



FACTORY-BUILT HOUSING SOLUTIONS

Investor Presentation  
May 2017

# Cavco Industries, Inc.

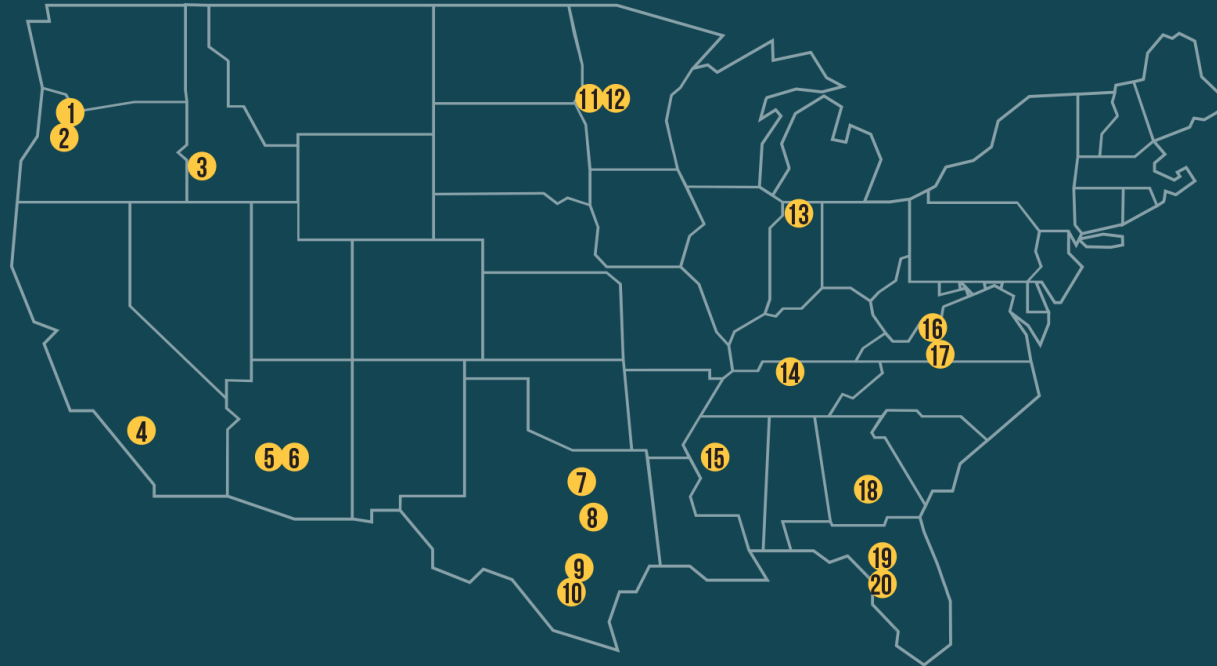
## NASDAQ: CVCO



[investor.cavco.com](http://investor.cavco.com)



# Our Building Facilities



- |   |  |   |  |
|---|--|---|--|
| 1. <b>Fleetwood Pacific Northwest</b><br>Woodburn, OR | 6. <b>Durango Homes by Cavco</b><br>Phoenix, AZ  | 11. <b>Fairmont Homes – I</b><br>Montevideo, MN       | 16. <b>Fleetwood East</b><br>Rocky Mt., VA       |
| 2. <b>Palm Harbor Northwest</b><br>Millersburg, OR    | 7. <b>Palm Harbor Ft. Worth</b><br>Ft. Worth, TX | 12. <b>Fairmont Homes – II</b><br>Montevideo, MN      | 17. <b>Nationwide Homes</b><br>Martinsville, VA  |
| 3. <b>Fleetwood Northwest/Mountain</b><br>Nampa, ID   | 8. <b>Fleetwood Southwest</b><br>Waco, TX        | 13. <b>Fairmont Homes</b><br>Nappanee, IN             | 18. <b>Fleetwood South</b><br>Douglas, GA        |
| 4. <b>Fleetwood West</b><br>Riverside, CA             | 9. <b>Palm Harbor Austin</b><br>Austin, TX       | 14. <b>Fleetwood Midwest/Central</b><br>Lafayette, TN | 19. <b>Chariot Eagle</b><br>Ocala, FL            |
| 5. <b>Cavco West</b><br>Goodyear, AZ                  | 10. <b>Cavco Homes of Texas</b><br>Seguin, TX    | 15. <b>Lexington Homes</b><br>Lexington, MS           | 20. <b>Palm Harbor Florida</b><br>Plant City, FL |



# Focused Transformation

## Cavco 2009

Revenue: \$105 million

6 Retail Stores



3 Factories



## Acquisitions



Lexington Homes

1 factory



FAIRMONT  
HOMES INC.

