NATIONAL RV HOLDINGS INC
Form 10-Q
May 09, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)
{X} QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2002

or

{ } TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 0-22268

NATIONAL R.V. HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	33-0371079
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3411 N. Perris Blvd., Perris, California	92571
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (909) 943-6007

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 X NO ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 17, 2002
Common stock, par value $.01 per share	9,720,155

NATIONAL R.V. HOLDINGS, INC.

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NATIONAL R.V. HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	March 31, 2002 (Unaudited)	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,850	$ 22
Trade receivables, less allowance for doubtful accounts ($264 and $224, respectively)	24,014	16,378
Inventories	67,322	85,385
Deferred income taxes	7,267	7,267
Income taxes receivable	7,826	6,688
Prepaid expenses	1,306	1,647
Total current assets	109,585	117,387
Goodwill, net	6,126	6,126
Property, plant and equipment, net	43,642	45,257
Other	954	1,012
	$ 160,307	$ 169,782
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Book overdraft	$ -	$ 608

Current portion of long-term debt	22	20
Accounts payable	24,637	29,480
Accrued expenses	21,028	21,750
Total current liabilities	45,687	51,858
Deferred income taxes	3,469	3,469
Long-term debt	36	43
Total liabilities	49,192	55,370
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock - $.01 par value, 5,000 shares authorized, 4,000 issued and outstanding	-	-
Common Stock - $.01 par value, 25,000,000 shares authorized, 9,720,155 and 9,718,025 issued and outstanding, respectively	97	97
Additional paid-in capital	33,147	33,128
Retained earnings	77,871	81,187
Total stockholders' equity	111,115	114,412
	$ 160,307	$ 169,782

See Notes to Consolidated Financial Statements.

NATIONAL R.V. HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended March 31, 2002	2001
Net sales	$ 79,320	$ 62,380
Cost of goods sold	79,574	60,187
Gross (loss) profit	(254)	2,193
Selling expenses	3,429	3,039
General and administrative expenses	1,908	2,364
Amortization of intangibles	-	103
Operating loss	(5,591)	(3,313)
Interest income and other expense, net	(305)	(220)
Loss before income taxes	(5,286)	(3,093)
Benefit for income taxes	(1,970)	(1,198)

Net loss	$ (3,316)	$ (1,895)
Loss per common share:		
Basic	$ (0.34)	$ (0.20)
Diluted	$ (0.34)	$ (0.20)
Weighted average number of shares:		
Basic	9,719	9,663
Diluted	9,719	9,663

See Notes to Consolidated Financial Statements.

NATIONAL R.V. HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2002	2001
Cash flows from operating activities:		
Net loss	$ (3,316)	$ (1,895)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	978	926
Amortization of intangibles	-	103
Gain on asset disposal	(348)	-
Changes in assets and liabilities:		
Increase in trade receivables	(7,636)	(1,836)
Decrease (increase) in inventories	18,063	(8,895)
Increase in income taxes receivable	(1,138)	-
Decrease in prepaid expenses	341	432
Decrease in book overdraft	(608)	-
(Decrease) increase in accounts payable	(4,843)	215
(Decrease) increase in accrued expenses	(722)	2,969
Net cash provided by (used in) operating activities	771	(7,981)
Cash flows from investing activities:		
Decrease in other assets	58	-
Proceeds from sale of assets	2,424	-
Purchases of property, plant and equipment	(1,438)	(2,986)
Net cash provided by (used in) investing activities	1,044	(2,986)
Cash flows from financing activities:		
Principal payments on long-term debt	(5)	(5)
Proceeds from issuance of common stock	18	-
Net cash provided by (used in) financing activities	13	(5)
Net increase (decrease) in cash	1,828	(10,972)

Cash, beginning of period	22	16,696
Cash, end of period	$ 1,850	$ 5,724

See Notes to Consolidated Financial Statements.

NATIONAL R.V. HOLDINGS, INC.
PART I, ITEM 1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1 - GENERAL

In the opinion of National R.V. Holdings, Inc. (collectively, with its subsidiaries National R.V., Inc. and Country Coach, Inc. referred to herein as the "Company"), the accompanying unaudited consolidated financial statements contain all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial position, results of operations and cash flows for all periods presented. Results for the interim periods are not necessarily indicative of the results for an entire year and the financial statements do not include all of the information and footnotes required by generally accepted accounting principles. These financial statements should be read in conjunction with the financial statements and notes thereto contained in the Company's latest annual report on Form 10-K.

