SKYLINE CHAMPION



# Investor Presentation

November 2018

# DISCLAIMER

## FORWARD-LOOKING STATEMENTS

Statements in this presentation and discussions that follow, including those about the industry shipments, demographic trends, financing availability, the potential results of operational improvements, synergies resulting from the combination of the operations of Skyline Champion Corporation (f/k/a Skyline Corporation) ("Skyline") and Champion Enterprises Holdings, LLC ("Champion") (the "Transaction") and future growth opportunities are intended to be covered by the safe harbor for "forward-looking statements" provided by the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally can be identified by use of statements that include, but are not limited to, phrases such as "believe," "expect," "future," "anticipate," "intend," "plan," "foresee," "may," "should," "will," "estimates," "potential," "continue," or other similar words or phrases. Similarly, statements that describe objectives, plans, or goals also are forward-looking statements. Such forward-looking statements involve inherent risks and uncertainties, many of which are difficult to predict and are generally beyond the control of Skyline. Skyline cautions that a number of important factors could cause actual results to differ materially from those expressed in, or implied or projected by, such forward-looking statements. Risks and uncertainties include, but are not limited to: Skyline's inability to realize the expected benefits from the Transaction; general economic conditions; availability of wholesale and retail financing; the health of the U.S. housing market as a whole; federal, state, and local regulations pertaining to the manufactured housing industry; the cyclical nature of the manufactured housing industry; general or seasonal weather conditions affecting sales; potential impact of natural disasters on sales and raw material costs; potential periodic inventory adjustments by independent retailers; interest rate levels; the impact of inflation; the impact of high or rising fuel costs; the cost of labor and raw materials; competitive pressures on pricing and promotional costs; Skyline's relationships with its stockholders, customers, and other stakeholders; catastrophic events impacting insurance costs; the availability of insurance coverage for various risks to Skyline; market demographics; management's ability to attract and retain executive officers and key personnel; and other risks and uncertainties more fully described in Skyline's Quarterly Report on Form 10-Q for the quarter period ended June 30, 2018 as filed with the Securities and Exchange Commission ("SEC") on August 9, 2018, as well as the other filings that Skyline makes with the SEC.

If any of these risks or uncertainties materializes or if any of the assumptions underlying such forward-looking statements proves to be incorrect, the developments and future events concerning Skyline set forth in this presentation and any discussions that follow may differ materially from those expressed or implied by these forward-looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this document. We anticipate that subsequent events and developments will cause our expectations and beliefs to change. Skyline assumes no obligation to update such forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events, unless obligated to do so under the federal securities laws.

## NON-GAAP FINANCIAL MEASURES

This presentation includes certain non-GAAP financial measures. These non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. We believe that the presentation of these financial measures enhances an investor's understanding of Skyline's financial performance. Non-GAAP measures should be read only in conjunction with consolidated financials prepared in accordance with GAAP. We believe that these financial measures are useful financial metrics to assess our operating performance from period to period by excluding certain items that we believe are not representative of our core business. These financial measures should not be considered as alternatives to net income (loss) or any other performance measures derived in accordance with GAAP as measures of operating performance or as measures of liquidity. Pursuant to the requirements of SEC Regulation G, Skyline has provided reconciliations within these slides, as necessary, of the non-GAAP financial measures to the most directly comparable GAAP financial measure.

## FINANCIAL PRESENTATION

2018 – Fiscal year ended March 31, 2018 for Champion and 12 months ended March 4, 2018 for Skyline

2017 – Fiscal year ended April 1, 2017 for Champion and May 31, 2017 for Skyline

2016 – Fiscal year ended April 2, 2016 for Champion and May 31, 2016 for Skyline

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# TODAY'S PRESENTERS



## Keith Anderson
*Chief Executive Officer*

- Appointed CEO of Champion Homes in January 2015
  - Has served on Champion's Board of Directors since 2013
- Previously served as EVP and COO of Walter Investment and President and CEO of Green Tree Servicing
- Member of Manufactured Housing Institute's Board of Directors and Cascade Financial's Board of Directors
- Serves on the Manufactured Housing Advisory Council for Fannie Mae and Freddie Mac
- Received MBA from DePaul University and BS in Accounting from Illinois State University



## Laurie Hough
*Executive Vice President & Chief Financial Officer*

- Appointed Senior Vice President and CFO of Champion Homes in November 2016
- Joined Champion in 2010 and was appointed VP and Controller in 2012
- Previously held positions at Chrysler and PwC
- Licensed CPA and received BS in Accounting from Oakland University

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# COMPANY OVERVIEW & KEY HIGHLIGHTS

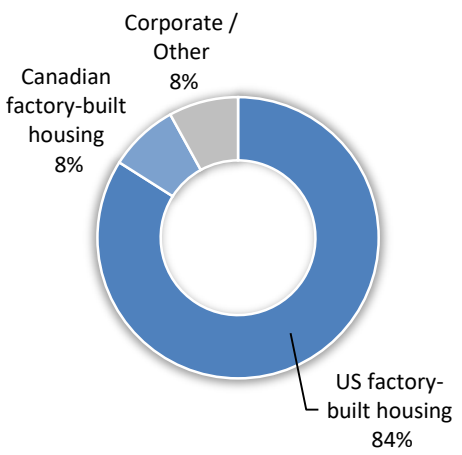
# SKYLINE CHAMPION SNAPSHOT

- Designer and builder of manufactured & modular homes and factory-built, commercial solutions
- Sales network of >1,000 independent dealers nationwide and 21 retail stores across the Southern U.S.
- #2 — Pro forma position in U.S. manufactured housing market in 2017[1]
- Provides logistics services through Star Fleet Trucking arm
- 17% — Approximate pro forma HUD market share in U.S. in 2017
- Leading management team combining industry and functional expertise

## Company highlights

| | |
|---|---|
| Headquarters | Elkhart, IN / Troy, MI |
| Employees (as of 9/29/2018) | ~6,800 |
| Net sales | $1,400 million |
| Adjusted EBITDA[2] | $95 million (6.8% margin) |
| Net loss from cont. operations[5] | $(49) million |
| Expected synergies[3] | $12-16 million (within 18 months) |

## Segment mix (pro forma net sales)[4]




## Product overview






Note: Financials presented on a pro forma basis for the 12 months ended 9/29/2018, unless otherwise noted. Excludes synergies.
(1) Share of manufactured housing market segment based on units produced.
(2) See reconciliation in Appendix.
(3) Expected synergies are based on management estimates. There is no assurance that the synergies will be achieved within the timeframe indicated or at all.
(4) Segment mix is based on pro forma results for the fiscal year ended 3/31/2018 for Champion and the 12 months ended 3/4/2018 for Skyline.
(5) Includes equity compensation expense of $93.9 million and other transaction and integration related items

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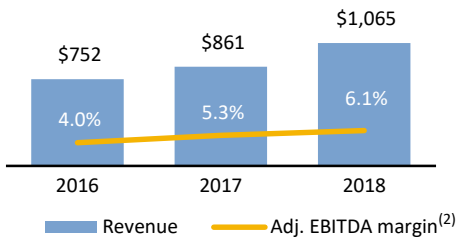
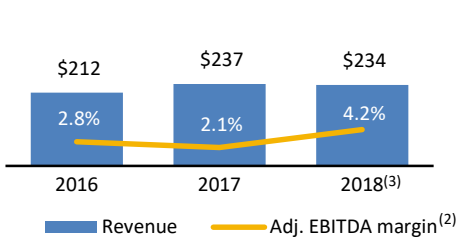
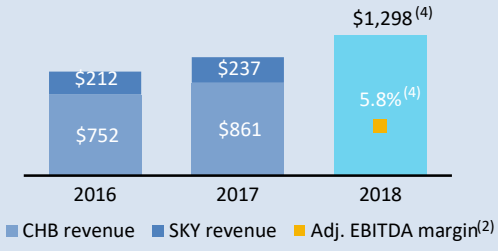
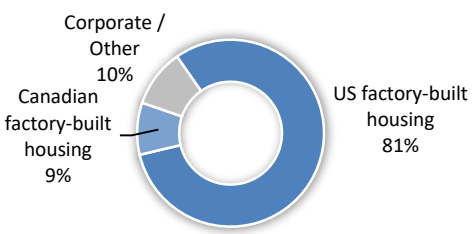
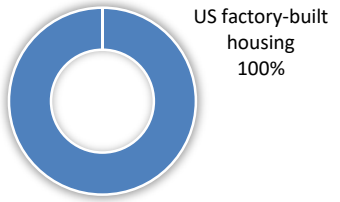
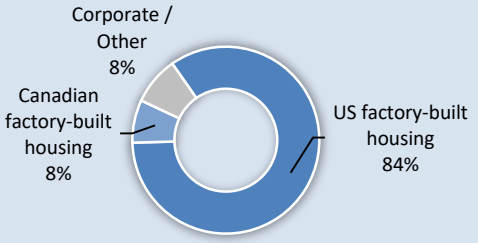
# A COMBINATION OF TWO MARKET LEADING PLATFORMS

| | CHAMPION MANUFACTURED BEAUTIFULLY™ | SKYLINE BRINGING AMERICA HOME. BRINGING AMERICA FUN. | SKYLINE CHAMPION |
|---|---|---|---|
| **U.S. Market Share / position(1)** | 14% / #2 | 3% / #4 | 17% / #2 |
| **Historical Financials** |  |  |  |
| **Products / Services Overview** | ✓ Manufactured homes<br>✓ Modular homes<br>✓ Park models<br>✓ Commercial modular construction<br>✓ Logistics<br>✓ Retail | ✓ Manufactured homes<br>✓ Modular homes<br>✓ Park models | ✓ Manufactured homes<br>✓ Modular homes<br>✓ Park models<br>✓ Commercial modular construction<br>✓ Logistics<br>✓ Retail |
| **Segment Mix(5)** |  |  |  |













(1) Share of manufactured housing market segment and position based on 2017 units produced.
(2) See reconciliation in Appendix.
(3) Represents 12 months ended 3/4/2018.
(4) Presented on a pro forma basis and excludes synergies.
(5) Segment mix is based on pro forma results for the fiscal year ended 3/31/2018 for Champion and the 12 months ended 3/4/2018 for Skyline.

