

CENTEX CORP
Form 10-Q
November 03, 2004

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the Quarterly Period Ended**

September 30, 2004

Commission File No. 1-6776

Centex Corporation

A Nevada Corporation

IRS Employer Identification No. 75-0778259
2728 N. Harwood
Dallas, Texas 75201
(214) 981-5000

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 x No o.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No o

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of business on October 28, 2004:

Centex Corporation	Common Stock	124,294,453 shares
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Centex Corporation and Subsidiaries

Form 10-Q Table of Contents

September 30, 2004

Page

Financial Information

Part

I.

<u>Item 1.</u>	<u>Financial Statements</u>	
	<u>Statements of Consolidated Earnings</u>	2
	<u>Consolidated Balance Sheets with Consolidating Details</u>	4
	<u>Statements of Consolidated Cash Flows with Consolidating Details</u>	6
	<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	28
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	56
<u>Item 4.</u>	<u>Controls and Procedures</u>	56

Part **Other Information**

II.

<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	57
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	57
<u>Item 6.</u>	<u>Exhibits</u>	58

Signatures 59

<u>Form of Non-Employee Director Restricted Stock Agreement</u>	
<u>Form of Stock Option Agreement</u>	
<u>Form of Deferred Compensation Agreement</u>	
<u>Certification of the CEO Pursuant to Rules 13a-14 and 15d-14</u>	
<u>Certification of the CFO Pursuant to Rules 13a-14 and 15d-14</u>	
<u>Certification of the CEO Pursuant to Section 906</u>	
<u>Certification of the CFO Pursuant to Section 906</u>	

Table of Contents**Part I. Financial Information****Item 1. Financial Statements**

Centex Corporation and Subsidiaries
Statements of Consolidated Earnings
(Dollars in thousands, except per share data)
(unaudited)

	<i>For the Three Months Ended September 30,</i>	
	2004	2003
Revenues		
Home Building	\$ 2,231,459	\$ 1,709,139
Financial Services	276,923	290,551
Construction Services	452,228	386,629
Other	24,296	42,007
	2,984,906	2,428,326
Costs and Expenses		
Home Building	1,938,415	1,504,741
Financial Services	223,671	214,049
Construction Services	446,714	382,069
Other	26,598	24,102
Corporate General and Administrative	19,019	21,988
Interest Expense	5,281	16,444
	2,659,698	2,163,393
Earnings from Unconsolidated Entities	3,308	15,080
Earnings from Continuing Operations Before Income Taxes and Cumulative Effect of a Change in Accounting Principle	328,516	280,013
Income Taxes	117,904	91,959
	210,612	188,054
Earnings from Continuing Operations Before Cumulative Effect of a Change in Accounting Principle	210,612	188,054
Earnings from Discontinued Operations, net of Taxes of \$0 and \$6,432	\$6,432	11,335
	\$6,432	11,335

Earnings Before Cumulative Effect of a Change in Accounting Principle	210,612	199,389
Cumulative Effect of a Change in Accounting Principle, net of Tax Benefit of \$0 and \$8,303		(13,260)
	<hr/>	<hr/>
Net Earnings	\$ 210,612	\$ 186,129
	<hr/>	<hr/>
Basic Earnings Per Share		
Continuing Operations	\$ 1.70	\$ 1.53
Discontinued Operations		0.09
Cumulative Effect of a Change in Accounting Principle		(0.11)
	<hr/>	<hr/>
	\$ 1.70	\$ 1.51
	<hr/>	<hr/>
Diluted Earnings Per Share		
Continuing Operations	\$ 1.61	\$ 1.46
Discontinued Operations		0.09
Cumulative Effect of a Change in Accounting Principle		(0.11)
	<hr/>	<hr/>
	\$ 1.61	\$ 1.44
	<hr/>	<hr/>
Average Shares Outstanding		
Basic	124,036,791	123,427,650
Dilutive Securities:		
Options	6,732,011	5,218,160
Other	212,342	431,064
	<hr/>	<hr/>
Diluted	130,981,144	129,076,874
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Cash Dividends Per Share	\$ 0.04	\$ 0.02
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See Notes to Consolidated Financial Statements.

Table of Contents

Centex Corporation and Subsidiaries
Statements of Consolidated Earnings
(Dollars in thousands, except per share data)
(unaudited)

	<i>For the Six Months Ended September 30,</i>	
	2004	2003
Revenues		
Home Building	\$ 4,229,573	\$ 3,213,632
Financial Services	551,244	557,411
Construction Services	886,445	762,384
Other	83,717	67,528
	5,750,979	4,600,955
 Costs and Expenses		
Home Building	3,713,188	2,853,782
Financial Services	440,418	415,310
Construction Services	876,465	753,265
Other	78,677	50,441
Corporate General and Administrative	38,604	41,091
Interest Expense	10,306	31,914
	5,157,658	4,145,803
 Earnings from Unconsolidated Entities	11,087	20,160
 Earnings from Continuing Operations Before Income Taxes and Cumulative Effect of a Change in Accounting Principle	604,408	475,312
Income Taxes	216,563	154,040
 Earnings from Continuing Operations Before Cumulative Effect of a Change in Accounting Principle	387,845	321,272
Earnings from Discontinued Operations, net of Taxes of \$0 and \$11,333		20,907
	387,845	342,179

