

Thor Industries Inc was founded in 1980 and through its subsidiaries, manufactures a wide range of recreational vehicles at various manufacturing facilities located primarily in Indiana with additional facilities in Ohio, Oregon, Idaho, and Michigan. The vehicles produced range from Towables that are classified under Travel Trailers, Fifth Wheels, and other, and Motorized. The products are then sold to independent, non-franchise, dealers primarily throughout the United States and Canada.

BUY

Current Price: \$118.00

Target Price: \$174.39

Market Cap: \$6.72B

Beta: 1.16

Avg. Volume: 750,590

S&P Debt Rating: bbb+

ROE: 28.2%

ROIC: 22.88%

Ke: 11.5

EBIT Margin: 7.69%

EBITDA Margin: 9.05%

WACC: 11.43%

Equity Multiplier: 1.61

Cash/Total Assets: 5.58%



Thesis: THOR Industries is a leading manufacturer in the RV segment, and has seen significant growth over the past number of years in both revenue, profit, and size. THOR has been investing money into itself to increase production capacity and efficiency to handle the estimated growth in demand for their products that they are likely to see in 2018. 2017 proved to be a record breaking year for them and they saw an all time high in sales. This growth in the industry is expected to continue and THOR is in a prime position to handle it successfully. Consumer confidence has also been increasing which is also likely to continue. Their opportunity for growth comes from expanding into new areas of the United States and Canada and from the growth of the industry itself. The Monte Carlo simulation has shown that they have greater upside than downside due to the projected increase in demand for their products. Based on this analysis

Catalysts:

Short Term (within the year):

Q2 Earnings Report on 3/07/18.

Formation of a 50/50 joint venture with Tourism Holdings Ltd, the largest RV rental and sales operator in the world. Its goal is to bring digital connectivity to streamline Thor Industries RV ownership for the customer.

Medium Term (1-2 Years):

Mega-Facility being opened by subsidiary Jayco, a production plant roughly twice the size of the average production plant. Will not only greatly increase production capacity but also streamline existing production lines for increased efficiency.

Long Term (3 Years):

Continuing rapid growth in the segment coupled with the rapid increase in sales and demand of THOR products, making it easier for THOR to acquire other subsidiaries, as they do every 5 years roughly, and will

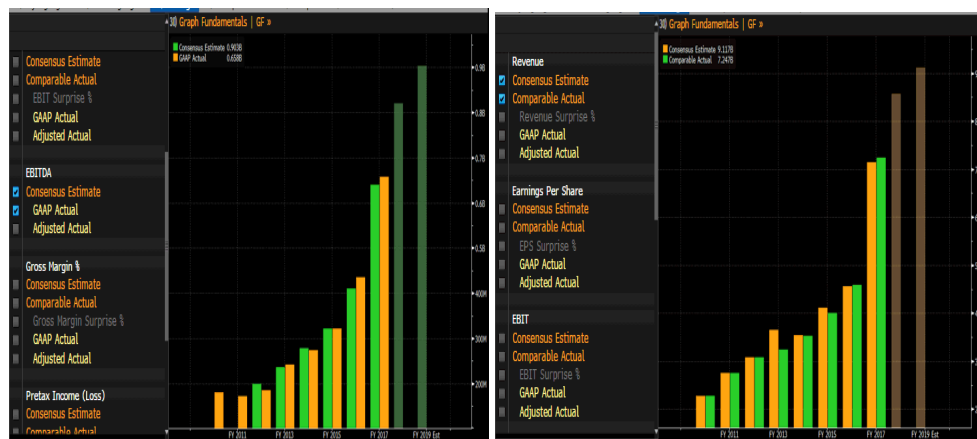
THOR appears to be well positioned to continue the growth they have been experiencing.

help them to expand into new geographic locations to service the Western United States and Canada.

Earnings Performance:

Thor began fiscal 2018 with all time quarterly records for any quarter in the company's history. Since Q12017, net sales has increased by 30.6%, the gross margin increased by 10%, net income increased by 63.1% as did diluted EPS. In the last quarter alone towable sales increased 29.2% and motorized sales increased 26.3%. Along with this, THOR cut their debt by a margin of 38% and increased their capital expenditures by 31% with expected 2018 capital expenditures being much higher in 2018. So THOR is bringing in more profit then they ever have before, paying off their debt and reinvesting more of their money then ever before back into the company to deal with foreseen segment growth and jump in demand. THOR has also beaten industry growth in both motorized and towable segments, industry growth in towable sales was 26.2% compared to THOR's 29.2% and in motorized sales the industry had 13.4% growth while THOR had 26.3%.

