



BEAZER HOMES

Beazer Homes Announces Earnings Per Share of \$.53 For Quarter Ended December 31, 1998 Vs. \$.21 in Prior Year; Backlog of \$469 Million Up 120%

January 28, 1999

Atlanta, Georgia, January 28, 1998 - Beazer Homes USA, Inc. (NYSE: BZH) today announced results for the quarter ended December 31, 1998, the first quarter of its 1999 fiscal year. Highlights of the quarter, compared to the same quarter of the prior year, are as follows:

- **Diluted EPS: \$.53 (up 152% vs. \$.21 on comparably computed diluted basis; up 279% vs. \$.14 as reported)**
- Home closings: 1,396 (up 34%)
- Total revenues: \$242 million (up 56%)
- Earnings before interest and taxes (EBIT) \$12.6 million (up 111%)
- EBIT margin 5.2% (up 130 basis points)
- Net income: \$4.7 million (up 157%)
- New orders: 1,349 (up 24%)
- Backlog: 2,565 homes, sales value \$469 million (up 92% and 120%, respectively)

Ian McCarthy, President and Chief Executive Officer of Beazer Homes, said, "Our results for the quarter ended December 31, 1998 demonstrate the re-ignited growth that we believe will continue throughout 1999. During the past two years we have concentrated on improving our profitability. Having significantly improved our profit margins in fiscal 1998, we have now resumed the revenue growth that characterized our early years as a public company. We believe that the combination of improved margins and renewed growth will produce dramatic improvements in earnings throughout fiscal 1999, as they have in the first quarter."

As previously announced, during the quarter the Company also completed the \$90 million acquisition of Trafalgar House, the fourth largest homebuilder in the Washington DC metropolitan area, with operations in Virginia, Maryland and New Jersey.

Mr. McCarthy continued, "Growth in 1999 will come from both our existing Southeast, Southwest and Central homebuilding operations and our new Mid-Atlantic region, acquired from Trafalgar House. At December 31, 1998 our backlog was up 92% in units and 120% in dollar value. Excluding Trafalgar House our unit and dollar backlog were up 61% and 74%, respectively."

Mr. McCarthy also said, "The integration of Trafalgar House has been extraordinarily smooth. We have found their management and operating style to fit extremely well with Beazer's. This was not a surprise, as we have been actively looking to acquire this company for over four years."

The Company also reported that it had 1,349 new orders for the quarter ended December 31, 1998, a 24% increase over the year earlier quarter. New orders included 64 from Trafalgar House, subsequent to its acquisition on December 4, 1998. Excluding Trafalgar House, new orders were up 18% for the quarter.

Mr. McCarthy commented, "The increase in new orders in our existing operations reflects both the current strength of the overall homebuilding environment and the success of our communities and markets. New orders were up strongly while the number of active subdivisions at December 31, 1998, excluding Trafalgar House, was actually down slightly. This improvement in sales velocity has been one of the objectives of our drive to improve return on capital."

David Weiss, Executive Vice President and Chief Financial Officer of Beazer Homes, said, "During the quarter ended December 31, 1998, our EBIT margin improved by 130 basis points from 3.9% to 5.2%, compared to the same quarter of the prior year. This reflects the success of the profitability improvement initiatives implemented over the past two years. During fiscal 1999 we expect to see the full benefit of these initiatives, which were only partially reflected in fiscal 1998."

Mr. Weiss continued, "I would also like to point out that our earnings for the December quarter include a lower than normal gross profit margin from operations acquired during the quarter. Purchase accounting requires that we recognize a significantly lower gross profit margin on home closings after an acquisition than is expected from that acquired operation in future quarters. The recognition of normal gross profit margins at our recently acquired operations, consistent with that expected in future quarters, would have resulted in an overall gross profit margin, before interest, of 17.8%, compared to the 16.9% gross margin actually reflected in the quarterly results."

Mr. Weiss also said, "Our selling, general and administrative expense during the quarter dropped to 11.7% of revenues from 12.4% in the year earlier quarter. This decrease reflects the leverage that we are getting on our fixed overhead now that we have re-ignited growth. As a result of both this trend and the improvement in our gross margin, that I mentioned earlier, we expect to beat the target of 6.5% for our EBIT margin in fiscal 1999 (compared to 5.8% in fiscal 1998) that we set in our 1998 Annual Report."

Mr. McCarthy concluded, "Fiscal 1999 begins with our best first quarter ever. This quarter also marks the first time our annual revenues have passed the billion dollar mark, at \$1.1 billion for calendar 1998. At the same time our record dollar backlog gives us confidence in the prospect for increased

earnings in the rest of the year and the timely acquisition of Trafalgar House gives us optimism about future order increases. We expect, absent significant adverse economic changes, to continue to report dramatic increases in earnings and double digit percentage growth in new orders throughout fiscal 1999."

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.