Ryland Reports Results for the First Quarter of 2010

CALABASAS, Calif., Apr 28, 2010 (BUSINESS WIRE) -- The Ryland Group, Inc. (NYSE: RYL) today announced results for its first quarter ended March 31, 2010. Items of note included:

- Net loss per diluted share was $0.33 for the quarter ended March 31, 2010, compared to a net loss of $1.76 per diluted share for the same period in 2009. The Company had pretax charges for inventory and other valuation adjustments and write-offs that totaled $4.6 million;
- Housing gross profit margins averaged 13.9 percent, excluding inventory and other valuation adjustments, for the quarter ended March 31, 2010, compared to 14.2 percent for the quarter ended December 31, 2009, and 6.0 percent for the quarter ended March 31, 2009. Including inventory and other valuation adjustments, housing gross profit margins averaged 12.2 percent for the first quarter of 2010, compared to negative 13.1 percent for the same period in 2009;
- New orders decreased 13.4 percent to 1,167 units in the first quarter of 2010 from 1,347 units in the first quarter of 2009 as a result of having 28.9 percent fewer active communities. The Company sold 2.2 homes per community per month in the first quarter ended March 31, 2010, versus 1.7 homes per community per month for the same period in 2009;
- Lots controlled grew over 10 percent sequentially in the first quarter of 2010;
- Cash, cash equivalents and marketable securities totaled $820.6 million at March 31, 2010;
- Cash flows from operations totaled $17.0 million for the quarter ended March 31, 2010;
- Consolidated revenues of $250.8 million for the quarter ended March 31, 2010, represented a decrease of 5.5 percent from the quarter ended March 31, 2009; and
- Net debt-to-capital ratio was 4.7 percent at March 31, 2010. (Net debt-to-capital ratio is calculated as debt, net of cash, cash equivalents and marketable securities, divided by the sum of debt and total stockholders' equity, net of cash, cash equivalents and marketable securities.)

RESULTS FOR THE FIRST QUARTER OF 2010

For the first quarter ended March 31, 2010, the Company reported a consolidated net loss of $14.3 million, or $0.33 per diluted share, compared to a consolidated net loss of $75.3 million, or $1.76 per diluted share, for the same period in 2009. For the first quarter ended March 31, 2010, the Company had pretax charges for inventory and other valuation adjustments and write-offs that totaled $4.6 million, compared to $49.4 million for the same period in 2009.

The homebuilding segments reported a pretax loss of $9.4 million during the first quarter of 2010, compared to a pretax loss of $74.4 million for the same period in 2009. This reduction in loss was primarily due to lower inventory and valuation adjustments and write-offs, higher gross profit margins, and reduced selling, general and administrative expense, partially offset by declines in closings and home prices and higher interest expense.

Homebuilding revenues decreased 6.6 percent to $241.9 million for the first quarter of 2010, compared to $259.0 million for the same period in 2009. This decline was primarily attributable to fewer closings and lower sales prices. Closings totaled 984 units for the first quarter ended March 31, 2010, compared to 1,049 units for the same period in the prior year, reflecting a 6.2 percent decrease. For the quarter ended March 31, 2010, the average closing price of a home declined by 0.8 percent to $245,000 from $247,000 for the same period in 2009. Homebuilding revenues for the first quarter of 2010 included $1.1 million from land sales, which resulted in net pretax earnings of $623,000, compared to homebuilding revenues for the first quarter of 2009 that included $318,000 from land sales, which resulted in a net pretax loss of $227,000.

New orders of 1,167 units for the quarter ended March 31, 2010, represented a decrease of 13.4 percent, compared to new orders of 1,347 units for the same period in 2009. The Company sold 2.2 homes per community per month in the first quarter ended March 31, 2010, versus 1.7 homes per community per month for the same period in 2009. For the first quarter of 2010, new order dollars declined 12.7 percent to $276.1 million from $316.2 million for the first quarter of 2009. Cancellation rates decreased to 20.7 percent for the first quarter ended March 31, 2010, from 24.1 percent for the same period in the prior year. Backlog at the end of the first quarter of 2010 rose 3.1 percent to 1,915 units from 1,857 units at March 31, 2009. At March 31, 2010, the dollar value of the Company's backlog was $470.3 million, reflecting an increase of 1.2 percent from March 31, 2009.