3 factories



Chariot  
EAGLE

1 factory



STANDARD  
CASUALTY COMPANY

Standard Insurance



CountryPlace  
MORTGAGE

CountryPlace Mortgage



Palm  
Harbor  
Homes

5 factories  
49 retail stores



Fleetwood  
HOMES

7 factories

## Cavco 2017

\$750+ million  
in annual revenue



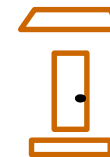
Insurance Sub

Mortgage Sub

Commercial Lending



43 Retail Stores



20 Factories



PROUD TO BE  
**7 Years**  
Manufacturer  
Of The Year  
MHI

# Company Highlights

## Cavco 2009

- 700 Employees
- Serving 8 states
- 2.3% market share  
(HUD building code)

## Cavco 2017

- 4,200 Employees
- Serving 44 states, Canada, Japan & Mexico
- \$1 billion market capitalization  
(May 2, 2017)
- 2<sup>nd</sup> largest U.S. Builder  
(HUD building code)
- 14% market share  
(HUD building code)



# Company Highlights

AND...

- Commercial loan programs
- Mortgage origination & servicing
- Property & casualty insurance
- Top industry brands
  - Cavco Homes, Fleetwood Homes, Palm Harbor Homes, Fairmont Homes, Chariot Eagle and Lexington Homes
- MHI Manufacturer of the Year- 7 consecutive years (voted by peers)



# Industry Market Share

- Cavco is 2<sup>nd</sup> largest U.S. Builder (HUD building code)
  - ~ 14% market share
- Largest competitors and respective market share
  - Clayton Homes: ~ 49%
  - Champion Home Builders: ~11%
  - Skyline Corporation: ~4%
  - Remaining: ~22%

Source: IBTS, Inc. Calendar year to date through September 2016



# Manufactured Housing Industry Profile

35 corporations  
127 homebuilding factories  
4,000 home sales centers  
50,000 land-lease communities  
75,000 full-time U.S. employees

In 2016, manufactured housing accounted for

- 52% of all new homes sold under \$200,000
- 80% of all new homes sold under \$150,000
- 2 of every 3 manufactured homes are in rural areas

