

CENTEX CORP
Form 10-Q
August 01, 2007

Table of Contents

**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, 2007**
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: 1-6776
CENTEX CORPORATION
(Exact name of registrant as specified in its charter)

Nevada
(State of incorporation)
75-0778259
(I.R.S. Employer Identification No.)

2728 N. Harwood, Dallas, Texas 75201
(Address of principal executive offices) (Zip Code)
(214) 981-5000
(Registrant's telephone number, including area code)

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 close of business on July 20, 2007: 120,891,046 shares of common stock, par value \$.25 per share.

Centex Corporation and Subsidiaries
Form 10-Q Table of Contents
June 30, 2007

PART I FINANCIAL INFORMATION

<u>Item 1.</u>	<u>Financial Statements</u>	1
	<u>Statements of Consolidated Earnings</u>	1
	<u>Consolidated Balance Sheets with Consolidating Details</u>	2
	<u>Statements of Consolidated Cash Flows with Consolidating Details</u>	4
	<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	25
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	47
<u>Item 4.</u>	<u>Controls and Procedures</u>	47

PART II OTHER INFORMATION

<u>Item 1.</u>	<u>Legal Proceedings</u>	48
<u>Item 1A.</u>	<u>Risk Factors</u>	48
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	49
<u>Item 6.</u>	<u>Exhibits</u>	49
<u>Signatures</u>		51
	<u>Computation of Ratio of Earnings to Fixed Charges</u>	
	<u>Certification of the CEO</u>	
	<u>Certification of the CFO</u>	
	<u>Certification of the CEO</u>	
	<u>Certification of the CFO</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 June</i>	
	<i>30,</i>	
	2007	2006
Revenues		
Home Building	\$ 1,803,820	\$ 2,649,837
Financial Services	97,966	122,741
Other	39,629	31,322
	1,941,415	2,803,900
Costs and Expenses		
Home Building	1,955,546	2,348,592
Financial Services	82,997	99,654
Other	33,495	33,089
Corporate General and Administrative	44,981	54,770
	2,117,019	2,536,105
Earnings (Loss) from Unconsolidated Entities	(20,053)	10,668
Earnings (Loss) from Continuing Operations Before Income Taxes	(195,657)	278,463
Income Tax (Benefit) Provision	(64,322)	106,035
Earnings (Loss) from Continuing Operations	(131,335)	172,428
Earnings (Loss) from Discontinued Operations, net of Tax Provision (Benefit) of \$2,087 and \$(7,413)	3,376	(12,171)
Net Earnings (Loss)	\$ (127,959)	\$ 160,257
Basic Earnings (Loss) Per Share		
Continuing Operations	\$ (1.08)	\$ 1.41
Discontinued Operations	0.03	(0.10)
	\$ (1.05)	\$ 1.31

Diluted Earnings (Loss) Per Share

Continuing Operations	\$	(1.08)	\$	1.37
Discontinued Operations		0.03		(0.10)
	\$	(1.05)	\$	1.27

Average Shares Outstanding

Basic	121,469,951	121,969,085
Dilutive Securities:		
Options		4,216,749
Other		47,635
Diluted	121,469,951	126,233,469

Cash Dividends Per Share	\$	0.04	\$	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	
	June 30,	
	2007	March 31, 2007
Assets		
Cash and Cash Equivalents	\$ 233,244	\$ 882,754
Restricted Cash	147,020	146,532
Receivables -		
Mortgage Loans	1,474,243	1,688,303
Trade, including Notes of \$9,469 and \$10,295	186,909	227,618
From Affiliates		
Inventories -		
Housing Projects	8,511,820	8,495,982
Land Held for Development and Sale	159,504	158,212
Land Held Under Option Agreements Not Owned	207,558	282,116
Other	15,820	14,769
Investments -		
Joint Ventures and Other	273,872	281,644
Unconsolidated Subsidiaries		
Property and Equipment, net	126,453	136,172
Other Assets -		
Deferred Income Taxes	666,741	489,814
Goodwill	221,640	219,042
Deferred Charges and Other, net	220,154	176,975
	\$ 12,444,978	\$ 13,199,933
Liabilities and Stockholders Equity		
Accounts Payable	\$ 433,704	\$ 520,833
Accrued Liabilities	1,764,382	1,822,429
Debt -		
Centex	3,849,354	3,904,425
Financial Services	1,456,554	1,663,040
Commitments and Contingencies		
Minority Interests	147,681	176,937
Stockholders Equity -		
Preferred Stock: Authorized 5,000,000 Shares, None Issued		
Common Stock: \$.25 Par Value; Authorized 300,000,000 Shares;		
Outstanding 120,883,223 and 119,969,733 Shares	31,254	31,041
Capital in Excess of Par Value	66,777	48,349
Retained Earnings	4,909,794	5,250,873
Treasury Stock, at Cost; 4,133,425 and 4,193,523 Shares	(214,522)	(217,994)
Total Stockholders Equity	4,793,303	5,112,269

\$ **12,444,978** \$ 13,199,933

See Notes to Consolidated Financial Statements.

