CHAMPION ENTERPRISES INC
Form 8-K
February 13, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15 (d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 13, 2002

Champion Enterprises, Inc.

(Exact name of registrant as specified in its charter)

Michigan

State or other jurisdiction of incorporation

1-9751	38-2743168
Commission File Number	IRS Employer Identification No.

2701 Cambridge Court, Suite 300, Auburn Hills, Michigan 48326

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (248) 340-9090

Item 5. Other Events.

The following press release was issued by the Registrant on February 13, 2002. The format of the financial statements have been slightly modified from those included in the press release to comply with certain Securities and Exchange Commission rules.

CHAMPION ENTERPRISES, INC.

REPORTS 2001 YEAR END AND
FOURTH QUARTER RESULTS

Auburn Hills, Mich., February 13, 2002--Champion Enterprises, Inc. (NYSE: CHB), the nation's leading housing manufacturer, today reported results for the year and fourth quarter ended December 29, 2001. For the year Champion had a net loss of $28 million, or $0.59 per diluted share, on revenues of $1.5 billion and generated $67 million in cash flows from operations. In 2000 the company reported a net loss of $147 million, or $3.12 per diluted share, on revenues of $1.9 billion. The prior year included non-cash goodwill impairment charges of $190 million ($128 million after tax or $2.70 per diluted share).

For the fourth quarter of 2001, the company reported a loss of $0.10 per diluted share, down from a loss of $0.42 per share a year ago excluding the goodwill impairment charges. Revenues in the quarter were $366 million, down 5% from the comparable quarter a year earlier. For the three-month period, the company's manufacturing operations reported revenues of $323 million and segment income of $19 million, or 6% of sales. Retail operations had quarterly revenues totaling $95 million and reported an operating loss of $10 million, including $1.2 million for non-cash fixed asset impairment charges related to closed locations.

Chairman, President, and Chief Executive Officer, Walter R. Young, commented, "We're glad to have 2001 behind us, particularly with the challenging industry conditions under which we are operating. We don't like losing money, but are pleased that we made solid progress to improve our three operating platforms and to better position the company for growth in the housing industry. Although still focused on liquidity and cash flows, we are increasing our emphasis on growing operations."

Operating Results

For the year, Champion's manufacturing operations improved margins as a percent of revenues to 4.2% in 2001 from 3.3% in 2000 despite a 17% drop in revenues. Wholesale revenues were $1.3 billion and segment income totaled $54 million, which included $3.3 million of impairment charges related to closed homebuilding facilities. In 2000 wholesale revenues were $1.6 billion and segment income was $51 million, which included $2.5 million of impairment charges related to closed plants and $6.9 million of gains from property insurance settlements. Unfilled wholesale orders at year end totaled approximately $18 million at the 49 plants operated, up from $15 million at 53 plants a year earlier.

Retail operations had revenues of $453 million for 2001 and a loss of $33 million, including costs of $6.6 million to close 42 retail locations and a $3.7 million charge for losses on loans and transition costs for alternative financing sources. Prior year retail revenues were $607 million and the segment reported a loss of $9 million, which included $5.8 million of costs related to closing 62 retail locations.

Traditional Markets

Manufacturing Operations - The number of independent retail locations that are part of the Champion Home Center distribution network rose from 423 at the beginning of 2001 to 522 locations currently. Due to efforts to keep inventories in line with demand, in 2001 independent retailers, which accounted for approximately 79% of the company's wholesale homes sold, decreased inventories of Champion-produced homes by 20%. Losses related to retailer defaults dropped to $3.9 million in 2001 from $6 million in 2000, with $400,000 in the fourth quarter compared to $2.3 million a year ago.

Retail Operations - At year end Champion's 218 company-owned stores had an average inventory of 14 new homes per location, down from 18 homes at the 260 locations operated at December 2000. In addition to reducing retail inventories by approximately $47 million, the quality of retail inventory improved with newer homes now representing a higher percent of total inventory than a year ago. During the year the company closed 42 retail stores, reduced expenses, and lowered its breakeven point to 3.5 new homes per month per location. The company has about $80 million in floor plan credit lines available and $71 million of floor plan liability outstanding.

New Markets

Genesis Operations - Champion sold 2,700 homes through 400 builders and developers in 2001. These homes, up 35% from the previous year, represented 13% of wholesale revenues and 7% of wholesale homes sold. In 2000 the company sold 2,000 homes to 200 builders and developers, representing 7% of wholesale revenues and 4% of wholesale homes sold. Currently 11 plants, designated as Genesis facilities, are targeting sales to builders and developers and are going after new markets for Champion-produced homes.

Liquidity and Capital Structure

During 2001 the company improved its capital structure with a $20 million convertible preferred stock issuance and ended the year with $69 million in cash, no bank borrowings outstanding and total debt of $297 million. Net working capital (accounts receivable and inventories less accounts payable) dropped by $54 million, or 26%. In 2001 $44 million was used to reduce debt and $7 million for capital expenditures. Total debt as a percent of total capital, net of cash, was reduced to 43.8% from 49.5% at the beginning of the year.

