

HOVNANIAN ENTERPRISES INC
Form 10-Q
June 11, 2007
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 quarterly period ended APRIL 30, 2007 or

Transition report pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Commission file number 1-8551

Hovnanian Enterprises, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	22-1851059
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

110 West Front Street, P.O. Box 500, Red Bank, NJ 07701

(Address of Principal Executive Offices) (Zip Code)

732-747-7800

(Registrant's Telephone Number, Including Area Code)

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Same (Former Name, Former Address and Former Fiscal Year, if Changed

Since Last Report)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. 47,548,429 shares of Class A Common Stock and 14,649,568 shares of Class B Common Stock were outstanding as of June 1, 2007.

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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands Except Share Amounts)

	April 30, 2007 (unaudited)	October 31, 2006
ASSETS		
Homebuilding:		
Cash and cash equivalents	\$10,144	\$43,635
Restricted cash	11,332	9,479
Inventories - at the lower of cost or fair value:		
Sold and unsold homes and lots under development	3,428,811	3,297,766
Land and land options held for future development or sale	392,274	362,760
Consolidated inventory not owned:		
Specific performance options	14,996	20,340
Variable interest entities	185,443	208,167
Other options	216,006	181,808
Total consolidated inventory not owned	416,445	410,315
Total inventories	4,237,530	4,070,841
Investments in and advances to unconsolidated joint ventures	215,962	212,581
Receivables, deposits, and notes	82,904	94,750
Property, plant, and equipment net	113,098	110,704
Prepaid expenses and other assets	182,324	175,603
Goodwill	32,658	32,658
Definite life intangibles	71,814	165,053
Total homebuilding	4,957,766	4,915,304
Financial services:		
Cash and cash equivalents	9,387	10,688
Restricted cash	8,777	1,585
Mortgage loans held for sale	133,326	281,958
Other assets	6,637	10,686
Total financial services	158,127	304,917
Income taxes receivable including deferred tax benefits	293,139	259,814
Total assets	\$5,409,032	\$5,480,035

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See notes to condensed consolidated financial statements (unaudited).

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HOVNANIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In Thousands Except Share Amounts)

	April 30, 2007 (unaudited)	October 31, 2006
LIABILITIES AND STOCKHOLDERS EQUITY		
Homebuilding:		
Nonrecourse land mortgages	\$10,190	\$26,088
Accounts payable and other liabilities	381,252	582,393
Customers deposits	127,232	184,943
Nonrecourse mortgages secured by operating properties	23,341	23,684
Liabilities from inventory not owned	261,438	205,067
Total homebuilding	803,453	1,022,175
Financial services:		
Accounts payable and other liabilities	15,284	12,158
Mortgage warehouse line of credit	121,837	270,171
Total financial services	137,121	282,329
Notes payable:		
Revolving credit agreement	412,300	
Senior notes	1,650,336	1,649,778
Senior subordinated notes	400,000	400,000
Accrued interest	49,812	51,105
Total notes payable	2,512,448	2,100,883
Total liabilities	3,453,022	3,405,387
Minority interest from inventory not owned	94,533	130,221
Minority interest from consolidated joint ventures	1,599	2,264
Stockholders equity:		
Preferred stock, \$.01 par value-authorized 100,000 shares; issued 5,600 shares at April 30, 2007 and at October 31, 2006 with a liquidation preference of \$140,000	135,299	135,299
Common stock, Class A, \$.01 par value-authorized 200,000,000 shares; issued 59,232,205 shares at April 30, 2007 and 58,653,723 shares at October 31, 2006 (including 11,694,720 shares at April 30, 2007 and 11,494,720 shares at October 31, 2006 held in Treasury)	592	587
Common stock, Class B, \$.01 par value (convertible to Class A at time of sale) authorized 30,000,000 shares; issued 15,341,316 shares at April 30, 2007 and 15,343,410 shares at October 31, 2006 (including 691,748 shares at April 30, 2007 and October 31, 2006 held in Treasury)	153	153
Paid in capital common stock	265,286	253,262
Retained earnings	1,573,805	1,661,810
Treasury stock - at cost	(115,257)	(108,948)

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Total stockholders' equity	1,859,878	1,942,163
Total liabilities and stockholders' equity	\$5,409,032	\$5,480,035

See notes to condensed consolidated financial statements (unaudited).

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HOVNIANIAN ENTERPRISES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands Except Per Share Data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	April 30, 2007	2006	April 30, 2007	2006
Revenues:				
Homebuilding:				
Sale of homes	\$1,058,014	\$1,479,548	\$2,193,930	\$2,725,745
Land sales and other revenues	34,761	73,382	43,098	85,915
Total homebuilding	1,092,775	1,552,930	2,237,028	2,811,660
Financial services	17,883	21,191	39,431	40,453
Total revenues	1,110,658	1,574,121	2,276,459	2,852,113
Expenses:				
Homebuilding:				
Cost of sales, excluding interest	903,810	1,180,299	1,837,785	2,114,986
Cost of sales interest	28,756	20,283	55,628	36,852
Inventory impairment loss and land option write-offs	34,353	5,595	75,827	8,704
Total cost of sales	966,919	1,206,177	1,969,240	2,160,542
Selling, general and administrative	137,637	151,853	269,779	287,087
Total homebuilding	1,104,556	1,358,030	2,239,019	2,447,629
Financial services	11,628	14,517	24,698	28,047
Corporate general and administrative	19,558	25,911	42,191	53,633
Other interest	6,666	700	7,886	1,520
Other operations	805	8,521	2,258	15,522
Intangible amortization	6,718	13,391	68,274	25,060
Total expenses	1,149,931	1,421,070	2,384,326	2,571,411
(Loss) income from unconsolidated joint ventures	(2,160)	9,497	(195)	17,072
(Loss) income before income taxes	(41,433)	162,548	(108,062)	297,774
State and federal income tax (benefit)/provision:				
State	1,094	6,235	(1,252)	11,109
Federal	(14,468)	52,664	(24,143)	98,920

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Total taxes	(13,374)	58,899	(25,395)	110,029
Net (loss) income	(28,059)	103,649	(82,667)	187,745
Less: preferred stock dividends	2,669	2,669	5,338	5,338
Net (loss) income available to common stockholders	\$(30,728)	\$100,980	\$(88,005)	\$182,407
Per share data:				
Basic:				
(Loss) income per common share	\$(0.49)	\$1.60	\$(1.40)	\$2.90
Weighted average number of common shares outstanding	63,004	62,919	62,953	62,864
Assuming dilution:				