:

	April 30, 2024	July 31, 2023
Finished goods – RV	\$ 272,428	\$ 164,456
Finished goods – other	87,423	93,476
Work in process	322,181	313,006
Raw materials	452,493	563,614
Chassis	598,226	681,122
Subtotal	1,732,751	1,815,674
Excess of FIFO costs over LIFO costs	(154,604)	(162,604)
Total inventories, net	\$ 1,578,147	\$ 1,653,070

Of the \$1,732,751 and \$1,815,674 of inventories at April 30, 2024 and July 31, 2023, \$1,292,488 and \$1,224,069, respectively, were valued on the first-in, first-out ("FIFO") method, and \$440,263 and \$591,605, respectively, were valued on the last-in, first-out ("LIFO") method.

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	April 30, 2024	July 31, 2023
Land	\$ 145,878	\$ 147,633
Buildings and improvements	1,055,126	1,038,394
Machinery and equipment	703,876	672,499
Rental vehicles	122,317	99,360
Lease right-of-use assets – operating	43,780	47,969
Lease right-of-use assets – finance	4,959	5,518
Total cost	2,075,936	2,011,373
Less: Accumulated depreciation	(696,395)	(623,565)
Property, plant and equipment, net	\$ 1,379,541	\$ 1,387,808

See Note 15 to the Condensed Consolidated Financial Statements for further information regarding the lease right-of-use assets.

7. Intangible Assets and Goodwill

The components of Amortizable intangible assets, net are as follows:

	April 30, 2024		July 31, 2023	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Dealer networks/customer relationships	\$ 1,102,818	\$ 586,834	\$ 1,112,273	\$ 526,327
Trademarks	352,175	108,774	355,560	96,087
Design technology and other intangibles	253,988	124,000	258,868	107,483
Non-compete agreements	1,400	1,400	1,400	1,225
Total amortizable intangible assets	\$ 1,710,381	\$ 821,008	\$ 1,728,101	\$ 731,122

Estimated future amortization expense is as follows:

For the remainder of the fiscal year ending July 31, 2024	\$ 32,217
For the fiscal year ending July 31, 2025	117,211
For the fiscal year ending July 31, 2026	105,987
For the fiscal year ending July 31, 2027	97,308
For the fiscal year ending July 31, 2028	89,963
For the fiscal year ending July 31, 2029 and thereafter	446,687
	\$ 889,373

Changes in the carrying amount of Goodwill by reportable segment for the nine months ended April 30, 2024 are summarized as follows:

	North American Towable	North American Motorized	European	Other	Total
Net balance as of August 1, 2023	\$ 337,883	\$ 65,064	\$ 965,758	\$ 431,717	\$ 1,800,422
Fiscal 2024 activity:					
Goodwill acquired	—	—	—	3,635	3,635
Foreign currency translation	—	—	(26,722)	—	(26,722)
Net balance as of April 30, 2024	<u>\$ 337,883</u>	<u>\$ 65,064</u>	<u>\$ 939,036</u>	<u>\$ 435,352</u>	<u>\$ 1,777,335</u>

Changes in the carrying amount of Goodwill by reportable segment for the nine months ended April 30, 2023 are summarized as follows:

	North American Towable	North American Motorized	European	Other	Total
Net balance as of August 1, 2022	\$ 344,975	\$ 53,875	\$ 893,383	\$ 511,918	\$ 1,804,151
Fiscal 2023 activity:					
Goodwill acquired	4,097	—	—	—	4,097
Measurement period adjustments	—	—	—	4,682	4,682
Foreign currency translation	—	—	68,696	—	68,696
Deconsolidation of Roadpass Digital	—	—	—	(84,883)	(84,883)
Net balance as of April 30, 2023	<u>\$ 349,072</u>	<u>\$ 53,875</u>	<u>\$ 962,079</u>	<u>\$ 431,717</u>	<u>\$ 1,796,743</u>

8. Equity Investments

As discussed in Note 8 to the Company's Consolidated Financial Statements included in the Fiscal 2023 Form 10-K, effective December 30, 2022, the Company formed a joint venture with TechNexus Holdings LLC ("TechNexus"), whereby the Company transferred TH2Connect, LLC d/b/a Roadpass Digital and its associated legal entities to TN-RP Holdings, LLC ("TN-RP"), following which the Company and TechNexus own 100% of the Class A-RP units and Class C-RP units, respectively, issued by TN-RP.

TN-RP is a variable interest entity ("VIE"), in which both the Company and TechNexus each have a variable interest. The Company's equity interest, which entitles the Company to a share of future distributions from TN-RP, represents a variable interest. The Company has significant influence due to its Class A-RP unit ownership interest, non-majority seats on the TN-RP advisory board and certain protective rights, and therefore the Company's investment in TN-RP is accounted for under the equity method of accounting and reported as a component of Equity investments in the Condensed Consolidated Balance Sheets. Similarly, the Company holds an additional investment that is also a VIE over which the Company has significant influence. This is also reported as a component of Equity investments in the Condensed Consolidated Balance Sheets.

The Company had the following aggregate investment and maximum exposure to loss related to these VIEs:

	April 30, 2024	July 31, 2023
Carrying amount of investments	\$ 132,270	\$ 126,909
Maximum exposure to loss	\$ 148,039	\$ 161,459

The Company's share of gains and losses accounted for under the equity method of accounting are included in Other income, net in the Condensed Consolidated Statements of Income and Comprehensive Income. The losses recognized in the three and nine months ended April 30, 2024 were \$2,890 and \$12,327, respectively, and the losses recognized in the three and nine months ended April 30, 2023 were \$4,646 and \$6,045, respectively.

9. Concentration of Risk

One dealer, FreedomRoads, LLC, accounted for 14% of the Company's consolidated net sales for the three-month period ended April 30, 2024 and 11% of the Company's consolidated net sales for the three-month period ended April 30, 2023, and accounted for 14% of the Company's consolidated net sales for the nine-month period ended April 30, 2024 and 13% for the nine-month period ended April 30, 2023. The majority of the sales to this dealer are reported within the North American Towable and North American Motorized segments. This dealer also accounted for 16% of the Company's consolidated trade accounts receivable at April 30, 2024 and 13% at July 31, 2023. The loss of this dealer could have a material adverse effect on the Company's business.

10. Fair Value Measurements

The financial assets and liabilities that are accounted for at fair value on a recurring basis at April 30, 2024 and July 31, 2023 are as follows:

	Input Level	April 30, 2024		July 31, 2023	
Cash equivalents	Level 1	\$	202,961	\$	286,984
Deferred compensation plan mutual fund assets	Level 1	\$	37,538	\$	40,220
Equity investments	Level 1	\$	1,286	\$	4,105
Foreign currency forward contract liability	Level 2	\$	251	\$	—
Interest rate swap liability	Level 2	\$	1,036	\$	932

Cash equivalents represent investments in short-term money market instruments that are direct obligations of the U.S. Treasury and/or repurchase agreements backed by U.S. Treasury obligations. These investments are reported as a component of Cash and cash equivalents in the Condensed Consolidated Balance Sheets.

Deferred compensation plan assets accounted for at fair value are investments in securities (primarily mutual funds) traded in an active market held for the benefit of certain employees of the Company as part of a deferred compensation plan, which are reported within Other assets in the Condensed Consolidated Balance Sheets. Additional plan investments in corporate-owned life insurance are recorded at their cash surrender value, not fair value, and therefore are not included above.

Equity investments represent stock investments that are publicly traded in an active market and are reported within Other assets in the Condensed Consolidated Balance Sheets.

The fair value of foreign currency forward contracts is estimated by discounting the difference between the contractual forward price and the current available forward price for the residual maturity of the contract using observable market rates.

The fair value of interest rate swaps is determined by discounting the estimated future cash flows based on the applicable observable yield curves.

11. Product Warranties

The Company generally provides retail customers of its products with a one-year or two-year warranty covering defects in material or workmanship, with longer warranties on certain structural components.

Changes in our product warranty liability during the indicated periods are as follows:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2024	2023	2024	2023
Beginning balance	\$ 319,614	\$ 326,665	\$ 345,197	\$ 317,908
Provision	84,327	94,971	225,240	256,752
Payments	(82,853)	(82,719)	(248,379)	(238,363)
Foreign currency translation	(631)	781	(1,601)	3,401
Ending balance	<u>\$ 320,457</u>	<u>\$ 339,698</u>	<u>\$ 320,457</u>	<u>\$ 339,698</u>

12. Long-Term Debt

The components of long-term debt are as follows:

	April 30, 2024	July 31, 2023
Term loan	\$ 703,694	\$ 758,094
Senior unsecured notes	500,000	500,000
Unsecured notes	26,795	27,558
Other debt	33,306	41,753
Total long-term debt	1,263,795	1,327,405
Debt issuance costs, net of amortization	(19,250)	(24,726)
Total long-term debt, net of debt issuance costs	1,244,545	1,302,679
Less: Current portion of long-term debt	(35,491)	(11,368)
Total long-term debt, net, less current portion	<u>\$ 1,209,054</u>	<u>\$ 1,291,311</u>

As discussed in Note 13 to the Company's Consolidated Financial Statements included in the Fiscal 2023 Form 10-K, the Company is a party to a term loan ("term loan") agreement, which consists of a U.S. dollar-denominated term loan tranche and a Euro-denominated term loan tranche, and a \$1,000,000 revolving asset-based credit facility ("ABL").

On November 15, 2023, the Company entered into amendments to both its term loan and ABL agreements to extend maturities and lower the applicable margins used to determine the interest rate on the U.S. dollar-denominated term loan tranche. Pursuant to the term loan amendments, the applicable margin used to determine the interest rate on U.S. dollar-denominated loans was reduced by 0.25% so that the applicable margin for Alternate Base Rate ("ABR")-based loans is 1.75% and 2.75% for Secured Overnight Financing Rate ("SOFR")-based loans. The SOFR credit spread adjustment applicable to U.S. dollar-denominated SOFR-based loans was eliminated. The applicable margin for Euro-denominated EURIBOR-based loans was unchanged. The maturity date for the term loan was extended from February 1, 2026 to November 15, 2030. Covenants and other material provisions of the term loan agreement remain materially unchanged. Following the amendments, the principal amounts outstanding under the term loan agreement were \$450,000 on the U.S. dollar-denominated term loan tranche and 330,000 Euro on the Euro-denominated term loan tranche. Under the provisions of the amended term loan, both the U.S. and Euro tranches require annual principal payments of 1.0% of the new term loan balance, payable quarterly in 0.25% installments starting on May 1, 2024. As of April 30, 2024, the Company had made sufficient payments on the U.S term loan tranche to satisfy all future annual principal payment requirements on the U.S. term loan over the term of the loan. Pursuant to the ABL amendment, the maturity date for loans under the ABL agreement was extended from September 1, 2026 to November 15, 2028. Maximum availability under the ABL remains at \$1,000,000 and there were no borrowings outstanding as of the November 15, 2023 amendment date. The applicable margin, covenants and other material provisions of the ABL remain materially unchanged.

The November 15, 2023 debt amendments noted above were evaluated on a creditor-by-creditor basis pursuant to the requirements in ASC 470-50 related to syndicated loan arrangements. Extinguishment accounting was applied to the creditors that were deemed to have a substantial difference in terms based on an analysis of the present values of cash flows before and after the amendments. As a result of this analysis, the Company recorded expense of \$14,741 in the second quarter of fiscal 2024. \$7,566 of this \$14,741 expense is classified as interest expense in the Company's Condensed Consolidated Statements of Income and Comprehensive Income and primarily represents extinguishment charges, while the remaining \$7,175 is classified as administrative expense and primarily represents third-party costs attributed to the modified loans. In addition, during the second quarter of fiscal 2024 the Company capitalized qualifying financing-related costs of \$10,480 related to these amendments which will be amortized over the remaining term of the amended agreements subject to acceleration for early term loan principal payments.

As of April 30, 2024, the outstanding U.S. term loan tranche balance of \$350,000 was subject to a SOFR-based rate totaling 8.069%. As of July 31, 2023, the outstanding U.S. term loan tranche balance of \$271,900 was subject to a SOFR-based rate totaling 8.433%. The interest rate on the April 30, 2024 outstanding Euro term loan tranche balance of \$353,694 was 6.855%, and the interest rate on the July 31, 2023 outstanding Euro term loan tranche of \$486,194 was 6.625%.

As of April 30, 2024 and July 31, 2023, there were no outstanding ABL borrowings. The Company may, generally at its option, pay any borrowings under the ABL, in whole or in part, at any time and from time to time, without penalty or premium.

Availability under the ABL agreement is subject to a borrowing base based on a percentage of applicable eligible receivables and eligible inventory. The unused availability under the ABL is generally available to the Company for general operating purposes and, based on April 30, 2024 eligible receivables and inventory balances, net of amounts drawn, totaled approximately \$998,000.

As discussed in Note 13 to the Company's Consolidated Financial Statements included in the Fiscal 2023 Form 10-K, on October 14, 2021, the Company issued an aggregate principal amount of \$500,000 of 4.000% Senior Unsecured Notes ("Senior Unsecured Notes") that will mature on October 15, 2029 unless redeemed or repurchased earlier. Interest on the Senior Unsecured Notes is payable in semi-annual installments on April 15 and October 15 of each year.

The unsecured notes of 25,000 Euro (\$26,795) relate to long-term debt of our European segment. There are two series, 20,000 Euro (\$21,436) with an interest rate of 1.945% maturing in March 2025, and 5,000 Euro (\$5,359) with an interest rate of 2.534% maturing in March 2028. Other debt relates primarily to real estate loans with varying maturity dates through September 2032 and interest rates ranging from 2.38% to 2.87%.

