# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

# FORM 10-Q

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

**For the Quarterly Period Ended June 30, 2000**

**or**

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

**Commission File Number 001-12822**

# BEAZER HOMES USA, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **DELAWARE** | **58-2086934** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. employer identification no.) |

**5775 Peachtree Dunwoody Road, Suite B-200, Atlanta, Georgia 30342**
(Address of principal executive offices) (Zip Code)

**(404) 250-3420**
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

Yes /x/ No / /

| Class | Outstanding at August 11, 2000 |
|---|---|
| Common Stock, par value $.01 per share | 8,473,872 shares |

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**BEAZER HOMES USA, INC.**
**FORM 10-Q**

**INDEX**

**Part I. Financial Information**

**BEAZER HOMES USA, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

**(dollars in thousands, except per share amounts)**

| | June 30, 2000 (unaudited) | September 30, 1999 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ — | $ — |
| Accounts receivable | 14,688 | 21,416 |
| Inventory | 669,787 | 532,559 |
| Property, plant and equipment, net | 12,595 | 13,102 |
| Goodwill, net | 7,450 | 8,051 |
| Other assets | 21,449 | 19,440 |
| Total assets | $ 725,969 | $ 594,568 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Trade accounts payable | $ 58,499 | $ 45,984 |
| Other liabilities | 89,056 | 98,922 |
| Revolving credit facility | 110,000 | — |
| Senior notes | 215,000 | 215,000 |
| Total liabilities | 472,555 | 359,906 |
| Stockholders' equity: | | |
| Preferred stock (par value $.01 per share, 5,000,000 shares authorized, no shares issued and outstanding) | — | — |
| Common stock (par value $.01 per share, 30,000,000 shares authorized, 12,265,899 issued, 8,473,872 and 8,974,122 outstanding) | 123 | 123 |
| Paid in capital | 194,528 | 194,528 |
| Retained earnings | 124,405 | 97,488 |
| Unearned restricted stock | (4,438) | (5,494) |
| Treasury stock (3,792,027 and 3,291,777 shares) | (61,204) | (51,983) |
| Total stockholders' equity | 253,414 | 234,662 |
| Total liabilities and stockholders' equity | $ 725,969 | $ 594,568 |

See Notes to Condensed Consolidated Financial Statements

## BEAZER HOMES USA, INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

**(in thousands, except per share amounts)**

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| Total revenue | $ 389,557 | $ 370,431 | $ 1,031,263 | $ 939,885 |
| Costs and expenses: | | | | |
| Home construction and land sales | 318,912 | 306,424 | 850,385 | 779,632 |
| Interest | 7,252 | 6,472 | 18,847 | 17,769 |
| Selling, general and administrative | 42,450 | 40,571 | 112,911 | 104,689 |
| Operating income | 20,943 | 16,964 | 49,120 | 37,795 |
| Other expense | (3,608) | (294) | (4,994) | (364) |
| Income before income taxes | 17,335 | 16,670 | 44,126 | 37,431 |
| Provision for income taxes | 6,761 | 6,418 | 17,209 | 14,410 |
| Net income | $ 10,574 | $ 10,252 | $ 26,917 | $ 23,021 |
| Dividends and other payments to preferred stockholders | $ — | $ 36 | $ — | $ 3,343 |
| Net income applicable to common stockholders: | | | | |
| Basic | $ 10,574 | $ 10,216 | $ 26,917 | $ 19,678 |
| Diluted | $ 10,574 | $ 10,252 | $ 26,917 | $ 23,021 |
| Weighted average number of shares: | | | | |
| Basic | 8,088 | 8,285 | 8,310 | 6,908 |
| Diluted | 8,412 | 8,919 | 8,622 | 8,922 |
| Net income per common share: | | | | |
| Basic | $ 1.31 | $ 1.23 | $ 3.24 | $ 2.85 |
| Diluted | $ 1.26 | $ 1.15 | $ 3.12 | $ 2.58 |

