

SKYLINE CORP
Form DEFA14A
May 18, 2018

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under § 240.14a-12

Skyline Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

(4) Date Filed:

On January 5, 2018, Skyline Corporation (*Skyline*) and Champion Enterprises Holdings, LLC (*Champion Holdings*), entered into a Share Contribution & Exchange Agreement (the *Exchange Agreement*) pursuant to which the two companies will combine their operations. Under the Exchange Agreement, (i) Champion Holdings will contribute to Skyline all of the issued and outstanding shares of common stock of Champion Holdings wholly-owned operating subsidiaries, Champion Home Builders, Inc., a Delaware corporation (*CHB*), and CHB International B.V., a Dutch private limited liability company (*CIBV*) (the shares of stock of CHB and CIBV to be contributed to Skyline, the *Contributed Shares*), and (ii) in exchange for the Contributed Shares, Skyline will issue to Champion Holdings that number of shares of Skyline common stock, \$0.0277 par value per share (the *Common Stock*), such that at the closing, Champion Holdings (or its members) will hold 84.5%, and Skyline's shareholders will hold 15.5%, of the Common Stock of the combined company on a fully-diluted basis (the *Shares Issuance*). The contribution of the Contributed Shares by Champion Holdings to Skyline, and the Shares Issuance by Skyline to Champion Holdings, are collectively referred to herein as the *Exchange*.

As previously disclosed in the definitive proxy statement on Schedule 14A filed by Skyline with the United States Securities and Exchange Commission on April 25, 2018 (the *Proxy Statement*), CHB, Royal Bank of Canada and Jefferies Finance had entered into a commitment letter in respect of a revolving credit facility (the *Prior Commitment Letter*) that was contemplated to be completed at the closing of the Exchange. On May 1, 2018, CHB entered into a new commitment letter with certain lenders, which supersedes and replaces the Prior Commitment Letter, in respect of a revolving credit facility contemplated to be completed on or about the closing of the Exchange. The terms and conditions contained in the new commitment letter are described in more detail below, together with additional supplemental information regarding the impact on the combined company's pro forma financial statements of the terms of the new revolving credit facility contemplated by the new commitment letter and the use of proceeds therefrom to refinance the Existing Term Loans.

The supplemental disclosures in these Definitive Additional Materials on Schedule 14A (this *Proxy Supplement*) should be read in conjunction with the disclosures contained in the Proxy Statement, which in turn should be read in its entirety. To the extent that information in this Proxy Supplement differs from or updates information contained in the Proxy Statement, the information in this Proxy Supplement shall supersede or supplement the information in the Proxy Statement.

The following replaces the Unaudited Pro Forma Condensed Combined Income Statements and Balance Sheet on page 21 of the Proxy Statement:

(Dollars in thousands)	Pro Forma		
	As of and for the Nine Months Ended March 4, 2018	Nine Months Ended February 28, 2017	Year Ended May 31, 2017
Statement of Operations Data			
Net sales	\$ 972,648	\$ 792,968	\$ 1,097,823
Cost of sales	815,617	677,935	933,079
Gross profit	157,031	115,033	164,744
Selling, general and administrative expenses	106,925	93,104	128,878
Operating income	50,106	21,929	35,866
Interest expense, net	2,617	2,689	3,556
Other expense	105	1,636	2,380
Income before income taxes	47,384	17,604	29,930
Income tax expense (benefit)	22,594	3,303	(22,650)
Net income	\$ 24,790	\$ 14,301	\$ 52,580
Balance Sheet Data			
Cash and cash equivalents	\$ 60,971		
Trade accounts receivable, net	73,020		
Inventories, net	98,290		
Other current assets	10,666		
Total current assets	242,947		
Property, plant and equipment, net	112,950		
Goodwill	152,938		
Amortizable intangible assets, net	33,671		
Deferred tax assets	28,928		
Other noncurrent assets	8,253		
Total assets	\$ 579,687		
Floor plan payable	\$ 24,004		
Short-term portion of debt	6		
Accounts payable	31,509		
Customer deposits and receipts in excess of revenues	21,035		
Accrued volume rebates	20,093		
Accrued warranty obligations	16,220		
Accrued compensation and payroll taxes	22,393		

Other current liabilities	25,160
Total current liabilities	160,420
Long-term debt	59,427
Deferred tax liabilities	13,727
Other	10,769
Total long-term liabilities	83,923
Total equity	335,344
Total liabilities and equity	\$ 579,687

The following replaces the table on page 22 of the Proxy Statement to reflect changes to the pro forma basic earnings per share and diluted earnings per share as of and for the nine months ended March 4, 2018.

