October 27, 2010

Meritage Homes Reports Third Quarter 2010 Results

Significant Year-Over-Year Margin Improvement Drives Positive Earnings for the Third Consecutive Quarter, With EPS of $0.04

THIRD QUARTER 2010 SELECTED RESULTS (COMPARISONS TO THIRD QUARTER 2009):

- Generated positive pre-tax income despite lower closing volumes, as a result of mar
- Average closing price increased 21%, resulting in 1% higher closing revenue on 16%
- Improved home closing gross margin to 18.2% from 10.0% in the prior year (18.5% vs
- Opened 16 new communities for sales on recently acquired lots, including several st

YEAR TO DATE 2010 SELECTED RESULTS:

- Reported positive earnings for three consecutive quarters, with total net income of
- Reduced net debt/capital ratio to 27% from 35% in the prior year
- Issued $200M of 7.15% senior notes due in 2020 and retired $195M of notes due in 20

SCOTTSDALE, Ariz., Oct. 27, 2010 (GLOBE NEWSWIRE) -- Meritage Homes Corporation (NYSE:MTH), a leading U.S. homebuilder, today announced third quarter results for the period ended September 30, 2010.

Summary Operating Results (unaudited)

September 30, Nine Months Ended
September 30,

Net income/(lo

Adjusted pre-tax income/(loss)* ---excl. impairments and (loss)/gain on early extinguishment of debt	1,523	(4,393)	n

Diluted EP
* See non

THIRD QUARTER HOME CLOSINGS, REVENUE AND INCOME

Meritage continued to be profitable for the third consecutive quarter of 2010, reporting net income of $1.2 million or $0.04 per diluted share, compared to a net loss of $17.8 million or $0.56 per share in 2009. The results included pre-tax charges for real estate-related impairments of $0.8 million in 2010, compared to $13.2 million of such impairments in 2009. Excluding the effects of impairments in both years, Meritage's pre-tax income for the quarter was $1.5 million in 2010, compared with a pre-tax loss of $4.4 million in 2009.

Home closing revenue increased 1% due to a 21% increase in average prices despite 16% fewer home closings. Average closing price for the quarter was $275,700 in 2010, compared to $228,400 in 2009, reflecting shifts in the mix of sales rather than price appreciation. California and Florida made up a greater percentage of 2010 closings than in the prior year, with a smaller percentage in Texas, where house prices are generally lower. Additionally, over the last several quarters, the Company has acquired many well-priced lots in highly desirable in-fill locations, which support a greater mix of move-up communities that command higher prices relative to entry-level communities.

"Over the last few years many builders have moved their product offerings down the price-spectrum, believing there is less opportunity in the move-up market at this time," said Steven J. Hilton, chairman and chief executive officer of Meritage Homes. "While we also pursued this strategy, recently we have had good success acquiring close-in move-up lots in 'A' locations, which other builders may have passed up. Due to our low acquisition price and construction costs, we are currently able to sell homes in those communities at dramatically lower prices than were available just a few years ago, offering tremendous value and opportunity to home buyers."

Gross profit increased to $42.6 million in 2010 from $22.9 million in 2009, as quarterly margins improved year over year due to system-wide cost reductions and relatively stronger margins achieved in new Meritage communities. Home closing gross margins were 18.2% in 2010 versus 10.0% in 2009, after impairments of $680,000 in 2010 and $10.4 million in 2009. Excluding impairments, adjusted margins were 18.5% compared to 14.5% in the prior year.

"We made continued progress replacing our older communities with newer ones opened on the lots we've acquired since the beginning of last year," said Steven J. Hilton, chairman and chief executive officer of Meritage Homes. "Homes closed in our newer communities generated approximately 600 basis points higher margins in the third quarter than we averaged in our older communities. Approximately 44% of our sales and 31% of our closings in the quarter came from communities we've acquired since the beginning of last year.

"The improved margins we're achieving in our new communities are the result of successes in each of our major initiatives. Our lot costs are lower due to excellent acquisitions based on strategic market research. Our construction costs are lower due to simplified designs, improvements in purchasing and construction efficiencies, which have reduced both material and labor costs. Our homes offer lasting value because they are more energy-efficient. And our new plans allow us to build and deliver homes faster, without sacrificing quality." SALES

Net home sales in the third quarter were 36% lower than the prior year, partially due to a 12% decline in average active communities, from an average of 170 in the third quarter of 2009 to 149 in the third quarter of 2010. Sluggish sales pace throughout the quarter was reflected in average sales per community falling to 4.7 from 6.1 in the prior quarter and 6.5 in the prior year.

