

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, 1997

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 1-12378

NVR, Inc.

(Exact name of registrant as specified in its charter)

Virginia

54-1394360

(State or other jurisdiction of
incorporation or organization)

(IRS employer identification
number)

7601 Lewinsville Road, Suite 300
McLean, Virginia 22102
(703) 761-2000

(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

(Not Applicable)

(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 ☐

As of April 16, 1997, there were 11,850,654 total shares of common stock
outstanding.

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and
reports required to be filed by Sections 12, 13, or 15 (d) of the Securities
Exchange Act of 1934 subsequent to the distribution of securities under a plan
confirmed by a court. Yes ☒ No ☐

NVR, Inc.
FORM 10-Q
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PART I

Item 1.

NVR, Inc.
Consolidated Balance Sheets
(dollars in thousands, except share data)

	March 31, 1997	December 31, 1996
	-----	-----
ASSETS	(unaudited)	
Homebuilding:		
Cash and cash equivalents	\$ 53,299	\$ 71,533
Receivables	5,902	2,927
Inventory:		
Lots and housing units, covered under sales agreements with customers	127,866	126,456
Unsold lots and housing units	38,013	37,940
Manufacturing materials and other	4,848	7,297
	-----	-----
	170,727	171,693
Property, plant and equipment, net	17,734	17,916
Reorganization value in excess of amounts allocable to identifiable assets, net	74,205	75,818
Contract land deposits	36,310	36,383
Other assets	21,131	21,008
	-----	-----
	379,308	397,278
	-----	-----
Financial Services:		
Cash and cash equivalents	3,960	3,247
Mortgage loans held for sale, net	91,510	75,735
Mortgage servicing rights, net	6,266	6,309
Property and equipment, net	738	917
Reorganization value in excess of amounts allocable to identifiable assets, net	12,516	12,788
Other assets	4,535	4,891
	-----	-----
	119,525	103,887
	-----	-----
Total assets	\$498,833	\$501,165
	-----	-----

See notes to consolidated financial statements.

NVR, Inc.
Consolidated Balance Sheets
(dollars in thousands, except share data)

	March 31, 1997 ----- (unaudited)	December 31, 1996 -----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Homebuilding:		
Accounts payable	\$ 50,346	\$ 54,894
Accrued expenses and other liabilities	85,528	85,260
Notes payable	85	86
Other term debt	14,036	14,043
Senior notes	120,000	120,000
	-----	-----
	269,995	274,283
	-----	-----
Financial Services:		
Accounts payable and other liabilities	7,211	7,409
Notes payable	86,955	67,463
	-----	-----
	94,166	74,872
	-----	-----
Total liabilities	364,161	349,155
	-----	-----
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.01 par value; 60,000,000 shares authorized; 19,934,130 and 19,881,515 shares issued as of March 31, 1997 and December 31, 1996, respectively	199	199
Paid-in-capital	155,810	157,842
Retained earnings	52,861	47,098
Less treasury stock at cost- 7,812,810 and 6,307,108 at March 31, 1997 and December 31, 1996, respectively	(74,198)	(53,129)
	-----	-----
Total shareholders' equity	134,672	152,010
	-----	-----
Total liabilities and shareholders' equity	\$498,833	\$501,165
	-----	-----

See notes to consolidated financial statements.

NVR, Inc.
Consolidated Statements of Income
(dollars in thousands, except per share data)
(unaudited)

	Three Months Ended March 31, 1997	Three Months Ended March 31, 1996
	-----	-----
Homebuilding:		
Revenues	\$ 238,987	\$ 200,235
Other income	509	405
Cost of sales	(207,469)	(173,845)
Selling, general and administrative	(16,094)	(14,049)
Amortization of reorganization value in excess of amounts allocable to identifiable assets	(1,613)	(1,761)
	-----	-----
Operating income	14,320	10,985
Interest expense	(4,057)	(4,160)
	-----	-----
Homebuilding income	10,263	6,825
	-----	-----
Financial Services:		
Mortgage banking fees	5,122	5,999
Interest income	1,083	1,163
Other income	53	3
General and administrative	(5,029)	(5,822)
Amortization of reorganization value in excess of amounts allocable to identifiable assets	(272)	(272)
Interest expense	(390)	(504)
	-----	-----
Operating income	567	567
	-----	-----
Total segment income	10,830	7,392
Income tax expense	(5,067)	(3,652)
	-----	-----
Net income	\$ 5,763	\$ 3,740
	-----	-----
Earnings per share	\$ 0.42	\$ 0.24
	-----	-----

See notes to consolidated financial statements.

