CENTEX CORP
Form 424B5
October 02, 2003

Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-83212

PROSPECTUS SUPPLEMENT

(To Prospectus Dated March 1, 2002)

$300,000,000
Centex Corporation
5.125% Senior Notes due 2013

The notes will bear interest at the rate of 5.125% per year. Interest on the notes is payable on April 1 and October 1 of each year, beginning on April 1, 2004. The notes will mature on October 1, 2013. We may redeem some or all the notes at any time. The redemption prices are discussed under the caption Description of Notes Optional Redemption.

The notes will be senior unsecured obligations of our company and will rank equally with all of our other senior unsecured indebtedness.

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

	Per Senior Note	Total
Public Offering Price	99.846%	$299,538,000
Underwriting Discount	0.650%	$ 1,950,000
Proceeds to Centex (before expenses)	99.196%	$297,588,000

Interest on the notes will accrue from October 6, 2003 to the date of delivery.

The underwriters expect to deliver the notes to purchasers on or about October 6, 2003.

Joint Bookrunners

Citigroup **JPMorgan**

Banc of America Securities LLC

Banc One Capital Markets, Inc.

Credit Lyonnais Securities

October 1, 2003

TABLE OF CONTENTS

Table of Contents

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.

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

Table of Contents

CENTEX

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 five principal business segments. Our principal business segments and each segment s percentage contribution to total business segment operating earnings in the three months ended June 30, 2003 and the fiscal years ended March 31, 2003 and 2002 are set forth in the table below.

Segment	Three Months Ended June 30, 2003	Fiscal Years Ended March 31, 2003	2002
Home Building	62%	68%	66%
Financial Services	26%	16%	14%
Construction Products	9%	10%	9%
Construction Services	2%	3%	5%
Investment Real Estate	2%	5%	6%
Other	(1%)	(2%)	%

This table does not reflect the effect of corporate general and administrative expenses. The segment entitled Other represents our home services operations, which are not material for purposes of segment reporting.

Our principal business segments are somewhat cyclical and sensitive to changes in economic conditions, including levels of employment, consumer confidence, interest rate levels and changes in the economic condition of the local markets in which we operate. We attempt to mitigate certain of these risks by diversifying into multiple industries and operating in numerous geographic regions.

In this prospectus supplement, unless the context otherwise requires, the term we (and related terms such as us and our) refers to Centex Corporation and its consolidated subsidiaries. However, in the context of a discussion of one of the business segments of Centex Corporation, the term we (and related terms) refers to such business segment.

Home Building

Our conventional Home Building subsidiary, Centex Homes, purchases and develops land or lots and constructs and sells single-family homes, townhomes and low-rise condominiums. Centex Homes has participated in the conventional homebuilding business since 1950 and is the only company to rank among the nation s top 10 homebuilders for each of the past 35 years, according to *Professional Builder* magazine. Centex Homes sells to both first-time and move-up buyers. In fiscal 2003, over 81% of the homes we sold were single-family detached homes, and the remainder were townhomes and low-rise condominiums.

Centex Homes follows a strategy of reducing exposure to market volatility by diversifying operations across geographically and economically diverse markets. As of June 30, 2003, Centex Homes was building in 562 neighborhoods in 93 market areas, which are located in 26 states and in Washington, D.C. In fiscal 2003, Centex Homes closed sales of a total of 26,427 homes, ranging in price from approximately $57,000 to $1.6 million, with an average sale price of approximately $220,183. Our sales (orders) backlog in units at the end of fiscal 2003 and 2002 was 12,050 and 9,371, respectively. In the three months ended June 30, 2003, Centex Homes closed sales of 6,349 homes with an average sale price of approximately $232,699. Our sales (orders) backlog in units as of June 30, 2003 was 14,111.

Summarized below by geographic area are Centex Homes home closings for the three months ended June 30, 2003 and each of the fiscal years in the five-year period ended March 31, 2003.

