

TRI Pointe Group, Inc.  
Form 10-Q  
July 26, 2017

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, 2017

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 1-35796

---

TRI Pointe Group, Inc.  
(Exact Name of Registrant as Specified in Its Charter)

---

Delaware 61-1763235  
(State or other Jurisdiction of (I.R.S. Employer  
Incorporation or Organization) Identification No.)

---

19540 Jamboree Road, Suite 300  
Irvine, California 92612  
(Address of principal executive offices) (Zip Code)  
Registrant's telephone number, including area code (949) 438-1400

---

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

Edgar Filing: TRI Pointe Group, Inc. - Form 10-Q

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

151,338,386 shares of common stock were issued and outstanding as of July 17, 2017.

- 1 -

---

**EXPLANATORY NOTE**

As used in this Quarterly Report on Form 10-Q, references to “TRI Pointe”, “the Company”, “we”, “us”, or “our” (including in the consolidated financial statements and related notes thereto in this report) refer to TRI Pointe Group, Inc., a Delaware corporation (“TRI Pointe Group”) and its subsidiaries.

TRI POINTE GROUP, INC.  
FORM 10-Q  
INDEX  
June 30, 2017

	Page Number
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	<u>3</u>
<u>Consolidated Balance Sheets as of June 30, 2017 (unaudited) and December 31, 2016</u>	<u>3</u>
<u>Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2017 and 2016 (unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Equity for the Year Ended December 31, 2016 and the Six Months Ended June 30, 2017 (unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2017 and 2016 (unaudited)</u>	<u>6</u>
<u>Condensed Notes to Consolidated Financial Statements (unaudited)</u>	<u>7</u>
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>35</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>57</u>
Item 4. <u>Controls and Procedures</u>	<u>57</u>
<u>Part II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>58</u>
Item 1A. <u>Risk Factors</u>	<u>58</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>58</u>
Item 6. <u>Exhibits</u>	<u>59</u>
<u>SIGNATURES</u>	<u>60</u>

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

TRI POINTE GROUP, INC.  
CONSOLIDATED BALANCE SHEETS  
(in thousands, except share amounts)

	June 30, 2017 (unaudited)	December 31, 2016
<b>Assets</b>		
Cash and cash equivalents	\$ 114,945	\$ 208,657
Receivables	73,003	82,500
Real estate inventories	3,208,341	2,910,627
Investments in unconsolidated entities	18,787	17,546
Goodwill and other intangible assets, net	161,228	161,495
Deferred tax assets, net	117,582	123,223
Other assets	58,111	60,592
<b>Total assets</b>	<b>\$3,751,997</b>	<b>\$3,564,640</b>
<b>Liabilities</b>		
Accounts payable	\$ 63,251	\$ 70,252
Accrued expenses and other liabilities	278,017	263,845
Unsecured revolving credit facility	150,000	200,000
Seller financed loan	—	13,726
Senior notes, net	1,467,861	1,168,307
<b>Total liabilities</b>	<b>1,959,129</b>	<b>1,716,130</b>
Commitments and contingencies (Note 13)		
<b>Equity</b>		
Stockholders' Equity:		
Preferred stock, \$0.01 par value, 50,000,000 shares authorized; no shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	—	—
Common stock, \$0.01 par value, 500,000,000 shares authorized; 151,320,521 and 158,626,229 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	1,513	1,586
Additional paid-in capital	788,495	880,822
Retained earnings	987,946	947,039
<b>Total stockholders' equity</b>	<b>1,777,954</b>	<b>1,829,447</b>
Noncontrolling interests	14,914	19,063
<b>Total equity</b>	<b>1,792,868</b>	<b>1,848,510</b>
<b>Total liabilities and equity</b>	<b>\$3,751,997</b>	<b>\$3,564,640</b>

See accompanying condensed notes to the unaudited consolidated financial statements.



TRI POINTE GROUP, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)  
(in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Homebuilding:				
Home sales revenue	\$568,816	\$ 556,925	\$960,820	\$ 979,980
Land and lot sales revenue	865	67,314	1,443	67,669
Other operations revenue	600	604	1,168	1,184
Total revenues	570,281	624,843	963,431	1,048,833
Cost of home sales	454,241	432,738	772,645	757,237
Cost of land and lot sales	644	14,460	1,298	15,239
Other operations expense	591	583	1,151	1,149
Sales and marketing	32,330	32,448	59,030	58,769
General and administrative	33,688	30,484	68,337	59,015
Homebuilding income from operations	48,787	114,130	60,970	157,424
Equity in income of unconsolidated entities	1,508	215	1,646	201
Other income, net	44	151	121	266
Homebuilding income before income taxes	50,339	114,496	62,737	157,891
Financial Services:				
Revenues	345	379	586	527
Expenses	77	53	151	111
Equity in income of unconsolidated entities	1,294	1,284	1,560	1,999
Financial services income before income taxes	1,562	1,610	1,995	2,415
Income before income taxes	51,901	116,106	64,732	160,306
Provision for income taxes	(19,098 )	(41,913 )	(23,712 )	(57,403 )
Net income	32,803	74,193	41,020	102,903
Net income attributable to noncontrolling interests	(89 )	(267 )	(113 )	(427 )
Net income available to common stockholders	\$32,714	\$ 73,926	\$40,907	\$ 102,476
Earnings per share				
Basic	\$0.21	\$ 0.46	\$0.26	\$ 0.63
Diluted	\$0.21	\$ 0.46	\$0.26	\$ 0.63
Weighted average shares outstanding				
Basic	155,603,699	161,826,275	157,335,296	161,882,378
Diluted	156,140,543	162,259,283	157,924,561	162,245,399

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE GROUP, INC.  
CONSOLIDATED STATEMENTS OF EQUITY  
(unaudited)  
(in thousands, except share amounts)

	Number of Shares of Common Stock (Note 1)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2015	161,813,750	\$ 1,618	\$ 911,197	\$ 751,868	\$ 1,664,683	\$ 21,780	\$ 1,686,463
Net income	—	—	—	195,171	195,171	962	196,133
Shares issued under share-based awards	373,332	4	583	—	587	—	587
Excess tax deficit of share-based awards, net	—	—	(165 )	—	(165 )	—	(165 )
Minimum tax withholding paid on behalf of employees for restricted stock units	—	—	(1,359 )	—	(1,359 )	—	(1,359 )
Stock-based compensation expense	—	—	12,612	—	12,612	—	12,612
Share repurchases	(3,560,853 )	(36 )	(42,046 )	—	(42,082 )	—	(42,082 )
Distributions to noncontrolling interests, net	—	—	—	—	—	(3,363 )	(3,363 )
Net effect of consolidations, de-consolidations and other transactions	—	—	—	—	—	(316 )	(316 )
Balance at December 31, 2016	158,626,229	1,586	880,822	947,039	1,829,447	19,063	1,848,510
Net income	—	—	—	40,907	40,907	113	41,020
Shares issued under share-based awards	713,297	7	2,442	—	2,449	—	2,449
Minimum tax withholding paid on behalf of employees for restricted stock units	—	—	(2,896 )	—	(2,896 )	—	(2,896 )
Stock-based compensation expense	—	—	7,744	—	7,744	—	7,744
Share repurchases	(8,019,005 )	(80 )	(99,617 )	—	(99,697 )	—	(99,697 )
Distributions to noncontrolling interests, net	—	—	—	—	—	(987 )	(987 )
Net effect of consolidations, de-consolidations and other transactions	—	—	—	—	—	—	—