NATIONAL RV HOLDINGS INC
Form 10-Q
November 13, 2003
22

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 September 30, 2003

{ } 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 wether 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 September 30, 2003
Common stock, par value $.01 per share	9,986,828

NATIONAL R.V. HOLDINGS, INC.

INDEX

		PAGE
	PART I - FINANCIAL INFORMATION	
Item 1.	Consolidated Balance Sheets - September 30, 2003 and December 31, 2002	3

	Consolidated Statements of Operations - Three and Nine Months Ended September 30, 2003 and 2002	4
	Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2003 and 2002	5
	Notes to Consolidated Financial Statements	6 - 9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10 - 16
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	17
Item 4.	Controls and Procedures	18
	PART II - OTHER INFORMATION	
Item 6.	Exhibits and Reports on Form 8-K	19
	Signature	20

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

	September 30, 2003 (Unaudited)	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11	$ 14
Trade receivables, less allowance for doubtful accounts ($308 and $276 respectively)	21,404	9,829
Inventories	63,910	72,532
Deferred income taxes	6,152	6,005
Income taxes receivable	-	7,015
Prepaid expenses	1,506	2,134
Total current assets	92,983	97,529
Property, plant, and equipment, net	41,461	43,230
Long-term deferred income taxes	4,107	367
Other	1,190	1,013
	$139,741	$142,139
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit	$ 3,216	$ 4,943
Book overdraft	1,442	943
Current portion of long-term debt	22	22
Accounts payable	19,739	13,483

Accrued expenses	20,496	22,291
Total current liabilities	44,915	41,682
Long-term accrued expenses	7,242	6,273
Long-term debt	2	19
Total Liabilities	52,159	47,974
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - $.01 par value; 5000 shares authorized, 4000 issued and outstanding	-	-
Common stock - $.01 par value; 25,000,000 shares authorized, 9,986,828 and 9,832,161 issued and outstanding, respectively	100	98
Additional paid-in capital	34,817	34,302
Retained earnings	52,665	59,765
	87,582	94,165
Total stockholders' equity	$139,741	$142,139

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 September 30, 2003	Three Months Ended September 30, 2002	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Net sales	$ 91,314	$ 72,417	$ 242,886	$ 239,204
Cost of goods sold	86,942	72,461	238,927	235,639
Gross profit (loss)	4,372	(44)	3,959	3,565
Selling expenses	3,101	4,126	9,186	10,953
General and administrative expenses	1,683	1,673	5,760	6,242
Impairment of goodwill	-	6,126	-	6,126
Operating loss	(412)	(11,969)	(10,987)	(19,756)
Interest expense	85	51	309	142
Other (income) expense	(2)	(45)	(6)	(444)
Loss before income taxes	(495)	(11,975)	(11,290)	(19,454)
Benefit for income taxes	(191)	(2,164)	(4,189)	(4,931)
Net Loss	$ (304)	$ (9,811)	$ (7,101)	$ (14,523)
Loss per common share:				
Basic	$ (0.03)	$ (1.00)	$ (0.72)	$ (1.49)
Diluted	$ (0.03)	$ (1.00)	$ (0.72)	$ (1.49)
Weighted average number of shares				

Basic	9,835	9,825	9,833	9,774
Diluted	9,835	9,825	9,833	9,774

See Notes to Consolidated Financial Statements.

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

	Nine Months Ended September 30, 2003	2002
Cash flows from operating activities:		
Net loss	$(7,101)	$(14,523)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	2,959	2,847
Impairment of goodwill	-	6,126
Loss (gain) on asset disposal	3	(359)
Changes in assets and liabilities:		
(Increase) decrease in trade receivables	(11,575)	2,525
Decrease in inventories	8,622	8,008
Decrease in income taxes receivables	7,015	1,990
Decrease (increase) in prepaid expenses	628	(1,445)
Increase in book overdraft	499	3,569
Increase (decrease) in accounts payable	6,256	(10,044)
(Decrease) increase in accrued expenses	(826)	2,861
Increase in deferred income taxes	(3,887)	(459)
Net cash provided by operating activities	2,593	1,096
Cash flows from investing activities:		
(Increase) decrease in other assets	(177)	216
Proceeds from the sale of assets	3	2,424
Purchases of property, plant and equipment	(1,196)	(4,069)
Net cash used in investing activities	(1,370)	(1,429)
Cash flows from financing activities:		
Net (payments on) advances under line of credit	(1,727)	1,114
Principal payments on long-term debt	(17)	(16)
Proceeds from issuance of common stock	518	1,170
Net cash (used in) provided by financing activities	(1,226)	2,268
Net (decrease) increase in cash	(3)	1,935
Cash, beginning of period	14	22

