

New Home Co Inc.  
Form 10-Q  
August 08, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-36283

The New Home Company Inc.  
(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or other Jurisdiction of  
Incorporation or Organization)  
85 Enterprise, Suite 450  
Aliso Viejo, California 92656  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code (949) 382-7800

27-0560089  
(I.R.S. Employer  
Identification No.)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Non-accelerated filer (Do not check if smaller reporting company)  Smaller reporting company  Accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Registrant's shares of common stock outstanding as of August 8, 2014: 16,448,750

THE NEW HOME COMPANY INC.  
FORM 10-Q  
INDEX

Insert Title Here

	Page Number
PART I Financial Information	
Item 1. <u>Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets as of June 30, 2014 (Unaudited) and December 31, 2013</u>	3
<u>Unaudited Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2014 and 2013</u>	4
<u>Unaudited Condensed Consolidated Statement of Equity for the Six Months Ended June 30, 2014</u>	5
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013</u>	6
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	7
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	24
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	43
Item 4. <u>Controls and Procedures</u>	43
Part II Other Information	
Item 1. <u>Legal Proceedings</u>	44
Item 1A. <u>Risk Factors</u>	44
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	44
Item 3. <u>Defaults on Senior Securities</u>	44
Item 4. <u>Mine Safety Disclosures</u>	44
Item 5. <u>Other Information</u>	44
Item 6. <u>Exhibits</u>	45
<u>Signatures</u>	46

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements

THE NEW HOME COMPANY INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2014 (unaudited)	December 31, 2013
Assets		
Cash and cash equivalents	\$52,308,207	\$9,541,361
Restricted cash	3,683,910	130,215
Contracts and accounts receivable	7,388,898	7,178,241
Due from affiliates	327,534	558,421
Real estate inventories	96,184,328	45,350,479
Investment in unconsolidated joint ventures	43,838,805	32,269,546
Property and equipment, net of accumulated depreciation	1,040,016	481,506
Other assets	3,024,477	3,439,527
Total assets	\$207,796,175	\$98,949,296
Liabilities and equity		
Accounts payable	\$12,685,547	\$8,687,702
Accrued expenses and other liabilities	3,356,652	6,851,162
Notes payable	48,676,152	17,883,338
Total liabilities	64,718,351	33,422,202
Commitments and contingencies (Note 10)	—	—
Equity:		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized, no shares outstanding	—	—
Common stock, \$0.01 par value, 500,000,000 shares authorized, 16,448,750 shares issued and outstanding as of June 30, 2014	164,488	—
Additional paid-in capital	141,592,580	—
Retained earnings	183,866	—
Total The New Home Company Inc. stockholders' equity	141,940,934	—
Members' equity	—	64,355,719
Noncontrolling interest in subsidiary	1,136,890	1,171,375
Total equity	143,077,824	65,527,094
Total liabilities and equity	\$207,796,175	\$98,949,296

See accompanying notes to the unaudited condensed consolidated financial statements.

THE NEW HOME COMPANY INC.  
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended June 30,		Six months ended June 30,	
	2014	2013	2014	2013
Revenues:				
Home sales	\$9,606,622	\$8,552,603	\$14,657,942	\$13,219,134
Fee building, including management fees from unconsolidated joint ventures of \$1,640,226, \$1,505,926, \$3,324,800 and \$2,471,388, respectively	12,897,269	10,561,981	33,409,355	24,034,531
	22,503,891	19,114,584	48,067,297	37,253,665
Expenses:				
Cost of homes sales	7,917,632	7,094,842	11,899,770	10,824,469
Cost of fee building	13,023,279	9,848,287	32,474,746	22,787,100
Abandoned project costs	13,684	163,676	99,788	323,263
Selling and marketing	818,365	466,635	1,216,553	743,655
General and administrative	2,601,548	1,181,586	4,879,857	2,263,440
	24,374,508	18,755,026	50,570,714	36,941,927
Equity in net income of unconsolidated joint ventures	171,508	380,224	944,728	652,080
Guaranty fee income	—	28,391	18,927	56,782
Other income (expense), net	12,640	(25,793)	11,984	(25,793)
(Loss) income before taxes	(1,686,469)	742,380	(1,527,778)	994,807
Benefit of (provision for) taxes	607,129	(117,092)	2,019,149	(181,837)
Net (loss) income	(1,079,340)	625,288	491,371	812,970
Net loss attributable to noncontrolling interests	33,985	—	34,485	—
Net (loss) income attributable to The New Home Company Inc.	\$(1,045,355)	\$625,288	\$525,856	\$812,970
(Loss) earnings per share attributable to The New Home Company Inc. (Note 2)				
Basic	\$(0.06)	\$0.07	\$0.03	\$0.11
Diluted	\$(0.06)	\$0.07	\$0.03	\$0.11
Weighted average number of shares (Note 2):				
Basic	16,448,750	8,412,349	15,233,473	7,172,245
Diluted	16,448,750	8,412,349	15,255,751	7,172,245

