UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 26, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number: 001-04714

Skyline Champion Corporation

(Exact name of registrant as specified in its charter)

Indiana	35-1038277
(State of Incorporation)	(I.R.S. Employer Identification No.)
755 West Big Beaver Road, Suite 1000 Troy, Michigan	48084
(Address of Principal Executive Offices)	(Zip Code)

(248) 614-8211
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	SKY	New York Stock Exchange

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filers," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:):

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐
Smaller reporting company	☐	Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock outstanding as of October 23, 2020: 56,638,836

SKYLINE CHAMPION CORPORATION
FORM 10-Q

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Skyline Champion Corporation
Condensed Consolidated Balance Sheets
(Dollars and shares in thousands, except per share amounts)

	September 26, 2020 (unaudited)	March 28, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 264,286	$ 209,455
Trade accounts receivable, net	46,826	45,733
Inventories, net	128,016	126,386
Other current assets	18,188	17,239
Total current assets	457,316	398,813
Long-term assets:		
Property, plant, and equipment, net	104,678	109,291
Goodwill	173,521	173,521
Amortizable intangible assets, net	40,632	43,357
Deferred tax assets	19,784	21,812
Other noncurrent assets	33,540	34,906
Total assets	$ 829,471	$ 781,700
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Floor plan payable	$ 26,598	$ 33,914
Accounts payable	44,186	38,703
Other current liabilities	124,281	114,030
Total current liabilities	195,065	186,647
Long-term liabilities:		
Long-term debt	77,330	77,330
Deferred tax liabilities	3,761	3,264
Other	45,871	40,144
Total long-term liabilities	126,962	120,738
Stockholders' Equity:		
Common stock, $0.0277 par value, 115,000 shares authorized, 56,638 and 56,665 shares issued (including 0 and 145 shares subject to restriction) as of September 26, 2020 and March 28, 2020, respectively	1,569	1,570
Additional paid-in capital	487,557	485,552
Retained earnings (accumulated deficit)	29,121	(48)
Accumulated other comprehensive loss	(10,803)	(12,759)
Total stockholders' equity	507,444	474,315
Total liabilities and stockholders' equity	$ 829,471	$ 781,700

See accompanying Notes to Condensed Consolidated Financial Statements.

Skyline Champion Corporation
Condensed Consolidated Income Statements
(Unaudited, dollars in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net sales	$ 322,366	$ 354,458	$ 595,651	$ 726,346
Cost of sales	259,573	280,403	478,855	576,256
Gross profit	62,793	74,055	116,796	150,090
Selling, general, and administrative expenses	41,373	48,402	82,180	100,117
Operating income	21,420	25,653	34,616	49,973
Interest expense, net	864	382	1,806	691
Other income	(2,599)	—	(6,813)	—
Income before income taxes	23,155	25,271	39,623	49,282
Income tax expense	5,644	7,526	10,209	14,157
Net income	$ 17,511	$ 17,745	$ 29,414	$ 35,125
Net income per share:				
Basic	$ 0.31	$ 0.31	$ 0.52	$ 0.62
Diluted	$ 0.31	$ 0.31	$ 0.52	$ 0.62

See accompanying Notes to Condensed Consolidated Financial Statements.

Skyline Champion Corporation
Condensed Consolidated Statements of Comprehensive Income
(Unaudited, dollars in thousands)

	Three Months Ended		Six Months Ended	
	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Net income	$ 17,511	$ 17,745	$ 29,414	$ 35,125
Other comprehensive income (loss):				
Foreign currency translation adjustments	861	(530)	1,956	369
Total comprehensive income	$ 18,372	$ 17,215	$ 31,370	$ 35,494

See accompanying Notes to Condensed Consolidated Financial Statements.

Skyline Champion Corporation
Condensed Consolidated Statements of Cash Flows
(Unaudited, dollars in thousands)

	Six Months Ended	
	September 26, 2020	September 28, 2019
Cash flows from operating activities		
Net income	$ 29,414	$ 35,125
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,969	6,655
Amortization of intangible assets	2,721	2,724
Amortization of deferred financing fees	253	257
Fair market value adjustment for asset classified as held for sale	—	986
Equity-based compensation	3,624	4,703
Deferred taxes	2,655	3,214
Loss (gain) on disposal of property, plant, and equipment	15	(11)
Foreign currency transaction gain	(219)	(25)
Change in assets and liabilities:		
Accounts receivable	(984)	1,480
Inventories	(990)	9,701
Prepaids and other assets	(2,063)	(5,805)
Accounts payable	5,406	(98)
Accrued expenses and other liabilities	18,041	(6,748)
Net cash provided by operating activities	63,842	52,158
Cash flows from investing activities		
Additions to property, plant, and equipment	(2,552)	(9,409)
Proceeds from maturity of Company owned life insurance policy	1,186	—
Proceeds from disposal of property, plant, and equipment	32	17
Net cash used in investing activities	(1,334)	(9,392)
Cash flows from financing activities		
Changes in floor plan financing, net	(7,316)	(2,810)
Payments on revolving debt facility	—	(10,000)
Stock option exercises	67	112
Tax payments for equity-based compensation	(1,687)	(2,131)
Net cash used in financing activities	(8,936)	(14,829)
Effect of exchange rate changes on cash and cash equivalents	1,259	168
Net increase in cash and cash equivalents	54,831	28,105
Cash and cash equivalents at beginning of period	209,455	126,634
Cash and cash equivalents at end of period	$ 264,286	$ 154,739

See accompanying Notes to Condensed Consolidated Financial Statements.

Skyline Champion Corporation
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited, dollars and shares in thousands)

	Three Months Ended September 26, 2020					
	Common Stock					
	Shares	Amount	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
Balance at June 27, 2020	56,665	$ 1,570	$ 487,781	$ 11,610	$ (11,664)	$ 489,297
Net income	—	—	—	17,511	—	17,511
Equity-based compensation	—	—	1,398	—	—	1,398
Net common stock issued under equity-based compensation plans	(27)	(1)	(1,622)	—	—	(1,623)
Foreign currency translation adjustments	—	—	—	—	861	861
Balance at September 26, 2020	56,638	$ 1,569	$ 487,557	$ 29,121	$ (10,803)	$ 507,444

	Six Months Ended September 26, 2020					
	Common Stock					
	Shares	Amount	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
Balance at March 28, 2020	56,665	$ 1,570	$ 485,552	$ (48)	$ (12,759)	$ 474,315
Net income	—	—	—	29,414	—	29,414
Equity-based compensation	—	—	3,624	—	—	3,624
Cumulative adjustment for adoption of ASU 2016-13	—	—	—	(245)	—	(245)
Net common stock issued under equity-based compensation plans	(27)	(1)	(1,619)	—	—	(1,620)
Foreign currency translation adjustments	—	—	—	—	1,956	1,956
Balance at September 26, 2020	56,638	$ 1,569	$ 487,557	$ 29,121	$ (10,803)	$ 507,444

	Three Months Ended September 28, 2019					
	Common Stock					
	Shares	Amount	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
Balance at June 29, 2019	56,657	$ 1,569	$ 481,143	$ (40,828)	$ (9,716)	$ 432,168
Net income	—	—	—	17,745	—	17,745
Equity-based compensation	—	—	2,786	—	—	2,786
Net common stock issued under equity-based compensation plans	8	1	(2,020)	—	—	(2,019)
Foreign currency translation adjustments	—	—	—	—	(530)	(530)
Balance at September 28, 2019	56,665	$ 1,570	$ 481,909	$ (23,083)	$ (10,246)	$ 450,150

	Six Months Ended September 28, 2019					
	Common Stock					
	Shares	Amount	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Total
Balance at March 30, 2019	56,657	$ 1,569	$ 479,226	$ (58,208)	$ (10,615)	$ 411,972
Net income	—	—	—	35,125	—	35,125
Equity-based compensation	—	—	4,703	—	—	4,703
Net common stock issued under equity-based compensation plans	8	1	(2,020)	—	—	(2,019)
Foreign currency translation adjustments	—	—	—	—	369	369
Balance at September 28, 2019	56,665	$ 1,570	$ 481,909	$ (23,083)	$ (10,246)	$ 450,150

Components of accumulated other comprehensive loss consisted solely of foreign currency translation adjustments.

See accompanying Notes to Condensed Consolidated Financial Statements.

1. Basis of Presentation and Business

Nature of Operations: Skyline Champion Corporation (the "Company") is a leading producer of factory-built housing in the United States ("U.S.") and Canada. The Company's operations consist of manufacturing, retail, and transportation activities. The Company operates 33 manufacturing facilities throughout the U.S. and five manufacturing facilities in western Canada. These facilities primarily construct factory-built, timber-framed manufactured, and modular houses that are sold primarily to independent retailers, builders/developers, and manufactured home community operators. The Company's retail operations consist of 18 sales centers that sell manufactured houses to consumers primarily in the Southern U.S. The Company's transportation business engages independent owners/drivers to transport manufactured homes, recreational vehicles and other products throughout the U.S. and Canada.