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# COMPLEMENTARY MANUFACTURING FOOTPRINT IN THE UNITED STATES AND CANADA

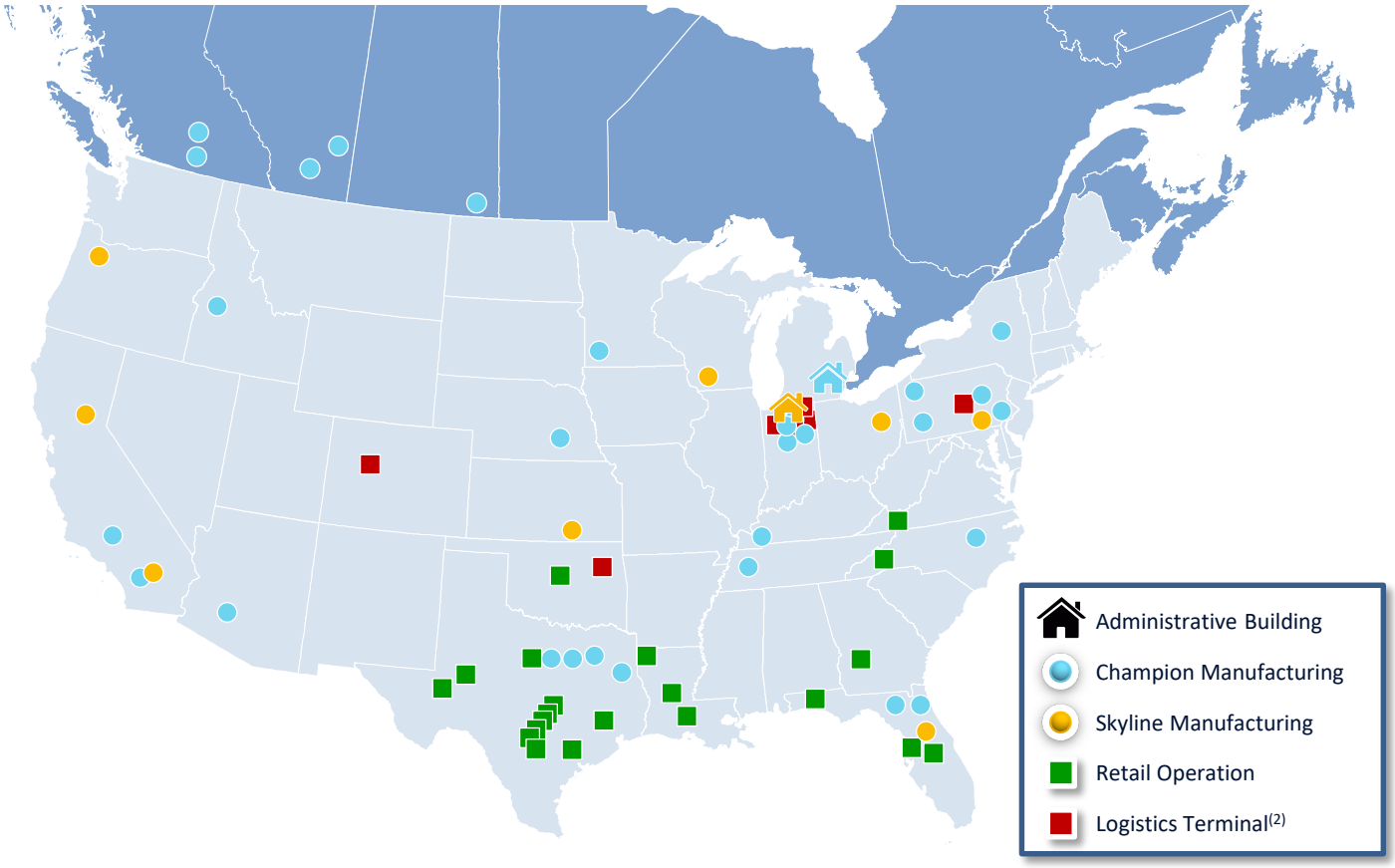
***#2***
*position in U.S.(1)*
*A **Leading** position in Western Canada*

***36***
*Operating manufacturing facilities*

***7***
*Idle manufacturing plants to support future growth*

***21***
*Retail locations in 7 states*

***10***
*Logistics terminals*




Note: Facilities stats as of 3/31/2018.
(1) Share of manufactured housing market segment based on 2017 units produced.
(2) 7 logistics terminals located in the northern Indiana area.

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# POWERFUL COMBINATION OF CHAMPION HOMES & SKYLINE
## KEY INVESTMENT HIGHLIGHTS

| | | |
|---|---|---|
| **Strong industry backdrop** | 1 | **Manufactured Housing Industry Has Significant Upside** |
| | 2 | **Differentiated, Secular Manufactured Housing Trends Driving Outsized Growth** |
| **Enhanced platform** | 3 | **#2 Manufactured Housing Position in the United States(1)** |
| | 4 | **United States and Canada Footprint Concentrated in Attractive, Large and Fast-Growing Markets** |
| | 5 | **Comprehensive Product Offering With Leading Brands and Enhanced Capabilities** |
| **Financial upside opportunity** | 6 | **Scalable Platform For Future Growth** |
| | 7 | **Significant Synergy and Revenue Growth Opportunities** |
| | 8 | **Operational Initiatives and Future Margin Expansion** |

(1) Share of manufactured housing market segment based on 2017 units produced.

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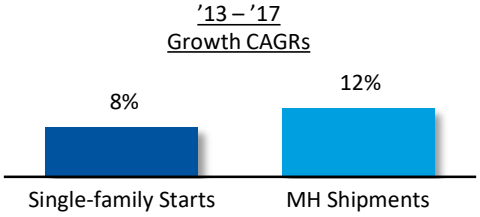
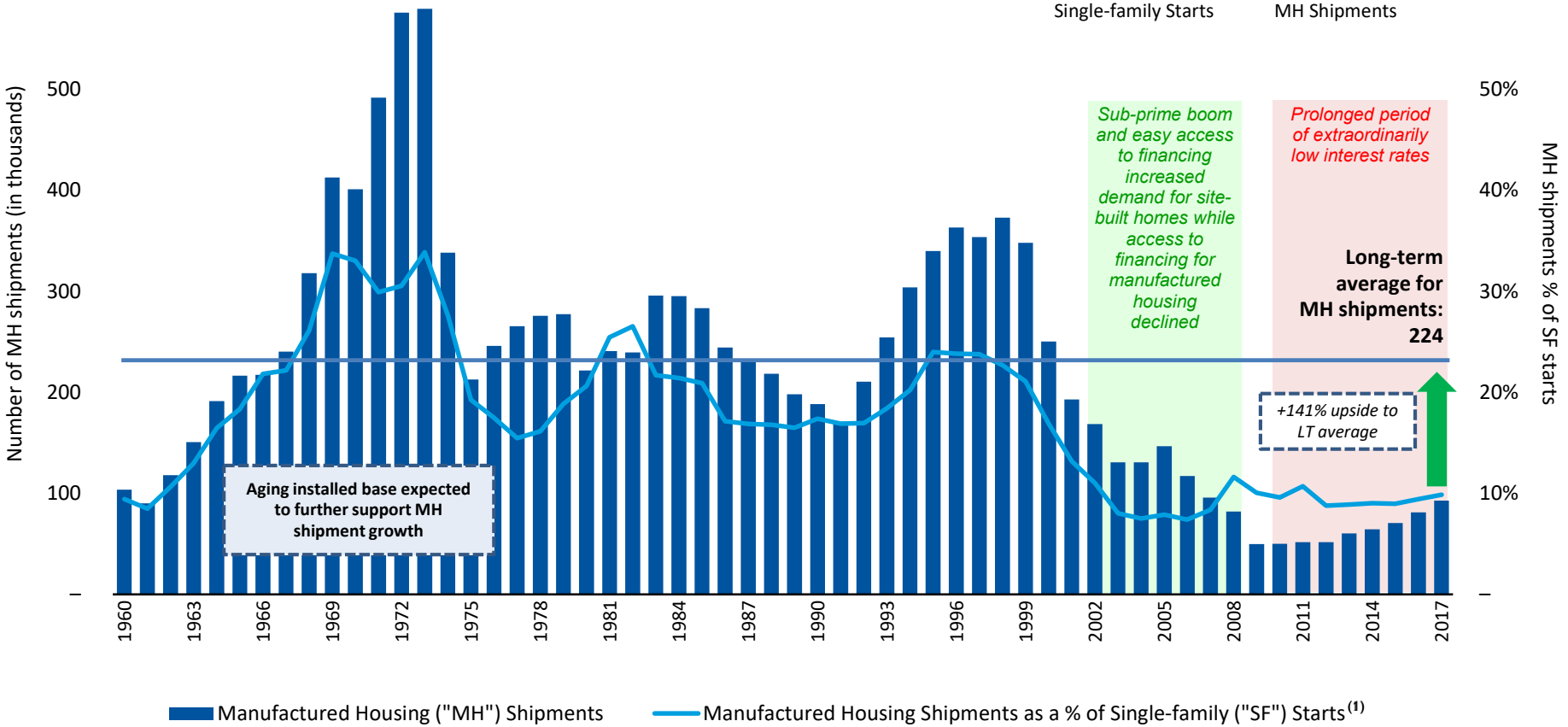
# 1 MANUFACTURED HOUSING INDUSTRY HAS SIGNIFICANT UPSIDE