Total contractual gross debt maturities are as follows:

For the remainder of the fiscal year ending July 31, 2024	\$	4,605
For the fiscal year ending July 31, 2025		35,730
For the fiscal year ending July 31, 2026		6,628
For the fiscal year ending July 31, 2027		6,163
For the fiscal year ending July 31, 2028		11,586
For the fiscal year ending July 31, 2029 and thereafter		1,199,083
	\$	<u>1,263,795</u>

For the three and nine months ended April 30, 2024, interest expense on total long-term debt was \$24,366 and \$78,113, respectively, which includes amortization of capitalized debt issuance costs in both periods, and the debt extinguishment charges noted above in the nine months ended April 30, 2024, totaling \$3,036 and \$14,900, respectively. For the three and nine months ended April 30, 2023, interest expense on total long-term debt was \$24,994 and \$69,237, respectively, which includes amortization of debt issuance costs of \$2,872 and \$8,569, respectively.

The fair value of the Company's Senior Unsecured Notes at April 30, 2024 and July 31, 2023 was \$433,600 and \$430,650, respectively. The fair value of all other debt held by the Company approximates carrying value. The fair values of the Company's long-term debt are primarily estimated using Level 2 inputs as defined by ASC 820, based on quoted prices in markets that are not active.

Subsequent to April 30, 2024, the Company made a payment of \$27,110 against the principal balance of its Euro term loan. This payment was sufficient to satisfy all future annual principal payment requirements on the Euro term loan.

13. Provision for Income Taxes

The overall effective income tax rate for the three months ended April 30, 2024 was 20.2%, and the effective income tax rate for the nine months ended April 30, 2024 was 21.6%. These rates were both favorably impacted by the terms of the resolution of certain matters discussed in Note 14 to the Condensed Consolidated Financial Statements, as the Company expects certain payments made related to these matters to be deductible for tax purposes.

The overall effective income tax rate for the three months ended April 30, 2023 was 23.0%, and the effective income tax rate for the nine months ended April 30, 2023 was 23.0%. These rates were both favorably impacted by certain foreign rate differences and mix of earnings between foreign and domestic operations which include certain interest income not subject to corporate income tax.

Within the next 12 months, the Company does not anticipate any material changes in its unrecognized tax benefits recorded as of April 30, 2024.

The Company files income tax returns in the U.S. federal jurisdiction and in many U.S. state and foreign jurisdictions. The Company is currently under exam by certain foreign jurisdictions for fiscal years ended 2016 through 2021. The Company believes it has adequately reserved for its exposure to additional payments for uncertain tax positions in its liability for unrecognized tax benefits.

14. Contingent Liabilities, Commitments and Legal Matters

The Company's total commercial commitments under standby repurchase obligations on global dealer inventory financing were \$3,904,068 and \$3,893,048 as of April 30, 2024 and July 31, 2023, respectively. The commitment term is generally up to 18 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. This deferred amount is included in the repurchase and guarantee reserve balances of \$14,865 and \$12,114 as of April 30, 2024 and July 31, 2023, respectively, which is included in Other current liabilities in the Condensed Consolidated Balance Sheets.

Losses incurred related to repurchase agreements that were settled during the three months ended April 30, 2024 were not material and totaled \$6,487 for the nine months ended April 30, 2024, and losses during the three and nine months ended April 30, 2023 were not material. Estimating the timing and volume of any potential future repurchase demands, and the related losses to the Company, is difficult and subject to uncertainty. As of April 30, 2024, the Company is not aware of any specific information that would indicate future losses under these agreements would have a material effect on the Company's consolidated financial position, results of operations or cash flows.

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. Based on current conditions, management does not believe the ultimate disposition of any current legal proceedings or claims against the Company will 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.

A product recall was issued in late fiscal 2021 related to certain purchased parts utilized in certain of our products, and a reserve to cover anticipated costs was established at that time. Starting in fiscal 2022, the reserve has been adjusted quarterly based on developments involving the recall, including our expectations regarding the extent of vendor reimbursements and the estimated total cost of the recall. The Company has been, and will continue to be, reimbursed for a portion of the costs it will incur related to this recall. In addition, the Company accrued expenses during fiscal 2022 based on developments related to an investigation by certain German-based authorities regarding the adequacy of historical disclosures of vehicle weight in advertisements and other Company-provided literature in Germany. The Company has fully cooperated with the investigation. For the three months ended April 30, 2024, the Company's adjustments related to these two matters were not material, and for the nine months ended April 30, 2024 the Company recognized income of \$16,900 as a component of selling, general and administrative expense from adjustments related to these two matters. The German weight disclosure investigation was substantially resolved and paid in the third quarter of fiscal 2024 in an amount not materially different from the amount previously accrued. For the three and nine months ended April 30, 2023, the Company's adjustments related to these two matters were not material. Based on current available information, the Company does not believe there will be a material adverse impact to our future results of operations and cash flows due to these matters.

15. Leases

The Company has operating leases principally for land, buildings and equipment, and has various finance leases for certain land and buildings expiring through 2035.

Certain of the Company's leases include options to extend or terminate the leases, and these options have been included in the relevant lease term to the extent that they are reasonably certain to be exercised.

The Company does not include significant restrictions or covenants in our lease agreements, and residual value guarantees are not generally included within our operating leases.

The components of lease costs for the three and nine-month periods ended April 30, 2024 and April 30, 2023 were as follows:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2024	2023	2024	2023
Operating lease cost	\$ 7,980	\$ 7,709	\$ 23,619	\$ 22,172
Finance lease cost				
Amortization of right-of-use assets	186	186	559	559
Interest on lease liabilities	74	94	235	299
Total lease cost	<u>\$ 8,240</u>	<u>\$ 7,989</u>	<u>\$ 24,413</u>	<u>\$ 23,030</u>

Other information related to leases was as follows:

<u>Supplemental Cash Flows Information</u>	Nine Months Ended April 30,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 23,555	\$ 22,092
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 5,591	\$ 13,388

Supplemental Balance Sheet Information

	April 30, 2024	July 31, 2023
Operating leases:		
Operating lease right-of-use assets	\$ 43,780	\$ 47,969
Operating lease liabilities:		
Other current liabilities	\$ 11,215	\$ 11,238
Other long-term liabilities	32,791	36,775
Total operating lease liabilities	<u>\$ 44,006</u>	<u>\$ 48,013</u>

Finance leases:

Finance lease right-of-use assets	\$ 4,959	\$ 5,518
Finance lease liabilities:		
Other current liabilities	\$ 829	\$ 754
Other long-term liabilities	2,090	2,722
Total finance lease liabilities	<u>\$ 2,919</u>	<u>\$ 3,476</u>

	April 30, 2024	July 31, 2023
Weighted-average remaining lease term:		
Operating leases	9.1 years	9.3 years
Finance leases	3.1 years	3.8 years
Weighted-average discount rate:		
Operating leases	4.9 %	4.7 %
Finance leases	9.7 %	9.7 %

Future minimum payments required under operating and finance leases as of April 30, 2024 were as follows:

	Operating Leases	Finance Leases
For the remainder of the fiscal year ending July 31, 2024	\$ 4,744	\$ 269
For the fiscal year ending July 31, 2025	15,691	1,083
For the fiscal year ending July 31, 2026	11,264	1,107
For the fiscal year ending July 31, 2027	7,442	896
For the fiscal year ending July 31, 2028	4,746	58
For the fiscal year ending July 31, 2029 and thereafter	16,455	—
Total future lease payments	60,342	3,413
Less: Amount representing interest	(16,336)	(494)
Total reported lease liability	<u>\$ 44,006</u>	<u>\$ 2,919</u>

16. Stockholders' Equity

Stock-based Compensation

Total stock-based compensation expense recognized in the three-month periods ended April 30, 2024 and April 30, 2023 for stock-based awards totaled \$9,351 and \$9,672, respectively. Total stock-based compensation expense recognized in the nine-month periods ended April 30, 2024 and April 30, 2023 for stock-based awards totaled \$29,049 and \$26,607, respectively.

Share Repurchase Program

As discussed in Note 17 to the Company's Consolidated Financial Statements included in the Fiscal 2023 Form 10-K, on December 21, 2021, the Company's Board of Directors authorized Company management to utilize up to \$250,000 to purchase shares of the Company's common stock through December 21, 2024. On June 24, 2022, the Board authorized Company management to utilize up to an additional \$448,321 to repurchase shares of the Company's common stock through July 31, 2025.

During the three months ended April 30, 2024, the Company purchased 126,754 shares of its common stock, at various times in the open market, at a weighted-average price of \$102.54 and held them as treasury shares at an aggregate purchase price of \$12,997, with 125,318 shares, or \$12,849, coming from the December 21, 2021 authorization and 1,436 shares, or \$148, coming from the June 24, 2022 authorization.

During the nine months ended April 30, 2024, the Company purchased 454,630 shares of its common stock, at various times in the open market, at a weighted-average price of \$94.66 and held them as treasury shares at an aggregate purchase price of \$43,034, with 453,194 shares, or \$42,886, coming from the December 21, 2021 authorization and 1,436 shares, or \$148, coming from the June 24, 2022 authorization. Since the inception of the initial December 21, 2021 authorization, the Company has purchased 2,948,405 shares of its common stock, at various times in the open market, at a weighted-average price of \$84.84 and held them as treasury shares at an aggregate purchase price of \$250,148.

As of April 30, 2024, there are no remaining shares of the Company's common stock that may be repurchased under the December 21, 2021 authorization. As of April 30, 2024, the remaining amount of the Company's common stock that may be repurchased under the June 24, 2022 authorization expiring on July 31, 2025 is \$448,173.

17. Revenue Recognition

The table below disaggregates revenue to the level that the Company believes best depicts how the nature, amount, timing and uncertainty of the Company's revenue and cash flows are affected by economic factors. Other RV-related revenues shown below in the European Recreational Vehicle segment include sales related to accessories and services, new and used vehicle sales at owned dealerships and RV rentals. Performance obligations for all material revenue streams are recognized at a point-in-time. Other sales relate primarily to component part sales to RV original equipment manufacturers and aftermarket sales through dealers and retailers, as well as aluminum extruded components.

NET SALES:	Three Months Ended April 30,		Nine Months Ended April 30,	
	2024	2023	2024	2023
Recreational vehicles				
North American Towable				
Travel Trailers	\$ 720,194	\$ 679,753	\$ 1,811,215	\$ 2,030,451
Fifth Wheels	351,199	444,657	936,600	1,241,516
Total North American Towable	1,071,393	1,124,410	2,747,815	3,271,967
North American Motorized				
Class A	211,340	238,972	597,559	887,678
Class C	312,980	390,839	922,388	1,216,537
Class B	122,628	166,129	408,584	553,827
Total North American Motorized	646,948	795,940	1,928,531	2,658,042
Total North America	1,718,341	1,920,350	4,676,346	5,930,009
European				
Motorcaravan	492,490	394,359	1,263,814	901,926
Campervan	289,450	282,415	755,783	648,717
Caravan	64,379	116,412	180,093	272,521
Other RV-related	84,742	73,565	221,866	194,827
Total European	931,061	866,751	2,421,556	2,017,991
Total recreational vehicles	2,649,402	2,787,101	7,097,902	7,948,000
Other	216,227	201,164	581,682	598,671
Intercompany eliminations	(64,516)	(59,445)	(170,343)	(163,132)
Total	\$ 2,801,113	\$ 2,928,820	\$ 7,509,241	\$ 8,383,539

18. Accumulated Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) (“OCI”) and the changes in the Company’s accumulated other comprehensive income (loss) (“AOCI”) by component were as follows:

Three Months Ended April 30, 2024						
	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Derivatives	Other	AOCI, net of tax, Attributable to THOR	Non-controlling Interests	Total AOCI
Balance at beginning of period, net of tax	\$ (93,147)	\$ —	\$ 253	\$ (92,894)	\$ (3,366)	\$ (96,260)
OCI before reclassifications	(17,647)	—	—	(17,647)	(126)	(17,773)
Income taxes associated with OCI before reclassifications ⁽¹⁾	—	—	—	—	—	—
Amounts reclassified from AOCI	—	—	—	—	—	—
Income taxes associated with amounts reclassified from AOCI	—	—	—	—	—	—
OCI, net of tax for the fiscal period	(17,647)	—	—	(17,647)	(126)	(17,773)
Balance at end of period, net of tax	<u>\$ (110,794)</u>	<u>\$ —</u>	<u>\$ 253</u>	<u>\$ (110,541)</u>	<u>\$ (3,492)</u>	<u>\$ (114,033)</u>

Three Months Ended April 30, 2023						
	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Derivatives	Other	AOCI, net of tax, Attributable to THOR	Non-controlling Interests	Total AOCI
Balance at beginning of period, net of tax	\$ (97,996)	\$ 818	\$ 1,132	\$ (96,046)	\$ (2,614)	\$ (98,660)
OCI before reclassifications	21,570	21	—	21,591	22	21,613
Income taxes associated with OCI before reclassifications ⁽¹⁾	—	(5)	—	(5)	—	(5)
Amounts reclassified from AOCI	—	(615)	—	(615)	—	(615)
Income taxes associated with amounts reclassified from AOCI	—	147	—	147	—	147
OCI, net of tax for the fiscal period	21,570	(452)	—	21,118	22	21,140
Balance at end of period, net of tax	<u>\$ (76,426)</u>	<u>\$ 366</u>	<u>\$ 1,132</u>	<u>\$ (74,928)</u>	<u>\$ (2,592)</u>	<u>\$ (77,520)</u>

Nine Months Ended April 30, 2024						
	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Derivatives	Other	AOCI, net of tax, Attributable to THOR	Non-controlling Interests	Total AOCI
Balance at beginning of period, net of tax	\$ (68,911)	\$ —	\$ 364	\$ (68,547)	\$ (2,583)	\$ (71,130)
OCI before reclassifications	(41,883)	—	(111)	(41,994)	(909)	(42,903)
Income taxes associated with OCI before reclassifications ⁽¹⁾	—	—	—	—	—	—
Amounts reclassified from AOCI	—	—	—	—	—	—
Income taxes associated with amounts reclassified from AOCI	—	—	—	—	—	—
OCI, net of tax for the fiscal period	(41,883)	—	(111)	(41,994)	(909)	(42,903)
Balance at end of period, net of tax	\$ (110,794)	\$ —	\$ 253	\$ (110,541)	\$ (3,492)	\$ (114,033)

Nine Months Ended April 30, 2023						
	Foreign Currency Translation Adjustment	Unrealized Gain (Loss) on Derivatives	Other	AOCI, net of tax, Attributable to THOR	Non-controlling Interests	Total AOCI
Balance at beginning of period, net of tax	\$ (183,453)	\$ 675	\$ 1,171	\$ (181,607)	\$ (2,205)	\$ (183,812)
OCI before reclassifications	107,027	966	(39)	107,954	(387)	107,567
Income taxes associated with OCI before reclassifications ⁽¹⁾	—	(232)	—	(232)	—	(232)
Amounts reclassified from AOCI	—	(1,368)	—	(1,368)	—	(1,368)
Income taxes associated with amounts reclassified from AOCI	—	325	—	325	—	325
OCI, net of tax for the fiscal period	107,027	(309)	(39)	106,679	(387)	106,292
Balance at end of period, net of tax	\$ (76,426)	\$ 366	\$ 1,132	\$ (74,928)	\$ (2,592)	\$ (77,520)

⁽¹⁾ We do not recognize deferred taxes for a majority of the foreign currency translation gains and losses because we do not anticipate reversal in the foreseeable future.

