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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**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 January 1, 2022

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 000-08822

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**CAVCO INDUSTRIES INC.**

(Exact name of registrant as specified in its charter)

Delaware

56-2405642

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

3636 North Central Ave, Ste 1200

Phoenix Arizona 85012

(Address of principal executive offices, including zip code)

(602) 256-6263

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

| Title of each class            | Trading Symbol | Name of each exchange on which registered                    |
|--------------------------------|----------------|--|
| Common Stock, par value \$0.01 | CVCO           | The Nasdaq Stock Market LLC<br>(Nasdaq Global Select Market) |

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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 filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                          |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large Accelerated Filer | <input checked="" type="checkbox"/> | Accelerated Filer         | <input type="checkbox"/> |
| Non-accelerated Filer   | <input type="checkbox"/>            | Smaller Reporting Company | <input type="checkbox"/> |
| Emerging Growth Company | <input type="checkbox"/>            |                           |                          |

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

As of February 4, 2022, 9,163,589 shares of the registrant's Common Stock, \$.01 par value, were outstanding.

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**CAVCO INDUSTRIES, INC.**  
**FORM 10-Q**  
**January 1, 2022**

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**PART 1. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**CAVCO INDUSTRIES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Dollars in thousands, except per share amounts)

|   | January 1,<br>2022  | April 3,<br>2021  |
|---|---------------------|-------------------|
| <b>ASSETS</b>   | (Unaudited)         |                   |
| Current assets  |                     |                   |
| Cash and cash equivalents   | \$ 267,265          | \$ 322,279        |
| Restricted cash, current  | 15,542              | 16,693            |
| Accounts receivable, net  | 64,536              | 47,396            |
| Short-term investments  | 21,116              | 19,496            |
| Current portion of consumer loans receivable, net   | 25,397              | 37,690            |
| Current portion of commercial loans receivable, net   | 29,308              | 14,568            |
| Current portion of commercial loans receivable from affiliates, net   | 217                 | 4,664             |
| Inventories   | 200,313             | 131,234           |
| Prepaid expenses and other current assets   | 79,855              | 57,779            |
| Total current assets  | <u>703,549</u>      | <u>651,799</u>    |
| Restricted cash   | 335                 | 335               |
| Investments   | 35,377              | 35,010            |
| Consumer loans receivable, net  | 30,632              | 37,108            |
| Commercial loans receivable, net  | 35,056              | 20,281            |
| Commercial loans receivable from affiliates, net  | 2,391               | 4,801             |
| Property, plant and equipment, net  | 157,990             | 96,794            |
| Goodwill  | 101,945             | 75,090            |
| Other intangibles, net  | 28,982              | 14,363            |
| Operating lease right-of-use assets   | 15,974              | 16,252            |
| Total assets  | <u>\$ 1,112,231</u> | <u>\$ 951,833</u> |
| <b>LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST, AND STOCKHOLDERS' EQUITY</b>                                  |                     |                   |
| Current liabilities   |                     |                   |
| Accounts payable  | \$ 33,756           | \$ 32,120         |
| Accrued expenses and other current liabilities  | 238,208             | 203,133           |
| Current portion of secured financings and other   | 798                 | 1,851             |
| Total current liabilities   | <u>272,762</u>      | <u>237,104</u>    |
| Operating lease liabilities   | 12,482              | 13,361            |
| Secured financings and other  | 11,030              | 10,335            |
| Deferred income taxes   | 8,541               | 7,393             |
| Redeemable noncontrolling interest  | 1,204               | —                 |
| Stockholders' equity  |                     |                   |
| Preferred stock, \$0.01 par value; 1,000,000 shares authorized; No shares issued or outstanding                   | —                   | —                 |
| Common stock, \$0.01 par value; 40,000,000 shares authorized; Issued 9,289,608 and 9,241,256 shares, respectively | 93                  | 92                |
| Treasury stock, at cost; 126,573 and 6,600 shares, respectively   | (30,567)            | (1,441)           |
| Additional paid-in capital  | 261,596             | 253,835           |
| Retained earnings   | 575,132             | 431,057           |
| Accumulated other comprehensive (loss) income   | (42)                | 97                |
| Total stockholders' equity  | <u>806,212</u>      | <u>683,640</u>    |
| Total liabilities, redeemable noncontrolling interest and stockholders' equity                                    | <u>\$ 1,112,231</u> | <u>\$ 951,833</u> |

See accompanying Notes to Consolidated Financial Statements

**CAVCO INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Dollars in thousands, except per share amounts)  
(Unaudited)

|   | Three Months Ended |                      | Nine Months Ended  |                      |
|---|--------------------|----------------------|--------------------|----------------------|
|   | January 1,<br>2022 | December 26,<br>2020 | January 1,<br>2022 | December 26,<br>2020 |
| Net revenue   | \$ 431,714         | \$ 288,772           | \$ 1,121,679       | \$ 801,549           |
| Cost of sales   | 316,506            | 229,534              | 842,530            | 633,447              |
| Gross profit  | 115,208            | 59,238               | 279,149            | 168,102              |
| Selling, general and administrative expenses                                  | 60,322             | 35,414               | 146,526            | 106,190              |
| Income from operations  | 54,886             | 23,824               | 132,623            | 61,912               |
| Interest expense  | (209)              | (177)                | (576)              | (567)                |
| Other income, net   | 4,258              | 2,243                | 11,387             | 5,821                |
| Income before income taxes  | 58,935             | 25,890               | 143,434            | 67,166               |
| Income tax benefit (expense)  | 20,680             | (6,189)              | 910                | (15,742)             |
| Net income  | 79,615             | 19,701               | 144,344            | 51,424               |
| Less: net income attributable to redeemable noncontrolling interest           | 196                | —                    | 269                | —                    |
| Net income attributable to Cavco common stockholders                          | <u>\$ 79,419</u>   | <u>\$ 19,701</u>     | <u>\$ 144,075</u>  | <u>\$ 51,424</u>     |
| Comprehensive income  |                    |                      |                    |                      |
| Net income  | \$ 79,615          | \$ 19,701            | \$ 144,344         | \$ 51,424            |
| Reclassification adjustment for securities sold                               | (16)               | (13)                 | (15)               | 20                   |
| Applicable income taxes   | 3                  | 3                    | 3                  | (4)                  |
| Net change in unrealized position of investments held                         | (127)              | (6)                  | (161)              | 56                   |
| Applicable income taxes   | 27                 | 1                    | 34                 | (12)                 |
| Comprehensive income  | 79,502             | 19,686               | 144,205            | 51,484               |
| Less: comprehensive income attributable to redeemable noncontrolling interest | 196                | —                    | 269                | —                    |
| Comprehensive income attributable to Cavco common stockholders                | <u>\$ 79,306</u>   | <u>\$ 19,686</u>     | <u>\$ 143,936</u>  | <u>\$ 51,484</u>     |
| Net income per share attributable to Cavco common stockholders                |                    |                      |                    |                      |
| Basic   | <u>\$ 8.66</u>     | <u>\$ 2.14</u>       | <u>\$ 15.68</u>    | <u>\$ 5.60</u>       |
| Diluted   | <u>\$ 8.57</u>     | <u>\$ 2.12</u>       | <u>\$ 15.54</u>    | <u>\$ 5.54</u>       |
| Weighted average shares outstanding   |                    |                      |                    |                      |
| Basic   | <u>9,174,224</u>   | <u>9,190,254</u>     | <u>9,187,828</u>   | <u>9,182,491</u>     |
| Diluted   | <u>9,270,438</u>   | <u>9,295,553</u>     | <u>9,270,855</u>   | <u>9,285,238</u>     |

See accompanying Notes to Consolidated Financial Statements

**CAVCO INDUSTRIES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Dollars in thousands)  
(Unaudited)

|  | Nine Months Ended  |                      |
|--|--------------------|----------------------|
|  | January 1,<br>2022 | December 26,<br>2020 |
| <b>OPERATING ACTIVITIES</b>  |                    |                      |
| Net income   | \$ 144,344         | \$ 51,424            |
| Adjustments to reconcile net income to net cash provided by operating activities |                    |                      |
| Depreciation and amortization  | 6,750              | 4,735                |
| Provision for credit losses  | (220)              | (1,082)              |
| Deferred income taxes  | 1,186              | (272)                |
| Stock-based compensation expense   | 3,460              | 2,935                |
| Non-cash interest income, net  | (1,115)            | (2,984)              |
| (Gain) loss on sale or retirement of property, plant and equipment, net          | (307)              | 220                  |
| Gain on investments and sale of loans, net                                       | (18,379)           | (14,964)             |
| Changes in operating assets and liabilities, net of acquisitions                 |                    |                      |
| Accounts receivable  | 4,366              | 1,868                |
| Consumer loans receivable originated   | (122,872)          | (124,058)            |
| Proceeds from sales of consumer loans  | 142,445            | 122,597              |
| Principal payments received on consumer loans receivable                         | 8,861              | 10,720               |
| Inventories  | (29,899)           | 2,911                |
| Prepaid expenses and other current assets  | (33,746)           | 10,913               |
| Commercial loans receivable  | 8,080              | 6,444                |
| Accounts payable and accrued expenses and other current liabilities              | 13,013             | 20,159               |
| Net cash provided by operating activities  | <u>125,967</u>     | <u>91,566</u>        |
| <b>INVESTING ACTIVITIES</b>  |                    |                      |
| Purchases of property, plant and equipment                                       | (8,938)            | (5,816)              |
| Payments for acquisitions, net   | (141,428)          | —                    |
| Proceeds from sale of property, plant and equipment                              | 1,291              | 118                  |
| Purchases of investments   | (8,224)            | (14,056)             |
| Proceeds from sale of investments  | 9,457              | 14,656               |
| Net cash used in investing activities  | <u>(147,842)</u>   | <u>(5,098)</u>       |
| <b>FINANCING ACTIVITIES</b>  |                    |                      |
| Proceeds from exercise of stock options  | 4,302              | 469                  |
| Proceeds from secured financings and other                                       | 47                 | 64                   |
| Payments on secured financings and other   | (9,213)            | (1,984)              |
| Payments for common stock repurchases  | (29,126)           | —                    |
| Distributions to noncontrolling interest   | (300)              | —                    |
| Net cash used in financing activities  | <u>(34,290)</u>    | <u>(1,451)</u>       |
| Net (decrease) increase in cash, cash equivalents and restricted cash            | (56,165)           | 85,017               |
| Cash, cash equivalents and restricted cash at beginning of the fiscal year       | 339,307            | 255,607              |
| Cash, cash equivalents and restricted cash at end of the period                  | <u>\$ 283,142</u>  | <u>\$ 340,624</u>    |
| Supplemental disclosures of cash flow information                                |                    |                      |
| Cash paid for income taxes   | <u>\$ 21,573</u>   | <u>\$ 13,111</u>     |
| Cash paid for interest   | <u>\$ 302</u>      | <u>\$ 371</u>        |
| Supplemental disclosures of noncash activity                                     |                    |                      |
| Change in GNMA loans eligible for repurchase                                     | <u>\$ (13,185)</u> | <u>\$ 21,366</u>     |
| Right-of-use assets recognized and operating lease obligations incurred          | <u>\$ 2,455</u>    | <u>\$ 5,692</u>      |
| Fair value of assets acquired under finance leases                               | <u>\$ 7,158</u>    | <u>\$ —</u>          |
| Finance lease obligations incurred   | <u>\$ 6,351</u>    | <u>\$ —</u>          |

See accompanying Notes to Consolidated Financial Statements

**CAVCO INDUSTRIES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

The accompanying unaudited Consolidated Financial Statements of Cavco Industries, Inc. and its subsidiaries (collectively, "we," "us," "our," the "Company" or "Cavco") 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 U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations. In addition, references throughout to numbered "Notes" refer to these Notes to Consolidated Financial Statements, unless otherwise stated.

In the opinion of management, these financial statements include all adjustments, including normal recurring adjustments, that are necessary to fairly state the results for the periods presented. We have evaluated subsequent events after the balance sheet date through the date of the filing of this report with the SEC, and there were no disclosable subsequent events. These Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in our 2021 Annual Report on Form 10-K for the year ended April 3, 2021, filed with the SEC ("Form 10-K").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and the accompanying Notes. The uncertainty created by the novel coronavirus COVID-19 pandemic has made such estimates more difficult and subjective. Due to that and other uncertainties, actual results could differ from those estimates. The Consolidated Statements of Comprehensive Income and Consolidated Statements of Cash Flows for the interim periods are not necessarily indicative of the results or cash flows for the full year. The Company operates on a 52-53 week fiscal year ending on the Saturday nearest to March 31<sup>st</sup> of each year. Each fiscal quarter consists of 13 weeks, with an occasional fourth quarter extending to 14 weeks, if necessary, for the fiscal year to end on the Saturday nearest to March 31<sup>st</sup>. The current fiscal year will end on April 2, 2022 and will include 52 weeks.