| (units in thousands) | Starts / Shipments (1960-2017) Peak | Low | Avg. | 2017 | % upside to LT Avg. |
|---|---|---|---|---|---|
| SF housing starts | 1,716 | 431 | 1,015 | 849 | 20% |
| SF starts per capita (000's) | 6.6 | 1.4 | 4.2 | 2.6 | 60% |
| MH shipments | 580 | 50 | 224 | 93 | 141% |
| MH shipments as % of SF starts (1) | 33.9% | 7.4% | 17.4% | 9.9% | 763 bps |




Source: U.S. Census Bureau.
(1) Defined as MH shipments divided by SF housing starts plus MH shipments.

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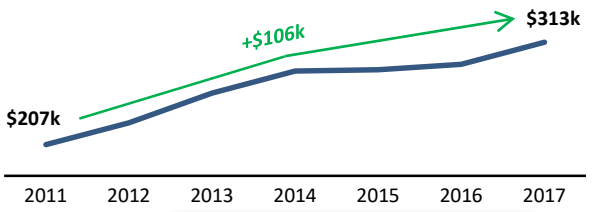
# 2 STRUCTURAL ADVANTAGES AND OPPORTUNITIES OF MANUFACTURED HOMES VS SITE-BUILT HOMES

## Affordability of MH vs. site-built

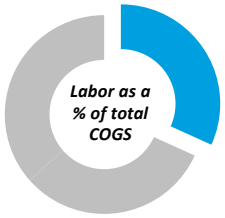
- Price premium between the average new site-built home and manufactured home has increased ~$100k between 2011 and 2017

**~80% of new homes sold under $150k price point in 2017 were manufactured homes**

**Avg. price spread of new site-built vs. manufactured home**

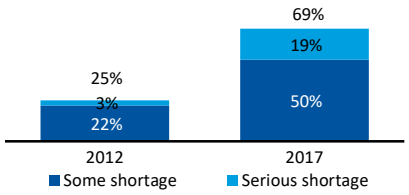



## Labor costs

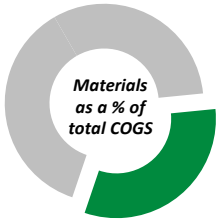



***Shortage of labor supply has put pressure on site-built homebuilder's margins***

***NAHB members reported shortages of subcontractor availability***




## Efficiency & quality




***Most building sites generate a significant amount of material waste***

***Manufactured homes are built to Housing & Urban Development (HUD) standards and state modular standards***

**Manufactured Home Advantages**

- ✓ Standardization of processes
- ✓ More effective labor force
  - Centrally managed flexibility
  - Mostly rural based (higher availability and lower cost)
- ✓ Controlled environment benefits
  - No weather delays
  - Reduces material waste and ensures product quality
- ✓ Bulk buying and shipping cost advantages

## Product improvement / innovations

- Factory-built homes can be the same or better quality than site-built homes, providing highly customizable features and improved customer appeal
- Advancements in engineering have made multi-story structures possible to address need in urban locations
- Improved energy efficiency



Source: US Census Bureau, US Bureau of Labor Statistics, National Association of Realtors, Case-Shiller and National Association of Homebuilders ("NAHB").

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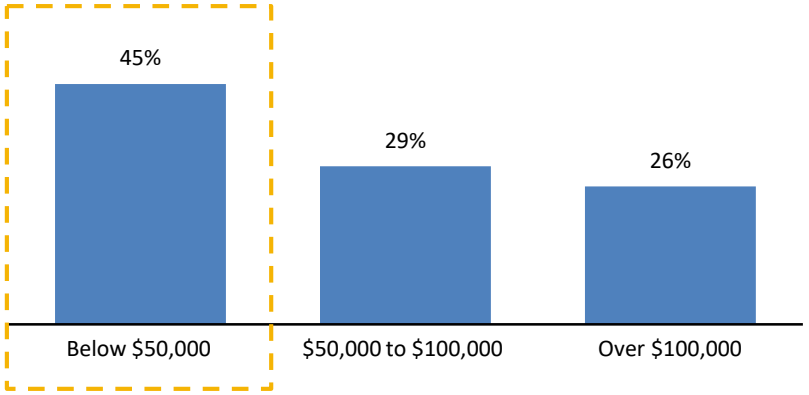
# 2 MANUFACTURED HOUSING SECTOR UNDERPINNED BY SUPPORTIVE DEMOGRAPHIC TRENDS

## Profile of site-built vs. MH homebuyers[1]

| | Site-Built Home | Manufactured Home |
|---|---|---|
| Median Net Worth (000s) | $112.5 | $26.0 |
| Median Annual Income (000s) | $50.6 | $26.4 |
| Median Assets (000s) | $213.2 | $44.7 |
| Median Debt (000s) | $30.3 | $5.0 |
| Median Age of Household Head at Purchase | 37 | 42 |

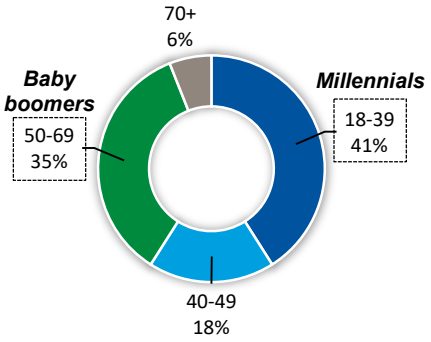
## 2017 US household income distribution



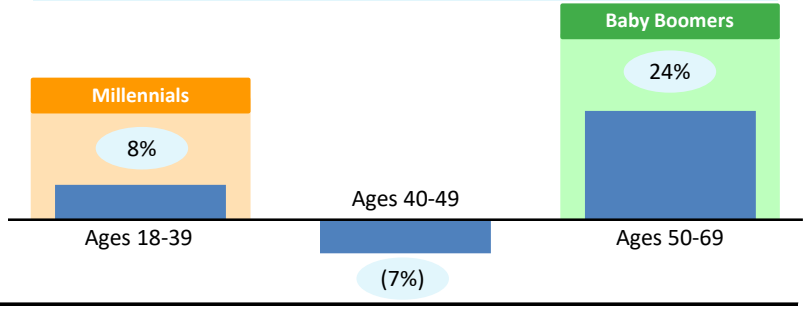

## Favorable US population characteristics

(2014 US manufactured housing residents by age)

**Millennials and baby boomers make up over 75% of manufactured home sales**




**Millennials and baby boomers make up fastest growing population age segments**




| | Ages 18-39 | Ages 40-49 | Ages 50-69 |
|---|---|---|---|
| Pop. (2017): | 97.7mm | 41.2mm | 80.2mm |
| Pop. (2007): | 90.6mm | 44.6mm | 64.5mm |

Source: Green Street Advisors, U.S. Census Bureau, Manufactured Housing Institute, National Association of Realtors, and Federal Reserve Bank of St. Louis.
(1) Consumer Financial Protection Bureau – Manufactured housing consumer finance in the U.S.