Table of Contents

	For the Three Months Ended June 30, 2003	For Fiscal Years Ended March 31,				
		2003	2002	2001	2000	1999
Closings (in units):						
Mid-Atlantic	1,114	4,501	3,877	3,395	3,058	2,332
Southeast	1,126	4,851	4,440	4,137	4,142	3,559
Midwest	1,224	4,695	3,688	3,296	3,089	2,062
Southwest	1,731	8,157	6,910	5,661	4,923	3,779
West Coast	1,154	4,223	4,045	4,170	3,692	3,060
Total	6,349	26,427	22,960	20,659	18,904	14,792
Average Sales Price (in thousands)	$ 233	$ 220	$ 214	$ 206	$ 192	$ 186

Our practice has been to acquire land, build homes on the land and sell the homes within 24 to 36 months from the date of land acquisition. Generally, this involves acquiring land that is properly zoned and is either ready for development or, to some degree, already developed. 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. We have acquired a substantial amount of finished and partially improved lots and land through option agreements that we exercise over specified time periods or, in certain cases, as the lots are needed**.** At June 30, 2003, Centex Homes owned approximately 64,600 lots and had rights to purchase approximately 72,000 additional lots.

Financial Services

Our Financial Services operations engage primarily in the residential mortgage banking business, as well as in other financial services that are related to the residential mortgage market. These operations include mortgage loan origination, servicing and other related services for purchasers of homes sold by our Home Building operations and other homebuilders, as well as sub-prime home equity lending and the sale of title insurance and various other insurance coverages.

Conforming Mortgage Banking

We established CTX Mortgage Company, LLC and its predecessors and affiliates, or CTX Mortgage, to provide mortgage financing for homes built by Centex Homes. By opening CTX Mortgage offices in Centex Homes housing markets, we have been able to provide mortgage financing for an average of 68% of Centex Homes sales, other than cash sales, over the past five fiscal years. In the three months ended June 30, 2003, this capture ratio was 74%. In 1985, we expanded CTX Mortgage s operations to include mortgage loans that are not associated with the sale of homes built by Centex Homes. At March 31, 2003, CTX Mortgage had 223 offices located in 36 states.

CTX Mortgage provides mortgage loan origination and other mortgage-related services for Federal Housing Administration insured loans, Department of Veterans Affairs guaranteed loans and conventional loans on homes that Centex Homes or others build and sell, as well as for resale homes and the refinancing of existing mortgage loans. Our loans are generally first-lien mortgage loans secured by one- to four-family residences. A majority of our conventional loans qualify for inclusion in programs sponsored by the Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. These loans are known in the industry as conforming loans. Substantially all the remainder of the loans are:

- pre-approved and individually underwritten by CTX Mortgage or investors who subsequently purchase the loans on a whole loan basis;
- funded by investors who pay a broker fee to CTX Mortgage for referring a loan; or

individually underwritten by CTX Mortgage and subsequently sold to investors on a bulk or mini-bulk basis.

CTX Mortgage originates conventional and government mortgage loans with the intention of selling or securitizing the mortgage loans and selling the related servicing rights. We generally do not retain mortgage loan 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.

In fiscal 2000, CTX Mortgage entered into a mortgage loan purchase agreement with Harwood Street Funding I, LLC, referred to as HSF-I. Under this agreement, HSF-I is obligated to purchase from CTX Mortgage, on a revolving basis, mortgage loans that satisfy certain eligibility criteria and portfolio requirements, up to HSF-I s financing limit of $3.0 billion. Pursuant to this agreement, CTX Mortgage sells to HSF-I substantially all of the conforming and Jumbo A mortgage loans originated by CTX Mortgage. CTX Mortgage services the mortgage loans owned by HSF-I and, as servicer, arranges for the sale by HSF-I of the mortgage loans into the secondary market. CTX Mortgage does not retain any loan servicing rights after the sale by HSF-I of these loans. As of June 30, 2003, CTX Mortgage was servicing approximately $2.5 billion of mortgage loans owned by HSF-I. In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46). Pursuant to FIN 46, HSF-I will be consolidated in our financial statements beginning July 1, 2003. The consolidation of HSF-I will increase Financial Services debt. At June 30, 2003, HSF-I had approximately $2.5 billion in outstanding debt. HSF-I s debt does not have recourse to Centex Corporation, and the consolidation of this debt is not expected to change our credit profile or debt ratings.

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 mortgage loans for future delivery at a specified price at the time the borrower locks its interest rate option. 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.

