

THOR Industries

Q&A Transcript at Dealer Open House

Tuesday, September 24, 10:30 AM ET

CORPORATE PARTICIPANTS

Bob Martin - *President and Chief Executive Officer*

Colleen Zuhl - *Senior Vice President and Chief Financial Officer*

Todd Woelfer - *Senior Vice President and Chief Operating Officer*

John Harris – *Chief Executive Officer (Harbinger)*

Jeff Tryka – *Investor Relations*

Jeff Tryka

Good morning and welcome to the 2024 RV Dealer Open House. We want to thank you all for coming to Elkhart to spend some time seeing the exciting new products we have for the 2025 model year as well as some of the great innovations we have developed.

Before we begin, I'd ask that you to take note of the cautionary language regarding forward-looking statements contained in today's press release, presentation and other materials as described in THOR's filings with the SEC.

We will start the session with some initial comments by Bob Martin, THOR's President and CEO, Colleen Zuhl, Executive Vice President and CFO, and Todd Woelfer, Executive Vice President and COO. Following their comments, we will open it up for your questions, and we ask that you wait for the microphone before asking your question, so that everyone will be able to hear it. With that, I will turn it over to Bob Martin.

Bob Martin

Todd Woelfer and Colleen Zuhl will come join me on stage with their chairs. Thank you for coming out today, it's a little rainy today but for us we're lucky that we have a display that we paved about five years ago on the Orthwein pavilion and it usually drives more people to our display. And for me, early views already are dealer optimistic. Still have an election and things that we have to go through but a lot of new products and new features and just a lot of cool things. I brought my wife out this weekend just to see her ooh and ahh over some of the new interiors. Things have changed so much over the last year and we're excited. I'm not going to steal Todd's thunder who has some really cool things coming up on innovation and Colleen is going to cover financials. What we don't have here right now is some of our Erwin Hymer Group our European products so we would like to start with a video just showing some of our products from Europe. I'm fresh off our Dusseldorf show I know some of you were over there. That show itself had 250,000 customers through the door. Strong sales by our products over there. Mix shift in Europe a little bit higher end, our bigger, and more expensive products have done very well. That piece of our business we bought in 2018. The first two years to get it going was tough on the management team and took a little bit to learn, but we've got an incredible management team in Europe that is pushing a phenomenal group, and their performance is really doing a great job for Thor investors. So we'll start with a video and then we'll have Colleen and Todd and then a Q and A.

So, we did want the highlight to start off with some videos. It's really kind of important for a couple of reasons our ESG group has really leaned into social media and to the point that even when you go to the Düsseldorf show, our footprint is smaller so, our spend is smaller. And some of our entry level products don't even show at the show. They highlight everything on social media. And it's marketing videos like this that we push out on a regular basis that really just get that younger buyer. And the products are smaller, they use them differently. They can't de-winter. And those videos just highlight a little bit that. So, we want to start with the HG, we'll go to the financials and then the innovation and we'll come back to Q&A.

Colleen Zuhl

So, as you all know, we released our Q4 and full year earnings this morning before the market opened. Full year fiscal 24 results sales of \$10 billion, unit shipments of almost 187,000 units across the world. Gross profit margin came in at 14.5 percent. Diluted EPS of \$4.94 and cash from operations for the full year of \$545 million.

The next slide is--here is just kind of a breakdown of our sales as we've grown and changed over the last few years. Just thought we'd give you a snapshot of how our sales look, sales by country.

So, about 62 percent of our sales are here in the U.S., Germany, about 20 percent, the rest of the Europe, 13 percent, and Canada, the remaining five percent.

And then, on the other side of the slide, looking at it between our products, categories, and our segments. So, North American towables remains our largest segment at nearly 37 percent of sales. Europe has grown to 33 percent of sales. And then, motorized about 25 percent of sales and five percent--six percent for the remainder.