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# 2 INCREASING INVESTMENT BY MANUFACTURED HOUSING COMMUNITIES

## Manufactured housing communities are key customers of manufacturers[1]

**22 million**
Americans live in manufactured homes

**37,624**
Land-lease communities in the US

**4.2 million**
Manufactured home sites in communities

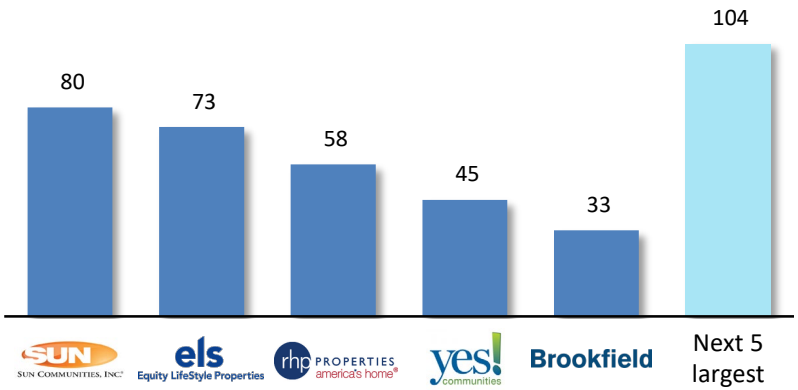
**34%**
Of new manufactured homes are placed in communities

**566,301**
Sites owned by the top 25 MH community developers[2]

***Aging installed base driving replacement need***

(In thousands)

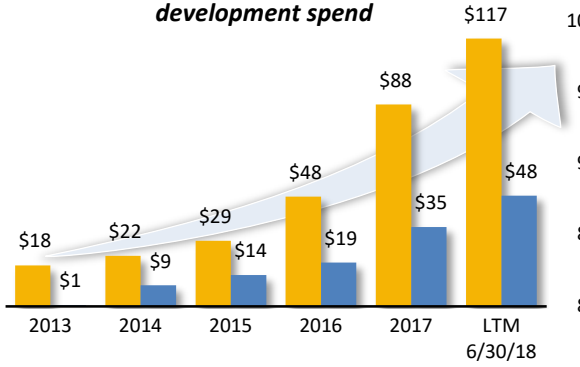
***Top 10 largest MH community owners & operators by sites[2]***



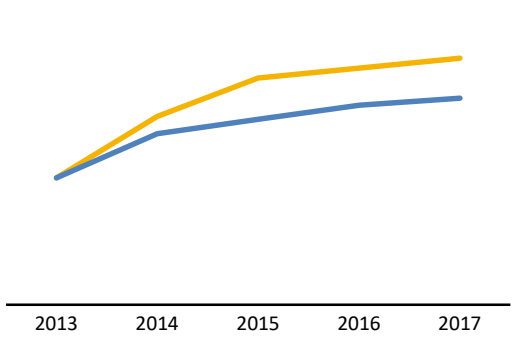

## Manufactured housing communities are investing for growth[3]

($ in millions)

***Increasing expansion & development spend***

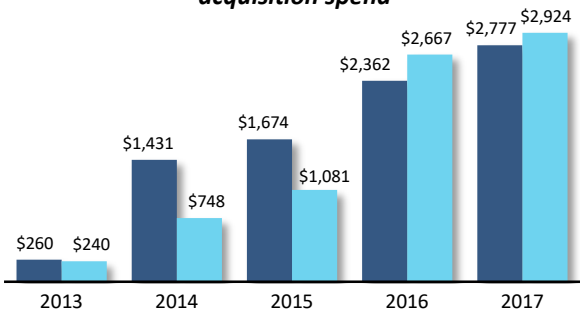



***Increasing occupancy rates***




($ in millions)

***Significant capital raised & acquisition spend***




SUN Communities, Inc. | els Equity LifeStyle Properties

- Cumulative Sun Communities Inc and Equity Lifestyle Properties capital raised
- Cumulative Sun Communities Inc and Equity Lifestyle Properties acquisition spend

Source: Manufactured Housing Institute, mobilehomeuniversity.com and SUI and ELS SEC filings.
(1) Data from 2017 Manufactured Housing Facts Industry Overview except when noted.
(2) Data from National Communities Council and as of May 2017.
(3) Data from SUI and ELS SEC filings.

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# 2 IMPROVING FINANCING OPTIONS AND DEREGULATION

## Difficult legacy financing environment

- There has been limited financing and liquidity for manufactured homes after financial institutions exited the market from 1999 through 2002
- Resulted in an environment for manufactured housing borrowers characterized by very restrictive lending terms and significantly higher interest rates relative to site-built home borrowers
- Lack of financing constrained the addressable market of potential manufactured housing buyers

## Improving financing environment as lenders return to market

- Some financial institutions have recently announced **new financing programs for manufactured homes**
- Fannie Mae and Freddie Mac recently announced plans to revive secondary market for manufactured housing loans
  - Fannie Mae announced on June 7th, 2018 the **Manufactured Homes Advantage Program for real property**
  - Fannie Mae land home target purchases from 2018-20 of up to 9,000, 9,250, and 11,500 loans
  - Freddie Mac has similar designs for real property
- Both entities plan to launch new programs for Chattel loans in early 2019
  - Target to acquire 4,000 – 5,000 MH loans, representing **$500 – $660 million over the next three years**

## Easing regulation an additional tailwind

- More constructive regulatory environment
  - Department of Housing and Urban Development (HUD) is **reducing regulatory burden** placed on manufacturers and dealers
    - Increased flexibility for manufacturers to customize features on an individual home
    - In August 2018, issued a public notice inviting comments on amending its Affirmatively Furthering Fair Housing Rule promoting fair housing choice
  - **The Dodd-Frank Reform bill**(1) signed by President Trump in May 2018 provides for several provisions that make it easier for retail customers to buy manufactured homes

(1) Economic Growth, Regulatory Relief and Consumer Protection Act of 2018.

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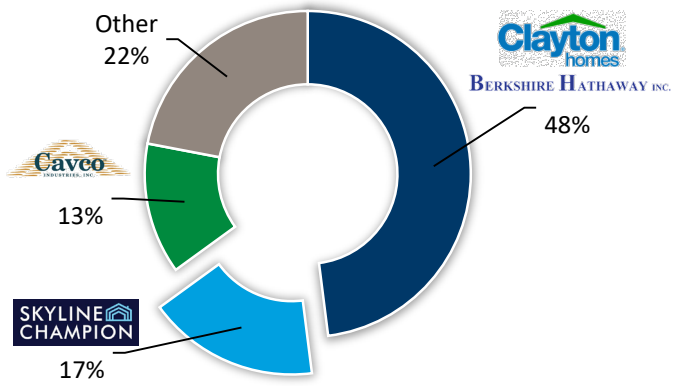
# #2 MANUFACTURED HOUSING POSITION IN THE UNITED STATES(1)

## U.S. manufactured housing market share(1)

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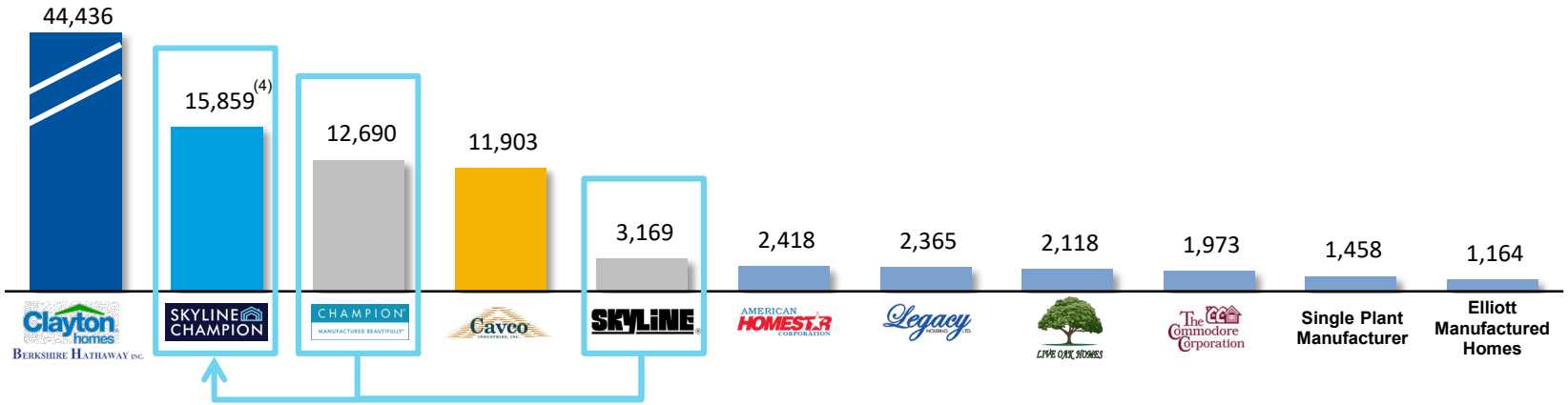
- The largest publicly traded manufactured home builder(2)
- #2 position in the manufactured housing industry(1)
- Top three position in most major U.S. regions by units(3)
- A leading position in Western Canada

## Major manufactured housing market players by number of homes produced

(Number of homes produced in 2017)




Source: Manufactured Housing Institute except when noted.
(1) Share of manufactured housing market segment based on 2017 units produced.
(2) Based on Skyline Champion 2018 pro forma revenue.
(3) Based on data from Statistical Surveys, Inc.
(4) Represents combination of Skyline and Champion standalone figures.