IN Q12017 EBITDA has grown from 655.8 to 721.8 with a estimated EBITDA in 2018 of 821. EBITDA Margin hit an all time high in 2016 of 9.7 before falling to 9.05 in 2017 due to the Jayco acquisition, however it is estimated to near that high in 2018 and reach 9.57. The stock price itself has also went up from about \$102 in January 2017 to a all time high of \$152 in January 2018 before macro conditions that effected the consumer discretionary sector as a whole and brought the price down to \$129 currently and is starting to rebound as the sector recovers. The board also recently declared a 12% increase in the regular quarterly dividend and this is the 8th straight year of dividend increases. Net cash provided by operating activities grew by 960% from \$1263 millions to \$13415 millions between 2016 and the end of 2017.

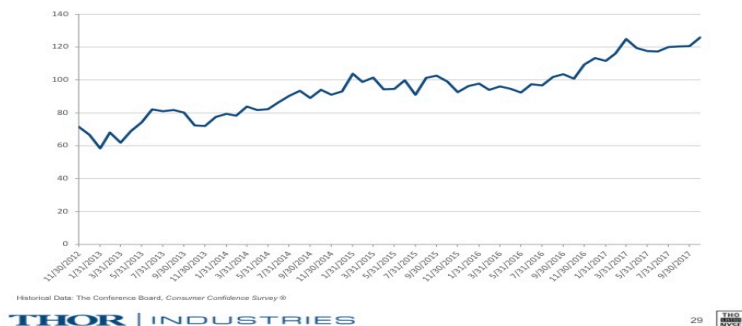


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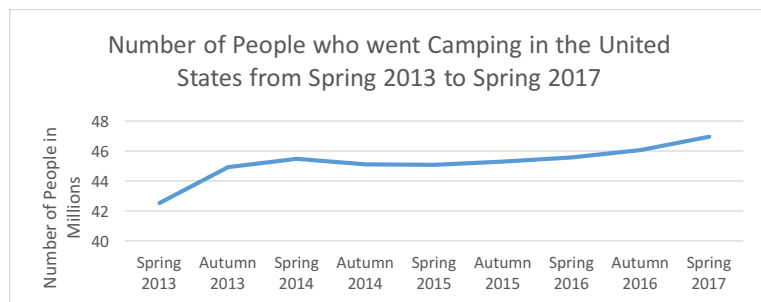
Industry Outlook:

The consumer discretionary industry has continued to grow year by year since the 07-08 market crash, and was at a high until when it recently dropped sizably along with a large portion of the rest of the market. Looking at the future however, things are looking to again pick up for the consumer discretionary sector as the job market has been steadily improving, there has been wage growth, and many Americans will be receiving a tax cut in 2018, and as displayed by *The Conference Board* with their "Consumer Confidence Survey", consumer confidence is at its highest since 2012.

Consumer Confidence



The amount of households who have decided to camp has increased by 3.4 million in the past 3 years. 60% of these campers stayed in tents, making them targets for THOR to convert to "RVers", and according to the Recreational Vehicle Industry Association (RVIA), if an additional 1% of potential first time buyer enter the RV lifestyle, then that created the potential for another 166,000 units sold up from the already projected 479,700 units sold. The number of campers using RVs has also been trending upwards as it increased from 18% in 2015 to 26% in 2016. The average buy of RVs are also getting younger and as was stated during the investor Q/A, it had gone down from 56 to 53 in the last 5 years which opens the door for more customers.



Business Model:

THOR has two reportable segments, both related to recreational vehicles: (1) towables and (2) motorized. The towable recreational vehicle reportable segment consists of the following operating segments that have been aggregated: Airstream (towable), Heartland (including Bison, Cruiser RV and DRV), Jayco (including Jayco towable, Starcraft and Highland Ridge), Keystone (including CrossRoads and Dutchmen) and KZ (including Livin' Lite). The motorized recreational vehicle reportable segment consists of the following operating segments that have been aggregated: Airstream (motorized), Jayco (including Jayco motorized and Entegra Coach) and Thor Motor Coach. Towables made up roughly 74% of sales and motorized made up the remaining 26% of sales in 2017. Their business model includes decentralized operating units, and our RV products are sold to independent, non-franchise dealers who, in turn, retail those products. THOR only practices in North America with 90% of sales coming from the United States. The goal with all of these subsidiaries is to cover as much of the market as they can so the wholes in their product coverage of the segment are as small as possible, and each one of these subsidiaries carries their own specific designs, price level, and sizes. THOR continually invests in new products, features and floorplans, and they use a short development cycle which enables them to introduce new models every year, reinforcing the consumer trade in cycle. There are also ongoing efforts to implement continuous process improvement, enhanced scheduling, and optimized production runs at all production plants. THOR also frequently uses strategic acquisitions to increase market cap, increase profits, and streamline production processes. THOR's current goal is to continue to increase production capacity through the building of new production facilities so as to keep ahead of the growing demand. THOR is also attempting to market to younger families and more diverse consumer segments.