Mr. Hilton explained, "Our sales pace is well short of where we'd like it to be, and represents our greatest opportunity to increase earnings by leveraging our current infrastructure. While home sales have been slow in many areas across the country, we believe Meritage provides differentiated value as compared to other new or used homes in our markets. We offer some of the best new community locations, great value-priced homes in our Simply Smart™ series, a 99-day delivery guarantee in many communities, and 100% of our homes are ENERGY STAR® qualified, which provides significant energy savings to reduce the monthly cost of ownership."

He continued, "We know that our homes can compete successfully with both used homes and other new homes. Our marketing and sales training is targeted at equipping our sales people with the best tools to help them demonstrate to buyers the many advantages of owning a new Meritage home, over other homes they may be considering."

ADDITIONAL EXTREME ENERGY-EFFICIENCY COMMUNITIES OPENED WITH STRONG SALES

As a leader in advancing energy-efficient homebuilding, Meritage opened its first community of extreme energy-efficient green homes in Gilbert, Arizona, in June this year. The Company opened several similar communities in Arizona during the third quarter.

The communities are the first of their kind built by a production homebuilder, and offer up to 80% energy savings over the average existing home in the U.S. by incorporating the latest energy-efficient technologies, designed into every home at no additional charge to the buyer.

"Collectively, these have been some of our best-selling communities since they opened, selling at a significantly higher average sales pace than our other communities in the first few months after they opened," said Mr. Hilton. "The way that we've designed and marketed these homes is a clear differentiator for Meritage, and one that we believe offers a competitive advantage for us. Additionally, we believe this technology could revolutionize the homebuilding industry by expediting broader adoption of high energy-efficiency in new home construction."

CASH FLOW AND LOT SUPPLIES

After purchasing approximately 1,600 lots for a total of $65 million during the quarter, Meritage ended the quarter with $419.8 million in total cash and cash equivalents, restricted cash and short-term investments. The Company's net debt to total capital ratio improved to 27.1% at September 30, 2010, from 35.2% at September 30, 2009.

Meritage controlled approximately 14,500 total lots at September 30, 2010, equivalent to a 3.6-year supply based on trailing twelve months closings. Approximately half of those were acquired since the beginning of 2009, and about a third of Meritage's total 150 active communities are on recently-acquired lots. The Company already owns or has under contract 29 additional new communities that it plans to open over the next several quarters.

YEAR TO DATE RESULTS

For the first nine months of 2010, home closing revenue climbed 6% as home closings increased 1% and average sales prices were 5% higher. Significant closing gains were achieved in California and Florida, where the sales pace was stronger due to a large percentage of new communities in those divisions.

Meritage reported net income of $8.0 million or $0.25 per diluted share for the first nine months of 2010, compared to a net loss of $109.7 million or $3.52 per share in the first nine months of 2009. Year-to-date net income included $1.6 million of pre-tax real estate-related impairment charges and a $3.5 million loss on the early extinguishment of debt in 2010, compared to $90.3 million of impairments and a $9.4 million gain on early extinguishment of debt in 2009. Excluding those items, adjusted pre-tax income was $13.0 million for the first nine months of 2010, compared to a pre-tax loss of $26.9 million for the first nine months of 2009.

The Company's fully reserved deferred tax assets totaled $88.4 million as of September 30, 2010. These tax assets may be available to offset federal and state income tax liabilities on approximately $230 million of future taxable income.

SUMMARY

"We are confident in our strategy and pleased with our accomplishments through this most challenging time for homebuilders," said Mr. Hilton. "We have a strong balance sheet with a relatively light supply of land, no near-term debt maturities and significant liquidity, which is enabling us to replace communities with lower-priced lots as we close out of older communities. We have reduced our direct costs and are offering a new series of value-priced homes that we can build much faster, to compete more successfully with existing home sales. At the same time, we are achieving higher margins and sales velocity in our new communities. And I can confidently say that we are leading the industry with the most energy-efficient homes available from a production homebuilder today."