Quick snapshot then on the next slide of the quarter as well as the fiscal year. So, for the quarter, sales \$2.5 billion, seven percent lower than last year of \$2.7 billion. Gross profit margin though was up to 15.8 percent versus 14.4 percent. And that was a combination of things. We did get a benefit from the LIFO adjustments during the quarter. But it was also the result of a favorable warranty and lower overhead as well. So, our diluted earnings per share came in flat compared to last year's Q4 at \$1.68. For the quarter alone, this is typical in our cycle for the year. We generated a lot of the cash towards the end of the fiscal year. This year was no different. We had about \$338 million generated in the fourth quarter. And then, we continue to do our share repurchases as we saw opportunities.

The next slide--even given the year, we remain in a very, very strong position from a liquidity standpoint with over \$1.3 billion available for cash on hand. And our leverage remains very low. In fact, it's slightly below our long term target of one times, coming in at 0.9 times. So, very good shape there. As we said we would at the beginning of the year, we utilized the cash that we generated in a very balanced way, certainly capex spending about \$140 million. That was under our original budget for the year. As we recognized the market conditions, we pulled back on that capex spend. We continue to increase our dividend; 2024 was our 14th year of consecutive increases to dividends. We've paid down significantly on our debt. We've also restructured the debt. So, we've extended terms. We've lowered our interest rates. It's a lot of good news on the debt side of things. Again, repurchased, for the full year, about \$68 million in shares. And then, as Todd will talk further, just continued investments in innovation and opportunities there.

Todd Woelfer

We put out our guidance this morning, internally, just to be very candid with you, we debated whether or not we do guidance now or do we do it in December. We've done it both. But we quickly concluded when we evaluated that option that we aren't going to be in a much clearer spot in December. Right? We've seen the Fed cut rates 50 bps and we feel good about that. That's a step in the right direction. We all agree on that. But why that happened in the face of a softer jobs report--isn't necessarily great news. So, there continues to be mixed news out there.

This year, we dedicated ourselves to an understanding that when we were setting guidance for the year, we would not anticipate a macro inflection that materially improved our performance. That doesn't mean it's not going to happen. Who knows if it'll happen or not. Those are things outside of our control.

Last year if you remember, we did predict that, along with lots of other people. We were not unique doing that. But we called for a meaningful inflection to occur during our fiscal '24. The Fed was telling us or hinting to us then and everybody who was following it thought we would get a series of rate cuts and it would lift our industry. When that didn't happen, we ended up flat. And over the course of the year, we had to adjust guidance twice and pull it back. That's now who THOR is. We're not a company that promises or tells what we're going to do and then underperforms. We've never done that in our history. That was very distasteful to us. So, we told ourselves that as we went into this year, we were going to assess the market for what it is and we were going to set

our guidance accordingly. That means if there is a material inflection it will mean that there will be an adjustment to guidance. But this time, if that happens in fiscal '25, it'll be an adjustment in the right direction. So, that's a little bit of the background of how our guidance ended up being what it is.

As you think about the course of our fiscal year, keep in mind our fiscal year is odd. We don't get the benefit much of the back half of calendar '25 in our fiscal '25. We end on July 31. And as we thought about our fiscal year, we're in it now, and we're moving. We're in a current market which continues to be a challenge for our dealers. Even with the rate cut, rates are high. They're being very prudent about how they manage inventory. That obviously impacts our sales. Consumers are under pressure still. We just got a softer job report. All of those things are true that we face, and all of those are contemplated when we kind of put together our guidance.

The way we think about the year as we sit here now, we would expect to see some of that alleviate--even without a material inflection, we would expect the back half of our year to start to see some relief and improvement. But the first couple quarters are going to be challenged by the macro conditions, things outside of our control. What we can control is how we operate and the products that we put into that market. That means focusing in today's world on affordable products. That means focusing on how we operate, trying to be more efficient, trying to take costs off of what we do. And that is contemplated in our guidance. That's why margins stayed pretty strong relative to the market when we pull back our top line. And you can see the guidance up above. In the end, the bottom line to everybody here is we guided to \$4 to \$5 of EPS.

QUESTION & ANSWER SESSION

And now, we'll open for Q&A. We have John Harris here with us today, the president of Harbinger. John's going to come up at the end right before you go see the unit just to give you some color about what you're going to go see.

Jeff Tryka

So, we've got time for a bunch of questions. I would ask that you wait until you get the microphone so you can speak into the microphone your question. We're doing a transcript of this. We want to make sure that we get everybody's questions accurately recorded. So, we'll open it up. Who wants to go first?