Segment Analysis:

THOR has 2 reportable segments, they have their Towables segment, which is comprised of travel trailers and other, and fifth wheels, and they have their Motorized segment, which is comprised of class A, B, and C motorized units. For the towable segment, travel trailers and other make up 61.4% of sales in the segment and the remaining 38.6% of sales is from fifth wheels. For the motorized segment, class A makes up 44.5%, class B makes up 4.9%, and class C makes up 50.6% of sales. In 2017 towables as a whole made up 70.8% of sales and motorized made up 27.2% of sales, the difference is likely due to the greater affordability of the towable segment. Sales for each part of both segments has consistently increased since 2014, with a large jump from 2016 to 2017. The gross margin for both segments decreased from 2016 to 2017, towable from 16.4 to 15.3 and motorized from 13.2 to 10.9, this decrease is likely due to the increased costs from THOR's large acquisition of Jayco.

In Millions of USD except Per Share		2014 Y		2015 Y		2016 Y		2017 Y	
12 Months Ending		07/31/2014		07/31/2015		07/31/2016		07/31/2017	
	Revenue	3,525.5	100.0%	4,006.8	100.0%	4,582.1	100.0%	7,247.0	100.0%
	Recreation Vehicles	3,525.5	100.0%	3,967.2	99.0%	4,432.9	96.7%	7,099.0	98.0%
	Towables	2,721.6	77.2%	3,096.4	77.3%	3,338.7	72.9%	5,127.5	70.8%
	Travel Trailers	1,349.2	38.3%	1,590.3	39.7%	1,884.1	41.1%	3,088.6	42.6%
	Fifth Wheels	1,349.7	38.3%	1,498.5	37.4%	1,454.5	31.7%	2,038.9	28.1%
	Other	22.7	0.6%	7.6	0.2%	—	—	—	—
	Motorized	803.8	22.8%	870.8	21.7%	1,094.3	23.9%	1,971.5	27.2%
	Class B	275.2	7.8%	273.2	6.8%	83.0	1.8%	968.9	13.4%
	Class A	458.2	13.0%	517.3	12.9%	583.3	12.7%	914.7	12.6%
	Class C	70.4	2.0%	80.3	2.0%	428.0	9.3%	87.9	1.2%
	Other	—	—	—	—	—	—	—	—
	Other, net	—	—	56.6	1.4%	218.7	4.8%	253.6	3.5%
	Intercompany elimination	—	—	-17.0	-0.4%	-69.5	-1.5%	-105.6	-1.5%
	Buses	0.0	—	—	—	—	—	—	—

Management/Ownership:

THOR is primarily owned by investment advisors with 75.62% of ownership, then hedge fund managers with 10.73% of ownership, individual with 4%, and pension fund with 2.68% of ownership. Hedge fund ownership has increased by 2.67% in the last year while pension fund ownership has increased 0.46% and investment advisor ownership has fallen 5%. The majority holders of THOR are The Vanguard Group with 7.99% of ownership, Blackrock Investing with 7.63%, and Peter Busch Orthwein (the Co-founder of THOR) with 3.84%. THOR has 93.677% of its shares outstanding as freely floated. The short interest days to cover for THOR is currently approaching its low of 2.13 days. It had hit a high of 11 days in August and then fell to 2.13 by November, rose again to 3.7, and is down to 2.2 days right now. During the large decline in short interest the stock price of THOR continually increased it to its 52 week high until macro conditions brought it down to where it is at currently. However since this drop there has been a rise in the volume of short interest



CEO Martin Robert was given the title of Senior Group President:RV in THOR in 2012, and was made CEO in 2013, the stock price growth during his tenure has been 11.67% per annum. He has a background in the RV industry as he was the president of Keystone RV before coming to THOR when Keystone was acquired by THOR. Martin Robert has recently sold 0.23% of his shares in THOR, however it has increased over the past year. Total executive compensation has increased every year for the past 6 years.