	As of and for the Nine Months Ended March 4, 2018			As of and for the Nine Months Ended February 28, 2017		
	Historical			Historical		
	Historical Skyline	Champion Holdings (1)	Pro Forma (2)	Historical Skyline	Champion Holdings (1)	Pro Forma (2)
Basic earnings per share	\$ 0.69	\$ 0.13	\$ 0.44	\$ (0.27)	\$ 0.11	\$ 0.25
Diluted earnings per share	\$ 0.68	\$ 0.13	\$ 0.44	\$ (0.27)	\$ 0.11	\$ 0.25
Weighted average common shares outstanding basic	8,391,244	135,612,157	56,270,574	8,391,244	135,612,157	56,270,574
Weighted average common shares outstanding diluted	8,574,146	135,612,157	56,601,574	8,391,244	135,612,157	56,601,574
Book value per share of common stock	\$ 3.73	\$ 1.16		\$ 2.73	\$ 0.73	
Dividends declared per share of common stock	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

The following replaces the table on page 23 of the Proxy Statement to reflect changes to the pro forma diluted earnings per share as of and for the year ended May 31, 2017.

	As of and for the Year Ended May 31, 2017		
	Historical Skyline	Historical Champion Holdings (1)	Pro Forma (2)
Basic earnings per share	\$ 0.00	\$ 0.38	\$ 0.93
Diluted earnings per share	\$ 0.00	\$ 0.38	\$ 0.93
Weighted average common shares outstanding basic	8,391,244	135,612,157	56,270,574
Weighted average common shares outstanding diluted	8,512,374	135,612,157	56,601,574
Book value per share of common stock	\$ 3.01	\$ 1.01	
Dividends declared per share of common stock	\$ 0.00	\$ 0.00	\$ 0.00

The following disclosure replaces the third paragraph on page 153 of the Proxy Statement:

The terms of the Exchange Agreement provide that each entity may pay a dividend prior to completion of the Exchange to the extent each entity has cash in excess of debt and other debt-like items and unpaid Exchange fees and expenses, as defined in the Exchange Agreement, subject to certain requirements. Each entity intends to declare and pay the respective dividends, to the extent permissible. In addition, Skyline has repaid its existing life insurance loans. Skyline Champion Corporation expects to enter into a revolving credit facility that will provide up to \$100 million in revolving loans (with a \$45 million sublimit for letters of credit). The initial borrowings under the new revolving credit facility will be used to refinance the Existing Term Loans, for working capital needs and to issue letters of credit, with the outstanding letters of credit being deemed reissued under the new facility. After the new revolving credit facility is in place, and CHB's outstanding cash collateralized letters of credit are transitioned to the new revolving credit facility, the current restrictions on cash are anticipated to be removed, as reflected in the pro forma adjustments below. The final amount of debt and the amount of the respective company's dividend will fluctuate based on cash generated from operations prior to the completion of the Exchange. The accompanying unaudited pro forma condensed combined financial information was prepared assuming that the new revolving credit facility will be consummated, including that Skyline Champion Corporation will make borrowings under the new revolving credit facility in order to refinance the Existing Term Loans. Since the initial advances under the new revolving loan facility will be used solely to refinance the Existing Term Loans, there will be no material change from the Proxy Statement filed on April 25, 2018 in total outstanding debt, other than the repayment of the Skyline life insurance loans.

Recent Development Skyline Special Dividend

Effective May 14, 2018, Skyline's board of directors declared the Special Company Dividend in the amount of \$0.62381 per share on the outstanding shares of Common Stock, payable on May 31, 2018 to shareholders of record on May 25, 2018.

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Accrued compensation and payroll taxes	3,350	18,479	564	l			22,393
Other current liabilities	2,342	22,142	(550)	k	1,226	i	25,160
Total current liabilities	19,529	140,051	14		826		160,420
Long-term liabilities							
Long-term debt		59,027			400	i	59,427
Deferred compensation expense	4,801		(4,801)				
Accrued warranty	2,800		(2,800)				
Deferred tax liabilities			13,727	h			13,727
Other		3,168	7,601				