

Edgar Filing: NATIONAL RV HOLDINGS INC - Form 10-Q

NATIONAL RV HOLDINGS INC
Form 10-Q
August 13, 2002

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

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

☐ 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 ☒

NO ☐

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

Class

Common stock, par value
\$.01 per share

Outstanding at July 29, 2002

9,821,062

NATIONAL R.V. HOLDINGS, INC.

INDEX

Edgar Filing: NATIONAL RV HOLDINGS INC - Form 10-Q

Item 1.	Consolidated Balance Sheets - June 30, 2002 and December 31, 2001	3
	Consolidated Statements of Operations - Three and Six Months Ended June 30, 2002 and 2001	4
	Consolidated Statements of Cash Flows - Six Months Ended June 30, 2002 and 2001	5
	Notes to Consolidated Financial Statements	6 - 7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8 - 10
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	11

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings	12
Item 4.	Submission of Matters to a Vote of Security Holders	12
Item 6.	Exhibits and Reports on Form 8-K	12
	Signature	13

2

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

	June 30, 2002	December 31, 2001
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 3,379	\$ 22
Trade receivables, less allowance for doubtful accounts (\$309 and \$224, respectively).....	25,178	16,378
Inventories.....	68,385	85,385
Deferred income taxes.....	7,294	7,267
Income taxes receivable.....	2,526	6,688
Prepaid expenses.....	881	1,647
	-----	-----
Total current assets.....	107,643	117,387
Goodwill, net.....	6,126	6,126
Property, plant and equipment, net.....	43,868	45,257
Other.....	946	1,012
	-----	-----
	\$158,583	\$169,782
	=====	=====

Edgar Filing: NATIONAL RV HOLDINGS INC - Form 10-Q

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Book overdraft.....	\$ -	\$ 608
Current portion of long-term debt.....	22	20
Accounts payable.....	22,471	29,480
Accrued expenses.....	22,248	21,750
	-----	-----
Total current liabilities.....	44,741	51,858
Deferred income taxes.....	3,037	3,469
Long-term debt.....	30	43
	-----	-----
Total liabilities.....	47,808	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, 9,821,062 and 9,718,025 issued and outstanding, respectively.....	98	97
Additional paid-in capital.....	34,201	33,128
Retained earnings.....	76,476	81,187
	-----	-----
Total stockholders' equity.....	110,775	114,412
	-----	-----
	\$158,583	\$169,782
	=====	=====

See Notes to Consolidated Financial Statements.

3

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Net sales.....	\$ 87,466	\$ 81,021	\$166,787	\$143,401
Cost of goods sold.....	83,603	75,473	163,177	135,660
	-----	-----	-----	-----
Gross profit.....	3,863	5,548	3,610	7,741
	-----	-----	-----	-----
Selling expenses.....	3,398	3,235	6,827	6,274
General and administrative expenses...	2,662	2,175	4,570	4,539
Amortization of intangibles.....	-	104	-	207
	-----	-----	-----	-----
Operating (loss) income.....	(2,197)	34	(7,787)	(3,279)

Edgar Filing: NATIONAL RV HOLDINGS INC - Form 10-Q

Interest income and other expense, net	(4)	(169)	(309)	(389)
	-----	-----	-----	-----
(Loss) income before income taxes...	(2,193)	203	(7,478)	(2,890)
(Benefit) provision for income taxes..	(797)	77	(2,767)	(1,121)
	-----	-----	-----	-----
Net (loss) income.....	\$ (1,396)	\$ 126	\$ (4,711)	\$ (1,769)
	=====	=====	=====	=====
(Loss) earnings per common share:				
Basic.....	\$ (0.14)	\$ 0.01	\$ (0.48)	\$ (0.18)
Diluted.....	\$ (0.14)	\$ 0.01	\$ (0.48)	\$ (0.18)
Weighted average number of shares:				
Basic.....	9,776	9,663	9,747	9,663
Diluted.....	9,776	9,948	9,747	9,663

See Notes to Consolidated Financial Statements.