Cash, end of period...........................	$ 11	$ 1,957
	=========	=========

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 - CONTINUATION OF LOSSES

The Company experienced a net loss in the third quarter of 2003 totaling $0.3 million and a $7.1 million net loss for the nine months ended September 30, 2003. The Company had net losses totaling $21.4 million and $11.5 million for the years ended December 31, 2002 and 2001, 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 continues to suffer losses, the Company could be unable to implement its business and financial strategies or meet its obligations when due. The Company's losses in 2002 and 2001 were mainly caused by (i) the recognition of the complete impairment of the Company's goodwill in 2002, (ii) continued significant discounting to wholesale distributors, (iii) continued high warranty costs, (iv) excess manufacturing capacity and related fixed costs caused by continued low volumes, and (v) a workers' compensation reserve increase in 2002. These factors were exacerbated by weaker general economic conditions and declining consumer confidence during the period.

As of September 30, 2003, the Company has recorded a deferred tax asset of $10.3 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.

NOTE 3 - Supplemental Balance Sheet Information

Inventories consist of the following (in thousands):

	September 30, 2003	December 31, 2002
Finished goods	$ 12,910	$ 20,671
Work-in-process	22,972	25,391
Raw materials	21,437	16,309
Chassis	6,591	10,161
	$ 63,910	$ 72,532

Accrued expenses consist of the following (in thousands):

	September 30, 2003	December 31, 2002
Workers' compensation self insurance reserve	$ 10,213	$ 7,794
Motorhome warranty reserve	9,721	11,840
Payroll and other accrued expenses	7,804	8,930
	$ 27,738	$ 28,564

NOTE 4 - RECENT ACCOUNTING PRONOUNCEMENTS

In July 2002, the Financial Accounting Standards Board issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 requires recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred, as opposed to when the entity commits to an exit plan under previous guidance. This statement is effective for exit or disposal activities initiated after December 31, 2002. The Company adopted SFAS No. 146 on January 1, 2003, which had no material impact on the Company's consolidated financial statements.

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 from the line-of-credit for a contingent liability. The remaining $14.7 was available for general corporate and working capital needs and capital expenditures. The Company was able to provide alternative security, in the form of state workers' compensation fund insurance, for its NRV self-insured workers' compensation program starting in July 2003. This allowed for the removal of the letter-of-credit that secured the self-insured workers' compensation program and freeing up $5.3 of the line-of-credit. 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 September 30, 2003, $11.5 was available for use under this facility and the Company was not in default with any covenants of its loan agreement with UPSC.

NOTE 6 - STOCK BASED COMPENSATION

The Company has six fixed option plans that reserve shares of common stock for issuance to executives, key employees 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 expire five to ten years from the date of grant. Options granted to employees generally vest in three equal annual installments and expire five 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 no options granted during 2003 or 2002.

No compensation cost has been recognized for these fixed options in the financial statements. The following table illustrates the effect on net loss and loss per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation:

In thousands, except per share amounts

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2003	2002	2003	2002
Net loss	As reported	$(304)	$(9,811)	$(7,101)	$(14,523)
	Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	63	120	250	712
	Pro forma	$(367)	$(9,931)	$(7,351)	$(15,235)
Basic Loss per share	As reported	$(0.03)	$ (1.00)	$ (0.72)	$ (1.49)
	Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	0.01	0.01	0.03	0.07
	Pro forma	$(0.04)	$(1.01)	$ (0.75)	$ (1.56)
Diluted Loss per share	As reported	$(0.03)	$ (1.00)	$ (0.72)	$ (1.49)
	Deduct total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	0.01	0.01	0.03	0.07
	Pro forma	$(0.04)	$(1.01)	$ (0.75)	$ (1.56)

The weighted average fair value of the options has been estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in 2001 and 2000 respectively. There were two grants of 5 year and 10 year vesting in both 2001 and 2000 and the assumptions for those plans are as follows: For the 5 year plan in 2001 the volatility is 45.4%, the expected term of the grant is 4.3 years, and the risk-free interest rate is 4.4%. The 2001 10 year vesting assumptions are: The volatility is 45.4%, the expected term is 4.5 years and the risk free rate is 4.4%. The assumptions for the 5-year plan in 2000 are: volatility is 46.4%, the expected term is 4.3 years, and the risk-free rate is 6.12%. The assumptions for the 10-year plan in 2001 are: volatility is 46.4%, expected term is 4.5 years and the risk-free rate is 6.12%.