COVID-19 Government Financial Assistance: The outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization in March 2020. Various government programs have been announced which provide financial relief for affected businesses including the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in the United States, and the Canada Emergency Wage Subsidy ("CEWS") under the COVID-19 Economic Response Plan in Canada. During the first quarter of fiscal 2021, the Company recognized CARES Act subsidies of $0.6 million. In addition, the CARES Act allows for deferring payment of certain payroll taxes. Through September 26, 2020, the Company has deferred $7.4 million of payroll taxes that will be paid beginning in December 2021. In Canada, the Company recognized $2.6 million and $6.2 million of payroll subsidies under CEWS during the three and six months ended September 26, 2020, respectively. The Company's policy is to account for these subsidies as Other Income in the period in which the related costs are incurred and the Company is reasonably assured to receive payment. As of September 26, 2020, the Company had received $5.6 million of the CEWS subsidies.

Basis of Presentation: The accompanying unaudited condensed consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for Quarterly Reports on Form 10-Q and Article 10 of SEC Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP") have been condensed or omitted pursuant to such rules and regulations.

The condensed consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries after elimination of intercompany balances and transactions. In the opinion of management, these statements include all normal recurring adjustments necessary to fairly state the Company's consolidated results of operations, cash flows, and financial position. The Company has evaluated subsequent events after the balance sheet date through the date of the filing of this report with the SEC. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes to the audited consolidated financial statements included in the Company's Annual Report on Form 10-K, which was filed with the SEC on May 21, 2020 (the "Fiscal 2020 Annual Report").

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and the accompanying notes thereto. Actual results could differ from those estimates. The condensed consolidated income statements, condensed consolidated statements of comprehensive income, and condensed consolidated statements of cash flows for the interim periods are not necessarily indicative of the results of operations or cash flows for the full year.

Certain prior year amounts have been reclassified to conform with the current year presentation.

The Company's fiscal year is a 52- or 53-week period that ends on the Saturday nearest to March 31. The Company's current fiscal year, "fiscal 2021," will end on April 3, 2021 and will include 53 weeks. References to "fiscal 2020" refer to the Company's fiscal year ended March 28, 2020. The three and six months ended September 26, 2020 and September 28, 2019 each included 13 weeks and 26 weeks, respectively.

Recently Adopted Accounting Pronouncements: On March 29, 2020, the Company adopted Accounting Standards Update ("ASU") 2016-13, *"Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*," using a modified retrospective approach. The standard amends several aspects of the measurement of credit losses related to certain financial instruments, including the replacement of the existing incurred credit loss model and other models with the current expected credit losses ("CECL") model. The cumulative effect of adoption resulted in an increase of $0.2 million in the allowance for credit loss and a corresponding decrease in retained earnings as of March 29, 2020. The Company's allowance for credit losses on financial assets measured at amortized cost reflects management's estimate of credit losses over the remaining expected life of such assets, measured primarily using historical experience, as well as current economic conditions and forecasts that affect the collectability of the reported amount. Expected credit losses for newly recognized financial assets, as well as changes to expected credit losses during the period, are recognized in earnings. As of September 26, 2020 and March 28, 2020, accounts receivable are reflected net of reserves of $0.3 million and $0.4 million, respectively. As of September 26, 2020 and March 28, 2020, other notes receivable are reflected net of reserves of $0.4 million and $0.5 million, respectively. Changes in expected credit losses were not significant in the first six months of fiscal 2021.

In January 2017, the FASB issued ASU 2017-04, "*Intangibles - Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment,"* which addresses concerns over the cost and complexity of the two-step impairment testing model, and removes the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The Company adopted the provisions of ASU 2017-04 effective March 29, 2020, and the adoption did not have an impact on the Company's consolidated financial statements.

There were no other accounting standards recently issued that are expected to have a material impact on the Company's financial position or results of operations.

2. Inventories, net

The components of inventory, net of reserves for obsolete inventory, were as follows:

(Dollars in thousands)	September 26, 2020	March 28, 2020
Raw materials	$ 65,072	$ 55,408
Work in process	18,292	17,773
Finished goods and other	44,652	53,205
Total inventories, net	$ 128,016	$ 126,386

At September 26, 2020 and March 28, 2020, reserves for obsolete inventory were $4.5 million and $4.2 million, respectively.

3. Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation is calculated primarily on a straight-line basis, generally over the following estimated useful lives: land improvements – 3 to 10 years; buildings and improvements – 8 to 25 years; and vehicles and machinery and equipment – 3 to 8 years. Depreciation expense for the three months ended September 26, 2020 and September 28, 2019 was $3.1 million and $3.6 million, respectively. Depreciation expense for the six months ended September 26, 2020 and September 28, 2019 was $6.0 million and $6.7 million, respectively.

The components of property, plant, and equipment were as follows:

(Dollars in thousands)	September 26, 2020	March 28, 2020
Land and improvements	$ 35,233	$ 35,332
Buildings and improvements	86,720	87,222
Machinery and equipment	53,308	51,239
Construction in progress	1,493	1,810
Property, plant, and equipment, at cost	176,754	175,603
Less: accumulated depreciation	(72,076)	(66,312)
Property, plant, and equipment, net	$ 104,678	$ 109,291

4. Goodwill and Intangible Assets

Goodwill

Goodwill represents the excess of the cost of an acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. At September 26, 2020 and March 28, 2020, the Company had goodwill of $173.5 million.

Intangible Assets

The components of amortizable intangible assets were as follows:

(Dollars in thousands)	September 26, 2020			March 28, 2020		
	Customer Relationships	Trade Names	Total	Customer Relationships	Trade Names	Total
Gross carrying amount	$ 48,616	$ 13,169	$ 61,785	$ 48,370	$ 13,068	$ 61,438
Accumulated amortization	(15,534)	(5,619)	(21,153)	(13,118)	(4,963)	$ (18,081)
Amortizable intangibles, net	$ 33,082	$ 7,550	$ 40,632	$ 35,252	$ 8,105	$ 43,357

During both the three months ended September 26, 2020 and September 28, 2019, amortization of intangible assets was $1.3 million. During both the six months ended September 26, 2020 and September 28, 2019, amortization of intangible assets was $2.7 million.

5. Other Current Liabilities

The components of other current liabilities were as follows:

(Dollars in thousands)	September 26, 2020	March 28, 2020
Customer deposits	$ 32,471	$ 22,679
Accrued volume rebates	16,208	17,469
Accrued warranty obligations	18,670	19,179
Accrued compensation and payroll taxes	25,525	27,776
Accrued insurance	12,387	11,182
Other	19,020	15,745
Total other current liabilities	$ 124,281	$ 114,030

6. Accrued Warranty Obligations

Changes in the accrued warranty obligations were as follows:

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	September 26, 2020	September 28, 2019	September 26, 2020	September 28, 2019
Balance at the beginning of the period	$ 24,695	$ 23,990	$ 24,969	$ 23,346
Warranty expense	8,394	9,840	14,753	19,436
Cash warranty payments	(8,629)	(9,393)	(15,262)	(18,345)
Balance at end of period	24,460	24,437	24,460	24,437
Less: noncurrent portion in other long-term liabilities	(5,790)	(4,960)	(5,790)	(4,960)
Total current portion	$ 18,670	$ 19,477	$ 18,670	$ 19,477

7. Debt and Floor Plan Payable

Long-term debt consisted of the following:

(Dollars in thousands)	September 26, 2020	March 28, 2020
Revolving credit facility maturing in 2023	$ 64,900	$ 64,900
Obligations under industrial revenue bonds due 2029	12,430	12,430
Total debt	77,330	77,330
Less: current portion	—	—
Total long-term debt	$ 77,330	$ 77,330

The Company has an agreement with a syndicate of banks that provides for a revolving credit facility of up to $100.0 million, including a letter of credit sub-facility of not less than $45.0 million (“Credit Agreement”). The revolving credit facility allows the Company to draw down, repay and re-draw loans on the available funds during the term of the Credit Agreement.

The Credit Agreement matures on June 5, 2023 and has no scheduled amortization. The interest rate on borrowings under the Credit Agreement adjusts based on the first lien net leverage of the Company from a high of LIBOR plus 2.25% and ABR plus 1.25% when the first lien net leverage is equal to or greater than 2.00:1.00, to a low of LIBOR plus 1.50% and ABR plus 0.50% when the first lien net leverage is below 0.50:1.00. In addition, the Company is obligated to pay an unused line fee ranging between 0.25% and 0.40% (depending on the first lien net leverage) in respect of unused commitments under the Credit Agreement. At September 26, 2020 the interest rate on borrowings under the Credit Agreement was 1.70%. At September 26, 2020, letters of credit issued under the Credit Agreement totaled $33.9 million. Total available borrowings under the Credit Agreement as of September 26, 2020 were $1.2 million.

Obligations under industrial revenue bonds are supported by letters of credit and bear interest based on a municipal bond index rate. The weighted-average interest rate at September 26, 2020, including related costs and fees, was 2.22%. The industrial revenue bonds require lump-sum payments of principal upon maturity in 2029.

The Credit Agreement contains covenants that restrict the amount of additional debt, liens and certain payments, including equity buybacks, investments, dispositions, mergers and consolidations, among other restrictions as defined. The Company was in compliance with all covenants of the Credit Agreement as of September 26, 2020.

Floor Plan Payable

The Company's retail operations utilize floor plan financing to fund the purchase of manufactured homes for display or resale. At September 26, 2020 and March 28, 2020, the Company had outstanding borrowings on floor plan financing agreements of $26.6 million and $33.9 million, respectively. Total credit line capacity provided under the agreements was $49.0 million as of September 26, 2020. Borrowings are secured by the homes and are required to be repaid when the Company sells the home to a customer.

