NATIONAL RV HOLDINGS INC
Form 10-Q
May 13, 2004

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, 2004

{ } 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 by check mark whether the registrant is an accelerated filer.

YES NO X

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 May 4, 2004
Common stock, par value $.01 per share	10,196,396

NATIONAL R.V. HOLDINGS, INC.

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

	March 31, 2004 (Unaudited)	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,090	$ 2,059
Restricted cash	250	250
Receivables, less allowance for doubtful accounts ($89 and $132, respectively)	24,886	20,978
Inventories	64,232	51,659
Deferred income taxes	7,955	7,955
Prepaid expenses	2,005	1,658
Total current assets	100,418	84,559
Property, plant and equipment, net	39,299	40,833
Long-term deferred income taxes	3,805	3,805
Other	1,157	1,252
	$ 144,679	$ 130,449
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	13	19
Accounts payable	26,879	14,101
Accrued expenses	21,540	20,770
Total current liabilities	48,432	34,890

Long-term accrued expenses.....................	7,588	7,569
Total liabilities..............................	56,020	42,459
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, 10,190,230 and 10,190,230 issued and outstanding, respectively.........	102	102
Additional paid-in capital.....................	36,463	36,463
Retained earnings..............................	52,094	51,425
Total stockholders' equity...............	88,659	87,990
	$ 144,679	$ 130,449

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31, 2004	2003
Net sales.............................	$ 110,438	$ 78,101
Cost of goods sold....................	103,151	80,188
Gross profit (loss)...............	7,287	(2,087)
Selling expenses......................	3,621	3,130
General and administrative expenses....	2,587	2,120
Operating income (loss)...........	1,079	(7,337)
Interest expense......................	62	167
Other income..........................	(48)	(2)
Income (loss) before income taxes..	1,065	(7,502)
Provision (benefit) for income taxes...	396	(2,776)
Net income (loss)...............	$ 669	$ (4,726)
Earnings (loss) per common share:		
Basic...........................	$ 0.07	$ (0.48)
Diluted.........................	$ 0.06	$ (0.48)
Weighted average number of shares.		
Basic...........................	10,190	9,832
Diluted.........................	10,334	9,832

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Cash flows from operating activities:		
Net income (loss)............................	$ 669	$ (4,726)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation................................	989	982
Gain on asset disposal......................	(46)	-
Changes in assets and liabilities:		
Increase in trade receivables.............	(3,908)	(19,432)
(Increase) decrease in inventories........	(12,573)	8,264
Decrease in income taxes receivable.......	-	(2,449)
(Increase) decrease in prepaid expenses...	(347)	741
Increase in accounts payable..............	12,778	10,775
Increase (decrease) in accrued expenses...	789	(204)
Increase in deferred income taxes.........	-	(370)
Net cash used in operating activities......	(1,649)	(6,419)
Cash flows from investing activities:		
Decrease in other assets......................	95	341
Proceeds from sale of assets..................	1,932	-
Purchase of property, plant and equipment.....	(1,341)	(479)
Net cash provided by (used in) investing activities...............................	686	(138)
Cash flows from financing activities:		
Net advances under line of credit............	-	3,578
Increase in book overdraft...................	-	2,980
Principal payments on long-term debt..........	(6)	(5)
Net cash (used in) provided by financing activities...............................	(6)	6,553
Net decrease in cash............................	(969)	(4)
Cash, beginning of year.........................	2,059	14
Cash, end of period.............................	$ 1,090	$ 10

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. (NRV) and Country Coach, Inc. (CCI) 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. Certain reclassifications, none of which affected net loss or retained earnings, have been made to prior period amounts to conform to current period presentation.