19. Weather Damage at Manufacturing Facilities

On March 14, 2024, a weather event that included large damaging hail occurred at and around the Company's Jackson Center, OH facilities. The hail resulted in significant roof damage to the motorized production facility and significant damage to inventory that was stored outside, primarily motorized chassis, but also some work in process and finished goods inventory. The motorized manufacturing plant has generally been unable to produce units since the incident due to the lack of chassis, but it is expected to be back to a normal production schedule by the end of the fiscal year based on current expectations on the availability of replacement chassis.

The Company maintains insurance coverage, subject to a \$1,000 self-insured retention, for the repair or replacement of covered assets that suffer loss, as well as coverage for business interruption, including lost profits. Inventory is a covered asset under the insurance policy, as is the production facility itself.

As of April 30, 2024, the Company recorded a receivable in the amount of \$71,496 related to estimated damages incurred for which we deem the recovery of such losses from our insurance carriers to be probable. This total consists primarily of \$65,900 for estimated losses attributed to the write off in book value of motorized chassis. This insurance recovery receivable is included in Accounts receivable, other, net on the Condensed Consolidated Balance Sheets, as we believe recovery will be realized within one year of the balance sheet date.

Given the expectation of recovery from insurance, the impact on our consolidated income before income taxes for the three months ended April 30, 2024 related to the losses incurred on the weather damages noted above was not material. As of the date of this report, the Company is still in the process of fully assessing damages and submitting relevant insurance claim information. As such, the Company did not receive any insurance proceeds relating to this event in the three months ended April 30, 2024.

Although our insurance covers business interruption, the Company did not recognize recovery for business interruption during the three-month period ended April 30, 2024 and will do so at the time of final settlement or when nonrefundable cash advances are made in subsequent periods.

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

Unless otherwise indicated, all U.S. Dollar and Euro amounts are presented in thousands except share and 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. These forward-looking statements are made based on management's current expectations and beliefs regarding future and anticipated developments and their effects upon THOR, 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 materially from our expectations. Factors which could cause materially different results include, among others:

- the impact of inflation on the cost of our products as well as on general consumer demand;
- the effect of raw material and commodity price fluctuations, and/or raw material, commodity or chassis supply constraints;
- the impact of war, military conflict, terrorism and/or cyber-attacks, including state-sponsored or ransom attacks;
- the impact of sudden or significant adverse changes in the cost and/or availability of energy or fuel, including those caused by geopolitical events, on our costs of operation, on raw material prices, on our suppliers, on our independent dealers or on retail customers;
- the dependence on a small group of suppliers for certain components used in production, including chassis;
- interest rates and interest rate fluctuations and their potential impact on the general economy and, specifically, on our independent dealers and consumers and our profitability;
- the ability to ramp production up or down quickly in response to rapid changes in demand while also managing costs and market share;
- the level and magnitude of warranty and recall claims incurred;
- the ability of our suppliers to financially support any defects in their products;
- legislative, regulatory and tax law (including recent and pending tax-law changes implementing new, widely adopted "Pillar II" tax principles) and/or policy developments including their potential impact on our independent dealers, retail customers or on our suppliers;
- the costs of compliance with governmental regulation;
- the impact of an adverse outcome or conclusion related to current or future litigation or regulatory investigations;
- public perception of and the costs related to environmental, social and governance matters;
- legal and compliance issues including those that may arise in conjunction with recently completed transactions;
- lower consumer confidence and the level of discretionary consumer spending;
- the impact of exchange rate fluctuations;
- restrictive lending practices which could negatively impact our independent dealers and/or retail consumers;
- management changes;
- the success of new and existing products and services;
- the ability to maintain strong brands and develop innovative products that meet consumer demands;
- the ability to efficiently utilize existing production facilities;
- changes in consumer preferences;

- the risks associated with acquisitions, including: the pace and successful closing of an acquisition, the integration and financial impact thereof, the level of achievement of anticipated operating synergies from acquisitions, the potential for unknown or understated liabilities related to acquisitions, the potential loss of existing customers of acquisitions and our ability to retain key management personnel of acquired companies;
- a shortage of necessary personnel for production and increasing labor costs and related employee benefits to attract and retain production personnel in times of high demand;
- the loss or reduction of sales to key independent dealers, and stocking level decisions of our independent dealers;
- disruption of the delivery of units to independent dealers or the disruption of delivery of raw materials, including chassis, to our facilities;
- increasing costs for freight and transportation;
- the ability to protect our information technology systems from data breaches, cyber-attacks and/or network disruptions;
- asset impairment charges;
- competition;
- the impact of losses under repurchase agreements;
- the impact of the strength of the U.S. dollar on international demand for products priced in U.S. dollars;
- general economic, market, public health and political conditions in the various countries in which our products are produced and/or sold;
- the impact of changing emissions and other related climate change regulations (including the Securities and Exchange Commission's ("SEC") final climate rules and litigation regarding its enforceability) in the various jurisdictions in which our products are produced, used and/or sold;
- changes to our investment and capital allocation strategies or other facets of our strategic plan; and
- changes in market liquidity conditions, credit ratings and other factors that may impact our access to future funding and the cost of debt.

These and other risks and uncertainties are discussed more fully in Item 1A of our Annual Report on Form 10-K for the year ended July 31, 2023.

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 have grown to become the largest manufacturer of recreational vehicles (“RVs”) in the world based on units sold and revenue. We are also the largest manufacturer of RVs in North America, and one of the largest manufacturers of RVs in Europe. In North America, according to Statistical Surveys, Inc. (“Stat Surveys”), for the three months ended March 31, 2024, THOR’s combined U.S. and Canadian market share was approximately 40.2% for travel trailers and fifth wheels combined and approximately 47.9% for motorhomes. In Europe, according to the European Caravan Federation (“ECF”) and based on unit registrations for Europe’s original equipment manufacturer (“OEM”) reporting countries, our European market share for the three months ended March 31, 2024 was approximately 25.6% for motorcaravans and campervans combined and approximately 17.5% for caravans.

Our business model includes decentralized operating units, and our RV products are primarily sold to independent, non-franchise dealers who, in turn, retail those products. The Company also sells component parts to both RV and other original equipment manufacturers, including aluminum extruded components, and sells aftermarket component parts through dealers and retailers. Our growth has been achieved both organically and through acquisition, and our strategy is designed to increase our profitability by driving innovation, servicing our customers, manufacturing quality products, improving the efficiencies of our facilities and making strategic acquisitions.

We generally do not finance independent dealers directly, but we do provide repurchase agreements to the independent dealers’ floor plan lenders.

We generally have financed our growth through a combination of internally generated cash flows from operations and, when needed, outside credit facilities. Ongoing supply chain challenges, particularly chassis sequence issues within our European operations, have and could continue to impact our business and our consolidated financial results and financial position. In addition, the impact of ongoing inflation on consumer confidence, which historically has been highly correlated with RV retail sales, and the impact of inflation on the availability of discretionary funds of our end consumers, combined with significantly higher interest rates compared to recent years impacting both our independent dealers and the end consumer, had a negative impact on demand for our products at both the wholesale and retail levels during the first three quarters of fiscal 2024 and are expected to continue to impact the remainder of calendar year 2024. These risks to our business are more fully described in Part 1, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2023.

Recent Events

Refinancing of Credit Agreements

On November 15, 2023, the Company entered into amendments to both its term loan and ABL agreements to extend maturities and lower the applicable margins used to determine the interest rate on the U.S. dollar-denominated loan tranche. The maturity date for the term loan was extended from February 1, 2026 to November 15, 2030. Covenants and other material provisions of the term loan agreement remain materially unchanged. Following the amendments, the principal amounts outstanding under the term loan agreement were \$450,000 on the U.S. dollar-denominated term loan tranche and 330,000 Euro on the Euro-denominated term loan tranche. Under the provisions of the amended term loan, both the U.S. and Euro tranches require annual principal payments of 1.0% of the new term loan balance, payable quarterly in 0.25% installments starting on May 1, 2024. As of April 30, 2024, the Company had made sufficient payments on the U.S term loan tranche to satisfy all annual principal payment requirements on the U.S. term loan over the term of the loan. Pursuant to the ABL amendment, the maturity date for loans under the ABL agreement was extended from September 1, 2026 to November 15, 2028. Maximum availability under the ABL remains at \$1,000,000 and the applicable margin, covenants and other material provisions of the ABL remain materially unchanged. As a result of these amendments and associated maturity date extensions, the Company recognized total expense of \$14,741 in the second quarter of fiscal 2024.

Industry Outlook — North America

The Company monitors industry conditions in the North American RV market using a number of resources including its own performance tracking and modeling. The Company also considers monthly wholesale shipment data as reported by the RV Industry Association (“RVIA”), which is typically issued on a one-month lag and represents manufacturers’ North American RV production and delivery to dealers. In addition, we monitor monthly North American 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 and net sales.

North American RV independent dealer inventory of our North American RV products as of April 30, 2024 decreased 22.2% to approximately 87,900 units, compared to approximately 113,000 units as of April 30, 2023. As of April 30, 2024, we believe North American dealer inventory levels for most products are generally at, or slightly higher than, the levels that dealers are comfortable stocking given the current retail sales levels and associated carrying costs. We believe dealers will continue to closely evaluate the unit stocking levels that they will elect to carry in future periods, which may be less than historical unit stocking levels, due to a combination of factors such as retail activity, RV wholesale unit prices as well as interest rates and other carrying costs.

THOR’s North American RV backlog as of April 30, 2024 decreased \$353,067, or 17.5%, to \$1,667,131 compared to \$2,020,198 as of April 30, 2023. The decrease in backlog is primarily a result of a reduction in orders from dealers, mainly for motorized products, which we believe is due to lower retail sales and dealer concerns over current interest costs and other carrying costs compared to the prior-year period.

North American Industry Wholesale Statistics

Key wholesale statistics for the North American RV industry, as reported by RVIA for the periods indicated, are as follows:

	U.S. and Canada Wholesale Unit Shipments			
	Calendar Quarter Ended March 31,		Increase (Decrease)	% Change
	2024	2023		
North American Towable units	75,525	65,208	10,317	15.8
North American Motorized units	10,416	13,392	(2,976)	(22.2)
Total	85,941	78,600	7,341	9.3

In June 2024, RVIA issued a revised forecast for calendar year 2024 wholesale unit shipments. Under the RVIA’s most likely scenario, towable and motorized unit shipments are projected to be approximately 301,500 units and 42,500 units, respectively, for an annual total of approximately 344,000 units, up 9.8% from the 2023 calendar year wholesale shipments. The RVIA’s most likely forecast for calendar year 2024 of 344,000 total units could range from a lower estimate of approximately 328,900 total units to an upper estimate of approximately 359,100 total units.

As part of their June 2024 forecast, RVIA also released their initial estimates for calendar year 2025 wholesale unit shipments. In the most likely scenario, towable and motorized shipments are projected to increase to an approximated annual total of 391,400 units, or 13.8% higher than the most likely scenario for calendar year 2024 wholesale shipments. This calendar year 2025 most likely forecast could range from a lower estimate of approximately 374,200 units to an upper estimate of approximately 408,600 units.

North American Industry Retail Statistics

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

	U.S. and Canada Retail Unit Registrations			
	Calendar Quarter Ended March 31,		Increase (Decrease)	% Change
	2024	2023		
North American Towable units	64,471	73,734	(9,263)	(12.6)
North American Motorized units	9,417	10,985	(1,568)	(14.3)
Total	73,888	84,719	(10,831)	(12.8)

Note: Data reported by Stat Surveys is based on official state and provincial records. This information is subject to adjustment, is continuously updated and is often impacted by delays in reporting by various states or provinces.