We operate in two segments: (1) factory-built housing, which includes wholesale and retail factory-built housing operations, and (2) financial services, which includes manufactured housing consumer finance and insurance. We design and build a wide variety of affordable manufactured homes, modular homes and park model RVs through 26 homebuilding production lines located throughout the United States, which are sold to a network of independent distributors, community owners and developers and through our 45 Company-owned retail stores. The financial services segment is comprised of a finance subsidiary, CountryPlace Acceptance Corp. ("CountryPlace"), and an insurance subsidiary, Standard Casualty Company ("Standard Casualty"). CountryPlace is an approved Federal National Mortgage Association and Federal Home Loan Mortgage Corporation seller/servicer and a Government National Mortgage Association ("GNMA") mortgage-backed securities issuer that offers conforming mortgages, non-conforming mortgages and home-only loans to purchasers of factory-built homes. Standard Casualty provides property and casualty insurance primarily to owners of manufactured homes.

On September 24, 2021, we acquired the business and certain assets and liabilities of The Commodore Corporation ("Commodore"), including its six manufacturing facilities and two wholly-owned retail locations. The results of operations are included in our Consolidated Financial Statements from the date of acquisition. See Note 22.

In addition to the below, for a description of significant accounting policies we used in the preparation of our Consolidated Financial Statements, please refer to Note 1 of the Notes to Consolidated Financial Statements included in the Form 10-K.

*Redeemable Noncontrolling Interest.* In fiscal year 2017, we purchased a 50% interest in Craftsman Homes, LLC and Craftsman Homes Development, LLC (collectively known as "Craftsman" or the "Entities") from a third-party ("Seller"). Craftsman is a manufactured home retailer in Nevada with four locations selling Company and other manufacturer branded homes. They also provide general construction to setup the home property and assist with multi-home developments and multi-family dwellings.

On July 4, 2021, we entered into an agreement (the "Craftsman Purchase Agreement") with the Seller to obtain the remaining 50% ownership in Craftsman, owned by the Seller, to be purchased over time. As provided in the Craftsman Purchase Agreement, 20% of the equity of Craftsman owned by the Seller was obtained as of July 4, 2021 by us for cash and, as a result, we obtained a controlling ownership interest. We accounted for this transaction as a business combination achieved in stages (see Note 22) and consolidated the Entities while recognizing a noncontrolling interest for the remaining Seller ownership, as discussed below.

The Craftsman Purchase Agreement calls for an additional 20% of the equity of Craftsman owned by the Seller to be purchased on December 31, 2023 by us for cash. As mandatory redemption of this ownership interest is required, \$2.5 million for the fair value of this portion of the noncontrolling interest is recorded in the long-term liabilities section of the Consolidated Balance Sheet within Secured financings and other. In each reporting period hereafter, until purchased by the Company, the mandatorily redeemable noncontrolling interest is adjusted to its current redemption value, based on a predetermined formula. Adjustments in the redemption value to the mandatorily redeemable noncontrolling interest are recorded to Interest expense.

After December 31, 2023, the Seller has the right to require Cavco to purchase all of Seller's remaining 10% ownership ("Put Right") for an amount specified in the Craftsman Purchase Agreement that is designed to approximate fair value. Likewise, Cavco has the right to require Seller to sell their remaining 10% ownership ("Call Right") based on the same timing as described above for the Put Right. The purchase price to be payable by the Company for the purchase of Seller's remaining ownership pursuant to the exercise of the Put Right or the Call Right will be settled in cash. As redemption of this remaining ownership is not a current obligation, \$1.2 million for the initial fair value of this portion of the noncontrolling interest is classified as a temporary equity mezzanine item between liabilities and stockholders' equity on the Consolidated Balance Sheet under the Redeemable noncontrolling interest caption. The amount of income attributable to this noncontrolling interest is included on the face of the Consolidated Statements of Comprehensive Income.

## 2. Revenue from Contracts with Customers

The following table summarizes customer contract revenues disaggregated by reportable segment and source (in thousands):

|  | Three Months Ended |                   | Nine Months Ended   |                   |
|--|--------------------|-------------------|---------------------|-------------------|
|  | January 1, 2022    | December 26, 2020 | January 1, 2022     | December 26, 2020 |
| <b>Factory-built housing</b>   |                    |                   |                     |                   |
| U.S. Housing and Urban Development code homes                              | \$ 357,453         | \$ 222,684        | \$ 905,790          | \$ 609,853        |
| Modular homes  | 30,451             | 26,059            | 88,454              | 67,325            |
| Park model RVs   | 10,709             | 8,296             | 30,108              | 31,045            |
| Other  | 14,977             | 13,783            | 43,615              | 41,656            |
|  | <u>413,590</u>     | <u>270,822</u>    | <u>1,067,967</u>    | <u>749,879</u>    |
| <b>Financial services</b>  |                    |                   |                     |                   |
| Insurance agency commissions received from third-party insurance companies | 1,304              | 840               | 3,027               | 2,387             |
| All other sources  | 16,820             | 17,110            | 50,685              | 49,283            |
|  | <u>18,124</u>      | <u>17,950</u>     | <u>53,712</u>       | <u>51,670</u>     |
|  | <u>\$ 431,714</u>  | <u>\$ 288,772</u> | <u>\$ 1,121,679</u> | <u>\$ 801,549</u> |

### 3. Restricted Cash

Restricted cash consisted of the following (in thousands):

|  | January 1,<br>2022 | April 3,<br>2021 |
|--|--------------------|------------------|
| Cash related to CountryPlace customer payments to be remitted to third parties | \$ 14,567          | \$ 16,049        |
| Other restricted cash  | 1,310              | 979              |
|  | <u>15,877</u>      | <u>17,028</u>    |
| Less current portion   | (15,542)           | (16,693)         |
|  | <u>\$ 335</u>      | <u>\$ 335</u>    |

Corresponding amounts for customer payments to be remitted to third parties are recorded in Accounts payable.

The following table provides a reconciliation of Cash and cash equivalents and Restricted cash reported on the Consolidated Balance Sheets to the combined amounts shown on the Consolidated Statements of Cash Flows (in thousands):

|                           | January 1,<br>2022 | December 26,<br>2020 |
|---------------------------|--------------------|----------------------|
| Cash and cash equivalents | \$ 267,265         | \$ 327,487           |
| Restricted cash           | 15,877             | 13,137               |
|                           | <u>\$ 283,142</u>  | <u>\$ 340,624</u>    |

### 4. Investments

Investments consisted of the following (in thousands):

|                                    | January 1,<br>2022 | April 3,<br>2021 |
|------------------------------------|--------------------|------------------|
| Available-for-sale debt securities | \$ 17,101          | \$ 14,946        |
| Marketable equity securities       | 19,100             | 17,600           |
| Non-marketable equity investments  | 20,292             | 21,960           |
|                                    | <u>56,493</u>      | <u>54,506</u>    |
| Less short-term investments        | (21,116)           | (19,496)         |
|                                    | <u>\$ 35,377</u>   | <u>\$ 35,010</u> |

Investments in marketable equity securities consist of investments in the common stock of industrial and other companies. Our non-marketable equity investments include investments in community-based initiatives that buy and sell our homes and provide home-only financing to residents of certain manufactured home communities and other distribution operations.

The amortized cost and fair value of our investments in available-for-sale debt securities, by security type are shown in the table below (in thousands).

|   | January 1, 2022   |                  | April 3, 2021     |                  |
|---|-------------------|------------------|-------------------|------------------|
|   | Amortized<br>Cost | Fair<br>Value    | Amortized<br>Cost | Fair<br>Value    |
| Residential mortgage-backed securities          | \$ 2,165          | \$ 2,157         | \$ 2,787          | \$ 2,804         |
| State and political subdivision debt securities | 7,521             | 7,538            | 7,239             | 7,345            |
| Corporate debt securities                       | 7,469             | 7,406            | 4,797             | 4,797            |
|   | <u>\$ 17,155</u>  | <u>\$ 17,101</u> | <u>\$ 14,823</u>  | <u>\$ 14,946</u> |



The amortized cost and fair value of our investments in available-for-sale debt securities, by contractual maturity, are shown in the table below (in thousands). Expected maturities differ from contractual maturities as borrowers may have the right to call or prepay obligations, with or without penalties.

|  | January 1, 2022  |                  |
|--|------------------|------------------|
|  | Amortized Cost   | Fair Value       |
| Due in less than one year              | \$ 1,604         | \$ 1,608         |
| Due after one year through five years  | 11,473           | 11,353           |
| Due after five years through ten years | 1,264            | 1,307            |
| Due after ten years                    | 649              | 676              |
| Mortgage-backed securities             | 2,165            | 2,157            |
|  | <u>\$ 17,155</u> | <u>\$ 17,101</u> |

Gross gains realized on the sale of available-for-sale debt securities during the three and nine months ended January 1, 2022 were \$2,000, and there were no gross losses. For the three and nine months ended December 26, 2020, there were no gross gains realized on the sale of available-for-sale debt securities and gross losses realized were \$1,000 and \$6,000 respectively.

Net investment gains and losses on marketable equity securities were as follows (in thousands):

|  | Three Months Ended |                   | Nine Months Ended |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | January 1, 2022    | December 26, 2020 | January 1, 2022   | December 26, 2020 |
| Marketable equity securities   |                    |                   |                   |                   |
| Net gain recognized during the period                                  | \$ 2,967           | \$ 2,008          | \$ 4,906          | \$ 5,289          |
| Less: Net gains recognized on securities sold during the period        | (257)              | (151)             | (536)             | (157)             |
| Unrealized gains recognized during the period on securities still held | <u>\$ 2,710</u>    | <u>\$ 1,857</u>   | <u>\$ 4,370</u>   | <u>\$ 5,132</u>   |

## 5. Inventories

Inventories consisted of the following (in thousands):

|                 | January 1, 2022   | April 3, 2021     |
|-----------------|-------------------|-------------------|
| Raw materials   | \$ 84,963         | \$ 54,336         |
| Work in process | 27,357            | 19,149            |
| Finished goods  | 87,993            | 57,749            |
|                 | <u>\$ 200,313</u> | <u>\$ 131,234</u> |

## 6. Consumer Loans Receivable

The following table summarizes consumer loans receivable (in thousands):

|   | January 1,<br>2022 | April 3,<br>2021 |
|---|--------------------|------------------|
| Loans held for investment, previously securitized | \$ 27,332          | \$ 31,949        |
| Loans held for investment                         | 14,835             | 18,690           |
| Loans held for sale                               | 11,746             | 15,587           |
| Construction advances                             | 5,377              | 13,801           |
|   | <u>59,290</u>      | <u>80,027</u>    |
| Deferred financing fees and other, net            | (874)              | (2,041)          |
| Allowance for loan losses                         | <u>(2,387)</u>     | <u>(3,188)</u>   |
|   | 56,029             | 74,798           |
| Less current portion                              | <u>(25,397)</u>    | <u>(37,690)</u>  |
|   | <u>\$ 30,632</u>   | <u>\$ 37,108</u> |

The following table represents changes in the estimated allowance for loan losses, including related additions and deductions to the allowance for loan losses (in thousands):

|  | Three Months Ended |                      | Nine Months Ended  |                      |
|--|--------------------|----------------------|--------------------|----------------------|
|  | January 1,<br>2022 | December 26,<br>2020 | January 1,<br>2022 | December 26,<br>2020 |
| Allowance for loan losses at beginning of period   | \$ 2,799           | \$ 3,910             | \$ 3,188           | \$ 1,767             |
| Impact of adoption of Financial Accounting Standards Board's Accounting Standards Update 2016-13 <i>Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments</i> ("ASU 2016-13") | —                  | —                    | —                  | 2,276                |
| Change in estimated loan losses, net   | (327)              | (491)                | (384)              | (424)                |
| Charge-offs  | (85)               | —                    | (417)              | (200)                |
| Allowance for loan losses at end of period   | <u>\$ 2,387</u>    | <u>\$ 3,419</u>      | <u>\$ 2,387</u>    | <u>\$ 3,419</u>      |

The consumer loans held for investment had the following characteristics:

|  | January 1,<br>2022 | April 3,<br>2021 |
|--|--------------------|------------------|
| Weighted average contractual interest rate | 8.4 %              | 8.3 %            |
| Weighted average effective interest rate   | 8.9 %              | 9.3 %            |
| Weighted average months to maturity        | 151                | 162              |

The following table is a consolidated summary of the delinquency status of the outstanding amortized cost of consumer loans receivable (in thousands):

|               | January 1,<br>2022 | April 3,<br>2021 |
|---------------|--------------------|------------------|
| Current       | \$ 56,141          | \$ 76,378        |
| 31 to 60 days | 413                | 508              |
| 61 to 90 days | 1,964              | 21               |
| 91+ days      | 772                | 3,120            |
|               | <u>\$ 59,290</u>   | <u>\$ 80,027</u> |