Scott Stember

Hey, guys. Thanks for taking my question. Scott Stember at Roth. Coming out of the Hershey show there was talk about improving going forward, rate cuts just occurred. Where do rates have to go before A: retail starts to get unlocked a little bit and start coming back to the market? And two, when do dealers start to feel--is it 100, 200, 300 basis points before we could really say that things will open again?

Bob Martin

Just hand this to Marcus. We do have our biggest customer here, Marcus Lemonis, Matt Wagner from Camping World. From that Hershey show--was a very good show for most of our companies. We saw some positive movement on bigger units. It was some action in the bigger diesels, toy haulers, some of the higher end units that we haven't experienced in the last 18 months. That was the first positive show, really. And really, we're looking to more rate cuts. And for us, we probably need a few more for dealers to feel bullish. I mean, right now, I think they're still--they're feeling good. The better dealers are taking share. World (sp) is taking share. And so, we're partnering with the right partners to get the product to the right price in and then focus in.

We've been really diligent with our production in the U.S. to not overproduce just because we know it is such a strange time with so many different things facing the consumer from election to unrest throughout the world, just interest rates, everything. Todd, you want to take part of this, don't you?

Todd Woelfer

So, I think rates are so critically important to our dealers and to retail customers. We all get that. But in the end, what really matters--I mean, to the heart of your question--well, how far do we have to go? The answer is far enough that it materially inflects consumer confidence in the right direction. How far that is, I don't know because there are other inputs. What's the jobs report doing? What else is going on? It's the confluence of all those factors that weigh in on a consumer because our dealers may not have an appetite to order a lot of product right now because rates are high. But if product's getting pulled through, that's okay. We just keep replenishing. We can do that.

The challenge is that the pull through at the retail level because it's not a lot of consumer confidence out there. And the rate cut is a step in the right direction. But it is one of many factors that will weigh in on that. What we really need is inflection in consumer confidence. We need that moving in the right direction. That's going to help people like Marcus and Matt on their retail lots. They're going to see better activity. And if better activity happens and their lots are being emptied by retail purchases, guess what? They order from OEMs. And that's how that works. So, rates are so critically crucial to that whole analysis. But it certainly doesn't stop and start there.

Jeff Tryka

Anyone else?

Unnamed Investor 1

Thanks guys. Can you just talk to your European business and how you're thinking about shipments, how you're thinking about pricing? There's been a pretty good ASP benefit there. It seems like--is that something we should expect to continue? Bob, I think you mentioned positive demand for high end at Düsseldorf. How do we think about Europe?

Bob Martin

Europe--for us, going into this year, we're looking for more of a normalization. They had empty lots for a long time. Really, anything they could build, they were selling. And going into the show, we thought we would see a little bit of that normalize a little bit more. We were pleasantly surprised. The show attendance was, as I said, 250,000 people through in 10 days is a great number. And our sales for a majority of our companies were up a little bit. And a little bit of it is the higher end products like a Hymer, a Niesmann Bischoff along with our intro level--so, it is really a balanced approach in Europe.

And for us, I think people thought it was going to slow up quicker. But the retail pull through, through the summer on the dealer lots was probably stronger than we anticipated. But we do still feel, as we go into these fall months for that group, it will start to normalize a little bit more. But overall, we've been very happy with everything that they've done. The performance has been amazing. They pulled back where they needed to.

We talk about this. But we use the innovation group that we have here to team up with our Hymer group for products, ideas. If you were to go to our innovation building which we took you guys to

last year, there are Hymer products in there. And for many ways--I say it's kind of cheating in R&D--that we bring some of their best selling products here. And we even have our companies come and look at them. And may not be the entire product, but they take features, ideas, lightweight, just different things that they do very well in Europe create value for our companies here in the states. And you'll see more of that coming. There's some at the open house you'll see here. But you'll see more in the spring.

But overall, we're very confident in our team. They've pleasantly surprised us with performance. And we see that continued success. And the European market is still just--it's less interest rate sensitive. So, many people are still buying in cash. It's about 75 percent paid in cash. So, the interest rates are not as big a factor. And the UK is slow. But the German market drives that European market, and the German market is still quite strong.