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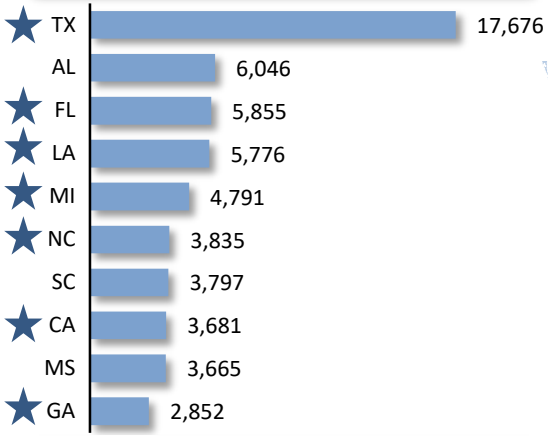
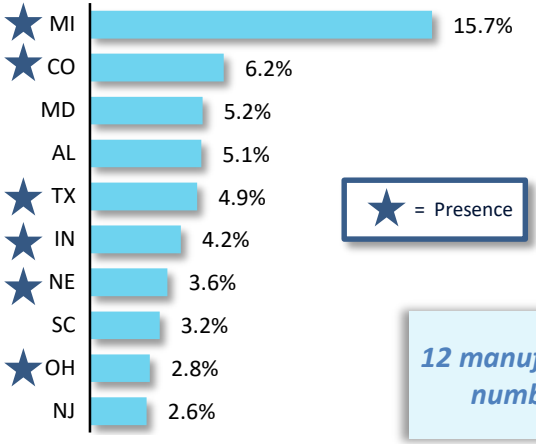
# 4 UNITED STATES AND CANADA FOOTPRINT CONCENTRATED IN ATTRACTIVE, LARGE AND FASTEST-GROWING MARKETS

## Top 10 states by MH annual shipments (2017 annual shipments)

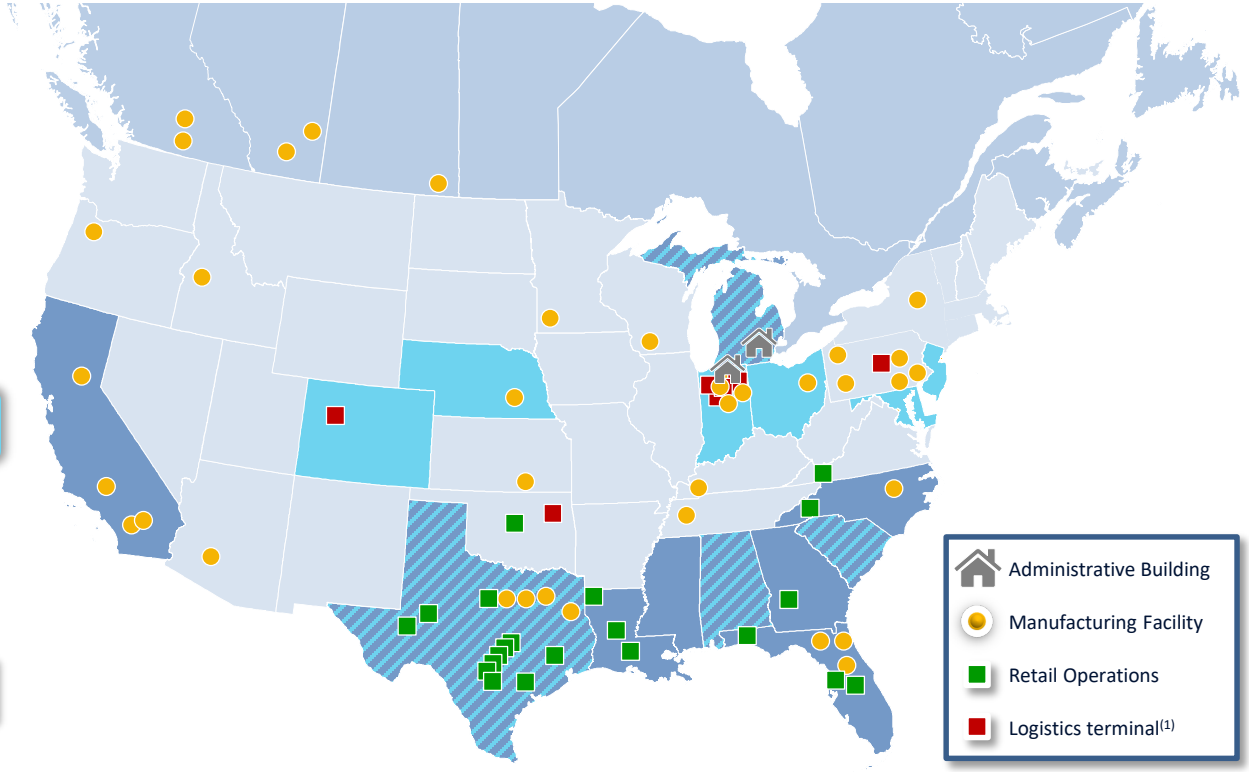



## Fastest growing states (MH annual shipments '07–'17 CAGR)




★ = Presence

## *Expansive geographic presence across key markets*




*12 manufacturing facilities in the top 10 states for number of manufactured home shipments*

*9 manufacturing facilities in the top 10 fastest growing states for manufactured home shipments*

Source: US Census Bureau and company website.
(1) 7 logistics terminals located in the northern Indiana area.

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# 5 COMPREHENSIVE PRODUCT OFFERING WITH LEADING BRANDS AND ENHANCED CAPABILITIES

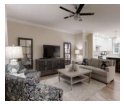
## Comprehensive product offering…

| | | Type / styles | | Size / price range |
|---|---|---|---|---|
| ***Manufactured housing*** |  | ■ Single-section<br>■ Multi-section | ■ Single-family<br>■ Single-story | 400 – 3,100 sq. ft. /<br>$25 – $55 per sq. foot |
| ***Modular housing*** |  | ■ Ranch<br>■ Cape Cod<br>■ Two-story | ■ Townhomes<br>■ Duplexes<br>■ Apartments | 720 – 5,000 sq. ft. /<br>$39 – $70 per sq. foot |
| ***Commercial / Other*** |  | ■ Hotels & hospitality<br>■ Multi-family | ■ Workforce housing<br>■ Senior housing | 600 – 130,000 sq. ft. /<br>$42 – $115 per sq. foot |
| ***Park*** |  | ■ Coastal<br>■ Rustic | ■ Traditional | 399 sq. ft. /<br>$60 – $175 per sq. foot |

## …with industry-leading brands

SKYLINE — Bringing America Home. Bringing America Fun.
REDMAN HOMES
excel HOMES
Moduline
SRI HOMES
Silvercrest
TITAN HOMES
ATHENS PARK MODEL RV'S
Dutch Housing

## Award winning craftsmanship and quality



***2018 "New Modular Home Design - 1,800 SF or less"***
*The Brooklyn in Strattanville, PA*



***2018 "New Manufactured Home Design - under 600 SF"***
*The Heron in Lake City, FL*



***2017 "New Manufactured Home Design (Small Home) - 320 – 600SF"***
*The Vista in Lake City, FL*



***2018 "New Modular Home Design - over 1,800 SF"***
*The Lakeport in Strattanville, PA*



***2018 "New Modular Home Design - 1,800 SF or less"***
*The Kingsbrook KB 34 in Corona, CA*



***2017 "New Modular Multifamily or Duplex Design (Production)"***
*Tarpon Harbour in Florida Keys, FL*

SKYLINE CHAMPION

# 5 COMPREHENSIVE PRODUCT OFFERING WITH LEADING BRANDS AND ENHANCED CAPABILITIES (CONT'D)

## Portfolio of value-added services

| | Logistics | Retail |
|---|---|---|
| | STAR FLEET TRUCKING INC. | TITAN FACTORY DIRECT |
| **Overview** | ■ Specializes in transporting manufactured homes and a large variety of recreational vehicles from manufacturing facilities to retailers<br>■ Delivery logistics are coordinated through 10 dispatch terminals located in Colorado, Indiana, Oklahoma and Pennsylvania<br>■ Mobile application allows drivers easy access to weather and route changes, nearby fuel prices, Department of Transportation rules & regulations and load location tracking | ■ Offers wide selection of manufactured & modular homes and park models at retail locations across the Southern United States<br>■ Provides avenue to sell directly to prospective homeowners<br>■ 21 retail sales centers in Florida, Georgia, Louisiana, North Carolina, Oklahoma, Texas and Virginia<br>■ Scale of retail & manufacturing presence has helped to build robust sales training program and build discipline in home-selling approach |
| **Strategy** | ✓ Provides fast access to transportation<br>✓ Combats increasing logistics costs<br>✓ Ability to competitively bid transportation across country<br>✓ Improves service levels for Skyline Champion relationships | ✓ Expand distribution points<br>✓ Avenue to expand into new markets<br>✓ Allows retail & manufacturing teams to collaborate on product design and features, based on customer demand |
| **Selected units** |  |  |

SKYLINE CHAMPION

# 6 SCALABLE PLATFORM FOR FUTURE GROWTH

**Expanding market opportunity**

- ✓ Manufactured housing industry expected to grow faster than broader single-family housing market
- ✓ Favorable trends create meaningful tailwinds

**Market share gain opportunity**

- ✓ Continue capturing share from small regional players and other competitors
- ✓ Significant economies of scale advantages

**M&A**

- ✓ Opportunity to expand product offering and enter new geographies
  - ~20% of industry is highly fragmented(1)
- ✓ Significant value creation from synergies
- ✓ Track-record of executing accretive acquisitions – IBS, Mansfield, Benton

**Grow retail distribution network**

- ✓ Expand retail presence to drive additional sales direct to homebuyer
- ✓ Faster response to market and rollout of streamlined product

**Expand current service offering and end markets**

- ✓ Opportunity to expand residential, multi-family and commercial modular construction
- ✓ Manufacture entire apartment buildings and expand service offering to hotels, hospitals, colleges
- ✓ Capabilities to continue servicing government / FEMA

(1) Based on data from the Manufactured Housing Institute.