The following tables disaggregate gross consumer loans receivable by credit quality indicator and fiscal year of origination (in thousands):

|                                     | January 1, 2022  |                 |                 |                 |                 |                  |                  |
|-------------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
|                                     | 2022             | 2021            | 2020            | 2019            | 2018            | Prior            | Total            |
| Prime- FICO score 680 and greater   | \$ 10,825        | \$ 2,023        | \$ 2,604        | \$ 1,348        | \$ 759          | \$ 21,683        | \$ 39,242        |
| Near Prime- FICO score 620-679      | 1,973            | 2,138           | 1,275           | 1,846           | 1,229           | 9,734            | 18,195           |
| Sub-Prime- FICO score less than 620 | 23               | 21              | 52              | —               | —               | 1,363            | 1,459            |
| No FICO score                       | —                | —               | —               | 27              | —               | 367              | 394              |
|                                     | <u>\$ 12,821</u> | <u>\$ 4,182</u> | <u>\$ 3,931</u> | <u>\$ 3,221</u> | <u>\$ 1,988</u> | <u>\$ 33,147</u> | <u>\$ 59,290</u> |

|                                     | April 3, 2021    |                 |                 |                 |                 |                  |                  |
|-------------------------------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
|                                     | 2021             | 2020            | 2019            | 2018            | 2017            | Prior            | Total            |
| Prime- FICO score 680 and greater   | \$ 18,250        | \$ 3,575        | \$ 1,718        | \$ 971          | \$ 1,959        | \$ 23,375        | \$ 49,848        |
| Near Prime- FICO score 620-679      | 10,227           | 2,744           | 1,794           | 1,364           | 500             | 10,401           | 27,030           |
| Sub-Prime- FICO score less than 620 | 348              | 53              | —               | —               | 84              | 1,579            | 2,064            |
| No FICO score                       | 576              | —               | 28              | —               | —               | 481              | 1,085            |
|                                     | <u>\$ 29,401</u> | <u>\$ 6,372</u> | <u>\$ 3,540</u> | <u>\$ 2,335</u> | <u>\$ 2,543</u> | <u>\$ 35,836</u> | <u>\$ 80,027</u> |

As of January 1, 2022 and April 3, 2021, 41% and 35% of the outstanding principal balance of the consumer loans receivable portfolio was concentrated in Texas, respectively, and 16% and 20% was concentrated in Florida, respectively. Other than Texas and Florida, no state had concentrations in excess of 10% of the principal balance of the consumer loans receivable as of January 1, 2022 or April 3, 2021.

Repossessed homes totaled approximately \$404,000 and \$518,000 as of January 1, 2022 and April 3, 2021, respectively, and are included in Prepaid expenses and other current assets on the Consolidated Balance Sheets. Foreclosure or similar proceedings in progress totaled approximately \$813,000 and \$1.1 million as of January 1, 2022 and April 3, 2021, respectively.

## 7. Commercial Loans Receivable

The commercial loans receivable balance consists of direct financing arrangements for the home product needs of our independent distributors, community owners and developers and amounts loaned by us under participation financing programs.

Commercial loans receivable, net consisted of the following (in thousands):

|  | January 1,<br>2022 | April 3,<br>2021 |
|--|--------------------|------------------|
| Loans receivable   | \$ 68,218          | \$ 45,377        |
| Allowance for loan losses  | (1,130)            | (816)            |
| Deferred financing fees, net   | (116)              | (247)            |
|  | <u>66,972</u>      | <u>44,314</u>    |
| Less current portion of commercial loans receivable (including from affiliates), net | (29,525)           | (19,232)         |
|  | <u>\$ 37,447</u>   | <u>\$ 25,082</u> |

The commercial loans receivable balance had the following characteristics:

|  | January 1,<br>2022 | April 3,<br>2021 |
|--|--------------------|------------------|
| Weighted average contractual interest rate | 6.3 %              | 6.4 %            |
| Weighted average months outstanding        | 9                  | 11               |

The following table represents changes in the estimated allowance for loan losses, including related additions and deductions to the allowance for loan losses (in thousands):

|                                      | Three Months Ended |                      | Nine Months Ended  |                      |
|--------------------------------------|--------------------|----------------------|--------------------|----------------------|
|                                      | January 1,<br>2022 | December 26,<br>2020 | January 1,<br>2022 | December 26,<br>2020 |
| Balance at beginning of period       | \$ 826             | \$ 789               | \$ 816             | \$ 393               |
| Impact of adoption of ASU 2016-13    | —                  | —                    | —                  | 435                  |
| Change in estimated loan losses, net | 304                | (24)                 | 314                | (63)                 |
| Balance at end of period             | <u>\$ 1,130</u>    | <u>\$ 765</u>        | <u>\$ 1,130</u>    | <u>\$ 765</u>        |

As of January 1, 2022 and April 3, 2021, there were no commercial loans considered watch list or nonperforming. The following table disaggregates our commercial loans receivable by fiscal year of origination (in thousands):

|            | January 1, 2022 |           |          |          |        |        |           |
|------------|-----------------|-----------|----------|----------|--------|--------|-----------|
|            | 2022            | 2021      | 2020     | 2019     | 2018   | Prior  | Total     |
| Performing | \$ 46,755       | \$ 13,529 | \$ 4,818 | \$ 2,050 | \$ 605 | \$ 461 | \$ 68,218 |

  

|            | April 3, 2021 |          |          |          |          |       |           |
|------------|---------------|----------|----------|----------|----------|-------|-----------|
|            | 2021          | 2020     | 2019     | 2018     | 2017     | Prior | Total     |
| Performing | \$ 30,627     | \$ 8,677 | \$ 3,206 | \$ 1,864 | \$ 1,003 | \$ —  | \$ 45,377 |

At January 1, 2022, there were no commercial loans 90 days or more past due that were still accruing interest and we were not aware of any potential problem loans that would have a material effect on the commercial loans receivable balance.

As of January 1, 2022, 20% of our outstanding commercial loans receivable principal balance was concentrated in Pennsylvania and 13% was concentrated in New York. As of April 3, 2021, 13% of our outstanding commercial loans receivable principal balance was concentrated in Arizona. No other state had concentrations in excess of 10% of the principal balance of the commercial loans receivable as of January 1, 2022 or April 3, 2021.

We had concentrations with one independent third-party and its affiliates that equaled 12% and 18% of the net commercial loans receivable principal balance outstanding, all of which was secured, as of January 1, 2022 and April 3, 2021, respectively.

## 8. Property, Plant and Equipment, net

Property, plant and equipment, net, consisted of the following (in thousands):

|  | January 1,<br>2022 | April 3,<br>2021 |
|--|--------------------|------------------|
| Property, plant and equipment, at cost |                    |                  |
| Land                                   | \$ 32,767          | \$ 28,314        |
| Buildings and improvements             | 119,078            | 71,827           |
| Machinery and equipment                | 49,176             | 34,146           |
|  | <u>201,021</u>     | <u>134,287</u>   |
| Accumulated depreciation               | (43,031)           | (37,493)         |
|  | <u>\$ 157,990</u>  | <u>\$ 96,794</u> |

Depreciation expense for the three months ended January 1, 2022 and December 26, 2020 was \$3.0 million and \$1.4 million, respectively. Depreciation expense for the nine months ended January 1, 2022 and December 26, 2020 was \$5.9 million and \$4.2 million, respectively. Included in the balances above are certain assets under finance leases. See Note 9 for further information.

## 9. Leases

We lease certain production and retail locations, office space and equipment. During the period ended January 1, 2022, we executed various lease renewals and acquired certain assets under finance leases.

The following table provides information about the financial statement classification of our lease balances reported on the Consolidated Balance Sheets as of January 1, 2022 and April 3, 2021 (in thousands):

|                             | Classification                                    | January 1,<br>2022 | April 3,<br>2021 |
|-----------------------------|---|--------------------|------------------|
| <u>ROU assets</u>           |   |                    |                  |
| Operating lease assets      | Operating lease right-of-use assets               | \$ 15,974          | \$ 16,252        |
| Finance lease assets        | Property, plant and equipment, net <sup>(1)</sup> | 7,114              | 986              |
| Total lease assets          |   | <u>\$ 23,088</u>   | <u>\$ 17,238</u> |
| <u>Lease Liabilities</u>    |   |                    |                  |
| Current:                    |   |                    |                  |
| Operating lease liabilities | Accrued expenses and other current liabilities    | \$ 4,773           | \$ 4,184         |
| Finance lease liabilities   | Current portion of secured financings and other   | 347                | 71               |
| Non-current:                |   |                    |                  |
| Operating lease liabilities | Operating lease liabilities                       | 12,482             | 13,361           |
| Finance lease liabilities   | Secured financings and other                      | 5,986              | 233              |
| Total lease liabilities     |   | <u>\$ 23,588</u>   | <u>\$ 17,849</u> |

(1) Recorded net of accumulated amortization of \$44,000 and \$143,000 as of January 1, 2022 and April 3, 2021, respectively.

The present value of minimum payments for future fiscal years under non-cancelable leases as of January 1, 2022 was as follows (in thousands):

|                                   | Operating<br>Leases | Finance Leases  | Total            |
|-----------------------------------|---------------------|-----------------|------------------|
| Remainder of 2022                 | \$ 1,225            | \$ 89           | \$ 1,314         |
| 2023                              | 4,748               | 356             | 5,104            |
| 2024                              | 4,210               | 356             | 4,566            |
| 2025                              | 3,188               | 356             | 3,544            |
| 2026                              | 3,133               | 356             | 3,489            |
| 2027                              | 1,086               | 356             | 1,442            |
| Thereafter                        | 1,439               | 10,941          | 12,380           |
|                                   | 19,029              | 12,810          | 31,839           |
| Less amount representing interest | (1,774)             | (6,477)         | (8,251)          |
|                                   | 17,255              | 6,333           | 23,588           |
| Less current portion              | (4,773)             | (347)           | (5,120)          |
|                                   | <u>\$ 12,482</u>    | <u>\$ 5,986</u> | <u>\$ 18,468</u> |

The following table provides information about the weighted average remaining lease terms and weighted average discount rates as of January 1, 2022:

|                  | Remaining<br>Lease Term<br>(Years) | Discount Rate |
|------------------|------------------------------------|---------------|
| Operating leases | 4.6                                | 4.5 %         |
| Finance leases   | 35.9                               | 4.5 %         |

## 10. Goodwill and Other Intangibles

Goodwill and other intangibles, net, consisted of the following (in thousands):

|                            | January 1, 2022             |                             |                           | April 3, 2021               |                             |                           |
|----------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------|
|                            | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Net<br>Carrying<br>Amount |
| <b>Indefinite-lived</b>    |                             |                             |                           |                             |                             |                           |
| Goodwill                   | \$ 101,945                  | \$ —                        | \$ 101,945                | \$ 75,090                   | \$ —                        | \$ 75,090                 |
| Trademarks and trade names | 15,680                      | —                           | 15,680                    | 8,900                       | —                           | 8,900                     |
| State insurance licenses   | 1,100                       | —                           | 1,100                     | 1,100                       | —                           | 1,100                     |
|                            | 118,725                     | —                           | 118,725                   | 85,090                      | —                           | 85,090                    |
| <b>Finite-lived</b>        |                             |                             |                           |                             |                             |                           |
| Customer relationships     | 19,500                      | (7,902)                     | 11,598                    | 11,300                      | (7,097)                     | 4,203                     |
| Other                      | 1,924                       | (1,320)                     | 604                       | 1,424                       | (1,264)                     | 160                       |
|                            | <u>\$ 140,149</u>           | <u>\$ (9,222)</u>           | <u>\$ 130,927</u>         | <u>\$ 97,814</u>            | <u>\$ (8,361)</u>           | <u>\$ 89,453</u>          |

Changes in the carrying amount of Goodwill were as follows for the nine months ended January 1, 2022 (in thousands). See Note 22 for further information.

|  |                   |
|--|-------------------|
| Balance at beginning of period               | \$ 75,090         |
| Goodwill recognized on Craftsman acquisition | 4,363             |
| Goodwill recognized on Commodore acquisition | 22,492            |
| Balance at end of period                     | <u>\$ 101,945</u> |

Amortization expense recognized on intangible assets was \$523,000 and \$186,000 for the three months ended January 1, 2022 and December 26, 2020, respectively. Amortization expense recognized on intangible assets was \$862,000 and \$560,000 for the nine months ended January 1, 2022 and December 26, 2020, respectively.