Sub-Prime Home Equity Lending

We formed the predecessors of Centex Home Equity Company, LLC, or Home Equity, in fiscal 1995. The business of Home Equity involves the origination of primarily non-conforming home equity loans. The sub-prime lending market comprises borrowers whose financing needs are not being met by traditional mortgage lenders for a variety of reasons, including credit histories that may limit a borrower s access to credit or a borrower s need for specialized loan products such as cash-out refinance and jumbo loans. 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. Substantially all of Home Equity s loans are secured by first mortgage liens on one- to four- family residences.

At March 31, 2003, Home Equity had 162 offices doing business in 47 states. Home Equity originates home equity loans through five major origination sources:

- retail branch network;
- broker referral network;
- referrals from its conforming mortgage affiliate, CTX Mortgage;
- correspondent mortgage banker network; and
- Home Equity s direct sales unit that sources loans through telemarketing, direct sales and the Internet.

Substantially all of the home equity 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. Servicing encompasses, among other activities, the following processes: billing, collection of payments, movement of cash to the payment clearing bank accounts, investor reporting, customer help, recovery of delinquent payments, instituting foreclosure and liquidation of the underlying collateral. As of June 30, 2003, Home Equity was servicing a sub-prime loan portfolio of approximately $5.9 billion.

In fiscal 2001, Home Equity entered into a mortgage loan purchase agreement with Harwood Street Funding II, LLC, an entity that is consolidated with Centex Corporation, referred to as HSF-II. Under this agreement, HSF-II is obligated to purchase from Home Equity, on a revolving basis, home equity loans that satisfy certain eligibility criteria and portfolio requirements, up to HSF-II s financing limit of $1.5 billion. 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 Home Equity to investors on a whole-loan basis or retained and serviced by Home Equity 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 results in the utilization of the portfolio method for reporting its operating results. This change has no effect on the profit recognized over the life of each mortgage loan. Rather, the change merely affects the timing of profit recognition.

Other Financial Services Operations

We offer title agent, title underwriting, closing, appraisal and other settlement services in 25 states under the names of Commerce Title Company, Commerce Title Agency and Commerce Title Insurance Company. Through Westwood Insurance, a multi-line property and casualty insurance agency, we market homeowners and auto insurance to some of our customers and customers of approximately 24 other home builders in 50 states. Westwood Insurance also provides coverage for some commercial customers. 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

Construction Products operations include the manufacture, production, distribution and sale of cement, gypsum wallboard, recycled paperboard, aggregates and readymix concrete. In fiscal 1995, our construction products subsidiary, Centex Construction Products, Inc., completed an initial public offering of 51% of its common stock. Primarily as a result of stock repurchases by Centex Construction Products, our ownership interest in Centex Construction Products has increased to 64.9% as of June 30, 2003.

On July 21, 2003, we announced the planned tax-free spin-off of our entire equity interest in Centex Construction Products, Inc. The spin-off is contingent upon approval by the Centex Construction Products, Inc. shareholders, approval by the Internal Revenue Service of the tax-free nature of the spin-off and satisfaction of certain other conditions. We anticipate that the spin-off will be concluded on or about December 31, 2003. As a result of the spin-off, the assets and liabilities of Centex Construction Products will no longer be included in our balance sheet and its revenues and earnings will no longer be included in our results of operations. For information regarding the assets, revenues and earnings of Centex Construction Products, see the business segments financial

Table of Contents

information included in our joint annual report on Form 10-K for the year ended March 31, 2003 and in our joint quarterly report on Form 10-Q for the three months ended June 30, 2003.

Construction Services

Our Construction Services operations involve the construction of buildings for both private and government interests, including hospitals, hotels, office buildings, correctional facilities, schools, shopping centers, airports, parking garages, sport stadiums, post offices and convention and performing arts centers. Our contracting and construction services work is performed through our construction group nationwide. Construction Services is made up of four principal operating companies with various geographic locations and project niches. New contracts for the group for fiscal 2003 totaled $0.86 billion versus $1.46 billion for fiscal 2002. The backlog of uncompleted projects at March 31, 2003 was $1.52 billion compared to $2.18 billion at March 31, 2002. The backlog of uncompleted projects at June 30, 2003 was $1.4 billion.