See accompanying notes to the unaudited condensed consolidated financial statements.

## THE NEW HOME COMPANY INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF EQUITY

	Stockholders' Equity			Retained Earnings	Total Stockholders' Equity	Members' Equity	Noncontrolling Interest in Subsidiary	Total Equity
	Number of Common Shares	Common Stock	Additional Paid-in Capital					
Balance at December 31, 2013	—	\$—	\$—	\$—	\$—	\$64,355,719	\$1,171,375	\$65,527,094
Net income (loss)	—	—	—	183,866	183,866	341,990	(34,485)	491,371
Equity-based compensation expense	—	—	930,951	—	930,951	316,667	—	1,247,618
Conversion of members' equity into common stock	8,636,250	86,363	64,928,013	—	65,014,376	(65,014,376)	—	—
Issuance of common stock, net of issuance costs	8,984,375	89,844	87,710,178	—	87,800,022	—	—	87,800,022
Repurchase of common stock	(1,171,875)	(11,719)	(11,976,562)	—	(11,988,281)	—	—	(11,988,281)
Balance at June 30, 2014	16,448,750	\$164,488	\$141,592,580	\$183,866	\$141,940,934	\$—	\$1,136,890	\$143,077,824

See accompanying notes to the unaudited condensed consolidated financial statements.

## THE NEW HOME COMPANY INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended June 30,	
	2014	2013
Operating activities:		
Net income	\$491,371	\$812,970
Adjustments to reconcile net income to net cash used in operating activities:		
Deferred taxes	(1,442,533 )	—
Amortization of equity based compensation	1,247,618	237,500
Distributions of earnings from unconsolidated joint ventures	370,075	981,397
Equity in net income of unconsolidated joint ventures	(944,728 )	(652,080 )
Depreciation	138,933	89,958
Abandoned project costs	99,788	323,263
Net changes in operating assets and liabilities:		
Restricted cash	(3,553,695 )	(509,042 )
Contracts and accounts receivable	(210,657 )	2,578,328
Due from affiliates	230,887	(361,102 )
Real estate inventories	(33,933,637 )	(12,590,120 )
Other assets	1,857,583	(2,673,739 )
Accounts payable	3,997,845	(2,005,716 )
Accrued expenses and other liabilities	(3,494,510 )	1,373,264
Net cash used in operating activities	(35,145,660 )	(12,395,119 )
Investing activities:		
Purchases of property and equipment	(697,443 )	(235,628 )
Contributions to unconsolidated joint ventures	(13,401,721 )	(16,062,720 )
Distributions of equity from unconsolidated joint ventures	2,407,115	5,139,911
Net cash used in investing activities	(11,692,049 )	(11,158,437 )
Financing activities:		
Net proceeds from issuance of common stock	87,800,022	—
Repurchase of common stock	(11,988,281 )	—
Cash contributions from members	—	21,600,000
Proceeds from issuance of unsecured notes to members	—	600,000
Borrowings from notes payable	45,327,765	6,744,517
Repayments of notes payable	(31,534,951 )	(7,197,219 )
Net cash provided by financing activities	89,604,555	21,747,298
Net increase (decrease) in cash and cash equivalents	42,766,846	(1,806,258)