Expected amortization for future fiscal years is as follows (in thousands):

|                          |          |
|--------------------------|----------|
| Remainder of fiscal year | \$ 1,233 |
| 2023                     | 1,679    |
| 2024                     | 1,339    |
| 2025                     | 1,300    |
| 2026                     | 1,258    |
| 2027                     | 1,135    |
| Thereafter               | 4,258    |

## 11. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

|  | January 1,<br>2022 | April 3,<br>2021  |
|--|--------------------|-------------------|
| Customer deposits                                | \$ 55,408          | \$ 41,835         |
| Salaries, wages and benefits                     | 46,237             | 37,737            |
| Estimated warranties                             | 26,234             | 18,032            |
| Unearned insurance premiums                      | 23,562             | 22,643            |
| Accrued volume rebates                           | 20,978             | 12,132            |
| Company repurchase options on certain loans sold | 12,731             | 25,938            |
| Other  | 53,058             | 44,816            |
|  | <u>\$ 238,208</u>  | <u>\$ 203,133</u> |

## 12. Warranties

Activity in the liability for estimated warranties was as follows (in thousands):

|                                | Three Months Ended |                      | Nine Months Ended  |                      |
|--------------------------------|--------------------|----------------------|--------------------|----------------------|
|                                | January 1,<br>2022 | December 26,<br>2020 | January 1,<br>2022 | December 26,<br>2020 |
| Balance at beginning of period | \$ 25,745          | \$ 17,805            | \$ 18,032          | \$ 18,678            |
| Purchase accounting additions  | —                  | —                    | 6,928              | —                    |
| Charged to costs and expenses  | 10,883             | 7,724                | 28,002             | 20,303               |
| Payments and deductions        | (10,394)           | (7,533)              | (26,728)           | (20,985)             |
| Balance at end of period       | <u>\$ 26,234</u>   | <u>\$ 17,996</u>     | <u>\$ 26,234</u>   | <u>\$ 17,996</u>     |

### 13. Debt, Finance Lease and Mandatorily Redeemable Noncontrolling Interest Obligations

The following table summarizes debt, finance lease and mandatorily redeemable noncontrolling interest obligations (in thousands):

|  | January 1,<br>2022 | April 3,<br>2021 |
|--|--------------------|------------------|
| Finance lease obligations                      | \$ 6,333           | \$ 304           |
| Other secured financings                       | 3,024              | 3,672            |
| Mandatorily redeemable noncontrolling interest | 2,471              | —                |
| Secured term loans                             | —                  | 8,210            |
|  | <u>11,828</u>      | <u>12,186</u>    |
| Less current portion                           | (798)              | (1,851)          |
|  | <u>\$ 11,030</u>   | <u>\$ 10,335</u> |

We previously entered into secured credit facilities with independent third-party banks to originate and hold consumer home-only loans secured by manufactured homes. Those facilities were then converted into amortizing loans, which were paid in full as of January 1, 2022.

### 14. Reinsurance and Insurance Loss Reserves

Certain of Standard Casualty's premiums and benefits are assumed from and ceded to other insurance companies under various reinsurance agreements. We remain obligated for amounts ceded in the event that the reinsurers do not meet their obligations.

The effects of reinsurance on premiums written and earned were as follows (in thousands):

|                                | Three Months Ended |                  |                   |                 |
|--------------------------------|--------------------|------------------|-------------------|-----------------|
|                                | January 1, 2022    |                  | December 26, 2020 |                 |
|                                | Written            | Earned           | Written           | Earned          |
| Direct premiums                | \$ 6,380           | \$ 6,557         | \$ 5,420          | \$ 5,429        |
| Assumed premiums—nonaffiliated | 7,023              | 7,822            | 6,541             | 7,195           |
| Ceded premiums—nonaffiliated   | (3,866)            | (3,866)          | (3,146)           | (3,146)         |
|                                | <u>\$ 9,537</u>    | <u>\$ 10,513</u> | <u>\$ 8,815</u>   | <u>\$ 9,478</u> |

  

|                                | Nine Months Ended |                  |                   |                  |
|--------------------------------|-------------------|------------------|-------------------|------------------|
|                                | January 1, 2022   |                  | December 26, 2020 |                  |
|                                | Written           | Earned           | Written           | Earned           |
| Direct premiums                | \$ 19,529         | \$ 18,876        | \$ 16,100         | \$ 15,759        |
| Assumed premiums—nonaffiliated | 23,837            | 22,830           | 21,787            | 21,028           |
| Ceded premiums—nonaffiliated   | (11,227)          | (11,227)         | (9,201)           | (9,201)          |
|                                | <u>\$ 32,139</u>  | <u>\$ 30,479</u> | <u>\$ 28,686</u>  | <u>\$ 27,586</u> |



Typical insurance policies written or assumed have a maximum coverage of \$300,000 per claim, of which we cede \$125,000 of the risk of loss per reinsurance. Therefore, our risk of loss is limited to the first \$175,000 per claim on typical policies, subject to the reinsurers meeting their obligations. After this limit, amounts are recoverable through reinsurance for catastrophic losses in excess of \$2 million per occurrence, up to a maximum of \$70 million in the aggregate for that occurrence.

Standard Casualty establishes reserves for claims and related expenses on reported and unreported non-reinsured losses. Reserves for claims are included in the Accrued expenses and other current liabilities line item on the Consolidated Balance Sheet and claims expenses is recorded in Cost of sales on the Consolidated Statement of Comprehensive Income. The following details the activity in the reserve for the nine months ended January 1, 2022 and December 26, 2020 (in thousands):

|                                     | Three Months Ended |                      | Nine Months Ended  |                      |
|-------------------------------------|--------------------|----------------------|--------------------|----------------------|
|                                     | January 1,<br>2022 | December 26,<br>2020 | January 1,<br>2022 | December 26,<br>2020 |
| Balance at beginning of period      | \$ 7,350           | \$ 6,887             | \$ 7,451           | \$ 5,582             |
| Net incurred losses during the year | 5,046              | 4,070                | 20,303             | 17,529               |
| Net claim payments during the year  | (4,916)            | (5,606)              | (20,274)           | (17,760)             |
| Balance at end of period            | <u>\$ 7,480</u>    | <u>\$ 5,351</u>      | <u>\$ 7,480</u>    | <u>\$ 5,351</u>      |

## 15. Income Taxes

For the three and nine months ended January 1, 2022, income taxes resulted in a benefit of \$20.7 million and \$0.9 million, respectively. This is due to \$34.4 million of estimated non-recurring net tax credits related to the sale of energy efficient homes between fiscal year 2018 and fiscal third quarter 2022 available under the Internal Revenue Code §45L. Of this amount, \$4.0 million is related to fiscal year 2022. A receivable for the refunds related to the net tax credits is recorded in Prepaid expenses and other current assets. This credit was initially established under the Federal Energy Policy Act of 2005 and most recently extended in the Consolidated Appropriations Act, 2021. The credit expired in its current format as of December 31, 2021. The Company determined eligibility for the program in consultation with third-party qualified experts and recognized the benefit for the five eligible years in the fiscal third quarter of 2022. Excluding these credits, the effective income tax rate was consistent between periods.

## 16. Commitments and Contingencies

*Repurchase Contingencies.* We are contingently liable under terms of repurchase agreements with financial institutions providing inventory financing to independent distributors of our products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to distributors in the event of default by the distributor.

The maximum amount for which we were liable under such agreements approximated \$117.3 million and \$74.2 million at January 1, 2022 and April 3, 2021, respectively, without reduction for the resale value of the homes that are repurchased. We had a reserve for repurchase commitments of \$3.2 million at January 1, 2022 and \$2.3 million at April 3, 2021.

*Construction-Period Mortgages.* We fund construction-period mortgages through periodic advances during home construction. At the time of initial funding, we commit to fully fund the loan contract in accordance with a predetermined schedule. The total loan contract amount, less cumulative advances, represents an off-balance sheet contingent commitment to fund future advances.

Loan contracts with off-balance sheet commitments are summarized below (in thousands):

|                                   | January 1,<br>2022 | April 3,<br>2021 |
|-----------------------------------|--------------------|------------------|
| Construction loan contract amount | \$ 14,271          | \$ 37,628        |
| Cumulative advances               | (5,377)            | (13,801)         |
|                                   | <u>\$ 8,894</u>    | <u>\$ 23,827</u> |

*Representations and Warranties of Mortgages Sold.* We sell loans to Government-Sponsored Enterprises ("GSEs") and whole-loan purchasers and finance certain loans with long-term credit facilities secured by the respective loans. In connection with these activities, we provide to GSEs and whole-loan purchasers and lenders representations and warranties related to the loans sold or financed. Upon a breach of a representation, we may be required to repurchase the loan or to indemnify a party for incurred losses. We maintain a reserve for these contingent repurchase and indemnification obligations. This reserve of \$1.2 million as of January 1, 2022 and April 3, 2021, included in Accrued expenses and other current liabilities, reflects management's estimate of probable loss. There were no claim requests that resulted in the execution of an indemnification agreement or in the repurchase of a loan during the nine months ended January 1, 2022.

*Interest Rate Lock Commitments.* In originating loans for sale, we issue interest rate lock commitments ("IRLCs") to prospective borrowers. These IRLCs bind us to fund the approved loan at the specified rate regardless of whether interest rates or market prices for similar loans have changed between the commitment date and the closing date. As of January 1, 2022, we had outstanding IRLCs with a notional amount of \$29.7 million. During the three months ended January 1, 2022, there were no gains or losses on outstanding IRLCs, and we recognized non-cash gains of \$57,000 during the three months ended December 26, 2020. For the nine months ended January 1, 2022 and December 26, 2020, we recognized gains of \$42,000 and losses of \$87,000, respectively.

*Forward Sales Commitments.* We manage the risk profiles of a portion of the outstanding IRLCs and mortgage loans held for sale by entering into forward sales of mortgage-backed securities ("MBS") and whole loan sale commitments (collectively "Commitments"). As of January 1, 2022, we had \$21.5 million in outstanding Commitments. We recognized non-cash losses of \$61,000 and \$318,000 for the three months ended January 1, 2022 and December 26, 2020, respectively. During the nine months ended January 1, 2022 and December 26, 2020, we recognized losses of \$329,000 and gains of \$816,000, respectively.

*Legal Matters.* On September 2, 2021, the SEC filed a civil complaint in the United States District Court, District of Arizona, naming the Company along with the Company's former Chairman, President & Chief Executive Officer and the Company's former Chief Financial Officer, alleging violations of the antifraud and internal accounting control provisions of the Securities Exchange Act of 1934 based on trading in the shares of another company directed by the former CEO that resulted in an unrealized gain of approximately \$260,000. In the prior year, the Company recorded an accrual relating to this loss contingency. The SEC action follows an investigation that began in 2018. On November 2, 2021, the Company filed a motion to dismiss the claim. On January 25, 2022, the court denied the motion to dismiss and the matter is now proceeding to discovery. While the Company cannot predict with certainty the resolution of this matter, we do not believe that this proceeding will have a material adverse effect on the Company's Consolidated Financial Statements.

We are party to certain other lawsuits in the ordinary course of business. Based on management's present knowledge of the facts and, in certain cases, advice of outside counsel, management does not believe that loss contingencies arising from pending matters are likely to have a material adverse effect on our consolidated financial position, liquidity or results of operations after taking into account any existing reserves, which reserves are included in Accrued expenses and other current liabilities on the Consolidated Balance Sheets. However, future events or circumstances will determine whether the resolution of pending or threatened litigation or claims will ultimately have a material effect on our consolidated financial position, liquidity or results of operations in any future reporting periods.

