

Meritage Homes CORP
Form 10-Q
October 28, 2016

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

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended September 30, 2016

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 1-9977

(Exact Name of Registrant as Specified in its Charter)
Maryland 86-0611231
(State or Other Jurisdiction of (IRS Employer
Incorporation or Organization) Identification No.)

8800 E. Raintree Drive, Suite 300, 85260
Scottsdale, Arizona
(Address of Principal Executive Offices) (Zip Code)
(480) 515-8100

(Registrant's telephone number, including area code)
N/A

(Former Name, Former Address and Formal Fiscal Year, if Changed Since Last Report)

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 a checkmark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by a checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Common shares outstanding as of October 26, 2016: 40,024,984

MERITAGE HOMES CORPORATION
FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2016
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

<u>Unaudited Consolidated Balance Sheets as of September 30, 2016 and December 31, 2015</u>	<u>3</u>
<u>Unaudited Consolidated Income Statements for the Three and Nine Months Ended September 30, 2016 and 2015</u>	<u>4</u>
<u>Unaudited Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2016 and 2015</u>	<u>5</u>
<u>Notes to Unaudited Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>40</u>
<u>Item 4. Controls and Procedures</u>	<u>40</u>

PART II. OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	<u>41</u>
<u>Item 1A. Risk Factors</u>	<u>41</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>41</u>
Items 3-5. Not Applicable	
<u>Item 6. Exhibits</u>	<u>42</u>
<u>SIGNATURES</u>	<u>43</u>
<u>INDEX OF EXHIBITS</u>	<u>43</u>

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MERITAGE HOMES CORPORATION AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED BALANCE SHEETS
 (in thousands, except share amounts)

	September 30, 2016	December 31, 2015
Assets		
Cash and cash equivalents	\$107,915	\$262,208
Other receivables	76,371	57,296
Real estate	2,429,014	2,098,302
Deposits on real estate under option or contract	91,053	87,839
Investments in unconsolidated entities	11,831	11,370
Property and equipment, net	33,983	33,970
Deferred tax asset	57,552	59,147
Prepays, other assets and goodwill	65,436	69,645
Total assets	\$2,873,155	\$2,679,777
Liabilities		
Accounts payable	\$148,260	\$106,440
Accrued liabilities	180,687	161,163
Home sale deposits	36,988	36,197
Loans payable and other borrowings	45,183	23,867
Senior and convertible senior notes, net	1,094,632	1,093,173
Total liabilities	1,505,750	1,420,840
Stockholders' Equity		
Preferred stock, par value \$0.01. Authorized 10,000,000 shares; none issued and outstanding at September 30, 2016 and December 31, 2015	—	—
Common stock, par value \$0.01. Authorized 125,000,000 shares; issued 40,024,984 and 39,669,094 shares at September 30, 2016 and December 31, 2015, respectively	400	397
Additional paid-in capital	570,223	559,492
Retained earnings	796,782	699,048
Total stockholders' equity	1,367,405	1,258,937
Total liabilities and stockholders' equity	\$2,873,155	\$2,679,777
See accompanying notes to unaudited consolidated financial statements		

MERITAGE HOMES CORPORATION AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED INCOME STATEMENTS
 (in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Homebuilding:				
Home closing revenue	\$735,870	\$661,884	\$2,127,332	\$1,770,184
Land closing revenue	16,987	8,072	21,187	16,285
Total closing revenue	752,857	669,956	2,148,519	1,786,469
Cost of home closings	(604,891)	(536,267)	(1,755,260)	(1,434,843)
Cost of land closings	(16,092)	(7,445)	(19,485)	(14,992)
Total cost of closings	(620,983)	(543,712)	(1,774,745)	(1,449,835)
Home closing gross profit	130,979	125,617	372,072	335,341
Land closing gross profit	895	627	1,702	1,293
Total closing gross profit	131,874	126,244	373,774	336,634
Financial Services:				
Revenue	3,139	3,000	9,115	8,276
Expense	(1,398)	(1,253)	(4,152)	(3,914)
Earnings from financial services unconsolidated entities and other, net	4,215	3,854	10,802	9,155
Financial services profit	5,956	5,601	15,765	13,517
Commissions and other sales costs	(52,478)			