

HOVNANIAN ENTERPRISES INC

Form 10-Q

March 08, 2017

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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 31, 2017

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 1-8551

Hovnanian Enterprises, Inc. (Exact Name of Registrant as Specified in Its Charter)

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Delaware (State or Other Jurisdiction of Incorporation or Organization)

22-1851059 (I.R.S. Employer Identification No.)

110 West Front Street, P.O. Box 500, Red Bank, NJ 07701 (Address of Principal Executive Offices)

732-747-7800 (Registrant's Telephone Number, Including Area Code)

N/A (Former Name, Former Address and Former 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 check mark 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.

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer (Do not check if smaller reporting company) Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 132,110,001 shares of Class A Common Stock and 15,251,061 shares of Class B Common Stock were outstanding as of March 3, 2017.

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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

	January 31, 2017 (Unaudited)	October 31, 2016 (1)
ASSETS		
Homebuilding:		
Cash and cash equivalents	\$195,830	\$339,773
Restricted cash and cash equivalents	1,786	3,914
Inventories:		
Sold and unsold homes and lots under development	945,153	899,082
Land and land options held for future development or sale	176,701	175,301
Consolidated inventory not owned	171,572	208,701
Total inventories	1,293,426	1,283,084
Investments in and advances to unconsolidated joint ventures	111,351	100,502
Receivables, deposits and notes, net	45,982	49,726
Property, plant and equipment, net	49,998	50,332
Prepaid expenses and other assets	50,352	46,762
Total homebuilding	1,748,725	1,874,093
Financial services	113,249	197,230
Income taxes receivable – including net deferred tax benefits	283,322	283,633
Total assets	\$2,145,296	\$2,354,956
LIABILITIES AND EQUITY		
Homebuilding:		
Nonrecourse mortgages secured by inventory, net of debt issuance costs	\$73,528	\$82,115
Accounts payable and other liabilities	319,661	369,228
Customers' deposits	35,953	37,429
Nonrecourse mortgages secured by operating properties	13,997	14,312
Liabilities from inventory not owned, net of debt issuance costs	124,394	150,179
Revolving credit facility	52,000	52,000
Notes payable and term loan, net of discount and debt issuance costs	1,567,673	1,605,758
Total homebuilding	2,187,206	2,311,021
Financial services	86,370	172,445
Total liabilities	2,273,576	2,483,466
Stockholders' equity deficit:		

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Preferred stock, \$0.01 par value - authorized 100,000 shares; issued and outstanding 5,600 shares with a liquidation preference of \$140,000 at January 31, 2017 and at October 31, 2016	135,299	135,299
Common stock, Class A, \$0.01 par value – authorized 400,000,000 shares; issued 143,870,764 shares at January 31, 2017 and 143,806,775 shares at October 31, 2016	1,439	1,438
Common stock, Class B, \$0.01 par value (convertible to Class A at time of sale) – authorized 60,000,000 shares; issued 15,942,809 shares at January 31, 2017 and 15,942,809 shares at October 31, 2016	159	159
Paid in capital – common stock	706,509	706,137
Accumulated deficit	(856,326)	(856,183)
Treasury stock – at cost - 11,760,763 shares of Class A common stock and 691,748 shares of Class B common stock at January 31, 2017 and October 31, 2016	(115,360)	(115,360)
Total stockholders’ equity deficit	(128,280)	(128,510)
Total liabilities and equity	\$2,145,296	\$2,354,956

(1) Derived from the audited balance sheet as of October 31, 2016.

See notes to condensed consolidated financial statements (unaudited).

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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands Except Share and Per Share Data)

(Unaudited)

	Three Months Ended January 31,	
	2017	2016
Revenues:		
Homebuilding:		
Sale of homes	\$531,415	\$556,775
Land sales and other revenues	7,745	604
Total homebuilding	539,160	557,379
Financial services	12,849	18,226
Total revenues	552,009	575,605
Expenses:		
Homebuilding:		
Cost of sales, excluding interest	445,027	464,146
Cost of sales interest	18,322	16,843
Inventory impairment loss and land option write-offs	3,184	11,681
Total cost of sales	466,533	492,670
Selling, general and administrative	44,408	47,504
Total homebuilding expenses	510,941	540,174
Financial services	6,855	8,215
Corporate general and administrative	15,656	16,321
Other interest	22,627	21,225
Other operations	1,587	1,384
Total expenses	557,666	587,319
Gain on extinguishment of debt	7,646	-
Loss from unconsolidated joint ventures	(1,666)	(1,480)
Income (loss) before income taxes	323	(13,194)
State and federal income tax (benefit) provision:		
State	(18)	4,319
Federal	484	(1,340)
Total income taxes	466	2,979
Net loss	\$(143)	\$(16,173)
Per share data:		
Basic:		
Loss per common share	\$0.00	\$(0.11)

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Weighted-average number of common shares outstanding	147,535	147,139
Assuming dilution:		
Loss per common share	\$0.00	\$(0.11)
Weighted-average number of common shares outstanding	147,535	147,139

See notes to condensed consolidated financial statements (unaudited).

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HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF EQUITY

(In Thousands Except Share Amounts)

(Unaudited)

	A Common Stock		B Common Stock		Preferred Stock		Paid-In Capital	Accumulated Deficit	Treasury Stock
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount			
Balance, October 31, 2016	132,046,012	\$1,438	15,251,061	\$159	5,600	\$135,299	\$706,137	\$(856,183)) \$(115,360)
Stock options, amortization and issuances							138		
Restricted stock amortization, issuances and forfeitures	63,989	1					234		
Net loss								(143))
Balance, January 31, 2017	132,110,001	\$1,439	15,251,061	\$159	5,600	\$135,299	\$706,509	\$(856,326)) \$(115,360)

See notes to condensed consolidated financial statements (unaudited).

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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

(Unaudited)

	Three Months Ended	
	January 31, 2017	2016
Cash flows from operating activities:		
Net loss	\$(143)	\$(16,173)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	1,013	865
Compensation from stock options and awards	452	1,545
Amortization of bond discounts and deferred financing costs	4,129	2,971
Gain on sale and retirement of property and assets	(56)	(81)
Loss from unconsolidated joint ventures	1,666	1,480
Distributions of earnings from unconsolidated joint ventures	185	-
Gain on extinguishment of debt	(7,646)	-
Inventory impairment and land option write-offs	3,184	11,681
Deferred income tax provision	20	2,616
(Increase) decrease in assets:		
Origination of mortgage loans	(229,537)	(275,617)
Sale of mortgage loans	312,027	240,976
Restricted cash, receivables, prepaids, deposits and other assets	4,833	(2,877)
Inventories	(13,526)	(19,089)
Increase (decrease) in liabilities:		
State income tax payable	291	275
Customers' deposits	(1,476)	(1,785)
Accounts payable, accrued interest and other accrued liabilities	(49,500)	(11,868)
Net cash provided by (used in) operating activities	25,916	