See Notes to Condensed Consolidated Financial Statements



## BEAZER HOMES USA, INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

**(in thousands)**

| | Nine Months Ended June 30, | |
|---|---|---|
| | 2000 | 1999 |
| Cash flows from operating activities: | | |
| Net income | $ 26,917 | $ 23,021 |
| Adjustments to reconcile net income to net cash used by operating activities: | | |
| Depreciation and amortization | 5,159 | 3,449 |
| Changes in operating assets and liabilities, net of effects of acquisitions | | |
| Increase in inventory | (137,228) | (53,629) |
| Increase (decrease) in trade accounts payable | 12,515 | (18,304) |
| Other changes | (4,881) | 13,290 |
| Net cash used by operating activities | (97,518) | (32,173) |
| Cash flows from investing activities: | | |
| Acquisitions, net of cash acquired | — | (91,800) |
| Capital expenditures | (3,013) | (2,186) |
| Net cash used by investing activities | (3,013) | (93,986) |
| Cash flows from financing activities: | | |
| Changes in revolving credit facility, net | 110,000 | 62,000 |

| | | |
|---|---|---|
| Dividends and other payments to preferred stockholders | — | (3,449) |
| Common stock repurchases | (9,221) | — |
| Debt issuance costs | (248) | — |
| Net cash provided by financing activities | 100,531 | 58,551 |
| Increase (decrease) in cash and cash equivalents | — | (67,608) |
| Cash and cash equivalents at beginning of period | — | 67,608 |
| Cash and cash equivalents at end of period | $ — | $ — |

See Notes to Condensed Consolidated Financial Statements



**BEAZER HOMES USA, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**(1) Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of Beazer Homes USA, Inc. ("Beazer") have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Such financial statements do not include all of the information and disclosures required by generally accepted accounting principles for complete financial statements. In our opinion, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included in the accompanying condensed financial statements. For further information, refer to our audited consolidated financial statements incorporated by reference in our Annual Report on Form 10-K for the year ended September 30, 1999.

**(2) Inventory**

A summary of inventory is as follows (in thousands):

| | June 30, 2000 | September 30, 1999 |
|---|---|---|
| Homes under construction | **$ 333,341** | $ 253,031 |
| Development projects in progress | **289,031** | 235,077 |
| Unimproved land held for future development | **3,243** | 4,539 |
| Model homes | **44,172** | 39,912 |
| | **$ 669,787** | $ 532,559 |

Homes under construction includes homes finished and ready for delivery and homes in various stages of construction. We had 176 completed homes ($25.7 million) and 162 completed homes ($27.1 million) at June 30, 2000 and September 30, 1999, respectively, that were not subject to a sales contract, excluding model homes.

Development projects in progress consist principally of land and land improvement costs. Certain of the fully developed lots in this category are reserved by a deposit or sales contract.

**(3) Interest**

The following table sets forth certain information regarding interest:

| | Three Months Ended June 30, 2000 | Three Months Ended June 30, 1999 | Nine Months Ended June 30, 2000 | Nine Months Ended June 30, 1999 |
|---|---|---|---|---|
| During the period: | | | | |
| Interest incurred | **$ 8,316** | $ 6,962 | **$ 22,606** | $ 19,981 |
| Previously capitalized interest amortized to costs and expenses | **$ 7,252** | $ 6,472 | **$ 18,847** | $ 17,769 |
| At the end of the period: | | | | |
| Capitalized interest in ending inventory | **$ 14,247** | $ 12,025 | **$ 14,247** | $ 12,025 |



**(4) Preferred Stock Transactions**

During the first nine months of fiscal 1999, we paid $1.3 million in cash to holders of 1,732,460 shares of our Series A Cumulative Convertible Exchangeable Preferred Stock (the "Preferred Stock") to induce those holders to convert their preferred shares into 2,273,564 common shares. We also called the remaining outstanding Preferred Stock for redemption, of which 265,376 shares were voluntarily converted into 348,406 common shares and the remaining 2,164 shares of

Preferred Stock were redeemed for cash (including accrued and unpaid dividends) at $26.678 per preferred share. We currently have no shares of Preferred Stock outstanding.