While we anticipate that near-term demand will be influenced by many factors, including consumer confidence and the level of consumer spending on discretionary products, we believe future retail demand over the longer term will exceed historical, pre-pandemic levels. We believe interest remains high due to an ongoing interest in the RV lifestyle as consumers continue to value the perceived benefits offered by the RV lifestyle, which provides people with the ability to connect with loved ones and nature as well as the potential to get away for short, frequent breaks or longer adventures.

Company North American Wholesale Statistics

The Company's North American wholesale RV shipments, for the calendar quarters ended March 31, 2024 and 2023 to correspond to the North American industry wholesale periods noted above, were as follows:

	U.S. and Canada Wholesale Unit Shipments			
	Calendar Quarter Ended March 31,		Increase (Decrease)	% Change
	2024	2023		
North American Towable units	29,693	24,707	4,986	20.2
North American Motorized units	4,831	5,855	(1,024)	(17.5)
Total	34,524	30,562	3,962	13.0

Company North American Retail Statistics

Retail statistics of the Company's North American RV products, as reported by Stat Surveys, for the calendar quarters ended March 31, 2024 and 2023 to correspond to the North American industry retail periods noted above, were as follows:

	U.S. and Canada Retail Unit Registrations			
	Calendar Quarter Ended March 31,		Increase (Decrease)	% Change
	2024	2023		
North American Towable units	25,337	30,266	(4,929)	(16.3)
North American Motorized units	4,515	5,267	(752)	(14.3)
Total	29,852	35,533	(5,681)	(16.0)

Note: Data reported by Stat Surveys is based on official state and provincial records. This information is subject to adjustment, is continuously updated and is often impacted by delays in reporting by various states or provinces.

North American Outlook

Historically, RV industry sales have been impacted by a number of economic conditions faced by RV dealers, and ultimately retail consumers, such as the rate of unemployment, the rate of inflation, the level of consumer confidence, the disposable income of consumers, interest rates, credit availability, the health of the housing market, tax rates and fuel availability and prices. We believe these factors will continue to affect retail sales in calendar year 2024. In addition, due to inflationary pressures, higher interest rates and other factors, we believe that RV dealers will be continuously reevaluating their desired stocking levels, which may result in lower than historical dealer inventory stocking levels on a unit basis. It is difficult to predict the extent to which any or all of these factors will impact the RV industry or our business in a particular future period, however, we currently believe the remainder of calendar year 2024 will continue to be negatively impacted by these factors.

Despite the near-term challenges, we remain optimistic about future growth in North American retail sales in the long term, as there are many factors driving product interest. Surveys conducted by THOR, RVIA and others show that Americans of all generations love the freedom of the outdoors and the enrichment that comes with living an active lifestyle. RVs allow people to be in control of their travel experiences, going where they want, when they want and with the people they want. The RV units we design, produce and sell allow people to spend time outdoors pursuing their favorite activities, creating cherished moments and deeply connecting with family and friends. Based on the ongoing value consumers place on these factors, we expect to see long-term growth in the North American RV industry. The growth in industry-wide RV sales during late 2020 through early 2023 resulted in exposing a wider range of consumers to the RV lifestyle. As a result, we believe many of those who have been recently exposed to the industry for the first time will become future owners, and that those who became first-time owners since the onset of the pandemic will become long-term RVers, resulting in future repeat and upgrade sales opportunities. We also believe many consumers are likely to continue opting for fewer vacations via air travel, cruise ships and hotels, while preferring vacations that RVs are uniquely positioned to provide, allowing consumers the ability to explore or unwind, often close to home. In addition, we believe that the availability of camping and RV parking facilities will be an important factor in the future growth of the industry and view both the significant recent investments and the future committed investments by campground owners, states and the federal government in camping facilities and accessibility to state and federal parks and forests to be positive long-term factors.

Economic and industry-wide factors that have historically affected, and which we believe will continue to affect, our operating results include the costs of commodities, the availability of critical supply components and labor costs incurred in the production of our products. Material and labor costs are the primary factors determining our cost of products sold, and any future increases in raw material or labor costs will impact our profit margins negatively if we are unable to offset those cost increases through a combination of product recontending, material sourcing strategies, efficiency improvements or raising the selling prices for our products by corresponding amounts. Historically, we have generally been able to offset net cost increases over time through these measures.

It is extremely difficult to predict when or whether future supply chain issues related to chassis or other components used in the production of RVs will arise. Modifying available chassis for certain motorized products to use for other products is not a viable alternative, particularly in the short term, due to engineering requirements. The North American recreational vehicle industry has, from time to time in the past, experienced shortages of chassis for various reasons, including component shortages, production delays or other production issues and work stoppages at the chassis manufacturers.

While the North American RV industry has at times faced supply shortages or delivery delays of other, non-chassis raw material components, the supply chain is currently able to support our demand. If any of these factors were to impact our suppliers' ability to fully supply our needs for key components, our costs of such components and our production output could be adversely affected.

Industry Outlook — Europe

The Company monitors industry conditions in the European RV market using a number of resources including its own performance tracking and modeling. The Company also considers retail trends in the European RV market as reported by the European Caravan Federation (“ECF”) and its members. On a monthly basis, the Company receives original equipment manufacturer (“OEM”)–specific reports for most of the individual member countries that make up the ECF through the Caravaning Industrie Verband e.V. (“CIVD”). The timing of these reports may vary, but typically they are issued on a one-to-two-month lag. While most countries provide OEM-specific information, the United Kingdom, which made up 22.3% and 9.6% of the caravan and motorcaravan (including campervans) European market for the three months ended March 31, 2024, respectively, does not provide OEM-specific information. Industry wholesale shipment data for the European RV market is not available.

Within Europe, over 90% of our sales are made to dealers within 10 different European countries. The market conditions, as well as the operating status of our independent dealers within each country, vary based on the various local economic and other conditions. It is inherently difficult to generalize about the operating conditions within the entire European region.

Independent dealer inventory of our European RV products as of April 30, 2024 was approximately 24,700 units. Independent RV dealer inventory levels of our European products are generally in line with historic seasonal levels in the various countries we serve. Within Germany, which accounts for approximately 60% of our European product sales, independent dealer inventory levels are also generally in line with historical norms. Comparable independent dealer inventory unit information was not available as of April 30, 2023.

THOR’s European RV backlog as of April 30, 2024 decreased \$1,539,205, or 44.3%, to \$1,935,119 compared to \$3,474,324 as of April 30, 2023, primarily due to improved chassis supply availability as chassis constraints in the prior year resulted in significantly elevated backlogs as of April 30, 2023.

European Industry Retail Statistics

Key retail statistics for the European RV industry, as reported by the ECF for the periods indicated, are as follows:

	European Unit Registrations					
	Motorcaravan and Campervan ⁽²⁾			Caravan		
	Calendar Quarter Ended March 31,		%	Calendar Quarter Ended March 31,		%
	2024	2023		2024	2023	
OEM Reporting Countries ⁽¹⁾	35,317	33,504	5.4	10,705	11,431	(6.4)
Non-OEM Reporting Countries ⁽¹⁾	4,982	4,359	14.3	3,840	4,140	(7.2)
Total	40,299	37,863	6.4	14,545	15,571	(6.6)

(1) Industry retail registration statistics have been compiled from individual countries' reporting of retail sales, and include the following countries: Germany, France, Sweden, Netherlands, Norway, Italy, Spain and others, collectively the “OEM Reporting Countries.” The “Non-OEM Reporting Countries” are primarily the United Kingdom and others. Total European unit registrations are reported quarterly by the ECF.

(2) The ECF reports motorcaravans and campervans together.

Note: Data from the ECF is subject to adjustment, is continuously updated and is often impacted by delays in reporting by various countries. (The “Non-OEM Reporting Countries” either do not report OEM-specific data to the ECF or do not have it available for the entire time period covered).

Company European Retail Statistics ⁽¹⁾

	European Unit Registrations ⁽¹⁾			
	Calendar Quarter Ended March 31,		Increase (Decrease)	% Change
	2024	2023		
Motorcaravan and Campervan	9,049	6,694	2,355	35.2
Caravan	1,874	2,057	(183)	(8.9)
Total OEM-Reporting Countries	10,923	8,751	2,172	24.8

(1) Company retail registration statistics have been compiled from individual countries reporting of retail sales, and include the following countries: Germany, France, Sweden, Netherlands, Norway, Italy, Spain and others, collectively the “OEM Reporting Countries.”

Note: Data from the ECF is subject to adjustment, is continuously updated and is often impacted by delays in reporting by various countries.

European Outlook

Our European operations offer a full lineup of leisure vehicles including caravans and motorized products including urban vehicles, campervans and small-to-large motorcaravans. Our product offerings are not limited to vehicles only but also include accessories and services, including vehicle rentals. We address European retail customers through a sophisticated brand management approach based on consumer segmentation according to target group, core values and emotions. With the help of data-based and digital marketing, we intend to continue expanding our retail customer reach to new and younger consumer segments.

The impact of current macroeconomic factors on our business, including inflation and interest rates, supply chain constraints, environmental and sustainability regulations and geopolitical events, is uncertain. Our outlook for future European RV retail sales depends upon the various economic and regulatory conditions in the respective countries in which we sell our products, and on our ability to manage through supply chain issues that have, and are expected to continue to, impact the efficiency of our production of our motorized products in the near term. End-customer demand for RVs depends strongly on consumer confidence. Factors such as the rate of unemployment, the rate of inflation, private consumption and investments, the level of disposable income of consumers, interest rates, the health of the housing market, tax rates and regulatory restrictions and, since the pandemic, travel safety considerations all influence retail sales. Our long-term outlook for future growth in European RV retail sales remains positive as more people discover RVs as a way to support their lifestyle in search of independence and individuality, as well as using the RV as a multi-purpose vehicle to escape urban life and explore outdoor activities and nature.

We and our independent European dealers market our European recreational vehicles through multiple avenues including at numerous RV fairs at the country and regional levels which occur throughout the calendar year. These fairs have historically been well-attended events that allow retail consumers the ability to see the newest products, features and designs and to talk with product experts in addition to being able to purchase or order an RV. The most recent 2023 Caravan Salon show in late August 2023 experienced near-record attendance, demonstrating the high level of interest in the RV lifestyle despite the current macroeconomic uncertainties facing many consumers. In addition to our attendance at various strategic trade fairs, we have and will continue to strengthen and expand our digital activities to reach high potential target groups, generate leads and steer customers directly to dealerships. With approximately 1,100 active independent dealers in Germany and throughout Europe with whom we do business, we believe our European brands have one of the strongest and most professionally structured dealer and service networks in Europe.

Economic or industry-wide factors affecting our European RV operating results include the availability and costs of commodities and component parts and the labor used in the manufacture of our products. Material and labor costs are the primary factors determining our cost of products sold and any future increases in these costs will impact our profit margins negatively if we are unable to offset those cost increases through a combination of product recontenting, material sourcing strategies, efficiency improvements or raising the selling prices for our products by corresponding amounts.

Throughout fiscal 2023, we experienced delays in the receipt of, and significant reductions in the volume of, chassis from our European chassis suppliers, limiting our ability to further increase production of our motorized products. While overall chassis supply has improved, we anticipate disruptions in the sequence of delivery of chassis to continue through the majority of calendar year 2024. The sequence of chassis supply inhibits our ability to efficiently and consistently maintain our planned production levels. Uncertainties related to changing emission standards may also impact the availability of chassis used in our production of certain European motorized RVs and could also impact consumer buying patterns.

In Europe, we also continue to experience cost increases, supply shortages and delivery delays of other, non-chassis raw material components which negatively impacted the efficiency of our production in the current fiscal year, which resulted in the continuation of an elevated level of work in process inventory on hand compared to historical norms. We believe these shortages and delays will continue to result in production inefficiencies and a continuation of the elevated level of work in process inventory in the near term, which will have a negative impact on our European operating results as well as on our consolidated results due to the negative impact of carrying excess inventory levels and the negative impact of completing units off the production line.

Where possible, to minimize the future impact of supply chain constraints, we have identified a second-source supplier base for certain component parts, however, the engineering requirements required with an alternate component part, particularly the chassis our various units are built upon, limits the impact of these alternative suppliers on reducing any near-term supply constraints.

In addition to potential material supply constraints, labor shortages may also impact our European operations. Currently, we are experiencing a shortage of available skilled workers due to near full employment rates in the European countries where the majority of our manufacturing sites are located.