Table of Contents

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

June 30, 2007	Centex*	Financial Services	
	March 31, 2007	June 30, 2007	March 31, 2007
\$ 228,568	\$ 870,688	\$ 4,676	\$ 12,066
59,136	56,467	87,884	90,065
131,866	175,683	1,474,243	1,688,303
8,511,820	8,495,982	55,043	51,935
159,504	158,212	2,060	23,788
207,558	282,116		
5,915	6,022	9,905	8,747
273,872	281,644		
153,687	137,704		
110,991	119,203	15,462	16,969
643,209	465,247	23,532	24,567
212,688	210,090	8,952	8,952
193,633	163,497	26,521	13,478
\$ 10,892,447	\$ 11,422,555	\$ 1,708,278	\$ 1,938,870
\$ 424,025	\$ 510,106	\$ 9,679	\$ 10,727
1,678,933	1,719,753	85,449	102,676
3,849,354	3,904,425	1,456,554	1,663,040
146,832	176,002	849	935
31,254	31,041	1	1
66,777	48,349	275,467	275,467
4,909,794	5,250,873	(119,721)	(113,976)
(214,522)	(217,994)		
4,793,303	5,112,269	155,747	161,492

\$ 10,892,447 \$ 11,422,555 **\$ 1,708,278** \$ 1,938,870

* *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 Three Months Ended June</i>	
	<i>30,</i>	
	2007	2006
Cash Flows Operating Activities		
Net Earnings (Loss)	\$ (127,959)	\$ 160,257
Adjustments		
Depreciation and Amortization	14,846	15,762
Stock-based Compensation	13,201	19,940
Provision for Losses on Mortgage Loans Held for Investment and Construction Loans	717	23,746
Impairments and Write-off of Land-related Assets	165,462	36,302
Deferred Income Tax (Benefit) Provision	(67,696)	26,778
Loss (Earnings) of Joint Ventures and Unconsolidated Subsidiaries	25,353	(5,579)
Distributions of Earnings of Joint Ventures and Unconsolidated Subsidiaries	1,669	5,233
Minority Interest, net of Taxes	(86)	124
Gain on Sale of Businesses	(5,463)	
Changes in Assets and Liabilities, Excluding Effect of Acquisitions		
(Increase) Decrease in Restricted Cash	(1,707)	(780)
Decrease (Increase) in Receivables	47,042	43,013
Decrease in Mortgage Loans Held for Sale	195,702	401,952
Decrease (Increase) in Receivables from Affiliates		
Increase in Housing Projects and Land Held for Development and Sale	(236,003)	(773,210)
(Increase) Decrease in Other Inventories	(1,043)	166
Decrease in Accounts Payable and Accrued Liabilities	(392,005)	(353,147)
(Increase) Decrease in Other Assets, net	(6,656)	(17,216)
Other	(140)	55
	(374,766)	(416,604)
Cash Flows Investing Activities		
Payments received on Notes Receivable	826	1,528
Increase in Mortgage Loans Held for Investment		(286,691)
Decrease (Increase) in Construction Loans	17,641	(45,342)
Investment in and Advances to Joint Ventures	(46,343)	(54,203)
Distributions of Capital from Joint Ventures	27,154	77,764
Decrease (Increase) in Investments in and Advances to Unconsolidated Subsidiaries		
Purchases of Property and Equipment, net	(2,498)	(405)
Other	(19,500)	(3,114)
	(22,720)	(310,463)

Cash Flows Financing Activities

Decrease (Increase) in Restricted Cash	1,219	(87,098)
(Decrease) Increase in Short-term Debt, net Centex	(206,793)	443,658
Issuance of Long-term Debt	53	500,489
Repayment of Long-term Debt	(55,488)	(103,601)
Financial Services		
Issuance of Long-term Debt		961,114
Repayment of Long-term Debt		(746,310)
Proceeds from Stock Option Exercises	14,062	15,262
Purchases of Common Stock, net	(252)	(187,799)
Dividends Paid	(4,825)	(4,806)
	(252,024)	790,909
Net (Decrease) Increase in Cash and Cash Equivalents	(649,510)	63,842
Cash and Cash Equivalents at Beginning of Period ⁽¹⁾	882,754	47,955
Cash and Cash Equivalents at End of Period ⁽²⁾	\$ 233,244	\$ 111,797

See Notes to
Consolidated
Financial
Statements.

(1) Amount includes cash and cash equivalents of discontinued operations of \$0 as of March 31, 2007 and \$4,605 as of March 31, 2006.

(2) Amount includes cash and cash equivalents of discontinued operations of \$0 as of June 30, 2007 and \$27,373 as of June 30, 2006.

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 Three Months Ended June 30,</i>		<i>For the Three Months Ended June 30,</i>	
2007	2006	2007	2006
\$ (127,959)	\$ 160,257	\$ 9,255	\$ (878)
13,220	12,103	1,626	3,659
13,201	19,940	717	23,746
165,462	36,302		
(68,731)	(11,636)	1,035	38,414
16,098	(4,701)		
16,669	19,463		
	29	(86)	95
(5,463)			
(2,669)	(525)	962	(255)
50,150	38,376	(3,108)	4,637
		195,702	401,952
		21,728	(30,293)
(236,003)	(773,210)		
115	11	(1,158)	155
(373,730)	(324,174)	(18,275)	(20,726)
6,387	(22,428)	(13,043)	5,212
(140)	55		
(533,393)	(850,138)	195,355	425,718
826	1,422		106
			(286,691)
		17,641	(45,342)
(46,343)	(54,203)		
27,154	77,764		
(21,728)	22,046		
(2,379)	987	(119)	(1,392)
(19,500)	(3,114)		
(61,970)	44,902	17,522	