8. Revenue Recognition

The following tables disaggregate the Company's revenue by sales category for the three and six months ended September 26, 2020 and September 28, 2019:

	Three Months Ended September 26, 2020			
(Dollars in thousands)	**U.S. Factory-Built Housing**	**Canadian Factory-Built Housing**	**Corporate/ Other**	**Total**
Manufacturing and retail	$ 275,969	$ 24,558	$ —	$ 300,527
Commercial	7,391	—	—	7,391
Transportation	—	—	14,448	14,448
Total	$ 283,360	$ 24,558	$ 14,448	$ 322,366

	Six Months Ended September 26, 2020			
(Dollars in thousands)	**U.S. Factory-Built Housing**	**Canadian Factory-Built Housing**	**Corporate/ Other**	**Total**
Manufacturing and retail	$ 524,828	$ 39,753	$ —	$ 564,581
Commercial	7,391	—	—	7,391
Transportation	—	—	23,679	23,679
Total	$ 532,219	$ 39,753	$ 23,679	$ 595,651

	Three Months Ended September 28, 2019			
(Dollars in thousands)	**U.S. Factory-Built Housing**	**Canadian Factory-Built Housing**	**Corporate/ Other**	**Total**
Manufacturing and retail	$ 308,299	$ 26,407	$ —	$ 334,706
Commercial	4,531	—	—	4,531
Transportation	—	—	15,221	15,221
Total	$ 312,830	$ 26,407	$ 15,221	$ 354,458

	Six Months Ended September 28, 2019			
(Dollars in thousands)	**U.S. Factory-Built Housing**	**Canadian Factory-Built Housing**	**Corporate/ Other**	**Total**
Manufacturing and retail	$ 639,904	$ 50,107	$ —	$ 690,011
Commercial	4,531	—	—	4,531
Transportation	—	—	31,804	31,804
Total	$ 644,435	$ 50,107	$ 31,804	$ 726,346

9. Leases

The Company has operating leases for land, manufacturing and office facilities, and equipment. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such option. The Company's leases do not contain material residual value guarantees or material restrictive covenants. Operating lease expense is recognized on a straight-line basis over the lease terms. Lease expense included in the accompanying condensed consolidated income statements is shown below:

	Three Months Ended	
(Dollars in thousands)	**September 26, 2020**	**September 28, 2019**
Operating lease expense	$ 1,357	$ 1,470
Short-term lease expense	529	230
Total lease expense	$ 1,886	$ 1,700

	Six Months Ended	
(Dollars in thousands)	**September 26, 2020**	**September 28, 2019**
Operating lease expense	$ 2,740	$ 2,875
Short-term lease expense	985	603
Total lease expense	$ 3,725	$ 3,478

Operating lease assets and obligations included in the accompanying condensed consolidated balance sheets are below:

(Dollars in thousands)	**September 26, 2020**	**March 28, 2020**
Right-of-use assets under operating leases:		
Other long-term assets	$ 12,384	$ 14,808
Lease obligations under operating leases:		
Other current liabilities	$ 4,376	$ 4,789
Other long-term liabilities	8,008	10,019
Total lease obligation	$ 12,384	$ 14,808

Maturities of lease obligations as of September 26, 2020, are shown below:

(Dollars in thousands)	**September 26, 2020**
Fiscal 2021 (1)	$ 2,712
Fiscal 2022	4,743
Fiscal 2023	3,683
Fiscal 2024	1,568
Fiscal 2025	786
Thereafter	1,705
Total undiscounted cash flows	15,197
Less: imputed interest	(2,813)
Lease obligations under operating leases	$ 12,384

(1) For remaining period in fiscal year.

The weighted-average lease term and discount rate for operating leases are shown below:

	September 26, 2020
Weighted-average remaining lease term (in years)	4.6
Weighted-average discount rate	5.5

The discount rate used to measure a lease obligation should be the rate implicit in the lease; however, the Company's operating leases generally do not provide an implicit rate. Accordingly, the Company uses its incremental borrowing rate at lease commencement to determine the present value of lease payments. The incremental borrowing rate is an entity-specific rate, which represents the rate of interest a lessee would pay to borrow on a collateralized basis over a similar term with similar payments.

Cash flow information related to operating leases is shown below:

(Dollars in thousands)	Six Months Ended September 26, 2020	Six Months Ended September 28, 2019
Non-cash activity:		
Right-of-use assets obtained in exchange for operating lease obligations	$ 32	$ 1,606
Operating cash flows:		
Cash paid related to operating lease obligations	$ 2,800	$ 2,958

10. Income Taxes

For the three months ended September 26, 2020 and September 28, 2019, the Company recorded $5.6 million and $7.5 million of income tax expense and had an effective tax rate of 24.4% and 29.8%, respectively. For the six months ended September 26, 2020 and September 28, 2019, the Company recorded $10.2 million and $14.2 million of income tax expense and had an effective tax rate of 25.8% and 28.7%, respectively. The change in the effective tax rate for the three and six months ended September 26, 2020 compared with the same respective periods of the prior year, was primarily due to an increase in tax credits, certain U.S. tax law changes and results in foreign jurisdictions

The Company's effective tax rate for both the three and six months ended September 26, 2020 and September 28, 2019 differs from the federal statutory income tax rate of 21.0% due primarily to the effect of non-deductible expenses, state and local income taxes, tax credits, and results in foreign jurisdictions.

At September 26, 2020, the Company had no unrecognized tax benefits. The Company does not anticipate any material changes to uncertain tax benefits in the next twelve months. The Company records interest and penalties related to unrecognized tax benefits as a component of income tax expense.

11. Earnings Per Share

Basic net income per share ("EPS") attributable to the Company was computed by dividing net income attributable to the Company by the average number of common shares outstanding during the period. Certain of the Company's time-vesting restricted share awards are considered participating securities. Diluted earnings per common share is computed based on the more dilutive of: (i) the two-class method, assuming the participating securities are not exercised or converted; or (ii) the summation of average common shares outstanding and additional common shares that would have been outstanding if the dilutive potential common shares had been issued.

During the three and six months ended September 26, 2020 and September 28, 2019, the two-class method was more dilutive. Securities that could potentially dilute basic EPS in the future that were considered antidilutive in the three and six months ended September 26, 2020 totaled 0.3 million and 0.4 million, respectively. There were no antidilutive securities in the three and six months ended September 28, 2019.

The following table sets forth the computation of basic and diluted earnings per common share:

(Dollars and shares in thousands, except per share data)	Three Months Ended September 26, 2020	Three Months Ended September 28, 2019	Six Months Ended September 26, 2020	Six Months Ended September 28, 2019
Numerator:				
Net income	$ 17,511	$ 17,745	$ 29,414	$ 35,125
Undistributed earnings allocated to participating securities	(19)	(65)	(53)	(154)
Net income attributable to the Company's common shareholders	$ 17,492	$ 17,680	$ 29,361	$ 34,971
Denominator:				
Basic weighted-average shares outstanding	56,654	56,481	56,593	56,424
Dilutive securities	255	243	238	233
Diluted weighted-average shares outstanding	56,909	56,724	56,831	56,657
Basic net income per share	$ 0.31	$ 0.31	$ 0.52	$ 0.62
Diluted net income per share	$ 0.31	$ 0.31	$ 0.52	$ 0.62

12. Segment Information

Financial results for the Company's reportable segments have been prepared using a management approach, which is consistent with the basis and manner in which financial information is evaluated by the Company's chief operating decision maker in allocating resources and in assessing performance. The Company's chief operating decision maker, the Chief Executive Officer, evaluates the performance of the Company's segments primarily based on net sales, earnings before interest, taxes, depreciation, and amortization ("EBITDA") and operating assets.

The Company operates in two reportable segments: (i) U.S. Factory-built Housing, which includes manufacturing and retail housing operations and (ii) Canadian Factory-built Housing. Corporate/Other includes the Company's transportation operations, corporate costs directly incurred for all segments and intersegment eliminations. Segments are generally determined by geography. Segment data includes intersegment revenues and corporate office costs that are directly and exclusively incurred for each segment. Total assets for Corporate/Other primarily includes cash and certain deferred tax items not specifically allocated to another segment.

Selected financial information by reportable segment was as follows:

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	**September 26, 2020**	**September 28, 2019**	**September 26, 2020**	**September 28, 2019**
Net sales:				
U.S. Factory-built Housing	$ 283,360	$ 312,830	$ 532,219	$ 644,435
Canadian Factory-built Housing	24,558	26,407	39,753	50,107
Corporate/Other	14,448	15,221	23,679	31,804
Consolidated net sales	$ 322,366	$ 354,458	$ 595,651	$ 726,346
Operating income:				
U.S. Factory-built Housing EBITDA	$ 28,697	$ 35,314	$ 53,090	$ 71,459
Canadian Factory-built Housing EBITDA	5,951	4,244	10,857	7,299
Corporate/Other EBITDA	(6,221)	(8,998)	(13,828)	(19,406)
Other income	(2,599)	—	(6,813)	—
Depreciation	(3,048)	(3,545)	(5,969)	(6,655)
Amortization	(1,360)	(1,362)	(2,721)	(2,724)
Consolidated operating income	$ 21,420	$ 25,653	$ 34,616	$ 49,973
Depreciation:				
U.S. Factory-built Housing	$ 2,391	$ 3,068	$ 4,789	$ 5,706
Canadian Factory-built Housing	248	247	363	489
Corporate/Other	409	230	817	460
Consolidated depreciation	$ 3,048	$ 3,545	$ 5,969	$ 6,655
Amortization of intangible assets:				
U.S. Factory-built Housing	$ 1,360	$ 1,362	$ 2,721	$ 2,724
Canadian Factory-built Housing	—	—	—	—
Corporate/Other	—	—	—	—
Consolidated amortization of intangible assets	$ 1,360	$ 1,362	$ 2,721	$ 2,724
Capital expenditures:				
U.S. Factory-built Housing	$ 1,054	$ 4,144	$ 1,939	$ 7,502
Canadian Factory-built Housing	85	317	242	428
Corporate/Other	102	422	371	1,479
Consolidated capital expenditures	$ 1,241	$ 4,883	$ 2,552	$ 9,409

(Dollars in thousands)	**September 26, 2020**	**March 28, 2020**
Total Assets:		
U.S. Factory-built Housing (1)	$ 489,399	$ 491,110
Canadian Factory-built Housing (1)	68,696	56,760
Corporate/Other (1)	271,376	233,830
Consolidated total assets	$ 829,471	$ 781,700

(1) Deferred tax assets for the Canadian operations are reflected in the Canadian Factory-built Housing segment. U.S. deferred tax assets are presented in Corporate/Other because an allocation between segments is not practicable.