Earnings Before Cumulative Effect of a Change in Accounting Principle**Cumulative Effect of a Change in Accounting Principle, Net of Tax Benefit of \$0 and \$8,303**

		(13,260)
Net Earnings	\$ 387,845	\$ 328,919
Basic Earnings Per Share		
Continuing Operations	\$ 3.13	\$ 2.61
Discontinued Operations		0.16
Cumulative Effect of a Change in Accounting Principle		(0.11)
	\$ 3.13	\$ 2.66
Diluted Earnings Per Share		
Continuing Operations	\$ 2.96	\$ 2.50
Discontinued Operations		0.16
Cumulative Effect of a Change in Accounting Principle		(0.10)
	\$ 2.96	\$ 2.56
Average Shares Outstanding		
Basic	123,806,272	122,961,650
Dilutive Securities:		
Options	6,921,348	5,131,544
Other	394,950	375,816
Diluted	131,122,570	128,469,010
Cash Dividends Per Share	\$ 0.08	\$ 0.04

See Notes to Consolidated Financial Statements.

Table of Contents

Centex Corporation and Subsidiaries
Consolidated Balance Sheets with Consolidating Details
(Dollars in thousands)
(unaudited)

	Centex Corporation and Subsidiaries	
	September 30, 2004	March 31, 2004
Assets		
Cash and Cash Equivalents	\$ 76,046	\$ 178,859
Restricted Cash	326,445	310,304
Receivables -		
Residential Mortgage Loans Held for Investment, net	7,179,844	6,498,155
Residential Mortgage Loans Held for Sale	1,566,290	1,819,605
Construction Contracts	333,517	312,552
Trade, including Notes of \$53,912 and \$51,321	394,051	356,570
Inventories -		
Housing Projects	5,872,623	4,897,036
Land Held for Development and Sale	227,987	208,140
Land Held Under Option Agreements Not Owned	518,330	362,405
Other	40,885	94,224
Investments -		
Joint Ventures and Other	162,509	140,118
Unconsolidated Subsidiaries		
Property and Equipment, net	166,066	155,891
Other Assets -		
Deferred Income Taxes	160,106	157,678
Goodwill	249,106	254,258
Mortgage Securitization Residual Interest	79,103	89,374
Deferred Charges and Other, net	211,593	233,399
	\$ 17,564,501	\$ 16,068,568
Liabilities and Stockholders Equity		
Accounts Payable	\$ 680,158	\$ 686,308
Accrued Liabilities	1,266,233	1,275,604
Debt -		
Centex	2,875,800	2,418,190
Financial Services	8,766,268	8,302,190
Payables to (Receivables from) Affiliates		
Commitments and Contingencies		
Minority Interests	491,430	336,051
Stockholders Equity -		

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Preferred Stock: Authorized 5,000,000 Shares, None Issued		
Common Stock: \$.25 Par Value; Authorized 300,000,000 Shares; Outstanding 123,987,714 and 122,660,357 Shares	32,398	32,068
Capital in Excess of Par Value	257,169	202,958
Unamortized Value of Deferred Compensation	(295)	(411)
Retained Earnings	3,368,860	2,990,889
Treasury Stock, at Cost; 5,604,895 and 5,610,772 Shares	(212,734)	(212,822)
Accumulated Other Comprehensive Income (Loss)	39,214	37,543
	<hr/>	<hr/>
Total Stockholders' Equity	3,484,612	3,050,225
	<hr/>	<hr/>
	\$ 17,564,501	\$ 16,068,568
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See Notes to Consolidated Financial Statements.

Table of Contents

Centex Corporation and Subsidiaries
Consolidated Balance Sheets with Consolidating Details

(Dollars in thousands)
(unaudited)

Centex*		Financial Services	
September 30, 2004	March 31, 2004	September 30, 2004	March 31, 2004
\$ 62,931	\$ 160,590	\$ 13,115	\$ 18,269
50,721	50,440	275,724	259,864
		7,179,844	6,498,155
		1,566,290	1,819,605
333,517	312,552		
199,846	178,829	194,205	177,741
5,872,623	4,897,036		
227,987	208,140		
518,330	362,405		
34,139	85,284	6,746	8,940
162,509	140,118		
557,353	531,941		
118,346	114,524	47,720	41,367
68,687	66,985	91,419	90,693
237,369	237,656	11,737	16,602
		79,103	89,374
151,472	171,534	60,121	61,865
\$ 8,595,830	\$ 7,518,034	\$ 9,526,024	\$ 9,082,475
\$ 660,554	\$ 668,807	\$ 19,604	\$ 17,501
1,085,016	1,046,296	181,217	229,308
2,875,800	2,418,190	8,766,268	8,302,190
		(11,133)	15,661
489,848	334,516	1,582	1,535