**5) Earnings Per Share**

Basic and diluted earnings per share were calculated as follows (in thousands, except per share amounts):

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | **2000** | **1999** | **2000** | **1999** |
| Earnings | | | | |
| Net income | **$ 10,574** | $ 10,252 | **$ 26,917** | $ 23,021 |
| Less: Dividends and other payments to preferred stockholders | **—** | 36 | **—** | 3,343 |
| Net income applicable to common stockholders | **$ 10,574** | $ 10,216 | **$ 26,917** | $ 19,678 |
| **Basic:** | | | | |
| Net income applicable to common stockholders | **$ 10,574** | $ 10,216 | **$ 26,917** | $ 19,678 |
| Weighted average number of common shares outstanding | **8,088** | 8,285 | **8,310** | 6,908 |
| Basic earnings per share | **$ 1.31** | $ 1.23 | **$ 3.24** | $ 2.85 |
| **Diluted:** | | | | |
| Net income applicable to common stockholders | **$ 10,574** | $ 10,216 | **$ 26,917** | $ 19,678 |
| Add back: Dividends and other payments to preferred stockholders | **—** | 36 | **—** | 3,343 |
| Adjusted net income applicable to common stockholders | **$ 10,574** | $ 10,252 | **$ 26,917** | $ 23,021 |
| Weighted average number of common shares outstanding | **8,088** | 8,285 | **8,310** | 6,908 |
| Effect of dilutive securities- | | | | |
| Assumed conversion of Preferred Stock | **—** | 274 | **—** | 1,647 |
| Restricted stock | **286** | 273 | **270** | 268 |
| Options to acquire common stock | **38** | 87 | **42** | 99 |
| Diluted weighted common shares outstanding | **8,412** | 8,919 | **8,622** | 8,922 |
| Diluted earnings per share | **$ 1.26** | $ 1.15 | **$ 3.12** | $ 2.58 |



**(6) Revolving Credit Agreement**

We maintain a revolving line of credit with a group of banks. During December 1999, we amended the credit facility and added two banks to the group, increasing the facility from $200 million to $250 million of unsecured borrowings. Borrowings under the credit facility generally bear interest at a fluctuating rate based upon the corporate base rate of interest announced by the lead bank, the federal funds rate or LIBOR. All outstanding borrowings are due in November 2002. The credit facility contains various operating and financial covenants. Each of our significant subsidiaries is a guarantor under the credit facility.

**(7) Investment in Unconsolidated Joint Venture**

We have a non-controlling 49% interest in Premier Communities, a joint venture with Corporacion GEO S.A. de C.V., a Mexican homebuilder, to build affordable housing in the United States. The joint venture has experienced losses since its inception in 1997 and is now in the process of winding down. Included in other expense for the quarter ended June 30, 2000 is a $3.3 million charge ($.24 per share after-tax) to reflect the write-off of our remaining, now impaired, investment in the joint venture and our expected obligation to fund certain of the letters of credit we have issued to guarantee our share of the outstanding indebtedness of the joint venture. In addition to the charge for the costs of winding down the joint venture, other expense includes our share of the joint venture's operating losses of $1.0 million and $2.8 million for the three and nine months ended June 30, 2000, respectively and $0.5 million and $1.1 million for the three and nine months ended June 30, 1999, respectively. We currently do not expect to record further charges relating to the winding down of the joint venture in the future.

**(8) Acquisitions**

In December 1998, we acquired the assets of the homebuilding operations of Trafalgar House Property, Inc. ("THPI") for approximately $90 million in cash. We funded this acquisition with borrowings under the Credit Facility. We accounted for the acquisition as a purchase and allocated the purchase price to reflect the fair value of assets and liabilities acquired. Such allocation resulted principally in a reduction in inventory from THPI's historical carrying value and no residual goodwill.

**(9) Treasury Stock Repurchase Program**

In November 1999, our Board of Directors approved a stock repurchase plan authorizing the purchase of up to 500,000 shares of our outstanding common stock. During the first two quarters of fiscal 2000, we completed the plan and repurchased 500,000 shares on the open market for an aggregate purchase price of $9.2 million.

**(10) Recent Accounting Pronouncements**

In June 1998, the FASB issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 (as now amended) is effective for all fiscal quarters of years beginning after June 15, 2000. We do not believe this standard will have a material effect on our financial statements.



**BEAZER HOMES USA, INC.**
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION**
**AND RESULTS OF OPERATIONS**

**Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations**

**OVERVIEW:**

***Homebuilding:*** We design, build and sell single family homes in the following states:

| Southeast | Southwest | Central | Mid-Atlantic |
|---|---|---|---|
| Florida | Arizona | Texas | Maryland |
| Georgia | California | | New Jersey |
| North Carolina | Nevada | | Pennsylvania |
| South Carolina | | | Virginia |
| Tennessee | | | |

We intend, subject to market conditions, to expand in our current markets and to consider entering new markets either through expansion from existing markets or through acquisitions of established regional homebuilders.