13. Commitments, Contingencies and Legal Proceedings

Repurchase Contingencies and Guarantees

The Company is contingently liable under terms of repurchase agreements with lending institutions that provide wholesale floor plan financing to retailers. These arrangements, which are customary in the manufactured housing industry, provide for the repurchase of products sold to retailers in the event of default by the retailer on their agreement to pay the financial institution. The risk of loss from these agreements is spread over numerous retailers. The repurchase price is generally determined by the original sales price of the product less contractually defined curtailment payments. Excluding the resale value of the homes, the contingent repurchase obligation as of September 26, 2020 was estimated to be $142.6 million. The Company accounts for the guarantees under its repurchase agreements with the retailers' financing institutions by estimating and deferring a portion of the related product sale that represents the estimated fair value of the repurchase obligation. In addition, the Company has estimated the expected contingent net loss the Company will incur upon resale of any repurchases. These estimates are based on recent historical experience supplemented by management's assessment of current economic and other conditions affecting retailers for which the Company has a contingent repurchase obligation. Based on these repurchase agreements, historical loss experience, as well as current economic conditions and forecasts that affect the potential loss exposure, a loss reserve of $0.9 million and $1.0 million was recorded as of September 26, 2020 and March 28, 2020, respectively. Losses incurred on homes repurchased were not significant during the three or six month periods ended September 26, 2020 or September 28, 2019.

At September 26, 2020, the Company was contingently obligated for $33.9 million under letters of credit, primarily consisting of $12.6 million to support long-term debt, $21.0 million to support the casualty insurance program, and $0.3 million to support bonding agreements. The letters of credit are issued from a sub-facility of the Credit Agreement. The Company was also contingently obligated for $14.3 million under surety bonds, generally to support performance on long-term construction contracts and license and service bonding requirements.

In the normal course of business, the Company's former subsidiaries that operated in the United Kingdom historically provided certain guarantees to two customers. Those guarantees provide contractual liability for proven construction defects up to 12 years from the date of delivery of certain products. The guarantees remain a contingent liability of the Company which declines over time through October 2027. As of the date of this report, the Company expects few, if any, claims to be reported under the terms of the guarantees.

Legal Proceedings

The Company has agreed to indemnify counterparties in the ordinary course of its business in agreements to acquire and sell business assets and in financing arrangements. The Company is subject to various legal proceedings and claims that arise in the ordinary course of its business. As of the date of this filing, the Company believes the ultimate liability with respect to these contingent obligations will not have, either individually or in the aggregate, a material adverse effect on the Company's financial condition, results of operations, or cash flows.

Item 2. ***MANAGEMENT' S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS***

The following should be read in conjunction with Skyline Champion Corporation's condensed consolidated financial statements and the related notes that appear in Item 1 of this Report.

Overview

Skyline Champion Corporation (the "Company") is a leading producer of factory-built housing in the U.S. and Canada. The Company serves as a complete solutions provider across complementary and vertically integrated businesses including manufactured offsite construction, company-owned retail locations, and transportation logistics services. The Company is the largest independent publicly traded factory-built solutions provider in North America (based on revenue) and markets its homes under several nationally recognized brand names including Skyline Homes, Champion Home Builders, Genesis Homes, Athens Park Models, Dutch Housing, Excel Homes, Homes of Merit, New Era, Redman Homes, Shore Park, Silvercrest, Titan Homes in the U.S., and Moduline and SRI Homes in western Canada. The Company operates 33 manufacturing facilities throughout the U.S. and five manufacturing facilities in western Canada that primarily construct factory-built, timber-framed, manufactured and modular houses that are sold primarily to independent retailers, builders/developers, and manufactured home community operators. The Company's retail operations consist of 18 sales centers that sell manufactured homes to consumers primarily in the southern U.S. The Company's transportation business engages independent owners/drivers to transport manufactured homes and recreational vehicles and other products throughout the U.S. and Canada.

Industry and Company Outlook

In recent years, manufactured home construction experienced revenue growth due to a number of favorable demographic trends and demand drivers in the United States, including underlying growth trends in key homebuyer groups, such as the population over 65 years of age, the population of first-time home buyers, and the population of households earning less than $50,000 per year. More recently, we see a number of market trends pointing to increased sales of Alternative Dwelling Units ("ADUs") and urban-to-rural migration as customers accommodate working-from-home patterns, as well as people seeking rent-to-own single-family options. We intend to capitalize on these trends and drivers to grow our business over the medium-to-long-term. We believe that there is an opportunity for continued manufactured and modular construction market expansion driven by the foregoing trends and demand drivers, as well as construction labor shortages in certain regions (which tend to adversely and disproportionally impact supply and cost of site-built homes when compared to manufactured housing) and increased affordability of factory-built homes relative to site-built homes.

For the six months ended September 26, 2020, approximately 76% of the Company's U.S. manufacturing sales were generated from the manufacture of homes that comply with the Federal HUD-code construction standard in the U.S. Industry shipments of HUD-code homes were 61,589 during the eight months ended August 31, 2020 compared to 62,471 units shipped in same period of the prior year. The Company's HUD market share during the eight month period ended August 31, 2020 was 15.2% versus 17.1% in the comparable period of the prior year. Annual industry shipments have generally increased each year since calendar year 2009 when only 50,000 HUD code manufactured homes were shipped, the lowest level since the industry began recording statistics in 1959. While shipments of HUD code manufactured homes have improved modestly in recent years, manufactured housing's most recent annual shipment levels still operate at lower levels than the long-term historical average of over 200,000 units annually.

For the six months ended September 26, 2020, approximately 17% of the Company's U.S. manufacturing sales were modular. The industry reports U.S. modular market shipments quarterly and three months in arrears. However, reporting of industry shipment data has been delayed and unavailable for the calendar year 2020 due to the COVID-19 pandemic. Industry shipments of modular homes were 6,916 units in the U.S. during the first half of calendar year 2019 and the Company's modular market share during this period was 14.1%. Modular home sales across the industry have generally been stable since 2009.

COVID-19 Pandemic

The outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization in March 2020. There remains continued uncertainty regarding the extent and duration of the impact that the COVID-19 pandemic will have on the economy, the housing market, and the Company, as well as the Company's employees, customers, and suppliers.

The Company has prioritized the safety and well-being of its employees and customers and has implemented standards to operate in accordance with social-distancing protocols and public health authority guidelines. Beginning in March 2020, the Company took actions to temporarily idle certain facilities in response to government shutdown orders or reduced demand. By late April 2020, most of the temporarily idled manufacturing facilities had reopened, but at reduced production levels due to employee absenteeism, difficulty hiring new team members and social distancing protocols. As of September 26, 2020, only one manufacturing facility remained temporarily idled due to labor availability constraints. During the second quarter of fiscal 2021, the Company experienced intermittent closures due to COVID-19 outbreaks at the facilities or surrounding communities causing high absenteeism. By the end of the second quarter of fiscal 2021, the Company was able to restore production rates close to production levels achieved in the prior year period. Availability of labor and certain materials remain constrained. Prices for key raw materials have experienced increased volatility and, overall, manufacturing costs have trended higher than prior periods.

Since the start of the fiscal year, the Company's retail operations have adjusted their operating procedures to comply with local and state mandates; and have generally remained open and have shifted physical visits to a larger on-line presence. The Company consolidated its retail footprint by closing three Company-owned retail sales centers during the second quarter in an effort to optimize costs while taking advantage of an increase in distribution through digital marketing efforts. We have strong local independent retailers to serve customers in those areas.

As part of the initial response to the pandemic, the Company offered extended benefits to employees, including increased sick pay and premium payments on healthcare benefits for furloughed employees during the first quarter of fiscal 2021. The Company's U.S. operations incurred $1.9 million of expense related to the extended benefits. Various government programs have been announced to provide financial relief for affected businesses, including the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") in the United States and the Canada Emergency Wage Subsidy ("CEWS") under the COVID-19 Economic Response Plan in Canada. CEWS provides a cash subsidy of up to 75% of eligible employees' remuneration, subject to certain criteria. The Company recognized $2.6 million and $6.2 million for payroll subsidies under CEWS during the three and six months ended September 26, 2020. The Company also recognized $0.6 million for payroll subsidies under the CARES Act during the first quarter of fiscal 2021. In addition, the CARES Act allows for deferring payment of certain payroll taxes. Through September 26, 2020, the Company has deferred $7.4 million of payroll taxes that will be paid beginning in December 2021.