Source: Manufactured Housing Institute



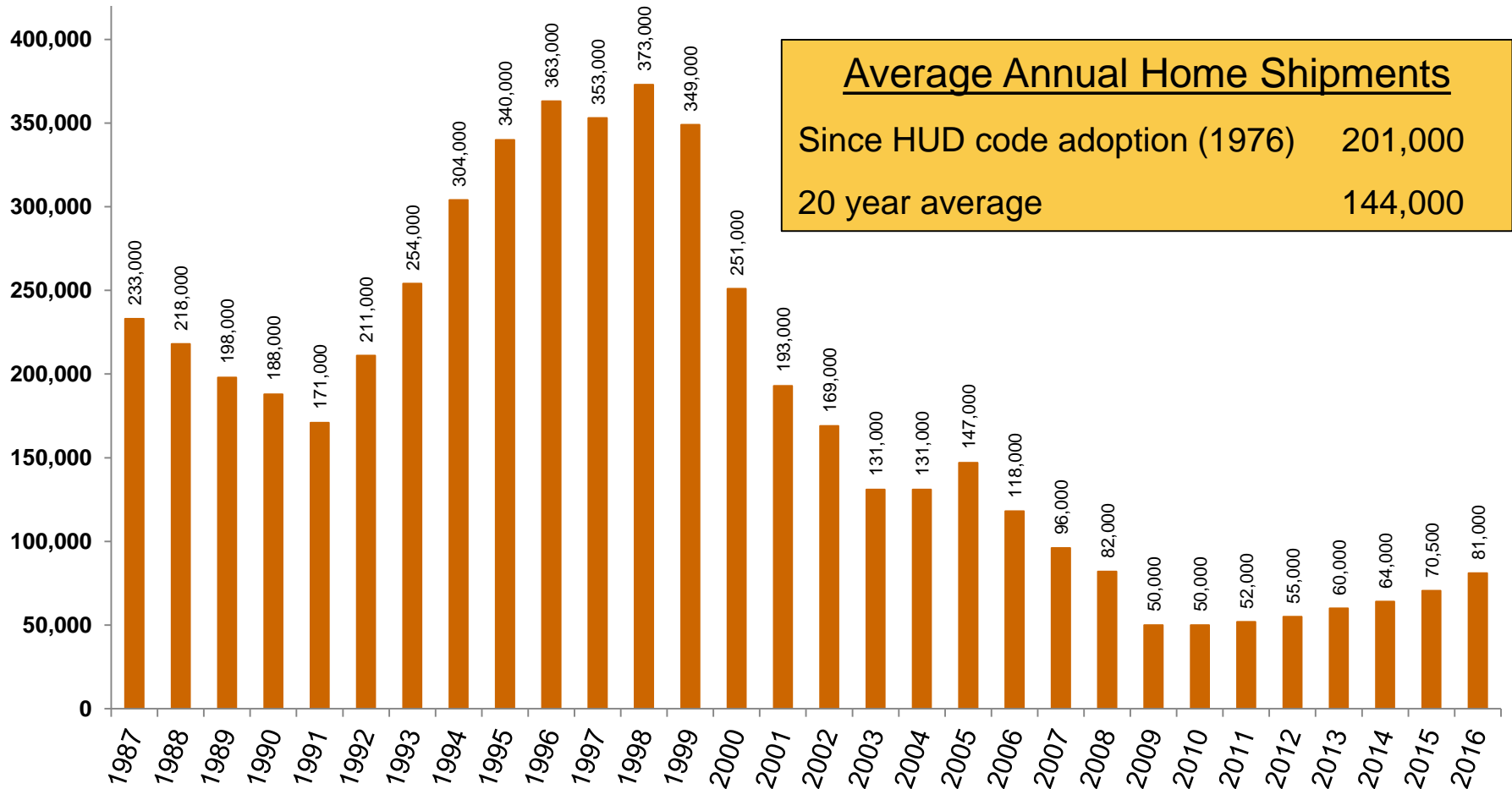
# Manufactured Housing Industry Profile

- Approximately 9 million households with 22 million people living in manufactured homes (9% of nation's single family housing stock)