Unnamed Investor 2

Can you just talk about market share. I mean, you're down about--I guess 250 basis point year to date. What's driving that, and how do you recapture that?

Bob Martin

I mean, this comes up every few years. Again, we talk about balancing our production. We didn't want to overproduce. We didn't want to create a situation where we were massively discounting everybody, and we had fields of units that were built. It's not good on product. Products--they have issues when they sit out in these fields for months.

So, we've really been disciplined. And I've described it over my 12 years as CEO. It's kind of like walking on a fence. I want to make sure we have enough lot stock out there to be competitive. But I don't want to have so much that it's creating a problem for the dealers. There are some manufacturers, I know they're really pushing the miniature level travel trailers. They're either not public or they're buried within a Berkshire financial that you guys will never find. But I know some of our competitors have been more aggressive on price. And for us, we simply--we're a public company. We have to have at least a small profit out of our small travel trailer plants where some we know operate below profit line just to gain market share.

So, it's a tough one for us. I never want to lose lot space. And we do monitor that. I don't know--those of you that were down watching the presentation this morning--through our business intelligence, we can now monitor it daily. And we can see where we're getting beat. And we come up with a plan with the dealer and with our sales teams to try to regain that back. So, we've lost a little bit. It never really concerns me too much when it starts going on the wrong path. We'll get more aggressive when we need to. But it's working with people and working with the dealers to really grow. But right now, it's a little bit, but it's not concerning to me.

Unnamed Investor 2

Todd or Colleen, hoping you can get some phasing as we think about the \$4 or \$5 for '25 first half, back half type of dynamics that you're embedding in there. And as we think about after 2025, 2026 onward, are we looking at a more traditional level of growth for the industry as you guys are seeing it now, call it mid single digit plus, and how can that drop down to EPS as we think about '26 onward?

Todd Woelfer

Yeah, great question. So, as we think about fiscal '25, we weighed EPS in the latter half of the year where we're going to see better performance. So, you would expect Q1, Q2 to be down compared to the second half of the year. And we expect actually for some momentum to pick up.

So, we would expect Q4 to be pretty decent for us on a relative basis whereas before you would think--the spring selling season big--we would expect that we would see Q1 and Q2, pretty soft and then the primary contribution to EPS would come from the back half of the year. That's how we think about it.

And then, the second part of your question was--did we expect beyond that kind of that moderate temperate growth. That's just not what our industry does very well. We don't do anything very moderate. (laughter) We drop hard, and we climb hard. And we know that dealer inventories are thin and appropriately thin. That's not a shot at dealers.. They're being very smart and very prudent. We love that. But we also know that our dealers are incredibly savvy in understanding the market dynamics. And when the time hits that retail comes back and there is positive consumer confidence and there is the opportunity on the retail side that our industry, not just THOR, but our whole industry pivots incredibly well.

And that's--so, we would expect that when this market comes back--we've said this before the trade, it really isn't if, it's when. That day will come. It's come every time where the market comes back very aggressively and there's pent up demand. There is opportunity to fill dealer lots. There's all of those things. And the great thing about THOR is we throttle back really well, and that helps us perform at the margin level in the kind of market we're in right now. But we can also put our foot to the pedal and really fire it up when we need to. So, we think that when the market really inflects and we kind of get through this macro malaise that there is a pretty aggressive climb.

Unnamed Investor 3

Regarding the view that we could see a sharp inflection, I think that would be easier to support if we could see in the data that the RV lifestyle has continued to sustain at the same level. But if we look at interest in RV rentals, campground visits, everything is down a lot even compared to 2019. So, what do you attribute that to and how confident are you that there actually is pent up buyers that could drive this back to 400, 450 type retail going forward.

Todd Woelfer

Yeah, I'd want to look at all of that data with you because I would agree with some of what you said. But campground visits are down? They're not way down as I think you suggested.

Unnamed Investor 3

In fairness, that's interest in it, like as measured by search activity and stuff.