## 17. Stockholders' Equity and Redeemable Noncontrolling Interest

The following table represents changes in stockholders' equity attributable to Cavco's stockholders and redeemable noncontrolling interest for each quarterly period during the nine months ended January 1, 2022 (dollars in thousands):

|   | Equity Attributable to Cavco Stockholders |              |                    |                                  |                      |  |                   | Redeemable<br>Noncontrolling<br>Interest |
|---|---|--------------|--------------------|----------------------------------|----------------------|--|-------------------|--|
|   | Common Stock                              |              | Treasury<br>Stock  | Additional<br>paid-in<br>capital | Retained<br>earnings | Accumulated<br>other<br>comprehensive<br>income (loss) | Total             |  |
|   | Shares                                    | Amount       |                    |                                  |                      |  |                   |  |
| Balance, April 3, 2021                                    | 9,241,256                                 | \$ 92        | \$ (1,441)         | \$ 253,835                       | \$ 431,057           | \$ 97  | \$ 683,640        | \$ —                                     |
| Net income  | —   | —            | —                  | —                                | 27,046               | —  | 27,046            | —  |
| Other comprehensive loss, net                             | —   | —            | —                  | —                                | —                    | (13)   | (13)              | —  |
| Issuance of common stock under stock incentive plans      | 4,465                                     | —            | —                  | 136                              | —                    | —  | 136               | —  |
| Stock-based compensation                                  | —   | —            | —                  | 1,100                            | —                    | —  | 1,100             | —  |
| Common stock repurchases                                  | —   | —            | (12,842)           | —                                | —                    | —  | (12,842)          | —  |
| Balance, July 3, 2021                                     | 9,245,721                                 | \$ 92        | \$ (14,283)        | \$ 255,071                       | \$ 458,103           | \$ 84  | \$ 699,067        | \$ —                                     |
| Initial value of noncontrolling interest upon transaction | —   | —            | —                  | —                                | —                    | —  | —                 | 1,235                                    |
| Net income  | —   | —            | —                  | —                                | 37,610               | —  | 37,610            | 73                                       |
| Other comprehensive loss, net                             | —   | —            | —                  | —                                | —                    | (13)   | (13)              | —  |
| Issuance of common stock under stock incentive plans      | 29,295                                    | 1            | —                  | 2,728                            | —                    | —  | 2,729             | —  |
| Stock-based compensation                                  | —   | —            | —                  | 1,317                            | —                    | —  | 1,317             | —  |
| Common stock repurchases                                  | —   | —            | (7,594)            | —                                | —                    | —  | (7,594)           | —  |
| Distributions   | —   | —            | —                  | —                                | —                    | —  | —                 | (180)                                    |
| Balance, October 2, 2021                                  | 9,275,016                                 | \$ 93        | \$ (21,877)        | \$ 259,116                       | \$ 495,713           | \$ 71  | \$ 733,116        | \$ 1,128                                 |
| Net income  | —   | —            | —                  | —                                | 79,419               | —  | 79,419            | 196                                      |
| Other comprehensive loss, net                             | —   | —            | —                  | —                                | —                    | (113)  | (113)             | —  |
| Issuance of common stock under stock incentive plans      | 14,592                                    | —            | —                  | 1,437                            | —                    | —  | 1,437             | —  |
| Stock-based compensation                                  | —   | —            | —                  | 1,043                            | —                    | —  | 1,043             | —  |
| Common stock repurchases                                  | —   | —            | (8,690)            | —                                | —                    | —  | (8,690)           | —  |
| Distributions   | —   | —            | —                  | —                                | —                    | —  | —                 | (120)                                    |
| Balance, January 1, 2022                                  | <u>9,289,608</u>                          | <u>\$ 93</u> | <u>\$ (30,567)</u> | <u>\$ 261,596</u>                | <u>\$ 575,132</u>    | <u>\$ (42)</u>   | <u>\$ 806,212</u> | <u>\$ 1,204</u>                          |

The following table represents changes in stockholders' equity attributable to Cavco's stockholders for each quarterly period during the nine months ended December 26, 2020 (dollars in thousands):

|  | Equity Attributable to Cavco Stockholders |              |                |                            |                   |   |                   |
|--|---|--------------|----------------|----------------------------|-------------------|---|-------------------|
|  | Common Stock                              |              | Treasury Stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss) | Total             |
|  | Shares                                    | Amount       |                |                            |                   |   |                   |
| Balance, March 28, 2020                              | 9,173,242                                 | \$ 92        | \$ —           | \$ 252,260                 | \$ 355,144        | \$ 90   | \$ 607,586        |
| Cumulative effect of implementing ASU 2016-13, net   | —   | —            | —              | —                          | (733)             | —   | (733)             |
| Net income   | —   | —            | —              | —                          | 16,674            | —   | 16,674            |
| Other comprehensive income, net                      | —   | —            | —              | —                          | —                 | 68  | 68                |
| Issuance of common stock under stock incentive plans | 3,822                                     | —            | —              | (533)                      | —                 | —   | (533)             |
| Stock-based compensation                             | —   | —            | —              | 945                        | —                 | —   | 945               |
| Balance, June 27, 2020                               | 9,177,064                                 | \$ 92        | \$ —           | \$ 252,672                 | \$ 371,085        | \$ 158  | \$ 624,007        |
| Net income   | —   | —            | —              | —                          | 15,049            | —   | 15,049            |
| Other comprehensive income, net                      | —   | —            | —              | —                          | —                 | 7   | 7                 |
| Issuance of common stock under stock incentive plans | 11,098                                    | —            | —              | 522                        | —                 | —   | 522               |
| Stock-based compensation                             | —   | —            | —              | 1,103                      | —                 | —   | 1,103             |
| Balance, September 26, 2020                          | 9,188,162                                 | \$ 92        | \$ —           | \$ 254,297                 | \$ 386,134        | \$ 165  | \$ 640,688        |
| Net income   | —   | —            | —              | —                          | 19,701            | —   | 19,701            |
| Other comprehensive loss, net                        | —   | —            | —              | —                          | —                 | (15)  | (15)              |
| Issuance of common stock under stock incentive plans | 4,075                                     | —            | —              | 480                        | —                 | —   | 480               |
| Stock-based compensation                             | —   | —            | —              | 887                        | —                 | —   | 887               |
| Balance, December 26, 2020                           | <u>9,192,237</u>                          | <u>\$ 92</u> | <u>\$ —</u>    | <u>\$ 255,664</u>          | <u>\$ 405,835</u> | <u>\$ 150</u>                                 | <u>\$ 661,741</u> |

## 18. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (dollars in thousands, except per share amounts):

|  | Three Months Ended |                   | Nine Months Ended |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | January 1, 2022    | December 26, 2020 | January 1, 2022   | December 26, 2020 |
| Net income attributable to Cavco common stockholders           | <u>\$ 79,419</u>   | <u>\$ 19,701</u>  | <u>\$ 144,075</u> | <u>\$ 51,424</u>  |
| Weighted average shares outstanding                            |                    |                   |                   |                   |
| Basic  | 9,174,224          | 9,190,254         | 9,187,828         | 9,182,491         |
| Effect of dilutive securities                                  | 96,214             | 105,299           | 83,027            | 102,747           |
| Diluted  | <u>9,270,438</u>   | <u>9,295,553</u>  | <u>9,270,855</u>  | <u>9,285,238</u>  |
| Net income per share attributable to Cavco common stockholders |                    |                   |                   |                   |
| Basic  | <u>\$ 8.66</u>     | <u>\$ 2.14</u>    | <u>\$ 15.68</u>   | <u>\$ 5.60</u>    |
| Diluted  | <u>\$ 8.57</u>     | <u>\$ 2.12</u>    | <u>\$ 15.54</u>   | <u>\$ 5.54</u>    |

Anti-dilutive common stock equivalents excluded from the computation of diluted earnings per share for the three months ended January 1, 2022 and December 26, 2020 were 1,640 and 26,601, respectively. Anti-dilutive common stock equivalents excluded from the computation of diluted earnings per share for the nine months ended January 1, 2022 and December 26, 2020 were 2,449 and 26,357, respectively.

## 19. Fair Value Measurements

The book value and estimated fair value of our financial instruments were as follows (in thousands):

|                                    | January 1, 2022 |                      | April 3, 2021 |                      |
|------------------------------------|-----------------|----------------------|---------------|----------------------|
|                                    | Book Value      | Estimated Fair Value | Book Value    | Estimated Fair Value |
| Available-for-sale debt securities | \$ 17,101       | \$ 17,101            | \$ 14,946     | \$ 14,946            |
| Marketable equity securities       | 19,100          | 19,100               | 17,600        | 17,600               |
| Non-marketable equity investments  | 20,292          | 20,292               | 21,960        | 21,960               |
| Consumer loans receivable          | 56,029          | 60,301               | 74,798        | 86,209               |
| Commercial loans receivable        | 66,972          | 65,347               | 44,314        | 42,379               |
| Secured financings and other       | (11,828)        | (12,019)             | (12,186)      | (12,340)             |

See Note 19, Fair Value Measurements, and the Fair Value of Financial Instruments caption in Note 1, Summary of Significant Accounting Policies, in the Form 10-K for more information on the methodologies we use in determining fair value.

*Mortgage Servicing.* Mortgage Servicing Rights ("MSRs") are the rights to receive a portion of the interest coupon and fees collected from the mortgagors for performing specified mortgage servicing activities. MSRs are initially recorded at fair value.

|   | January 1, 2022 | April 3, 2021 |
|---|-----------------|---------------|
| Number of loans serviced with MSRs            | 4,407           | 4,647         |
| Weighted average servicing fee (basis points) | 34.76           | 33.57         |
| Capitalized servicing multiple                | 72.9 %          | 45.9 %        |
| Capitalized servicing rate (basis points)     | 25.33           | 15.42         |
| Serviced portfolio with MSRs (in thousands)   | \$ 570,639      | \$ 593,939    |
| MSRs (in thousands)                           | \$ 1,446        | \$ 916        |

## 20. Employee Benefit Plans

As part of the Commodore acquisition, we entered into a Transition Services Agreement ("TSA") with the seller whereby we lease Commodore employees from the seller while we transition them to our payroll systems. Expenses related to the TSA totaled \$15.3 million and \$16.7 million for the three and nine months ended January 1, 2022, respectively.

Commodore participates in the IAM National Pension Fund, a multiemployer defined benefit plan. Participation in this plan is available to all hourly employees who are members of the participating collective bargaining unit. Once the TSA ends, we will contribute to the plan a specified amount per hour worked for each eligible employee. Benefits under this plan are based on a fixed monthly benefit rate per year of credited service. The risks of participating in this multiemployer plan differ from single-employer plans. The potential risks include, but are not limited to, the use of the Company's contributions to provide benefits to employees of other participating employers, the Company becoming obligated for other participating employers' unfunded obligations and, upon the Company's withdrawal from the plan, the Company being required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

## 21. Related Party Transactions

We have non-marketable equity investments in other distribution operations outside of Company-owned retail stores. In the ordinary course of business, we sell homes and lend to certain of these operations through our commercial lending programs. For the three and nine months ended January 1, 2022, the total amount of sales to non-consolidated related parties was \$15.8 million and \$44.6 million, respectively. For the three and nine months ended December 26, 2020, the total amount of sales to non-consolidated related parties was \$11.2 million and \$34.2 million, respectively. As of January 1, 2022, receivables from non-consolidated related parties included \$3.3 million of accounts receivable and \$2.6 million of commercial loans outstanding. As of April 3, 2021, receivables from non-consolidated related parties included \$4.7 million of accounts receivable and \$9.5 million of commercial loans outstanding.

## 22. Acquisitions

### *Craftsman Homes, LLC and Craftsman Development, LLC Acquisition*

In fiscal year 2017, we purchased a 50% ownership interest in Craftsman for \$1.3 million to expand our retail presence in Nevada. At the time of the acquisition of that ownership, we concluded that we were not considered to be the primary beneficiary and therefore did not consolidate the Entities. Since the date of acquisition, we have recorded a non-marketable equity investment for the ownership, with changes to that investment for earnings and distributions from the Entities.

On July 4, 2021, we obtained an additional 20% ownership interest in the Entities utilizing the same pre-tax income multiple as the 2017 purchase. As we now have a controlling interest, we have consolidated the Entities and remeasured the Entities' assets and liabilities to fair value, including our previous equity investment of \$2.9 million in the Entities. As a result of the remeasurement, we recorded a gain of \$3.3 million in Other income, net on the Consolidated Statements of Comprehensive Income.

The purchase price on July 4, 2021 for 20% ownership was \$2.5 million, valuing the Entities at \$12.4 million. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands). Certain estimated values are not yet finalized and are subject to change, which could be significant. The allocation of the purchase price is still preliminary due to the short duration since the acquisition date and will be finalized upon completion of the analysis of the fair values of Craftsman's assets and specified liabilities. We expect to finalize these amounts as soon as possible but no later than one year from the acquisition date.

|   | July 4,<br>2021  |
|---|------------------|
| Cash                                      | \$ 6,466         |
| Accounts receivable                       | 577              |
| Inventories                               | 7,393            |
| Property, plant and equipment             | 189              |
| Other current assets                      | 416              |
| Intangible assets <sup>(1)</sup>          | 2,980            |
| <b>Total identifiable assets acquired</b> | <b>18,021</b>    |
| Accounts payable and accrued liabilities  | 10,028           |
| <b>Net identifiable assets acquired</b>   | <b>7,993</b>     |
| Goodwill <sup>(2)</sup>                   | 4,363            |
| <b>Net assets acquired</b>                | <b>\$ 12,356</b> |

(1) Includes \$3.0 million assigned to trademarks and trade names, which are considered indefinite lived intangible assets and are not subject to amortization.

(2) Attributable to the Factory-built housing segment, all of which will be deductible for income tax purposes.

