

M I HOMES INC  
Form 10-K  
February 26, 2016  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-12434

M/I HOMES, INC.  
(Exact name of registrant as specified in its charter)

Ohio  
(State or other jurisdiction of incorporation or organization)

31-1210837  
(I.R.S. Employer Identification No.)

3 Easton Oval, Suite 500, Columbus, Ohio 43219  
(Address of principal executive offices) (Zip Code)  
(614) 418-8000  
(Registrant's telephone number, including area code)

Title of each class  
Common Shares, par value \$.01  
Depository Shares, each representing 1/1000<sup>th</sup> of a 9.75%  
Series A Preferred Share

Name of each exchange on which registered  
New York Stock Exchange  
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes                      No             

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
Yes                      No             

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
Yes                            No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

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(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes            X            No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ X ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer	X
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes                      No              X

As of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's common shares (its only class of common equity) held by non-affiliates (23,936,106 shares) was approximately \$590.5 million. The number of common shares of the registrant outstanding as of February 24, 2016 was 24,655,044.

**DOCUMENT INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement for the 2016 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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## PART I

### Special Note of Caution Regarding Forward-Looking Statements

Certain information included in this report or in other materials we have filed or will file with the Securities and Exchange Commission (the “SEC”) (as well as information included in oral statements or other written statements made or to be made by us) contains or may contain forward-looking statements, including, but not limited to, statements regarding our future financial performance and financial condition. Words such as “expects,” “anticipates,” “targets,” “goals,” “projects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” variations of such words and similar expressions are intended to identify such forward-looking statements. These statements involve a number of risks and uncertainties. Any forward-looking statements that we make herein and in future reports and statements are not guarantees of future performance, and actual results may differ materially from those in such forward-looking statements as a result of various risk factors. Please see “Item 1A. Risk Factors” in Part I of this Annual Report on Form 10-K for more information regarding those risk factors.

Any forward-looking statement speaks only as of the date made. Except as required by applicable law, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in our subsequent reports on Forms 10-K, 10-Q and 8-K should be consulted. This discussion is provided as permitted by the Private Securities Litigation Reform Act of 1995, and all of our forward-looking statements are expressly qualified in their entirety by the cautionary statements contained or referenced in this section.

### Item 1. BUSINESS

#### General

M/I Homes, Inc. and subsidiaries (the “Company,” “we,” “us” or “our”) is one of the nation’s leading builders of single-family homes. The Company was incorporated, through predecessor entities, in 1973 and commenced homebuilding activities in 1976, with 2016 marking our 40th year of business. Since that time, the Company has delivered over 94,000 homes.

The Company consists of two distinct operations: homebuilding and financial services. Our homebuilding operations are aggregated for reporting purposes into three reporting segments - the Midwest, Mid-Atlantic and Southern regions. Our financial services operations support our homebuilding operations by providing mortgage loans and title services to the customers of our homebuilding operations and is reported as its own segment. Please see Note 15 of our Consolidated Financial Statements for additional information related to the financial and operating results for each of our reporting segments.

Our homebuilding operations comprise the most substantial portion of our business, representing 97% of consolidated revenue in 2015 and 98% in 2014. We design, market, construct and sell single-family homes and attached townhomes to first-time, move-up, empty-nester and luxury buyers. In addition to home sales, our homebuilding operations generate revenue from the sale of land and lots. We use the term “home” to refer to a single-family residence, whether it is a single-family home or other type of residential property, and we use the term “community” to refer to a single development in which we construct homes. We primarily construct homes in planned development communities and mixed-use communities. We are currently offering homes for sale in 175 communities within 14 markets located in nine states. Our average sales price of homes delivered during 2015 was \$346,000, and the average sales price of our homes in backlog at December 31, 2015 was \$372,000. We offer homes ranging from a base sales price of approximately \$140,000 to \$1,200,000 and believe that this range of price points allows us to appeal to and attract a wide range of buyers. We believe that we distinguish ourselves from competitors by offering homes in select areas with a high level of design and construction quality within a given price range, providing superior customer service and offering mortgage and title services in order to fully serve our customers. In our experience, our product offerings and customer service make the homebuying process more efficient for our customers.

