Beazer Homes Announces Net Income of $8.1 Million For Quarter Ended March 31, 1999; Up 112% Over Prior Year

April 27, 1999

Atlanta, Georgia, April 27, 1999 -- Beazer Homes USA, Inc. (NYSE: BZH) today announced results for the quarter ended March 31, 1999, the second quarter of its 1999 fiscal year. Highlights of the quarter, compared to the same quarter of the prior year, are as follows:

- Net income: $8.1 million (up 112% vs. $3.8 million in prior year) EPS: $.91 excluding effect of inducements related to conversion of Preferred Stock (up 107% vs. $.44 in prior year);
- Home closings: 1,801 (up 31%) n
- Total revenues: $327 million (up 48%)
- Earnings before interest and taxes (EBIT): $19.4 million (up 85%)
- EBIT margin: 5.9% (up 120 basis points) n
- New orders: 2,358 (up 4%)
- Record backlog: 3,122 homes, sales value $579 million (up 39% and 65%, respectively)

Redemptions for cash will be effected no earlier than May 19, 1999, whereas holders may convert their Preferred Stock to Common Stock at any time prior to the close of business on May 19, 1999.

Earnings Up Over 100%

Ian McCarthy, President and Chief Executive Officer of Beazer Homes, said, "We are pleased to report an over 100% increase in net income for the quarter ended March 31, 1999. This is our second consecutive quarter with a greater than 100% increase in earnings over the prior year. Our results demonstrate both the success of profitability improvement initiatives that we have implemented over the last two years and the continuing strong economic environment."

Earnings per share for the quarter ended March 31, 1999 were $.91 per share, excluding the effect of inducements related to the partial conversion of the Company's Series A Cumulative Convertible Exchangeable Preferred Stock (the "Preferred Stock"). Diluted earnings per share for the quarter were $.84 per share, including the impact of such inducements. It is the calculation excluding the inducements, $.91 per share for the quarter, which is expected to be used in determining earnings per share for the full fiscal year.

Mr. McCarthy said, " As a result of our improved profitability, net income increased 112% on a 31% increase in home closings and 48% increase in revenues during the quarter. Earnings before interest and taxes (EBIT) for the quarter ended March 31, 1999 were 5.9% of revenues, up 120 basis points over the prior year's March quarter. We expect to see continued improvements in our EBIT margin in the second half of fiscal 1999."

Mr. McCarthy continued, "During the quarter our selling, general and administrative expense declined as a percentage of revenues, from 11.6% of revenues in the March 1998 quarter to 11.0% in the current March quarter. This reflects the leverage that we are achieving from the addition of Trafalgar House, our recently acquired Mid-Atlantic division."

Mr. McCarthy also said, "The integration of Trafalgar House has proceeded both quickly and smoothly. As a result, we expect the accretion from this acquisition in 1999 to exceed our initial expectations. We also expect this accretion to accelerate in 2000, after we introduce mortgage origination operations and design centers to our new Mid-Atlantic division by the end of calendar 1999."

Record New Orders Up Vs. Very Strong Prior Year March Quarter

The Company also reported that it had 2,358 new orders for the quarter ended March 31, 1999, a 4% increase over the year earlier March quarter and a new company record. New orders for the quarter included 404 from the Company's recently acquired Mid-Atlantic operations. The Company's backlog of homes sold but not yet closed at March 31, 1999 was 3,122 homes (up 39%) with a sales value of $579 million (up 65%), also both Company records.

Mr. McCarthy commented, "We are pleased to report record quarterly new orders for the quarter, especially considering the strength of new orders in the year earlier March quarter. New orders in last year's March quarter were up 48% over the prior year, representing our strongest quarterly increase in fiscal 1998. We expect the current growth in our new orders to accelerate during the second half of fiscal 1999, reflecting both the continued strength in our order trends as well as the comparison to lower levels of increases in the second half of fiscal 1998. New orders for the second half of fiscal 1998 had been up 18% compared to the second half of fiscal 1997."

Conversion of Majority of Preferred Stock

Subsequent to March 31, 1999, the Company announced that it is calling for redemption on May 19, 1999 the remaining 267,550 shares of its Preferred Stock. Holders of the other 1,732,450 shares of the original two million shares of Preferred Stock issued have previously converted their shares to the company's common stock. The Company paid inducements of $1.3 million in connection with these conversions during the quarter.

David Weiss, Executive Vice President and Chief Financial Officer of Beazer Homes, said, "We are extremely pleased to have resolved the issues surrounding our Preferred Stock, while still maintaining a strong financial position. At this point, holders of 87% of our Preferred Stock have converted their shares into common stock. The remaining holders have the choice to convert each of their shares of Preferred Stock to 1.312336 shares of common stock, with a value of $31.33 based upon the closing price of our common stock yesterday, or to redeem their preferred stock for $26.69 in cash. Conversions may be done at any time up to and including May 19, 1999, whereas cash redemptions may be executed no earlier than that date. With the conversion and call for redemption of our preferred stock, we are simplifying our capital structure, eliminating $4 million in annual cash dividends and removing an overhang on our common stock."

Mr. Weiss continued, "We are also extremely pleased that Moody's Rating Agency recently recognized the improvements we have achieved in our operating performance and our strong financial condition by upgrading our Senior Notes from B1 to Ba3."

Plan For The Next Five Years

Mr. McCarthy said, "Fiscal 1999 is our fifth full year as a public company. When we reach the end of this fiscal year we believe that, absent significant adverse economic changes, we will report that over the past five years we have nearly doubled our number of homes closed (3,926 in fiscal 1994) and more than doubled our earnings per share ($1.76 in fiscal 1994). With our last twelve months earnings per share at $3.47 and our dollar backlog up 65%, we believe that earnings in fiscal 1999 can approximate $4.00 per share."

Mr. McCarthy concluded, "Fiscal 1999 is the beginning point of our plan, 'Beazer Homes: The Next Five Years'. The target for this plan is to again double our number of homes closed and more than double our earnings per share over the next five years. This will be achieved through growth of our current operations, timely expansion into new markets by acquisition and realization of the potential of our new joint venture in affordable housing. As we have over the past five years, we expect to achieve these objectives while continually maintaining a conservative financial position. We believe that we have in place the infrastructure to achieve a target earnings per share figure of $9.00 per share by 2004."

Beazer Homes USA, Inc., based in Atlanta, Georgia, is one of the country's ten largest single family homebuilders, with operations in Arizona, California, Florida, Georgia, Maryland, Nevada, New Jersey, North Carolina, South Carolina, Tennessee, Texas and Virginia.

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Note: Certain statements in this Press Release are "forward-looking statements" within the meaning of the Private Securities Litigation Act of 1995. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially. Such risks, uncertainties and other factors include, but are not limited to, changes in general economic conditions, fluctuations in interest rates, increases in raw materials and labor costs, levels of competition and other factors described in the Company's Annual Report for the year ended September 30, 1998.