We recorded a Redeemable noncontrolling interest for the remaining 30% ownership. As 20% of this is considered mandatorily redeemable per the Craftsman Purchase Agreement, \$2.5 million for the fair value of this portion of the noncontrolling interest is recorded in the long-term liabilities section of the Consolidated Balance Sheet within Secured financings and other. As we are not currently obligated for the redemption of the remaining 10% ownership, \$1.2 million for the initial fair value of this portion of the noncontrolling interest is classified as a temporary equity mezzanine item between liabilities and stockholders' equity on the Consolidated Balance Sheet as Redeemable noncontrolling interest.

Since the acquisition date, Craftsman contributed Net revenue of \$4.5 million and \$9.0 million for the three and nine months ended January 1, 2022, respectively. Craftsman contributed Net income of \$654,000 and \$897,000 for the three and nine months ended January 1, 2022, respectively. Cost of sales from the Craftsman acquisition included required purchase accounting adjustments whereby home product inventory is recorded at fair value upon acquisition.

#### *Commodore Homes Acquisition*

On September 24, 2021, we purchased certain manufactured housing assets and assumed certain liabilities of Commodore, including its six manufacturing facilities and two wholly-owned retail locations. In addition to manufacturing, Commodore also participates in commercial lending operations with its dealers. The transaction was accounted for as a business combination and the results of operations have been included in the accompanying Consolidated Financial Statements since the date of acquisition.

The acquisition of Commodore brings beneficial geographic addition to our footprint with strong operations in the Northeast/Midwest/Mid-Atlantic markets and provides a platform for future growth, with the potential for cost and revenue synergies.

The acquisition-date fair value of the total consideration was \$146.2 million, which was paid in cash and is subject to future adjustments upon the finalization of closing financial statements. During the third quarter certain adjustments were made to these closing financial statements, which resulted in changes to the purchase price allocation and impacted the amount of goodwill recognized. We have expensed \$2.7 million in acquisition related deal costs in Selling, general and administrative expenses on the Consolidated Statements of Comprehensive Income, and have not incurred debt in connection with the purchase or subsequent operations.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands). Certain estimated values are not yet finalized and are subject to change, which could be significant. The allocation of the purchase price is still preliminary due to the time between the acquisition date and reporting date and will be finalized upon completion of the analysis of the fair values of Commodore's acquired assets, liabilities and intangible assets. We expect to finalize these amounts as soon as possible but no later than one year from the acquisition date.

|  | September 24,<br>2021 |
|--|-----------------------|
| Cash   | \$ 619                |
| Accounts receivable                          | 20,930                |
| Commercial loans                             | 30,922                |
| Inventories                                  | 31,787                |
| Property, plant and equipment <sup>(1)</sup> | 58,942                |
| Other current assets                         | 534                   |
| Intangible assets <sup>(2)</sup>             | 12,500                |
| Total identifiable assets acquired           | 156,234               |
| Accounts payable and accrued liabilities     | 32,556                |
| Net identifiable assets acquired             | 123,678               |
| Goodwill <sup>(3)</sup>                      | 22,492                |
| Net assets acquired                          | \$ 146,170            |

(1) Includes assets acquired under finance leases. See Note 9 for additional information.

(2) Includes \$7.2 million assigned to customer-related intangibles, subject to a useful life of 11 years amortized on a straight-line basis; \$3.8 million assigned to trademarks and trade names, which are considered indefinite lived intangible assets and are not subject to amortization; \$1.0 million for acquired sales order backlogs that will be amortized over the period to produce the associated backlog; and \$0.5 million for a covenant not to compete from the sellers, amortized on a straight-line basis over the term of 5 years.

(3) Attributable to the Factory-built housing segment, all of which will be deductible for income tax purposes.

Since the acquisition date, Commodore contributed Net revenue of \$73.1 million and \$77.5 million for the three and nine months ended January 1, 2022, respectively. Commodore contributed Net income of \$2.5 million and \$1.8 million for the three and nine months ended January 1, 2022, respectively. Cost of sales from the Commodore acquisition included required purchase accounting adjustments whereby home product inventory is recorded at fair value upon acquisition.

*Pro Forma Impact of Acquisitions.* The following table presents supplemental pro forma information as if the above acquisitions occurred on March 29, 2020 (in thousands, except per share data):

|  | Three Months Ended |                      | Nine Months Ended  |                      |
|--|--------------------|----------------------|--------------------|----------------------|
|  | January 1,<br>2022 | December 26,<br>2020 | January 1,<br>2022 | December 26,<br>2020 |
| Net revenue  | \$ 431,714         | \$ 355,844           | \$ 1,287,768       | \$ 990,906           |
| Net income attributable to Cavco common stockholders | 79,419             | 20,440               | 146,828            | 57,973               |
| Diluted net income per share                         | 8.57               | 2.20                 | 15.84              | 6.24                 |



### 23. Business Segment Information

We operate principally in two segments: (1) factory-built housing, which includes wholesale and retail factory-built housing operations and (2) financial services, which includes manufactured housing consumer finance and insurance. The following table provides selected financial data by segment (in thousands):

|                                   | Three Months Ended |                      | Nine Months Ended   |                      |
|-----------------------------------|--------------------|----------------------|---------------------|----------------------|
|                                   | January 1,<br>2022 | December 26,<br>2020 | January 1,<br>2022  | December 26,<br>2020 |
| <b>Net revenue</b>                |                    |                      |                     |                      |
| Factory-built housing             | \$ 413,590         | \$ 270,822           | \$ 1,067,967        | \$ 749,879           |
| Financial services                | 18,124             | 17,950               | 53,712              | 51,670               |
|                                   | <u>\$ 431,714</u>  | <u>\$ 288,772</u>    | <u>\$ 1,121,679</u> | <u>\$ 801,549</u>    |
| <b>Income before income taxes</b> |                    |                      |                     |                      |
| Factory-built housing             | \$ 52,905          | \$ 18,752            | \$ 133,357          | \$ 54,654            |
| Financial services                | 6,030              | 7,138                | 10,077              | 12,512               |
|                                   | <u>\$ 58,935</u>   | <u>\$ 25,890</u>     | <u>\$ 143,434</u>   | <u>\$ 67,166</u>     |
|                                   |                    |                      | January 1,<br>2022  | April 3,<br>2021     |
| <b>Total assets:</b>              |                    |                      |                     |                      |
| Factory-built housing             |                    |                      | \$ 887,553          | \$ 711,579           |
| Financial services                |                    |                      | 224,678             | 240,254              |
|                                   |                    |                      | <u>\$ 1,112,231</u> | <u>\$ 951,833</u>    |

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Forward-Looking Statements**

Statements in this Report on Form 10-Q include "forward-looking statements," within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are often characterized by the use of words such as "believes," "estimates," "expects," "projects," "may," "will," "intends," "plans," or "anticipates," or by discussions of strategy, plans or intentions. Forward-looking statements are typically included, for example, in discussions regarding the manufactured housing and site-built housing industries; our financial performance and operating results; our liquidity and financial resources; the expected effect of certain risks and uncertainties on our business, financial condition and results of operations; economic conditions and consumer confidence; potential acquisitions, strategic investments and other expansions; operational and legal risks; how the Company may be affected by the novel coronavirus COVID-19 pandemic ("COVID-19") or any other pandemic or outbreak; labor shortages and the pricing and availability of raw materials; governmental regulations and legal proceedings; the availability of favorable consumer and wholesale manufactured home financing; market interest rates and Company investments and the ultimate outcome of our commitments and contingencies. Forward-looking statements contained in this Report on Form 10-Q ("Report") speak only as of the date of this report or, in the case of any document incorporated by reference, the date of that document. We do not intend to publicly update or revise any forward-looking statement contained in this Report or in any document incorporated herein by reference to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time, except as required by law.

Forward-looking statements involve risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, many of which are beyond our control. To the extent that our assumptions and expectations differ from actual results, our ability to meet such forward-looking statements, including the ability to generate positive cash flow from operations, may be significantly hindered. Factors that could affect our results and cause them to materially differ from those contained in the forward-looking statements include, without limitation, those discussed in Risk Factors in Part I, Item 1A of our 2021 Annual Report on Form 10-K filed with the Securities and Exchange Commission ("Form 10-K").

### **Introduction**

The following should be read in conjunction with Cavco Industries, Inc. and its subsidiaries' (collectively, "we," "us," "our," the "Company" or "Cavco") Consolidated Financial Statements and the related Notes that appear in Item 1 of this Report. References to "Note" or "Notes" pertain to the Notes to our Consolidated Financial Statements.

### **Company Overview**

Headquartered in Phoenix, Arizona, we design and produce factory-built housing products primarily distributed through a network of independent and Company-owned retailers, planned community operators and residential developers. We are one of the largest producers of manufactured homes in the United States, based on reported wholesale shipments. Our products are marketed under a variety of brand names including Cavco, Fleetwood, Palm Harbor, Nationwide, Fairmont, Friendship, Chariot Eagle, Destiny, Commodore, Colony, Pennwest, R-Anell, Manorwood and MidCountry. We are also one of the leading producers of park model RVs, vacation cabins and factory-built commercial structures. Our finance subsidiary, CountryPlace Acceptance Corp. ("CountryPlace"), is an approved Federal National Mortgage Association and Federal Home Loan Mortgage Corporation ("Freddie Mac") seller/servicer and a Government National Mortgage Association ("Ginnie Mae") mortgage-backed securities issuer that offers conforming mortgages, non-conforming mortgages and home-only loans to purchasers of factory-built homes. Our insurance subsidiary, Standard Casualty Company ("Standard Casualty"), provides property and casualty insurance to owners of manufactured homes.

We operate 26 homebuilding production lines located in Millersburg and Woodburn, Oregon; Riverside, California; Nampa, Idaho; Phoenix and Goodyear, Arizona; Austin, Fort Worth, Seguin and Waco, Texas; Montevideo, Minnesota; Dorchester, Wisconsin; Nappanee and Goshen, Indiana; Lafayette, Tennessee; Douglas and Moultrie, Georgia; Shipperville and Emlenton, Pennsylvania; Martinsville and Rocky Mount, Virginia; Cherryville, North Carolina; and Ocala and Plant City, Florida. The majority of the homes produced are sold to, and distributed by, independently owned and controlled retail operations located throughout the United States and Canada. In addition, our homes are sold through 45 Company-owned U.S. retail locations.

Included in the above figures are two recent acquisitions. On July 4, 2021, we purchased an additional 20% ownership in Craftsman Homes, LLC and Craftsman Homes Development, LLC (collectively known as "Craftsman") in addition to our existing 50% ownership, making us controlling owner. Craftsman is a manufactured home retailer with four locations in Nevada selling Company and other manufacturer branded homes. They also provide general construction to setup the customer's property and assist with multi-home developments and multi-family dwellings. The transaction was accounted for as a business combination achieved in stages and the results of operations have been included in the accompanying Consolidated Financial Statements since the date of the acquisition of the additional 20% interest, with a reduction for the earnings attributable to the noncontrolling shareholder.

On September 24, 2021, we purchased certain manufactured housing assets and assumed certain liabilities of The Commodore Corporation ("Commodore"), including its six manufacturing facilities and two wholly-owned retail locations. In addition to manufacturing, Commodore also participates in commercial lending operations with its dealers. The transaction was accounted for as a business combination and the results of operations have been included in the accompanying Consolidated Financial Statements since the date of acquisition.

### **Company and Industry Outlook**

According to data reported by the Manufactured Housing Institute, industry home shipments increased 12.0% in calendar year 2021 compared to the prior year, which was impacted by shutdowns related to COVID-19. We did not experience any significant factory shutdowns in the prior year period, in contrast to certain other industry participants.

The industry offers solutions to the affordable housing crisis and these industry shipment numbers do not represent demand; instead, they represent the industry's ability to produce in the current environment. The average price per square foot for a manufactured home is lower than a site-built home. Also, based on the relatively low cost associated with manufactured home ownership, our products have traditionally competed with rental housing's monthly payment affordability.

The two largest manufactured housing consumer demographics, young adults and those who are age 55 and older, are both growing. "First-time" and "move-up" buyers of affordable homes are historically among the largest segments of new manufactured home purchasers. Included in this group are lower-income households that are particularly affected by periods of low employment rates and underemployment. Consumer confidence is especially important among manufactured home buyers interested in our products for seasonal or retirement living.

We seek out niche market opportunities where our diverse product lines and custom building capabilities provide a competitive advantage. Our green building initiatives involve the creation of an energy efficient envelope and higher utilization of renewable materials. These homes provide environmentally-friendly maintenance requirements, typically lower utility costs and sustainability.

We maintain a conservative cost structure in an effort to build added value into our homes and we work diligently to maintain a solid financial position. Our balance sheet strength, including the position in cash and cash equivalents, helps avoid liquidity problems and enables us to act effectively as market opportunities or challenges present themselves.

