Beazer Homes Reports Strong First Quarter Fiscal 2022 Results

January 27, 2022

ATLANTA--(BUSINESS WIRE)--Jan. 27, 2022-- Beazer Homes USA, Inc. (NYSE: BZH) (www.beazer.com) today announced its financial results for the three months ended December 31, 2021.

"Strong first quarter results and continuing strength in the housing market have positioned us well for our fiscal year," said Allan P. Merrill, the company's Chairman and Chief Executive Officer. "We generated significant gains in operating margin and adjusted EBITDA, leading to first quarter net income that was more than double the prior year. We also published our first ESG Summary, outlining both recent achievements and current initiatives."

Commenting on market conditions and updated fiscal 2022 full-year expectations, Mr. Merrill said, "The new home market continues to be characterized by strong demand and limited supply, supported by growth in both employment and wages. Given this backdrop, the strength in our first quarter results and the visibility we have into our backlog, we are confident our full-year results will exceed our previously communicated target of $5.00 despite continuing industry-wide challenges in labor and material availability. Incrementally, we plan to realize full-year energy efficiency tax credits which should add about $0.40 to earnings. We also expect further growth in our active lot position as we achieve our multi-year goal of reducing total debt below $1 billion during the fiscal year."

Looking further out, Mr. Merrill concluded, "We are positioned to continue growing profitability and returns, from a less leveraged and more efficient balance sheet, while expanding our ESG activities to create durable value for our stakeholders."

Beazer Homes Fiscal First Quarter 2022 Highlights and Comparison to Fiscal First Quarter 2021

- Net income from continuing operations of $34.9 million, or $1.14 per diluted share, compared to net income from continuing operations of $12.0 million, or $0.40 per diluted share, in fiscal first quarter 2021
- Adjusted EBITDA of $61.1 million, up 40.1%
- Homebuilding revenue of $446.7 million, up 5.3% on a 15.1% increase in average selling price to $438.4 thousand, partially offset by a 8.5% decrease in home closings to 1,019
- Homebuilding gross margin was 20.9%, up 330 basis points. Excluding impairments, abandonments and amortized interest, homebuilding gross margin was 24.2%, up 210 basis points
- SG&A as a percentage of total revenue was 11.8%, down 90 basis points year-over-year
- Net new orders of 1,141, down 20.9% on a 16.2% decrease in average community count to 114 and a 5.6% decrease in orders/community/month to 3.3
- Dollar value of backlog of $1,405.2 million, up 20.9%. The average selling price of homes in backlog was $483.2 thousand, up 17.9% from $409.7 thousand
- Unrestricted cash at quarter end was $157.7 million; total liquidity was $407.7 million

The following provides additional details on the Company's performance during the fiscal first quarter 2022:

Profitability. Net income from continuing operations was $34.9 million, generating diluted earnings per share of $1.14. This included the impact of energy efficiency tax credits of $3.2 million. Income from continuing operations before income taxes of $41.4 million increased by $25.2 million, or 155.9%, compared to $16.2 million in the prior year period. First quarter adjusted EBITDA of $61.1 million was up $17.5 million, or 40.1%, year-over-year. The increase in profitability was primarily driven by higher revenue, homebuilding gross margin and improved SG&A leverage.

Orders. Net new orders for the first quarter decreased to 1,141, down 20.9% from 1,442 in the prior year period. The decrease in net new orders was driven by a 16.2% decrease in average community count to 114 and a 5.6% decrease in sales pace to 3.3 orders per community per month, down from 3.5 in the prior year period. Sale pace, although down year-over-year, remained strong by historical standards. The cancellation rate for the quarter was 11.8%, an improvement of 50 basis points year-over-year.

Backlog. The dollar value of homes in backlog as of December 31, 2021 increased 20.9% to $1,405.2 million, representing 2,908 homes, compared to $1,162.4 million, representing 2,837 homes, at the same time last year. The average selling price of homes in backlog was $483.2 thousand, up 17.9% from $409.7 thousand in the previous year.

Homebuilding Revenue. First quarter homebuilding revenue was $446.7 million, up 5.3% year-over-year. The increase in homebuilding revenue was driven by a 15.1% increase in the average selling price to $438.4 thousand, partially offset by a 8.5% decrease in home closings to 1,019 homes.

Homebuilding Gross Margin. Homebuilding gross margin (excluding impairments, abandonments and amortized interest) was 24.2% for the first quarter, up 210 basis points year-over-year, driven primarily by pricing increases and lower sales incentives.