Most of our homes are designed to appeal to entry-level and first time move-up homebuyers, and are generally offered for sale in advance of their construction. Once a sales contract has been signed, the transaction is considered a "new order." Homes covered by these sales contracts are considered "backlog." We do not recognize revenue on homes in backlog until the sales are closed and the risk of ownership has been transferred to the buyer.

***Ancillary Businesses:*** We provide mortgage origination services for our homebuyers through Beazer Mortgage Corp. Beazer Mortgage originates, processes and sells mortgages to third party investors. Beazer Mortgage Corp. does not retain or service the mortgages that it originates. During fiscal 1999 we began providing title insurance services in certain markets through Homebuilders Title Services, Inc. We will continue to evaluate opportunities to provide other ancillary services to our homebuyers.

***Value Created:*** We evaluate our financial performance using ***Value Created***, a variation of economic profit or economic value added. ***Value Created*** measures the extent to which we beat our cost of capital. Most of our employees receive incentive compensation based upon a combination of ***Value Created*** and the change in ***Value Created***. We believe that our ***Value Created*** system encourages managers to act like owners, rewards profitable growth and focuses attention on long-term loyalty and performance.



The following presents certain operating and financial data for Beazer (dollars in thousands):

| | Three Months Ended June 30, | | | Nine Months Ended June 30, | | |
|---|---|---|---|---|---|---|
| | 2000 | | 1999 | 2000 | | 1999 |
| | Amount | % Change | Amount | Amount | % Change | Amount |
| **Number of new orders, net of cancellations: (a)** | | | | | | |
| Southeast region | 705 | (19.9)% | 880 | 2,232 | (8.3)% | 2,435 |
| Southwest region | 939 | 20.7 | 778 | 2,540 | 12.7 | 2,254 |
| Central region | 241 | 63.9 | 147 | 529 | 49.0 | 355 |
| Mid-Atlantic region | 305 | (7.3) | 329 | 933 | 17.1 | 797 |
| Total | 2,190 | 2.6 | 2,134 | 6,234 | 6.7 | 5,841 |
| **Number of closings:** | | | | | | |
| Southeast region | 763 | (4.1)% | 796 | 1,978 | (3.0)% | 2,039 |
| Southwest region | 752 | 2.5 | 734 | 2,143 | 4.3 | 2,054 |
| Central region | 153 | (6.1) | 163 | 404 | (5.4) | 427 |
| Mid-Atlantic region | 311 | 16.0 | 268 | 814 | 27.6 | 638 |
| Total | 1,979 | 0.9 | 1,961 | 5,339 | 3.5 | 5,158 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total homebuilding revenue:** | | | | | | |
| Southeast region | $ 127,966 | (3.9)% | $ 133,118 | $ 330,909 | (2.6)% | $ 339,795 |
| Southwest region | 153,278 | 7.1 | 143,083 | 425,500 | 13.5 | 374,821 |
| Central region | 26,428 | (7.2) | 28,482 | 73,372 | (3.6) | 76,130 |
| Mid-Atlantic region | 71,952 | 18.3 | 60,798 | 179,039 | 28.1 | 139,775 |
| Total | $ 379,624 | 3.9 | $ 365,481 | $ 1,008,820 | 8.4 | $ 930,521 |
| **Average sales price per home closed:** | | | | | | |
| Southeast region | $ 167.7 | 0.3% | $ 167.2 | $ 167.3 | 0.4% | $ 166.6 |
| Southwest region | 203.8 | 4.6 | 194.9 | 198.6 | 8.8 | 182.5 |
| Central region | 172.7 | (1.1) | 174.7 | 181.6 | 1.9 | 178.3 |
| Mid-Atlantic region | 231.4 | 2.0 | 226.9 | 219.9 | 0.4 | 219.1 |
| Total | 191.8 | 2.9 | 186.4 | 189.0 | 4.7 | 180.4 |

(a)

New orders for the nine months ended June 30, 1999 do not include 555 homes in backlog acquired in a business acquisition.