4

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

	Six Months Ended June 30,	
	2002	2001
	-----	-----
Cash flows from operating activities:		
Net loss.....	\$ (4,711)	\$ (1,769)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation.....	1,908	1,879
Amortization of intangibles.....	-	207
Gain on asset disposal.....	(348)	-
Changes in assets and liabilities:		
(Increase) decrease in trade receivables.....	(8,800)	1,143
Decrease (increase) in inventories.....	17,000	(6,614)
Decrease in income taxes receivable.....	4,162	-
Decrease in prepaid expenses.....	766	583
Decrease in book overdraft.....	(608)	-
Decrease in accounts payable.....	(7,009)	(1,785)
Increase in accrued expenses.....	498	1,688
Decrease in deferred income taxes.....	(459)	-
	-----	-----
Net cash provided by (used in) operating activities	2,399	(4,668)
	-----	-----
Cash flows from investing activities:		
Decrease in other assets.....	66	-
Proceeds from sale of assets.....	2,424	-
Purchases of property, plant and equipment.....	(2,595)	(3,478)
	-----	-----
Net cash used in investing activities.....	(105)	(3,478)
	-----	-----
Cash flows from financing activities:		

Edgar Filing: NATIONAL RV HOLDINGS INC - Form 10-Q

Principal payments on long-term debt.....	(11)	(10)
Proceeds from issuance of common stock.....	1,074	-
	-----	-----
Net cash provided by (used in) financing activities	1,063	(10)
	-----	-----
Net increase (decrease) in cash.....	3,357	(8,156)
Cash, beginning of period.....	22	16,696
	-----	-----
Cash, end of period.....	\$ 3,379	\$ 8,540
	=====	=====

See Notes to Consolidated Financial Statements.

5

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):

	June 30, 2002	December 31, 2001
	-----	-----
	(Unaudited)	
Finished goods.....	\$ 17,701	\$ 21,525
Work-in-process.....	29,309	32,415
Raw materials.....	17,247	18,176
Chassis.....	4,128	13,269
	-----	-----
	\$ 68,385	\$ 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

Edgar Filing: NATIONAL RV HOLDINGS INC - Form 10-Q

approach, is effective for fiscal years beginning after December 15, 2001. 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. In addition, the Company recently completed its initial testing for goodwill impairment and determined there was no impairment of goodwill as of December 31, 2001. Goodwill impairment testing will be performed annually as well as on an interim basis whenever there is reason to believe goodwill impairment may exist.

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

6

NATIONAL R.V. HOLDINGS, INC.
PART I, ITEM 1
(Continued)

	Three Months Ended June 30, (in thousands)		Six Months Ended June 30, (in thousands)	
	2002	2001	2002	2001
Reported net (loss) income.....	\$ (1,396)	\$ 126	\$ (4,711)	\$ (1,769)
Add back: goodwill amortization, net of tax effect.....	-	64	-	127
Adjusted net (loss) income.....	\$ (1,396)	\$ 190	\$ (4,711)	\$ (1,642)
Basic (loss) earnings per share:				
Reported net (loss) earnings.....	\$ (0.14)	\$ 0.01	\$ (0.48)	\$ (0.18)
Goodwill amortization.....	-	0.01	-	0.01
Adjusted net (loss) earnings.....	\$ (0.14)	\$ 0.02	\$ (0.48)	\$ (0.17)
Diluted (loss) earnings per share:				
Reported net (loss) earnings.....	\$ (0.14)	\$ 0.01	\$ (0.48)	\$ (0.18)
Goodwill amortization.....	-	0.01	-	0.01
Adjusted net (loss) earnings.....	\$ (0.14)	\$ 0.02	\$ (0.48)	\$ (0.17)

NOTE 4 - CREDIT FACILITY

As of June 30, 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, though the bank has not indicated intent to assert such a restriction. The Company is currently in the process of finalizing a new banking relationship and expects to have a new borrowing facility in place in August 2002.