SG&A Expenses. Selling, general and administrative expenses as a percentage of total revenue was 11.8% for the quarter, down 90 basis points year-over-year as a result of the Company's continued focus on overhead cost management while benefiting from higher revenue driven by growth in average selling price.

Land Position. Controlled lots increased 22.6% to 23,049, compared to 18,801 from the prior year. Excluding land held for future development and land held for sale lots, active controlled lots were 22,426, up 23.6% year-over-year. The Company had 11,027 lots, or 49.2% of its total active lots, under option contracts as compared to 7,536 lots, or 41.5% of its total active lots, under option contracts as of December 31, 2020.

Liquidity. At the close of the first quarter, the Company had approximately $407.7 million of available liquidity, including $157.7 million of unrestricted cash and a fully undrawn revolving credit facility capacity of $250.0 million.

Commitment to ESG

The Company recently published its inaugural ESG Summary, which contains detailed disclosures of environmental, social and governance (ESG) initiatives, as well as metrics that are responsive to sustainability accounting standards promulgated by the Sustainability Accounting Standards Board (SASB) for companies within the homebuilding industry. The ESG Summary represents another step forward in the Company's commitment to increased ESG accountability and provides a foundation to build increased transparency by directly reporting on relevant sustainability issues, risks and opportunities that impact the business.

As part of the Company's ESG initiatives, in December 2020, Beazer became the first national builder to publicly commit to ensuring that by the end of 2025 every home the Company builds will be Net Zero Energy Ready. Net Zero Energy Ready means that each home will have a gross HERS® index score (before any benefit of renewable energy production) of 45 or less, and homeowners will be able to achieve net zero energy consumption by attaching a properly sized renewable energy system.

Summary results for the three months ended December 31, 2021 are as follows:

	Three Months Ended December 31,		
	2021	2020	Change*
New home orders, net of cancellations	**1,141**	1,442	(20.9%)
Orders per community per month	**3.3**	3.5	(5.6%)
Average active community count	**114**	136	(16.2%)
Actual community count at quarter-end	**116**	134	(13.4%)
Cancellation rates	**11.8%**	12.3%	(50) bps
Total home closings	**1,019**	1,114	(8.5%)
Average selling price (ASP) from closings (in thousands)	**$438.4**	$380.8	15.1%
Homebuilding revenue (in millions)	**$446.7**	$424.2	5.3%
Homebuilding gross margin	**20.9%**	17.6%	330 bps
Homebuilding gross margin, excluding impairments and abandonments (I&A)	**20.9%**	17.8%	310 bps
Homebuilding gross margin, excluding I&A and interest amortized to cost of sales	**24.2%**	22.1%	210 bps
Income from continuing operations before income taxes (in millions)	**$ 41.4**	$ 16.2	$ 25.2
Expense from income taxes (in millions)	**$ 6.5**	$ 4.1	$ 2.3
Income from continuing operations, net of tax (in millions)	**$ 34.9**	$ 12.0	$ 22.9
Basic income per share from continuing operations	**$ 1.15**	$ 0.40	$ 0.75
Diluted income per share from continuing operations	**$ 1.14**	$ 0.40	$ 0.74
Net income	**$ 34.9**	$ 12.0	$ 22.9
Land and land development spending (in millions)	**$130.7**	$109.6	$ 21.1
Adjusted EBITDA (in millions)	**$ 61.1**	$ 43.6	$ 17.5
LTM Adjusted EBITDA (in millions)	**$280.2**	$218.6	$ 61.6

* Change and totals are calculated using unrounded numbers.
"LTM" indicates amounts for the trailing 12 months.

	As of December 31,		
	2021	2020	**Change**
Backlog units	**2,908**	2,837	2.5%
Dollar value of backlog (in millions)	**$1,405.2**	$1,162.4	20.9%
ASP in backlog (in thousands)	**$ 483.2**	$ 409.7	17.9%
Land and lots controlled	**23,049**	18,801	22.6%

Conference Call

The Company will hold a conference call on January 27, 2022 at 5:00 p.m. ET to discuss these results. Interested parties may listen to the conference call and view the Company's slide presentation on the "Investor Relations" page of the Company's website, **www.beazer.com**. In addition, the conference call will be available by telephone at 800-475-0542 (for international callers, dial 517-308-9429). To be admitted to the call, enter the pass code "8571348". A replay of the conference call will be available, until 10:00 PM ET on February 3, 2022 at 866-373-1992 (for international callers, dial 203-369-0266) with pass code "3740."

