

Taylor Morrison Home Corp
Form 10-Q
May 07, 2014
[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 March 31, 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: 001-35873

TAYLOR MORRISON HOME CORPORATION
(Exact name of Registrant as specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

90-0907433
(I.R.S. Employer
Identification No.)

4900 N. Scottsdale Road, Suite 2000

Scottsdale, Arizona
(Address of principal executive offices)
(480) 840-8100

85251
(Zip Code)

(Registrant's telephone number, including area code)

None

(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 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

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:

Edgar Filing: Taylor Morrison Home Corp - Form 10-Q

Class	Outstanding as of May 7, 2014
Class A common stock, \$0.00001 par value	32,857,800
Class B common stock, \$0.00001 par value	89,451,164

Table of Contents

TAYLOR MORRISON HOME CORPORATION

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements of Taylor Morrison Home Corporation (Unaudited)</u>	1
<u>Condensed and Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013</u>	1
<u>Condensed and Consolidated Statements of Operations for the three month periods ended March 31, 2014 and 2013</u>	2
<u>Condensed and Consolidated Statements of Comprehensive Income for the three month periods ended March 31, 2014 and 2013</u>	3
<u>Condensed and Consolidated Statements of Stockholders' Equity for the three month periods ended March 31, 2014 and 2013</u>	4
<u>Condensed and Consolidated Statements of Cash Flows for the three month periods ended March 31, 2014 and 2013</u>	5
<u>Notes to the Condensed and Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	39
<u>Item 4. Controls and Procedures</u>	40
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	41
<u>Item 1A. Risk Factors</u>	41
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	41
<u>Item 3. Defaults Upon Senior Securities</u>	41
<u>Item 4. Mine Safety Disclosure</u>	41
<u>Item 5. Other Information</u>	41
<u>Item 6. Exhibits</u>	41
<u>SIGNATURES</u>	43
<u>Certification of CEO Pursuant to Section 302</u>	
<u>Certification of CFO Pursuant to Section 302</u>	
<u>Certification of CEO Pursuant to Section 906</u>	
<u>Certification of CFO Pursuant to Section 906</u>	

Table of Contents**TAYLOR MORRISON HOME CORPORATIONS****CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS****TAYLOR MORRISON HOME CORPORATION****CONDENSED AND CONSOLIDATED BALANCE SHEETS****(In thousands, except share amounts)**

	March 31, 2014	December 31, 2013
	(Unaudited)	
Assets		
Cash and cash equivalents	\$ 433,000	\$ 389,181
Restricted cash	17,890	24,814
Real estate inventory:		
Owned inventory	2,468,938	2,243,744
Real estate not owned under option agreements	14,053	18,595
Total real estate inventory	2,482,991	2,262,339
Land deposits	66,275	43,739
Loans receivable	40,800	33,395
Mortgages receivable	73,758	95,718
Tax indemnification receivable	5,267	5,216
Prepaid expenses and other assets, net	120,477	98,870
Other receivables, net	67,213	56,213
Investments in unconsolidated entities	133,451	139,550
Deferred tax assets, net	249,611	244,920
Property and equipment, net	7,355	7,515
Intangible assets, net	12,685	13,713
Goodwill	23,375	23,375
Total assets	\$ 3,734,148	\$ 3,438,558
Liabilities		
Accounts payable	\$ 123,248	\$ 121,865
Accrued expenses and other liabilities	194,490	214,500
Income taxes payable	20,781	47,540
Customer deposits	110,083	94,670
Mortgage borrowings	51,919	74,892
Loans payable and other borrowings:		
Loans payable and other borrowings owned	256,712	282,098
Loans payable and other borrowings attributable to consolidated option agreements	14,053	18,595
Total loans payable and other borrowings	270,765	300,693

Edgar Filing: Taylor Morrison Home Corp - Form 10-Q

Senior notes	1,389,333	1,039,497
Total liabilities	2,160,619	1,893,657
COMMITMENTS AND CONTINGENCIES (Note 16)		
Stockholders Equity		
Class A common stock, \$0.00001 par value, 400,000,000 shares authorized, 32,857,800 shares issued and outstanding as of March 31, 2014 and December 31, 2013		
Class B common stock, \$0.00001 par value, 200,000,000 shares authorized, 89,451,164 shares issued and outstanding as of March 31, 2014 and December 31, 2013		
	1	1
Preferred stock, \$0.00001 par value, 50,000,000 shares authorized, no shares issued and outstanding as of March 31, 2014 and December 31, 2013		
Additional paid-in capital	373,150	372,789
Retained earnings	54,411	43,479
Accumulated other comprehensive loss	(4,193)	(452)
Non-controlling interests joint ventures	7,266	7,236
Non-controlling interests Principal Equityholders	1,142,894	1,121,848
Total stockholders equity	1,573,529	1,544,901
Total liabilities and stockholders equity	\$ 3,734,148	\$ 3,438,558