UNAUDITED INCOME STATEMENTS FOR Q2 FISCAL 2021 VS. 2020

(Dollars in thousands)	Three Months Ended September 26, 2020	Three Months Ended September 28, 2019
Results of Operations Data:		
Net sales	$ 322,366	$ 354,458
Cost of sales	259,573	280,403
Gross profit	62,793	74,055
Selling, general, and administrative expenses	41,373	48,402
Operating income	21,420	25,653
Interest expense, net	864	382
Other income	(2,599)	—
Income before income taxes	23,155	25,271
Income tax expense	5,644	7,526
Net income	$ 17,511	$ 17,745
Reconciliation of Adjusted EBITDA:		
Net income	$ 17,511	$ 17,745
Income tax expense	5,644	7,526
Interest expense, net	864	382
Depreciation and amortization	4,408	4,907
Equity-based compensation (for awards granted prior to December 31, 2018)	388	1,534
Acquisition integration costs	—	340
Other	122	48
Adjusted EBITDA	$ 28,937	$ 32,482
As a percent of net sales:		
Gross profit	19.5%	20.9%
Selling, general, and administrative expenses	12.8%	13.7%
Operating income	6.6%	7.2%
Net income	5.4%	5.0%
Adjusted EBITDA	9.0%	9.2%

NET SALES

The following table summarizes net sales for the three months ended September 26, 2020 and September 28, 2019:

(Dollars in thousands)	Three Months Ended September 26, 2020	Three Months Ended September 28, 2019	$ Change	% Change
Net sales	$ 322,366	$ 354,458	$ (32,092)	(9.1%)
U.S. manufacturing and retail net sales	$ 283,360	$ 312,830	$ (29,470)	(9.4%)
U.S. homes sold	4,689	5,026	(337)	(6.7%)
U.S. manufacturing and retail average home selling price	$ 60.4	$ 62.2	$ (1.8)	(2.9%)
Canadian manufacturing net sales	$ 24,558	$ 26,407	$ (1,849)	(7.0%)
Canadian homes sold	302	311	(9)	(2.9%)
Canadian manufacturing average home selling price	$ 81.3	$ 84.9	$ (3.6)	(4.2%)
Corporate/Other net sales	$ 14,448	$ 15,221	$ (773)	(5.1%)
U.S. manufacturing facilities in operation at end of period*	33	33		
U.S. retail sales centers in operation at end of period	18	21		
Canadian manufacturing facilities in operation at end of period	5	5		

*One of the Company's manufacturing facilities is temporarily idled as of September 26, 2020, but still considered operational.

Net sales for the three months ended September 26, 2020 were $322.4 million, a decrease of $32.1 million, or 9.1% over the three months ended September 28, 2019. The following is a summary of the change by operating segment.

U.S. Factory-built Housing:

Net sales for the Company's U.S. manufacturing and retail operations decreased by $29.5 million, or 9.4%. The decrease was primarily due to a decrease in the number of homes sold during the three months ended September 26, 2020 of 337 units, or 6.7%. U.S. housing sales continue to be impacted by indirect factors stemming from the pandemic. Production for the quarter operated at slightly reduced levels as compared to the prior year due to labor availability and intermittent shutdowns caused by COVID-19-related absenteeism. The average selling price decreased due to a shift in product mix to more single section homes and customers selecting less expensive upgrades or option packages versus the same period last year. Product mix fluctuations result from consumer preferences regarding the sizes and styles of homes selected for purchase, opting for home upgrade packages, as well as regional housing dynamics.

Canadian Factory-built Housing:

The Canadian Factory-built Housing segment net sales decreased by $1.8 million, or 7.0% for the three months ended September 26, 2020 compared to the same period in the prior year, primarily due to a 4.2% decrease in average home selling price from a shift in product mix and a 2.9% decrease in the number of homes sold. The decrease in revenue was also due to slightly reduced production levels from indirect factors stemming from the pandemic which include constrained labor availability. On a constant currency basis, net sales for the Canadian segment were unfavorably impacted by approximately $0.3 million as the Canadian dollar weakened compared to the U.S. dollar during the second quarter of fiscal 2021 as compared to the same period of the prior year.

Corporate/Other:

Net sales for Corporate/Other includes the Company's transportation business and the elimination of intersegment sales. For the three months ended September 26, 2020, net sales decreased $0.8 million, or 5.1%. The decrease was primarily attributable to lower net sales in the Company's transportation business largely as a result of lower shipments of RVs.

GROSS PROFIT

The following table summarizes gross profit for the three months ended September 26, 2020 and September 28, 2019**:**

(Dollars in thousands)	Three Months Ended September 26, 2020	Three Months Ended September 28, 2019	$ Change	% Change
Gross profit:				
U.S. Factory-built Housing	$ 54,546	$ 65,361	$ (10,815)	(16.5%)
Canadian Factory-built Housing	4,787	5,953	(1,166)	(19.6%)
Corporate/Other	3,460	2,741	719	26.2%
Total gross profit	$ 62,793	$ 74,055	$ (11,262)	(15.2%)
Gross profit as a percent of net sales	19.5%	20.9%		

Gross profit as a percent of sales during the three months ended September 26, 2020 was 19.5% compared to 20.9% during the three months ended September 28, 2019. The following is a summary of the change by operating segment.

U.S. Factory-built Housing:

Gross profit for the U.S. Factory-built Housing segment decreased by $10.8 million, or 16.5%, during the three months ended September 26, 2020 compared to the same period in the prior year primarily due to reduced sales volume. Gross profit was 19.2% as a percent of segment net sales for the three months ended September 26, 2020 compared to 20.9% in the same period of the prior year primarily due to increased material costs as a percent of sales caused by market volatility in certain commodities including forest products.

Canadian Factory-built Housing:

Gross profit for the Canadian Factory-built Housing segment decreased by $1.2 million, or 19.6% during the three months ended September 26, 2020 compared to the same period in the prior year. Gross profit as a percent of net sales was 19.5% for the three months ended September 26, 2020, compared to 22.5% in the same period of the prior year. The decrease is due to increased material costs similar to those experienced in the U.S.

Corporate/Other:

Gross profit for the Corporate/Other segment increased $0.7 million, or 26.2%, during the three months ended September 26, 2020 compared to the same period of the prior year, primarily due to changes in revenue mix and expansion of storage offerings.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses include foreign currency transaction gains and losses, equity compensation, and intangible amortization expense. The following table summarizes selling, general, and administrative expenses for the three months ended September 26, 2020 and September 28, 2019:

	Three Months Ended			
(Dollars in thousands)	**September 26, 2020**	**September 28, 2019**	**$ Change**	**% Change**
Selling, general, and administrative expenses:				
U.S. Factory-built Housing	$ 29,601	$ 34,476	$ (4,875)	(14.1%)
Canadian Factory-built Housing	1,683	1,956	(273)	(14.0%)
Corporate/Other	10,089	11,970	(1,881)	(15.7%)
Total selling, general, and administrative expenses	$ 41,373	$ 48,402	$ (7,029)	(14.5%)
Selling, general, and administrative expense as a percent of net sales	12.8%	13.7%		

Selling, general, and administrative expenses were $41.4 million for the three months ended September 26, 2020, a decrease of $7.0 million compared to the same period in the prior year. The following is a summary of the change by operating segment.

U.S. Factory-built Housing:

Selling, general, and administrative expenses for the U.S. Factory-built Housing segment decreased $4.9 million, or 14.1%, during the three months ended September 26, 2020 as compared to the same period in the prior year. As a percent of segment net sales, selling, general, and administrative expenses decreased to 10.4% for the three months ended September 26, 2020 compared to 11.0% during the comparable period of the prior year. The decrease resulted from: (i) lower sales commissions and incentive compensation, which is generally based on sales volume or a measure of profitability; and (ii) reduction in costs for travel and marketing-related expenses.

Canadian Factory-built Housing:

Selling, general, and administrative expenses for the Canadian Factory-built Housing segment decreased $0.3 million for three months ended September 26, 2020 when compared to the same period of the prior year. As a percent of segment net sales, selling, general, and administrative expenses for the Canadian segment was 6.9% and 7.4% for the three months ended September 26, 2020 and September 28, 2019, respectively. The decrease resulted from (i) lower sales commissions and incentive compensation, which is generally based on sales volume or a measure of profitability; and (ii) reduction in wages and benefits from headcount reductions.

Corporate/Other:

Selling, general, and administrative expenses for Corporate/Other includes the Company's transportation operations, corporate costs incurred for all segments, and intersegment eliminations. Selling, general, and administrative expenses for Corporate/Other decreased $1.9 million, or 15.7%, during the three months ended September 26, 2020 as compared to the same period of the prior year. The decrease is due to a reduction in equity compensation costs, as well as the benefit from no longer incurring costs related to acquisition integration from the 2018 combination of Skyline Corporation and the operating assets of Champion Enterprises Holding, LLC (the "2018 Combination").