Todd Woelfer

Here's what I think. When you're an existing or potential RV customer and you're struggling to meet your monthly bills, the last thing (laughs) on your mind is getting in front of a computer and saying, "Hey, what campground am I missing out on this weekend?" So, when we survey owners and we survey potential owners, we continue to get strong indications of interest in the lifestyle.

Unnamed Investor 3

Just real quick, wasn't there just a survey that said Memorial Day camping was going to be down 50 percent year over year. Was it *RV Business*?

Todd Woelfer

I didn't see that. But let's say that that's true. That would be in the current environment. And people would be saying, "I don't know if it's right for me to go camp at campgrounds over Memorial Day." We know from our campground partners--we just invested in a campground--that bookings and things like that are not a real issue. So, the opportunity to get there--are they down? Probably,

right? I would assume--so, I wouldn't be shocked by that data to be clear. In fact, I would say that would flow kind of with the whole consumer confidence and the position of retail customers. But we don't believe that there has been--because of the macro issue that we've gone through--that there has been some kind of retail adjustment kind of pushing away from interest in the lifestyle. Nothing that we've seen with our companies or with THOR more broadly suggests that that's true to us.

We invested in the campground route to help us understand that better, that dynamic a little bit better. The data that we're getting back from that would support everything that I'm saying. They continue to buy campgrounds. They're continuing to grow. In fact, they've got a huge growth strategy. And their bookings are through the roof.

Unnamed Investor 3

So, there's no RV rental activity at campgrounds--none of that indicates to you that you can't get back to 450 retail?

Todd Woelfer

Absolutely.

Unnamed Investor 3

Okay, thank you.

Todd Woelfer

The industry--

Bob Martin

KOA--I mean, they have great analytics. but also, I talk to Toby all the time.. They may be off a little bit. But nothing like what you're talking about.

Unnamed Investor 3

It was a--I mean, we can talk exact numbers after this. I think I misspoke and said Memorial Day. It was Labor Day with camping conventions. And it was down a shocking amount to the point where I was surprised *RV Business* published it because they've never published (inaudible). (laughter)

Bob Martin

I must have missed that one. But I talk to our campground partners quite often. I'm part of a campground group. And they may be off a tad. But I haven't heard that about the Labor Day. I usually would get that indicator. We're not seeing anything that's slowing up the long term growth of the industry. We're frankly seeing the opposite. We look at our websites. We look at everything. The interest is at the highest level it's ever been. So, we'll have to look more at that. And I'd love to see what it's all about.

Andrew Wolf

Thank you, Andrew Wolf at C.L King. You mentioned you took some overhead out of your gross margin. I read some plants were closed here. I assume it's something along those lines of revision, that kind of stuff. How does that speak to your cash utilization? I assume it helped it. And if and when the boom comes, you're going to have to reopen factories, or are you in a position to meet demand?

Colleen Zuhl

So, you're correct. Over the last six months for sure, we've consolidated plants which is typical in the industry and with THOR as to when things are softer, we consolidate plants, production. We don't want to overproduce. Our plants are such that they're relatively small. They're easy to shut down. They're also easy to open back up. And THOR certainly has a track record of being very quick on both ends. I think Todd mentioned that before, that if we need to, we can adjust down. We can adjust up very quick. I think THOR is one of the fastest that can do that. So, we do have the capacity. And with all the metrics that we're monitoring, we're looking for those inflection points, but we're not going to get ahead of them.

Unnamed Investor 4

I just want to ask around the guidance. This is sort of a second question. Is this back half momentum just more of a--it sounds like it's not seasonality or a seasonality component. But I must have missed. Is it a post presidential, you think, sentiment that will get better after the election? Why do you think that beginning of calendar year '25 is going to be a better year for buying?

Todd Woelfer

Well, we think that there's likely to be at least another rate cut based on what the Fed said at the first one. We will be on the other side of what is an interesting election cycle. And things will settle down a bit. So, that's why we think second half feels better to us.

Colleen Zuhl

And I would just say I think as we--the current landscape--we recognize that in North America, the dealers are going to be hesitant to take a lot of inventory in advance of the spring selling season. So, we think they are going to delay that as long as they can to be at the right level in advance of spring selling season.