# Manufactured Housing Industry- 30 year annual shipments

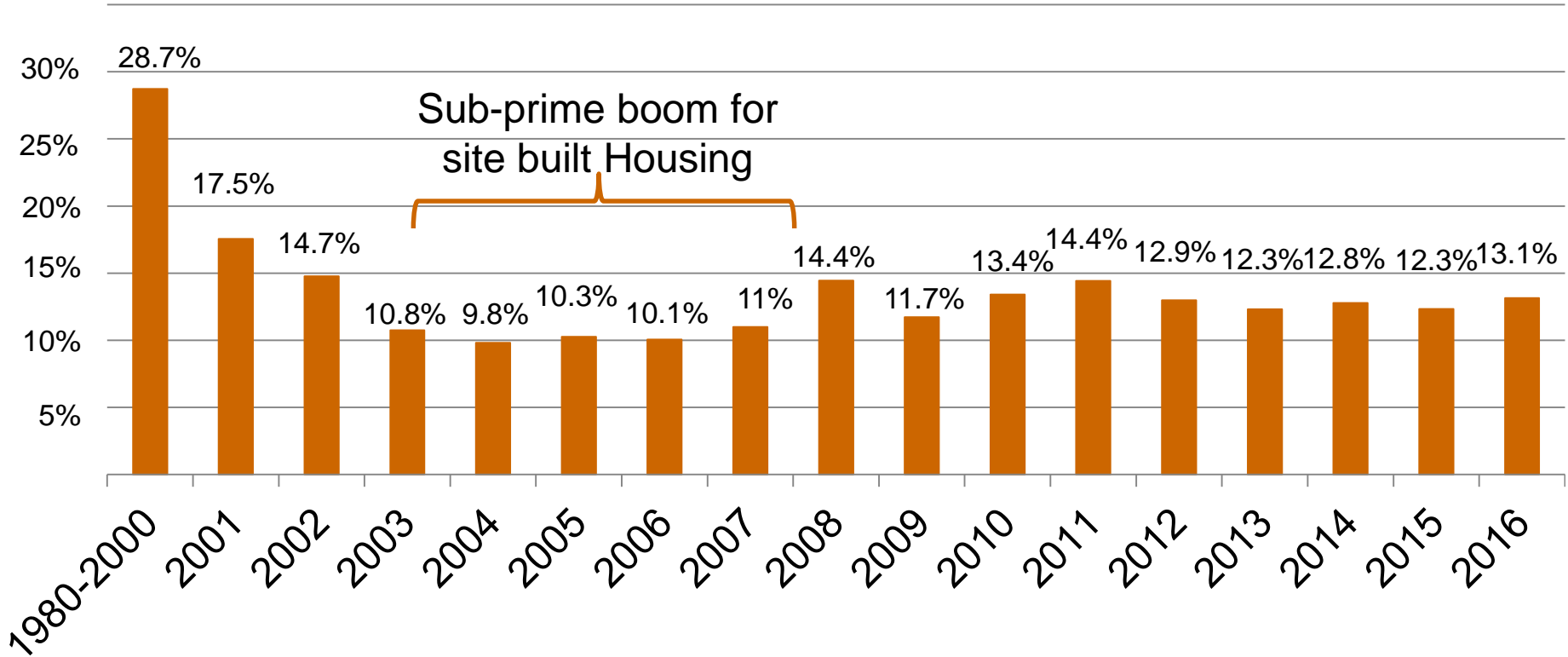


Source: Manufactured Housing Institute.

2005 includes approximately 17,000 units built for FEMA.



# Manufactured Home Shipments as a percent of New Single-Family Home Sales



# Investment Considerations

NASDAQ symbol: **CVCO**

## Liquidity

- Solid balance sheet and liquidity position

## Positioning

- Well positioned in affordable housing market
- Demonstrated ability to adjust to market conditions: profitable in all but one year during entire housing/economic downturn

## Growth Potential

- Now with facilities in most major geographic regions
- Substantial sales growth with modest capital spending

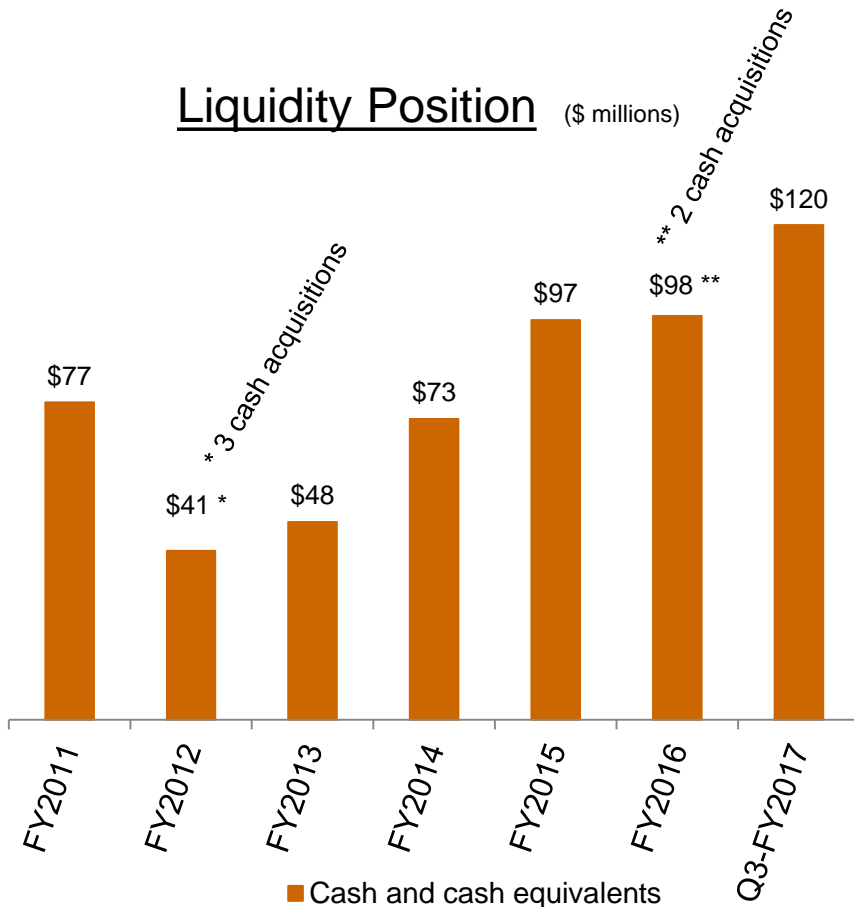
## Financial Performance

- Considerable operating and financial leverage as Cavco has significant excess production capacity