8

NOTE 7 - LOSS PER SHARE

Basic loss per share is based upon the weighted average number of common shares outstanding during a period. Diluted loss per share is based upon the weighted average number of common shares plus the incremental dilutive effect of the securities convertible to common stock. The difference in the shares used to determine basic and diluted EPS is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net loss............................	$(304)	$(9,811)	$(7,101)	$(14,523)
Basic weighted average common shares outstanding.........................	9,835	9,825	9,833	9,774
Effect of dilutive stock options......	-	-	-	-
Diluted weighted average common shares outstanding.........................	9,835	9,825	9,833	9,774
Basic loss per share.................	$(0.03)	$ (1.00)	$ (0.72)	$ (1.49)
Diluted loss per share...............	$(0.03)	$ (1.00)	$ (0.72)	$ (1.49)
Outstanding options excluded as impact would be anti-dilutive..............	132	191	471	1,229

8 - COMMITMENTS AND GUARANTEES

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 $85.1 million at September 30, 2003, as with accounts receivable, 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 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.

Nine Months Ended September 30, 2003

	Beginning Balance as of December 31, 2002	Additions	Deductions	Ending Balance as of September 30, 2003
Warranty reserve September 30, 2003...	$11,840	$3,700	$5,819	$9,721

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.

Critical Accounting Policies

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 and intangibles, in relation to estimates of future undiscounted cash flows of the underlying business, which are based on judgment and assumptions.

Warranty. 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. Motorhome and towables sales are recorded by the Company when accepted by the dealer rather than at the time of shipment as in earlier years. This change in accounting principle was made to implement SEC Staff Accounting Bulletin No. 101 (SAB 101), as amended. SAB 101 requires that four basic criteria must be met before revenue can be recognized: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services rendered; (3) the fee is fixed and determinable; and (4) collectibility is reasonably assured. Should changes in conditions cause management to determine these criteria are not met for certain future transactions, revenue recognized for any reporting period could be adversely affected.

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 September 30, 2003, the Company has recorded a deferred tax asset of $10.3 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.

Liquidity and Capital Resources

At September 30, 2003, the Company had working capital of $48.1 million compared to $55.8 million at December 31, 2002.

The Company's primary sources of liquidity are internally generated cash from operations and available borrowings under its credit facility. During the first nine months of 2003, the Company provided cash from operations of $2.6 million, compared to $1.1 million of cash provided from operations during the first nine months of 2002. This increase was due primarily to a $8.6 million decrease in inventories, a $7.0 million receipt of income taxes receivable, and an increase of $6.3 million in accounts payable, partially offset by an increase of $11.6 million in trade receivables, a $3.9 million increase in deferred taxes and a $7.1 million net loss that includes $3.0 million of depreciation. The increase in accounts payable is primarily attributable to an increase in purchases due to increased production during the quarter. The decrease in inventories reflects the Company's continuing efforts to manage working capital.

Net cash used in investing activities was $1.4 million for the nine months ended September 30, 2003. This represents primarily the purchase of property, plant and equipment totaling $1.2 million.

Net cash used in financing activities was $1.2 million for the nine months ended September 30, 2003. This represents net advances on the line of credit totaling $1.7 million, partially offset by proceeds from the issuance of common stock related to the exercise of stock options totaling $0.5 million.

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 a contingent liability. The remaining $14.7 million is available for general corporate and working capital needs and capital expenditures. The Company was able to provide alternative security, in the form of state workers' compensation fund insurance for its NRV self-insured workers' compensation program starting in July 2003. This allowed for the removal of the letter-of-credit that secured the self-insured workers' compensation program and freeing up $5.3 million of the line-of-credit. 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 September 30, 2003, $11.5 million was available for use under this facility and the Company was not in default with any covenants of its loan agreement with UPSC.

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 recorded net losses of $21.4 million and $11.5 million and recorded net income of $10.0 million for the years ended December 31, 2002, 2001 and 2000, respectively. The Company has used cash from operating activities of $4.4 million, $12.6 million and provided cash from operating activities of $26.3 million for the years ended December 31, 2002, 2001 and 2000, respectively.

The Company has funded its financial needs primarily through operations and its existing line of credit. At September 30, 2003, the Company had cash and cash equivalents of $11,000, working capital of $48.1 million, and $11.5 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.