Housing gross profit margins averaged 13.9 percent, excluding inventory and other valuation adjustments, for the quarter ended March 31, 2010, compared to 14.2 percent for the quarter ended December 31, 2009, and 6.0 percent for the quarter

ended March 31, 2009. The increase in average housing gross profit margins for the first quarter ended March 31, 2010, compared to the first quarter ended March 31, 2009, was primarily due to lower sales discounts and allowances relating to homes closed during the quarter. Including inventory and other valuation adjustments, housing gross profit margins averaged 12.2 percent for the first quarter of 2010, compared to negative 13.1 percent for the same period in 2009. Sales incentives and price concessions averaged 11.4 percent for the first quarter ended March 31, 2010, compared to 18.0 percent for the same period in 2009. Selling, general and administrative expense totaled 13.3 percent of homebuilding revenues for the first quarter of 2010, compared to 15.6 percent of homebuilding revenues for the same period in 2009. This decrease in the selling, general and administrative expense ratio was primarily attributable to cost-saving initiatives and to lower marketing and advertising expenditures per unit, partially offset by a decline in revenues. Selling, general and administrative expense dollars for the quarter ended March 31, 2010, decreased $8.1 million from the same period in the prior year. The homebuilding segments recorded $6.8 million of interest expense during the first quarter of 2010, while all interest incurred during the first quarter of 2009 was capitalized due to a higher ratio of debt to inventory-under-development.

Corporate expense was $6.3 million for the first quarter of 2010, compared to $9.1 million for the same period in 2009. This decrease was primarily due to a $166,000 gain in the market value of retirement plan investments for the first quarter of 2010, compared to a $2.1 million loss for the same period in 2009.

During the first quarter of 2010, the Company provided $17.0 million of cash from operations. It used $26.8 million of cash for investing activities and provided $3.1 million of cash from financing activities.

For the three months ended March 31, 2010, the financial services segment reported pretax earnings of $472,000, compared to a pretax loss of $1.6 million for the same period in 2009. This increase was primarily attributable to a rise in net gains, on a per loan basis, due to improved market conditions and to a 4.6 percent rise in closings due to increased capture rates, partially offset by higher loan indemnification expense.

OVERALL EFFECTIVE TAX RATE

For the quarters ended March 31, 2010 and 2009, the Company's effective tax benefit rate was 0.0 percent due to noncash charges of $5.0 million and $28.7 million, respectively, for the Company's deferred tax valuation allowance.

SUBSEQUENT EVENT

In April 2010, the Company offered to purchase, in a tender offer and redemption, up to $300.0 million aggregate principal amount of its senior notes due 2012, 2013 and 2015. In addition, it issued $300.0 million of new 6.6 percent senior notes due May 2020. The purpose of these transactions was to lengthen the maturities of the Company's senior notes. The Company will use the proceeds from the sale of the new notes to purchase existing notes pursuant to the tender offer and redemption, as well as to pay related fees and expenses.

Headquartered in Southern California, Ryland is one of the nation's largest homebuilders and a leading mortgage-finance company. Since its founding in 1967, Ryland has built more than 290,000 homes and financed more than 240,000 mortgages. The Company currently operates in 15 states and 19 homebuilding divisions across the country and is listed on the New York Stock Exchange under the symbol "RYL." For more information, please visit www.ryland.com.

Note: Certain statements in this press release may be regarded as "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and may qualify for the safe harbor provided for in Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements represent the Company's expectations and beliefs concerning future events, and no assurance can be given that the future results described in this press release will be achieved. These forward-looking statements can generally be identified by the use of statements that include words such as "anticipate," "believe," "could," "estimate," "expect," "foresee," "goal," "intend," "likely," "may," "plan," "project," "should," "target," "will" or other similar words or phrases. All forward-looking statements contained herein are based upon information available to the Company on the date of this press release. Except as may be required under applicable law, the Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of the Company's control, that could cause actual results to differ materially from the results discussed in the forward-looking statements. The factors and assumptions upon which any forward-looking statements herein are based are subject to risks and uncertainties which include, among others:

- economic changes nationally or in the Company's local markets, including volatility and increases in interest rates, the impact of government stimulus and tax programs, inflation, changes in consumer demand and confidence levels and the state of the market for homes in general;
- instability and uncertainty in the mortgage lending market, including revisions to underwriting standards for borrowers;

- the availability and cost of land and the future value of land held or under development;
- increased land development costs on projects under development;
- shortages of skilled labor or raw materials used in the production of houses;
- increased prices for labor, land and raw materials used in the production of houses;
- increased competition;
- failure to anticipate or react to changing consumer preferences in home design;
- increased costs and delays in land development or home construction resulting from adverse weather conditions;
- potential delays or increased costs in obtaining necessary permits as a result of changes to laws, regulations, or governmental policies (including those that affect zoning, density, building standards and the environment);
- delays in obtaining approvals from applicable regulatory agencies and others in connection with the Company's communities and land activities;
- changes in the Company's effective tax rate and assumptions and valuations related to its tax accounts;
- the risk factors set forth in the Company's most recent Annual Report on Form 10-K; and
- other factors over which the Company has little or no control.