# Liquidity and Capital Allocation Strategy

## Liquidity Position (\$ millions)

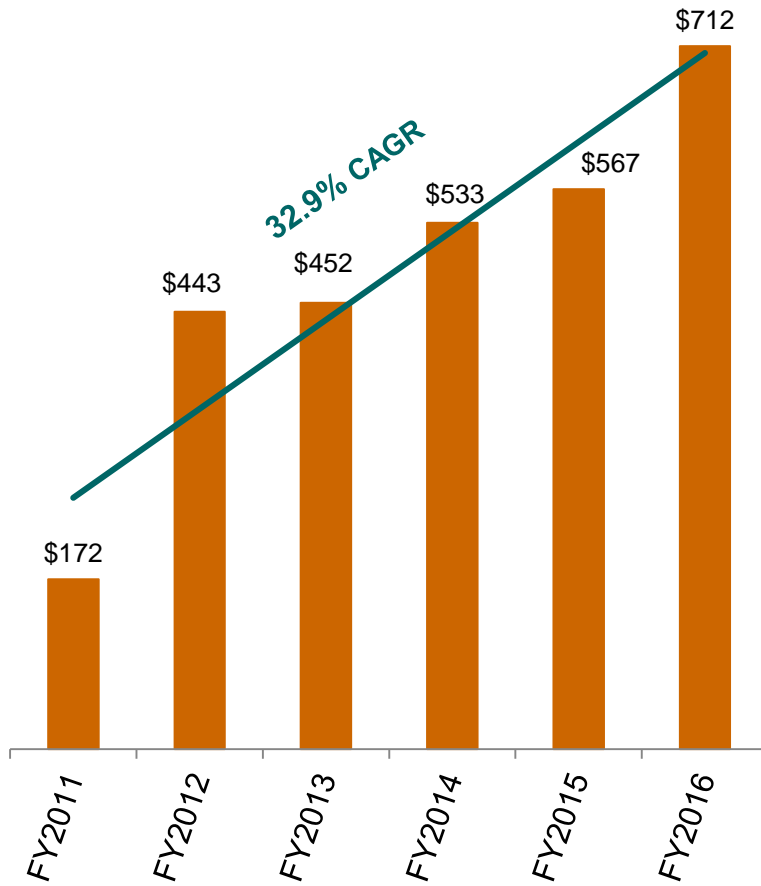


## Capital Allocation Priorities

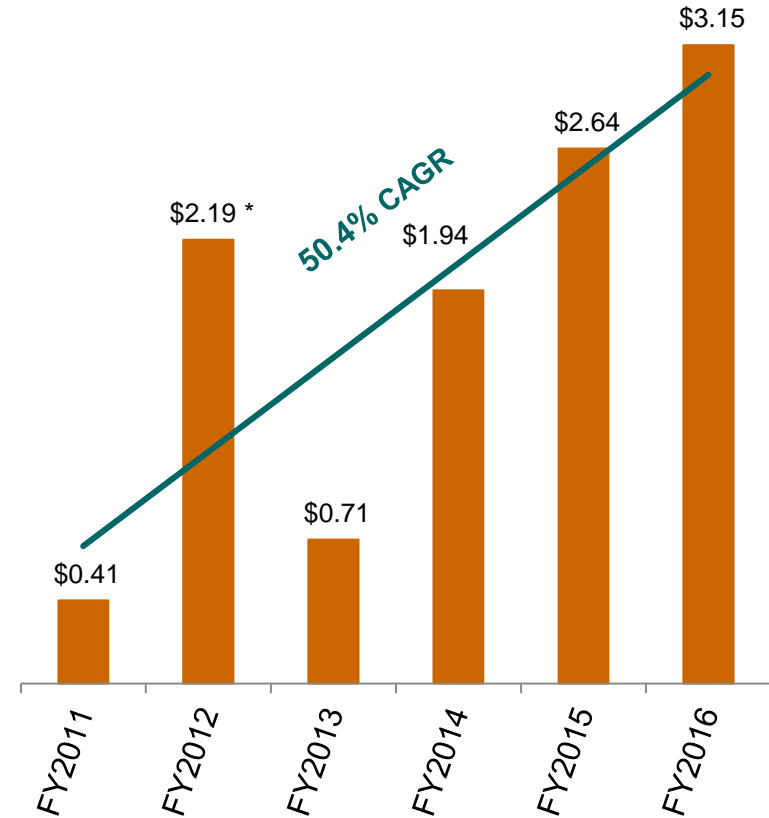
- 1) Support organic growth programs
- 2) Fund capital investments, including commercial and consumer loan programs
- 3) Pursue attractive M&A
- 4) Initiate dividend
- 5) Stock buybacks