NOTE 5 - RECOURSE ON DEALER FINANCING

Edgar Filing: NATIONAL RV HOLDINGS INC - Form 10-Q

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 the term of the curtailment period as defined in the repurchase agreement. Curtailment periods typically expire within twelve to eighteen months of the purchase of such RVs by the dealer. Although the total contingent liability under these agreements approximates \$95.2 million at June 30, 2002, the risk of loss is spread over numerous dealers and lenders and is further reduced by the resale value of the RVs that 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.

7

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 June 30, 2002, the Company had working capital of \$62.9 million compared to \$65.5 million at December 31, 2001.

Net cash provided by operating activities was \$2.4 million for the six months ended June 30, 2002 compared to net cash used in operating activities of \$4.7 million for the comparable period last year. The change was primarily due to a \$17.0 million decrease in inventories and a \$4.2 million decrease in income taxes receivable, mostly offset by an \$8.8 million increase in trade receivables, a \$7.0 million decrease in accounts payable and a \$4.7 million net loss for the period. The decrease in inventories reflects the Company's continuing efforts to manage working capital. The increase in trade receivables reflects the timing of the recent Great North American RV Rally, which occurred in late June 2002. The decrease in accounts payable reflects the Company's efforts to become more current with its suppliers.

Net cash used in investing activities was \$0.1 million for the six months ended June 30, 2002 compared to net cash used in investing activities of \$3.5

Edgar Filing: NATIONAL RV HOLDINGS INC - Form 10-Q

million for the comparable period last year. The change was primarily due to the sale of the Company's airplane in the first quarter of 2002 offset by lower current year capital expenditures.

Net cash provided by financing activities was \$1.1 million for the six months ended June 30, 2002 compared to net cash used in financing activities of \$10,000 for the comparable period last year. The change was mainly due to the proceeds from issuance of common stock through the exercise of employee stock options during the second quarter of 2002.

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 the Company's self-insured workers' compensation program. At June 30, 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, though the bank has not indicated intent to assert such a restriction. The Company is finalizing a new banking relationship and expects to have a new borrowing facility in place in August 2002.

8

R.V. HOLDINGS, INC.

PART 1, ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Continued)

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 \$87.5 million for the quarter ended June 30, 2002 represent an increase of \$6.5 million or 8.0% from the same quarter last year, attributable principally to price increases on the Company's 2003 model year motorhomes resulting from significant modifications to those units. Wholesale unit shipments of the Company's motorhomes built on diesel chassis decreased 17.3% to 229 units for the second quarter 2002, compared to 277 units for the second quarter of the prior year. In addition to a slowing in retail demand for National RV diesel products, this decline reflects the inclusion of sales from the key winter Family Motor Coach Association show in the second quarter of 2001 versus in the first quarter for 2002 due to the timing of that show. Shipments of the Company's gas motorhome products increased 17.5% to 323 units in the current quarter from 275 units in last year's second quarter. Unit sales of the Company's towable products increased 45.8% to 519 units in the second quarter 2002 from 356 units in the same period in 2001. For the six months ended June 30, 2002, net sales of \$166.8 million represent an increase of \$23.4 million, or 16.3% compared to the same period last year, reflecting an industry-wide rebound as well as the Company's model year 2003 price increases in the second quarter referred to above. Wholesale unit shipments of the Company's motorhomes built on diesel chassis increased 9.5% to 554 units during the first six months, 48 more than last year for the same period. Shipments of the Company's gas motorhome

Edgar Filing: NATIONAL RV HOLDINGS INC - Form 10-Q

products increased 6.6% to 520 units during the first six months, 32 more than last year for the same period. Unit sales of the Company's towable products increased 41.5% to 883 units for the first six months, from 624 units for the same period last year.

Cost of goods sold for the quarter ended June 30, 2002 increased by \$8.1 million or 10.8% from the comparable period last year. The increase was primarily due to the increase in sales. Additionally for the second quarter ended June 30, 2002, manufacturing inefficiencies stemming from operating at reduced production rates was the most significant factor leading to a 2.4% reduction in gross margin down to 4.4% compared to a 6.8% gross margin for the same period last year. Price concessions on older Country Coach bus conversion products also hampered gross margins in the quarter. Cost of goods sold for the first six months of 2002 increased 20.3% to \$163.2 million from \$135.7 million for the same period last year. The increase was mainly due to the increase in sales with an additional factor being inefficiencies attributable to operating at reduced production levels. Mainly as a result of manufacturing inefficiencies stemming from operating at reduced production rates, the gross profit margin for the six months decreased to 2.2% compared to 5.4% for the same period last year.