NOTE 2 - INVENTORIES

Inventories consist of the following (in thousands):

	March 31, 2002 (Unaudited)	December 31, 2001
Finished goods	$ 18,932	$ 21,525
Work-in-process	26,342	32,415
Raw materials	15,639	18,176
Chassis	6,409	13,269
	$ 67,322	$ 85,385

NOTE 3 - RECENT ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board (FASB) issued SFAS 142, "Goodwill and Other Intangible Assets." SFAS 142, which changes the accounting for goodwill from an amortization method to an impairment-only approach, is effective for fiscal years beginning after December 15, 2001. The Company has begun a preliminary review of goodwill to determine the impact that adoption of this Standard will have on its consolidated financial statements. Such a determination will be made within the six months permitted by the FASB. However, beginning January 1, 2002, and in accordance with the Standard, the

Company discontinued goodwill amortization which results in the reduction of approximately $413,000 of operating expenses per year.

If the Company had adopted SFAS 142 effective January 1, 2001, net loss, basic loss per share and diluted loss per share would have been as follows:

	Three Months Ended March 31, (in thousands)	
	2002	2001
Reported net loss	$ (3,316)	$ (1,895)
Add back: goodwill amortization, net of tax effect	-	63
Adjusted net loss	$ (3,316)	$ (1,832)
Basic loss per share:		
Reported net loss	$ (0.34)	$ (0.20)
Goodwill amortization	-	0.01
Adjusted net loss	$ (0.34)	$ (0.19)
Diluted loss per share:		
Reported net loss	$ (0.34)	$ (0.20)
Goodwill amortization	-	0.01
Adjusted net loss	$ (0.34)	$ (0.19)

NOTE 4 - CREDIT FACILITY

As of March 31, 2002, the Company was in default with certain financial covenants of its loan agreement with Bank of America National Trust and Savings Association; however, no amounts were outstanding under this facility. As a result, Bank of America may restrict the Company from borrowing any funds available under the facility, and there can be no assurance that the Company will be able to utilize the facility any longer. The Company is currently investigating other banks to replace this revolving credit facility which expires on August 1, 2002.

NOTE 5 - RECOURSE ON DEALER FINANCING

As is customary in the industry, the Company generally agrees with its dealers' lenders to repurchase any unsold RVs if the dealers become insolvent within one year of the purchase of such RVs. Although the total contingent liability under these agreements approximates $101.7 million at March 31, 2002, the risk of loss is spread over numerous dealers and lenders and is further reduced by the resale value of the RVs which the Company would be required to repurchase. Losses under these agreements have been negligible in the past and management believes that any future losses under such agreements will not have a significant effect on the consolidated financial position or results of operations of the Company.

NATIONAL R.V. HOLDINGS, INC.
PART 1, ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Disclosure Regarding Forward Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that forward-looking statements are inherently uncertain. Actual performance and results may differ materially from that projected or suggested herein due to certain risks and uncertainties including, without limitation, the cyclical nature of the recreational vehicle industry; seasonality and potential fluctuations in the Company's operating results; the Company's dependence on chassis suppliers; potential liabilities under repurchase agreements; competition; government regulation; warranty claims; product liability; and dependence on certain dealers and concentration of dealers in certain regions. Certain risks and uncertainties that could cause actual results to differ materially from that projected or suggested are set forth in the Company's filings with the Securities and Exchange Commission (SEC) and the Company's public announcements, copies of which are available from the SEC or from the Company upon request.

Liquidity and Capital Resources

At March 31, 2002, the Company had working capital of $63.9 million compared to $65.5 million at December 31, 2001.

Net cash provided by operating activities was $0.8 million for the three months ended March 31, 2002 compared to net cash used in operating activities of $8.0 million for the comparable period last year. The change was due primarily to an $18.1 million decrease in inventories mostly offset by a $7.6 million increase in trade receivables, a $4.8 million decrease in accounts payable and a $3.3 million net loss for the quarter. The increase in trade receivables reflects the timing of the recent Family Motor Coach Association trade show, which occurred in late March 2002.

Net cash provided by investing activities was $1.0 million for the three months ended March 31, 2002 compared to net cash used in investing activities of $3.0 million for the comparable period last year. The change was due primarily to the sale of the Company's airplane in February of 2002.