# Strong Financial Performance

Net Revenue (\$ millions)



Diluted EPS

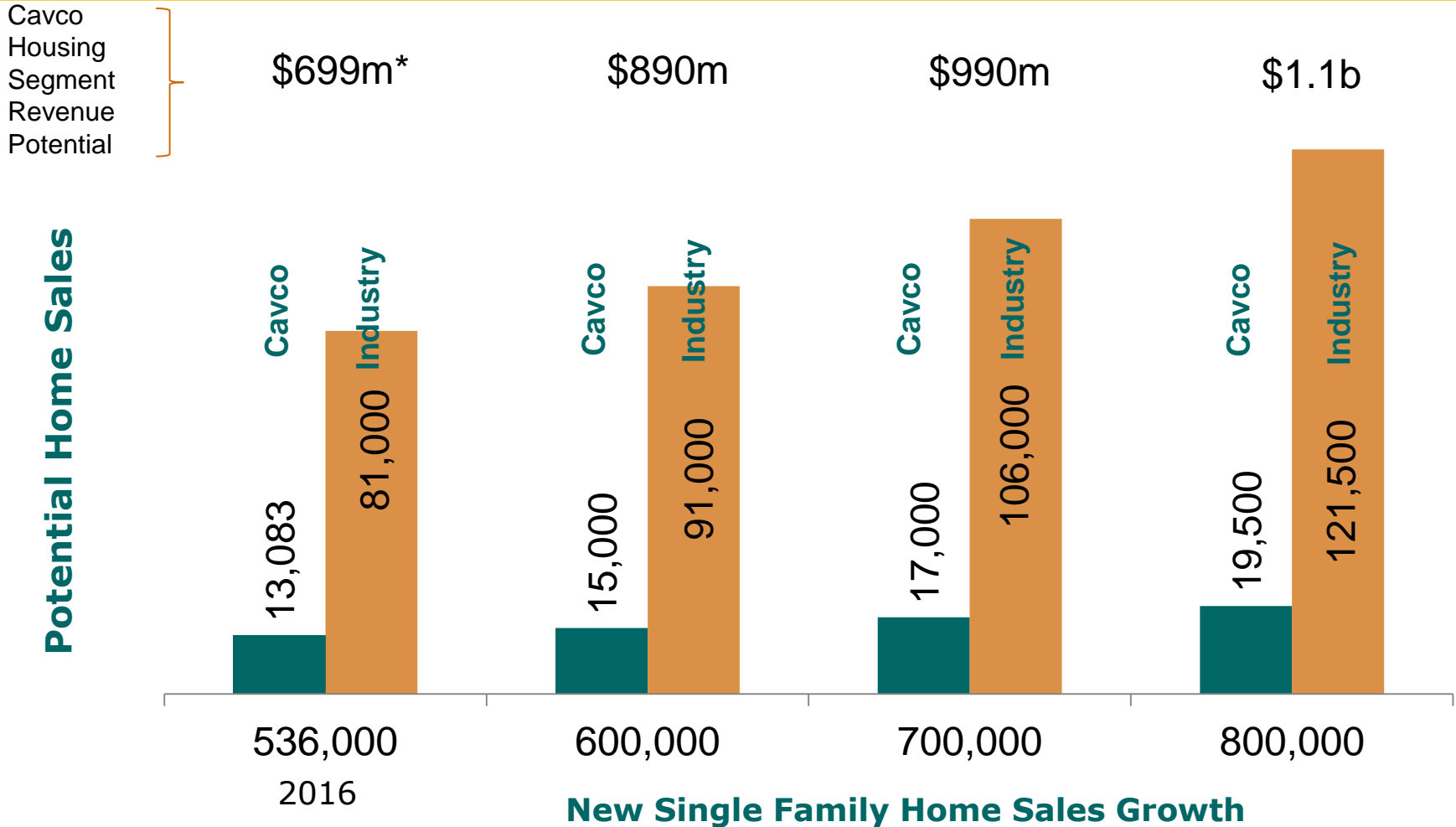


\* Includes a one-time \$22 million gain on bargain purchase related to Palm Harbor acquisition



# Cavco Revenue Potential

correlated to single-family home sales *and* manufactured-home industry sales






Assumptions: Cavco market share and industry share of new single-family home sales held constant

\* Unaudited



# Economic Headwinds Diminishing

## Status of Overall Challenges to the Industry

- Consumer confidence 
- Unemployment and underemployment 
- Financing availability, lack of secondary market 