NOTE 2 - HISTORY OF RECENT LOSSES

The Company experienced a net profit in the first quarter of 2004 of $0.7 million compared to a net loss of $4.7 million during the same period last year. However, the Company had net losses totaling $8.3 million and $21.4 million for the years ended December 31, 2003 and 2002, respectively. Continued losses could reduce the Company's liquidity and cause the Company to reduce its expenditures on capital improvements, machinery and equipment, and research and development. This could have a negative effect on the Company's ability to maintain production schedules, manufacture products of high quality, and develop and manufacture new products that will achieve market acceptance. This could, in turn, have a negative impact on the Company's sales and earnings. If the Company suffers additional losses, the Company may be unable to implement its business and financial strategies or meet its obligations when due. The Company's losses in 2003 and 2002 were mainly caused by (i) excess manufacturing capacity and related fixed costs caused by continued low production levels, (ii) continued significant discounting to wholesale distributors in 2002 and the first half of 2003, (iii) the recognition of the complete impairment of the Company's goodwill in 2002, (iv) high warranty costs in 2002 and (v) a workers' compensation reserve increase in 2002 and continued high workers' compensation costs in 2003. In spite of a profitable first quarter in 2004 and a profitable fourth quarter in 2003, there are no assurances that the conditions that have resulted in the Company's losses in 2003 and 2002 will not continue through 2004 and beyond.

As of March 31, 2004, the Company had a deferred tax asset of $11.8 million related to the tax benefit of operating loss carryforwards. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

NOTE 3 - STOCK BASED COMPENSATION

The Company has stock option plans that enable it to offer equity participation to employees, officers, and directors as well as certain non-employees. Stock options may be granted as incentive or nonqualified options.

The Company has four fixed option plans that reserve shares of common stock for issuance to executives, key employees, consultants, and directors. The Company has also issued fixed options outside of such plans pursuant to individual stock option agreements. Options granted to non-employee directors generally vest immediately upon grant and generally expire five to ten years from the date of grant. Options granted to employees, including employee directors, generally vest in three equal annual installments and expire five to ten years from the date of grant. The price of the options granted pursuant to these plans will not be less than 100 percent of the market value of the shares on the date of grant. There were 236,500 options granted in the first quarter of 2004 and there were no options granted during 2003.

The Company has adopted the provisions of Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" (SFAS 148), which amends SFAS Statement 123, "Accounting for Stock-Based Compensation." As permitted by SFAS 148, the Company continues to measure compensation cost in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations, but provides pro forma disclosures of net income and earnings per share as if the fair-value method had been applied. The following table illustrates the effect on net income (loss) and earnings (loss) per share if the Company had applied the fair value recognition provisions to stock-based employee compensation:

All amounts in thousands except per share amounts

	Three Months Ended March 31, 2004	2003
Net income (loss) - as reported.................	$ 669	$ (4,726)
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects....................................	122	108
Pro forma net income (loss).....................	$ 547	$ (4,834)
Basic earnings (loss) per share - as reported...	$ 0.07	$ (0.48)
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects....................................	0.02	0.01
Basic earnings (loss) per share - pro forma.....	$ 0.05	$ (0.49)
Diluted earnings (loss) per share - as reported..	$ 0.06	$ (0.48)
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects....................................	0.01	0.01
Diluted earnings (loss) per share - pro forma....	$ 0.05	$ (0.49)

The weighted-average fair value of the stock options has been estimated on the date of grant using the Black-Scholes option-pricing model. The weighted-average fair value of stock options and the assumptions used to calculate weighted-average fair value are listed below for new grants during the quarter ended March 31, 2004. There were no new stock option grants during the quarter ended March 31, 2003.

	Quarter Ended March 31, 2004
Dividend yield............	0.0%
Expected volitality........	279.0%
Risk-free interest rate....	2.74%
Expected lives............	4 years

NOTE 4 - SUPPLEMENTAL BALANCE SHEET INFORMATION

Inventories consist of the following:

	March 31, 2004	December 31, 2003
Finished goods........	$ 8,654	$ 8,957
Work-in-process.......	31,068	22,142
Raw materials.........	16,487	13,902
Chassis...............	8,023	6,658
Total inventories.....	$ 64,232	$ 51,659

Accrued expenses consist of the following:

Current accrued expenses:	March 31, 2004	December 31, 2003
Workers' compensation self-insurance reserve...	$ 3,034	$ 3,561
Warranty reserve..............................	8,363	8,312
Payroll and other accrued expenses............	10,143	8,897
Total current accrued expenses..............	$ 21,540	$ 20,770
Long-term accrued expenses:		
Workers' compensation self-insurance reserve...	$ 6,534	$ 6,499
Warranty reserve..............................	332	348
Deferred compensation expense.................	722	722
Total long-term accrued expenses............	$ 7,588	$ 7,569

NOTE 5 - CREDIT FACILITY

The Company has an asset-based revolving credit facility of $15 million with UPS Capital Corporation (UPSC). This credit facility expires August 2005. The Company has reserved $0.3 million from the line-of-credit for one month's rent on the CCI facility. The remaining $14.7 million is available for general corporate working capital needs and capital expenditures. Amounts borrowed under the revolving credit facility bear interest at the prime rate listed in the Wall

Street Journal plus 0.75 percentage points. The credit facility contains, among other provisions, certain financial covenants, including net worth requirements. At March 31, 2004, the Company had no outstanding loans under the line-of-credit and the Company was not in default with any covenants of its loan agreement with UPSC.

NOTE 6 - EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if options were exercised or converted into common stock. Shares attributable to the exercise of outstanding options that are anti-dilutive are excluded from the calculation of diluted loss per share.

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Net income (loss)	$ 669	$ (4,726)
Basic weighted average common shares outstanding	10,190	9,832
Effect of dilutive stock options	144	-
Diluted weighted average common shares outstanding	10,334	9,832
Basic earnings (loss) per share	$ 0.07	$ (0.48)
Diluted earnings (loss) per share	$ 0.06	$ (0.48)

Excluded from the computation of diluted earnings per share are outstanding common stock options with an exercise price greater than the average market price of the common shares as of March 31, 2004 and March 31, 2003. For the quarters ended March 31, 2004 and 2003, excluded from the computation of diluted earnings per share were stock options to purchase 265,300 shares and 1,572,583 shares, respectively.

NOTE 7 - COMMITMENTS AND GUARANTEES

As is customary in the industry, the Company generally agrees with its dealers' lenders to repurchase any unsold RVs in certain circumstances. Although the Company's maximum potential exposure under these agreements approximated $102 million at March 31, 2004, as with accounts receivable, the risk of loss was spread over numerous dealers and lenders and was further reduced by the resale value of the RVs which the Company would be required to repurchase. Losses under these agreements have not been material in the past and management does not believe that any future losses under such agreements will have a material adverse effect on the Company's consolidated financial position or results of operations.

The Company's warranty reserve is established based on its best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. The Company records an estimate for future warranty-related costs based on recent actual warranty claims. Also, the Company's recall reserve is established, as necessary, based on management's estimate of the cost per unit to remedy the problem and the estimated number of units that will ultimately be brought in for the repair.

Product Warranty
(in thousands)

Three Months Ended March 31, 2004

	Beginning Balance	Additions	Deductions	Ending Balance
Warranty reserve March 31,2004...	$ 8,660	$ 3,146	$ 3,111	$ 8,695

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NATIONAL R.V. HOLDINGS, INC.
PART I, 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, potential fluctuations in the Company's operating results; continuation of losses; seasonality and economic conditions; dependence on certain dealers and concentration of dealers in certain regions; dependence on chassis suppliers; potential liabilities under repurchase agreements; competition; government regulation; warranty claims; and product liability. 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 (the "SEC") and the Company's public announcements, copies of which are available from the SEC or from the Company upon request. The Company undertakes no obligation to revise or update publicly any forward looking statements for any reason.

Operating Performance

Continual effort to improve the safety of the workforce and decrease its workers' compensation costs resulted in an approximate $0.8 million reduction in workers' compensation costs in the first quarter of 2004 compared to the first quarter of 2003. Continued reductions are part of the strategy throughout 2004 though workers' compensation costs continue to be a challenge in California. The Company has undertaken significant safety programs to address these costs and the Company is being more proactive in the handling of its claims. In addition to these measures which are helping considerably, the Company believes that the Company's workers' compensation costs should be further reduced by recent state reforms.

