

CENTEX CORP
Form 424B2
January 09, 2002

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Filed Pursuant to Rule 424(b)(2)
 Registration No. 333-49966

Prospectus Supplement

(To Prospectus dated December 7, 2000)

Centex Corporation

\$350,000,000

7 1/2% Notes due 2012

Interest payable January 15 and July 15

Issue price: 99.396%

The notes will mature on January 15, 2012. Interest will accrue from January 11, 2002. We may redeem the notes in whole or in part at any time at the redemption prices described on page S-13. The notes will be senior unsecured obligations of Centex and will rank equally with all of our unsecured senior indebtedness.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

| | Price to Public | Underwriting Discounts | Proceeds to Centex |
|----------|----------------------------|-----------------------------------|-------------------------------|
| Per Note | 99.396% | 0.650% | 98.746% |
| Total | \$347,886,000 | \$2,275,000 | \$345,611,000 |

The notes will not be listed on any securities exchange. Currently, there is no public market for the notes.

We expect to deliver the notes to investors through the book-entry delivery system of The Depository Trust Company on or about January 11, 2002.

JPMorgan

January 8, 2002

Salomon Smith Barney

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

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Through its various subsidiaries, Centex Corporation is one of the nation's largest home builders and general building contractors. We also provide retail mortgage lending services through various financial services subsidiaries. We currently operate in six principal business segments. Our principal business segments and each segment's percentage contribution to total operating earnings in the six months ended September 30, 2001 and the fiscal years ended March 31, 2001 and 2000 are set forth in the table below.

| Segment | Six Months Ended September 30, 2001 | Fiscal Years Ended March 31, | |
|---------------------------------------|---|------------------------------------|------|
| | | 2001 | 2000 |
| Home Building | 61% | 66% | 57% |
| Financial Services | 15% | 3% | 6% |
| Construction Products | 10% | 17% | 29% |
| Contracting and Construction Services | 4% | 5% | 4% |
| Investment Real Estate | 9% | 8% | 5% |
| Home Services (1) | 1% | | |

- (1) Prior to fiscal 2002, we did not consider the Home Services segment material for the purpose of segment reporting. This table does not reflect the effect of corporate general and administrative expenses.

Our principal business segments, especially our Home Building operation, are cyclical and are particularly affected by changes in local economic conditions and in long-term and short-term interest rates. We attempt to mitigate certain of these risks by diversifying into multiple industries and operating in numerous geographic regions.

Home Building*Conventional Homes*

Our conventional Home Building operation, Centex Homes, is primarily involved in the purchase and development of land or lots and the construction and sale of single-family homes, town homes and low-rise condominiums. Our conventional Home Building operation accounted for 100% and 98% of total Home Building operating earnings in fiscal 2001 and 2000, respectively, and our Manufactured Homes business described below accounted for the remainder in fiscal 2000. Centex Homes is one of the leading U.S. builders of single-family detached homes, as measured by the number of units sold and closed in a calendar year. Centex Homes is also the only company to rank among the nation's top 10 home builders for each of the past 33 years according to *Professional Builder* magazine. We sell to first-time and move-up buyers, and we build custom homes in some markets. Over 90% of the houses we sell are single-family detached homes and the remainder are town homes and low-rise condominiums.

We follow a strategy of seeking to reduce exposure to local market volatility by spreading our home building operations across geographically and economically diverse markets. We are currently involved in operations in approximately 470 neighborhoods in 86 different markets located in 24 states and in Washington D.C. In fiscal 2001, Centex Homes closed sales of 20,659 houses ranging in price from approximately \$49,000 to about \$1.5 million, with the average sale price being approximately \$206,000. Our sales (orders) backlog in units at the end of fiscal 2001 and 2000 was 9,265 and 7,579, respectively. In the six months ended September 30, 2001, Centex Homes closed sales of 10,268 houses with an average sale price of approximately \$212,000. Our sales (orders) backlog in units as of September 30, 2001 was 9,978.