We continue to make certain commercial loan programs available to members of our wholesale distribution chain. Under direct commercial loan arrangements, we provide funds for financed home purchases by distributors, community owners and developers (see Note 7 to the Consolidated Financial Statements). Our involvement in commercial loans helps to increase the availability of manufactured home financing to distributors, community owners and developers and provides additional opportunity for product exposure to potential home buyers. While these initiatives support our ongoing efforts to expand product distribution, they expose us to risks associated with the creditworthiness of this customer base and our inventory financing partners.

The lack of an efficient secondary market for manufactured home-only loans and the limited number of institutions providing such loans results in higher borrowing costs for home-only loans and continues to constrain industry growth. We work directly with other industry participants to develop secondary market opportunities for manufactured home-only loan portfolios and expand lending availability in the industry. Additionally, we continue to invest in community-based lending initiatives that provide home-only financing to new residents of certain manufactured home communities. We also develop and invest in home-only lending programs to grow sales of homes through traditional distribution points. We believe that growing our investment and participation in home-only lending may provide additional sales growth opportunities for our financial services segment, as well as provide a means that could lead to increased home sales for our factory-built housing operations.

While home production continues to experience hiring challenges, unpredictable factory employee absenteeism and building material supply disruptions, our factory utilization for the third fiscal quarter of 2022 was back to pre-pandemic levels of approximately 80%, up from a rate of 75% the past four quarters. This is the result of an increase in production headcount and less production hours per module.

Housing demand remains strong, as qualified individuals continue pursuing affordable home-ownership. Home order rates have moderated from the extreme highs we saw the past few quarters, but still remain above pre-COVID rates, which we considered to be strong.

Our backlogs at January 1, 2022 were \$1.1 billion, consistent with second fiscal quarter of 2022 and up \$633 million, or 134.1%, compared to \$472 million at December 26, 2020. The year over year increase includes \$277 million attributable to Commodore. Backlogs exclude home orders that have been paused or canceled at the request of the customer.

Key housing building materials include wood and wood products, gypsum wallboard, steel, windows, appliances, insulation and other petroleum-based products. Pricing and availability of certain raw materials have recently been volatile due to a number of factors in the current environment. We continue to monitor and react to inflation in these materials by maintaining a focus on our product pricing in response to higher materials costs, but such increases may lag behind the escalation of such costs. Availability of these products has not caused a production halt in the current period, but we have experienced periodic shutdowns in other periods and shortages of primary building materials have caused production inefficiencies as we have needed to change processes in response to the delay in materials.

While it is difficult to predict the future of housing demand, employee availability, supply chain and Company performance and operations, maintaining an appropriately sized and well-trained workforce is key to increasing production to meet increased demand, and we face challenges in overcoming labor-related difficulties in the current environment to increase home production. We continually review the wage rates of our production employees, and have established other monetary incentive and benefit programs, with a goal of providing competitive compensation. We also provide leadership training to new managers and other employees in supervisory roles to enhance communication and improve the oversight and motivation of other employees, more extensively use online recruiting tools, update our recruitment brochures and improve the appearance and appeal of our manufacturing facilities to improve the recruitment and retention of qualified production employees and reduce annualized turnover rates. Regardless, we believe our ability to recruit the workforce we need to meet the overall need for affordable housing continues to improve.

In the financial services segment, we continue to assist customers in need by servicing existing loans and insurance policies and complying with state and federal regulations regarding loan forbearance, home foreclosures and policy cancellations. Certain loans serviced for investors expose us to cash flow deficits if customers do not make contractual monthly payments of principal and interest in a timely manner. For certain loans serviced for Ginnie Mae and Freddie Mac, and home-only loans serviced for certain other investors, we must remit scheduled monthly principal and/or interest payments and principal curtailments regardless of whether monthly mortgage payments are collected from borrowers. Ginnie Mae permits cash obligations on loans in forbearance from COVID-19 to be offset by other incoming cash flows from loans such as loan pre-payments. Although monthly collections of principal and interest from borrowers have exceeded scheduled principal and interest payments owed to investors, mandatory extended forbearance under the Coronavirus Aid, Relief and Economic Security Act and certain other regulations related to COVID-19 could negatively impact cash obligations in the future.

**Results of Operations**

*Net Revenue*

|  | Three Months Ended |                   | Change            |               |
|--|--------------------|-------------------|-------------------|---------------|
|  | January 1, 2022    | December 26, 2020 |                   |               |
| (\$ in thousands, except revenue per home sold)                |                    |                   |                   |               |
| Factory-built housing  | \$ 413,590         | \$ 270,822        | \$ 142,768        | 52.7 %        |
| Financial services   | 18,124             | 17,950            | 174               | 1.0 %         |
|  | <u>\$ 431,714</u>  | <u>\$ 288,772</u> | <u>\$ 142,942</u> | <u>49.5 %</u> |
| Factory-built homes sold                                       |                    |                   |                   |               |
| by Company-owned retail sales centers                          | 658                | 768               | (110)             | (14.3)%       |
| to independent retailers, builders, communities and developers | 3,766              | 2,835             | 931               | 32.8 %        |
|  | <u>4,424</u>       | <u>3,603</u>      | <u>821</u>        | <u>22.8 %</u> |
| Net factory-built housing revenue per home sold                | \$ 93,488          | \$ 75,166         | \$ 18,322         | 24.4 %        |

|  | Nine Months Ended   |                   | Change            |               |
|--|---------------------|-------------------|-------------------|---------------|
|  | January 1, 2022     | December 26, 2020 |                   |               |
| (\$ in thousands, except revenue per home sold)                |                     |                   |                   |               |
| Factory-built housing  | \$ 1,067,967        | \$ 749,879        | \$ 318,088        | 42.4 %        |
| Financial services   | 53,712              | 51,670            | 2,042             | 4.0 %         |
|  | <u>\$ 1,121,679</u> | <u>\$ 801,549</u> | <u>\$ 320,130</u> | <u>39.9 %</u> |
| Factory-built homes sold                                       |                     |                   |                   |               |
| by Company-owned retail sales centers                          | 2,091               | 2,283             | (192)             | (8.4)%        |
| to independent retailers, builders, communities and developers | 9,630               | 8,096             | 1,534             | 18.9 %        |
|  | <u>11,721</u>       | <u>10,379</u>     | <u>1,342</u>      | <u>12.9 %</u> |
| Net factory-built housing revenue per home sold                | \$ 91,116           | \$ 72,250         | \$ 18,866         | 26.1 %        |

In the factory-built housing segment, the increase in Net revenues was primarily due to an increase in the average sales price and the number of units sold. The higher home prices were driven by product price increases and a shift toward more multi-module homes. Home sales volume increased from the addition of Commodore and higher factory capacity utilization, partially offset by lower retail sales.

Net factory-built housing revenue per home sold is a volatile metric dependent upon several factors. A primary factor is the price disparity between sales of homes to independent distributors, builders, communities and developers and sales of homes to consumers by Company-owned retail stores. Wholesale sales prices are primarily comprised of the home and the cost to ship the home from a homebuilding facility to the home-site. Retail home prices include these items and retail markup, as well as items that are largely subject to home buyer discretion, including, but not limited to, installation, utility connections, site improvements, landscaping and additional services. Our homes are constructed in one or more floor sections ("modules") which are then installed on the customer's site. Changes in the number of modules per home, the selection of different home types/models and optional home upgrades create changes in product mix, also causing fluctuations in this metric. The table below presents the mix of modules and homes sold for the three and nine months ended January 1, 2022 and December 26, 2020:

|   | Three Months Ended |               |                      |               |         |         |
|---|--------------------|---------------|----------------------|---------------|---------|---------|
|   | January 1,<br>2022 |               | December 26,<br>2020 |               | Change  |         |
|   | Modules            | Homes         | Modules              | Homes         | Modules | Homes   |
| U.S. Housing and Urban Development ("HUD") code homes | 6,166              | 3,583         | 5,427                | 3,186         | 13.6 %  | 12.5 %  |
| Modular homes   | 1,270              | 632           | 533                  | 255           | 138.3 % | 147.8 % |
| Park model RVs  | 209                | 209           | 162                  | 162           | 29.0 %  | 29.0 %  |
|   | <u>7,645</u>       | <u>4,424</u>  | <u>6,122</u>         | <u>3,603</u>  | 24.9 %  | 22.8 %  |
|   | Nine Months Ended  |               |                      |               |         |         |
|   | January 1,<br>2022 |               | December 26,<br>2020 |               | Change  |         |
|   | Modules            | Homes         | Modules              | Homes         | Modules | Homes   |
| HUD code homes  | 17,366             | 10,013        | 15,338               | 9,030         | 13.2 %  | 10.9 %  |
| Modular homes   | 2,257              | 1,112         | 1,483                | 693           | 52.2 %  | 60.5 %  |
| Park model RVs  | 596                | 596           | 656                  | 656           | (9.1)%  | (9.1)%  |
|   | <u>20,219</u>      | <u>11,721</u> | <u>17,477</u>        | <u>10,379</u> | 15.7 %  | 12.9 %  |

Financial services segment revenue increased primarily due to higher volume in home loan sales and more insurance policies in force in the current year compared to the prior year, partially offset by lower interest income earned on the acquired consumer loan portfolios that continue to amortize and lower unrealized gains on marketable equity securities in the insurance subsidiary's portfolio. For the three and nine months ended January 1, 2022, we recognized unrealized gains on marketable equity securities of \$0.5 million and \$0.4 million, respectively. For the three and nine months ended December 26, 2020, we recognized unrealized gains of \$1.0 million and \$2.7 million, respectively.

**Gross Profit**

| (\$ in thousands)     | Three Months Ended |                   | Change           |               |
|-----------------------|--------------------|-------------------|------------------|---------------|
|                       | January 1, 2022    | December 26, 2020 |                  |               |
| Factory-built housing | \$ 104,119         | \$ 47,031         | \$ 57,088        | 121.4 %       |
| Financial services    | 11,089             | 12,207            | (1,118)          | (9.2)%        |
|                       | <u>\$ 115,208</u>  | <u>\$ 59,238</u>  | <u>\$ 55,970</u> | <u>94.5 %</u> |

| Gross profit as % of Net revenue |        |        |     |        |
|----------------------------------|--------|--------|-----|--------|
| Consolidated                     | 26.7 % | 20.5 % | N/A | 6.2 %  |
| Factory-built housing            | 25.2 % | 17.4 % | N/A | 7.8 %  |
| Financial services               | 61.2 % | 68.0 % | N/A | (6.8)% |

| (\$ in thousands)     | Nine Months Ended |                   | Change            |               |
|-----------------------|-------------------|-------------------|-------------------|---------------|
|                       | January 1, 2022   | December 26, 2020 |                   |               |
| Factory-built housing | \$ 252,691        | \$ 140,178        | \$ 112,513        | 80.3 %        |
| Financial services    | 26,458            | 27,924            | (1,466)           | (5.2)%        |
|                       | <u>\$ 279,149</u> | <u>\$ 168,102</u> | <u>\$ 111,047</u> | <u>66.1 %</u> |

| Gross profit as % of Net revenue |        |        |     |        |
|----------------------------------|--------|--------|-----|--------|
| Consolidated                     | 24.9 % | 21.0 % | N/A | 3.9 %  |
| Factory-built housing            | 23.7 % | 18.7 % | N/A | 5.0 %  |
| Financial services               | 49.3 % | 54.0 % | N/A | (4.7)% |

Factory-built housing gross profit increased for the three and nine months ended January 1, 2022 primarily due to higher average sales prices and increased home sales volume, partially offset by higher material costs per unit and purchase accounting related items at Commodore. We continue to monitor and react to inflation in building material prices by maintaining a focus on our product pricing; however, product price increases may lag behind the escalation of building material costs. While lower lumber product market price benefits are being realized in cost of sales for the three and nine months ended January 1, 2022, we have seen most other product prices increase, offsetting those lumber declines. In addition to lumber price benefits, Gross profit as a percentage of Net revenue also increased from a shift toward more multi-module homes and from streamlining our HUD code product offering across our network.

For the three and nine months ended January 1, 2022, Financial services gross profit decreased primarily due to higher weather related claims and lower unrealized gains on marketable equity securities compared to the prior year period.