INTEREST EXPENSE, NET

The following table summarizes the components of interest expense, net for the three months ended September 26, 2020 and September 28, 2019:

	Three Months Ended			
(Dollars in thousands)	**September 26, 2020**	**September 28, 2019**	**$ Change**	**% Change**
Interest expense	$ 974	$ 1,195	$ (221)	(18.5%)
Less: Interest income	110	813	(703)	(86.5%)
Interest expense, net	$ 864	$ 382	$ 482	126.2%
Average outstanding floor plan payable	$ 27,309	$ 31,284		
Average outstanding long-term debt	$ 77,330	$ 48,080		

Interest expense, net was $0.9 million for the three months ended September 26, 2020, an increase of $0.5 million compared to the same period of the prior year. The net increase in expense was primarily related to a combination of a reduction of interest income received on the Company's average cash balances invested in short-term facilities caused by a reduction in interest rates and reduced interest expense on the Company's borrowings, also due to a reduction in interest rates, despite an increase in the average outstanding long-term debt balance.

OTHER INCOME

The following table summarizes other income for the three months ended September 26, 2020 and September 28, 2019:

	Three Months Ended			
(Dollars in thousands)	**September 26, 2020**	**September 28, 2019**	**$ Change**	**% Change**
Other income	$ (2,599)	$ —	$ (2,599)	100.0%

Other income for the three months ended September 26, 2020 related to a wage subsidy provided by a Canadian government sponsored financial assistance program enacted in response to the pandemic.

INCOME TAX EXPENSE

The following table summarizes income tax expense for the three months ended September 26, 2020 and September 28, 2019:

	Three Months Ended			
(Dollars in thousands)	**September 26, 2020**	**September 28, 2019**	**$ Change**	**% Change**
Income tax expense	$ 5,644	$ 7,526	$ (1,882)	(25.0%)
Effective tax rate	24.4%	29.8%		

Income tax expense for the three months ended September 26, 2020 was $5.6 million, representing an effective tax rate of 24.4%, compared to income tax expense of $7.5 million, representing an effective tax rate of 29.8%, for the three months ended September 28, 2019.

The Company's effective tax rate for both the three months ended September 26, 2020 and September 28, 2019 differs from the federal statutory income tax rate of 21.0%, due primarily to the effect of non-deductible expenses, state and local income taxes, tax credits, and results in a foreign jurisdiction.

ADJUSTED EBITDA

The following table reconciles net income, the most directly comparable U.S. GAAP measure, to Adjusted EBITDA, a non-GAAP financial measure, for the three months ended September 26, 2020 and September 28, 2019:

(Dollars in thousands)	Three Months Ended September 26, 2020	September 28, 2019	$ Change	% Change
Net income	$ 17,511	$ 17,745	$ (234)	(1.3%)
Income tax expense	5,644	7,526	(1,882)	(25.0%)
Interest expense, net	864	382	482	*
Depreciation and amortization	4,408	4,907	(499)	(10.2%)
Equity-based compensation (for awards granted prior to December 31, 2018)	388	1,534	(1,146)	(74.7%)
Acquisition integration costs	—	340	(340)	*
Other	122	48	74	*
Adjusted EBITDA	$ 28,937	$ 32,482	$ (3,545)	(10.9%)

* indicates that the calculated percentage is not meaningful

Adjusted EBITDA for the three months ended September 26, 2020 was $28.9 million, a decrease of $3.6 million from the same period of the prior year. The decrease is primarily a result of lower operating income after adjusting for the effect of integration costs and equity-based compensation incurred in the prior year. The decrease in operating income is primarily due to a decrease in sales volume and an increase in material costs from market volatility in certain commodities like lumber products. See the definition of Adjusted EBITDA below for additional information regarding the definition and use of this metric.

UNAUDITED INCOME STATEMENTS FOR THE FIRST HALF OF FISCAL 2021 VS. 2020

(Dollars in thousands)	Six Months Ended September 26, 2020	Six Months Ended September 28, 2019
Results of Operations Data:		
Net sales	$ 595,651	$ 726,346
Cost of sales	478,855	576,256
Gross profit	116,796	150,090
Selling, general, and administrative expenses	82,180	100,117
Operating income	34,616	49,973
Interest expense, net	1,806	691
Other income	(6,813)	—
Income before income taxes	39,623	49,282
Income tax expense	10,209	14,157
Net income	$ 29,414	$ 35,125
Reconciliation of Adjusted EBITDA:		
Net income	$ 29,414	$ 35,125
Income tax expense	10,209	14,157
Interest expense, net	1,806	691
Depreciation and amortization	8,690	9,379
Equity-based compensation (for awards granted prior to December 31, 2018)	1,358	2,641
Acquisition integration costs	—	1,378
Fair market value adjustment for asset classified as held for sale	—	986
Other	—	210
Adjusted EBITDA	$ 51,477	$ 64,567
As a percent of net sales:		
Gross profit	19.6%	20.7%
Selling, general, and administrative expenses	13.8%	13.8%
Operating income	5.8%	6.9%
Net income	4.9%	4.8%
Adjusted EBITDA	8.6%	8.9%

NET SALES

The following table summarizes net sales for the six months ended September 26, 2020 and September 28, 2019:

(Dollars in thousands)	Six Months Ended September 26, 2020	Six Months Ended September 28, 2019	$ Change	% Change
Net sales	$ 595,651	$ 726,346	$ (130,695)	(18.0%)
U.S. manufacturing and retail net sales	$ 532,219	$ 644,435	$ (112,216)	(17.4%)
U.S. homes sold	8,717	10,474	(1,757)	(16.8%)
U.S. manufacturing and retail average home selling price	$ 61.1	$ 61.5	$ (0.4)	(0.7%)
Canadian manufacturing net sales	$ 39,753	$ 50,107	$ (10,354)	(20.7%)
Canadian homes sold	494	596	(102)	(17.1%)
Canadian manufacturing average home selling price	$ 80.5	$ 84.1	$ (3.6)	(4.3%)
Corporate/Other net sales	$ 23,679	$ 31,804	$ (8,125)	(25.5%)
U.S. manufacturing facilities in operation at end of period*	33	33		
U.S. retail sales centers in operation at end of period	18	21		
Canadian manufacturing facilities in operation at end of period	5	5		

*One of the Company's manufacturing facilities is temporarily idled as of September 26, 2020, but still considered operational.

Net sales for the six months ended September 26, 2020 were $595.7 million, a decrease of $130.7 million, or 18.0% over the six months ended September 28, 2019. The following is a summary of the change by operating segment.

U.S. Factory-built Housing:

Net sales for the Company's U.S. manufacturing and retail operations decreased by $112.2 million, or 17.4%. The decrease was primarily due to a decrease in the number of homes sold during the six months ended September 26, 2020 of 1,757 units, or 16.8%. U.S. housing sales volumes were severely impacted by COVID-19-related factors in the first few months of the fiscal year. Production facilities operated at reduced levels as compared to the prior year due to employee hiring constraints, social-distancing protocols and, in some areas, reduced demand. Production and demand levels began to return to more normal pre-COVID-19 levels during the second quarter. A decrease in average selling price also contributed to the decrease in net sales. The decline in average selling price was due to a shift in product mix to more single section homes and customers selecting less expensive upgrades or option packages versus the same period last year. Product mix fluctuations result from consumer preferences regarding the sizes and styles of homes selected for purchase, selection of home upgrade packages, as well as regional housing dynamics.

Canadian Factory-built Housing:

The Canadian Factory-built Housing segment net sales decreased by $10.4 million, or 20.7% for the six months ended September 26, 2020 compared to the same period in the prior year, primarily due to a 17.1% decrease in the number of homes sold, coupled with a 4.3% decrease in average home selling price. The decrease in volume was due to reduced demand and production primarily from oil-related demand drivers and the impacts of COVID-19 for first few months of the fiscal year. Production and demand levels began to return to more normal pre-COVID-19 levels during the second quarter. The decrease in average selling price is due to a shift in product mix. On a constant currency basis, net sales for the Canadian segment were unfavorably impacted by approximately $0.8 million as the Canadian dollar weakened compared to the U.S. dollar during the first six months of fiscal 2021 as compared to the same period of the prior year.

Corporate/Other:

Net sales for Corporate/Other includes the Company's transportation business and the elimination of intersegment sales. For the six months ended September 26, 2020, net sales decreased $8.1 million, or 25.5%. The decrease was primarily attributable to lower net sales as a result of lower shipments caused by COVID-19-related manufacturing shutdowns in both the RV and manufactured housing industries experienced mainly in the U.S. Midwest and Northeast regions in the first few months of the fiscal year. As production in the RV and manufactured housing industries has started to normalize to pre-COVID-19 levels, shipments of these products have also started to increase during the second quarter.

GROSS PROFIT

The following table summarizes gross profit for the six months ended September 26, 2020 and September 28, 2019:

(Dollars in thousands)	**Six Months Ended September 26, 2020**	**Six Months Ended September 28, 2019**	**$ Change**	**% Change**
Gross profit:				
U.S. Factory-built Housing	$ 102,956	$ 133,676	$ (30,720)	(23.0%)
Canadian Factory-built Housing	7,569	10,579	(3,010)	(28.5%)
Corporate/Other	6,271	5,835	436	7.5%
Total gross profit	$ 116,796	$ 150,090	$ (33,294)	(22.2%)
Gross profit as a percent of net sales	19.6%	20.7%		

Gross profit as a percent of sales during the six months ended September 26, 2020 was 19.6% compared to 20.7% during the six months ended September 28, 2019. The following is a summary of the change by operating segment.