Selling expenses of \$3.4 million for the quarter ended June 30, 2002 was an increase of \$0.2 million or 5.0% over the same period last year. For the six months ended June 30, 2002, selling expenses increased to \$6.8 million, an 8.8% increase from the same period last year. Additionally, for the six months ended June 30, 2002, selling expenses, as a percentage of net sales, decreased to 4.1%, from 4.4% for the same period last year due to higher sales over which to spread the fixed selling expenses.

9

NATIONAL R.V. HOLDINGS, INC.

PART 1, ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

(Continued)

General and administrative expenses for the quarter ended June 30, 2002 increased \$0.5 million to \$2.7 million, or 22.4% from the same period last year. For the six months ended June 30, 2002, general and administrative expenses remained essentially flat at \$4.6 million, up \$31 thousand or 0.7% from the same period last year. Additionally, for the six months ended June 30, 2002, general and administrative expenses, as a percentage of net sales, decreased to 2.7%, from 3.2% for the same period last year due to personnel reductions and higher sales over which to spread the fixed general and administrative expenses. Excluding a \$0.6 million legal settlement reached with four former National RV sales employees during the quarter, general and administrative expenses were only 2.4% of net sales for the six months ended June 30, 2002.

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 June 30, 2002 was \$4,000 compared to \$0.2 million for the same period last year. For the six months ended June 30, 2002, other income decreased to \$0.3 million, from \$0.4 million for the same period last year. The decrease was due to a decrease in interest income, mostly offset by a gain recognized on the sale of the Company's airplane in the first

Edgar Filing: NATIONAL RV HOLDINGS INC - Form 10-Q

quarter of 2002.

The benefit for income taxes for the three and six months ended June 30, 2002 was \$0.8 million and \$2.8 million, respectively. The effective tax rate for the six months ended June 30, 2002 was 37.0% compared to 38.8% for the same period last year.

As a result, the Company's net loss for the three and six months ended June 30, 2002 was \$1.4 million and \$4.7 million, compared to net income of \$0.1 million and net loss of \$1.8 million, respectively, for the same periods last year.

10

NATIONAL R.V. HOLDINGS, INC.

PART 1, ITEM 3 - Quantitative and Qualitative Disclosures about Market Risk

Information about market risks for the six months ended June 30, 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.

11

NATIONAL R.V. HOLDINGS, INC.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company settled the previously reported age discrimination employment case brought by four former sales representatives. As a result of the settlement, the Company recorded a \$600,000 charge in the second quarter of 2002.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On June 3, 2002, the Company held its 2002 Annual Meeting of Stockholders (the "Annual Meeting"). The matters voted upon at the Annual Meeting and the votes cast for such matters were as follows:

1. The Company's stockholders elected Bradley C. Albrechtsen and Wayne M. Mertes as directors. Voting for the nominees for director was as follows: Bradley C. Albrechtsen; 6,920,453 shares FOR and 796,136 shares WITHHELD; and Wayne M. Mertes; 7,548,289 shares FOR and 168,300 shares WITHHELD.
2. The Company's stockholders approved the appointment of PricewaterhouseCoopers LLP as the Company's auditor for the current fiscal year. For the appointment of PricewaterhouseCoopers LLP as the Company's auditor, the vote was 7,700,674 shares FOR; 12,000 shares AGAINST; and 3,915 shares WITHHELD.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Edgar Filing: NATIONAL RV HOLDINGS INC - Form 10-Q

A. Exhibits

99.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

B. Form 8-K

A report was filed on June 25, 2002 announcing, under Item 5 thereof, the promotion of Michael Jacque to the newly created post of Executive Vice President of Operations.

12

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: August 7, 2002

By /s/ MARK D. ANDERSEN

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

13