Our financial services operations generate revenue primarily from originating and selling mortgages and collecting fees for title insurance and closing services. We offer mortgage banking services to our homebuyers through our 100%-owned subsidiary, M/I Financial, LLC (“M/I Financial”). We offer title services through subsidiaries that are either 100% or majority owned by the Company. Our financial services operations accounted for 3% of our

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consolidated revenues in 2015 and 2% in 2014. See the “Financial Services” section below for additional information regarding our financial services operations.

Our principal executive offices are located at 3 Easton Oval, Suite 500, Columbus, Ohio 43219. The telephone number of our corporate headquarters is (614) 418-8000 and our website address is [www.mihomes.com](http://www.mihomes.com). Information on our website is not a part of and shall not be deemed incorporated by reference in this Form 10-K.

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## Markets

Our 14 homebuilding divisions are aggregated into the following three segments for reporting purposes:

Region	Market/Division	Year Operations Commenced
Midwest	Columbus, Ohio	1976
Midwest	Cincinnati, Ohio	1988
Midwest	Indianapolis, Indiana	1988
Midwest	Chicago, Illinois	2007
Midwest	Minneapolis/St. Paul, Minnesota	2015
Southern	Tampa, Florida	1981
Southern	Orlando, Florida	1984
Southern	Houston, Texas	2010
Southern	San Antonio, Texas	2011
Southern	Austin, Texas	2012
Southern	Dallas/Fort Worth, Texas	2013
Mid-Atlantic	Charlotte, North Carolina	1985
Mid-Atlantic	Raleigh, North Carolina	1986
Mid-Atlantic	Washington, D.C.	1991

We believe we have experienced management teams in each of our divisions with local market expertise. Our business requires in-depth knowledge of local markets to acquire land in desirable locations and on favorable terms, engage subcontractors, plan communities that meet local demand, anticipate consumer tastes in specific markets, and assess local regulatory environments. Although we centralize certain functions (such as accounting, human resources, legal, marketing, product development, purchasing administration, and risk management) to benefit from economies of scale, our local management, generally under the direction of an Area President and supervised by a Region President, exercises considerable autonomy in identifying land acquisition opportunities, developing and implementing product and sales strategies, and controlling costs.

## Industry Overview and Current Market Conditions

Housing market conditions were generally favorable in 2015 as demand for new homes improved, reflecting positive underlying demographic and economic trends, including low interest rates and improved consumer confidence, higher employment levels in most of our markets, and improved mortgage availability. We expect continued modest improvement in the overall housing market in 2016, driven by these factors, accelerating household formation, improving own-versus-rent dynamics, and attractive home affordability relative to income levels. According to the U.S. Census Bureau, new home sales increased in 2015 with 501,000 new homes sold in the United States compared to 435,000 sold in 2014 and 428,000 sold in 2013, and we expect new home sales to continue to increase in 2016. The number of housing permits issued in the United States also increased to an estimated 1,178,000 in 2015 compared to 1,033,000 in 2014 and 975,000 in 2013.

## Business Strategy

We believe that we are well-positioned to further improve our profitability and results in 2016, as a result of our market expansions into Texas and, most recently, Minnesota, and our solid competitive positions in our other markets, combined with the 17% increase in our number of active communities in 2015. Consistent with our focus on improving long-term financial results, we expect to continue to emphasize the following strategic business objectives in 2016:

- profitably growing our presence in our existing markets, including opening new communities;
- reviewing new markets for investment opportunities;
- maintaining a strong balance sheet; and
- emphasizing customer service, product quality and design, and premier locations.

However, we can provide no assurance that the positive trends reflected in our financial and operating metrics in 2014 and 2015 will continue in 2016.