Management	Position	Total Compensation Growth	Stock Price Growth During Tenure
Colvin, Peter	Co-Founder & Executive Chairman	2.18% per annum over 6y	11.67% per annum over 6y
Martin, Robert	CEO, President & Director	22.06% per annum over 6y	11.67% per annum over 6y
Zah, Colleen	CFO & Senior VP	39.05% per annum over 3y	1.74% per annum over 3y
Julian, Kenneth	Senior Vice President of Administration & Human	27.23% per annum over 4y	7.22% per annum over 4y
Woolley, W.	Senior VP, General Counsel & Corporate Secretary	25.2% per annum over 5y	1.74% per annum over 5y
Brown, Bruce	Senior Director of Investor Relations		

Capital Allocation Comparison:

THOR's has a Total Debt to Total Asset ratio of 5.92% which is extremely low compared to the competitor average 24.37%, and in general THOR runs with very low levels of debt as it has been cut by 75% in the past two years, their total debt is 90M compared to the competitor average 250.31M. THOR also carries more cash than its competitors as they have 151.46M of cash and cash equivalents compared to the competitor average 102.97M. THOR does have a WACC of 11.43% which is higher than the industry average of 9.2%, however they also have the highest ROIC/WACC ratio of their competitors with 1.82 compared to the average 1.57. This is because of their high ROIC which is also 7% higher than the industry average with a ROIC of 24.29%. THOR's WACC Cost of Debt (after tax) is also 2.62% compared to the competitor average 2.96%.

Name	Sales Growth (%)	EBITDA Growth (%)	EBITDA Margin	Operating Income Margin	Net Income Growth	Net Profit Margin	Netex/Sales (%)	Return on Invested	Return on Assets	Return on Equity
Median	35.50%	67.91%	9.55%	8.02%	40.82%	3.33%	1.36%	17.93%	6.65%	18.42%
100) THOR INDUSTRIES INC	47.71%	45.49%	9.29%	8.08%	45.65%	5.44%	1.59%	24.23%	16.61%	28.10%
101) WINNEBAGO INDUSTRIE	74.08%	90.32%	9.83%	7.97%	40.82%	4.49%	0.90%	12.38%	8.70%	18.42%
102) CAMPING WORLD HOLDI	23.29%	--	9.81%	9.08%	--	-0.24%	1.13%	23.47%	3.28%	--
103) REV GROUP INC	17.75%	--	5.94%	4.27%	35.50%	2.17%	3.50%	10.53%	4.59%	11.81%

(Accounting Adjustments: Adjusted for Abnormal Items When Applicable)

[10 Analyze List](#)

Profitability Comparison:

Over the past 5 years THOR has seen high percentage of growth in Revenue, Gross Profit, EBITDA, Net Income, and EPS. Since their Jayco acquisition, their revenue has skyrocketed and from 2016 to 2017 grew by 58.2% and growth in all of these fields is projected to continue.

In Millions of USD	2014 Y 07/31/2014	2015 Y 07/31/2015	2016 Y 07/31/2016	2017 Y 07/31/2017	Current/LTM 10/31/2017	2018 Y Est 07/31/2018	2019 Y Est 07/31/2019
12 Months Ending							
Market Capitalization	2,824.9	2,927.8	4,017.0	5,539.9	6,508.8		
Cash & Equivalents	289.3	183.5	209.9	223.3	151.5		
+ Preferred & Other	0.0	0.0	0.0	0.0	0.0		
+ Total Debt	0.0	7.1	366.8	151.5	90.0		
Enterprise Value	2,535.5	2,751.5	4,173.9	5,468.2	6,447.3		
Revenue, Adj	3,525.5	4,006.8	4,582.1	7,247.0	7,770.1	8,572.4	9,117.4
Growth %, YoY	8.8	13.7	14.4	58.2	47.7	18.3	6.4
Gross Profit, Adj	471.2	557.5	726.3	1,043.6	1,140.0	1,274.1	1,304.8
Margin %	13.4	13.9	15.9	14.4	14.7	14.9	14.3
EBITDA, Adj	275.4	322.0	444.6	655.8	721.8	820.4	903.4
Margin %	7.8	8.0	9.7	9.0	9.3	9.6	9.9
Net Income, Adj	176.5	202.0	263.8	372.8	422.9	496.7	552.7
Margin %	5.0	5.0	5.8	5.1	5.4	5.8	6.1
EPS, Adj	3.31	3.80	5.02	7.06	8.01	10.78	11.59
Growth %, YoY	9.3	14.9	32.1	40.7	45.4	52.6	7.5
Cash from Operations	149.3	247.9	341.2	419.3	431.5		
Capital Expenditures	-30.4	-42.3	-52.0	-115.0	-123.1	-176.0	-127.0
Free Cash Flow	118.9	205.6	289.2	304.3	308.3	342.7	473.1