See accompanying notes to the unaudited condensed and consolidated financial statements

Table of Contents

TAYLOR MORRISON HOME CORPORATION
CONDENSED AND CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts, unaudited)

	Three Months Ended March 31,	
	2014	2013
Home closings revenue	\$ 500,839	\$ 366,769
Land closings revenue	12,099	8,854
Mortgage operations revenue	6,262	5,889
Total revenues	519,200	381,512
Cost of home closings	393,656	288,831
Cost of land closings	8,713	7,644
Mortgage operations expenses	3,936	3,491
Total cost of revenues	406,305	299,966
Gross margin	112,895	81,546
Sales, commissions and other marketing costs	35,166	25,942
General and administrative expenses	22,372	20,344
Equity in income of unconsolidated entities	(2,629)	(3,158)
Interest expense (income), net	449	(486)
Other expense, net	3,235	742
Indemnification and transaction income	(89)	(1,710)
Income before income taxes	54,391	39,872
Income tax provision	13,095	15,535
Income before non-controlling interests, net of tax	41,296	24,337
Income attributable to non-controlling interests joint ventures	(117)	(78)
Net income	41,179	24,259
Income attributable to non-controlling interests Principal Equityholders	(30,247)	(24,259)
Net income available to Taylor Morrison Home Corporation(1)	\$ 10,932	\$
Earnings per common share (2):		
Basic	\$ 0.33	N/A
Diluted	\$ 0.33	N/A
Weighted average number of shares of common stock (2):		
Basic	32,858	N/A
Diluted	122,344	N/A

(1)

Edgar Filing: Taylor Morrison Home Corp - Form 10-Q

Prior to the Reorganization Transactions on April 9, 2013 and the initial public offering (IPO) net income was attributed solely to the Principal Equityholders and not available to holders of Taylor Morrison Home Corporation Class A common stock.

- (2) Prior to the Reorganization Transactions on April 9, 2013 and the IPO no common shares were outstanding. See the Company's 2013 Annual Report on Form 10-K for additional information.

See accompanying notes to the unaudited condensed and consolidated financial statements

Table of Contents

TAYLOR MORRISON HOME CORPORATION
CONDENSED AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, unaudited)

	Three Months Ended March 31,	
	2014	2013
Income before non-controlling interests, net of tax	\$ 41,296	\$ 24,337
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments, net of tax	(14,264)	(8,409)
Post-retirement benefits adjustments, net of tax	338	(36)
Other comprehensive income loss, net of tax	(13,926)	(8,445)
Comprehensive income	27,370	15,892
Comprehensive income attributable to non-controlling interests joint ventures	(117)	(78)
Comprehensive income attributable to non-controlling interests Principal Equityholders	(20,062)	(15,814)
Comprehensive income available to Taylor Morrison Home Corporation	\$ 7,191	\$

See accompanying notes to unaudited condensed and consolidated financial statements

Table of Contents

TAYLOR MORRISON HOME CORPORATION
CONDENSED AND CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share data, unaudited)

	Common Stock			Additional Paid-in Capital	Stockholders' Equity					Total Stockholders' Equity	
	Class A	Class B			Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Non-Controlling Interest - Joint Ventures	Non-Controlling Interest - Principal Equityholders			
	Shares	Amount	Shares	Amount	Amount	Net Owners Equity					
Balance December 31, 2012		\$		\$	\$	\$ 1,231,050	\$	\$ (34,365)	\$ 7,890	\$	\$ 1,204,565
Net income						24,259			78		24,337
Other comprehensive income								(8,445)			(8,445)
Share based compensation						495					495
Non-controlling interest of related entity									(106)		(106)
Balance March 31, 2013						1,255,804		(42,810)	7,862		1,220,856
Balance December 31, 2013	32,857,800	\$	89,451,164	\$ 1	\$ 372,789	\$	\$ 43,479	\$ (452)	\$ 7,236	\$ 1,121,848	\$ 1,544,990
Net income							10,932		117	30,247	41,296
Other comprehensive income								(3,741)		(10,185)	(13,926)
Contributions									(87)		(87)
Share based compensation						361				984	1,345