Three Months Ended April 30, 2024 Compared to the Three Months Ended April 30, 2023

NET SALES:	Three Months Ended April 30, 2024	Three Months Ended April 30, 2023	Change Amount	% Change
Recreational vehicles				
North American Towable	\$ 1,071,393	\$ 1,124,410	\$ (53,017)	(4.7)
North American Motorized	646,948	795,940	(148,992)	(18.7)
Total North America	1,718,341	1,920,350	(202,009)	(10.5)
European	931,061	866,751	64,310	7.4
Total recreational vehicles	2,649,402	2,787,101	(137,699)	(4.9)
Other	216,227	201,164	15,063	7.5
Intercompany eliminations	(64,516)	(59,445)	(5,071)	(8.5)
Total	<u>\$ 2,801,113</u>	<u>\$ 2,928,820</u>	<u>\$ (127,707)</u>	<u>(4.4)</u>

OF UNITS:

Recreational vehicles				
North American Towable	34,193	29,716	4,477	15.1
North American Motorized	4,964	6,203	(1,239)	(20.0)
Total North America	39,157	35,919	3,238	9.0
European	15,363	15,593	(230)	(1.5)
Total	<u>54,520</u>	<u>51,512</u>	<u>3,008</u>	<u>5.8</u>

		% of Segment Net Sales		% of Segment Net Sales	Change Amount	% Change
GROSS PROFIT:						
Recreational vehicles						
North American Towable	\$ 138,103	12.9	\$ 143,988	12.8	\$ (5,885)	(4.1)
North American Motorized	71,753	11.1	93,307	11.7	(21,554)	(23.1)
Total North America	209,856	12.2	237,295	12.4	(27,439)	(11.6)
European	162,915	17.5	151,780	17.5	11,135	7.3
Total recreational vehicles	372,771	14.1	389,075	14.0	(16,304)	(4.2)
Other, net	49,081	22.7	43,562	21.7	5,519	12.7
Total	<u>\$ 421,852</u>	<u>15.1</u>	<u>\$ 432,637</u>	<u>14.8</u>	<u>\$ (10,785)</u>	<u>(2.5)</u>

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

Recreational vehicles						
North American Towable	\$ 64,895	6.1	\$ 60,180	5.4	\$ 4,715	7.8
North American Motorized	34,489	5.3	41,880	5.3	(7,391)	(17.6)
Total North America	99,384	5.8	102,060	5.3	(2,676)	(2.6)
European	72,167	7.8	65,065	7.5	7,102	10.9
Total recreational vehicles	171,551	6.5	167,125	6.0	4,426	2.6
Other	19,731	9.1	15,217	7.6	4,514	29.7
Corporate	35,233	—	27,702	—	7,531	27.2
Total	<u>\$ 226,515</u>	<u>8.1</u>	<u>\$ 210,044</u>	<u>7.2</u>	<u>\$ 16,471</u>	<u>7.8</u>

INCOME (LOSS) BEFORE INCOME TAXES:	Three Months Ended April 30, 2024	% of Segment Net Sales	Three Months Ended April 30, 2023	% of Segment Net Sales	Change Amount	% Change
Recreational vehicles						
North American Towable	\$ 68,409	6.4	\$ 77,583	6.9	\$ (9,174)	(11.8)
North American Motorized	33,172	5.1	48,186	6.1	(15,014)	(31.2)
Total North America	101,581	5.9	125,769	6.5	(24,188)	(19.2)
European	77,382	8.3	72,401	8.4	4,981	6.9
Total recreational vehicles	178,963	6.8	198,170	7.1	(19,207)	(9.7)
Other, net	18,831	8.7	16,970	8.4	1,861	11.0
Corporate	(55,444)	—	(59,689)	—	4,245	7.1
Total	<u>\$ 142,350</u>	5.1	<u>\$ 155,451</u>	5.3	<u>\$ (13,101)</u>	(8.4)

ORDER BACKLOG:	As of April 30, 2024	As of April 30, 2023	Change Amount	% Change
Recreational vehicles				
North American Towable	\$ 741,302	\$ 757,127	\$ (15,825)	(2.1)
North American Motorized	925,829	1,263,071	(337,242)	(26.7)
Total North America	1,667,131	2,020,198	(353,067)	(17.5)
European	1,935,119	3,474,324	(1,539,205)	(44.3)
Total	<u>\$ 3,602,250</u>	<u>\$ 5,494,522</u>	<u>\$ (1,892,272)</u>	(34.4)

CONSOLIDATED

Consolidated net sales for the three months ended April 30, 2024 decreased \$127,707, or 4.4%, compared to the three months ended April 30, 2023. The decrease in consolidated net sales is primarily due to lower dealer and consumer demand in comparison to the prior-year period, primarily in the North American motorized market. Approximately 33.2% of the Company's consolidated net sales for the quarter ended April 30, 2024 were transacted in a currency other than the U.S. dollar. The Company's most material exchange rate exposure is sales in Euros. The decrease in consolidated net sales includes a nominal increase from the change in currency exchange rates between the two periods. To determine this impact, net sales transacted in currencies other than U.S. dollars have been translated to U.S. dollars using the average exchange rates that were in effect during the comparative period.

Consolidated gross profit for the three months ended April 30, 2024 decreased \$10,785, or 2.5%, compared to the three months ended April 30, 2023. Consolidated gross profit was 15.1% of consolidated net sales for the three months ended April 30, 2024 and 14.8% for the three months ended April 30, 2023. The decrease in consolidated gross profit was primarily due to the impact of the decrease in consolidated net sales while the slight increase in the consolidated gross profit percentage is due to the favorable impacts of selling price increases, stable material costs and cost-saving initiatives in the current-year quarter compared to the prior-year quarter.

Selling, general and administrative expenses for the three months ended April 30, 2024 increased \$16,471, or 7.8%, compared to the three months ended April 30, 2023, primarily due to modest increases in deferred compensation, research and development and settlement costs.

The decrease of \$13,101, or 8.4%, in income before income taxes for the three months ended April 30, 2024 as compared to the three months ended April 30, 2023 was primarily driven by the decrease in consolidated net sales and the increase in consolidated selling, general and administrative expenses noted above.

The overall effective income tax rate for the three months ended April 30, 2024 was 20.2% compared with 23.0% for the three months ended April 30, 2023. The primary reason for the decrease relates to the favorable impact of the terms of the resolution of certain matters discussed in Note 14 to the Condensed Consolidated Financial Statements during the three months ended April 30, 2024, as the Company expects certain payments made related to these matters to be deductible for tax purposes.

Additional information concerning the changes in net sales, gross profit, selling, general and administrative expenses and income before income taxes are addressed below and in the segment reporting that follows.

Corporate costs included in consolidated selling, general and administrative expenses increased \$7,531 for the three months ended April 30, 2024 compared to the three months ended April 30, 2023. This increase is primarily due to an increase in deferred compensation expense of \$2,922 due to market value fluctuations between the two periods and an increase in innovation-led research and development costs of \$3,093.

Net expense in Corporate interest and other income and expense decreased \$11,776 for the three months ended April 30, 2024 compared to the three months ended April 30, 2023. This net expense decrease included a decrease in net interest expense of \$5,360 on our debt, due to increased interest income received from higher average cash balances held and higher interest income rates combined with lower debt interest expense primarily due to lower average debt balances outstanding. The net expense decrease also includes favorable changes of \$2,997 in the fair value of the Company's deferred compensation plan assets and \$3,263 in the fair value of certain other equity investments, both due to market value fluctuations between the two periods.

Segment Reporting

NORTH AMERICAN TOWABLE RECREATIONAL VEHICLES

Analysis of the change in net sales for the three months ended April 30, 2024 compared to the three months ended April 30, 2023:

	Three Months Ended April 30, 2024	% of Segment Net Sales	Three Months Ended April 30, 2023	% of Segment Net Sales	Change Amount	% Change
NET SALES:						
North American Towable						
Travel Trailers	\$ 720,194	67.2	\$ 679,753	60.5	\$ 40,441	5.9
Fifth Wheels	351,199	32.8	444,657	39.5	(93,458)	(21.0)
Total North American Towable	<u>\$ 1,071,393</u>	<u>100.0</u>	<u>\$ 1,124,410</u>	<u>100.0</u>	<u>\$ (53,017)</u>	<u>(4.7)</u>
	Three Months Ended April 30, 2024	% of Segment Shipments	Three Months Ended April 30, 2023	% of Segment Shipments	Change Amount	% Change
# OF UNITS:						
North American Towable						
Travel Trailers	28,526	83.4	22,257	74.9	6,269	28.2
Fifth Wheels	5,667	16.6	7,459	25.1	(1,792)	(24.0)
Total North American Towable	<u>34,193</u>	<u>100.0</u>	<u>29,716</u>	<u>100.0</u>	<u>4,477</u>	<u>15.1</u>
IMPACT OF CHANGE IN PRODUCT MIX AND PRICE ON NET SALES:						% Change
North American Towable						
Travel Trailers						(22.3)
Fifth Wheels						3.0
Total North American Towable						(19.8)

The decrease in total North American Towable net sales of 4.7% compared to the prior-year quarter resulted from a 15.1% increase in unit shipments and a 19.8% decrease in the overall net price per unit due to the combined impact of changes in product mix and price. The increase in unit shipments is primarily due to the heightened demand for the lower-cost travel trailer units, which increased 28.2% over the prior-year quarter. According to statistics published by RVIA, for the three months ended April 30, 2024, combined North American travel trailer and fifth wheel wholesale unit shipments increased 15.5% compared to the same period last year. According to the most recently published statistics from Stat Surveys, for the three months ended March 31, 2024 and 2023, our North American market share for travel trailers and fifth wheels combined was 40.2% and 42.1%, respectively. Comparisons of Company shipments to industry shipments on a quarterly basis would not necessarily be indicative of the results expected for a full fiscal year.

The decrease in the overall net price per unit within the travel trailer product line of 22.3% was primarily due to the combined impact of sales price reductions due to lower input costs and product mix changes trending toward more moderately-priced units as compared to the prior-year quarter. The increase within the fifth wheel product line of 3.0% was primarily due to product mix changes.

North American Towable cost of products sold decreased \$47,132 to \$933,290, or 87.1% of North American Towable net sales, for the three months ended April 30, 2024 compared to \$980,422, or 87.2% of North American Towable net sales, for the three months ended April 30, 2023. Changes in material, labor, freight-out and warranty costs comprised \$44,186 of the \$47,132 decrease in cost of products sold. Material, labor, freight-out and warranty costs as a combined percentage of North American Towable net sales decreased to 79.6% for the three months ended April 30, 2024 compared to 79.8% for the three months ended April 30, 2023, primarily due to a decrease in the material costs percentage from the combined net favorable impacts of lower discounting, cost-saving initiatives and product mix changes being partially offset by an increase in the labor percentage.

Total manufacturing overhead decreased \$2,946 in correlation with the decrease in net sales but increased slightly as a percentage of North American Towable net sales from 7.4% to 7.5% as the decreased net sales levels resulted in higher overhead costs per unit sold.

The slight decrease in North American Towable gross profit of \$5,885 for the three months ended April 30, 2024 compared to the three months ended April 30, 2023 was due to the decrease in net sales.

The increase in North American Towable selling, general and administrative expenses of \$4,715 for the three months ended April 30, 2024 compared to the three months ended April 30, 2023 is primarily due to an increase in legal and professional fees and settlement costs of \$3,495 and compensation costs of \$3,211, partially offset by a reduction in sales-related travel and entertainment costs of \$1,152. The increase in the overall selling, general and administrative expense as a percentage of North American Towable net sales is primarily due to the decrease in net sales and the cost increases noted above.

The decrease in North American Towable income before income taxes of \$9,174 for the three months ended April 30, 2024 compared to the three months ended April 30, 2023 was primarily attributable to the decrease in North American Towable net sales, and the primary reason for the decrease in percentage was the increase in the selling, general and administrative expense percentage noted above.

NORTH AMERICAN MOTORIZED RECREATIONAL VEHICLES

Analysis of the change in net sales for the three months ended April 30, 2024 compared to the three months ended April 30, 2023:

	Three Months Ended April 30, 2024	% of Segment Net Sales	Three Months Ended April 30, 2023	% of Segment Net Sales	Change Amount	% Change
NET SALES:						
North American Motorized						
Class A	\$ 211,340	32.7	\$ 238,972	30.0	\$ (27,632)	(11.6)
Class C	312,980	48.4	390,839	49.1	(77,859)	(19.9)
Class B	122,628	18.9	166,129	20.9	(43,501)	(26.2)
Total North American Motorized	<u>\$ 646,948</u>	<u>100.0</u>	<u>\$ 795,940</u>	<u>100.0</u>	<u>\$ (148,992)</u>	<u>(18.7)</u>
	Three Months Ended April 30, 2024	% of Segment Shipments	Three Months Ended April 30, 2023	% of Segment Shipments	Change Amount	% Change
# OF UNITS:						
North American Motorized						
Class A	1,040	21.0	1,206	19.4	(166)	(13.8)
Class C	2,867	57.8	3,563	57.4	(696)	(19.5)
Class B	<u>1,057</u>	<u>21.2</u>	<u>1,434</u>	<u>23.2</u>	<u>(377)</u>	<u>(26.3)</u>
Total North American Motorized	<u>4,964</u>	<u>100.0</u>	<u>6,203</u>	<u>100.0</u>	<u>(1,239)</u>	<u>(20.0)</u>
IMPACT OF CHANGE IN PRODUCT MIX AND PRICE ON NET SALES:						% Change
North American Motorized						
Class A						2.2
Class C						(0.4)
Class B						0.1
Total North American Motorized						1.3

The decrease in total North American Motorized net sales of 18.7% compared to the prior-year quarter resulted from a 20.0% decrease in unit shipments and a 1.3% increase in the overall net price per unit due to the combined impact of changes in product mix and price, which included elevated sales discounts compared to the prior-year quarter. The decrease in unit shipments is primarily due to a softening in current dealer and consumer demand in comparison with the demand in the prior-year quarter. According to statistics published by RVIA, for the three months ended April 30, 2024, combined North American motorhome wholesale unit shipments decreased 19.9% compared to the same period last year. According to the most recently published statistics from Stat Surveys, for the three months ended March 31, 2024 and 2023, our North American market share for motorhomes was 47.9% for both periods. Comparisons of Company shipments to industry shipments on a quarterly basis would not necessarily be indicative of the results expected for a full fiscal year.

The increases in the overall net price per unit within the Class A product line of 2.2% and the Class B product line of 0.1% were primarily due to increases from product mix changes and selling price increases being mostly offset by higher discounting levels since the prior-year quarter. The decrease in the overall net price per unit within the Class C product line of 0.4% was primarily due to higher discounting levels.