SKYLINE CHAMPION

# 7 SIGNIFICANT SYNERGY AND REVENUE GROWTH OPPORTUNITIES

## Cost synergies

- ✓ Leverage national procurement contracts to drive material savings across entire manufacturing footprint
- ✓ Sharing of operating best practices in production, labor turnover and incentives, and material reductions in build

## Optimizing manufacturing output

- ✓ Converting plants to full campus or semi-campus configuration
- ✓ Streamlining overlapping functions
- ✓ Further specializing / streamlining production mix via campus clusters

## Revenue growth opportunities

- ✓ Leveraging specialized community financing programs and national community relationships to drive volume
- ✓ Leveraging in-house retail network to streamline production and protect and grow distribution

**Expected total synergies of $12-16 million achieved within 18 months of closing(1)**

## Mansfield integration example

- **In April 2017, Champion purchased a manufactured housing facility in Mansfield, Texas from Skyline**
  - ✓ Integrated Champion's ERP systems within two months of acquisition
  - ✓ Optimized product segmentation by shifting product mix and streamlining operations
  - ✓ Used the power of our captive retail base, independent retail network and community operators to streamline sales
  - ✓ Utilized a campus approach to reduce mid-level SG&A

(1) Expected synergies are based on management estimates. There is no assurance that the synergies will be achieved within the timeframe indicated or at all.

SKYLINE CHAMPION

# OPERATIONAL INITIATIVES AND FUTURE MARGIN EXPANSION

**SKU reduction and sourcing standardization**

- ✓ Procure more materials centrally, leveraging standard materials across plants
- ✓ Reduce the number of SKUs purchased through standardization

**Value engineer products**

- ✓ Improve value to the customer through material substitution
- ✓ Maximize functional components desired by the consumer

**Optimize fixed costs**

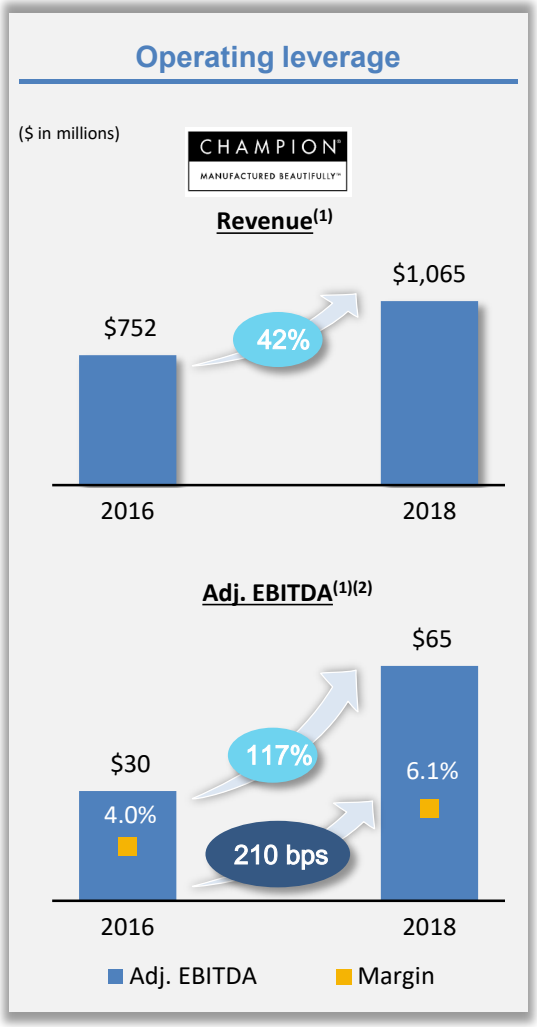
- ✓ Improve operating leverage / fixed cost utilization through increased production
- ✓ Route additional demand to plants with excess capacity for specific product

**Standardize engineering / design platform**

- ✓ Create centralized design with same engineering standards
  - Allows ability to share designs between plants
- ✓ Improve time to market

**Product rationalization**

- ✓ Use automated systems to analyze margins by model and customer
- ✓ Replace low performing models with higher performing models




(1) Figures are Champion standalone.
(2) See reconciliation in Appendix.

SKYLINE CHAMPION



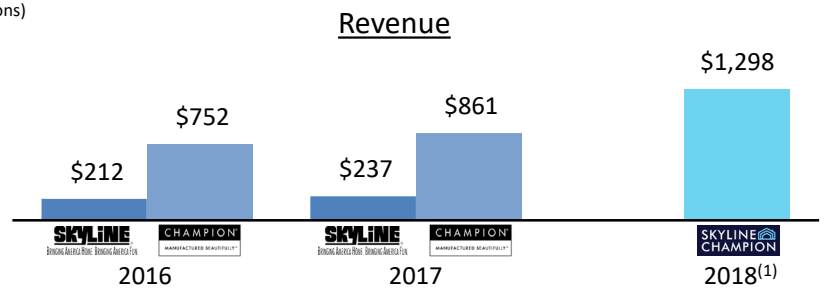

SKYLINE CHAMPION

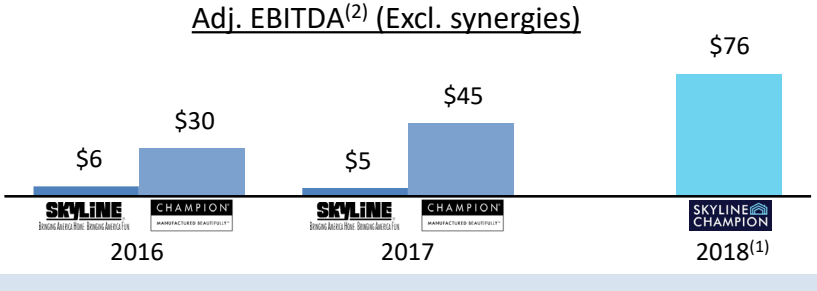
# FINANCIAL OVERVIEW

# HISTORICAL FINANCIAL PERFORMANCE

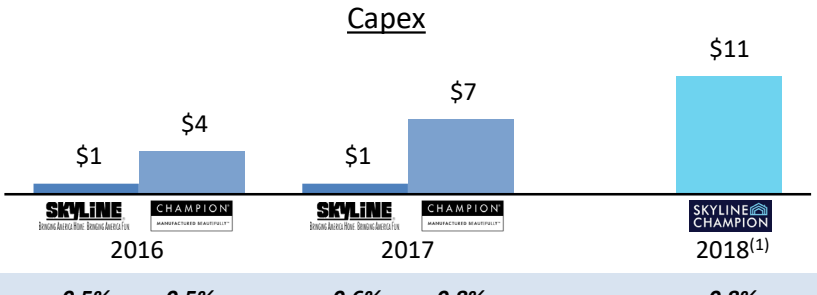
## Historical financials

($ in millions)




| | 2016 | | 2017 | | 2018(1) |
|---|---|---|---|---|---|
| ***Margin %*** | ***2.8%*** | ***4.0%*** | ***2.1%*** | ***5.3%*** | ***5.8%*** |




| | 2016 | | 2017 | | 2018(1) |
|---|---|---|---|---|---|
| ***% of sales*** | ***0.5%*** | ***0.5%*** | ***0.6%*** | ***0.8%*** | ***0.8%*** |

## Commentary

- Manufacturing footprint expansion since 2016 including adding plants in Topeka, IN; Benton, KY; Liverpool, PA
- Additional throughput in existing facilities due to standardization and product rationalization
- Increase in average selling price due to market dynamics and inflation
- Retail expansion from 13 sales centers in 2016 to 21 in 2018

- Additional EBITDA generated from footprint expansion
- Margin improvement from product standardization, material purchasing leverage and product rationalization
- Increased throughput generated increased fixed cost utilization

- Maintenance Capex averaged approx. $200k per plant each year
- 2017 expansion included additional plants in Topeka, IN; Benton, KY and Liverpool, PA
- 2018 expansion was comprised primarily of the Mansfield, TX plant purchase
- The Star Fleet and Retail footprints were also expanded in 2017 and 2018

(1) Presented on a pro forma basis for the fiscal year ended 3/31/2018. Excludes synergies.
(2) See reconciliation in Appendix.