Other factors leading to the improvement in gross profit margin percentage from last year's first quarter include higher production levels, reduced discounting, reduced warranty costs and production efficiencies, partially offset by various items including a change in product mix to include more products with lower margins. Both National RV and Country Coach have increased production during the quarter-ended March 31, 2004. As the Company experiences better capacity utilization, the Company should see additional improvement in gross margins throughout 2004.

Improved turn-rates and a reduction in aged dealer lot inventories have played a key role in the overall performance improvement of the Company comparing the first quarter of 2004 to the same period last year. As new and revitalized products come on-line, the Company has seen a rise in wholesale deliveries and improvement in the Company's annual Class A retail market share, from 6.2% for the first three months of 2003 to 7.5% for the first three months of 2004. Stronger product offerings and the resulting increase in demand have significantly reduced the need to discount the Company's products.

Looking Forward

Many of the same objectives the Company addressed last year remain in place for the current year. Aggressive product development, cost containment, and increased customer satisfaction are three of those objectives.

In the first quarter of 2004, Country Coach debuted three of its new 2005 model year offerings, the Inspire and the completely redesigned Magna and custom Affinity. The remaining 2005 offerings for Country Coach and for National RV will be introduced during the summer.

The Company is continually trying to contain its costs specifically in the warranty cost and workers' compensation cost areas. The Company continues to focus on improving the quality of its motorhomes resulting in decreased warranty costs. Also, the Company has instituted a number of safety programs which have already resulted in measurably reduced workers' compensation costs. The Company expects further progress in containing its costs as it continues to implement lean manufacturing concepts.

The Company is continually striving to improve its customer support by improving club support, telephone support for owners and dealers, and parts fulfillment. The Company utilizes various techniques such as surveys and focus groups to ensure that it is improving in the area of customer satisfaction.

Another key initiative is enhanced training programs for the Company's workforce, service centers, dealers, and consumers. The Company has already undertaken efforts in the areas of safety; and with new distance learning capabilities, the Company is looking forward to broadcasting its training programs directly to dealers and service providers, driving the movement for increased customer satisfaction in areas of technical maintenance. In addition, factory training programs are giving the Company's customers a basis for self-diagnostics and a better understanding of the equipment they are operating.

The outlook for the industry as a whole continues to be strong. The Recreational Vehicle Industry Association's (RVIA) market expansion campaign, GO RVing, is fostering greater awareness and garnering media attention.

Critical Accounting Policies

The Company's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for each period.

The following represents a summary of the Company's critical accounting policies, defined as those policies that the Company believes are: i) the most important to the portrayal of the Company's financial condition and results of operations, and ii) that require the Company's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

Valuation of Long-Lived Assets. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. If indicators of impairment were present, the Company would evaluate the carrying value of property and equipment, in relation to estimates of future undiscounted cash flows of the underlying business, which are based on judgment and assumptions.

Warranty Reserve. The Company's warranty reserve is established based on its best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. The Company records an estimate for future warranty-related costs based on recent actual warranty claims. Also, the Company's recall reserve is established, as necessary, based on management's estimate of the cost per unit to remedy the problem and the estimated number of units that will ultimately be brought in for the repair. While the Company's warranty costs have historically been within its expectations and the provisions established, the Company cannot guarantee that it will continue to experience the same warranty costs that it has in the past. A significant increase in dealer shop rates, the cost of parts or the frequency of claims could have a material adverse impact on the Company's operating results for the period or periods in which such claims or additional costs materialize.

Revenue Recognition. The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin No. 104, Revenue Recognition in Financial Statements, or SAB 104. SAB 104 requires that four basic criteria must be met before revenue can be recognized: i) persuasive evidence of an arrangement exists, ii) delivery has occurred and title and the risks and rewards of ownership have been transferred to the customer, iii) the price is fixed and determinable, and iv) collectibility is reasonably assured. Assuming that all of the above criteria were satisfied, motorhome and towables sales are recorded by the Company when accepted by the dealer.

