

HOVNANIAN ENTERPRISES INC  
Form 10-Q/A  
March 14, 2005

## UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

## FORM 10-Q/A

(Mark One)

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

For quarterly period ended JANUARY 31, 2005 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)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**22-1851059**

(I.R.S. Employer  
Identification No.)

**10 Highway 35, P.O. Box 500, Red Bank, NJ**  
(Address of Principal Executive Offices)

**07701**  
(Zip Code)

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732-747-7800

(Registrant's Telephone Number, Including Area Code)

**Same**

(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 is an accelerated filer (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. 46,535,042 shares of Class A Common Stock and 14,683,358 shares of Class B Common Stock were outstanding as of March 1, 2005.

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Explanatory Note

This Quarterly Report on Form 10-Q/A of Hovnanian Enterprises, Inc. amends Hovnanian Enterprises, Inc.'s Quarterly Report on Form 10-Q filed on March 11, 2005. This Amendment is being filed solely to remedy formatting problems of tables within the initial 10-Q filing. There are no changes other than these formatting changes to the initial 10-Q filing and all content and information contained in this Amendment remains the same as that which was contained in the initial 10-Q filing. This Amendment supersedes in its entirety the initial 10-Q filing.

HOVNANIAN ENTERPRISES, INC.

FORM 10-Q

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## HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands)

ASSETS	January 31, 2005 (unaudited)	October 31, 2004
Homebuilding:		
Cash and cash equivalents	\$ 80,152	\$ 65,013
Inventories - At the lower of cost or fair value:		
Sold and unsold homes and lots under development	1,987,502	1,785,706
Land and land options held for future development or sale	349,363	436,184
Consolidated Inventory Not Owned:		
Specific performance options	3,162	11,926
Variable interest entities	165,848	201,669
Other options	112,211	31,824
Total Consolidated Inventory Not Owned	281,221	245,419
Total Inventories	2,618,086	2,467,309
Receivables, deposits, and notes	74,439	56,753
Property, plant, and equipment - net	56,053	44,137
Prepaid expenses and other assets	164,383	134,456
Goodwill	32,658	32,658
Definite life intangibles	115,870	125,492
Total Homebuilding	3,141,641	2,925,818
Financial Services:		
Cash and cash equivalents	13,127	13,011
Mortgage loans held for sale	156,565	209,193
Other assets	3,896	8,245
Total Financial Services	173,588	230,449
Total Assets	\$ 3,315,229	\$ 3,156,267

See notes to condensed consolidated financial statements (unaudited).

LIABILITIES AND STOCKHOLDERS EQUITY	January 31, 2005 (unaudited)	October 31, 2004
Homebuilding:		
Nonrecourse land mortgages	\$ 24,097	\$ 25,687
Accounts payable and other liabilities	271,659	329,621
Customers deposits	91,638	80,131
Nonrecourse mortgages secured by operating properties	24,802	24,951
Liabilities from inventory not owned	139,617	68,160
Total Homebuilding	551,813	528,550
Financial Services:		
Accounts payable and other liabilities	5,309	6,080
Mortgage warehouse line of credit	131,247	188,417
Total Financial Services	136,556	194,497
Notes Payable:		
Revolving credit agreement		115,000
Senior notes	802,890	602,737
Senior subordinated notes	400,000	300,000
Accrued interest	17,062	15,522
Total Notes Payable	1,219,952	1,033,259
Income Taxes Payable	4,181	48,999
Total Liabilities	1,912,502	1,805,305
Minority interest from inventory not owned	122,235	155,096
Minority interest from consolidated joint ventures	3,422	3,472
Stockholders Equity:		
Preferred Stock, \$.01 par value-authorized 100,000 shares; none issued		
Common Stock, Class A, \$.01 par value-authorized 200,000,000 shares; issued 57,067,248 shares at January 31, 2005 and 56,797,313 shares at October 31, 2004 (including 10,395,656 shares at January 31, 2005 and October 31, 2004 held in Treasury)		
	571	568
Common Stock, Class B, \$.01 par value (convertible to Class A at time of sale) authorized 30,000,000 shares; issued 15,375,228 shares at January 31, 2005 and 15,376,972 shares at October 31, 2004 (including 691,748 shares at January 31, 2005 and October 31, 2004 held in Treasury)		
	154	154
Paid in Capital	201,243	199,643
Retained Earnings	1,135,345	1,053,863
Deferred Compensation	(10,193)	(11,784)
Treasury Stock - at cost	(50,050)	(50,050)
Total Stockholders Equity	1,277,070	1,192,394
Total Liabilities and Stockholders Equity	\$ 3,315,229	\$ 3,156,267

See notes to condensed consolidated financial statements (unaudited).

HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In Thousands Except Per Share Data)

(Unaudited)

	<b>Three Months Ended</b>	
	<b>January 31,</b>	
	<b>2005</b>	<b>2004</b>
<b>Revenues:</b>		
<b>Homebuilding:</b>		
Sale of homes	\$ 1,015,969	\$ 757,273
Land sales and other revenues	27,984	3,169
<b>Total Homebuilding</b>	<b>1,043,953</b>	<b>760,442</b>
Financial Services	14,193	14,773
<b>Total Revenues</b>	<b>1,058,146</b>	<b>775,215</b>
<b>Expenses:</b>		
<b>Homebuilding:</b>		
Cost of sales, excluding interest	771,256	563,935
Cost of sales interest	12,969	11,943
<b>Total Cost of Sales</b>	<b>784,225</b>	<b>575,878</b>
Selling, general and administrative	98,738	71,793
Inventory impairment loss	498	58
<b>Total Homebuilding</b>	<b>883,461</b>	<b>647,729</b>
Financial Services	9,920	8,027
Corporate General and Administrative	15,878	14,524
Interest	4,953	5,000
Other Operations	1,940	2,432
Intangible Amortization	10,088	4,808
<b>Total Expenses</b>	<b>926,240</b>	<b>682,520</b>
<b>Income Before Income Taxes</b>	<b>131,906</b>	<b>92,695</b>
<b>State and Federal Income Taxes:</b>		
State	5,446	6,240
Federal	44,978	28,744
<b>Total Taxes</b>	<b>50,424</b>	<b>34,984</b>
<b>Net Income</b>	<b>\$ 81,482</b>	<b>\$ 57,711</b>
<b>Per Share Data:</b>		
<b>Basic:</b>		
Income per common share	\$ 1.31	\$ .92
Weighted average number of common shares outstanding	62,240	62,430
<b>Assuming dilution:</b>		
Income per common share	\$ 1.25	\$ .87
Weighted average number of common shares outstanding	65,419	66,470

See notes to condensed consolidated financial statements (unaudited).



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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(Dollars In Thousands)

(Unaudited)

	A Common Stock		B Common Stock		Paid-In Capital	Retained Earnings	Deferred Comp.	Treasury Stock	Total
	Shares Issued and Outstanding	Amount	Shares Issued and Outstanding	Amount					
Balance, October 31, 2004	46,401,657	\$ 568	14,685,224	\$ 154	\$ 199,643	\$ 1,053,863	\$ (11,784)	\$ (50,050)	1,192,394
Sale of common stock under employee stock option plan	74,250	1			3,365				3,366
Stock Bonus issuances	193,941	2			(1,491)		289		(1,200)
Restricted Stock granted					(274)				(274)
Amortization of Restricted Stock							1,302		1,302
Conversion of Class B to Class A common stock	1,744		(1,744)						
Net Income						81,482			81,482
Balance, January 31, 2005	46,671,592	\$ 571	14,683,480	\$ 154	\$ 201,243	\$ 1,135,345	\$ (10,193)	\$ (50,050)	1,277,070

See notes to condensed consolidated financial statements (unaudited).

## HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands - unaudited)

	Three Months Ended January 31,	
	2005	2004
<b>Cash Flows From Operating Activities:</b>		
Net Income	\$ 81,482	\$ 57,711
Adjustments to reconcile net income to net cash (used in) operating activities:		
Depreciation	1,620	1,494
Intangible amortization	10,088	4,808
Loss on sale and retirement of property and assets	41	4
Deferred income taxes	(7,394)	(3,920)
Impairment losses	498	58
Decrease (increase) in assets:		
Mortgage notes receivable	52,665	102,171
Receivables, prepaids and other assets	(37,745)	(38,078)
Inventories	(112,248)	(260,030)
(Decrease) increase in liabilities:		
State and Federal income taxes	(34,393)	15,105
Tax effect from exercise of stock options	(3,031)	(180)
Customers deposits	11,366	3,941
Interest and other accrued liabilities	(22,866)	(17,692)
Post development completion costs	1,509	(2,009)
Accounts payable	(35,960)	8,840
Net cash (used in) operating activities	(94,368)	(127,777)
<b>Cash Flows From Investing Activities:</b>		
Net proceeds from sale of property and assets	35	245
Purchase of property, equipment and other fixed assets and acquisitions of homebuilding companies	(13,478)	(44,271)
Net returns of capital from unconsolidated affiliates	(6,156)	4,370
Net cash (used in) investing activities	(19,599)	(39,656)
<b>Cash Flows From Financing Activities:</b>		
Proceeds from mortgages and notes	449,005	370,009
Proceeds from senior debt	200,000	215,000
Proceeds from senior subordinated debt	100,000	
Principal payments on mortgages and notes	(622,977)	(425,909)
Proceeds from sale of stock and employee stock plan	3,194	1,500
Net cash provided by financing activities	129,222	160,600
Net Increase (Decrease) in Cash		