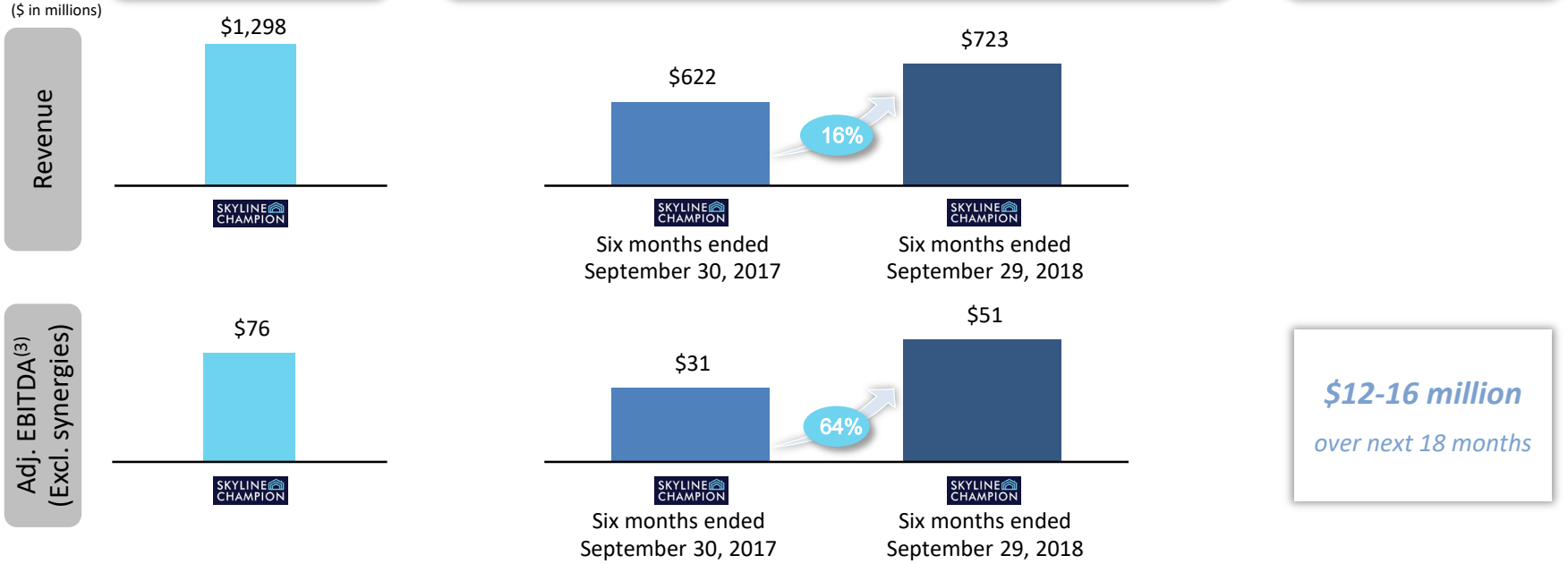
# RECENT FINANCIAL PERFORMANCE

**Pro forma combined company FY 2018 (1)**

**Pro forma 1H FY 2019 financial results of Skyline Champion**

**Expected synergies(2)**

($ in millions)




***$12-16 million***

*over next 18 months*

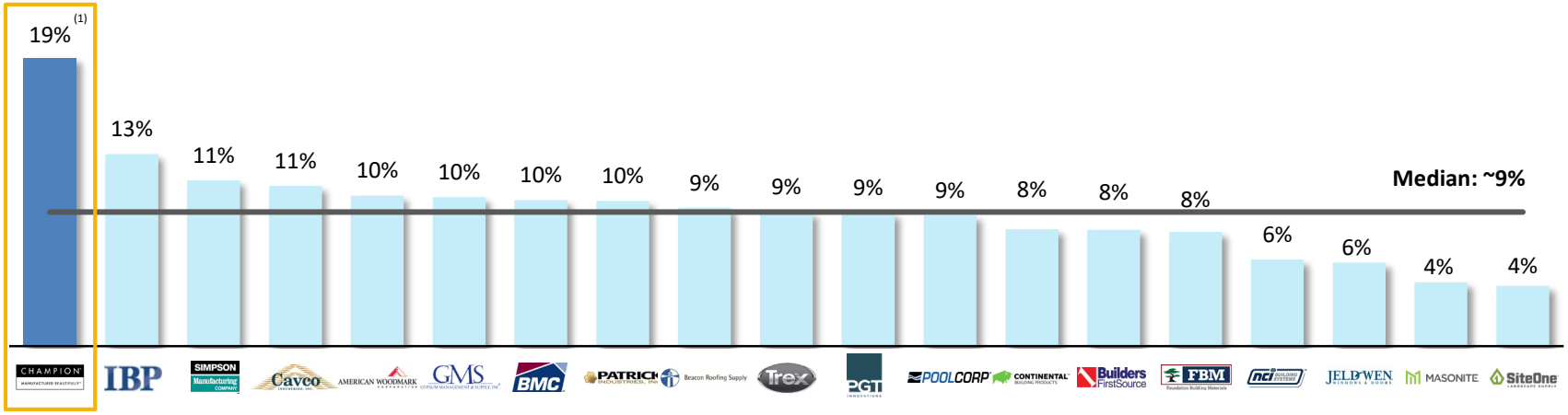
- Pro forma Revenue increased primarily due to:
  - Plant operating improvements leading to increased output
  - An increase in the average home selling price due to increased demand and actions to offset cost inflation
  - Additional retail sales centers in operation
- Pro forma Adjusted EBITDA improved period over period primarily as a result of:
  - Additional sales volume
  - Operational improvements from product standardization
  - Product and material SKU rationalization actions

(1) Presented on a pro forma basis for the fiscal year ended 3/31/2018. Excludes synergies.
(2) Expected synergies are based on management estimates. There is no assurance that the synergies will be achieved within the timeframe indicated or at all.
(3) See reconciliation in Appendix.

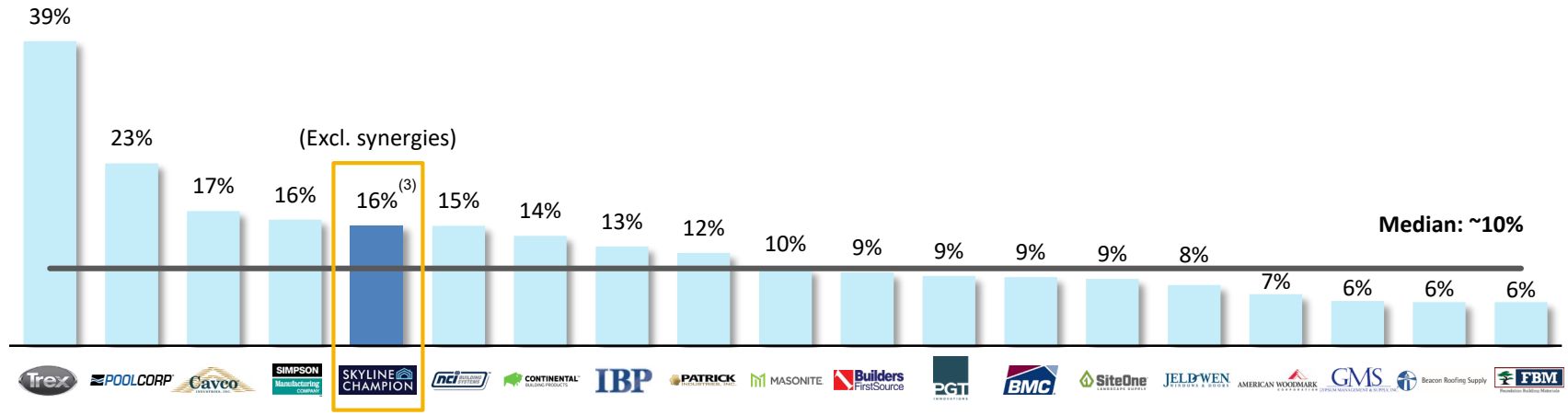
SKYLINE CHAMPION

# IMPRESSIVE GROWTH AND ROIC METRICS VS BROADER BUILDING PRODUCTS MARKET

## CY '15 – '17 Revenue CAGR




## LTM 6/30/2018 Return on Invested Capital (ROIC)(2)



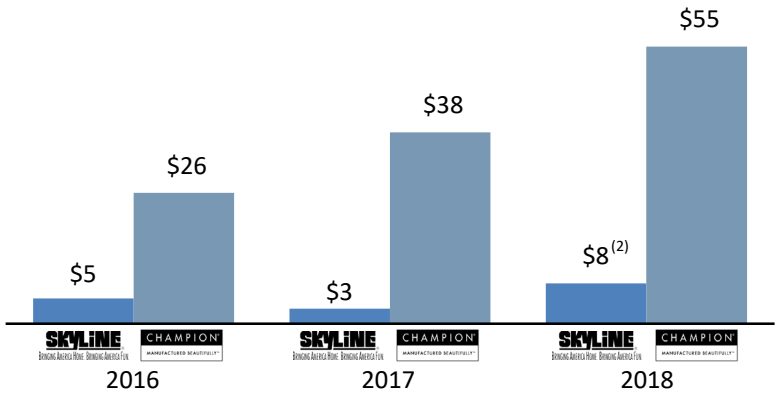

Source: Based on financial information included in the respective company's periodic and annual reports.
Note: Financials are pro forma for acquisitions where relevant, including the combination of the operations of Skyline and Champion (the "Transaction").
(1) Represents Champion 2016 – 2018 revenue CAGR.
(2) ROIC defined as (Adj. EBIT * (1 – Tax Rate) / (Debt + Equity – Cash) and assumes a tax rate of 26%.
(3) Skyline Champion percentage is pro forma for the Transaction and excludes synergies.