Legal Proceedings. The Company is currently involved in certain legal proceedings and has accrued its estimate of the probable costs for the resolution of these claims. This estimate has been developed in consultation with counsel handling the Company's defense in these matters and is based upon an analysis of potential results, assuming a combination of litigation and settlement strategies.

Deferred Tax Asset. As of March 31, 2004, the Company had a deferred tax asset of $11.8 million. Realization is dependent on generating sufficient taxable income prior to expiration of the loss carryforwards. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

Valuation of Inventory. Inventory is valued at the lower of cost (estimated using the first-in, first-out method) or market. The Company periodically evaluates the carrying value of inventories and maintains an allowance for excess and obsolescence to adjust the carrying value as necessary to the lower of cost or market or to amounts on hand to meet expected demand in the near term. Unfavorable changes in estimates of obsolete inventory would result in an increase in the allowance and a decrease in gross profit.

Workers' Compensation Reserve. The Company's workers' compensation reserve is established based on its best estimate of the amounts necessary to settle future and existing employee workers' compensation claims as of the balance sheet date. The Company records an estimate for future workers' compensation related costs based on historical workers' compensation claims paid. Even though the Company's workers' compensation costs have been growing during the past several years, the Company cannot provide assurance that these costs will continue at these levels, increase or decrease, in the near term. A significant change in California workers' compensation legislation, the cost of claims or the frequency of claims could have a material adverse impact on the Company's operating results for the period or periods in which such claims or additional costs materialize.

Liquidity and Capital Resources

The Company's primary sources of liquidity are internally generated cash from operations and available borrowings under its credit facility. At March 31, 2004, the Company had working capital of $52.0 million compared to $49.7 million at December 31, 2003. This increase of $2.3 million was primarily due to a $12.6 million increase in inventory and a $3.9 million increase in accounts receivable, partially offset by a $12.8 million increase in accounts payable and a $1.0 million decrease in cash. Both the increase in accounts payable and the increase in inventory are due to the Company's purchasing and production increases to meet the market demand for its products. During the first three months of 2004, the Company used cash in its operations of $1.6 million, compared to $6.4 million of cash used in its operations during the first three months of 2003.

Net cash provided by investing activities was $0.7 million for the three months ended March 31, 2004. This represents primarily the $1.9 million of proceeds from the sale of real property in Florida, partially offset by $1.3 million in purchases of property, plant and equipment, including another piece of real property in Florida.

Net cash used in financing activities was $6,000 for the three months ended March 31, 2004. This represents principal payments on long-term debt.

The Company's consolidated financial statements have been presented on the basis that it will continue as a going-concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has suffered net losses of $8.3 million, $21.4 million and $11.5 million for the years ended December 31, 2003, 2002 and 2001, respectively. For the year ended December 31, 2003, the Company provided cash from operating activities totaling $7.2 million and used cash from operating activities of $4.4 million and $12.6 million for the years ended December 31, 2002 and 2001, respectively.

The Company has funded its financial needs primarily through operations and its existing line of credit. At March 31, 2004, the Company had cash and cash equivalents of $1.1 million (excluding restricted cash totaling $0.3 million dollars required to secure a letter-of-credit in connection with one of the Company's insurance policies), working capital of $52.0 million, and $14.7

million available under the credit facility. The Company remains dependent upon its ability to obtain outside financing either through the issuance of additional shares of its common stock or through borrowings until it achieves sustained profitability through a combination of increased sales and improved product margins.

The Company has an asset-based revolving credit facility of $15 million with UPS Capital Corporation (UPSC). This credit facility expires August 2005. The Company has reserved $0.3 million from the line-of-credit for one month's rent on the CCI facility. The remaining $14.7 million is available for general corporate working capital needs and capital expenditures. Amounts borrowed under the revolving credit facility bear interest at the prime rate listed in the Wall Street Journal plus 0.75 percentage points. The credit facility contains, among other provisions, certain financial covenants, including net worth requirements. At March 31, 2004, the Company had no outstanding advances under the line-of-credit and the Company was not in default with any covenants of its loan agreement with UPSC.