| | June 30, | | |
|---|---|---|---|
| | 2000 | | 1999 |
| | Amount | % Change | Amount |
| **Backlog units at end of period:** | | | |
| Southeast region | 1,253 | (14.3)% | 1,462 |
| Southwest region | 1,183 | 25.5 | 943 |
| Central region | 331 | 34.6 | 246 |
| Mid-Atlantic region | 686 | 6.5 | 644 |
| Total | 3,453 | 4.8 | 3,295 |
| **Aggregate sales value of homes in backlog at end of period:** | $ 678,836 | 10.8% | $ 612,552 |
| **Number of active subdivisions at end of period:** | | | |
| Southeast region | 115 | 2.7% | 112 |
| Southwest region | 74 | 8.8 | 68 |
| Central region | 24 | (14.3) | 28 |
| Mid-Atlantic region | 39 | (7.1) | 42 |
| Total | 252 | 0.8 | 250 |

***New Orders and Backlog:*** New orders increased by 3% and 7% during the three and nine month periods ended June 30, 2000, respectively, with only a 1% increase in the number of active subdivisions at June 30, 2000. The increase reflects order strength in our Central and Southwest Regions. We believe that the increase in new orders in many of our markets reflects the positive impact of population and employment growth fueled by immigration, combined with an overall strong economic environment. New orders for the three and nine months ended June 30, 2000 declined in most of our Southeast markets, where increased time to obtain building permits resulted in delays in opening new subdivisions.

The aggregate dollar value of homes in backlog at June 30, 2000 increased 11% from June 30, 1999, reflecting a 5% increase in the number of homes in backlog and a 6% increase in the average price of homes in backlog, from $185,900 at June 30, 1999 to $196,600 at June 30, 2000. The increased average price of homes in backlog reflects our continued ability to raise prices in most of our markets, as well as increased sales of options and upgrades on homes through our design centers.



The following table provides additional details of revenues and certain expenses and shows certain items expressed as a percentage of certain components of revenues (dollars in thousands):

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|---|---|---|---|
| | 2000 | 1999 | 2000 | 1999 |
| **Details of revenues and certain expenses:** | | | | |
| **Revenues:** | | | | |
| Home sales | $ 379,624 | $ 365,481 | $ 1,008,820 | $ 930,521 |
| Land and lot sales | 7,146 | 3,553 | 15,602 | 4,555 |
| Mortgage operations | 4,551 | 3,467 | 11,285 | 9,829 |
| Intercompany elimination—mortgage | (1,764) | (2,070) | (4,444) | (5,020) |

| | | | | |
|---|---|---|---|---|
| Total revenue | $ 389,557 | $ 370,431 | $ 1,031,263 | $ 939,885 |
| **Cost of home construction and land sales:** | | | | |
| Home sales | $ 315,642 | $ 305,521 | $ 842,829 | $ 780,874 |
| Land and lot sales | 5,034 | 2,973 | 12,000 | 3,778 |
| Intercompany elimination—mortgage | (1,764) | (2,070) | (4,444) | (5,020) |
| Total cost of home construction and land sales | $ 318,912 | $ 306,424 | $ 850,385 | $ 779,632 |
| **Selling, general and administrative:** | | | | |
| Homebuilding operations | $ 39,760 | $ 38,437 | $ 105,936 | $ 98,728 |
| Mortgage origination operations | 2,690 | 2,134 | 6,975 | 5,961 |
| Total selling, general and administrative | $ 42,450 | $ 40,571 | $ 112,911 | $ 104,689 |
| **Certain items as a percentage of revenues:** | | | | |
| **As a percentage of total revenue:** | | | | |
| Costs of home construction and land sales | 81.9% | 82.7% | 82.5% | 82.9% |
| Amortization of previously capitalized interest | 1.9% | 1.7% | 1.8% | 1.9% |
| Selling, general and administrative | | | | |
| Homebuilding operations | 10.2% | 10.4% | 10.3% | 10.5% |
| Mortgage operations | 0.7% | 0.6% | 0.7% | 0.6% |
| **As a percentage of home sales revenue:** | | | | |
| Costs of home construction | 83.1% | 83.6% | 83.5% | 83.9% |

***Revenues:*** Revenues increased by 5% for the three months ended June 30, 2000 compared to the same period in the prior year, reflecting a 3% increase in the average sales price of homes closed, an increase in revenues from land sales, and a 1% increase in the number of homes closed. The 10% increase in revenues for the nine months ended June 30, 2000 reflects a 4% increase in the number of homes closed and a 5% increase in the average price.