THOR's revenue growth rate is 58.16% and net income growth rate is 45.9%, both of which are notably higher than the competitor's average of 39.83% and 26.63%. THOR's ROE is 26.24% compared to the competitor average 21.3%. THOR's EBITA is also notably higher than the average at 623.74M compared to 149.77M, however their EBITA margin is equal to the average at 8.61%. As is shown in the image below, THOR's Inventory Turnover is double that of the median, and their cash conversion cycle is half that of the median, this implies the strong performance that they are showing in their revenue and net income growth.

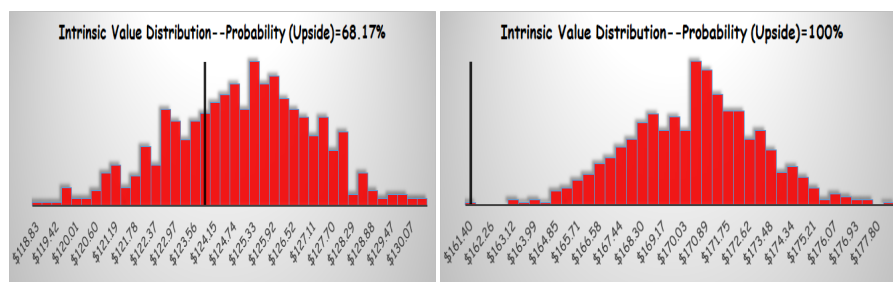
Name	Mkt Cap	Rev - 1 Yr Gr:Y	ROE:Y	EBITA Mrgn:Y	Ast TO:Y	Inv rnover:Y	A/P rnover:Y	Cash onversion Cycle:Y	NI / Profit - 1 Yr Gr:Y	EBITA:Y
Median	2.74B	39.83%	21.30%	8.61%	2.41	7.54	21.47	59.26	26.63%	149.77M
100) THOR INDUSTRIES INC	6.51B	58.16%	26.24%	8.61%	2.97	14.35	21.14	28.91	45.90%	623.74M
101) CAMPING WORLD HOLDI	3.76B	21.51%	--	--	2.43	2.84	40.95	125.74	7.36%	--
102) WINNEBAGO INDUSTRIE	1.34B	58.64%	21.30%	9.68%	2.39	10.00	21.80	42.12	56.78%	149.77M
103) REV GROUP INC	1.72B	17.75%	11.56%	4.30%	2.12	5.07	12.11	76.40	3.90%	97.60M

(Accounting Adjustments: Adjusted for Abnormal Items When Applicable)

10 Analyze List

Sensitivity Analysis:

THOR's stock price value is very sensitive to revenue and operating costs. From 2016 to 2017 THOR experienced a revenue growth rate of 58.2%. THOR has a operating expense to net sales of 6.68% (compared to the competitor median of 8.01%). The bear and bull case valuation are evaluated using a Monte Carlo simulation with different assumptions. Under the bear case, there is a 68.17% intrinsic value probability upside. This leads to a target price of \$134.02 and a 1 year expected return of 9.26%. This is due to making the assumption that revenue will fall due to demand falling notably short of what was projected, and for operating costs being higher than projected due unforeseen problems with their plans for expanding facilities and production. In this scenario the stock could still be a buy based on the expected return, however based on current industry and segment trends, the bull case is far more likely to occur. The bull case displayed an intrinsic value probability upside of 99.9%. This led to a target price of \$183.26 and a 1 year expected return of 48.71%. The assumptions for the bull case involved revenues increasing by more than what was forecasted due to demand also increasing more than expected, and operating expense increasing by less than the bear case, as costs will still most likely increase with the facility expansion but at a lower level than the referenced bear case. This is reasonable because of the unprecedented growth in revenue, profit, and growth that THOR has already experienced in the past year due to demand. Although the bull case may not be fully realized, the sensitivity analysis shows that the upside is much greater than the downside.