Management is focused on continuing to improve liquidity through certain initiatives throughout 2004 including: i) further reduction of warranty costs, ii) increased facility utilization and iii) a reduction of workers' compensation costs.

The Company believes the combination of internally generated funds, working capital, and unused borrowing availability will be sufficient to meet the Company's planned capital and operational requirements for at least the next 12 months. Should the Company require further capital resources during the next 12 months, it would most likely address such requirement through a combination of sales of equity securities, sales of excess properties, and/or additional debt financings. If circumstances changed, and additional capital was needed, no assurance can be given that the Company would be able to obtain such additional capital resources.

If unexpected events occur requiring the Company to obtain additional capital and it is unable to do so, it then might attempt to preserve its available resources by deferring the creation or satisfaction of various commitments, deferring the introduction of various products or entry into various markets, or otherwise scaling back its operations. If the Company were unable to raise such additional capital or defer certain costs as described above, such inability would have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company.

Results of Operations

The following table sets forth for the periods indicated the percentage of net sales represented by certain items reflected in the Company's Consolidated Statements of Operations:

	Percentage of Net Sales Three Months Ended March 31, 2004	2003
Net sales............................	100.0%	100.0%
Cost of goods sold..................	93.4	102.7
Gross profit (loss)................	6.6	(2.7)

Selling expenses....................	3.3	4.0
General and administrative expenses..	2.3	2.7
Operating income (loss)...........	1.0	(9.4)
Interest expense....................	0.1	0.2
Other income........................	(0.1)	(0.0)
Income (loss) before income taxes..	1.0	(9.6)
Provision (benefit) for income taxes.	0.4	(3.5)
Net income (loss).................	0.6%	(6.1)%

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Quarter Ended March 31, 2004 Compared to Quarter Ended March 31, 2003

(Amounts in tables are in thousands, except percentages)

Net sales

	Three Months Ended March 31, 2004	Percent Change	2003
Net sales.................	$110,438	41.4%	$ 78,101
as a percent of net sales..	100.0%		100.0%

Net sales of $110.4 million for the quarter ended March 31, 2004 represent an increase of $32.3 million or 41.4% from the same quarter last year. First quarter wholesale unit shipments of diesel motorhomes were 293, up 24% from 237 units during the same period last year. Quarterly shipments of gas motorhomes were 499, up 50% from 332 units during the same period last year. Quarterly shipments of towable products were 315, down 19% from 390 units last year.

Revenues in the quarter for National RV were $63.3 million, up 19% from $53.4 million for the first quarter of last year. Revenues in the quarter for Country Coach were $46.7 million, up 85% from $25.2 million for the first quarter of last year. The increase in net sales is mainly attributable to the introduction of the Country Coach Inspire after the first quarter of 2003, the introduction of NRV's Tropi-Cal late in the first quarter of 2003, and an overall increase in the demand for the Company's other products.

Gross profit margin

	Three Months Ended March 31, 2004	Percent Change	2003
Gross profit margin.........	6.6%	N/A	(2.7)%

The primary factors that led to a 6.6% gross profit margin for the first quarter of 2004 compared to a (2.7)% gross margin for the same period last year, were higher production levels, reduced discounting, reduced warranty costs, reduced workers' compensation costs and production efficiencies, partially offset by various items including a change in product mix to include more products with lower margins.

Selling expenses

	Three Months Ended March 31, Percent Change		
	2004		2003
Selling expenses............	3,621	15.7%	3,130
as a percent of net sales...	3.3%		4.0%

Selling expenses totaled $3.6 million or 3.3% of net sales for the first quarter of 2004 compared to $3.1 million or 4.0% of net sales for the same quarter last year. Additionally, for the three months ended March 31, 2004, selling expenses increased by 15.7% compared to the same period last year. Sales costs increased mainly due to increased sales commissions resulting from higher sales. However, as a percentage of net sales, selling expenses decreased due to a concerted effort by management to control expenditures.