# Manufactured Housing Market

## Critical component of U.S. housing needs

- Affordable housing
  - Most affordable form of home ownership
  - Ownership at monthly cost comparable to apartment rents
  - Average retail sales price approximately \$70,000 (home only)
- Custom and larger homes at better value than site built
  - Flexible production process allows more custom features at lower cost
  - Greater purchasing power than most builders
  - Precision built, with three layers of quality oversight nationally administered by HUD
- Rural housing, communities and urban in-fill
  - Construction process reduces labor and material usage
  - Faster production through controlled building environment
- Environmental advantages
  - Less disruption to the environment
  - Energy efficient materials, green and alternative energy home designs





# Manufactured Home Owners

## Large and diverse markets

- First-time home buyers
- First move-up buyers
- Immigrants
- Baby boomers, empty nesters, and retirees
  - Lifestyle oriented homebuyers – age-restricted communities
- Second home and seasonal living
  - Attractively priced, low maintenance alternative to on-site construction

# Favorable Demographic Trends

## U.S. Demographic Indicators

- US adult population estimated to expand by 12 million between 2016 and 2021
- Home ownership rises with age
  - Over 75% of the population age 55+ are home owners
  - Population of 55+ projected to increase 26% from 2016-2031
- Gen Y (age 18-39) is largest group ~96 million in 2016
  - Late-stage Gen Y in peak household formation and home-buying years

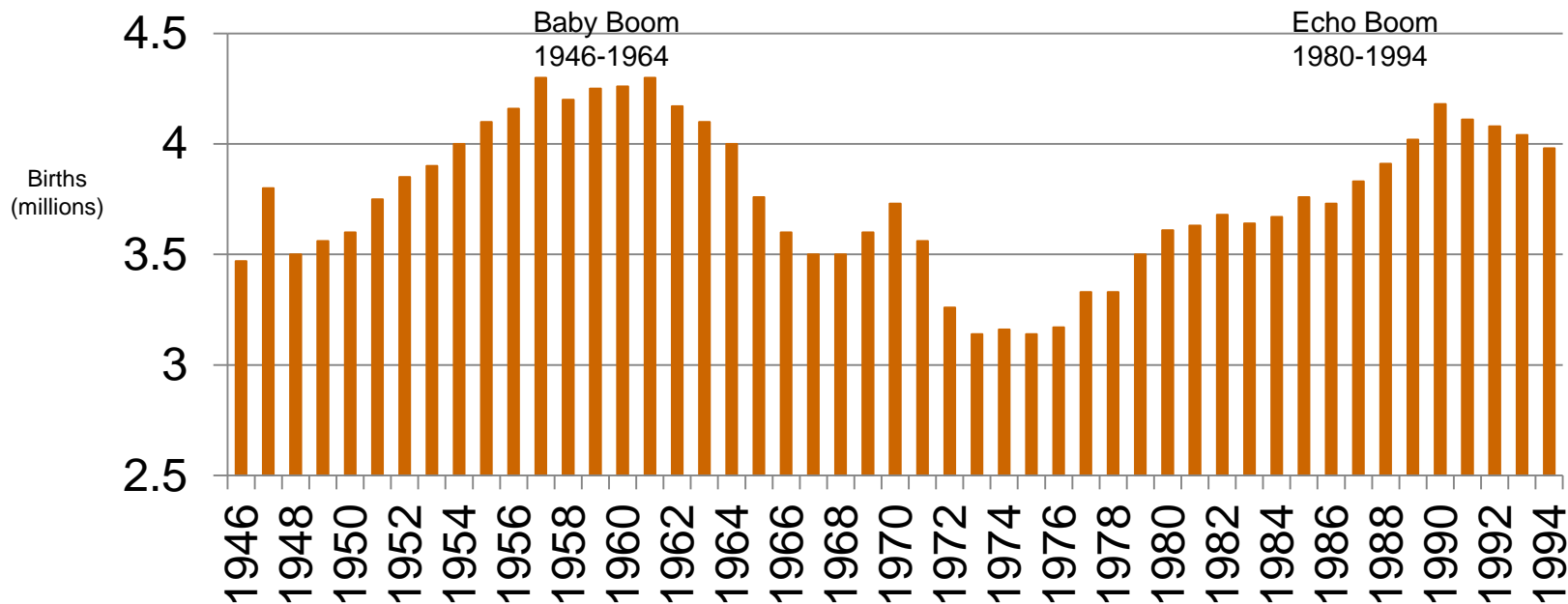
Source: World Bank and U.S. Census Bureau