***Cost of Home Construction:*** The cost of home construction as a percentage of home sales decreased for the three and nine months ended June 30, 2000, compared to the same periods of the prior year, as a result of our ability to raise prices, which has more than offset cost increases. In addition the increase in our sales of options and upgrades has contributed to the improvement in gross profit margin. Such options and upgrades generally have gross margins approximately double that of our base homes.

***Selling, General and Administrative Expense:*** Our selling, general and administrative ("SG&A") expense decreased as a percentage of total revenues for the three and nine months ended June 30, 2000, compared to the same periods of the prior year, as a result of higher revenues, giving us greater leverage and operating efficiency on the fixed portion of such expense, and the completion of the integration of our Mid-Atlantic division, acquired in 1999.

***Mortgage Origination Operations:*** Revenues increased for Beazer Mortgage during the three and nine months ended June 30, 2000, compared to the same periods of the prior year, as a result of both the increase in homebuilding revenues and the completion of the rollout of Beazer Mortgage to all of our markets. Beazer Mortgage began closing loans in our Mid-Atlantic region during fiscal 2000, which should contribute to increased mortgage revenues in the balance of fiscal 2000. The increase in SG&A expenses for Beazer Mortgage include the costs of starting up mortgage operations in the Mid-Atlantic region.

***Investment in Unconsolidated Joint Venture:*** We have a non-controlling 49% interest in Premier Communities, a joint venture with Corporacion GEO S.A. de C.V., a Mexican homebuilder, to build affordable housing in the United States. The joint venture has experienced losses since its inception in 1997 and is now in the process of winding down. Included in other expense for the quarter ended June 30, 2000 is a $3.3 million charge ($.24 per share after-tax) for the write-off of our remaining, now impaired, investment in the joint venture and our expected obligation to fund certain of the letters of credit we have issued to guarantee our share of the outstanding indebtedness of the joint venture. In addition to the charge for the costs of winding down the joint venture, other expense includes our share of the joint venture's operating losses of $1.0 million and $2.8 million for the three and nine months ended June 30, 2000, respectively and $0.5 million and $1.1 million for the three and nine months ended June 30, 1999, respectively. We currently do not expect to record further charges relating to the winding down of the joint venture in the future.

***Income Taxes:*** Our effective income tax rate increased from 38.5% to 39.0% for both the three and nine month periods ended June 30, 2000 as a result of a higher overall state tax rate.

**FINANCIAL CONDITION AND LIQUIDITY:**

We fulfill our short-term cash requirements with cash generated from operations and unused funds available from an unsecured revolving credit facility (the "Credit Facility") with a group of banks. In December 1999, we amended the Credit Facility, adding two banks (now eight banks) and increasing the facility from $200 million to $250 million. Available borrowings under the facility are limited to certain percentages of homes under contract, unsold homes, substantially improved lots, raw land and accounts receivable. At June 30, 2000, we had $110 million outstanding and additional available borrowings of $114 million under the Credit Facility.



We have $215 million of outstanding senior debt, which is comprised of $100 million of $8^{7}/_{8}$% Senior Notes due in April 2008 and $115 million of 9% Senior Notes due in March 2004 (collectively, the "Senior Notes"). All of our significant subsidiaries are guarantors of the Senior Notes and are jointly and severally liable for obligations under the Senior Notes. Separate financial statements and other disclosures concerning each of the significant subsidiaries are not included, as the aggregate assets, liabilities, earnings and equity of the subsidiaries equal such consolidated amounts and separate subsidiary financial statements are not considered material to investors. The total assets, revenues and operating profit of the non-guarantor subsidiaries are in the aggregate immaterial on a consolidated basis. Neither the Credit Facility nor the Senior Notes restrict distributions to Beazer Homes USA, Inc. by its subsidiaries.

We have utilized, and will continue to utilize, land options as a method of controlling and subsequently acquiring land. At June 30, 2000, we had 15,189 lots under option. At June 30, 2000, we had commitments with respect to option contracts with specific performance obligations of approximately $34.7 million. We expect to exercise all of our option contracts with specific performance obligations and, subject to market conditions, substantially all of our options contracts without specific performance obligations.