Five financial-statement pages to follow.

THE RYLAND GROUP, INC. and Subsidiaries
CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)
(in thousands, except share data)

	Three months ended March 31,	
	2010	2009
REVENUES		
Homebuilding	**$ 241,880**	$ 258,967
Financial services	**8,888**	6,271
TOTAL REVENUES	**250,768**	265,238
EXPENSES		
Cost of sales	**212,314**	293,036
Selling, general and administrative	**32,186**	40,300
Financial services	**8,416**	7,848
Corporate	**6,253**	9,051
Interest	**6,814**	-
TOTAL EXPENSES	**265,983**	350,235
OTHER INCOME		
Gain from marketable securities, net	**1,155**	-
Income (loss) related to early retirement of debt, net	**(237)**	9,648
TOTAL OTHER INCOME	**918**	9,648
Loss before taxes	**(14,297)**	(75,349)
Tax benefit	**-**	-
NET LOSS	**$ (14,297)**	$ (75,349)
NET LOSS PER COMMON SHARE		
Basic	**$ (0.33)**	$ (1.76)
Diluted	**(0.33)**	(1.76)
AVERAGE COMMON SHARES OUTSTANDING		
Basic	**43,914,130**	42,853,399
Diluted	**43,914,130**	42,853,399

THE RYLAND GROUP, INC. and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 31,	December 31,

	2010	2009
	(Unaudited)	
ASSETS		
Cash, cash equivalents and marketable securities		
Cash and cash equivalents	**$ 278,522**	$ 285,199
Restricted cash	**61,390**	71,853
Marketable securities, available-for-sale	**480,700**	457,854
Total cash, cash equivalents and marketable securities	**820,612**	814,906
Housing inventories		
Homes under construction	**356,583**	338,909
Land under development and improved lots	**287,206**	266,286
Inventory held-for-sale	**60,476**	62,140
Consolidated inventory not owned	**90,650**	-
Total housing inventories	**794,915**	667,335
Property, plant and equipment	**22,808**	21,858
Current taxes receivable, net	**-**	93,249
Other	**102,204**	88,105
TOTAL ASSETS	**1,740,539**	1,685,453
LIABILITIES		
Accounts payable	**89,354**	78,533
Accrued and other liabilities	**163,505**	168,880
Debt	**848,420**	856,178
TOTAL LIABILITIES	**1,101,279**	1,103,591
EQUITY		
STOCKHOLDERS' EQUITY		
Preferred stock, $1.00 par value:		
Authorized--10,000 shares Series A Junior Participating Preferred, none outstanding	**-**	-
Common stock, $1.00 par value:		
Authorized--199,990,000 shares		
Issued--43,980,410 shares at March 31, 2010 (43,845,455 shares at December 31, 2009)	**43,980**	43,845
Retained earnings	**522,685**	534,906
Accumulated other comprehensive income	**2,964**	3,111
TOTAL STOCKHOLDERS' EQUITY FOR THE RYLAND GROUP, INC.	**569,629**	581,862
NONCONTROLLING INTEREST	**69,631**	-
TOTAL EQUITY	**639,260**	581,862
TOTAL LIABILITIES AND EQUITY	**$ 1,740,539**	$ 1,685,453

THE RYLAND GROUP, INC. and Subsidiaries
SEGMENT INFORMATION (Unaudited)

	Three months ended March 31,	
	2010	2009
EARNINGS (LOSS) BEFORE TAXES *(in thousands)*		
Homebuilding		
North	**$ (3,079)**	$ (35,679)
Southeast	**(6,652)**	(25,798)
Texas	**(119)**	(2,194)
West	**416**	(10,698)
Financial services	**472**	(1,577)
Corporate and unallocated	**(5,335)**	597
Total	**$ (14,297)**	$ (75,349)
NEW ORDERS		
Units		
North	**305**	495
Southeast	**388**	283

