



DSR STOCK CARD

11/052019

THOR INDUSTRIES (THO)

Business Model

Founded in 1980 with the acquisition of the famous Airstream, Thor is the world's largest RV manufacturer. It employs around 18,000 people through 196 facilities. THO offers a wide range of products into 2 segments: Towable RV's (71% of business) and Motorized RV's (27% of business). THO represents 49.6% of market shares for travel trailers, 53.5% for fifth wheels and 41.2% for motorhomes. In other words, if you are looking for any kind of RV, chances are you will end up with one of Thor's models.

The Company in a Nutshell

- Thor enjoys many macroeconomic tailwinds since 2010.
- The company seems dedicated to sharing the wealth with shareholders as it has raised its dividend consecutively since 2010.
- The stock is trading at a very low level.

Investment Thesis

The camping and nomad lifestyles are gaining more momentum with boomers looking to travel the country. The money spent on outdoor living is also growing. As a dominating player in its market, THO can capture any growth coming out of it. It is also able to generate an economy of scale. In 2016, Thor thought it wasn't big enough and bought Jayco for \$576M. THO is still enjoying growth from this move as Jayco brought lots of strength in travel trailers, camping trailers, high-end diesel motorhomes, and super C motorhomes products.

VALUATION

Dividend Growth Rate Years 1-10: 7%

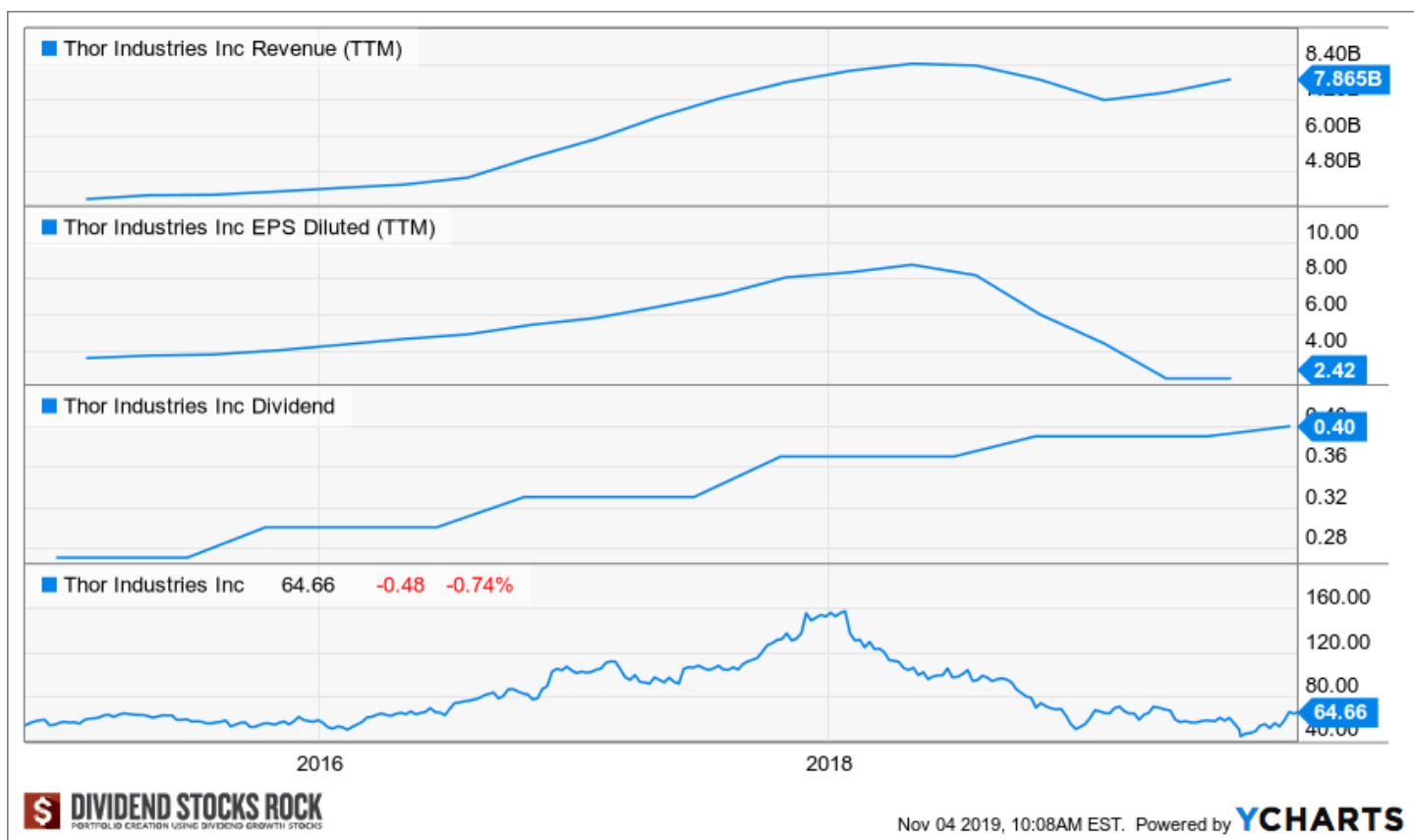
Terminal Dividend Growth Rate: 5%

	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$59.24	\$47.12	\$39.06
10% Premium	\$54.31	\$43.20	\$35.80
Intrinsic Value	\$49.37	\$39.27	\$32.55
10% Discount	\$44.43	\$35.34	\$29.29
20% Discount	\$39.50	\$31.42	\$26.04



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Potential Risks

Unfortunately, an investment in THO has its share of risks. Steel and aluminum tariff announcements have negatively affected THO's share price. Buying an RV becomes highly expensive (most sells over 50K) and customers usually don't pay cash. It will be hard to replicate those growth numbers in the future. The market is afraid an economic slowdown would make sales plummet. Finally, THO shares price are highly volatile during downturns. If the market thinks we are getting closer to a bear market, the stock price will drop.

Dividend Growth Perspective

The company started its growth streak in 2010 and kept it alive. Important note: THO didn't pause or cut its payout during the last crisis. THO paid a special dividend in 2009. This shows how the company's business model is resilient. Its last two dividend increases (2018 and 2019) made us review our dividend safety score from 4 to 3. The dividend is safe, but don't expect double-digit increases going forward.