NVR, Inc.
Consolidated Statements of Cash Flows
(dollars in thousands)
(unaudited)

	Three Months Ended March 31, 1997 -----	Three Months Ended March 31, 1996 -----
Cash flows from operating activities:		
Net income	\$ 5,763	\$ 3,740
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	3,286	3,748
Interest accrued and added to bond principal	-	346
Mortgage loans closed	(297,698)	(289,228)
Proceeds from sales of mortgage loans	282,630	302,564
Gain on sale of loans	(3,092)	(3,260)
Net change in assets and liabilities:		
Decrease/(increase) in inventories	966	(19,336)
Decrease/(increase) in receivables	(2,663)	500
Decrease in accounts payable and accrued expenses	(4,634)	(5,278)
Other, net	-	(1,650)
	-----	-----
Net cash used by operating activities	(15,442)	(7,854)
	-----	-----
Cash flows from investing activities:		
Proceeds from sales of mortgage-backed securities	6,910	-
Purchase of property, plant and equipment	(684)	(901)
Principal payments on mortgage-backed securities	1,013	5,529
Proceeds from sales of mortgage servicing rights	2,102	5,442
Purchases of mortgage servicing rights	-	(85)
Other, net	(712)	(2,500)
	-----	-----
Net cash provided by investing activities	8,629	7,485
	-----	-----
Cash flows from financing activities:		
Decrease in other term debt	(57)	(52)
Redemption of bonds	(7,042)	(3,622)
Net borrowings (repayments) under notes payable	19,492	(6,382)
Purchase of treasury stock	(23,475)	-
Other, net	374	89
	-----	-----
Net cash used by financing activities	(10,708)	(9,967)
	-----	-----
Net decrease in cash	(17,521)	(10,336)
Cash, beginning of the period	74,780	55,567
	-----	-----
Cash, end of period	\$ 57,259	\$ 45,231
	-----	-----
Supplemental disclosures of cash flow information:		
Interest paid during the period	\$ 1,387	\$ 2,443
	-----	-----
Income taxes paid, net of refunds	\$ 161	\$ 4,354
	-----	-----

See notes to consolidated financial statements.

NVR, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands, except per share and share data)

1. Basis of Presentation

The accompanying unaudited, consolidated financial statements include the accounts of NVR, Inc. ("NVR" or the "Company") and its subsidiaries. Intercompany accounts and transactions have been eliminated in consolidation. The statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

2. Adoption of New Accounting Principles

During the quarter ended March 31, 1997, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. Such adoption did not have a material impact on the Company's financial condition or results of operations.

See Management's Discussion and Analysis of Financial Condition and Results of Operations on page 10 for a discussion of SFAS No. 128, Earnings per Share.

3. Shareholders' Equity

A summary of changes in Shareholders' equity is presented below:

	Common Stock	Paid-In Capital	Retained Earnings	Treasury Stock
	-----	-----	-----	-----
Balance, December 31, 1996	\$199	\$157,842	\$47,098	\$(53,129)
Net income	-	-	5,763	-
Option activity	-	374	-	-
Treasury Stock purchases	-	-	-	(23,475)
Performance share activity	-	(2,406)	-	2,406
	-----	-----	-----	-----
Balance, March 31, 1997	\$199	\$155,810	\$52,861	\$(74,198)
	-----	-----	-----	-----

During the quarter ended March 31, 1997, the Company repurchased approximately 1,678,000 shares of its common stock at an aggregate purchase price of \$23,475. Approximately 172,000 of those shares were reissued from the treasury during February 1997 in satisfaction of an employee benefit liability accrued at December 31, 1996. The average cost basis for the shares reissued from the treasury

NVR, Inc.
Notes to Consolidated Financial Statements
(dollars in thousands, except per share and share data)

was \$13.97 per share. Subsequent to March 31, 1997, the Company repurchased an additional 272,600 shares at an aggregate purchase price of \$4,058. In addition, 56,112 options were exercised during the first quarter of 1997, with NVR realizing approximately \$374 in aggregate equity proceeds.