Construction contracts primarily fit into one of 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. These 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, Construction Services will bid a fixed amount to construct the project based on an evaluation of detailed plans and specifications. At June 30, 2003, approximately 87% of uncompleted backlog was negotiated.

Investment Real Estate

Our Investment Real Estate operations involve the acquisition, development and sale of land, primarily for industrial, office, multi-family, retail, residential and mixed-use projects. Investment Real Estate conducts its operations directly and through our investment in Centex Development Company, L.P. Centex Development Company is not consolidated with Centex Corporation and is accounted for on the equity method of accounting. The largest component of Centex Development Company is its international homebuilding segment, which operates through Fairclough Homes, a London, England-based homebuilder.

Table of Contents

USE OF PROCEEDS

The net proceeds from the sale of the notes, which we estimate to be $297,438,000, after deducting underwriting discounts and our estimated expenses of the offering, will be used for general corporate purposes, including repayment of commercial paper borrowings and borrowings under a bank credit facility. The commercial paper borrowings to be repaid are in the amount of approximately $165,000,000 and the bank credit borrowings are in the amount of approximately $54,000,000 and have a current interest rate of 1.62% per annum. The borrowings to be repaid from the proceeds of this offering were incurred for working capital purposes, to satisfy scheduled debt maturities and for other general corporate purposes. As of June 30, 2003, we had no outstanding commercial paper borrowings (excluding short-term debt of our subsidiaries). 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., which funds or arranges funding for its own working capital needs.

Table of Contents

SELECTED FINANCIAL DATA

In the table below we provide you with selected consolidated financial information prepared based on our audited consolidated financial statements for each of the fiscal years in the five-year period ended March 31, 2003 and our unaudited consolidated financial statements for the three-month periods ended June 30, 2003 and June 30, 2002. The financial statements for each of the fiscal years in the four-year period ended March 31, 2003 (other than our consolidated balance sheet as of March 31, 2000) have been audited by Ernst & Young LLP, independent auditors. The financial statements for each of the fiscal years in the three year period ended March 31, 2001 have been audited by Arthur Andersen LLP.

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, 2003 and our joint quarterly report on Form 10-Q for the quarter ended June 30, 2003. You can obtain these reports by following the instructions we provide under Where You Can Find More Information in the accompanying prospectus. Balance sheet information presented in the table below is as of the end of the applicable period.

	Three Months Ended June 30,		Fiscal Years Ended March 31,				
	2003	2002	2003	2002	2001	2000	1999
			(In thousands, except ratios and per share amounts)				
Revenues	$ 2,316,718	$ 1,811,413	$ 9,117,241	$ 7,748,430	$ 6,710,735	$ 6,008,136	$ 5,200,666
Earnings from Continuing Operations(1)	142,334	87,270	555,919	382,226	281,977	257,132	231,962
Stockholders Equity	2,748,571	2,210,231	2,657,846	2,116,773	1,714,064	1,419,349	1,197,639
Total Assets	12,099,137	9,455,972	11,610,536	8,985,455	6,649,043	3,987,903	4,267,909
Debt (with Financial Services reflected on the equity method) (2)	2,083,960	1,909,870	2,105,880	1,791,752	1,464,993	898,068	587,955
Financial Services Debt	5,483,846	3,804,644	4,998,819	3,485,027	2,054,898	415,327	1,322,944
Total Debt, Consolidated	7,567,806	5,714,514	7,104,699	5,276,779	3,519,891	1,313,395	1,910,899
Capitalization (with Financial Services reflected on the equity method) (2) (3)	5,054,839	4,279,694	4,932,217	4,059,840	3,320,548	2,495,784	1,991,298
Financial Services Capitalization (3)	5,905,076	4,133,532	5,380,226	3,797,355	2,323,155	620,080	1,443,890
Consolidation Adjustments	(419,301)	(327,162)	(379,671)	(310,353)	(266,124)	(202,931)	(119,092)
Total Capitalization, Consolidated	10,540,614	8,086,064	9,932,772	7,546,842	5,377,579	2,912,933	3,316,096
Debt as a Percentage of Capitalization (3)							
Debt (with Financial Services reflected on the equity method) (2)	41.2%	44.6%	42.7%	44.1%	44.1%	36.0%	29.5%
Total Debt, Consolidated	71.8%	70.7%	71.5%	69.9%	65.5%	45.1%	57.6%
Per common share (continuing operations)(1):							
Earnings per share Basic	$ 2.32	$ 1.42	9.15	$ 6.31	$ 4.77	$ 4.34	$ 3.90
Earnings per share Diluted	$ 2.22	$ 1.37	8.83	$ 6.11	$ 4.65	$ 4.22	$ 3.75
Cash Dividends	$ 0.04	$ 0.04	0.16	$ 0.16	$ 0.16	$ 0.16	$ 0.16