He added, "Given the lower sales levels we've experienced in the last couple of quarters and our lack of visibility, we are anticipating lower closing revenue in the fourth quarter. We have taken additional steps to control both our direct and indirect costs, while retaining the organizational talent necessary to advance our strategic initiatives. Even so, it will be challenging to maintain our profitability for the quarter with lower revenues, but we expect to be around break-even, and to meet our goal of being profitable for the full year.

"It is difficult to predict when buyer confidence will return and the market will strengthen, but we are optimistic that we'll see some improvement in 2011," Mr. Hilton concluded. "Meritage is well positioned to be a strong competitor in the homebuilding industry, and we believe the successful execution of our strategic initiatives is driving sustainable competitive advantages for Meritage."

ANALYST CALL AND WEBCAST

Management will host a conference call to discuss these results on Thursday, October 28, 2010 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific Time.) The call will be webcast by Business-to-Investor, Inc. (B2i), with an accompanying slideshow on the "Investor Relations" page of the Company's web site at http://investors.meritagehomes.com. For telephone participants, the dial-in number is 877-485-3104 with a passcode of "Meritage". Participants are encouraged to dial in five minutes before the call begins. A replay of the call will be available after 12:00 p.m. ET, October 28, 2010 on the website noted above, or by dialing 877-660-6853, and referencing account 356, replay ID 358701.

Meritage Homes Corporation and Subsidiaries

Three Months Ended September 30,Nine Months Ended September 30,

	2010
Operating results	
Home closing revenue	$ 233,803
Land closing revenue	--
Total closing revenue	233,803
Home closing gross profit	42,561
Land closing gross (loss)/profit	----
Total closing gross profit	42,561
Commissions and other sales costs	(19,624)
General and administrative expenses	(15,678)
Interest expense	(8,425)
(Loss)/gain on extinguishment of debt	----
Other income, net (1)	1,897
Income/(loss) before income taxes	731
Benefit/(provision) for income taxes	488
Net income/(loss)	$ 1,219
Income/(loss) per share	
Basic:	
Income/(loss) per share	$ 0.04
Weighted average shares outstanding	32,095
Diluted:	
Income/(loss) per share	$ 0.04
Weighted average shares outstanding	32,297
Non-GAAP Reconciliations:	
Total closing gross profit	$ 42,561
Add: Real estate-related impairments	
Terminated lot options and land sales	--
Impaired projects	680
Adjusted closing gross profit	$ 43,241
Income/(loss) before income taxes	$ 731
Add: Real estate-related and joint venture (JV) impairments	
Terminated lot options and land sales	--
Impaired projects	680
JV impairments	112
Loss/(gain) on early extinguishment of debt	--
Adjusted income/(loss) before income taxes	$ 1,523

(1) Other income includes Joint Venture (JV)

Meritage Homes Corporation and Subsidiaries

(unaudited)

Ass
Cash and cash equivale
Investments and securit
Restricted c
Income tax receiva
Other receivab
Real estate
Investments in unconsolidated entit
Deposits on real estate under option or contr
Other ass
Total asse

Liabilities and Equi

Accounts payable, accrued liabilities, home sale deposits and other liabilities	$ 135,736	$ 152,2

Senior no
Senior subordinated no
Total liabiliti
Total stockholders' equi
Total liabilities and equi

(1) Real estate – Allocated costs
Homes under contract under construct
Finished home sites and home sites under developm
Unsold homes, completed and under construct
Model ho
Land held for development or s
Total allocated cos

Supplemental Information and Non-GAAP Financial Disclosures (in thousands – unaudited

Interest amortized to cost of sales and interest expense	$ 11,432	$ 12,891	$ 48,283	$

Depreciation and am

Notes payable and other borrowings	$ 605,623	$ 605,009	$ 604,968
Less: cash and cash equivalents, restricted cash, and investments and securities	(419,843)	(391,378)	(365,555

Stockholde
Tot
Net debt-

Meritage Homes Corporation and Subsidiaries
Condensed Consolidated Statement of Cash Flows
(In thousands)
(unaudited)

Three Month

September 30,Nine Months Ended
September 30

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                                                                  Operating results

                                                                  Net income/(loss)         $
                                   Loss/(gain) on early
    extinguishment of debt                --                --              3,454
                                                    Real-estate related impairments
     Equity in earnings from JVs
    and distributions of JV earnings, net            637           2,335
                  (Increase)/decrease in real estate
    and deposits, net        (29,301)         (15,353)         (71,921)           94,
                                                         Other operating activities
                  Net cash (used in)/provided
    by operating activities        (20,682)         (20,820)          38,163