The other thing I point out on the Europe side, last year EHG had a record year, their all-time record. This year is going to be a more normalized pattern for them which typically is very low in this first quarter in particular. And then, again, they build in the second half of the year. So, it'll go back to a normal cadence where last year they were just building everything that they could because they finally had the chassis to do so.

Unnamed Investor 4

Just lastly a housekeeping on the warranty accrual. Is that more about just the kind of units you're selling have less things that need to be warranties? Is there less fancy? Or is it more to do with the (inaudible) experiences, actually?

Colleen Zuhl

It is a combination. Definitely our subsidiaries are doing a lot in the area of warranty. And so, there's positive actions that are impacting that. But certainly there--the focus right now is on the lower entry level and especially travel trailers. So, (inaudible) class as well.

Joseph Altobello

Just to follow up on that, a couple questions on the guide. First, what are you guys assuming in terms of mix? I assume it's going to be a headwind. And second, how are you thinking about towable promotional activity? I think you mentioned motorized kind of remains elevated. But curious what you're seeing on the towable side on promotions and dealer support?

Todd Woelfer

We expect Joe, until there is that market inflection and consumer confidence returns that there will continue to be an issue around affordability, which will mean more entry level products will continue to be a focus of what we see. What was the second half of your question?

Joseph Altobello

Promotions on towable.

Todd Woelfer

On the motorized side in North America, we expect there will continue to be pressure for discounting activity primarily because the chassis input costs continue to stay elevated and keep sneaking up on us.

On the towable side, we expect that to moderate a bit. It'll still be there, right? Because we are in the macro market we are in. But we want to get product through, and we want to work with our dealer partners to make sure we do that in the right way. But we do expect it to moderate a bit in the coming year.

Unnamed Investor 6

Thank you. Just want to ask a question about strategy more longer term. You're coming out of this down period potentially. Do you look at M&A differently than you have in the past? Are there some opportunities out there of maybe some manufacturers that might fill product portfolio gaps or even making it more creative? Obviously, there's going to be some dealer groups that are probably looking for homes. Do you ever think about maybe figuring out or trying a model with maybe having some company owned stores in some markets or being created there?

Todd Woelfer

No. (laughter) Absolutely not.

Unnamed Investor 6

Answer from a creativity standpoint (crosstalk).

Bob Martin

Believe me. We've had (crosstalk) studies, (inaudible) they do recommend, go vertical, don't go into the dealer. I've been in the industry for over 30 years. Coachman had factory stores, Holiday Rambler had factory stores. When we bought the company in Europe, we had a few factory stores. The first thing we did was start divesting in the factory stores. I don't want to compete with these guys. We need our dealers. So, that's one strategy. We've been pretty loud and clear that I don't want to go down that path.

And M&A--this is--the guy down there in the front seat has kind of built this company on M&A. And he enjoys it. He's still our secret weapon when it comes to M&A and strategy (inaudible). There's smaller opportunities here in the United States. There are more opportunities and it's the reason we went to Europe. And we wanted to start with the Beachhead acquisition which is performing nicely. And Europe is still--it's more like the U.S. 20 years ago. It's still a lot of family owned companies that are smaller that are potential tuck ins. There's a few large competitors. But there are a lot of small competitors.

Peter went with me to the Dusseldorf show this year just to see for himself. There's a lot of potential there. And that's just part of the reason we did it. We promised we would do it over time. We would do it when the time is right. Pay down debt. Always look to buy backs, where's the best deal, we buy back shares. So, the strategy really hasn't changed. Could there still be some

opportunities here in the states? One thing we've done--we bought Airxcel last year. So, there still are more opportunities on the supply side, those have been moves that you know that and Postle Aluminum have been good investments for us and great companies. And we see potential growth there. Airxcel has an open house coming up in October. They have more products they're coming out with. (inaudible). But they will have more products.

Todd Woelfer

THOR is an inquisitive company. We're a growth company. And anyone who thinks that that is no longer true because we took our breath for a little bit through this tough market is mistaken. We are a growth company. That's how we think about our business. That's how we will think about our business. And when a macro decline prolongs like the one we're living in right now, that creates opportunity. And so, are our eyes open? Yes.