North American Motorized cost of products sold decreased \$127,438 to \$575,195, or 88.9% of North American Motorized net sales, for the three months ended April 30, 2024 compared to \$702,633, or 88.3% of North American Motorized net sales, for the three months ended April 30, 2023. The changes in material, labor, freight-out and warranty costs comprised \$118,533 of the \$127,438 decrease primarily due to the decreased net sales volume. Material, labor, freight-out and warranty costs as a combined percentage of North American Motorized net sales increased to 83.1% for the three months ended April 30, 2024 compared to 82.5% for the three months ended April 30, 2023, with the increase mainly due to an increase in the material cost percentage, primarily due to higher sales discounting effectively decreasing net selling prices and correspondingly increasing the material cost percentage, partially offset by a decrease in the labor percentage.

Total manufacturing overhead decreased \$8,905 in correlation with the net sales decrease but was consistent as a percentage of North American Motorized at 5.8% for both periods.

The decrease in North American Motorized gross profit of \$21,554 for the three months ended April 30, 2024 compared to the three months ended April 30, 2023 was driven by the decrease in net sales, and the decrease in the gross profit percentage is due to the increase in the cost of products sold percentage noted above.

The decrease in North American Motorized selling, general and administrative expenses of \$7,391 for the three months ended April 30, 2024 compared to the three months ended April 30, 2023 was primarily due to the decrease in North American Motorized net sales and income before income taxes, which caused related commissions, incentive and other compensation to decrease by \$7,822. Selling, general and administrative expense as a percentage of North American Motorized net sales was consistent with the prior year.

The decrease in North American Motorized income before income taxes of \$15,014 for the three months ended April 30, 2024 compared to the three months ended April 30, 2023 was primarily due to the decrease in North American Motorized net sales, and the primary reason for the decrease in percentage was the increase in the cost of products sold percentage noted above and an increase in amortization expense as a percentage of net sales.

EUROPEAN RECREATIONAL VEHICLES

Analysis of the change in net sales for the three months ended April 30, 2024 compared to the three months ended April 30, 2023:

	Three Months Ended April 30, 2024	% of Segment Net Sales	Three Months Ended April 30, 2023	% of Segment Net Sales	Change Amount	% Change
NET SALES:						
European						
Motorcaravan	\$ 492,490	52.9	\$ 394,359	45.5	\$ 98,131	24.9
Campervan	289,450	31.1	282,415	32.6	7,035	2.5
Caravan	64,379	6.9	116,412	13.4	(52,033)	(44.7)
Other	84,742	9.1	73,565	8.5	11,177	15.2
Total European	<u>\$ 931,061</u>	<u>100.0</u>	<u>\$ 866,751</u>	<u>100.0</u>	<u>\$ 64,310</u>	<u>7.4</u>
	Three Months Ended April 30, 2024	% of Segment Shipments	Three Months Ended April 30, 2023	% of Segment Shipments	Change Amount	% Change
# OF UNITS:						
European						
Motorcaravan	6,601	43.0	5,339	34.2	1,262	23.6
Campervan	6,194	40.3	5,694	36.5	500	8.8
Caravan	2,568	16.7	4,560	29.3	(1,992)	(43.7)
Total European	<u>15,363</u>	<u>100.0</u>	<u>15,593</u>	<u>100.0</u>	<u>(230)</u>	<u>(1.5)</u>

IMPACT OF CHANGES IN FOREIGN CURRENCY, PRODUCT MIX AND PRICE ON NET SALES:

	Foreign Currency %	Mix and Price %	% Change
European			
Motorcaravan	0.0	1.3	1.3
Campervan	0.0	(6.3)	(6.3)
Caravan	0.0	(1.0)	(1.0)
Total European	0.0	8.9	8.9

The increase in total European Recreational Vehicle net sales of 7.4% compared to the prior-year quarter resulted from a 1.5% decrease in unit shipments and an 8.9% increase in the overall net price per unit due to the total combined impact of changes in foreign currency, product mix and price. The increase in European Recreational Vehicle net sales of \$64,310 includes no change due to foreign exchange rates since the prior-year quarter.

The overall net price per unit increase of 8.9% includes no impact of foreign currency exchange rate changes and an 8.9% constant-currency increase due to the combined impact of product mix and selling prices, primarily due to the much higher concentration of Motorcaravan sales in the current-year quarter due to improved chassis supply and fewer other component constraints in the current-year quarter.

The constant-currency increase in the overall net price per unit within the Motorcaravan product line of 1.3% was primarily due to the impact of selling price increases and product mix changes. The constant-currency decreases in the overall net price per unit within the Campervan product line of 6.3% and the Caravan product line of 1.0% are primarily due to product mix changes and increased sales discounting. In addition, the current-year quarter included a higher concentration of Campervan units with a customer-supplied chassis that is not included in the unit sales price as opposed to a purchased chassis that is included in the unit sales price.

European Recreational Vehicle cost of products sold increased \$53,175 to \$768,146, or 82.5% of European Recreational Vehicle net sales, for the three months ended April 30, 2024 compared to \$714,971, or 82.5% of European Recreational Vehicle net sales, for the three months ended April 30, 2023. Changes in material, labor, freight-out and warranty costs comprised \$45,667 of the \$53,175 increase. Material, labor, freight-out and warranty costs as a combined percentage of European Recreational Vehicle net sales decreased to 72.9% for the three months ended April 30, 2024 compared to 73.0% for the three months ended April 30, 2023, with the slight decrease due to improved labor and warranty cost percentages being mostly offset by an increase in the material cost percentage due to increased sales discounting. Total manufacturing overhead increased \$7,508 with the increase in net sales and increased slightly as a percentage of European Recreational Vehicle net sales from 9.5% to 9.6%.

European Recreational Vehicle gross profit increased \$11,135 for the three months ended April 30, 2024 compared to the three months ended April 30, 2023 primarily due to the increase in European Recreational Vehicle net sales, and the gross profit percentage remained consistent with the prior-year quarter.

European Recreational Vehicle selling, general and administrative expenses increased \$7,102 for the three months ended April 30, 2024 compared to the three months ended April 30, 2023 and included an increase in sales-related travel, advertising and promotional costs of \$1,235 in correlation with the increase in European Recreational Vehicle net sales, and an increase of \$1,798 in professional fees. The increase in European Recreational Vehicle net sales and income before income taxes also caused related commissions, incentive and other compensation to increase by \$1,022. The increase in the overall selling, general and administrative expense as a percentage of European Recreational Vehicle net sales is primarily due to the increase in professional fees noted above.

The increase in European Recreational Vehicle income before income taxes of \$4,981 for the three months ended April 30, 2024 compared to the three months ended April 30, 2023 was primarily due to the increase in European Recreational Vehicle net sales. The primary reason for the slight decrease in percentage was the increase in the selling, general and administrative expense percentage noted above.

Nine Months Ended April 30, 2024 Compared to the Nine Months Ended April 30, 2023

NET SALES:	Nine Months Ended April 30, 2024	Nine Months Ended April 30, 2023	Change Amount	% Change
Recreational vehicles				
North American Towable	\$ 2,747,815	\$ 3,271,967	\$ (524,152)	(16.0)
North American Motorized	1,928,531	2,658,042	(729,511)	(27.4)
Total North America	4,676,346	5,930,009	(1,253,663)	(21.1)
European	2,421,556	2,017,991	403,565	20.0
Total recreational vehicles	7,097,902	7,948,000	(850,098)	(10.7)
Other	581,682	598,671	(16,989)	(2.8)
Intercompany eliminations	(170,343)	(163,132)	(7,211)	(4.4)
Total	<u>\$ 7,509,241</u>	<u>\$ 8,383,539</u>	<u>\$ (874,298)</u>	<u>(10.4)</u>

OF UNITS:

Recreational vehicles				
North American Towable	84,258	81,941	2,317	2.8
North American Motorized	14,984	19,791	(4,807)	(24.3)
Total North America	99,242	101,732	(2,490)	(2.4)
European	40,335	38,131	2,204	5.8
Total	<u>139,577</u>	<u>139,863</u>	<u>(286)</u>	<u>(0.2)</u>

GROSS PROFIT:		% of Segment Net Sales		% of Segment Net Sales	Change Amount	% Change
Recreational vehicles						
North American Towable	\$ 310,011	11.3	\$ 392,717	12.0	\$ (82,706)	(21.1)
North American Motorized	211,866	11.0	386,254	14.5	(174,388)	(45.1)
Total North America	521,877	11.2	778,971	13.1	(257,094)	(33.0)
European	405,068	16.7	312,075	15.5	92,993	29.8
Total recreational vehicles	926,945	13.1	1,091,046	13.7	(164,101)	(15.0)
Other, net	123,686	21.3	111,002	18.5	12,684	11.4
Total	<u>\$ 1,050,631</u>	<u>14.0</u>	<u>\$ 1,202,048</u>	<u>14.3</u>	<u>\$ (151,417)</u>	<u>(12.6)</u>

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

Recreational vehicles						
North American Towable	\$ 184,717	6.7	\$ 192,181	5.9	\$ (7,464)	(3.9)
North American Motorized	103,756	5.4	142,475	5.4	(38,719)	(27.2)
Total North America	288,473	6.2	334,656	5.6	(46,183)	(13.8)
European	221,119	9.1	192,942	9.6	28,177	14.6
Total recreational vehicles	509,592	7.2	527,598	6.6	(18,006)	(3.4)
Other	56,549	9.7	50,592	8.5	5,957	11.8
Corporate	98,395	—	82,221	—	16,174	19.7
Total	<u>\$ 664,536</u>	<u>8.8</u>	<u>\$ 660,411</u>	<u>7.9</u>	<u>\$ 4,125</u>	<u>0.6</u>

INCOME (LOSS) BEFORE INCOME TAXES:	Nine Months Ended April 30, 2024	% of Segment Net Sales	Nine Months Ended April 30, 2023	% of Segment Net Sales	Change Amount	% Change
Recreational vehicles						
North American Towable	\$ 118,319	4.3	\$ 181,471	5.5	\$ (63,152)	(34.8)
North American Motorized	96,684	5.0	234,163	8.8	(137,479)	(58.7)
Total North America	215,003	4.6	415,634	7.0	(200,631)	(48.3)
European	144,206	6.0	77,948	3.9	66,258	85.0
Total recreational vehicles	359,209	5.1	493,582	6.2	(134,373)	(27.2)
Other, net	35,650	6.1	30,004	5.0	5,646	18.8
Corporate	(173,033)	—	(156,146)	—	(16,887)	(10.8)
Total	\$ 221,826	3.0	\$ 367,440	4.4	\$ (145,614)	(39.6)

CONSOLIDATED

Consolidated net sales for the nine months ended April 30, 2024 decreased \$874,298, or 10.4%, compared to the nine months ended April 30, 2023. The decrease in consolidated net sales is primarily due to lower current dealer and consumer demand in comparison to demand in the prior-year period, primarily in the North American Towable and Motorized segments. Approximately 32.2% of the Company's net sales for the nine months ended April 30, 2024 were transacted in a currency other than the U.S. dollar. The Company's most material exchange rate exposure is sales in Euros. The decrease in consolidated net sales includes an increase of \$77,181 from the change in currency exchange rates between the two periods. To determine this impact, net sales transacted in currencies other than U.S. dollars have been translated to U.S. dollars using the average exchange rates that were in effect during the comparative periods.

Consolidated gross profit for the nine months ended April 30, 2024 decreased \$151,417 compared to the nine months ended April 30, 2023. Consolidated gross profit was 14.0% of consolidated net sales for the nine months ended April 30, 2024 and 14.3% for the nine months ended April 30, 2023. The decreases in consolidated gross profit and the consolidated gross profit percentage were both primarily due to the impact of the decrease in consolidated net sales in the current-year period compared to the prior-year period and an increase in sales discounting.

Selling, general and administrative expenses for the nine months ended April 30, 2024 increased \$4,125, or 0.6%, compared to the nine months ended April 30, 2023, which included decreases due to the 10.4% decrease in consolidated net sales and the decrease in income before income taxes, which resulted in lower commissions and other incentive compensation, and a decrease in net costs related to the ongoing investigation of the Company's advertising practices in Germany and a product recall as discussed in Note 14 to the Condensed Consolidated Financial Statements. These decreases were more than offset by other cost increases, which included third-party fees related to the debt refinancing in the second quarter of fiscal 2024, research and development costs, dealer settlement and repurchase costs as well as increased advertising and promotion costs.

The decrease of \$145,614, or 39.6%, in income before income taxes for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023 was primarily driven by the decrease in consolidated net sales noted above.

The overall effective income tax rate for the nine months ended April 30, 2024 was 21.6% compared with 23.0% for the nine months ended April 30, 2023. The primary reason for the decrease relates to the favorable impact of the terms of the resolution of certain matters discussed in Note 14 to the Condensed Consolidated Financial Statements during the nine months ended April 30, 2024, as the Company expects certain payments made related to these matters to be deductible for tax purposes.

Additional information concerning the changes in net sales, gross profit, selling, general and administrative expenses and income before income taxes are addressed below and in the segment reporting that follows.

The \$16,174 increase in Corporate costs included in selling, general and administrative expenses for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023 includes an increase of \$9,112 in legal and professional fees, primarily related to third-party fees of \$7,175 incurred with the debt refinancing discussed in Note 12 to the Condensed Consolidated Financial Statements. The \$16,174 increase also includes an increase in deferred compensation expense of \$6,606 due to market value fluctuations between the two periods, an increase in innovation-led research and development costs of \$7,260 and an increase in stock-based and other compensation costs of \$6,479. These increases were partially offset by income of \$16,900 related to the legal and recall matters discussed in Note 14 to the Condensed Consolidated Financial Statements.