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Summarized below by geographic area are our home closings for the six months ended September 30, 2001 and each of the fiscal years in the five-year period ended March 31, 2001.

| | For the Six Months Ended September 30, 2001 | For Fiscal Years Ended March 31, | | | | |
|-----------------------------|---|----------------------------------|---------------|---------------|---------------|---------------|
| | | 2001 | 2000 | 1999 | 1998 | 1997 |
| Closings (in units): | | | | | | |
| Mid-Atlantic | 1,789 | 3,395 | 3,058 | 2,332 | 1,826 | 1,993 |
| Southeast | 1,904 | 3,991 | 4,012 | 3,426 | 3,064 | 3,017 |
| Midwest | 1,622 | 3,294 | 3,089 | 2,062 | 1,147 | 1,337 |
| South Central | 2,344 | 4,104 | 3,924 | 3,197 | 2,664 | 3,119 |
| Mountain States | 1,108 | 2,338 | 1,812 | 1,350 | 1,336 | 1,309 |
| West Coast | 1,501 | 3,537 | 3,009 | 2,425 | 2,381 | 2,332 |
| Total | 10,268 | 20,659 | 18,904 | 14,792 | 12,418 | 13,107 |
| Average Sales Price | | | | | | |
| (in thousands) | \$ 212 | \$ 206 | \$ 192 | \$ 186 | \$ 183 | \$ 172 |

Our policy has been to acquire land with the intent to complete the sale of housing units within approximately 24 to 36 months from the date of acquisition. Generally, this involves acquiring land that is properly zoned and is either ready for development or, to some degree, already developed. We have acquired a substantial amount of our finished and partially improved lots and land through option agreements that are exercised over specific time periods or, in certain cases, as the lots are needed. The purchase of finished lots generally allows us to shorten the lead time to commence construction and reduces the risks of unforeseen improvement costs and volatile market conditions.

Manufactured Homes

In fiscal 1997, we entered the Manufactured Homes business when we acquired approximately 80% of the predecessor of Cavco Industries, LLC, a producer of manufactured and park model homes. In the fourth quarter of fiscal 2000, we purchased the remaining minority interest in Cavco. In fiscal 1998, we purchased substantially all of the assets of AAA Homes, Inc., Arizona's largest manufactured homes retailer, marking our entry into the retailing of manufactured homes. At present, our Manufactured Homes operations include the manufacture of residential and park model homes and, to a lesser degree, commercial structures in factories and the sale of these products through company-owned retail outlets and a network of independent dealers.

Cavco is the largest producer of manufactured homes in Arizona and is the nation's largest producer of park model homes, having built 3,942 manufactured housing units during fiscal 2001. Cavco operates three manufacturing plants in the Phoenix area.

Financial Services

The Financial Services segment consists primarily of home financing, home equity and sub-prime lending and the sale of title and other insurance coverages. These activities include mortgage loan origination and servicing and other related services for purchasers of homes sold by our subsidiaries and others.

Conforming Mortgage Banking

In 1973, we established CTX Mortgage Company to provide mortgage financing for homes built by Centex Homes. Our opening of CTX Mortgage offices in substantially all of Centex Homes' housing markets has enabled us to provide mortgage financing for an average of 69% of the homes sold by Centex Homes (other than cash sales) over the past five fiscal years. This capture rate improved to 70% of Centex Homes sales in the six months ended September 30, 2001. Since 1985, our operations have included mortgage loans that are not associated with the sale

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of homes built by us. At September 30, 2001, we had 201 CTX Mortgage branches located in 37 states.

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We provide mortgage loan origination and other mortgage-related services for Federal Housing Administration, Department of Veterans Affairs and conventional loans on homes built and sold by us or by others, as well as resale homes and refinancing of existing mortgage loans. Our loans are generally first-lien mortgage loans secured by one- to four-family residences. A majority of the conventional loans qualify for inclusion in programs sponsored by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. Such loans are known in the industry as conforming loans. The remainder of the loans are either pre-approved and individually underwritten by CTX Mortgage or private investors who subsequently purchase the loans on a whole-loan basis or are funded by private investors who pay a broker fee to CTX Mortgage for referring a loan.

We originate our conventional and government mortgage loans with the intention of selling or securitizing the mortgage loans and selling the related servicing rights. As interim servicer, we do not retain mortgage servicing rights after the sale or securitization of the related mortgage loan. Most of the mortgage loans originated by us are sold and the servicing is transferred before the second installment is due from the borrower. In connection with our role as interim servicer, we provide collection efforts relating to early payment defaults, as well as quality control audits to ensure the proper documentation necessary to pool and sell mortgage loans.