About Beazer Homes

Headquartered in Atlanta, Beazer Homes (NYSE: BZH) is one of the country's largest homebuilders. Every Beazer home is designed and built to provide Surprising Performance, giving you more quality and more comfort from the moment you move in – saving you money every month. With Beazer's Choice Plans™, you can personalize your primary living areas – giving you a choice of how you want to live in the home, at no additional cost. And unlike most national homebuilders, we empower our customers to shop and compare loan options. Our Mortgage Choice program gives you the resources to easily compare multiple loan offers and choose the best lender and loan offer for you, saving you thousands over the life of your loan.

We build our homes in Arizona, California, Delaware, Florida, Georgia, Indiana, Maryland, Nevada, North Carolina, South Carolina, Tennessee, Texas, and Virginia. For more information, visit beazer.com, or check out Beazer on Facebook, Instagram and Twitter.

This press release contains forward-looking statements. These forward-looking statements represent our expectations or beliefs concerning future events, and it is possible that the results described in this press release will not be achieved. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from the results discussed in the forward-looking statements, including, among other things: (i) the cyclical nature of the homebuilding industry and a potential deterioration in homebuilding industry conditions; (ii) economic changes nationally or in local markets, changes in consumer confidence, wage levels, declines in employment levels, inflation and governmental actions, each of which is outside our control and affects the affordability of, and demand for, the homes we sell; (iii) potential negative impacts of the COVID-19 pandemic, which, in addition to exacerbating each of the risks listed above and below, may include a significant decrease in demand for our homes or consumer confidence generally with respect to purchasing a home, an inability to sell and build homes in a typical manner or at all, increased costs or decreased supply of building materials, including lumber, or the availability of subcontractors, housing inspectors, and other third-parties we rely on to support our operations, and recognizing charges in future periods, which may be material, for goodwill impairments, inventory impairments and/or land option contract abandonments; (iv) supply chain challenges negatively impacting our homebuilding production, including shortages of raw materials and other critical components such as windows, doors, and appliances; (v) shortages of or increased costs for labor used in housing production, and the level of quality and craftsmanship provided by such labor; (vi) the availability and cost of land and the risks associated with the future value of our inventory, such as asset impairment charges we took on select California assets during the second quarter of fiscal 2019; (vii) factors affecting margins, such as decreased land values underlying land option agreements, increased land development costs in communities under development or delays or difficulties in implementing initiatives to reduce our production and overhead cost structure; (viii) our ability to raise debt and/or equity capital, due to factors such as limitations in the capital markets (including market volatility) or adverse credit market conditions, and our ability to otherwise meet our ongoing liquidity needs (which could cause us to fail to meet the terms of our covenants and other requirements under our various debt instruments and therefore trigger an acceleration of a significant portion or all of our outstanding debt obligations), including the impact of any downgrades of our credit ratings or reduction in our liquidity levels; (ix) market perceptions regarding any capital raising initiatives we may undertake (including future issuances of equity or debt capital); (x) terrorist acts, protests and civil unrest, political uncertainty, natural disasters, acts of war or other factors over which the Company has no control; (xi) inaccurate estimates related to homes to be delivered in the future (backlog), as they are subject to various cancellation risks that cannot be fully controlled; (xii) increases in mortgage interest rates, increased disruption in the availability of mortgage financing, changes in tax laws or otherwise regarding the deductibility of mortgage interest expenses and real estate taxes or an increased number of foreclosures; (xiii) increased competition or delays in reacting to changing consumer preferences in home design; (xiv) natural disasters or other related events that could result in delays in land development or home construction, increase our costs or decrease demand in the impacted areas; (xv) the potential recoverability of our deferred tax assets; (xvi) increases in corporate tax rates; (xvii) potential delays or increased costs in obtaining necessary permits as a result of changes to, or complying with, laws, regulations or governmental policies, and possible penalties for failure to comply with such laws, regulations or governmental policies, including those related to the environment; (xviii) the results of litigation or government proceedings and fulfillment of any related obligations; (xix) the impact of construction defect and home warranty claims; (xx) the cost and availability of insurance and surety bonds, as well as the sufficiency of these instruments to cover potential losses incurred; (xxi) the impact of information technology failures, cybersecurity issues or data security breaches; (xxii) the impact of governmental regulations on homebuilding in key markets, such as regulations limiting the availability of water; and (xxiii) the success of our ESG initiatives, including our ability to meet our goal that every home we build will be Net Zero Energy Ready by 2025 as well as the success of any other related partnerships or pilot programs we may enter into in order to increase the energy efficiency of our homes and prepare for a Net Zero future.