4. Debt

During the quarter ended March 31, 1997, NVR Mortgage Finance, Inc. ("NVR Finance") entered into an additional annually renewable, uncommitted gestation mortgage-backed security repurchase agreement (the "Repo Facility"). The maximum amount available under the Repo Facility is \$45,000, bringing NVR's total available borrowings under all such similar agreements to \$145,000. Amounts outstanding under the Repo Facility accrue interest at various rates tied to the federal funds rate, depending on the type of collateral and are collateralized by gestation mortgage-backed securities. The covenants under the Repo Facility are consistent with NVR Finance's mortgage warehouse credit facility.

Item 2.

NVR, Inc.
Management's Discussion and Analysis
of Financial Condition and Results of Operations
(dollars in thousands, except per share and share data)

NVR, Inc. ("NVR" or the "Company") is a holding company that operates in two business segments: homebuilding and financial services. Holding company general and administrative expenses are fully allocated to the homebuilding and financial services segments in the information presented below.

Homebuilding Segment

Three Months Ended March 31, 1997 and 1996

During the first quarter of 1997, homebuilding operations generated revenues of \$238,987 compared to revenues of \$200,235 in the first quarter of 1996. The change in revenues was due primarily to an 18.8% increase in the number of homes settled from 1,107 units in 1996 to 1,315 units in 1997. The increase in settlements is attributed to the mild winter weather that was experienced in most of the Company's markets in the current year quarter as compared to the prior year quarter. New orders for the 1997 period of 1,445 were comparable to the 1,492 new orders generated in the first quarter ended March 31, 1996.

Gross profit margins were 13.2% in each of the quarters ended March 31, 1997 and 1996. SG&A expenses for the first quarter of 1997 increased \$2,045 from the first quarter of 1996, but as a percentage of revenues, decreased to 6.7% in 1997 from 7.0% in 1996. The increase in SG&A dollars is due primarily to the increase in revenues noted above.

Backlog units and dollars were 2,596 and \$496,993, respectively, at March 31, 1997 compared to 2,856 and \$519,704, respectively, at March 31, 1996. The decrease in backlog units and dollars is primarily attributable to the 18.8% increase in the number of homes settled in the current quarter as compared to the same 1996 period.

The Company believes that earnings before interest, taxes, depreciation and amortization ("EBITDA") provides a meaningful comparison of operating performance of the homebuilding segment because it excludes the amortization of certain intangible assets. Although the Company believes the calculation is helpful in understanding the performance of the homebuilding segment, EBITDA should not be considered a substitute for net income or cash flow as indicators of the Company's financial performance or its ability to generate liquidity.

Calculation of Homebuilding EBITDA:

	Three months Ended March 31,	
	1997	1996
Operating income	\$14,320	\$10,985
Depreciation	830	718
Amortization of excess reorganization value	1,613	1,761
Homebuilding EBITDA	\$16,763	\$13,464
% of Homebuilding revenues	7.0%	6.7%

Homebuilding EBITDA in the first quarter of 1997 was \$3,299 higher than in the first quarter of 1996, and, as a percentage of homebuilding revenues, increased from 6.7% to 7.0%.

Financial Services Segment

Three Months Ended March 31, 1997 and 1996

The financial services segment generated operating income of \$567 for each of the three months ended March 31, 1997 and 1996. Loan closings were \$297,698 and \$289,228 during the respective quarters ended March 31, 1997 and 1996, representing an increase of 3%.

Mortgage banking fees decreased \$877, or 15%, when comparing the respective quarters of March 31, 1997 and 1996. This decrease is attributed to the lower servicing fee income resulting from the decrease in the servicing portfolio. The total servicing portfolio at March 31, 1997 was \$570,955 compared with \$1,385,580 at March 31, 1996. A summary of mortgage banking fees is noted below:

Mortgage Banking Fees:	1997	1996
	-----	-----
Net gain on sale of loans	\$3,092	\$3,260
Servicing	715	1,459
Title services	1,315	1,280
	-----	-----
	\$5,122	\$5,999
	-----	-----

Subsequent to March 31, 1997, the mortgage banking operations began the sale of its remaining mortgage servicing portfolio. The sale of the remaining mortgage servicing portfolio and the ongoing sale of servicing rights on a flow basis are the result of the concentration of the mortgage banking operations on the primary business of providing mortgage finance and related services to NVR's homebuyers.

Pending Adoption of New Accounting Principle

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 128, Earnings per Share. SFAS No. 128 supersedes APB Opinion No. 15, Earnings per Share ("Opinion No. 15"), and requires the calculation and dual presentation of Basic and Diluted earnings per share ("EPS"), replacing the measures of Primary and Fully-diluted EPS as reported under Opinion No. 15. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997; earlier application is not permitted. Accordingly, EPS for the first quarters of 1997 and 1996 presented on the accompanying statements of income are calculated under the guidance of Opinion No. 15.