During the third quarter of fiscal 2000, CTX Mortgage entered into a mortgage loan purchase agreement with Harwood Street Funding I, LLC, a special purpose Delaware limited liability company which is referred to as HSF I , pursuant to which HSF I committed to purchase mortgage loans from CTX Mortgage on a revolving basis, up to HSF I s financing limit of \$1.5 billion. This financing limit was increased to \$2 billion in December 2001. Pursuant to this agreement, CTX Mortgage sells to HSF I substantially all of the conforming, Jumbo A and GNMA eligible mortgage loans originated by CTX Mortgage. CTX Mortgage, on behalf of HSF I, arranges for the sale or securitization into the secondary market of the mortgage loans purchased by HSF I. CTX Mortgage also services the loans on an interim basis until they are sold or securitized. As of September 30, 2001, CTX Mortgage was servicing approximately \$1.2 billion of mortgage loans owned by HSF I.

CTX Mortgage enters into various financial agreements, in the normal course of business, in order to manage the exposure to changing interest rates as a result of having issued loan commitments to its borrowers at a specified price and for a specified period of time. CTX Mortgage, through its centralized secondary marketing department, generally sells all mortgage loans for future delivery at a specified price at the time the borrower locks its interest rate option, thereby mitigating the risk of a decline in the value of the mortgage loans prior to their ultimate delivery. CTX Mortgage utilizes these forward sale commitments to mitigate the risk of reductions in value of the mortgage loans sold to HSF I and mortgage loans financed under CTX Mortgage s credit facilities.

Home Equity and Sub-Prime Lending

Our Home Equity operation was formed in fiscal 1995 to engage in the origination of primarily non-conforming home equity loans. The sub-prime lending market is comprised of borrowers whose financing needs are not being met by traditional mortgage lenders for a variety of reasons, including credit histories that may limit the borrower s access to credit or the borrower s need for specialized loan products. Since its inception, Home Equity has focused on lending to individuals who have substantial equity in their homes but have impaired or limited credit histories.

At September 30, 2001, we had 145 Home Equity offices doing business in 47 states. Home Equity originates home equity loans through five major origination sources: (1) retail branch network, (2) broker referral network, (3) referrals from its affiliated conforming mortgage company, CTX Mortgage, (4) correspondent mortgage banker network, and (5) Home Equity s direct sales unit, which sources loans through telemarketing.

Substantially all of the mortgage loans produced by Home Equity are securitized, generally on a quarterly basis. Home Equity retains the servicing rights associated with these securitized loans and is the long-term servicer of these loans. In connection with our role as loan servicer, we bill and collect loan payments when due, provide customer help and provide collection efforts relating to delinquent payments, including instituting foreclosure proceedings and liquidating underlying collateral. As of September 30, 2001, Home Equity was servicing a loan portfolio of approximately \$3.9 billion.

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During the fourth quarter of fiscal 2001, Home Equity entered into a mortgage loan purchase agreement with Harwood Street Funding II, LLC, a special purpose Delaware limited liability company which is referred to as HSF II, pursuant to which HSF II committed to purchase home equity loans from Home Equity on a revolving basis, up to HSF II's financing limit of \$550 million. Pursuant to this agreement, Home Equity sells to HSF II home equity loans originated or acquired by Home Equity and continues to service these loans for HSF II. Home Equity, on behalf of HSF II, arranges for the sale or securitization of the home equity loans purchased by HSF II.

Home Equity uses interest rate swap agreements to hedge the market risk associated with carrying its inventory of home equity loans held for securitization. Home Equity will generally pool mortgage loans in anticipation of securitization for up to 120 days. The home equity loans that are not securitized are either sold by us to investors on a whole-loan basis or retained and serviced by us as portfolio loans.

Securitizations completed by Home Equity prior to March 31, 2000 were structured in a manner that caused them to be accounted for as sales, and the resulting gains on such sales were reported in Home Equity's operating results during the period in which the securitization was completed. During fiscal 2000, we concluded that the long-term benefits of converting to the portfolio method to report Home Equity's operating results significantly outweigh the short-term benefit of higher earnings under the gain on sale method previously used for Home Equity's mortgage loan securitizations. Accordingly, effective as of March 31, 2000, Home Equity elected to structure all of its future loan securitizations in a manner that will result in the utilization of the portfolio method for reporting its operating results. This change will have no effect on the profit recognized over the life of each mortgage loan. Rather, the change will merely affect the timing of profit recognition.

Other Financial Services Operations

Our title insurance operations provide traditional title and settlement services to customers principally in Texas, Florida, Virginia, California and Maryland, as well as thirteen other states. Through Westwood Insurance, a multi-line insurance broker acquired by us in fiscal 1999, we market homeowners and hazard insurance to customers of Centex Homes and approximately 141 other homebuilders in 50 states. We also provide property information reports on a regional and nationwide basis through Optima is.com.