Any forward-looking statement, including any statement expressing confidence regarding future outcomes, speaks only as of the date on which such statement is made and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible to predict all such factors.

-Tables Follow-

BEAZER HOMES USA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31,	
in thousands (except per share data)	**2021**	2020
Total revenue	**$454,149**	$428,539

Home construction and land sales expenses	**356,749**	352,781
Inventory impairments and abandonments	**—**	465
Gross profit	**97,400**	75,293
Commissions	**15,813**	16,507
General and administrative expenses	**37,767**	37,976
Depreciation and amortization	**2,881**	3,122
Operating income	**40,939**	17,688
Equity in income (loss) of unconsolidated entities	**288**	(75)
Other income (expense), net	**131**	(1,452)
Income from continuing operations before income taxes	**41,358**	16,161
Expense from income taxes	**6,463**	4,125
Income from continuing operations	**34,895**	12,036
Loss from discontinued operations, net of tax	**(10)**	(39)
Net income	**$ 34,885**	$ 11,997
Weighted-average number of shares:		
Basic	**30,336**	29,771
Diluted	**30,724**	30,086
Basic income per share:		
Continuing operations	**$ 1.15**	$ 0.40
Discontinued operations	**—**	—
Total	**$ 1.15**	$ 0.40
Diluted income per share:		
Continuing operations	**$ 1.14**	$ 0.40
Discontinued operations	**—**	—
Total	**$ 1.14**	$ 0.40

	Three Months Ended December 31,	
Capitalized Interest in Inventory	**2021**	2020
Capitalized interest in inventory, beginning of period	**$106,985**	$119,659
Interest incurred	**18,311**	19,902
Interest expense not qualified for capitalization and included as other expense	**—**	(1,600)
Capitalized interest amortized to home construction and land sales expenses	**(14,780)**	(18,813)
Capitalized interest in inventory, end of period	**$110,516**	$119,148

BEAZER HOMES USA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

in thousands (except share and per share data)	**December 31, 2021**	September 30, 2021
ASSETS		
Cash and cash equivalents	**$ 157,701**	$ 246,715
Restricted cash	**29,196**	27,428
Accounts receivable (net of allowance of $290 and $290, respectively)	**20,802**	25,685
Income tax receivable	**9,604**	9,929
Owned inventory	**1,581,801**	1,501,602
Investments in unconsolidated entities	**4,590**	4,464
Deferred tax assets, net	**198,946**	204,766
Property and equipment, net	**22,898**	22,885
Operating lease right-of-use assets	**12,129**	12,344
Goodwill	**11,376**	11,376
Other assets	**11,148**	11,616
Total assets	**$ 2,060,191**	$ 2,078,810
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Trade accounts payable	**$ 114,701**	$ 133,391
Operating lease liabilities	**13,852**	14,154
Other liabilities	**121,441**	152,351

Total debt (net of debt issuance costs of $8,592 and $8,983, respectively)	**1,054,938**	1,054,030
Total liabilities	**1,304,932**	1,353,926
Stockholders' equity:		
Preferred stock (par value $0.01 per share, 5,000,000 shares authorized, no shares issued)	**—**	—
Common stock (par value $0.001 per share, 63,000,000 shares authorized, 31,459,708 issued and outstanding and 31,294,198 issued and outstanding, respectively)	**31**	31
Paid-in capital	**861,648**	866,158
Accumulated deficit	**(106,420)**	(141,305)
Total stockholders' equity	**755,259**	724,884
Total liabilities and stockholders' equity	**$ 2,060,191**	$ 2,078,810
Inventory Breakdown		
Homes under construction	**$ 726,379**	$ 648,283
Land under development	**646,161**	648,404
Land held for future development	**19,879**	19,879
Land held for sale	**10,822**	9,179
Capitalized interest	**110,516**	106,985
Model homes	**68,044**	68,872
Total owned inventory	**$ 1,581,801**	$ 1,501,602