Executive Vice President and Chief Financial Officer, Anthony S. Cleberg, commented, "Year end is our seasonal low point where we see strong cash balances and a lower borrowing base under our bank credit facility because of reduced accounts receivable. This borrowing base was $37 million at December 2001. As we enter the selling season, we will use cash but expect that the borrowing base will increase to maintain our overall liquidity. We are very pleased with the liquidity improvements made during the year."

Cleberg continued, "As a result of adopting SFAS 142 in this year's first quarter, we do not expect to record an asset impairment charge. In addition, by eliminating goodwill amortization expense, earnings will increase by $0.17 per diluted share in 2002. With respect to recent accounting issues that have been in the news lately, we believe that we have no material exposure."

Industry Update

In 2001 U.S. industry wholesale shipments were 193,000 homes, down 22.9% compared to 2000. In the fourth quarter of 2001, year-over-year industry shipments rose 3.5%, the first quarterly increase since the first quarter of 1999. For the year we estimate industry retail sales were 210,000 new homes, off 25.7% from levels in 2000. Industry repossessions were an estimated 90,000 homes in 2001 and we expect

will be flat in 2002. New retail inventories dropped by approximately 17,000 homes during 2001.

"Despite the contraction in traditional consumer financing, industry lending availability, driven by the use of real estate financing, should be sufficient to meet expected demand. Our estimate is that real estate loans represented about 50% of total industry new home financing in 2001, up from 20% a year earlier. We expect real estate loans should grow to near 70% of industry new home financing in 2002. We're also estimating industry wholesale shipments of 200,000 homes and new retail sales of 208,000 homes for the year even with a flat economy forecasted," Young said.

Outlook

"We see relative improvement already this year, with same store consumer traffic at company-owned locations up from fourth quarter levels and slightly ahead of a year ago," Young continued. "Even with a probable loss for the seasonally slower first quarter, we expect to be profitable for the entire year."

Young concluded, "We're excited to be back on track to deliver profitable growth. Our efforts since mid-1999 to reduce expenses, capacity, inventories and debt better position us for growth in the months ahead. This growth should be in both our traditional markets as well as new markets with Genesis homes to builders and developers."

Champion Enterprises, Inc., headquartered in Auburn Hills, Michigan, is the industry's leading manufacturer and has produced nearly 1.6 million homes since the company was founded. The company operates 49 homebuilding facilities and 218 retail locations. Champion's homes are also sold by more than 1,000 independent retail locations that have joined either the Champion Home Center or the Alliance of Champions retail distribution networks. Further information can be found at the company's website, www.championhomes.net.

This news release contains certain statements, including statements regarding industry financing, real estate loans, shipments, repossessions and retail sales estimates and lending availability, forecasts of expected results, future cash flows and liquidity, exposure relating to accounting issues, and growth opportunities that could be construed to be forward looking statements within the meaning of the Securities and Exchange Act of 1934. These statements reflect the company's views with respect to future plans, events and financial performance. The company does not undertake any obligation to update the information contained herein, which speaks only as of the date of this press release. The company has identified certain risk factors which could cause actual results and plans to differ substantially from those included in the forward looking statements. These factors are discussed in the company's most recently filed Form 10-K, and that discussion regarding risk factors is incorporated herein by reference.

CHAMPION ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL SUMMARY
(Dollars and weighted shares in thousands, except per share amounts)

	Three Months Ended			Tw
	Dec. 29, 2001	Dec. 30, 2000	% Chg.	Dec. 200

Net sales:				
Manufacturing	$322,601	$310,498	4%	$1,296
Retail	95,468	123,648	(23%)	452
Less: intercompany	(52,000)	(47,000)		(201
Total net sales	366,069	387,146	(5%)	1,548
Cost of sales	299,746	330,415	(9%)	1,283
Gross margin	66,323	56,731	17%	265
Selling, general and administrative expenses (4)	66,610	75,311	(12%)	275
Operating income (loss) before impairment charges	(287)	(18,580)		(10
Impairment charges				
Goodwill (1)	-	(189,700)		
Fixed assets (2)	(1,200)	(6,500)		(7
Operating loss (3)	(1,487)	(214,780)		(18
Interest expense, net	5,224	6,602	(21%)	22
Loss before income taxes	(6,711)	(221,382)		(41
Income tax benefits (5)	(1,900)	(73,900)		(13
Net loss	(4,811)	(147,482)		(27
Less: dividend on preferred stock	250	-		
Loss available to common shareholders	($5,061)	($147,482)		($28
Basic and diluted loss per share	($0.10)	($3.12)		($
Weighted shares for basic and diluted EPS	48,247	47,257		47

See accompanying Notes to Financial Information.