Our technologies group, headquartered in Edmund, Oklahoma, provides mortgage quality control services, owns and operates an automated mortgage processing system, and provides the mortgage industry with regulations and guidelines in an electronic format.

Construction Products

Through our Construction Products operations, we manufacture cement, gypsum wallboard, recycled paperboard, aggregates and readymix concrete for distribution and sale. In fiscal 1995, our construction products subsidiary, Centex Construction Products, Inc., completed an initial public offering of 51% of its common stock. Principally as a result of stock repurchases by Centex Construction Products, our ownership interest in Centex Construction Products has increased to 65.2% as of September 30, 2001.

In November 2000, Construction Products acquired certain strategic assets in exchange for net consideration, including assumption of debt, of approximately \$442 million. The assets consisted principally of a 1.1 billion square foot gypsum wallboard plant located in Duke, Oklahoma and a recently completed lightweight paper mill in Lawton, Oklahoma. The acquisition was funded from cash on hand and borrowings under an unsecured senior bank credit facility of Construction Products, which has no recourse to Centex.

Cement

Construction Products operates cement plants in or near Buda, Texas; LaSalle, Illinois; Fernley, Nevada; and Laramie, Wyoming. The plants in Buda and LaSalle are owned by separate partnerships in which Construction Products has a 50% interest. All four of the cement plants are fuel-efficient dry process plants.

Construction Products' net cement production, excluding the partners' 50% interest in the Buda and LaSalle plants, totaled approximately 2.3 million tons in fiscal 2001 and 2.0 million tons in fiscal 2000. Total net cement

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sales were approximately 2.4 million tons in fiscal 2001 and 2.3 million tons in fiscal 2000, as all four cement plants sold the entire product they produced.

Gypsum Wallboard and Paperboard

Construction Products owns and operates four gypsum wallboard manufacturing facilities, two located in Albuquerque and nearby Bernalillo, New Mexico, one located in Gypsum, Colorado (near Vail) and one located in Duke, Oklahoma. Construction Products also operates a lightweight paper mill in Lawton, Oklahoma. This paper mill is ultimately expected to have the capacity to produce approximately 220,000 tons of gypsum-grade recycled paper per year. The principal sources of demand for gypsum wallboard are residential and non-residential construction, repair and remodeling. Beginning in fiscal 2001, significant declines in gypsum wallboard prices resulting primarily from excess supply negatively impacted the operating results of Construction Products.

Concrete and Aggregates

Construction Products concrete and aggregates operations are located in and around Austin, Texas and northern California. The 10,000-acre aggregates deposit in northern California contains an estimated two billion tons of reserves. Construction Products sells aggregates from this deposit in the Sacramento, California area and in nearby counties.

Contracting and Construction Services

Contracting and Construction Services activities involve the construction of buildings for both private and government interests, including (among others) office, commercial and industrial buildings, hospitals, hotels, museums, libraries, airport facilities and educational institutions. Our contracting and construction services work is performed through our construction group nationwide. Centex Construction Group is made up of four companies with various geographic locations and project niches. New contracts for the group for fiscal 2001 totaled \$1.9 billion compared with \$1.7 billion for fiscal 2000. The backlog of uncompleted projects at March 31, 2001 was \$2.0 billion, compared with \$1.4 billion at March 31, 2000. The backlog of uncompleted projects at September 30, 2001 was \$2.1 billion.

Construction contracts are primarily entered into under two formats: negotiated or competitive bid. In a negotiated format, the contractor bids a fee (fixed or percentage) over the cost of the project and, in many instances, agrees that the final cost will not exceed a designated amount. Such contracts may include a provision whereby the owner will pay a part of any savings from the guaranteed amount to the contractor. In a competitive-bid format, the contractor will bid a fixed amount to construct the project based on an evaluation of detailed plans and specifications. Historically, the majority of our projects have been competitive-bid jobs. Recent years have seen a shift to higher-margin negotiated private projects. At September 30, 2001, approximately 85% of our outstanding projects were negotiated bid projects.

Investment Real Estate

Investment Real Estate operations involve the acquisition, development and sale of land, primarily for industrial, office, multi-family, retail and mixed-use projects, and investments in other real estate operations. As of September 30, 2001, we owned either directly, or through interests in joint ventures, or through a limited partner interest in Centex Development Company, L.P.: 1,497 acres of land located in seven states; 4,674 plots in 68 residential developments located throughout England; one multi-family community totaling 382 units located in Florida; and industrial, medical office, manufacturing, office and retail projects in Arizona, California, Florida, Michigan, Mississippi, North Carolina and Texas.