Under SFAS No. 128, Basic EPS would have been \$0.45 and \$0.24 per share for the quarters ended March 31, 1997 and 1996, respectively. Diluted EPS would have been \$0.42 and \$0.23 per share for the same respective quarters.

Liquidity and Capital Resources

NVR's homebuilding segment generally provides for its working capital cash requirements using cash generated from operations and a short-term credit facility. The homebuilding segment has available a \$60,000 Working Capital Revolving Credit agreement to fund its working capital needs, under which no amounts were borrowed during the first quarter of 1997.

NVR's financial services segment provides for its mortgage origination and other operating activities using cash generated from operations as well as various short-term credit facilities. NVR Mortgage Finance, Inc. ("NVR Finance") is currently engaged in discussions to renew its mortgage warehouse facility, which expires in the second quarter of 1997, and expects to have a new agreement in place prior to the original agreement's expiration date.

During the quarter ended March 31, 1997, NVR Finance entered into an additional annually renewable, uncommitted gestation mortgage-backed security repurchase agreement (the "Repo Facility"). The maximum amount available under the Repo Facility is \$45,000, bringing NVR's total available borrowings under all such similar agreements to \$145,000. Amounts outstanding under the Repo Facility accrue interest at various rates tied to the federal funds rate, depending on the type of collateral and are collateralized by gestation mortgage-backed securities. The covenants under the Repo Facility are consistent with NVR Finance's mortgage warehouse credit facility.

The Company believes that internally generated cash and borrowings available under credit facilities will be sufficient to satisfy near term cash requirements for working capital in both its homebuilding and mortgage banking operations.

Other Elements Impacting Liquidity

During the quarter ended March 31, 1997, the Company repurchased approximately 1,678,000 shares of its common stock at an aggregate purchase price of \$23,475. The Company may, from time to time, repurchase additional shares of its common stock, pursuant to repurchase authorizations by the Board of Directors and subject to the restrictions contained within the Company's debt agreements. Subsequent to March 31, 1997, the Company repurchased an additional 272,600 shares at an aggregate purchase price of \$4,058.

Part II

Item 6. Exhibits and Reports on Form 8-K

- (a) 11. Computation of Earnings per Share.
- (b) The Company did not file any reports on Form 8-K for the quarter ended March 31, 1997.

SIGNATURE

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.

April 24, 1997

NVR, Inc.

By: /s/ Paul C. Saville

Paul C. Saville
Senior Vice President Finance and
Chief Financial Officer

NVR, Inc.
 Computation of Earnings Per Share
 (amounts in thousands, except per share amounts)

		Three Months Ended March 31,	
		1997	1996
		-----	-----
1.	Net income	\$ 5,763	\$ 3,740
		-----	-----
2.	Average number of shares outstanding	12,688	15,281
3.	Shares issuable upon exercise of dilutive options, warrants and subscriptions outstanding during period, based on average market price	927	115
		-----	-----
4.	Shares issuable upon exercise of dilutive options, warrants and subscriptions outstanding during period, based on higher of average or end of period market price	1,143	115
		-----	-----
5.	Average number of shares and share equivalents outstanding (2 + 3)	13,615	15,396
		-----	-----
6.	Average number of shares outstanding assuming full dilution (2 + 4)	13,831	15,396
		-----	-----
7.	Net income per share and share equivalents (1/5)	\$ 0.42	\$ 0.24
		-----	-----
8.	Net income per share assuming full dilution (1/6)	\$ 0.42	\$ 0.24
		-----	-----

This schedule contains Summary Financial Information extracted from NVR Inc.'s consolidated financial statements included in Form 10-Q for the three months ended March 31, 1997 and is qualified in its entirety by reference to such financial statements.

0000906163
NVR, INC.
1,000
U.S. DOLLARS

3-MOS		
	DEC-31-1997	
	JAN-01-1997	
	MAR-31-1997	
	1	57,259
	0	
	5,902	
	0	
	170,727	
	0	18,472
	0	
	498,833	
	0	120,000
	0	
	0	
	156,009	
	(21,337)	
498,833		238,987
	245,754	
		207,469
	228,592	
	1,885	
	0	
	4,447	
	10,830	
	5,067	
5,763		
	0	
	0	
		0
	5,763	
	0.42	
	0.42	

Item represents the non-cash amortization of excess reorganization value.