The \$713 increase in net expense in Corporate interest and other income and expense for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023 includes a decrease of \$10,009 in non-cash foreign currency gains on certain Euro-denominated loans in the current-year period as compared to the prior-year period. In addition, operating losses related to our Roadpass Digital joint venture as discussed in Note 8 to the Condensed Consolidated Financial Statements were \$6,282 larger in the current-year period as compared to the prior-year period, primarily due to the current period including nine months of results as compared to four months in the prior-year period. These net expense increases were mostly offset by favorable changes of \$6,223 in the fair value of the Company's deferred compensation plan assets and \$4,599 in the fair value of certain other equity investments, both due to market value fluctuations between the two periods. Net interest expense also decreased by \$7,856, in spite of the one-time debt refinancing fees incurred in the second quarter of fiscal 2024, due to increased interest income received from higher average cash balances held and higher interest income rates combined with lower debt interest expense, primarily due to lower average debt balances outstanding.

Segment Reporting

NORTH AMERICAN TOWABLE RECREATIONAL VEHICLES

Analysis of the change in net sales for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023:

	Nine Months Ended April 30, 2024	% of Segment Net Sales	Nine Months Ended April 30, 2023	% of Segment Net Sales	Change Amount	% Change
NET SALES:						
North American Towable						
Travel Trailers	\$ 1,811,215	65.9	\$ 2,030,451	62.1	\$ (219,236)	(10.8)
Fifth Wheels	936,600	34.1	1,241,516	37.9	(304,916)	(24.6)
Total North American Towable	<u>\$ 2,747,815</u>	<u>100.0</u>	<u>\$ 3,271,967</u>	<u>100.0</u>	<u>\$ (524,152)</u>	<u>(16.0)</u>
	Nine Months Ended April 30, 2024	% of Segment Shipments	Nine Months Ended April 30, 2023	% of Segment Shipments	Change Amount	% Change
# OF UNITS:						
North American Towable						
Travel Trailers	68,808	81.7	63,106	77.0	5,702	9.0
Fifth Wheels	15,450	18.3	18,835	23.0	(3,385)	(18.0)
Total North American Towable	<u>84,258</u>	<u>100.0</u>	<u>81,941</u>	<u>100.0</u>	<u>2,317</u>	<u>2.8</u>
IMPACT OF CHANGE IN PRODUCT MIX AND PRICE ON NET SALES:						% Change
North American Towable						
Travel Trailers						(19.8)
Fifth Wheels						(6.6)
Total North American Towable						(18.8)

The decrease in total North American Towable net sales of 16.0% compared to the prior-year period resulted from a 2.8% increase in unit shipments and a 18.8% decrease in the overall net price per unit due to the combined impact of changes in product mix and price. The increase in unit shipments is primarily due to the recent heightened seasonal demand for the lower cost travel trailer units as compared to the prior-year period. According to statistics published by RVIA, for the nine months ended April 30, 2024, combined North American travel trailer and fifth wheel wholesale unit shipments increased 5.5% compared to the same period last year. According to the most recently published statistics from Stat Surveys, for the nine-month periods ended March 31, 2024 and 2023, our North American market share for travel trailers and fifth wheels combined was 40.5% and 42.1%, respectively. Comparisons of Company shipments to industry shipments on an interim basis would not necessarily be indicative of the results expected for a full fiscal year.

The decreases in the overall net price per unit within the travel trailer product line of 19.8% and the fifth wheel product line of 6.6% were primarily due to the combined impact of sales price reductions due to lower input costs, higher sales discounting levels and product mix changes trending toward more moderately-priced units as compared to the prior-year period.

North American Towable cost of products sold decreased \$441,446 to \$2,437,804, or 88.7% of North American Towable net sales, for the nine months ended April 30, 2024 compared to \$2,879,250, or 88.0% of North American Towable net sales, for the nine months ended April 30, 2023. Changes in material, labor, freight-out and warranty costs comprised \$421,175 of the \$441,446 decrease in cost of products sold. Material, labor, freight-out and warranty costs as a combined percentage of North American Towable net sales were 80.4% for the nine months ended April 30, 2024 compared to the same 80.4% for the nine months ended April 30, 2023, as a decrease in the material cost percentage was offset by modest increases in the labor and warranty percentages. Total manufacturing overhead decreased \$20,271 in correlation with the decrease in sales but increased as a percentage of North American Towable net sales from 7.6% to 8.3%, as the decreased net sales levels resulted in higher overhead costs per unit sold.

The decrease of \$82,706 in North American Towable gross profit for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023 was driven by the decrease in net sales, and the decrease in the gross profit percentage is due to the increase in the cost of products sold percentage noted above.

The decrease of \$7,464 in North American Towable selling, general and administrative expenses for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023 includes the impact of the decrease in North American Towable net sales and income before income taxes, which caused related commissions, incentive and other compensation to decrease by \$13,827. These decreases were mostly offset by an increase of \$10,985 in professional fees and related settlement and RV repurchase costs. The increase in the overall selling, general and administrative expense as a percentage of North American Towable net sales is primarily due to the decrease in net sales.

The decrease of \$63,152 in North American Towable income before income taxes for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023 was primarily due to the decrease in North American Towable net sales, and the primary reasons for the decrease in percentage were the increases in the cost of products sold and selling, general and administrative expense percentages noted above.

NORTH AMERICAN MOTORIZED RECREATIONAL VEHICLES

Analysis of the change in net sales for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023:

	Nine Months Ended April 30, 2024	% of Segment Net Sales	Nine Months Ended April 30, 2023	% of Segment Net Sales	Change Amount	% Change
NET SALES:						
North American Motorized						
Class A	\$ 597,559	31.0	\$ 887,678	33.4	\$ (290,119)	(32.7)
Class C	922,388	47.8	1,216,537	45.8	(294,149)	(24.2)
Class B	408,584	21.2	553,827	20.8	(145,243)	(26.2)
Total North American Motorized	<u>\$ 1,928,531</u>	<u>100.0</u>	<u>\$ 2,658,042</u>	<u>100.0</u>	<u>\$ (729,511)</u>	<u>(27.4)</u>
	Nine Months Ended April 30, 2024	% of Segment Shipments	Nine Months Ended April 30, 2023	% of Segment Shipments	Change Amount	% Change
# OF UNITS:						
North American Motorized						
Class A	2,995	20.0	4,326	21.9	(1,331)	(30.8)
Class C	8,451	56.4	10,844	54.8	(2,393)	(22.1)
Class B	3,538	23.6	4,621	23.3	(1,083)	(23.4)
Total North American Motorized	<u>14,984</u>	<u>100.0</u>	<u>19,791</u>	<u>100.0</u>	<u>(4,807)</u>	<u>(24.3)</u>
IMPACT OF CHANGE IN PRODUCT MIX AND PRICE ON NET SALES:						% Change
North American Motorized						
Class A						(1.9)
Class C						(2.1)
Class B						(2.8)
Total North American Motorized						(3.1)

The decrease in total North American Motorized net sales of 27.4% compared to the prior-year period resulted from a 24.3% decrease in unit shipments and a 3.1% decrease in the overall net price per unit due to the combined impact of changes in product mix and price, which included elevated sales discounts compared to the prior-year period. The decrease in unit shipments is primarily due to a softening in current dealer and consumer demand in comparison with the demand in the prior-year period, which included independent dealer restocking of certain motorized products. According to statistics published by RVIA, for the nine months ended April 30, 2024, combined North American motorhome wholesale unit shipments decreased 23.8% compared to the same period last year. According to statistics published by Stat Surveys, for the nine-month periods ended March 31, 2024 and 2023, our North American market share for motorhomes was 48.2% and 47.4%, respectively. Comparisons of Company shipments to industry shipments on an interim basis would not necessarily be indicative of the results expected for a full fiscal year.

The decreases in the overall net price per unit within the Class A product line of 1.9%, the Class C product line of 2.1% and the Class B product line of 2.8% were all primarily due to higher discounting levels since the prior-year period and consumers trending toward more moderately-priced units compared to the prior-year period.

North American Motorized cost of products sold decreased \$555,123 to \$1,716,665, or 89.0% of North American Motorized net sales, for the nine months ended April 30, 2024 compared to \$2,271,788, or 85.5% of North American Motorized net sales, for the nine months ended April 30, 2023. Changes in material, labor, freight-out and warranty costs comprised \$524,625 of the \$555,123 decrease. Material, labor, freight-out and warranty costs as a combined percentage of North American Motorized net sales increased to 82.9% for the nine months ended April 30, 2024 compared to 79.9% for the nine months ended April 30, 2023, with the increase due to an increase in the material cost percentage, primarily due to higher sales discounting, which effectively decreases net selling prices and correspondingly increases the material cost percentage, as well as increased chassis costs. Total manufacturing overhead decreased \$30,498 with the decrease in net sales but increased as a percentage of North American Motorized net sales from 5.6% to 6.1% as the decrease in net sales levels resulted in higher overhead costs per unit sold.

The decrease of \$174,388 in North American Motorized gross profit for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023 was driven by the decrease in net sales, while the decrease in the gross profit percentage is due to the increase in the cost of products sold percentage noted above.

The decrease of \$38,719 in North American Motorized selling, general and administrative expenses for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023 is primarily due to the decreases in North American Motorized net sales and income before income taxes, which caused related commissions, incentive and other compensation to decrease by \$38,584.

The decrease of \$137,479 in North American Motorized income before income taxes for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023 was primarily due to the decrease in North American Motorized net sales, and the primary reason for the decrease in percentage was the increase in the cost of products sold percentage noted above.

EUROPEAN RECREATIONAL VEHICLES

Analysis of the change in net sales for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023:

	Nine Months Ended April 30, 2024	% of Segment Net Sales	Nine Months Ended April 30, 2023	% of Segment Net Sales	Change Amount	% Change
NET SALES:						
European						
Motorcaravan	\$ 1,263,814	52.2	\$ 901,926	44.7	\$ 361,888	40.1
Campervan	755,783	31.2	648,717	32.1	107,066	16.5
Caravan	180,093	7.4	272,521	13.5	(92,428)	(33.9)
Other	221,866	9.2	194,827	9.7	27,039	13.9
Total European	<u>\$ 2,421,556</u>	<u>100.0</u>	<u>\$ 2,017,991</u>	<u>100.0</u>	<u>\$ 403,565</u>	<u>20.0</u>
	Nine Months Ended April 30, 2024	% of Segment Shipments	Nine Months Ended April 30, 2023	% of Segment Shipments	Change Amount	% Change
# OF UNITS:						
European						
Motorcaravan	16,714	41.4	12,523	32.8	4,191	33.5
Campervan	16,316	40.5	13,853	36.3	2,463	17.8
Caravan	7,305	18.1	11,755	30.9	(4,450)	(37.9)
Total European	<u>40,335</u>	<u>100.0</u>	<u>38,131</u>	<u>100.0</u>	<u>2,204</u>	<u>5.8</u>

IMPACT OF CHANGES IN FOREIGN CURRENCY, PRODUCT MIX AND PRICE ON NET SALES:

	Foreign Currency %	Mix and Price %	% Change
European			
Motorcaravan	3.8	2.8	6.6
Campervan	3.8	(5.1)	(1.3)
Caravan	3.8	0.2	4.0
Total European	3.8	10.4	14.2

The increase in total European Recreational Vehicle net sales of 20.0% compared to the prior-year period resulted from increases of 5.8% in unit shipments and 14.2% in the overall net price per unit due to the total combined impact of changes in foreign currency, product mix and price. The increase in European Recreational Vehicle net sales of \$403,565 includes an increase of \$77,181, or 3.8% of the 20.0% increase, due to the increase in foreign exchange rates since the prior-year period. Sales on a constant-currency basis increased by 16.2%.

The overall net price per unit increase of 14.2% includes an increase of 3.8% due to the impact of foreign currency exchange rate changes and a constant-currency increase of 10.4% due to the combined impact of product mix and selling price increases, primarily due to the much higher concentration of Motorcaravan sales in the current-year period due primarily to improved supply of chassis and other components in the current-year period compared to the prior-year period.

The constant-currency increases in the overall net price per unit within the Motorcaravan product line of 2.8% and the Caravan product line of 0.2% were primarily due to the impact of selling price increases and product mix changes. The constant-currency decrease in the overall net price per unit within the Campervan product line of 5.1% was primarily due to the impact of product mix changes and increased sales discounting. In addition, the current-year period included a higher concentration of Campervan units with a customer-supplied chassis that is not included in the unit sales price as opposed to a purchased chassis that is included in the unit sales price.

European Recreational Vehicle cost of products sold increased \$310,572 to \$2,016,488, or 83.3% of European Recreational Vehicle net sales, for the nine months ended April 30, 2024 compared to \$1,705,916, or 84.5% of European Recreational Vehicle net sales, for the nine months ended April 30, 2023. Changes in material, labor, freight-out and warranty costs comprised \$268,517 of the \$310,572 increase. Material, labor, freight-out and warranty costs as a combined percentage of European Recreational Vehicle net sales decreased to 72.7% for the nine months ended April 30, 2024 compared to 73.9% for the nine months ended April 30, 2023, with the decrease primarily due to a decrease in the material cost percentage due to net selling price increases and product mix changes. The labor and warranty cost percentages also improved. Total manufacturing overhead increased with the increase in European Recreational Vehicle net sales but remained consistent as a percentage of European Recreational Vehicle net sales at 10.6% for both periods.

The increase of \$92,993 in European Recreational Vehicle gross profit for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023 was primarily due to the increase in European Recreational Vehicle net sales and the decrease in the cost of products sold percentage noted above.