Home Services

Our Home Services operations provide pest management, lawn care, and electronic security alarm monitoring services to approximately 375,000 customers, which include both Centex and non-Centex homeowners. With more than 280,000 customers, our pest management business is one of the three largest coast-to-coast pest management providers in the United States. Our lawn care operation is the nation's sixth largest chemical lawn care

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company, providing lawn, tree and shrub protection services to approximately 45,000 customers in ten markets. Our electronic security business provides centralized alarm monitoring services for approximately 50,000 customers.

USE OF PROCEEDS

The net proceeds from the sale of the notes, which we estimate to be \$345,461,000 after deducting underwriting discounts and our estimated expenses of the offering, will be used to repay commercial paper borrowings and other short-term debt. The commercial paper borrowings and short-term debt to be repaid from the proceeds of this offering were incurred for working capital, scheduled debt maturities and other general corporate purposes. As of September 30, 2001, Centex had \$340,000,000 in outstanding commercial paper borrowings and other short-term debt at a weighted average interest rate of approximately 3.25%. Commercial paper borrowings and other short-term debt vary on a seasonal basis and are used to fund the working capital needs of all of our operations, other than Centex Construction Products, Inc.

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In the table below, we provide you with selected consolidated financial information prepared based on our consolidated financial statements for each of the fiscal years in the five-year period ended March 31, 2001, as well as for the six-month periods ended September 30, 2001 and September 30, 2000. The financial statements for each of the fiscal years in the five-year period ended March 31, 2001 have been audited by Arthur Andersen LLP, independent public accountants. The financial statements for the six-month periods ended September 30, 2001 and September 30, 2000 have not been audited.

When you read this selected historical consolidated financial data, you should also read the historical financial statements and accompanying notes that we have included in our joint annual report on Form 10-K for the year ended March 31, 2001 and our joint quarterly report on Form 10-Q for the quarter ended September 30, 2001. You can obtain these reports by following the instructions we provide under "Where You Can Find More Information" in the attached prospectus. Balance sheet information presented in the table below is as of the end of the applicable period.

| | Six Months Ended September 30, | | Fiscal Years Ended March 31, | | | | |
|---|-----------------------------------|--------------|------------------------------|--------------|--------------|--------------|--------------|
| | 2001 | 2000 | 2001 | 2000 | 1999 | 1998 | 1997 |
| (In thousands, except ratios and per share amounts) | | | | | | | |
| Revenues (1) | \$ 3,592,778 | \$ 3,052,406 | \$ 6,710,735 | \$ 6,008,136 | \$ 5,200,666 | \$ 4,022,392 | \$ 3,823,755 |
| Net earnings | 168,605 | 107,299 | 281,977 | 257,132 | 231,962 | 144,806 | 106,563 |
| Total assets | 8,047,122 | 5,185,743 | 6,649,043 | 3,987,903 | 4,267,909 | 3,333,382 | 2,579,992 |
| Total long-term debt, consolidated | 3,199,527 | 1,650,307 | 3,040,861 | 751,160 | 284,299 | 237,715 | 236,769 |
| Total debt, consolidated | 4,655,270 | 2,400,492 | 3,519,891 | 1,313,395 | 1,910,899 | 1,390,588 | 864,287 |
| Total debt (with Financial Services reflected on the equity method) | 1,712,242 | 1,151,480 | 1,464,993 | 898,068 | 587,955 | 311,538 | 283,769 |
| Deferred income tax asset | 36,641 | 48,840 | 43,116 | 49,907 | 49,107 | 147,607 | 197,413 |
| Debt as a percentage of capitalization | | | | | | | |
| Total debt, consolidated | 69.5% | 58.4% | 65.5% | 45.1% | 57.6% | 53.1% | 44.5% |
| Total debt (with Financial Services reflected on the equity method) | 45.6% | 40.3% | 44.1% | 36.0% | 29.5% | 20.3% | 20.9% |
| Stockholders' equity | \$ 1,892,357 | \$ 1,527,684 | \$ 1,714,064 | \$ 1,419,349 | \$ 1,197,639 | \$ 991,172 | \$ 835,777 |
| Per common share: | | | | | | | |
| Earnings per share | | | | | | | |
| Basic | \$ 2.79 | \$ 1.82 | \$ 4.77 | \$ 4.34 | \$ 3.90 | \$ 2.45 | \$ 1.86 |
| Earnings per share Diluted | \$ 2.72 | \$ 1.79 | \$ 4.65 | \$ 4.22 | \$ 3.75 | \$ 2.36 | \$ 1.80 |
| Other operating data: | | | | | | | |
| Cash dividends per share | \$ 0.08 | \$ 0.08 | \$ 0.16 | \$ 0.16 | \$ 0.16 | \$ 0.135 | \$ 0.10 |
| Adjusted EBITDA (2)(3) | \$ 309,181 | \$ 235,540 | \$ 540,953 | \$ 486,117 | \$ 345,842 | \$ 249,900 | \$ 179,327 |
| Ratio of Adjusted EBITDA to | 5.46x | 5.35x | 5.46x | 7.27x | 8.32x | 7.51x | 5.26x |