Net cash provided by financing activities was $13,000 for the three months ended March 31, 2002 compared to net cash used in financing activities of $5,000 for the comparable period last year.

The Company has a revolving credit facility of $9,977,356 with Bank of America, N.A., of which $5,310,077 is reserved for a letter-of-credit, required by the State of California, serving as security for NRV's self-insured workers' compensation program. At March 31, 2002, no amounts were outstanding under this facility; however, the Company was in default with certain financial covenants of the loan agreement. As a result, Bank of America may restrict the Company from borrowing any funds available under the facility, and there can be no assurance that the Company will be able to utilize the facility any longer. The Company is currently investigating other banks to replace this revolving credit facility which expires on August 1, 2002.

The Company believes the combination of internally generated funds and working capital will be sufficient to meet the Company's planned capital and operational requirements for at least the next 12 months.

Results of Operations

Net sales of $79.3 million for the quarter ended March 31, 2002 represent an increase of $16.9 million or 27.1% from the same quarter last year, attributable to an industry-wide rebound in recreational vehicle shipments, the Company's decision to fulfill a high percentage of the higher-priced diesel motorhomes and the Company's wholesale market share gain. Wholesale unit shipments of the Company's motorhomes built on diesel chassis increased 41.9% to 325 units for the first quarter 2002, compared to 229 for the first quarter of the prior year. Shipments of the Company's gas motorhome products decreased 7.5% from 213 units for the first quarter 2001 to 197 units for the first quarter 2002. This decline reflects the Company's decision to dedicate additional manufacturing capacity to fulfilling National RV brand diesel motorhome orders. Unit sales of the Company's towable products increased 35.8% to 364 units in the first quarter 2002 from 268 units in the same period in 2001.

Cost of goods sold for the quarter ended March 31, 2002 increased by $19.4 million or 32.2% from the comparable period last year. The increase was primarily due to the increase in sales. Additionally, model year changeover costs and inefficiencies stemming from operating at reduced production rates were the most significant factors leading to a negative gross margin of -0.3% for the quarter compared to a positive 3.5% for the same period last year. Other factors which affected gross profits in the first quarter of 2002 included significant, but declining, discounting on Country Coach products to reduce excess inventory, the relocation of National RV towables to a new facility, and the recognition of certain costs related to the discontinuation of the Prevost bus conversion product line.

Selling expenses for the quarter ended March 31, 2002 increased $0.4 million or 12.8% over the same period last year. As a percentage of net sales, selling expenses decreased to 4.3%, from 4.9% for the same period last year due to higher sales over which to spread the fixed selling expenses.

General and administrative expenses for the quarter ended March 31, 2002 decreased $0.5 million or 19.3% from the same period last year. As a percentage of net sales, general and administrative expenses decreased to 2.4%, from 3.8% for the same period last year due to personnel reductions and due to higher sales over which to spread the fixed general and administrative expenses.

Due to the discontinuance of goodwill amortization as required by SFAS 142, there will no longer be a $0.1 million quarterly amortization expense.

Other income for the quarter ended March 31, 2002 was $0.3 million compared to $0.2 million for the same period last year. The increase was due primarily to the gain recognized on the sale of the Company's airplane, partially offset by a decrease in interest income.

The benefit for income taxes for the quarter ended March 31, 2002 was $2.0 million compared to a benefit of $1.2 million for the same period last year. The effective tax rate for the quarter ended March 31, 2002 was 37.3% compared to 38.7% for the same period last year.

As a result, the Company had a net loss of $3.3 million for the quarter ended March 31, 2002, as compared to a net loss of $1.9 million for the same period last year.

NATIONAL R.V. HOLDINGS, INC.
PART 1, ITEM 3 - Quantitative and Qualitative Disclosures about Market Risk

Information about market risks for the three months ended March 31, 2002 does not differ materially from that discussed under Item 7A of the registrant's Annual Report on Form 10-K for the year ended December 31, 2001.

PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

None.

B. Form 8-K

None.

SIGNATURE

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.

NATIONAL R.V. HOLDINGS, INC.

(Registrant)

Date: April 24, 2002

By /s/ MARK D. ANDERSEN

Mark D. Andersen
Chief Financial Officer
(Principal Accounting and Financial Officer)