32,398	32,068	1	1
257,169	202,958	275,467	275,521
(295)	(411)		
3,368,860	2,990,889	303,451	256,490
(212,734)	(212,822)		
39,214	37,543	(10,433)	(15,732)
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3,484,612	3,050,225	568,486	516,280
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\$ 8,595,830	\$ 7,518,034	\$ 9,526,024	\$ 9,082,475
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* In the supplemental data presented above, *Centex* represents the consolidation of all subsidiaries other than those included in *Financial Services*. Transactions between *Centex* and *Financial Services* have been eliminated from the *Centex Corporation and Subsidiaries* balance sheets.

Table of Contents

Centex Corporation and Subsidiaries
Statements of Consolidated Cash Flows with Consolidating Details
(Dollars in thousands)
(unaudited)

	Centex Corporation and Subsidiaries	
	<i>For the Six Months Ended September 30,</i>	
	2004	2003
Cash Flows Operating Activities		
Net Earnings	\$ 387,845	\$ 328,919
Adjustments-		
Cumulative Effect of a Change in Accounting Principle		13,260
Depreciation and Amortization	52,360	57,394
Provision for Losses on Residential Mortgage Loans Held for Investment	51,084	34,894
Deferred Income Tax Benefit	(11,361)	(13,731)
Equity in Earnings of Joint Ventures and Centex Development Company, L.P.	(8,199)	(18,276)
Undistributed Earnings of Unconsolidated Subsidiaries		
Minority Interest, net of Taxes	1,229	17,633
Changes in Assets and Liabilities, Excluding Effect of Acquisitions		
Increase in Restricted Cash	(16,141)	(111,000)
Increase in Receivables	(55,811)	(63,664)
Decrease in Residential Mortgage Loans Held for Sale	253,315	765,815
Increase in Housing Projects and Land Held for Development and Sale	(977,952)	(660,851)
Decrease (Increase) in Other Inventories	40,665	5,630
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(7,281)	31,834
Decrease (Increase) in Other Assets, net	34,889	610
Decrease in Payables to Affiliates		
Other	(3,231)	1,926
	<u>(258,589)</u>	<u>390,393</u>
Cash Flows Investing Activities		
(Issuance) Payment on Notes Receivable, net	(2,591)	6,431
Increase in Residential Mortgage Loans Held for Investment	(732,773)	(1,010,615)
Increase in Investment and Advances to Joint Ventures and Centex Development Company, L.P.	(20,451)	(7,976)
Decrease in Investment and Advances to Unconsolidated Subsidiaries		
Purchases of Property and Equipment, net	(25,031)	(21,474)
Other	8,671	7,129

	<u>(772,175)</u>	<u>(1,026,505)</u>
Cash Flows Financing Activities		
Increase (Decrease) in Short-Term Debt, net Centex	94,086	(520,394)
Issuance of Long-Term Debt	392,902	7,193
Repayment of Long-Term Debt Financial Services	(10,648)	(58,437)
Issuance of Long-Term Debt	1,867,799	3,386,866
Repayment of Long-Term Debt	(1,421,116)	(2,546,765)
Proceeds from Stock Option Exercises	14,669	26,216
Treasury Stock Transactions, net	88	(34,184)
Dividends Paid	(9,874)	(4,940)
	<u>927,906</u>	<u>255,555</u>
Effect of Exchange Rate on Cash	45	
Net Decrease in Cash and Cash Equivalents	(102,813)	(380,557)
Cash and Cash Equivalents at Beginning of Period	<u>178,859</u>	<u>456,179</u>
Cash and Cash Equivalents at End of Period	<u>\$ 76,046</u>	<u>\$ 75,622</u>

See Notes to Consolidated Financial Statements.

Table of Contents

Centex Corporation and Subsidiaries
Statements of Consolidated Cash Flows with Consolidating Details

(Dollars in thousands)
(unaudited)

Centex *		Financial Services	
<i>For the Six Months Ended September 30,</i>		<i>For the Six Months Ended September 30,</i>	
2004	2003	2004	2003
\$ 387,845	\$ 328,919	\$ 68,961	\$ 75,395
43,477	48,744	8,883	13,260
(1,949)	(7,405)	51,084	8,650
(8,199)	(18,276)	(9,412)	34,894
(46,961)	(75,395)		(6,326)
1,182	17,592	47	41
(281)	(26,218)	(15,860)	(84,782)
(39,328)	(48,442)	(16,483)	(15,222)
(977,952)	(660,851)	253,315	765,815
38,471	6,946	2,194	(1,316)
39,542	(11,939)	(41,578)	27,152
14,188	(4,724)	20,701	5,334
	1,926	(26,794)	(7,138)
		(3,231)	
(549,965)	(449,123)	291,827	815,757
(2,610)	6,138	19	293
		(732,773)	(1,010,615)