BEAZER HOMES USA, INC.
CONSOLIDATED OPERATING AND FINANCIAL DATA – CONTINUING OPERATIONS

	Three Months Ended December 31,	
SELECTED OPERATING DATA	**2021**	2020
Closings:		
West region	**603**	642
East region	**245**	223
Southeast region	**171**	249
Total closings	**1,019**	1,114
New orders, net of cancellations:		
West region	**655**	782
East region	**236**	320
Southeast region	**250**	340
Total new orders, net	**1,141**	1,442

	As of December 31,	
Backlog units:	**2021**	2020
West region	**1,705**	1,505
East region	**602**	721
Southeast region	**601**	611
Total backlog units	**2,908**	2,837
Aggregate dollar value of homes in backlog (in millions)	**$ 1,405.2**	$ 1,162.4
ASP in backlog (in thousands)	**$ 483.2**	$ 409.7

in thousands	Three Months Ended December 31,	
SUPPLEMENTAL FINANCIAL DATA	**2021**	2020
Homebuilding revenue:		
West region	**$ 256,492**	$ 232,940
East region	**114,287**	97,964
Southeast region	**75,950**	93,325
Total homebuilding revenue	**$ 446,729**	$ 424,229
Revenue:		
Homebuilding	**$ 446,729**	$ 424,229
Land sales and other	**7,420**	4,310
Total revenue	**$ 454,149**	$ 428,539

Gross profit:

Homebuilding	**$ 93,304**	$ 74,837
Land sales and other	**4,096**	456
Total gross profit	**$ 97,400**	$ 75,293

Reconciliation of homebuilding gross profit and the related gross margin excluding impairments and abandonments and interest amortized to cost of sales to homebuilding gross profit and gross margin, the most directly comparable GAAP measure, is provided for each period discussed below. Management believes that this information assists investors in comparing the operating characteristics of homebuilding activities by eliminating many of the differences in companies' respective level of impairments and level of debt. These measures should not be considered alternative to homebuilding gross profit and gross margin determined in accordance with GAAP as an indicator of operating performance.

	Three Months Ended December 31,			
in thousands	**2021**		2020	
Homebuilding gross profit/margin	**$ 93,304**	**20.9%**	$74,837	17.6%
Inventory impairments and abandonments (I&A)	**—**		465	
Homebuilding gross profit/margin excluding I&A	**93,304**	**20.9%**	75,302	17.8%
Interest amortized to cost of sales	**14,780**		18,560	
Homebuilding gross profit/margin excluding I&A and interest amortized to cost of sales	**$ 108,084**	**24.2%**	$93,862	22.1%

Reconciliation of Adjusted EBITDA to total company net income, the most directly comparable GAAP measure, is provided for each period discussed below. Management believes that Adjusted EBITDA assists investors in understanding and comparing the operating characteristics of homebuilding activities by eliminating many of the differences in companies' respective capitalization, tax position, and level of impairments. These EBITDA measures should not be considered alternatives to net income determined in accordance with GAAP as an indicator of operating performance.

	Three Months Ended December 31,		**LTM Ended [(a)]**	
in thousands	**2021**	2020	**2021**	2020
Net income	**$ 34,885**	$ 11,997	**$144,909**	$ 61,477
Expense from income taxes	**6,460**	4,114	**23,847**	22,006
Interest amortized to home construction and land sales expenses and capitalized interest impaired	**14,780**	18,813	**83,257**	94,806
Interest expense not qualified for capitalization	**—**	1,600	**1,181**	8,626
EBIT	**56,125**	36,524	**253,194**	186,915
Depreciation and amortization	**2,881**	3,122	**13,735**	15,335
EBITDA	**59,006**	39,646	**266,929**	202,250
Stock-based compensation expense	**2,108**	3,511	**10,764**	11,236
Loss on extinguishment of debt	**—**	—	**2,025**	—
Inventory impairments and abandonments [(b)]	**—**	465	**388**	2,576
Restructuring and severance expenses	**—**	(10)	**—**	1,307
Litigation settlement in discontinued operations	**—**	—	**120**	1,260
Adjusted EBITDA	**$ 61,114**	$ 43,612	**$280,226**	$218,629

(a) "LTM" indicates amounts for the trailing 12 months.

(b) In periods during which we impaired certain of our inventory assets, capitalized interest that is impaired is included in the line above titled “Interest amortized to home construction and land sales expenses and capitalized interest impaired.”

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