CHAMPION ENTERPRISES, INC. AND SUBSIDIARIES
OTHER STATISTICAL INFORMATION

	Three Months Ended			Twel
	Dec. 29, 2001	Dec. 30, 2000	% Chg.	Dec. 29, 2001
MANUFACTURING				
Homes sold	9,482	9,737	(3%)	39,551
Less: intercompany	1,530	1,534	-	5,785
Homes sold to independent retailers/builders	7,952	8,203	(3%)	33,766
Floors sold	17,471	17,466	-	71,487
Multi-section mix	80%	77%		77%
Average home price	$32,600	$30,500	7%	$31,400
Manufacturing facilities at period end	49	53	(8%)	49
RETAIL				
Homes sold				
New homes	1,581	2,216	(29%)	7,578
Pre-owned homes	394	594	(34%)	1,897
Total homes sold	1,975	2,810	(30%)	9,475
% Champion-produced new homes sold	93%	79%		88%
New multi-section mix	74%	68%		72%
Average new home price	$56,800	$52,100	9%	$56,200
Average number of new homes in inventory per sales center at period end	14	18	(22%)	14
Sales centers at period end	218	260	(16%)	218
CONSOLIDATED (in thousands)				
Contingent repurchase obligations	$300,000	$430,000	(30%)	$300,000
Champion-produced field inventories	$625,000	$780,000	(20%)	$625,000
Shares issued and outstanding	48,320	47,357	2%	48,320

See accompanying Notes to Financial Information.

CHAMPION ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands)

	Dec. 29,	Sept. 29,

ASSETS	2001	2001
Cash and cash equivalents	$ 69,456	$ 65,907
Accounts receivable, trade	27,507	68,021
Inventories	172,276	175,267
Deferred taxes and other	76,385	74,963
Total current assets	345,624	384,158
Property and equipment, net	177,430	182,786
Goodwill, net	258,967	265,213
Deferred taxes and other assets	76,131	79,597
	$858,152	$911,754

LIABILITIES AND SHAREHOLDERS' EQUITY		
Floor plan payable	$ 70,919	$ 68,084
Accounts payable	47,559	76,087
Other accrued liabilities	174,036	194,046
Total current liabilities	292,514	338,217
Long-term debt	224,926	224,592
Other long-term liabilities	48,678	55,285
Convertible preferred stock	20,000	20,000
Shareholders' equity	272,034	273,660
	$858,152	$911,754

See accompanying Notes to Financial Information.

CHAMPION ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL INFORMATION

(1) During the quarter ended December 30, 2000, the company recorded non-cash goodwill impairment charges of $190 million ($128 million after tax), consisting of $180 million for retail and $10 million for manufacturing.

(2) For the periods presented non-cash pretax asset impairment charges were recorded related to closed operations. In 2001 these charges were $1.2 million for the three month period and $7.7 million for the twelve month period. In 2000 these charges were $6.5 million for the three month period and $10.5 million for the twelve month period.

(3) Segment EBITA consists of earnings (loss) before interest, taxes and goodwill amortization, and includes fixed asset impairment charges and other costs related to closed operations. A reconciliation of operating income (loss) follows (dollars in thousands):

	Dec. 29,	% of	Dec. 30,

Three months ended:	2001	Related Sales	2000
Manufacturing EBITA	$19,319	6.0%	$3,228
Retail EBITA (loss)	(10,417)	-10.9%	(15,176
General corporate expenses	(7,449)		(9,943
Intercompany profit elimination	-		200
Goodwill amortization	(2,940)		(3,389
Goodwill impairment charges	-		(189,700
Operating loss	($1,487)	-0.4%	($214,780

Twelve months ended:	Dec. 29, 2001	% of Related Sales	Dec. 30, 2000
Manufacturing EBITA	$54,131	4.2%	$50,974
Retail EBITA (loss)	(33,154)	-7.3%	(9,109
General corporate expenses	(28,023)		(30,803
Intercompany profit elimination	-		4,200
Loss from independent retailer bankruptcy	-		(5,000
Goodwill amortization	(11,618)		(13,717
Goodwill impairment charges	-		(189,700
Operating loss	($18,664)	-1.2%	($193,155

(4) For the twelve months ended December 29, 2001, pretax charges of $3.7 million were recorded for losses on loans and transition costs for alternative financing sources and $2.2 million for lease termination and other costs related to closed retail operations. For the three months ended December 30, 2000, lease termination and other costs of $1.1 million were recorded. The twelve months then ended includes $6.9 million of property insurance gains and $1.8 million of lease termination and other costs.

(5) The difference between taxes at the 35% federal statutory rate and taxes provided is due to state income taxes and nondeductible items, primarily goodwill.

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 hereunto duly authorized.

CHAMPION ENTERPRISES, INC.

/S/ ANTHONY S. CLEBERG

Anthony S. Cleberg
Executive Vice President and
Chief Financial Officer

February 13, 2002