Summary:

In conclusion, THOR is a buy at its current price. This is due to the fact that they are the leaders of a industry that is seeing a large percentage of growth currently. THOR's ability to increase its production capacity and efficiency coupled with the projected and ongoing increase in demand in this segment give THOR a large amount of opportunity to continue to grow their company. The upside is greater than the downside, and the downside itself could result in positive returns. The company's 1 year target price is 174.39 with a 41.81 expected return which is reasonable based on analysis and current price. THOR appears to be well positioned to approach or break its 52-week high.

Thor Industries, Inc. (THO)

CENTER FOR GLOBAL FINANCIAL STUDIES

BULLISH

Analysis by AI Capone

Current Price:

\$124.99

Intrinsic Value

\$142.94

Target 1 year Return: 41.81%

3/2/2018

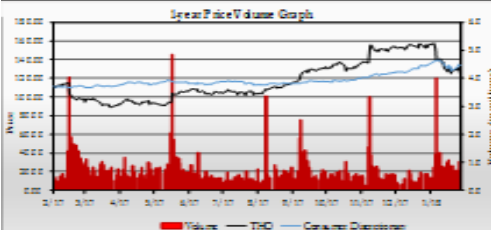
Dividend Yield:

1.2%

Target Price:

\$174.99

Probability of Price Increase: 100%



Description	Market Data
Thor Industries, Inc., through its subsidiaries, designs, manufactures, and sells recreational vehicles and related parts and accessories primarily in the United States and Canada.	Market Capitalization \$6,341.0
	Daily Volume (mil) 341
	Shares outstanding (mil) 52.69
	Diluted Shares outstanding (mil) 52.79
	% Shares held by institutions 103%
	% Shares held by investors Managing 70%
	% Shares held by hedge funds 8%
	% Shares held by insiders 4.12%
	Short interest 4.03%
	Days to cover short interest 3.61
	52 week high \$161.48
	52 week low \$87.06
	Volatility 24.67%

Quarter ending	Revenue	EBITDA	Market and Credit Scores	Industry and Segment Information
10/31/2016	118.7%	21.47%	Recommendation (STAR) Value-0	LTN Revenue by Geographic Segments
1/31/2017	110.7%	23.8%	Recommendation (STAR) Description-0	LTN Revenue by Business Segments
4/30/2017	146.7%	14.79%	Quality Rating Value-B+	Global Issues-0%
7/31/2017	147.7%	16.52%	Quality Rating Downside-Average	Canada-0%
10/31/2017	118.2%	17.28%	Start Score-0	
Mean	1.0%	3.0%	Market Signal Probability of Default % (New Range)	
			4.37%	
			Credit Model Score (New Range)-666+	
Management	Position	Total Compensation Growth	Stock Price Growth During Tenure	Thomson Industries, Inc.
Chairman, CEO	Co-Founder & Executive Chairman	12.6% per annum over 5y	114.7% per annum over 5y	SEV Group, Inc.
President, North America	CEO, President & Director	22.0% per annum over 5y	114.7% per annum over 5y	Camping World Holdings, Inc.
Chief Financial Officer	CFO & Senior VP	39.0% per annum over 5y	1.74% per annum over 5y	
Chief Marketing Officer	Senior Vice President of Administration & Human Resources	27.2% per annum over 5y	7.32% per annum over 4y	
Chief Legal Officer	Senior VP, General Counsel & Corporate Secretary	28.2% per annum over 5y	1.74% per annum over 5y	
Chief Compliance Officer	Senior Director of Investor Relations			
Profitability	THO (LTM)	THO Historical	Peer's Median (LTM)	
Return on Capital (GAAP)	10.2%	18.18%	10.2%	
Operating Margin	6%	64.7%	64.7%	
Return on Capital (GAAP)	1.2%	3.2%	1.2%	
ROE (GAAP)	23.3%	21.0%	62.6%	
Net margin	5.0%	48%	1.9%	
Return on Book Value (GAAP)	5.8%	44.3%	33.5%	
Financial Funds	THO (LTM)	THO Historical	Peer's Median (LTM)	
Cash/Capital	11.4%	20.8%	10.2%	
NTIC/Capital	12.1%	14.2%	32.4%	
Operating Assets/Capital	65.3%	38.9%	20.9%	
Capital Structure	THO (LTM)	THO Historical	Peer's Median (LTM)	
Total Debt/Market Capitalization	0.0%	0.0%	0.0%	
Current Debt	4.0%	4.0%	5.8%	
OCFS Rating (F-score, Z-score, and default Probability)	AA			
WACC	7.8%	8.0%	8.0%	