Texas	**330**	394
West	**144**	175
Total	**1,167**	1,347
Dollars *(in millions)*		
North	**$ 79**	$ 126
Southeast	**82**	65
Texas	**81**	86
West	**34**	39
Total	**$ 276**	$ 316
CLOSINGS		
Units		
North	**275**	329
Southeast	**282**	278
Texas	**266**	315
West	**161**	127
Total	**984**	1,049
Average closing price *(in thousands)*		
North	**$ 277**	$ 263
Southeast	**233**	259
Texas	**237**	223
West	**222**	234
Total	**$ 245**	$ 247

OUTSTANDING CONTRACTS	**March 31,**	
Units	**2010**	2009
North	**550**	740
Southeast	**587**	404
Texas	**575**	548
West	**203**	165
Total	**1,915**	1,857
Dollars *(in millions)*		
North	**$ 149**	$ 200
Southeast	**130**	100
Texas	**145**	127
West	**46**	38
Total	**$ 470**	$ 465
Average price *(in thousands)*		
North	**$ 271**	$ 270
Southeast	**222**	247
Texas	**252**	231
West	**226**	230
Total	**$ 246**	$ 250

THE RYLAND GROUP, INC. and Subsidiaries
FINANCIAL SERVICES SUPPLEMENTAL INFORMATION (Unaudited)
(in thousands, except origination data)

	Three months ended March 31,	
RESULTS OF OPERATIONS	**2010**	2009
REVENUES		
Income from origination and sale of mortgage loans, net	**$ 6,922**	$ 4,398
Title, escrow and insurance	**1,850**	1,740
Interest and other	**116**	133
TOTAL REVENUES	**8,888**	6,271
EXPENSES	**8,416**	7,848
PRETAX EARNINGS (LOSS)	**$ 472**	$ (1,577)

OPERATIONAL DATA		
Retail operations:		
Originations (units)	**746**	713
Ryland Homes originations as a percentage of total originations	**99.9%**	100.0%
Ryland Homes origination capture rate	**83.6%**	75.9%

OTHER CONSOLIDATED SUPPLEMENTAL INFORMATION (Unaudited)

(in thousands)

	Three months ended March 31,	
	2010	2009
Interest incurred	**$ 14,170**	$ 11,261
Interest capitalized during the period	**7,354**	11,187
Amortization of capitalized interest included in cost of sales	**10,841**	8,510
Depreciation and amortization	**4,035**	7,304

THE RYLAND GROUP, INC. and Subsidiaries
NON-GAAP FINANCIAL DISCLOSURE RECONCILIATION
(in thousands)

	Three months ended March 31,	
	2010	2009
HOUSING GROSS MARGINS		
HOUSING REVENUES	**$ 240,800**	$ 258,649
HOUSING COST OF SALES		
Cost of sales	**207,278**	243,178
Inventory valuation adjustments and write-offs	**4,075**	49,313
TOTAL HOUSING COST OF SALES	**211,353**	292,491
GROSS MARGINS	**$ 29,447**	$ (33,842)
GROSS MARGIN PERCENTAGE	**12.2%**	(13.1)%
GROSS MARGINS, excluding inventory valuation adjustments and write-offs	**$ 33,522**	$ 15,471
GROSS MARGIN PERCENTAGE, excluding inventory valuation adjustments and write-offs	**13.9%**	6.0%

Gross margins on home sales excluding inventory valuation adjustments and write-offs is a non-GAAP financial measure, and is defined by the Company as revenue from home sales less costs of homes sold excluding the Company's inventory valuation adjustments and write-offs recorded during the period. Management finds this to be a useful measure in evaluating the Company's performance because it discloses the profit the Company generates on homes it actually delivered during the period, as the inventory valuation adjustments and write-offs relate, in part, to inventory that was not delivered during the period. It assists the Company's management in making strategic decisions regarding its construction pace, product mix and product pricing based upon the profitability it generated on homes the Company currently delivers or sells. The Company believes investors will also find gross margins on home sales excluding inventory valuation adjustments and write-offs to be important and useful because it discloses a profitability measure that can be compared to a prior period without regard to the variability of inventory valuation adjustments and write-offs. In addition, to the extent that the Company's competitors provide similar information, disclosure of its gross margins on home sales excluding inventory valuation adjustments and write-offs helps readers of the Company's financial statements compare profits to its competitors with regard to the homes they deliver in the same period. In addition, because gross margins on home sales is a financial measure that is not calculated in accordance with GAAP, it may not be completely comparable to similarly titled measures of the Company's competitors due to potential differences in methods of calculation and charges being excluded.

SOURCE: The Ryland Group, Inc.

The Ryland Group, Inc.
Drew Mackintosh, Vice President
Investor Relations
818-223-7548

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