Sales and Marketing

During 2015, we continued to focus our marketing efforts on first-time and move-up homebuyers, including home designs targeted to empty-nester homebuyers. We market and sell our homes primarily under the M/I Homes and Showcase Collection (exclusively by M/I Homes) brands and, following our acquisition of a privately-held homebuilder in the Minneapolis/St. Paul market in

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December 2015, we also currently operate under the name Hans Hagen Homes in that market. Our marketing efforts are directed at driving product preference for the M/I Homes brand over other homebuilders or the resale market. We provide our homebuyers with the following products, programs and services which we believe differentiate our brand: (1) homes with high quality construction located in attractive areas and desirable communities that are supported by our industry leading 15-year transferable structural warranty in the majority of our markets (or a 10-year transferable structural warranty in our Texas markets); (2) fully furnished model homes and highly-trained sales consultants to build the buyer's confidence and enhance the quality of the homebuying experience; (3) our Whole Home Building Standards which are designed to deliver features and benefits that validate the buyer's expectation for a better-built home, including a more eco-friendly and energy efficient home that we believe will generally save our customers up to 30% on their energy costs compared to a home that is built to minimum code requirements; (4) our StyleSmart Design Centers and suite of home design products and StyleSmart Design Consultants that assist our homebuyers in selecting product and design options; (5) our mortgage financing programs that we offer through M/I Financial, including competitive fixed-rate and adjustable-rate loans; (6) our Ready Now Homes program which offers homebuyers the opportunity to close on certain new homes in 60 days or less; and (7) our unwavering focus on customer care and customer satisfaction.

We invest in designing and decorating fully-furnished and distinctive model homes intended to create an atmosphere reflecting how people live today and help our customers imagine the possibilities for a "home of their own -- just the way they dreamed it." We also carefully select the interior decorating of our model homes to reflect the lifestyles of our prospective buyers. We believe these models showcase our homes at their maximum livability and potential and provide ideas and inspiration for our customers to incorporate valuable design options into their new home.

Our company-employed sales consultants are trained and prepared to meet the buyer's expectations and build the buyer's confidence by fully explaining the features and benefits of our homes, helping each buyer determine which home best suits their needs, explaining the construction process, and assisting the buyer in choosing the best financing option. Significant attention is given to the ongoing training of all sales personnel to assure a high level of professionalism and product knowledge. As of December 31, 2015, we employed 169 new home sales consultants. By offering whole home energy-efficient homes to our customers, we enable our homebuyers to save on their energy costs (the second largest cost of homeownership) compared to a home that is built to minimum code requirements. We use independent RESNET-Certified Raters and the HERS (Home Energy Rating System) Index, the national standard for energy efficiency, to measure the performance of our homes, including insulation, ventilation, air tightness, and the heating and cooling system. Our divisions' average scores are generally better than the EPA's Energy Star target standard of 72-75, 100 for a home built to the original code standard, and 130 or higher for a resale home.

To further enhance the homebuying process, we operate StyleSmart Design Centers in a majority of our markets. Our design centers allow our homebuyers to select from thousands of product and design options that are available for purchase as part of the original construction of their homes. Our centers are staffed with StyleSmart Design Consultants who help our homebuyers select the right combination of options to meet their budget, lifestyle and design sensibilities. In most of our markets, we offer our homebuyers the option to consider and make design planning decisions using our Envision online design tool. We believe this tool is helpful for prospective buyers to use during the planning phase and makes their actual visit to our design centers more productive and efficient as our consultants are able to view the buyer's preliminary design selections and pull samples in advance of the buyer's visit.

We also offer specialized mortgage financing programs through M/I Financial to assist our homebuyers. We offer conventional financing options along with Federal Housing Authority ("FHA"), U.S. Veterans Administration ("VA"), the United States Department of Agriculture ("USDA") and state housing bond programs. M/I Financial often provides closing cost assistance and below market interest rates.

M/I Financial offers our potential homebuyers "one-stop" shopping by providing financing and title services for the purchase of their home, which we believe saves our customers both time and money. M/I Financial provides our homebuyers with access to several of what we believe are the best mortgage programs available through its networks, which include many of the major mortgage providers in the United States. We aim to offer our homebuyers unique programs with below-market financing options that are more competitive than what homebuyers could obtain on their own. With respect to title services, M/I Financial works closely with our homebuilding divisions so that we are able to

provide an organized and efficient home delivery process.