Management intends to continue a variety of initiatives to improve its working capital position, including i) head count rebalancing to sustainable production levels, ii) an engineering review of material components for the removal of non-value added items to reduce both material costs and assembly steps, iii) continued focus on improving quality through comprehensive inspections and timely reporting of failures, iv) manufacturing efficiency improvements through longer lead times for production increases allowing better training of new hires to the direct work force, v) non-producing asset dispositions, vi) continued reduction in all categories of inventory, vii) pursuing the reduction of workers' compensation claims at NRV through the implementation of the "Dupont" system, viii) staggering of model year changes to facilitate more effective introductions of product changes to manufacturing and ix) continuing to seek improved manufacturing methods. The Company's success in the execution of these initiatives may have a significant impact on the Company's liquidity during the next 12 months.

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 its products, sales of equity securities, the sale of excess assets 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.

12

Results of Operations

	Three Months Ended September 30, 2003	Three Months Ended September 30, 2002	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	95.2	100.1	98.4	98.5
Gross profit (loss)	4.8	(0.1)	1.6	1.5
Selling expenses	3.4	5.7	3.8	4.6
General and administrative expenses	1.8	2.2	2.4	2.6
Impairment of goodwill	0.0	8.5	0.0	2.6
Operating loss	(0.4)	(16.5)	(4.6)	(8.3)
Interest expense	0.1	0.0	0.1	0.1
Other (income) expense	0.0	(0.1)	0.0	(0.2)
Loss before taxes	(0.5)	(16.5)	(4.7)	(8.2)
Benefit for income taxes	(0.2)	(3.0)	(1.7)	(2.1)
Net loss	(0.3)%	(13.5)%	(3.0)%	(6.1)%

In thousands, except percentages
Net sales

	Three Months Ended September 30, Percent Change			Nine Months Ended September 30, Percent Change		
	2003		2002	2003		2002
Net sales	$91,314	26.1%	$72,417	$242,886	1.5%	$239,204

Net sales of $91.3 million for the quarter ended September 30, 2003 represents an increase of $18.9 million or 26.1% from the same quarter last year. Third quarter wholesale unit shipments of diesel motorhomes were 297, up 41% from 211 units last year. Quarterly shipments of gas motorhomes were 321, up 38% from 232 units last year. Quarterly shipments of towable products were 355, down 7% from 383 units last year.

Wholesale unit shipments of diesel motorhomes for the nine months were 752, down 2% from 765 units last year. Shipments of gas motorhomes for the nine months were 946, up 26% from 752 units last year. Year-to-date shipments of towable products were 1,220, down 4% from 1,266 units last year.

Revenues in the quarter for the National RV division were $48.1 million, up 15% from $42.0 last year. Revenues in the quarter for the Country Coach division were $42.0 million, up 34% from $31.3 million last year. National RV revenues for the nine months were $149.9 million, up 4% from $144.2 million last year. Country Coach revenues for the nine months were $91.2 million, down 2% from $93.4 million last year.

Gross profit margin

	Three Months Ended September 30, Percent Change			Nine Months Ended September 30, Percent Change		
	2003		2002	2003		2002
Gross profit margin.......	4.8%	580.0%	(0.1)%	1.6%	6.7%	1.5%

The primary factors that led to a 4.8% gross profit margin for the third quarter 2003 compared to a -0.1% gross margin for the same period last year, were higher production volumes, reduced warranty costs, and reduced discounting. Gross profit margin improved by 6.7% during the first nine months of 2003 compared to the same period last year. The primary reason for the improved margin is an increase in sales.

The gross profit margin improvement at the Company's National RV division was driven by improved sales in the gas motorhome segment. The Company experienced an increase in gas unit shipments of 26% during the nine months ended September 30, 2003 compared to the same period last year. The Company's Country Coach division experienced gross profit margin improvement due to improved production efficiencies and improved sales due to the newly released Inspire.

In thousands, except percentages
Selling expenses

	Three Months Ended September 30, Percent Change			Nine Months Ended September 30, Percent Change		
	2003		2002	2003		2002
Selling expenses.............	3,101	(24.8)%	4,126	9,186	(16.1)%	10,953
as a percentage of net sales..	3.4%		5.7%	3.8%		4.6%

Selling expenses totaled $3.1 million or 3.4% of net sales for the third quarter 2003 compared to $4.1 million or 5.7% of net sales for the same quarter last year. Additionally, for the nine months ended September 30, 2003 selling expenses, as a percentage of net sales declined by 16.1% compared to the same period last year. Sales costs have decreased due to concerted efforts by management to reduce advertising, giveaways and sales commissions.