# U.S. Birth Rates

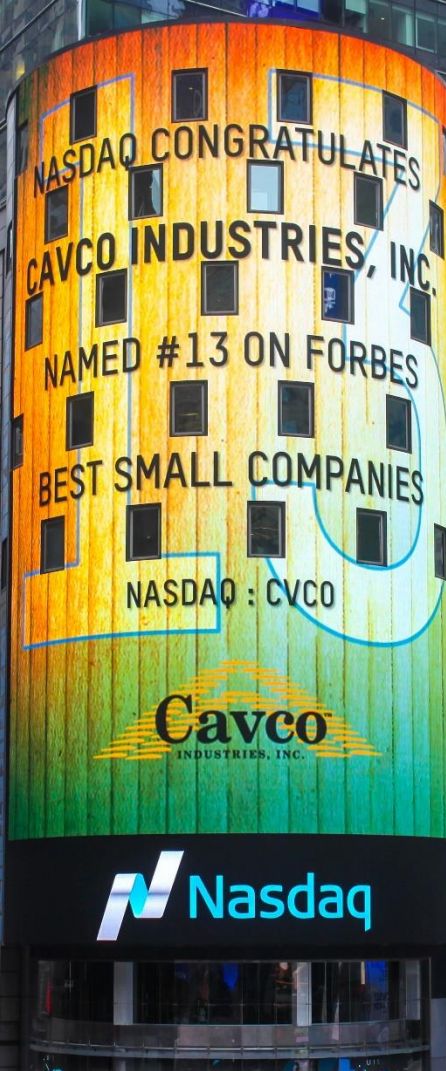
The two largest and fastest growing demographics are prime buyers of manufactured homes

- 51 to 69 year olds (Baby Boom)
- 21 to 35 year olds (Echo Boom)



Source: Census Bureau

1. Strategic growth has developed a strong national footprint
2. Affordable homes
3. Dynamic segment of the housing industry, well positioned for growth
4. Attractive investment factors
5. Positive consumer demographics and trends



# Key Considerations

For further information on the Company, visit [www.Cavco.com](http://www.Cavco.com)

# Forward Looking Statements

*Certain statements contained in this release are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities and Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. In general, all statements that are not historical in nature are forward-looking. 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; and the expected effect of certain risks and uncertainties on our business, financial condition and results of operations. All forward-looking statements are subject to risks and uncertainties, many of which are beyond our control. As a result, our actual results or performance may differ materially from anticipated results or performance. Factors that could cause such differences to occur include, but are not limited to: adverse industry conditions; our ability to successfully integrate past acquisitions, including the recent acquisitions of Lexington Homes, and any future acquisition or the ability to attain the anticipated benefits of such acquisitions; the risk that any past or future acquisition may adversely impact our liquidity; involvement in vertically integrated lines of business, including manufactured housing consumer finance, commercial finance and insurance; a constrained consumer financing market; curtailment of available financing for retailers in the manufactured housing industry; our participation in certain wholesale and retail financing programs for the purchase of our products by industry distributors and consumers may expose us to additional risk of credit loss; significant warranty and construction defect claims; our contingent repurchase obligations related to wholesale financing; market forces and declining housing demand; net losses were incurred in certain prior periods and there can be no assurance that we will generate income in the future; a write-off of all or part of our goodwill; the cyclical and seasonal nature of our business; limitations on our ability to raise capital; competition; our ability to maintain relationships with independent distributors; our business and operations being concentrated in certain geographic regions; labor shortages; pricing and availability of raw materials; unfavorable zoning ordinances; loss of any of our executive officers; organizational document provisions delaying or making a change in control more difficult; volatility of stock price; general deterioration in economic conditions and continued turmoil in the credit markets; increased costs of healthcare benefits for employees; governmental and regulatory disruption; information technology failures and data security breaches; extensive regulation affecting manufactured housing; together with all of the other risks described in our filings with the Securities and Exchange Commission. Readers are specifically referred to the Risk Factors described in Item 1A of the 2016 Form 10-K, as may be amended from time to time, which identify important risks that could cause actual results to differ from those contained in the forward-looking statements. Cavco expressly disclaims any obligation to update any forward-looking statements contained in this release, whether as a result of new information, future events or otherwise. Investors should not place any reliance on any such forward-looking statements.*