SKYLINE CHAMPION

# STRONG CASH FLOW AND BALANCE SHEET TO SUPPORT FUTURE GROWTH

## Strong free cash flow generation[1]

($ in millions)




| | 2016 | | 2017 | | 2018 | |
|---|---|---|---|---|---|---|
| ***Free cash flow conversion[3]*** | ***81%*** | ***88%*** | ***72%*** | ***85%*** | ***85%*** | ***85%*** |

## Flexible balance sheet

| ($ in millions) | 9/29/18 |
|---|---|
| Cash and equivalents | $103 |
| Revolver ($100mm) | $47 |
| Industrial revenue bonds[4] | 12 |
| **Total debt[5]** | **$59** |
| *Net debt[5]* | *(44)* |
| LTM PF Adj. EBITDA | $95 |
| Total debt / LTM PF Adj. EBITDA | 0.6x |
| Net debt / LTM PF Adj. EBITDA | (0.5x) |

## Commentary

- Operating leverage to drive improved free cash flow
- Further manufacturing efficiencies
- Minimal capex as a % of sales
- $100 million revolving credit facility provides liquidity and capital for growth
- Conservative financial policies and growth-oriented capital allocation strategy

(1) Defined as Adj. EBITDA less capex. See reconciliation in Appendix.
(2) For the 12 months ended 3/4/2018 for Skyline.
(3) Defined as Adj. EBITDA less capex divided by Adj. EBITDA.
(4) Industrial revenue bonds are LC collateralized.
(5) Excludes $30 million of floor plan financing.

SKYLINE CHAMPION

SKYLINE CHAMPION




# APPENDIX

# PRO FORMA ADJUSTED EBITDA RECONCILIATION – SKYLINE CHAMPION

| ($ in thousands) | 2018[(1)] | 6 mos. ended 9/29/18 | 6 mos. ended 9/30/17 | 12 mos. ended 9/29/18 |
|---|---|---|---|---|
| **Net income (loss) from continuing operations** | **$ 27,581** | **$ (62,769)** | **$ 14,247** | **$ (49,435)** |
| Interest expense, net | 3,797 | 1,784 | 2,007 | 3,574 |
| Income tax expense (benefit) | 29,260 | 11,582 | 7,325 | 33,517 |
| Depreciation and amortization | 13,660 | 8,123 | 7,592 | 14,191 |
| **EBITDA** | **$ 74,298** | **$ (41,280)** | **$ 31,171** | **$ 1,847** |
| | | | | |
| **Adjustments:** | | | | |
| Acquisition integration and divestiture costs | 74 | 3,994 | 38 | 4,030 |
| FX loss (gain) | (176) | 33 | (228) | 85 |
| Equity based compensation | 916 | 86,040 | 422 | 86,534 |
| Restructuring Charges | - | 1,111 | - | 1,111 |
| Elkhart and Mansfield closure | 1,132 | - | 1,132 | - |
| Gain on sale of non-operating facilities | (2,088) | - | (1,220) | (868) |
| LCM adjustment of development inventory | 1,165 | - | - | 1,165 |
| Other non-operating items | 626 | 815 | 59 | 1,382 |
| **Adjusted EBITDA** | **$ 75,947** | **$ 50,713** | **$ 31,374** | **$ 95,286** |

Note: Presented on a pro forma basis. Excludes synergies.
(1) For the fiscal years ended 3/31.

SKYLINE CHAMPION

# ADJUSTED EBITDA RECONCILIATION – CHAMPION

| ($ in thousands) | 2016 | 2017 | 2018 |
|---|---|---|---|
| **Net income from continuing operations** | **$ 10,228** | **$ 51,327** | **$ 15,800** |
| Interest expense, net | 3,658 | 4,264 | 4,185 |
| Income tax expense (benefit) | 2,640 | (23,321) | 27,316 |
| Depreciation and amortization | 6,258 | 7,245 | 8,260 |
| **EBITDA** | **$ 22,784** | **$ 39,515** | **$ 55,561** |
| | | | |
| **Adjustments:** | | | |
| Acquisition and divestiture costs | 118 | 2,356 | 7,267 |
| FX loss (gain) | 3,173 | 3,688 | (547) |
| Equity based compensation | 516 | 608 | 642 |
| Gain on sale of non-operating facilities | - | (902) | (106) |
| LCM adjustment of development inventory | 3,000 | - | 1,165 |
| Other non-operating items | 548 | 182 | 626 |
| **Adjusted EBITDA** | **$ 30,139** | **$ 45,447** | **$ 64,608** |
| | | | |
| Capex | 3,712 | 6,955 | 9,442 |
| **Free cash flow [(1)]** | **$ 26,427** | **$ 38,492** | **$ 55,166** |
| | | | |
| Capex | 3,712 | 6,955 | 9,442 |
| Interest expense | (3,658) | (4,264) | (4,185) |
| Income tax (expense) benefit | (2,640) | 23,321 | (27,316) |
| Non-cash adjustments to net income from continuing operations | (259) | (26,790) | 12,898 |
| Net increase / decrease in assets and liabilities | 14,342 | (887) | (6,488) |
| Acquisition and divestiture costs | (118) | (2,356) | (7,267) |
| Other non-operating activities | (548) | (182) | (626) |
| **Net cash provided by operating activities – Continuing operations** | **$ 37,258** | **$ 34,289** | **$ 31,624** |

Note: For the fiscal years ended 3/31.
(1) Defined as Adj. EBITDA less capex.

SKYLINE CHAMPION

# ADJUSTED EBITDA RECONCILIATION – SKYLINE

| ($ in thousands) | 2016[1] | 2017[1] | 3 mos. ended 5/31/17 | 9 mos. ended 3/4/18 | 12 mos. ended 3/4/18 |
|---|---|---|---|---|---|
| **Net income from continuing operations** | **$ 1,873** | **$ 5** | **$ 2,303** | **$ 5,789** | **$ 8,092** |
| Interest expense, net | 320 | 344 | 87 | 199 | 286 |
| Income tax expense (benefit) | - | - | - | - | - |
| Depreciation and amortization | 1,057 | 1,026 | 247 | 558 | 805 |
| **EBITDA** | **$ 3,250** | **$ 1,375** | **$ 2,637** | **$ 6,546** | **$ 9,183** |
| **Adjustments:** | | | | | |
| Acquisition and divestiture costs | - | - | - | 1,203 | 1,203 |
| Equity based compensation | 82 | 161 | 54 | 220 | 274 |
| Elkhart and Mansfield closure | 2,538 | 4,594 | 1,132 | - | 1,132 |
| Gain on sale of non-operating facilities | - | (1,280) | (1,280) | (702) | (1,982) |
| Other non-operating items | - | - | - | - | - |
| **Adjusted EBITDA** | **$ 5,870** | **$ 4,850** | **$ 2,543** | **$ 7,267** | **$ 9,810** |
| Capex | 1,132 | 1,355 | 261 | 1,170 | 1,431 |
| **Free cash flow [2]** | **$ 4,738** | **$ 3,495** | **$ 2,282** | **$ 6,097** | **$ 8,379** |
| Capex | 1,132 | 1,355 | 261 | 1,170 | 1,431 |
| Interest expense | (320) | (344) | (87) | (199) | (286) |
| Income tax (expense) benefit | - | - | - | - | - |
| Non-cash adjustments to net income from continuing operations | (168) | 103 | 26 | 2,645 | 2,671 |
| Elkhart and Mansfield closure | (2,538) | (4,594) | (1,132) | - | (1,132) |
| Net increase / decrease in assets and liabilities | 1,009 | 2,853 | 2,808 | (1,929) | 879 |
| Acquisition and divestiture costs | - | - | - | (1,203) | (1,203) |
| Other non-operating activities | - | - | - | - | - |
| **Net cash provided by operating activities – Continuing operations** | **$ 3,853** | **$ 2,868** | **$ 4,158** | **$ 6,581** | **$ 10,739** |

(1) For the fiscal years ended 5/31.
(2) Defined as Adj. EBITDA less capex.

SKYLINE CHAMPION