U.S. Factory-built Housing:

Gross profit for the U.S. Factory-built Housing segment decreased by $30.7 million, or 23.0%, during the six months ended September 26, 2020 compared to the same period in the prior year. Gross profit was 19.3% as a percent of segment net sales for the six months ended September 26, 2020 compared to 20.7% in the same period of the prior year. The decrease in gross profit is due to increased material costs from market volatility in certain commodities like lumber products, reduced leverage of manufacturing fixed costs caused by reduced sales volumes, as well as the supplemental COVID-19-related sick pay and health benefits provided to furloughed employees of $1.9 million.

Canadian Factory-built Housing:

Gross profit for the Canadian Factory-built Housing segment decreased by $3.0 million, or 28.5% during the six months ended September 26, 2020 compared to the same period in the prior year. Gross profit as a percent of net sales was 19.0% for the six months ended September 26, 2020, compared to 21.1% in the same period of the prior year. The decrease is due to increased material costs from market volatility in certain commodities like lumber products and reduced leverage of manufacturing fixed costs caused by reduced sales volumes.

Corporate/Other:

Gross profit for the Corporate/Other segment increased $0.4 million, or 7.5%, during the six months ended September 26, 2020 compared to the same period of the prior year, primarily due to lower sales in the Company's transportation operations. Although transportation sales were lower, gross profit improved as a percent of segment net sales to 26.5% from 18.3% as a result of changes in revenue mix and expansion of storage offerings.

SELLING, GENERAL, AND ADMINISTRATIVE EXPENSES

Selling, general, and administrative expenses include foreign currency transaction gains and losses, equity compensation, and intangible amortization expense. The following table summarizes selling, general, and administrative expenses for the six months ended September 26, 2020 and September 28, 2019:

	Six Months Ended			
(Dollars in thousands)	**September 26, 2020**	**September 28, 2019**	**$ Change**	**% Change**
Selling, general, and administrative expenses:				
U.S. Factory-built Housing	$ 57,977	$ 70,647	$ (12,670)	(17.9%)
Canadian Factory-built Housing	3,289	3,769	(480)	(12.7%)
Corporate/Other	20,914	25,701	(4,787)	(18.6%)
Total selling, general, and administrative expenses	$ 82,180	$ 100,117	$ (17,937)	(17.9%)
Selling, general, and administrative expense as a percent of net sales	13.8%	13.8%		

Selling, general, and administrative expenses were $82.2 million for the six months ended September 26, 2020, a decrease of $17.9 million compared to the same period in the prior year. The following is a summary of the change by operating segment.

U.S. Factory-built Housing:

Selling, general, and administrative expenses for the U.S. Factory-built Housing segment decreased $12.7 million, or 17.9%, during the six months ended September 26, 2020 as compared to the same period in the prior year. Selling, general, and administrative expenses, as a percent of segment net sales decreased to 10.9% for the six months ended September 26, 2020 compared to 11.4% during the comparable period of the prior year. The decrease in selling, general, and administrative expenses resulted from a combination of factors which include: (i) lower sales commissions and incentive compensation, which is generally based on sales volume or a measure of profitability; (ii) reduction in non-essential costs such as travel and trade shows; and (iii) reduction in wages from headcount reductions and furloughs in response to COVID-19 in the first few months of the fiscal year.

Canadian Factory-built Housing:

Selling, general, and administrative expenses for the Canadian Factory-built Housing segment decreased $0.5 million for the six months ended September 26, 2020 when compared to the same period of the prior year. The decrease in selling, general, and administrative expenses resulted from: (i) lower sales commissions and incentive compensation, which is generally based on sales volume or a measure of profitability; and (ii) reduction in wages from headcount reductions and furloughs in response to COVID-19 in the first few months of the fiscal year. As a percent of segment net sales, selling, general, and administrative expenses for the Canadian segment was 8.3% and 7.5% for the six months ended September 26, 2020 and September 28, 2019, respectively. The increase as a percentage of net sales was a result of less leverage of fixed costs due to reduced sales volumes.

Corporate/Other:

Selling, general, and administrative expenses for Corporate/Other includes the Company's transportation operations, corporate costs incurred for all segments, and intersegment eliminations. Selling, general, and administrative expenses for Corporate/Other decreased $4.8 million, or 18.6%, during the six months ended September 26, 2020 as compared to the same period of the prior year. The decrease is due to a reduction in incentive compensation costs and travel expense, as well as the benefit from no longer incurring costs related to acquisition integration activities from the 2018 Combination, and the fair value adjustment of an asset classified as held for sale recorded in the prior year.

INTEREST EXPENSE, NET

The following table summarizes the components of interest expense, net for the six months ended September 26, 2020 and September 28, 2019:

(Dollars in thousands)	Six Months Ended September 26, 2020	Six Months Ended September 28, 2019	$ Change	% Change
Interest expense	$ 2,061	$ 2,466	$ (405)	(16.4%)
Less: Interest income	255	1,775	(1,520)	(85.6%)
Interest expense, net	$ 1,806	$ 691	$ 1,115	161.4%
Average outstanding floor plan payable	$ 29,188	$ 31,959		
Average outstanding long-term debt	$ 77,330	$ 50,759		

Interest expense, net was $1.8 million for the six months ended September 26, 2020, an increase of $1.1 million compared to the same period of the prior year. The net increase in expense was primarily related to a combination of a reduction of interest income received on the Company's average cash balances invested in short-term facilities caused by a reduction in interest rates and reduced interest expense on the Company's borrowings, also due to a reduction in interest rates, despite an increase in the average outstanding long-term debt balance.

OTHER INCOME

The following table summarizes other income for the six months ended September 26, 2020 and September 28, 2019:

(Dollars in thousands)	Six Months Ended September 26, 2020	Six Months Ended September 28, 2019	$ Change	% Change
Other income	$ (6,813)	$ —	$ (6,813)	100.0%

Other income for the six months ended September 26, 2020 was $6.8 million which was a result of wage subsidies provided by government sponsored financial assistance programs that were enacted in responses to the COVID-19 pandemic. The programs included a Canadian wage subsidy benefit of $6.2 million and a U.S. wage subsidy benefit of $0.6 million.

INCOME TAX EXPENSE

The following table summarizes income tax expense for the six months ended September 26, 2020 and September 28, 2019:

(Dollars in thousands)	Six Months Ended September 26, 2020	Six Months Ended September 28, 2019	$ Change	% Change
Income tax expense	$ 10,209	$ 14,157	$ (3,948)	(27.9%)
Effective tax rate	25.8%	28.7%		

Income tax expense for the six months ended September 26, 2020 was $10.2 million, representing an effective tax rate of 25.8%, compared to income tax expense of $14.2 million, representing an effective tax rate of 28.7% for the six months ended September 28, 2019.

The Company's effective tax rate for the six months ended September 26, 2020 and September 28, 2019 differs from the federal statutory income tax rate of 21.0%, due primarily to the effect of non-deductible expenses, state and local income taxes, tax credits, and results in foreign jurisdictions.

ADJUSTED EBITDA

The following table reconciles net income, the most directly comparable U.S. GAAP measure, to Adjusted EBITDA, a non-GAAP financial measure, for the six months ended September 26, 2020 and September 28, 2019:

(Dollars in thousands)	Six Months Ended September 26, 2020	Six Months Ended September 28, 2019	$ Change	% Change
Net income	$ 29,414	$ 35,125	$ (5,711)	(16.3%)
Income tax expense	10,209	14,157	(3,948)	(27.9%)
Interest expense, net	1,806	691	1,115	*
Depreciation and amortization	8,690	9,379	(689)	(7.3%)
Equity-based compensation (for awards granted prior to December 31, 2018)	1,358	2,641	(1,283)	(48.6%)
Acquisition integration costs	—	1,378	(1,378)	*
Fair market value adjustment for asset classified as held for sale	—	986	(986)	*
Other	—	210	(210)	*
Adjusted EBITDA	$ 51,477	$ 64,567	$ (13,090)	(20.3%)

* indicates that the calculated percentage is not meaningful

Adjusted EBITDA for the six months ended September 26, 2020 was $51.5 million, a decrease of $13.1 million from the same period of the prior year. The decrease is primarily a result of lower operating income after adjusting for the effect of integration costs and the fair market value adjustment for an asset classified as held for sale incurred in the prior year. The decrease in operating income is primarily due to a decrease in sales volume and an increase in material costs. See the definition of Adjusted EBITDA below for additional information regarding the definition and use of this metric.

The Company defines Adjusted EBITDA as net income or loss plus: (a) the provision for income taxes; (b) interest expense, net; (c) depreciation and amortization; (d) gain or loss from discontinued operations; (e) equity-based compensation awards granted prior to December 31, 2018; (f) restructuring charges; (g) impairment of assets; and (h) other non-operating costs including those for the acquisition and integration or disposition of businesses and idle facilities. Adjusted EBITDA is not a measure of earnings calculated in accordance with U.S. GAAP, and should not be considered an alternative to, or more meaningful than, net income or loss, net sales, operating income, or earnings per share prepared on a U.S. GAAP basis. The Company believes that Adjusted EBITDA is commonly used by investors to evaluate its performance and that of its competitors. However, the Company's use of Adjusted EBITDA may vary from that of others in its industry.

In evaluating Adjusted EBITDA, investors should be aware that, in the future, the Company may incur expenses similar to those adjusted for in this presentation. This presentation of Adjusted EBITDA should not be construed as an implication that the Company's future results will be unaffected by unusual or nonrecurring items.