                          Cash provided by/(used in)
    investing activities           9,174         (19,169)       (138,464)          (20

                                                 Proceeds from issuance of new debt
                                                                  Debt issuance costs
                                                         Repayments of senior notes
                                   Proceeds from issuance of
    common stock, net            261            1,630           1,770               4,2
                  Net cash provided by/(used in)
    financing activities             163            1,630          (3,706)

                                                      Net (decrease)/increase in cash        (1
                                                  Beginning cash and cash equivalents          1
                                                 Ending cash and cash equivalents (1)        $ 1
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(1) Ending "cash and cash equivalents" as of September 30, 2010 excludes "investments and securities" and "restricted cash" totaling $274.5 million. Since the fourth quarter of 2009, Meritage has sought to increase yields earned on its excess cash by investing a portion of that cash in government guaranteed investments and securities which have maturities of up to eighteen months. Due to their longer maturity structure, these investments are not classified as "cash and cash equivalents" on our Balance Sheet or in the Statement of Cash Flows.

Meritage Homes Corporation and Subsidiaries
Operating Data
(Dollars in thousands)
(unaudited)

	For the Three Months		
		2010	
	Homes	Value	Homes
Homes Closed:			
California	112	$ 43,803	62
Nevada	17	3,404	33
West Region	129	47,207	95
Arizona	167	41,387	213
Texas	425	107,663	611
Colorado	39	12,608	36
Central Region	631	161,658	860
Florida	88	24,938	60
East Region	88	24,938	60

Total	848	$ 233,803	1,015
Homes Ordered:			
California	86	$ 29,614	130
Nevada	11	2,279	33
West Region	97	31,893	163
Arizona	156	39,214	212
Texas	347	82,584	597
Colorado	39	12,603	35
Central Region	542	134,401	844
Florida	67	17,277	91
East Region	67	17,277	91
Total	706	$ 183,571	1,098

Meritage Homes Corporation and Subsidiaries
Operating Data
(Dollars in thousands)
(unaudited)

	For the Nine Mo		
		2010	
	Homes	Value	Home
Homes Closed:			
California	323	$114,498	218
Nevada	65	12,628	112
West Region	388	127,126	330
Arizona	548	119,147	563
Texas	1,578	382,592	1,679
Colorado	110	32,721	105
Central Region	2,236	534,460	2,347
Florida	239	64,204	160
East Region	239	64,204	160
Total	2,863	$725,790	2,837
Homes Ordered:			
California	312	$108,156	287
Nevada	59	11,651	99
West Region	371	119,807	386
Arizona	560	126,743	621
Texas	1,375	330,582	1,899
Colorado	118	36,903	107
Central Region	2,053	494,228	2,627
Florida	246	66,631	219
East Region	246	66,631	219
Total	2,670	$680,666	3,23
Order Backlog:			
California	78	$ 27,980	156
Nevada	8	1,694	12
West Region	86	29,674	168
Arizona	159	39,706	248
Texas	512	129,554	1,107
Colorado	47	15,638	46
Central Region	718	184,898	1,401

Florida	98	27,839	107
East Region	98	27,839	107
Total	902	$242,411	1,676

Meritage Homes Corporation and Subsidiaries
Operating Data
(unaudited)

	Third Quarter 2010		Third Quarter 2009	
	Beg.	End	Beg.	End
Active Communities:				
California	12	13	12	9
Nevada	5	5	12	6
West Region	17	18	24	15
Arizona	33	32	31	28
Texas	78	82	108	102
Colorado	7	8	4	3
Central Region	118	122	143	133
Florida	13	10	11	14
East Region	13	10	11	14
Total	148	150	178	162

	First Nine Months 2010		First Nine Months 2009	
	Beg.	End	Beg.	End
Active Communities:				
California	7	13	12	9
Nevada	6	5	12	6
West Region	13	18	24	15
Arizona	26	32	31	28
Texas	98	82	109	102
Colorado	6	8	3	3
Central Region	130	122	143	133
Florida	10	10	11	14
East Region	10	10	11	14
Total	153	150	178	162

About Meritage Homes Corporation

Meritage Homes Corporation is the 9th largest homebuilder in the U.S. based on homes closed. Meritage offers a variety of homes across the Southern and Western states designed to appeal to a wide range of home buyers, including first-time, move-up, luxury and active adult buyers, with base prices starting from under $100,000. As of September 30, 2010, the Company had 150 actively selling communities in 12 metropolitan areas including Houston, Dallas/Ft. Worth, Austin, San Antonio, Phoenix/Scottsdale, Tucson, Las Vegas, Denver, Orlando, and the East Bay/Central Valley and Inland Empire of California. Meritage Homes and its predecessor companies have delivered more than 65,000 homes since the Company was founded in 1985.