Bob Martin

And I would say even during COVID when companies just kind of pushed the brakes on M&A, Todd and I flew to Alabama and closed Tiffin December 2020 with Covid, was not a thing. We were still active during that time frame along with Airxcel. And now there could be more here. There could be more in Europe. But as with anything, we cover quarterly with the board. There are always opportunities. There are more companies that we can pass on than people could ever imagine. We give a lot of looks. But we've got a strategy that we don't buy turnarounds. So, we buy companies with good management or teams that we can help bring up as well.

Unnamed Investor 7

On the gross margin guidance, I was just wondering--so, fiscal 24 was a bit lower. So, you come up for some gross margin expansion. Can you talk about some of the building blocks there? You mentioned also higher promotions in motorized, so just yeah, the building blocks.

Todd Woelfer

I think the biggest impact if you compare it to '24 and '25, if you imagine we're at the end of 2025, the improvement would be improvement on the North American towable side which is such a significant part of our business. And as we said earlier, we expect the discounting activity there to moderate a bit. And we expect that that will do.

Bob Martin

And I would say a little bit is makeshift as well. We've been heavy with small trailers. We see an opportunity in the mid price point travel trailers. And we're starting to see activity in the bigger fifth wheels and toy haulers which are around \$100,000. So, we're starting to see some of that come back.

Jeff Tryka

We have time for one more.

Unnamed Investor 8

Thanks. Maybe kind of relatedly, if you could just kind of tell us how you're thinking about ASPs by segment. I think you kind of mentioned a shift down in mix towards lower end travel trailers but then kind of made a bit of a contradictory comment there.

Todd Woelfer

You mean like for like for like?

Unnamed Investor 8

Just in general, like P&L wise. Should ASPs really on the towable side continue to be a headwind this year?

Bob Martin

I think it's too early to tell, honestly. I mean, as we've reported numbers, it's kind of what we do, what we've seen. There has been more activity here since the Hershey show. We'll know more as we leave this show and we see where dealers are at. This is always an interesting even because I've had one day of dealers and I'll know more next week. But early indications--there are opportunities for some of the ASP to shift up a little bit. So, where we've been focused on that very low end as an industry just trying to get more people in.

Again, I think focusing on that entry level, for me, has been something that Cameron has done an incredible job doing it. It's that first time buyer. And we get that first time buyer in and when they trade up three to five years, they typically trade up within that family of companies and that same dealer. So, it's still a focus. But for us, that's the blessing we have is we make products from entry level all the way up to--there's a \$900,000 cornerstone motorhome out there. So, we can capture all of it.

Todd Woelfer

That's kind of going to play out. And there's a chance that the mix shift improves for us. But that--I think the important takeaway from today is that's not contemplated in our guide. That's outside our the guidance.

Now I want to bring up John Harris. And before I do that, I quickly want to talk about our partnership with Harbinger. We did this two years ago with them. They were -- are a startup. But they are a startup that hits every target and every step along the way. They have the best technology in the class. But that's not what makes them one of our best partners, one of our most important partners. What makes them that is they sit with us and say, "Help us understand your use case. How do we make our product better for your use case?" And we have continued to work with them, the innovation team has, to dial in the chassis that you're all going to go see in a minute if you have time and ride in and see what it does.

It's not just 500 miles of range. There's so much more to that chassis. But I'll let John explain to you, and I'll bring him up here. But that partnership is incredibly important to us. It has been an incredible two years because it was a risky move, right? When they were a startup and we went with them before anyone else did, it puts us in a great position now because we're exclusive with the best technology and the best partner in the space. And I don't exclude any chassis manufactures from that statement. And that is--that puts us in a unique position that will give us a meaningful competitive edge as the market starts to evolve in that direction. So, with that, John can you come up? John Harris, the president of Harbinger.

John Harris

Thanks, Todd. Well, thank you to Bob Martin for having me here today (inaudible). We've been working with THOR for about two and a half years now. When we started working with THOR, we had--I think it was about 30 employees. So, it's been a big shift. Like Todd said, we started working together very early, part of this history.