We also build inventory homes in most of our communities to support our Ready Now Homes program, which offers homebuyers the opportunity to close on certain new homes in 60 days or less. These homes enhance our marketing and sales efforts to prospective homebuyers who require a home delivery within a short time frame. We determine our inventory homes strategy in each market based on local market factors, such as job growth, the number of job relocations, housing demand and supply, seasonality and our

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past experience in the market. We maintain a level of inventory homes in each community based on our current and planned sales pace, and we monitor and adjust inventory homes on an ongoing basis as conditions warrant. We seek to keep our homebuyers actively involved in the construction of their new home, giving them increased engagement throughout the design and construction process. Our goal is to put the buyer first and enhance the total homebuying experience. We believe prompt and courteous responses to homebuyers' needs throughout the homebuying process reduce post-delivery repair costs, enhance our reputation for quality and service, and encourage repeat and referral business from homebuyers and the real estate community.

Finally, we believe our ultimate differentiator comes from the principles our company was founded upon -- integrity and delivering superior customer service and a quality product. Our customer satisfaction scores are measured by an independent third-party company 30 days and 6 months after delivery to hold us accountable for building a home of the highest quality.

We market our homes using traditional media such as newspapers, magazines, direct mail, billboards, radio and television. The particular media used differs from market to market based on area demographics and other competitive factors. In recent years, we have also significantly increased the reach of our website through enhanced search engine optimization and search engine marketing. We also have increased the number of referral sites, such as Zillow.com and Trulia.com, that we use to drive incremental leads to our internet sales associates. We also use email and database marketing, which have become an increasingly important part of our marketing. We use our social media presence to communicate to potential homebuyers the experiences of customers who have bought our homes and to provide social content about our homes and design features. In the last five years, we have experienced a significant increase in sales demand from buyers who initially identified us online.

#### Product Lines, Design and Construction

Our residential communities are generally located in suburban areas that are easily accessible through public and personal transportation. Our communities are designed as neighborhoods that fit existing land characteristics. We strive to achieve diversity among architectural styles within a community by offering a variety of house models and several exterior design options for each model and preserve existing trees and foliage whenever practicable. Normally, homes of the same type or color may not be built next to each other. We believe our communities have attractive entrances with distinctive signage and landscaping and our added attention to community detail avoids a "development" appearance and gives each community a diversified neighborhood appearance.

We offer homes ranging from a base sales price of approximately \$140,000 to \$1,200,000 and from approximately 1,400 to 5,500 square feet. In addition to single-family detached homes, we also offer attached townhomes in some of our markets. By offering a wide range of homes, we are able to attract first-time, move-up, empty-nester and luxury homebuyers. It is our goal to sell more than one home to our buyers, and we believe we have had success in this strategy.

We devote significant resources to the research, design and development of our homes to meet the demands of our buyers as well as the changing market requirements. Across all of our divisions, we currently offer over 690 different floor plans designed to reflect current lifestyles and design trends. Our Showcase Collection is designed for our move-up, empty-nester and luxury homebuyers and offers more design options, larger floor plans, and a higher-end product line of homes in upscale communities. In addition, we are developing new floor plans and communities specifically for the growing empty-nester market. These plans (primarily ranch and main floor master bedroom type plans) focus on move-down buyers, are smaller in size, and feature outdoor living potential, fewer bedrooms, and better community amenities. Our primary market remains move-up buyers and, as a result, we focus significant attention on current trends, livability and offering design flexibility to our customers. We have value-engineered all of our product lines to reduce production costs and construction cycle times while adhering to our quality standards and using materials and construction techniques that reflect our commitment to more environmentally conscious homebuilding methods. It is a core value of M/I Homes to offer homes that reflect current design and lifestyle trends. Our homebuilding divisions share successful plans with other divisions, when appropriate.

All of our homes are constructed according to proprietary designs that meet the applicable FHA and VA requirements and all local building codes. We attempt to maintain efficient operations by utilizing standardized materials. Our raw materials consist primarily of lumber, concrete and similar construction materials, and while these materials are

generally available from a variety of sources, we have reduced construction and administrative costs by executing national purchasing contracts with select vendors. Our homes are constructed according to standardized prototypes which are designed and engineered to provide innovative product design while attempting to minimize costs of construction and control product consistency and availability. We generally employ subcontractors for the installation of site