***Selling, General and Administrative Expenses***

| (\$ in thousands)  | Three Months Ended |                   | Change           |               |
|--|--------------------|-------------------|------------------|---------------|
|  | January 1, 2022    | December 26, 2020 |                  |               |
| Factory-built housing  | \$ 55,735          | \$ 30,575         | \$ 25,160        | 82.3 %        |
| Financial services   | 4,587              | 4,839             | (252)            | (5.2)%        |
|  | <u>\$ 60,322</u>   | <u>\$ 35,414</u>  | <u>\$ 24,908</u> | <u>70.3 %</u> |
| Selling, general and administrative expenses as % of Net revenue | 14.0 %             | 12.3 %            | N/A              | 1.7 %         |

| (\$ in thousands)  | Nine Months Ended |                   | Change           |               |
|--|-------------------|-------------------|------------------|---------------|
|  | January 1, 2022   | December 26, 2020 |                  |               |
| Factory-built housing  | \$ 131,579        | \$ 92,037         | \$ 39,542        | 43.0 %        |
| Financial services   | 14,947            | 14,153            | 794              | 5.6 %         |
|  | <u>\$ 146,526</u> | <u>\$ 106,190</u> | <u>\$ 40,336</u> | <u>38.0 %</u> |
| Selling, general and administrative expenses as % of Net revenue | 13.1 %            | 13.2 %            | N/A              | (0.1)%        |

For the three months ended January 1, 2022, Selling, general and administrative expenses related to factory-built housing increased between periods primarily from the addition of Commodore, higher salary and incentive-based compensation expense and expenses incurred in engaging third-party consultants in relation to pursuing the availability of the non-recurring energy efficient home net tax credits. The nine month period also includes \$2.4 million in deal costs related to the Commodore acquisition and \$1.2 million in expenses related to the SEC inquiry. This was partially offset by a reduction in the amortization of the additional Director and Officer insurance premium, added in the third quarter of fiscal year 2019, which was \$4.2 million for the nine months ended December 26, 2020, with no expense in the current year.

In Financial services, Selling, general and administrative expenses increased primarily from greater recognition of deferred origination costs on higher loan sales.



***Other Components of Net Income***

| (\$ in thousands)            | Three Months Ended |                   | Change   |          |
|------------------------------|--------------------|-------------------|----------|----------|
|                              | January 1, 2022    | December 26, 2020 |          |          |
| Interest expense             | \$ 209             | \$ 177            | \$ 32    | 18.1 %   |
| Other income, net            | 4,258              | 2,243             | 2,015    | 89.8 %   |
| Income tax (benefit) expense | (20,680)           | 6,189             | (26,869) | (434.1)% |
| Effective tax rate           | (35.1)%            | 23.9 %            | N/A      | (59.0)%  |

| (\$ in thousands)            | Nine Months Ended |                   | Change   |          |
|------------------------------|-------------------|-------------------|----------|----------|
|                              | January 1, 2022   | December 26, 2020 |          |          |
| Interest expense             | \$ 576            | \$ 567            | \$ 9     | 1.6 %    |
| Other income, net            | 11,387            | 5,821             | 5,566    | 95.6 %   |
| Income tax (benefit) expense | (910)             | 15,742            | (16,652) | (105.8)% |
| Effective tax rate           | (0.6)%            | 23.4 %            | N/A      | (24.0)%  |

Interest expense consists primarily of debt service on the financings of manufactured home-only loans and interest related to finance leases.

Other income, net primarily consists of realized and unrealized gains and losses on corporate investments, interest income related to commercial loan receivable balances (which increased with the addition of Commodore), interest income earned on cash balances and gains and losses from the sale of property, plant and equipment. During the year, we also recognized a non-cash gain of \$3.3 million on the remeasurement of the assets and liabilities of Craftsman. See Note 22 to the Consolidated Financial Statements for further information.

The effective income tax rate was a benefit for the three and nine months ended January 1, 2022. This is due to \$34.4 million of estimated non-recurring net tax credits related to the sale of energy efficient homes between fiscal year 2018 and fiscal third quarter 2022 available under the Internal Revenue Code §45L. This credit was initially established under the Federal Energy Policy Act of 2005 and most recently extended in the Consolidated Appropriations Act, 2021. It allows for eligible manufacturer to claim a tax credit for each qualifying newly constructed and sold residence. Excluding these credits, the effective income tax rate was consistent between periods.

**Liquidity and Capital Resources**

We believe that cash and cash equivalents at January 1, 2022, together with cash flow from operations, will be sufficient to fund our operations and provide for growth for the next 12 months and into the foreseeable future. We maintain cash in U.S. Treasury and other money market funds, some of which are in excess of federally insured limits. We expect to continue to evaluate potential acquisitions of, or strategic investments in, businesses that are complementary to the Company, as well as other expansion opportunities. Such transactions may require the use of cash and have other impacts on our liquidity and capital resources. Because of our sufficient cash position, we have not historically sought external sources of liquidity, with the exception of certain credit facilities for the home-only lending programs. Regardless, depending on our operating results and strategic opportunities, we may seek additional or alternative sources of financing in the future. There can be no assurance that such financing would be available on satisfactory terms, if at all. If this financing were not available, it could be necessary for us to reevaluate our long-term operating plans to make more efficient use of our existing capital resources at such time. The exact nature of any changes to our plans that would be considered depends on various factors, such as conditions in the factory-built housing industry and general economic conditions outside of our control.

State insurance regulations restrict the amount of dividends that can be paid to stockholders of insurance companies. As a result, the assets owned by our insurance subsidiary are generally not available to satisfy the claims of Cavco or its legal subsidiaries. We believe that stockholders' equity at the insurance subsidiary remains sufficient and do not believe that the ability to pay ordinary dividends to Cavco will be restricted per state regulations.

The following is a summary of the Company's cash flows for the nine months ended January 1, 2022 and December 26, 2020, respectively:

| (in thousands)   | Nine Months Ended  |                      | \$ Change          |
|--|--------------------|----------------------|--------------------|
|  | January 1,<br>2022 | December 26,<br>2020 |                    |
| Cash, cash equivalents and restricted cash at beginning of the fiscal year | \$ 339,307         | \$ 255,607           | \$ 83,700          |
| Net cash provided by operating activities                                  | 125,967            | 91,566               | 34,401             |
| Net cash used in investing activities                                      | (147,842)          | (5,098)              | (142,744)          |
| Net cash used in financing activities                                      | (34,290)           | (1,451)              | (32,839)           |
| Cash, cash equivalents and restricted cash at end of the period            | <u>\$ 283,142</u>  | <u>\$ 340,624</u>    | <u>\$ (57,482)</u> |

Net cash provided by operating activities increased primarily from higher net income and proceeds from consumer loan sales, which were \$142.4 million this year compared to \$122.6 million in the previous year. This increase was partially offset by the refunds related to the estimated net tax credits under the Internal Revenue Code §45L which had not been received as of January 1, 2022, rising costs of our raw materials and higher purchases of such materials and payments on Accounts payable and Accrued expenses and other current liabilities.

Consumer loan originations decreased \$1.2 million to \$122.9 million for the nine months ended January 1, 2022 from \$124.1 million for the nine months ended December 26, 2020.

We enter into commercial loan arrangements with distributors, communities and developers under which we provide funds for financing homes. In addition, we enter into commercial loan arrangements with certain distributors of our products under which we provide funds for wholesale purchases. We have also invested in community-based lending initiatives that provide home-only financing to new residents of certain manufactured home communities. For additional information regarding our commercial loans receivable, see Note 7 to the Consolidated Financial Statements. Further, we invest in and develop home-only loan pools and lending programs to attract third party financier interest in order to grow sales of new homes through traditional distribution points. Cash receipts, net of amounts loaned, increased cash by \$8.1 million while the prior period net activity provided an additional \$6.4 million in cash.

Net cash used in investing activities consists of buying and selling debt and marketable equity securities in our Financial Services segment, purchases of property, plant and equipment and funding strategic growth acquisitions. Greater cash was used in the current period for the purchase of Craftsman and Commodore.

Net cash used in financing activities for the current period was primarily for the repurchase of common stock and the payments of the secured term loans, which have been paid in full as of January 1, 2022.

*Contractual Commitments and Contingencies.* There were no material changes to the contractual obligations as set forth in our Annual Report on Form 10-K.

### **Critical Accounting Policies**

Except as described in Note 1 to the Consolidated Financial Statements, there have been no other significant changes to our critical accounting policies during the nine months ended January 1, 2022, as compared to those disclosed in Part II, Item 7 of our Form 10-K, under the heading "Critical Accounting Policies," which provides a discussion of the critical accounting policies that management believes affect its more significant judgments and estimates used in the preparation of the Company's Consolidated Financial Statements.

## **Other Matters**

*Related Party Transactions.* See Note 21 to the Consolidated Financial Statements for a discussion of our related party transactions.

## **Off Balance Sheet Arrangements**

See Note 16 to the Consolidated Financial Statements for a discussion of our off-balance sheet commitments, which discussion is incorporated herein by reference.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes from the quantitative and qualitative disclosures about market risk previously disclosed in the Form 10-K.

## **Item 4. Controls and Procedures**

### **(a) Disclosure Controls and Procedures**

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including its President and Chief Executive Officer and its Chief Financial Officer, of the effectiveness of its disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based upon that evaluation, the Company's President and Chief Executive Officer and its Chief Financial Officer concluded that, as of January 1, 2022, its disclosure controls and procedures were effective.

### **(b) Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the fiscal quarter ended January 1, 2022 which 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

See the information under the "Legal Matters" caption in Note 16 to the Consolidated Financial Statements, which is incorporated herein by reference.

### Item 1A. Risk Factors

In addition to the other information set forth in this Report, you should carefully consider the factors discussed in Part I, Item 1A, *Risk Factors*, in the Form 10-K, which could materially affect our business, financial condition or future results. The risks described in this Report and in the Form 10-K are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

#### Issuer Purchases of Equity Securities

On October 27, 2020, the Company's Board of Directors approved a \$100 million stock repurchase program, which was announced on a Current Report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2020, and that we may use to purchase our outstanding common stock. The repurchases may be made in the open market or in privately negotiated transactions in compliance with applicable state and federal securities laws and other legal requirements. The level of repurchase activity is subject to market conditions and other investment opportunities. The repurchase program does not obligate us to acquire any particular amount of common stock and may be suspended or discontinued at any time. The repurchase program is funded using our available cash. The following table sets forth repurchases of our common stock during the third quarter of fiscal year 2022:

| Period                                  | Total Number of<br>Shares Purchased | Average Price Paid<br>Per Share | Total Number of<br>Shares Purchased<br>as Part of the<br>Publicly<br>Announced<br>Program | Approximate<br>Dollar Value of<br>Shares That May<br>Yet Be Purchased<br>Under the Program<br>(in thousands) |
|---|-------------------------------------|---------------------------------|---|--|
| October 3, 2021 to<br>November 6, 2021  | —                                   | \$ —                            | —   | \$ 78,123  |
| November 7, 2021 to<br>December 4, 2021 | 26,672                              | 305.58                          | 26,672  | 69,972   |
| December 5, 2021 to<br>January 1, 2022  | 1,700                               | 316.83                          | 1,700   | 69,433   |
|   | <u>28,372</u>                       |                                 | <u>28,372</u>   |  |

### Item 5. Other Information

There is no other information required to be disclosed under this item which was not previously disclosed.

**Item 6. Exhibits**

**Exhibit**

| <b><u>No.</u></b>    | <b><u>Exhibit</u></b>   |
|----------------------|---|
| <a href="#">31.1</a> | (1) <a href="#">Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Rule 13a-14(a)/15d-14(a)</a> |
| <a href="#">31.2</a> | (1) <a href="#">Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Rule 13a-14(a)/15d-14(a)</a> |
| <a href="#">32</a>   | (2) <a href="#">Certification Pursuant to 18 U.S.C. 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>                    |
| 101.INS              | 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)  |

All other items required under Part II are omitted because they are not applicable.

(1) Filed herewith.

(2) Furnished 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.

### **Cavco Industries, Inc.**

Registrant

| Signature                                     | Title   | Date             |
|---|---|------------------|
| <u>/s/ William C. Boor</u><br>William C. Boor | Director, President and Chief Executive Officer<br>(Principal Executive Officer)                  | February 7, 2022 |
| <u>/s/ Allison K. Aden</u><br>Allison K. Aden | Executive Vice President, Chief Financial<br>Officer & Treasurer<br>(Principal Financial Officer) | February 7, 2022 |

**Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, William C. Boor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cavco Industries, Inc.;
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 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 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: February 7, 2022

By: /s/ William C. Boor  
William C. Boor  
President and Chief Executive Officer  
(Principal Executive Officer)

**Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Allison K. Aden, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cavco Industries, Inc.;
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 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 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: February 7, 2022

By: /s/ Allison K. Aden  
Allison K. Aden  
Executive Vice President, Chief Financial  
Officer & Treasurer  
(Principal Financial Officer)



**Certification 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 of Cavco Industries, Inc. (the “Registrant”) on Form 10-Q for the period ending January 1, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, William C. Boor and Allison K. Aden, President and Chief Executive Officer and Executive Vice President, Chief Financial Officer & Treasurer, respectively, of the Registrant, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

February 7, 2022

/s/ William C. Boor

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William C. Boor

President and Chief Executive Officer  
(Principal Executive Officer)

/s/ Allison K. Aden

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Allison K. Aden

Executive Vice President, Chief Financial Officer  
& Treasurer  
(Principal Financial Officer)