February 2, 2011

Meritage Homes Reports Fourth Quarter and Full Year 2010 Results

Achieved Profitability Goal for the Year, With Earnings of $0.22 Per Share for 2010

FOURTH QUARTER 2010 SELECTED RESULTS:

Reported net loss of $0.9M or $0.03 per diluted share including net tax benefit of

Reduced adjusted pre-tax loss to $0.3M from $8M in the prior year

Improved home closing gross margin before impairments by 320 basis points over 2009

Increased net sales orders by 15% over the prior year; with sequential growth over

FULL YEAR 2010 SELECTED RESULTS:

Generated net income of $7M or $0.22 per diluted share, compared to a net loss of $

Reduced net debt-to-capital ratio to 28% from 31% in the prior year

Completed the year with $413M cash and short-term investments, and no short-term de

Issued $200M of 7.15% senior notes due in 2020 and retired $195M of notes due in 20

SCOTTSDALE, Ariz., Feb. 2, 2011 (GLOBE NEWSWIRE) -- Meritage Homes Corporation (NYSE:MTH), a leading U.S. homebuilder, today announced fourth quarter results for the period ended December 31, 2010.

Summary Operating Results (unaudited)

December 31, Full year Ended
December 31,

Net (loss)/in

Adjusted pre-tax (loss)/income --
excl. impairments and (loss)/gain

on early extinguishment of debt	$(311)	$(8,262)	96%	$12,684
				Diluted

* Adjusted pre-tax (loss)/income excludes impairments: See non-GAAP reconcilia
adjusted pre-tax (loss)/income on "Operating Results" statement.

FOURTH QUARTER OPERATING RESULTS

Meritage reported a net loss of $0.9 million or $0.03 per diluted share in the fourth quarter of 2010, compared to net income of $43 million or $1.35 per diluted share in the fourth quarter of 2009. The loss in 2010 included $5 million of impairments offset by a $5 million net tax benefit, while 2009 net income included $39 million of impairments, more than offset by a $90 million net tax benefit. Excluding those items, Meritage reduced its pre-tax loss to $311,000 from $8 million in the prior year.

"We achieved our number one goal for 2010, which was to be profitable for the year," said Steven J. Hilton, chairman and chief executive officer of Meritage Homes. "Despite lower closing revenue in 2010, we returned to profitability primarily by improving our margins and holding down our overhead expenses."

Fourth quarter home closing revenue declined 23% year over year, with 30% fewer homes closed in 2010 than in 2009, partially offset by a 10% higher average closing price. Average prices increased to approximately $256,000 in the fourth quarter of 2010, from approximately $233,000 in the fourth quarter of 2009, reflecting a greater percentage of closings in move-up communities and in California, Colorado and Florida, higher-priced areas within Meritage's markets.

Meritage generated home closing gross profit of $34 million in the fourth quarter 2010 compared to $17 million in 2009, and home closing gross margins of 15.8% and 6.2%, respectively. Excluding the effects of impairments on gross margins, home closing gross margin climbed to 18.1% in the fourth quarter of 2010 from 14.9% in the fourth quarter of 2009.

"We showed a 320 basis point improvement year over year in our home closing gross margin before impairments, as our newer communities continued to produce much higher margins on average than our older communities," said Mr. Hilton. "Market conditions continued to be challenging following the expiration of the home buyer tax credit in the second quarter of 2010, which put pressure on home prices and margins."

General and administrative expenses were 28% lower than the same quarter of 2009, largely due to certain expenses – particularly accruals for lease abandonments and discretionary awards – in 2009 that did not recur in the fourth quarter of 2010. Excluding those items, G&A was flat compared to 2009.

FULL YEAR OPERATING RESULTS

Meritage reported net income for the full year of 2010 of $7 million or $0.22 per diluted share, compared to a $66 million net loss in 2009 or ($2.12) per diluted share. Net income in 2010 was reduced by $7 million in pre-tax real estate-related impairment charges and a $3 million loss on extinguishment of debt, partially offset by a $5 million net tax benefit. By comparison, the net loss in 2009 included $129 million of impairments, partially offset by a $9 million gain on extinguishment of debt and a net tax benefit of $88 million. Excluding these items, Meritage produced pre-tax income of $13 million in 2010, compared to a pre-tax loss of $35 million in 2009.

SALES

Fourth quarter 2010 net orders for 713 homes were 15% greater than the 621 sales recorded in the prior year, despite 4% fewer average active communities year over year. Sales per community increased 21% in the fourth quarter, to 4.7 sales per community from 3.9 in 2009. The largest sales increases were in Texas, with 20% year-over-year growth, and Colorado, with 73% growth.

"We closed a record high 93% of beginning backlog during the fourth quarter, as half of our closings were homes not under contract at the beginning of the quarter," explained Mr. Hilton. "We ended the year with 29% fewer orders in backlog than we had a year ago, which will make it more challenging to be profitable in the first quarter of 2011. Even so, we expect to be more profitable in 2011 than we were in 2010."