The increase of \$28,177 in European Recreational Vehicle selling, general and administrative expenses for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023 was primarily due to the increase in European Recreational Vehicle net sales and income before income taxes, which caused related commissions, incentive and other compensation to increase by \$8,403. Sales-related travel and advertising and promotional costs also increased \$10,163, primarily due to increased display space at the annual Dusseldorf show and attending more regional shows in comparison to the prior-year period. An increase in the foreign exchange rates in the current period as compared to the prior-year period also contributed to the overall increase.

The increase of \$66,258 in European Recreational Vehicle income before income taxes for the nine months ended April 30, 2024 compared to the nine months ended April 30, 2023 was primarily due to the increase in European Recreational Vehicle net sales. The primary reasons for the increase in percentage were the decreases in both the cost of products sold and selling, general and administrative expense percentages noted above. Amortization expense was also 0.4% lower as a percentage of sales in the current year compared to the prior-year period.

Liquidity and Capital Resources

As of April 30, 2024, we had \$371,819 in cash and cash equivalents, of which \$264,541 was held in the U.S. and the equivalent of \$107,278, predominantly in Euros, was held in Europe, compared to \$441,232 on July 31, 2023, of which \$338,703 was held in the U.S. and the equivalent of \$102,529, predominantly in Euros, was held in Europe. Cash and cash equivalents held internationally may be subject to foreign withholding taxes if repatriated to the U.S. The components of the \$69,413 decrease in cash and cash equivalents are described in more detail below, but the decrease was primarily attributable to cash provided by operations of \$207,532 being more than offset by cash used in investing activities of \$102,889 and cash used in financing activities of \$173,327.

Net working capital at April 30, 2024 was \$1,131,154 compared to \$1,077,098 at July 31, 2023. Capital expenditures of \$106,069 for the nine months ended April 30, 2024 were made primarily for production building additions and improvements and replacing machinery and equipment used in the ordinary course of business.

We strive to maintain adequate cash balances to ensure we have sufficient resources to respond to opportunities and changing business conditions. In addition, the unused availability under our revolving asset-based credit facility is generally available to the Company for general operating purposes and approximated \$998,000 at April 30, 2024. We believe our on-hand cash and cash equivalents and funds generated from operations, along with funds available under the revolving asset-based credit facility, will be sufficient to fund expected operational requirements for the foreseeable future.

Our priorities for the use of current and future available cash generated from operations remain consistent with our history, and include reducing our indebtedness, maintaining and, over time, growing our dividend payments and funding our growth, both organically and, opportunistically, through acquisitions. We may also consider strategic and opportunistic repurchases of shares of THOR stock under the share repurchase authorizations as discussed in Note 16 to the Condensed Consolidated Financial Statements, and special dividends based upon market and business conditions and excess cash availability, subject to potential customary limits and restrictions pursuant to our credit facilities, applicable legal limitations and determination by the Company's Board of Directors ("Board"). We believe our on-hand cash and cash equivalents and funds generated from operations will be sufficient to fund expected cash dividend payments and share repurchases for the foreseeable future.

Our current estimate of committed and internally approved capital spend for the remainder of fiscal 2024 is \$35,000, primarily for certain building projects and certain automation projects, as well as replacing and upgrading machinery, equipment and other assets throughout our facilities to be used in the ordinary course of business. We anticipate that these expenditures will be funded by cash provided by our operating activities.

The Company's Board currently intends to continue regular quarterly cash dividend payments in the future. As is customary under credit facilities, certain actions, including our ability to pay dividends, are subject to the satisfaction of certain conditions prior to payment. The conditions for the payment of dividends under the existing debt facilities include a minimum level of adjusted excess cash availability and a fixed charge coverage ratio test, both as defined in the credit agreements. 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, in addition to compliance with any then-existing financing facilities.

Operating Activities

Net cash provided by operating activities for the nine months ended April 30, 2024 was \$207,532 as compared to net cash provided by operating activities of \$474,120 for the nine months ended April 30, 2023.

For the nine months ended April 30, 2024, net income adjusted for non-cash items (primarily depreciation, amortization of intangibles and stock-based compensation) provided \$392,784 of operating cash. The change in net working capital resulted in a net use of \$185,252 of operating cash during that period, primarily due to a seasonal increase in trade accounts receivable, required income tax payments during the period exceeding the income tax provision for the period, and a decrease in certain accrued liabilities as a result of the reduction in sales and production when compared to the prior-year period.

For the nine months ended April 30, 2023, net income adjusted for non-cash items (primarily depreciation, amortization of intangibles and stock-based compensation) provided \$511,534 of operating cash. The change in working capital resulted in the use of \$37,414 of operating cash during that period.

Investing Activities

Net cash used in investing activities for the nine months ended April 30, 2024 was \$102,889, primarily due to capital expenditures of \$106,069.

Net cash used in investing activities for the nine months ended April 30, 2023 was \$171,562, primarily due to capital expenditures of \$150,466.

Financing Activities

Net cash used in financing activities for the nine months ended April 30, 2024 was \$173,327, which included borrowings of \$113,502 on the asset-based credit facility for temporary working capital needs and subsequent payments of \$111,555 on the asset-based credit facility. In addition, borrowings of \$186,723 were made in connection with the debt refinancing as discussed in Note 12 to the Condensed Consolidated Financial Statements, and payments totaling \$227,626 were made on the term-loan credit facilities, of which \$127,626 was paid in connection with the debt refinancing. Treasury share repurchases of \$43,034 were made and regular quarterly dividend payments of \$0.48 per share for each of the first three quarters of fiscal 2024 were also made totaling \$76,730.

Net cash used in financing activities for the nine months ended April 30, 2023 was \$266,068, including payments of \$50,000 on the asset-based credit facility and \$102,355 on the term-loan credit facilities, in addition to treasury share repurchases of \$42,007. Regular quarterly dividend payments of \$0.45 per share for each of the first three quarters of fiscal 2023 were also made totaling \$71,978.

The Company increased its previous regular quarterly dividend of \$0.45 per share to \$0.48 per share in October 2023. In October 2022, the Company increased its previous regular quarterly dividend of \$0.43 per share to \$0.45 per share.

Accounting Standards

See Note 1 in the Notes to the Condensed Consolidated Financial Statements included in Item 1 of Part 1 of this Quarterly Report on Form 10-Q.

Critical Accounting Estimates

For a discussion of our critical accounting estimates, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 and the notes to our Consolidated Financial Statements in Part II, Item 8 of our Annual Report on Form 10-K for the year ended July 31, 2023. There have been no material changes to our critical accounting estimates since our Annual Report on Form 10-K for the year ended July 31, 2023.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in foreign currency exchange rates and interest rates. At times, the Company enters into hedging transactions to mitigate certain of these risks in accordance with guidelines established by the Company's management. The Company does not use financial instruments for trading or speculative purposes.

CURRENCY EXCHANGE RISK – The Company's principal currency exposures mainly relate to the Euro and British Pound Sterling. The Company periodically uses foreign currency forward contracts to manage certain foreign exchange rate exposure related to anticipated sales transactions in Pounds Sterling with financial instruments whose maturity date, along with the realized gain or loss, occurs on or near the execution of the anticipated transaction.

The Company also holds \$413,795 of debt denominated in Euros at April 30, 2024. A hypothetical 10% change in the Euro/U.S. Dollar exchange rate would change our April 30, 2024 debt balance by approximately \$41,380.

INTEREST RATE RISK – Based on our assumption of the Company's floating-rate debt levels over the next 12 months, a one-percentage-point increase in interest rates (approximately 13.1% of our weighted-average interest rate at April 30, 2024) would result in an estimated \$7,112 reduction in income before income taxes over a one-year period.

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 for 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 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 April 30, 2024, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Arrangements

No director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (as each term is defined in Item 408(a) of Regulation S-K) during the three months ended April 30, 2024.

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

Although risks specific to the supply chain disruptions are ongoing, and macroeconomic issues like general inflation, as well as certain geopolitical events, including military conflicts, remain, at this point there have been no material changes in those risks or any others 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, 2023.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the three months ended April 30, 2024, the Company used \$12,997 to purchase shares of common stock under its share repurchase authorizations. The Company's total remaining authorizations for common stock repurchases was \$448,173 at April 30, 2024.

A summary of the Company's share repurchases during the three months ended April 30, 2024 is set forth below:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
2/1/24 – 2/29/24	—	\$ —	—	\$ 461,170
3/1/24 – 3/31/24	—	\$ —	—	\$ 461,170
4/1/24 – 4/30/24	126,754	\$ 102.54	126,754	\$ 448,173
	<u>126,754</u>		<u>126,754</u>	

- ⁽¹⁾ On December 21, 2021, the Company's Board of Directors authorized Company management to utilize up to \$250,000 to repurchase shares of the Company's common stock through December 21, 2024. On June 24, 2022, the Board authorized Company management to utilize up to an additional \$448,321 to repurchase shares of the Company's common stock through July 31, 2025. Under the two share repurchase authorizations, the Company is authorized to repurchase, on a discretionary basis and from time-to-time, outstanding shares of its common stock in the open market, in privately negotiated transactions or by other means. The timing and amount of share repurchases will be determined at the discretion of the Company's management team based upon the market price of the stock, management's evaluation of general market and economic conditions, cash availability and other factors. The share repurchase program may be suspended, modified or discontinued at any time, and the Company has no obligation to repurchase any amount of its common stock under this program. During the three months ended April 30, 2024, the Company purchased 126,754 shares of its common stock, at various times in the open market, at a weighted-average price of \$102.54 and held them as treasury shares at an aggregate purchase price of \$12,997, with 125,318 shares, or \$12,849, coming from the December 21, 2021 authorization and 1,436 shares, or \$148, coming from the June 24, 2022 authorization. During the nine months ended April 30, 2024, the Company purchased 454,630 shares of its common stock, at various times in the open market, at a weighted-average price of \$94.66 and held them as treasury shares at an aggregate purchase price of \$43,034, with 453,194 shares, or \$42,886, coming from the December 21, 2021 authorization and 1,436 shares, or \$148, coming from the June 24, 2022 authorization. Since the inception of the initial December 21, 2021 authorization, the Company has purchased 2,948,405 shares of its common stock, at various times in the open market, at a weighted-average price of \$84.84 and held them as treasury shares at an aggregate purchase price of \$250,148. As of April 30, 2024, there are no remaining shares of the Company's common stock that may be repurchased under the December 21, 2021 authorization. As of April 30, 2024, the remaining amount of the Company's common stock that may be repurchased under the June 24, 2022 authorization expiring on July 31, 2025 is \$448,173.

ITEM 6. EXHIBITS

Exhibit	Description
3.1	<u>Thor Industries, Inc. Amended and Restated Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed with the SEC on December 20, 2018)</u>
3.2	<u>Thor Industries, Inc. Amended and Restated By-Laws, as amended (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed with the SEC on December 20, 2018)</u>
31.1	<u>Chief Executive Officer's Rule 13a-14(a) Certification</u>
31.2	<u>Chief Financial Officer's Rule 13a-14(a) Certification</u>
32.1	<u>Chief Executive Officer's Section 1350 Certification</u>
32.2	<u>Chief Financial Officer's Section 1350 Certification</u>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data file because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document
101.LAB	Inline XBRL Taxonomy Label Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted in inline XBRL and contained in Exhibit 101)

Attached as Exhibits 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2024 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, (iv) the Condensed Consolidated Statements of Changes in Stockholders' Equity and (v) 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: June 5, 2024

/s/ Robert W. Martin

Robert W. Martin

President and Chief Executive Officer

DATE: June 5, 2024

/s/ Colleen Zuhl

Colleen Zuhl

Senior Vice President and Chief Financial Officer

EXHIBIT 31.1

RULE 13a-14(a) CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER

I, Robert W. Martin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of THOR Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

DATE: June 5, 2024

/s/ Robert W. Martin

Robert W. Martin

President and Chief Executive Officer

(Principal executive officer)

EXHIBIT 31.2

RULE 13a-14(a) CERTIFICATION OF THE CHIEF FINANCIAL OFFICER

I, Colleen Zuhl, certify that:

1. I have reviewed this quarterly report on Form 10-Q of THOR Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

DATE: June 5, 2024

/s/ Colleen Zuhl

Colleen Zuhl

Senior Vice President and Chief Financial Officer

(Principal financial and accounting officer)

EXHIBIT 32.1

**SECTION 1350 CERTIFICATION
OF CHIEF EXECUTIVE OFFICER**

In connection with this quarterly report on Form 10-Q of THOR Industries, Inc. for the period ended April 30, 2024, I, Robert W. Martin, President and Chief Executive Officer of THOR Industries, Inc., hereby certify pursuant to 18 U.S.C.

§ 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-Q for the period ended April 30, 2024 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in this Form 10-Q for the period ended April 30, 2024 fairly presents, in all material respects, the financial condition and results of operations of THOR Industries, Inc.

DATE: June 5, 2024

/s/ Robert W. Martin

Robert W. Martin

President and Chief Executive Officer

(Principal executive officer)

EXHIBIT 32.2

**SECTION 1350 CERTIFICATION
OF CHIEF FINANCIAL OFFICER**

In connection with this quarterly report on Form 10-Q of THOR Industries, Inc. for the period ended April 30, 2024, I, Colleen Zuhl, Senior Vice President and Chief Financial Officer of THOR Industries, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-Q for the period ended April 30, 2024 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in this Form 10-Q for the period ended April 30, 2024 fairly presents, in all material respects, the financial condition and results of operations of THOR Industries, Inc.

DATE: June 5, 2024

/s/ Colleen Zuhl

Colleen Zuhl

Senior Vice President and Chief Financial Officer
(Principal financial and accounting officer)