interest expense
(2)(3)

- (1) We adopted the provisions of Emerging Issues Task Force Issue No. 00-10, Accounting for Shipping and Handling Fees and Costs, during the quarter ended March 31, 2001. As a result of this adoption, net revenues have been restated to include freight and delivery costs billed to customers. Previously, such billings were offset against corresponding expenses in cost of sales.
- (2) Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization expense and, for the reasons described under Ratio of Earnings to Fixed Charges below, excludes our Financial Services operations. Adjusted EBITDA is not

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intended to represent cash flow in accordance with generally accepted accounting principles and does not represent the measure of cash available for distribution. Adjusted EBITDA is not intended as an alternative to net earnings. For additional financial information that includes and excludes our Financial Services operations, please see our joint annual report on Form 10-K for the year ended March 31, 2001 and our joint quarterly report on Form 10-Q for the quarter ended September 30, 2001.

(3) Interest expense excludes interest expense attributable to our Financial Services operations.

Ratio of Earnings to Fixed Charges

| | Six Months Ended September 30, | | Fiscal Years Ended March 31, | | | | |
|--|-----------------------------------|-------|------------------------------|-------|-------|-------|-------|
| | 2001 | 2000 | 2001 | 2000 | 1999 | 1998 | 1997 |
| Total enterprise Centex (excluding Financial Services operations) | 2.78x | 3.27x | 3.18x | 4.52x | 4.31x | 4.16x | 3.71x |
| | 3.89x | 4.63x | 4.92x | 6.96x | 7.42x | 6.83x | 5.22x |

These computations include Centex Corporation, and except as otherwise noted, our subsidiaries, and 50% or less owned companies. For these ratios, fixed charges include:

interest on all debt and amortization of debt discount and expense;

capitalized interest; and

an interest factor attributable to rentals.

Earnings include the following components:

income from continuing operations before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investments;

fixed charges as defined above, but excluding capitalized interest; and

amortization of capitalized interest.

To calculate the ratio of earnings to fixed charges, excluding our Financial Services operations, the applicable interest expense was deducted from the fixed charges and the applicable earnings were deducted from the earnings amount.

The computations in the tables above that exclude our Financial Services operations are presented only to provide investors an alternative method of measuring our ability to utilize adjusted EBITDA and earnings to cover our interest expense or fixed charges. The principal reasons we present these computations that exclude our Financial Services operations are as follows:

the Financial Services subsidiaries operate in a distinctly different financial environment that generally requires significantly less equity to support their higher debt levels compared to the operations of our other subsidiaries;

the Financial Services subsidiaries have structured their financing programs substantially on a stand-alone basis; and

we have very limited obligations with respect to the indebtedness of our Financial Services subsidiaries.

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The following table sets forth our senior and subordinated indebtedness (excluding indebtedness of our subsidiaries) as of September 30, 2001:

| | | |
|---|----|---------------|
| Senior debt: | | |
| Medium-Term Notes, 4.29% to 7.95%, due through 2007 | \$ | 271,000,000 |
| Long-Term Notes, 6.4% to 9.75%, due through 2011 | | 614,951,000 |
| Notes to Contracting and Construction Services group | | 283,600,000 |
| Commercial paper borrowings and other short-term debt | | 340,000,000 |
| | | <hr/> |
| Total senior debt | \$ | 1,509,551,000 |
| | | <hr/> |
| Subordinated debt: | | |
| 8.75% Subordinated Debentures due in 2007 | \$ | 99,602,000 |