Adjusted EBITDA has important limitations as an analytical tool and you should not consider it in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are:

Adjusted EBITDA:

- does not reflect the interest expense on our debt;
- excludes impairments; and
- does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Given these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our U.S. GAAP results and using non-GAAP financial measures only on a supplemental basis.

BACKLOG

Although orders from customers can be cancelled at any time without penalty, and unfilled orders are not necessarily an indication of future business, the Company's unfilled U.S. and Canadian manufacturing orders at September 26, 2020 totaled $390.1 million compared to $172.0 million at September 28, 2019. The increase in backlog is driven by increased demand for single-family homes. The increase in demand has resulted in order levels that have outpaced production in both the U.S. and Canada. Production levels vary widely by plant, but have, on average, returned to last year's average production rates as of the end of September 2020. Increasing production rates to keep pace with orders is limited by individual plant capacity, time to train new employees, employee attendance, and accessibility of materials. Production may also be limited by additional instances of COVID-19 related impacts, including facility shutdowns.

Liquidity and Capital Resources

Sources and Uses of Cash

The following table presents summary cash flow information for the six months ended September 26, 2020 and September 28, 2019:

	Six Months Ended	
(Dollars in thousands)	**September 26, 2020**	**September 28, 2019**
Net cash provided by (used in):		
Operating activities	$ 63,842	$ 52,158
Investing activities	(1,334)	(9,392)
Financing activities	(8,936)	(14,829)
Effect of exchange rate changes on cash, cash equivalents	1,259	168
Net increase in cash and cash equivalents	54,831	28,105
Cash and cash equivalents at beginning of period	209,455	126,634
Cash and cash equivalents at end of period	$ 264,286	$ 154,739

The Company's primary sources of liquidity are cash flows from operations and existing cash balances. Cash balances and cash flow from operations for the next year are expected to be adequate to cover working capital requirements, capital expenditures, and debt payment obligations. The Company does not have any scheduled long-term debt maturities in the next twelve months. The Company's revolving credit facility includes a leverage ratio covenant that requires the Company's first lien debt levels to remain less than 2.75 times consolidated trailing twelve-month EBITDA. The Company anticipates compliance with its debt covenants and projects its level of cash availability to be in excess of cash needed to operate the business for the next year. In the event operating cash flow and existing cash balances were deemed inadequate to support the Company's liquidity needs, and one or more capital resources were to become unavailable, the Company would revise operating strategies accordingly.

Cash provided by operating activities was $63.8 million during the six months ended September 26, 2020 compared to $52.2 million during the six months ended September 28, 2019. The increase of $11.6 million in cash from operating activities is primarily due to increased deposits from customers, deferral of certain payroll tax obligations resulting from the CARES Act regulations, the benefit of the CEWS subsidy received, partially offset by lower net income compared to the same period of the prior year.

Cash used in investing activities was $1.3 million for the six months ended September 26, 2020 compared to $9.4 million during the six months ended September 28, 2019. The decrease in cash used for investing activities is primarily related to a decrease in capital expenditures in the current period which is primarily due to deferral of non-essential spending as well as non-recurring spending incurred in the prior year related to: (i) expansion of production capacity at the Leesville, Louisiana manufacturing facility; and (ii) investment in equipment to facilitate improvement in safety and operating efficiencies. In addition, the Company received $1.2 million of proceeds from the maturity of a Company owned life insurance policy during the second quarter of fiscal 2021.

Cash used in financing activities was $8.9 million for the six months ended September 26, 2020 compared to $14.8 million during the six months ended September 28, 2019. Cash used in financing activities during the first half of fiscal 2021 was related to net repayments on the floor plan payable of $7.6 million and payments for remittance of employee taxes associated with share based compensation programs of $1.7 million. Cash used in financing activities during the first half of fiscal 2020 was primarily related to a $10.0 million repayment on the revolving credit facility, $2.8 million net repayment on the floor plan payable, and a $2.1 million payment for remittance of employee taxes associated with share based compensation programs.

Critical Accounting Policies

For a discussion of our critical accounting policies that management believes affect its more significant judgments and estimates used in the preparation of our Consolidated Financial Statements, see Part II, Item 7 of the Fiscal 2020 Annual Report, under the heading "Critical Accounting Policies." There have been no significant changes in our significant accounting policies or critical accounting estimates discussed in the Fiscal 2020 Annual Report, with the exception of adoption of new accounting pronouncements as discussed in Note 1, "Basis of Presentation – Recently Issued Accounting Pronouncements."

Recently Issued Accounting Pronouncements

For information on the impact of recently issued accounting pronouncements, see Note 1, “Basis of Presentation – Recently Issued Accounting Pronouncements,” to the condensed consolidated financial statements included in this Report.

Forward-Looking Statements

Some of the statements in this Report are not historical in nature and are considered forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements about our expectations regarding our future liquidity, earnings, expenditures, and financial condition. These statements are often identified by the words “will,” “could”, “should,” “anticipate,” “believe,” “expect,” “intend,” “estimate,” “hope,” or similar expressions. These statements reflect management’s current views with respect to future events and are subject to risks and uncertainties. There are risks and uncertainties, many of which are beyond our control, that could cause our actual results to differ materially from those in our forward-looking statements. These risks and uncertainties include regional, national, and international economic, financial, public health and labor conditions, and the following:

- the COVID-19 pandemic, which has had, and is likely to continue to have, significant adverse effects on us, including the effect of governmental restrictions, lockdowns, and orders or regulations on our operations;
- the cyclicality and seasonality of the housing industry and its sensitivity to changes in general economic or other business conditions;
- demand fluctuations in the housing industry;
- supply-related issues;
- labor-related issues;
- the possible unavailability of additional capital when needed;
- competition and competitive pressures;
- changes in consumer preferences for our products or our failure to gauge those preferences;
- quality problems, including the quality of parts sourced from suppliers and related liability and reputational issues;
- data security breaches, cybersecurity attacks, and other information technology disruptions, exacerbated by the COVID-19 pandemic;
- the extensive regulation affecting the production and sale of factory-built housing and the effects of possible changes in laws with which we must comply;
- the potential impact of natural disasters on sales and raw material costs;
- the risks associated with possible mergers and acquisitions;
- the prices and availability of materials;
- periodic inventory adjustments by, and changes to relationships with, independent retailers;
- changes in interest and foreign exchange rates;
- insurance coverage and cost issues;
- the possibility that all or part of our goodwill might become impaired;
- the possibility that our risk management practices may leave us exposed to unidentified or unanticipated risks; and
- other risks described in Part I — Item 1A, “Risk Factors,” included in the Fiscal 2020 Annual Report, as well as the risks and information provided from time to time in our other periodic reports filed with the SEC.

If any of the risks or uncertainties referred to above materializes or if any of the assumptions underlying our forward-looking statements proves to be incorrect, then differences may arise between our forward-looking statements and our actual results, and such differences may be material. Investors should not place undue reliance on our forward-looking statements, which speak only as of the date of this report. We assume no obligation to update, amend or clarify them to reflect events, new information or circumstances occurring after the date hereof, except as required by law.

Item 3. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

For a discussion of the Company’s interest rate and foreign exchange risks, see Part II, Item 7A of the Fiscal 2020 Annual Report, under the heading "Quantitative and Qualitative Disclosures about Market Risk." There have been no significant changes in such risks since March 28, 2020.

Item 4. *CONTROLS AND PROCEDURES*

Evaluation of disclosure controls and procedures

The Company maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized, and reported within the specified time periods and accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, with the participation of the CEO and CFO, evaluated the effectiveness of the company's disclosure controls and procedures (pursuant to Rules 13a-15(e) or 15d-15(e) of the Exchange Act) at September 26, 2020. Based upon this evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of September 26, 2020.

Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. *LEGAL PROCEEDINGS*

We are involved from time to time in various legal proceedings and claims, including, without limitation, commercial or contractual disputes, product liability claims and other matters. For additional information on legal proceedings, see Note 13 “Commitments, Contingencies and Legal Proceedings – Legal Proceedings,” to the condensed consolidated financial statements included in this Report.

Item 6. ***EXHIBITS***

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Exchange Act rules 13a-4 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. †
31.2	Certification of Chief Financial Officer pursuant to Exchange Act rules 13a-4 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. †
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. †
101 (INS)	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101(SCH)	Inline XBRL Taxonomy Extension Schema Document.
101(CAL)	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101(DEF)	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101(LAB)	Inline XBRL Taxonomy Extension Label Linkbase Document.
101(PRE)	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

† Filed herewith.

SIGNATURES

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.

Skyline Champion Corporation

Registrant

Signature	Title	Date
/s/ Mark Yost Mark Yost	President and Chief Executive Officer (Principal Executive Officer)	October 28, 2020
/s/ Laurie Hough Laurie Hough	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	October 28, 2020

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark Yost, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Skyline Champion Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 28, 2020
By: /s/ Mark Yost
Mark Yost
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Laurie Hough, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Skyline Champion Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: October 28, 2020
By: /s/ Laurie Hough
Laurie Hough
Executive Vice President, Chief Financial Officer, and
Treasurer (Principal Financial Officer)

Exhibit 32

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Skyline Champion Corporation (the "Registrant") for the period ending September 26, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Registrant hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to his or her knowledge:

1. The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

October 28, 2020

/s/ Mark Yost
Mark Yost
Chief Executive Officer (Principal Executive Officer)

/s/ Laurie Hough
Laurie Hough
Executive Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)