In 2010, Meritage is celebrating its 25th Anniversary, and is the only large national homebuilder to be 100% ENERGY STAR® qualified in every home started in 2010. The

Company has launched a new Simply Smart Series™ and a 99-day guaranteed completion program in certain communities. Meritage has designed and built more than 65,000 homes in its 25-year history, and has a reputation for its distinctive style, quality construction and positive customer experience. To find a Meritage community near you, go to www.meritagehomes.com.

Meritage Homes is listed on the NYSE under the symbol MTH.

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include those regarding the benefits of, and our ability to execute our strategic initiatives including, but not limited to Meritage Forward, our Simply Smart series of homes, our 99-day guarantee and our Meritage Green initiative; the profitability and sales pace of our new communities; that closings and revenue may be lower in the fourth quarter, and that we'll be around break-even for the quarter, but profitable for the year 2010; our ability to continue to acquire land in favorable locations at favorable prices; our ability to compete successfully with existing homes and other new homes; our ability to retain organizational talent and be a strong competitor in the homebuilding industry; the opportunity for us to increase earnings by leveraging our current overhead infrastructure; the number of communities we expect to open in the next several quarters; and expectations that we'll see market improvements in 2011. Such statements are based upon preliminary financial and operating data which are subject to finalization by management and review by our independent registered public accountants, as well as the current beliefs and expectations of Company management, and current market conditions, which are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. The Company makes no commitment, and disclaims any duty, to update or revise any forward-looking statements to reflect future events or changes in these expectations.

Meritage's business is subject to a number of risks and uncertainties, including: weakness in the homebuilding market resulting from the current economic downturn; interest rates and changes in the availability and pricing of residential mortgages; adverse changes in tax laws that benefit our homebuyers; the ability of our potential buyers to sell their existing homes; cancellation rates and home prices in our markets; the adverse effect of slower sales absorption rates; potential write-downs or write-offs of assets, including pre-acquisition costs and deposits; the liquidity of our joint ventures and the ability of our joint venture partners to meet their obligations to us and the joint venture; competition; the success of our strategies in the current homebuilding market and economic environment; the propensity of homebuyers to cancel purchase orders with us; construction defect and home warranty claims; our success in prevailing on contested tax positions; the impact of deferred tax valuation allowances and our ability to preserve our operating loss carryforwards; fluctuations in housing demand, and the cost and availability of real estate and other matters that are outside of our control; out ability to obtain performance bonds in connection with our development work; the loss of key personnel; our failure to comply with laws and regulations; the availability and cost of materials and labor; our lack of geographic diversification; inflation in the cost of materials used to construct homes; fluctuations in quarterly operating results; the Company's financial leverage and level of indebtedness; our ability to take certain actions because of restrictions contained in the indentures for the Company's senior and senior subordinated notes and our ability to raise additional capital when and if needed; our credit ratings; the impact of future capital raising transactions we may engage in; successful integration of future acquisitions; government regulations and legislative or other initiatives that seek to restrain growth or new housing construction or similar measures; consumer confidence, which can be impacted by economic and other factors such as terrorism, war, or threats thereof and our potential exposure to natural disasters; and other factors identified in documents filed by the Company with the Securities and Exchange Commission, including those set forth in our Form 10-K for the year ended December 31, 2009 under the caption "Risk Factors," and updated in our most recent Quarterly Report on Form 10-Q, all of which can be found on our website. As a result of these and other factors, the Company's stock and note prices may fluctuate dramatically.

For more information about the Company, visit http://investors.meritagehomes.com

Click here to join our email alert list: http://www.b2i.us/irpass.asp?BzID=1474&to=ea&s=0

The Meritage Homes Corporation logo is available at https://www.globenewswire.com/newsroom/prs/?pkgid=2624


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Image: Meritage Homes Corporation Logo