(1)

For the three months ended June 30, 2002 and 2003, represents earnings from continuing operations, excluding earnings or losses attributable to our manufacturing housing operations, which are classified as discontinued operations.

(2) Represents a supplemental presentation that reflects the Financial Services segment as if accounted for under the equity method. We believe that separate disclosure of the consolidating information is useful because 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 Centex Corporation has limited obligations with respect to the indebtedness of the Financial Services subsidiaries. Management uses this information in its financial and strategic planning. We also use this

Table of Contents

presentation to allow investors to compare us to homebuilders that do not have financial services operations.

(3) Capitalization is composed of Debt, Negative Goodwill, Minority Interest and Stockholders Equity.

Ratio of Earnings to Fixed Charges

	Three Months Ended June 30,		Fiscal Years Ended March 31,				
	2003	**2002**	**2003**	**2002**	**2001**	**2000**	**1999**
Total enterprise	3.26x	2.52x	3.33x	3.02x	3.18x	4.52x	4.31x
Total enterprise (with Financial Services reflected on the equity method)	4.55x	3.74x	5.12x	4.51x	4.83x	7.00x	7.99x

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 expense and amortization of debt discount;
- interest capitalized during the period; and
- an interest factor attributable to rentals.

Earnings include the following components:

- income from continuing operations before minority interests in consolidated subsidiaries adjusted for undistributed income and loss from equity investments (including our equity investment in Centex Development Company, L.P.);
- fixed charges as defined above, but excluding interest capitalized; and
- amortization of capitalized interest.

To calculate the ratio of earnings to fixed charges, with Financial Services reflected on the equity method, the applicable interest expense, including an interest factor attributable to rentals, was deducted from the fixed charges and the applicable earnings were deducted from the earnings amount. The amount of interest expense, including an interest factor attributable to rentals, deducted in each period was approximately $51.6 million and $45.3 million for the three months ended June 30, 2003 and June 30, 2002 and approximately $186.6 million, $159.1 million, $95.8 million, $62.1 million, and $81.1 million for the years ended March 31, 2003, 2002, 2001, 2000 and 1999. The amount of earnings deducted in each period was approximately $65.6 million and $24.3 million for the three months ended June 30, 2003 and June 30, 2002 and approximately $161.8 million, $114.7 million, $19.7 million, $32.7 million and $92.5 million for the years ended March 31, 2003, 2002, 2001, 2000 and 1999.

The ratios in the table above with Financial Services reflected on the equity method are presented only to provide investors an alternative method of measuring our ability to utilize earnings from our other business segments to cover our fixed charges related to these business segments. The principal reasons why we present these computations 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

Table of Contents

Centex Corporation has limited obligations with respect to the indebtedness of the Financial Services subsidiaries.

Management uses this information in its financial and strategic planning. We also use this presentation to allow investors to compare us to homebuilders that do not have financial services operations.

Outstanding Debt

The following table sets forth the senior and subordinated debt of Centex Corporation as of June 30, 2003. Except as otherwise indicated, the table excludes debt of Centex Corporation s subsidiaries.

Senior debt:	
Commercial paper borrowings and other short-term debt (1)	$ 54,200,000
Medium-Term Notes, 2.33% to 7.95%, due through 2007	281,000,000
Long-Term Notes, 4.75% to 9.75%, due through 2012	1,508,170,000
Other (2)	25,214,500
Total senior debt	1,868,584,500
Subordinated debt:	
8.75% Subordinated Debentures due in 2007	99,711,000
7.38% Subordinated Debentures due in 2006	99,906,000
Total subordinated debt	199,617,000
Total debt	$2,068,201,500