So, we first announced the strategic partnership in November '22 that Harbinger's platform would become a key part of THOR's future e-mobility strategy. Then in September 2023, we announced that that partnership was continuing to grow, that Harbinger was now working exclusively with

THOR Industries in the recreational vehicle segment and that THOR was making an investment decision in Harbinger. And that investment has really been critical in accelerating our commercialization to bring these products out to market.

Now, yesterday we announced that new 500 mile range hybrid RV built by THOR in a range extended platform provided by Harbinger. That was built by THOR's innovation group led by McKay Featherstone. And that product really highlights the good result of us working together for this period of time. Usually when a large operating company invests in a startup, it's very predictable. It's very one way street. And the company simply sits back and waits to see what the start-up produces. And that may or may not have anything of value to add to that company's core business.

In this case, our experience has been very different. After THOR's investment and collaboration between the teams, we started to really talk about, "What do we need to do to this platform to make it address the needs of THOR's customers?" And hybrid platform is the best example of that. There are a lot of compelling advantages in the recreational vehicle segment for an electrified platform. But what we've seen is that the available electrification technology today may or may not meet the full range of those demands for customers at a price point that's compelling.

And so, beginning earlier this year, THOR came to us with a request to explore opportunities in the hybrid space. And so, Harbinger and THOR spent time together understanding the opportunity, understanding the requirements. And then, Harbinger put together this Hybrid platform specifically in response to that request.

So, here you can see that not only is THOR benefitting from the innovation that Harbinger's driving, THOR's actually reaching back into Harbinger to help shape that innovation a bit to make sure that we're landing on something that's a really good fit for THOR's customers. This is what most companies aspire to with a venture innovation strategy but rarely is it successfully executed like this.

Looking at the product specifically, we've put together a platform where we've got all of those advantages of electrification. We've got that silent operating experience. We've got the instantaneous torque and acceleration of an electric vehicle, and we've brought in that range enabled through a range extender platform so that customers in the segment can go anywhere they want sustainably.

Now, looking at concerns around charging and—Look, am I going to have the right infrastructure? The platform from Harbinger has an 800 volt architecture. So, we support one hour fast charge. Meaning the customers who can access those fast charge stations which are growing pretty rapidly as charging corridors are built in the U.S. have the ability to charge up that electric range very quickly. They can also charge the vehicle off of any public standards compliant charging a bill. It can top off the battery pack with a solar panel system as well as some of those new innovations coming out of the innovation lab around solar awnings and extended capabilities.

And I think most importantly, the customers can charge the vehicle up from existing shore power inlets that we see in most places people are camping. So, that flexibility is what allows us to say that this is the right product for this market in a way that customers are not going to have any impacts on the way they want to use our vehicle.

Beyond the electrification section, we've made a real effort here to improve the way the vehicle rides and handles and improve that over our user experience. So, that included going back into

core automotive areas, developing things like completely new suspension architectures, new steering architectures, and changing the way this vehicle is put together. So, when you drive the vehicle later today, make sure you go through the skid pad area and you're going to experience a class A motorhome with a smaller turning circle experience. You're going to experience something that is faster off the launching point than most of the vehicles are and a vehicle with more than double the torque of a diesel class A pusher motorhome. So, we're bringing a lot of really high value features into this segment that I don't think people are really thinking of as advantages of electrification because these are really just advantages of the core product.

So, again, thanks for Todd and for THOR for being such a strong supporter of the company.

Todd Woelfer

One of the things about this partnership that I think is important for all of you to understand is currently there's one state that requires carbon credits to sell certain products. January, there's going to be eight. And now, it starts to be really material to companies that sell motorized RVs. We work with John through our partnership and our investment in them and now have access to carbon credits. That you must have to be able to sell those products into those eight states in calendar 2025 without, what is up to a class A motor home, just under a \$19,000 penalty if you don't have the credits. So, this partnership with John gave us access to a library of credits that will take care of our ability to sell those products through our dealer partners without the concern of facing that kind of penalty. I'm not sure where are competitors are, where the other chassis manufactures are on that. I know we have had multiple conversations and there all head scratchers as if people aren't focused on this, that this is really not coming. It's here, and the partnership with Harbinger has put us in a position to continue business as usual. With that, I think we're done, and Jeff will take you over to the innovation center and the Harbinger experience.