BALANCE SHEET

Meritage generated $33 million positive cash flow from operations for the full year 2010, after using $236 million of cash to purchase approximately 5,800 lots during the year. The Company ended the year with $413 million in cash and cash equivalents, restricted cash and short-term investments, an increase of $21 million over the year-end 2009 total. Meritage's net debt to total capital ratio improved to 28% at December 31, 2010, from 31% at December 31, 2009.

Meritage put approximately 7,000 lots under contract in 2010, including 63 new communities. At December 31, 2010, Meritage controlled 15,224 lots representing approximately 4.1 years supply based on trailing twelve months closings, compared to a total of 12,906 lots or 3.2 years lot supply at December 31, 2009. Approximately 85% of total lots were owned at year-end 2010, compared to 77% in 2009, and 56% of year-end 2010 lots were purchased in the last two years.

SUMMARY

"In a year when market conditions remained very challenging for the homebuilding industry, it was gratifying to return to profitability in 2010, which we believe was the direct result of successfully executing our strategies," said Mr. Hilton. "We've dramatically reduced our lot and construction costs over the last few years, carefully controlled our overhead costs, repositioned our communities to address each of our markets opportunistically, redesigned our homes to be more efficient and appealing, and emerged as the leader in profitable, energy efficient home building."

"Meritage has received several awards for our leadership in advanced green building, including in 2010 the Alliance Home Quality and Performance Leadership award, and the Pubby Award for Community of the Year." Mr. Hilton continued, "Most recently, Meritage received the 2011 Energy Value Housing Award from the National Association of Homebuilders for our Lyon's Gate Community located in Gilbert, Arizona, and was also awarded the 2011 People's Choice Award, recognizing Meritage Homes for voluntarily incorporating energy efficiency in the design, construction & marketing of our homes.

"I believe Meritage is in the best shape it's ever been – stronger, leaner, faster and more nimble than ever before – and we're poised to take advantage of opportunities to grow and increase our profitability as the market recovers. I am confident in our strategies and our organization, and optimistic about our prospects for the coming year."

CONFERENCE CALL

Management will host a conference call to discuss these results on February 3, 2011 at 10:00 a.m. Eastern Time (8:00 a.m. Mountain 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, through March 2, 2011 on the website noted above, or by dialing 877-660-6853, and referencing account 356 and passcode 364919.

Meritage Homes Corporation and Subsidiaries

(I

	Three Months E	
		Decemb
	2010	
Operating results		
Home closing revenue	$214,616	$
Land closing revenue	28	
Total closing revenue	214,644	2
Home closing gross profit	34,001	
Land closing gross (loss)/profit	(18)	(
Total closing gross profit	33,983	
Commissions and other sales costs	(18,346)	(
General and administrative expenses	(12,684)	(1
Interest expense	(8,449)	
(Loss)/gain on extinguishment of debt	--	
Other income/(loss), net	77	
(Loss)/income before income taxes	(5,419)	(
Benefit for income taxes	4,524	
Net (loss)/income	$(895)	
Earnings/(loss) per share		
Basic:		
(Loss)/earnings per share	$(0.03)	
Weighted average shares outstanding	32,127	
Diluted:		
(Loss)/earnings per share	$(0.03)	
Weighted average shares outstanding	32,127	
Non-GAAP Reconciliations:		
Total closing gross profit	$33,983	
Add Real estate-related impairments:		
Terminated lot options and land sales	1,047	
Impaired projects	3,878	
Adjusted closing gross profit	$38,908	$
(Loss)/income before income taxes	$(5,419)	$(
Add: Real estate-related and joint venture (JV) impairments:		
Terminated lot options and land sales	1,047	
Impaired projects	3,878	

Joint venture impairments	183	
Loss/(gain) on early extinguishment of debt	--	
Adjusted (loss)/income before income taxes	$(311)	$

Cash and cash equ
Investments and se
Restric
Income tax re
Other rec
Real es
Investments in unconsolidated
Deposits on real estate under option or
Othe
Total

Liab

Accounts payable, accrued liabilities, home sale deposits and other liabilities	$119,163	$152,233

Seni
Senior subordinat
Total liab
Total
Total liabilities and

(1) Real estate – Allocated
Homes under contract under const
Unsold homes, completed and under cons
Mod
Finished homesites and homesites under dev
Land held for development
Total allocate

31,As of and for the Full Year Ended
December 31,

Interest amortized to cost of sales and interest expense	10,805	13,355	45,733

Depreciation and am

Net debt-t
Notes payable and other

Less: cash and cash equivalents, restricted cash, and investments and securities	(412,642

Stockholde

Net debt-

Loss/(gain) on earl

extinguishment of debt -- --

Rea

Equity in earnings from JVs (including impairments) and distributions of JV earnings, net 616 282