In thousands, except percentages
General and administrative expenses

	Three Months Ended September 30, Percent Change			Nine Months Ended September 30, Percent Change		
	2003		2002	2003		2002
General and administrative expenses	1,683	0.6%	1,673	5,760	(7.7)%	6,242
as a percentage of net sales	1.8%		2.2%	2.4%		2.6%

General and administrative expenses totaling $1.7 million for the quarter ended September 30, 2003 was flat compared to the same period last year. As a percentage of net sales, general and administrative expenses decreased to 1.8% from 2.2% for the same period last year as a result of improved sales during 2003. Additionally, for the nine months ended September 30, 2003 general and administrative expenses declined by 7.7% compared to the sames period last year, as a percentage of net sales decreased to 2.4% from 2.6% for the same period last year. The reduction in general and administrative expenses occurred primarily due to the reduction in expenses associated with the aircraft that was sold during 2002.

In thousands, except percentages
Impairment of goodwill

	Three Months Ended September 30, Percent Change			Nine Months Ended September 30, Percent Change		
	2003		2002	2003		2002
Impairment of goodwill	-	(100.0)%	6,126	-	(100.0)%	6,126
as a percentage of net sales	0.0%		8.5%	0.0%		2.6%

The Company recognized the complete impairment of goodwill during the third quarter of 2002.

In thousands, except percentages
Interest expense

	Three Months Ended September 30, Percent Change			Nine Months Ended September 30, Percent Change		
	2003		2002	2003		2002
Interest expense	85	66.7%	51	309	117.6%	142

Interest expense for the three months ended September 30 2003 and 2002 was $0.09 million and $0.05 million, respectively. As a percentage of net sales, interest expense for these same periods was 0.1% and 0.1%, respectively. Additionally, for the nine months ended September 30 2003 and 2002, interest expense was $0.3 million and $0.1 million and as a percentage of net sales remained at 0.1%. Interest expense represents the interest and fees paid on the Company's credit facility.

In thousands, except percentages
Other (income) expense

	Three Months Ended September 30, Percent Change			Nine Months Ended September 30, Percent Change		
	2003		2002	2003		2002
Other (income) expense........	(2)	(95.5)%	(45)	(6)	(98.6)%	(444)

Other income in 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. Other income during 2002 is primarily the result of the sale of the Company's airplane.

15

In thousands, except percentages
Benefit for income taxes

	Three Months Ended September 30, Percent Change			Nine Months Ended September 30, Percent Change		
	2003		2002	2003		2002
Benefit for income taxes......	(191)	(91.2)%	(2,164)	(4,189)	(15.0)%	(4,931)
as a percentage of net sales..	(0.2)%		(3.0)%	(1.7)%		(2.1)%

The benefit for income taxes for the three and nine months ended September 30, 2003 was $0.2 million and $4.2, million respectively. The benefit for income taxes on a percentage of sales basis for the three and nine months ended September 30, 2003 was (0.2)% and (1.7)% respectively. Compared to the same periods last year the tax benefits were $2.2 million and $4.9 million respectively. On a percentage of sales basis they were (3.0)% and (2.1)% respectively. The effective tax rate for the nine months ended September 30, 2003 was 37.0% and 25.3% for the same period last year. The lower effective tax rate in 2002 is due to the impairment of goodwill.

16

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

The Company is exposed to interest rate risk from borrowings under the revolving credit facility. As discussed in Note 5 to the unaudited Consolidated Financial Statements, amounts borrowed under this credit facility bear interest at the prime rate plus 0.75 percentage points. While changes in the prime rate may affect our financial results, we believe the effect, if any, will not be material. All other information about market risks for the nine months ended September 30, 2003 does not differ materially from that discussed under Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2002. A hypothetical 100 basis point increase in interest rates, based on the September 30, 2003 line-of-credit balance, would increase our net loss for the nine months ended September 30, 2003 by approximately $0.02 million. Any future gains or losses may differ materially from this hypothetical amount based on the timing and amount of actual interest rate changes and the actual term loan balance.

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-14(c). 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.

There have been no significant changes in the Company's internal controls over financial reporting during the three months ended September 30, 2003 that have materially affected, or is reasonably likely to materially affect, the Companys internal control 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 July 22, 2003, the Company filed a Current Report on Form 8-K furnishing under Item 9 the Company's financial results for the second

quarter of 2003.

(2) On August 06, 2003, the Company filed a Current Report on Form 8-K disclosing under Item 5 Other Events, that the Board of Directors of the Company had appointed Bradley C. Albrechtsen, the Company's President and Chief Executive Officer, as President of the Company's National RV, Inc. division, succeeding National RV, Inc. founder Wayne Mertes.

(3) On August 19, 2003, the Company filed a Current Report on Form 8-K disclosing under Item 5 Other Events, that Wayne Mertes, 67, resigned from the Board of Directors 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: November 13, 2003

By /s/ MARK D. ANDERSEN

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