General and administrative expenses

	Three Months Ended March 31, Percent Change		
	2004		2003
General and administrative expenses...	2,587	22.0%	2,120
as a percent of net sales.............	2.3%		2.7%

General and administrative expenses totaling $2.6 million for the quarter ended March 31, 2004 were up $0.5 million compared to the same period last year. However, as a percentage of net sales, general and administrative expenses decreased to 2.3% from 2.7% for the same period last year as a result of increased sales over which to spread the fixed general and administrative costs during the first quarter of 2004. The increase in general and administrative expenses is mainly due to the accrual of a new incentive program as well as increased information technology personnel expenses and increased expenses related to compliance with the Sarbanes-Oxley Act.

Interest expense

	Three Months Ended March 31, Percent Change		
	2004		2003
Interest expense............	62	(62.9)%	167
as a percent of net sales...	0.1%		0.2%

Interest expense for the three months ended March 31, 2004 and 2003 was $0.1 million and $0.2 million, respectively. As a percentage of net sales, interest expense for these same periods was 0.1% and 0.2%, respectively. The reduction in interest expense is attributable to a reduction in the use of the $15 million line of credit when comparing the first quarter of 2004 to the same period last year.

Other income

Three Months

	Ended March 31, Percent Change		
	2004		2003
Other income................	48	100.0%	2
as a percent of net sales...	0.1%		0.0%

Other income for the first quarter of 2004 is primarily the result of the sale of real property in Florida. Other income in the first quarter of 2003 is comprised of interest income earned on cash in the Company's general bank account. As a percentage of net sales, the amount is not material.

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Provision (benefit) for income taxes

	Three Months Ended March 31, Percent Change		
	2004		2003
Provision (benefit) for income taxes..	396	N/A	(2,776)
as a percent of net sales.............	0.4%		(3.5)%

The income tax provision for the first quarter of 2004 was $0.4 million compared to an income tax benefit totaling $2.8 million for the same period last year. The effective tax rate for the three months ended March 31, 2004 was 37.2% and was 37.0% for the same period last year.

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NATIONAL R.V. HOLDINGS, INC.
PART I, ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has no significant financial instruments. The Company has not entered into any derivative financial instruments. The Company does not have any significant foreign currency exposure because it does not transact business in foreign currencies. However, the Company is exposed to market risk as a result of interest rate changes (Interest Rate Risk). Interest rate risk relates primarily to cash investments in money market funds. Cash balances invested in these funds are insignificant and consequently, interest rate risk is minimal.

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NATIONAL R.V. HOLDINGS, INC.
PART I, ITEM 4 - CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Exchange Act Rule 13a-15(e) and 15d-15(e). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As of the end of the quarter covered by this Report, the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

As discussed in the Company's 10-K filed with the SEC on March 30, 2004, to strengthen its inventory costing controls, the Company began performing a full quarterly physical count of its inventory with this quarter ended March 31, 2004.

Other than the already mentioned full quarterly physical inventory count, there have been no changes in the Company's internal controls over financial reporting during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

NATIONAL R.V. HOLDINGS, INC.
PART II - OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

31.1 Certification of Chief Executive Officer pursuant to Section 301 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 301 of the Sarbanes-Oxley Act of 2002.

32.1 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

(1) On February 17, 2004, the Company filed a Current Report on Form 8-K furnishing under Item 9 the Company's financial results for the fourth quarter and year ended December 31, 2003.

(2) On February 27, 2004, the Company filed a Current Report on Form 8-K disclosing under Item 5 Other Events, that Robert Lee, retired as the Chief Executive Officer of the Company's Country Coach subsidiary, but will assist Country Coach as a consultant and will remain as a director of the Company.

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: May 12, 2004

By /s/ MARK D. ANDERSEN

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