Decrease/(increase) in real estate and deposits, net 1,957 13,908

Net cash (used in)/provided by operating activities (5,612) 26,640

Net payments to purchase investments and securities (183,923) (125,699)

(Payments)/distribution

restricted cash (396) 2,256

Cash used

activities (36,051) (124,750) (174,51

Proceeds fro

debt -- -- 195,134 34

Proceeds fro

exercises 292 490 2,06

Net cash provided by/(used i

financing activities 292 490

Net (de

cash (41,371) (97,620) (145,378)

Beginning c

equivalents 145,324 346,951 249,

Ending cash

equivalents (1) $103,953 $249,331 $

(1) Ending cash and cash equivalents balances at December 31 exclude investments and and restricted cash of $9 million in 2010, and $126 million and $16 million, resp

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

For the Three Months Ended December 31,
2010 2009

	Homes	Value	Homes	Value
Homes Closed:				
California	94	$32,696	130	$40,155
Nevada	16	3,378	18	3,325
West Region	110	36,074	148	43,480
Arizona	152	36,970	218	45,044
Texas	450	105,205	726	163,344
Colorado	52	16,099	40	11,223
Central Region	654	158,274	984	219,611
Florida	73	20,268	70	16,498
East Region	73	20,268	70	16,498
Total	837	$214,616	1,202	$279,589
Homes Ordered:				
California	61	$20,011	63	$22,921
Nevada	20	4,053	20	3,718
West Region	81	24,064	83	26,639
Arizona	118	29,244	117	26,711
Texas	401	87,258	334	86,563
Colorado	57	17,425	33	9,506
Central Region	576	133,927	484	122,780
Florida	56	16,030	54	12,919
East Region	56	16,030	54	12,919
Total	713	$174,021	621	$162,338

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

	For the Full year Ended December 31,			
		2010		2009
	Homes	Value	Homes	Value
Homes Closed:				
California	417	$147,194	348	$116,197
Nevada	81	16,006	130	27,049
West Region	498	163,200	478	143,246
Arizona	700	156,117	781	156,107
Texas	2,028	487,797	2,405	566,879
Colorado	162	48,820	145	44,225
Central Region	2,890	692,734	3,331	767,211
Florida	312	84,472	230	52,340
East Region	312	84,472	230	52,340
Total	3,700	$940,406	4,039	$962,797
Homes Ordered:				
California	373	$128,167	350	$116,609
Nevada	79	15,704	119	23,267
West Region	452	143,871	469	139,876

Arizona	678	155,987	738	146,006
Texas	1,776	417,840	2,233	518,288
Colorado	175	54,328	140	42,416
Central Region	2,629	628,155	3,111	706,710
Florida	302	82,661	273	65,715
East Region	302	82,661	273	65,715
Total	3,383	$854,687	3,853	$912,301
Order Backlog:				
California	45	$15,295	89	$34,322
Nevada	12	2,369	14	2,671
West Region	57	17,664	103	36,993
Arizona	125	31,980	147	32,110
Texas	463	111,607	715	181,564
Colorado	52	16,964	39	11,456
Central Region	640	160,551	901	225,130
Florida	81	23,601	91	25,412
East Region	81	23,601	91	25,412
Total	778	$201,816	1,095	$287,535

Meritage Homes Corporation and Subsidiaries
Operating Data
(unaudited)

	Three Months Ended December 31, 2010		Three Months Ended December 31, 2009	
	Beg.	End	Beg.	End
Active Communities:				
California	13	14	9	7
Nevada	5	4	6	6
West Region	18	18	15	13
Arizona	32	32	28	26
Texas	82	82	102	98
Colorado	8	9	3	6
Central Region	122	123	133	130
Florida	10	10	14	10
East Region	10	10	14	10
Total	150	151	162	153

	Full year Ended December 31, 2010		Full year Ended December 31, 2009	
	Beg.	End	Beg.	End
Active Communities:				
California	7	14	12	7
Nevada	6	4	12	6
West Region	13	18	24	13
Arizona	26	32	31	26
Texas	98	82	109	98
Colorado	6	9	3	6
Central Region	130	123	143	130
Florida	10	10	11	10

East Region	10	10	11	10
Total	153	151	178	153

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 December 31, 2010, the Company had 151 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.

In 2010, Meritage celebrated its 25th Anniversary, launched a new Simply Smart Series™ of homes and a 99-day guaranteed completion program in certain communities, and is the only large national homebuilder to be 100% ENERGY STAR® qualified in every home started since January 1, 2010. Meritage has designed and built nearly 70,000 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.

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

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include our outlook that it will be more challenging to be profitable in the first quarter of 2011, that we expect to be more profitable in 2011 than we were in 2010, and that we are poised to take advantage of opportunities to grow and increase our profitability as the market recovers. 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; 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; our 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.


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Image: Meritage Homes Corporation Logo

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