During the first nine months of fiscal 1999, we paid $1.3 million in cash to holders of 1,732,460 shares of our Series A Cumulative Convertible Exchangeable Preferred Stock (the "Preferred Stock") to induce those holders to convert their preferred shares into 2,273,564 common shares. We also called the remaining outstanding Preferred Stock for redemption, of which 265,376 shares were voluntarily converted into 348,406 common shares and the remaining 2,164 shares of Preferred Stock were redeemed for cash (including accrued and unpaid dividends) of $26.678 per preferred share. We currently have no shares of Preferred Stock outstanding.

In November 1999, our Board of Directors approved a stock repurchase plan authorizing the purchase of up to 500,000 shares of our outstanding common stock. During the first two quarters of fiscal 2000, we completed the plan and repurchased 500,000 shares on the open market for an aggregate purchase price of $9.2 million.

In January 2000, we filed a $300 million universal shelf registration statement on Form S-3 with the Securities and Exchange Commission. Pursuant to the filing, the Company may, from time to time over an extended period, offer new debt and/or equity securities. This shelf registration will allow the Company to expediently access capital markets periodically in the future. The timing and amount of offerings, if any, will depend on market and general business conditions.

We believe that our current borrowing capacity, together with anticipated cash flows from operations, is sufficient to meet liquidity needs for the foreseeable future. There can be no assurance, however, that amounts available in the future from our sources of liquidity will be sufficient to meet future capital needs. The amount and types of indebtedness that we may incur may be limited by the terms of the Indenture governing our Senior Notes and our Credit Agreement. We continually evaluate expansion opportunities through acquisition of established regional homebuilders and such opportunities may require us to seek additional capital in the form of equity or debt financing from a variety of potential sources, including additional bank financing and/or securities offerings.



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**OUTLOOK:**

Our increased earnings for the nine months ended June 30, 2000 and our current higher level of backlog make us optimistic about the prospect for increased earnings in fiscal 2000 compared to fiscal 1999. In addition, as a result of projected future increases in households and employment, we are optimistic about the long-term prospects for the US housing market. Further, we believe that a number of e-business initiatives that we are currently implementing will enhance our ability to take advantage of these prospects and will ultimately improve our profitability.

**Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:**

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements include, among others, statements concerning the Company's outlook for future quarters including projected earnings per share for fiscal 2000, overall and market specific volume trends, pricing trends and forces in the industry, cost reduction strategies and their results, the Company's expectations as to funding its capital expenditures and operations during 2000, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this report are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in or implied by the statements. The most significant factors that could cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to, the following:

- Economic changes nationally or in one or more of the Company's local markets
- Volatility of mortgage interest rates
- Increased competition
- Changes in the costs of winding down Premier Communities
- Shortages of skilled labor or raw materials used in the production of houses
- Increased prices for labor, land and raw materials used in the production of houses
- Increased land development cost on projects under development
- Any delays in reacting to changing consumer preference in home design
- Delays or difficulties in implementing the Company's initiatives to reduce its production and overhead cost structure
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Delays in land development or home construction resulting from adverse weather conditions

- Potential delays or increased costs in obtaining necessary permits as a result of changes to laws, regulations or governmental policies.

**Item 3: Quantitative and Qualitative Disclosures About Market Risk**

There have been no changes since our Annual Report on Form 10-K for the year ended September 30, 1999.



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**PART II. Other Information**

**Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits:

27 Financial Data Schedule

(b) Reports on Form 8-K:

We did not file any reports on Form 8-K during the quarter ended June 30, 2000.



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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BEAZER HOMES USA, INC.

DATE: AUGUST 11, 2000 By: /s/ DAVID S. WEISS

David S. Weiss
*Executive Vice President and*
*Chief Financial Officer*



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**QuickLinks**

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED JUNE 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS
SEP-30-2000
APR-01-2000
JUN-30-2000
0
0
14,688
0
669,787
0
12,595
0
725,969
0
215,000
0
0
123
253,291
725,969
389,557
389,557
318,912
368,614
3,608
0
0
17,335
6,761
10,574
0
0
0
10,574
1.31
1.26

The Company presents a Condensed Balance Sheet.