Not filed with the U.S. Securities and Exchange Commission

FORM 8-K

CURRENT REPORT

PURSUANT TO REQUIREMENTS CONTAINED IN THE INDENTURE, DATED AS OF JANUARY 23, 2020 GOVERNING THE 6.625% SENIOR NOTES DUE 2028 ISSUED BY ASHTON WOODS USA L.L.C., IN THE INDENTURE, DATED AS OF MARCH 27, 2019 GOVERNING THE 9.875% SENIOR NOTES DUE 2027 ISSUED BY ASHTON WOODS USA L.L.C., AND IN THE INDENTURE, DATED AS OF AUGUST 8, 2017 GOVERNING THE 6.750% SENIOR NOTES DUE 2025 ISSUED BY ASHTON WOODS USA L.L.C.

Date of Report (Date of earliest event reported): March 30, 2020

ASHTON WOODS USA L.L.C.

(Exact name of Registrant as Specified in Charter)

Nevada
(State or Other Jurisdiction of Incorporation)

3820 Mansell Road, Suite 400, Alpharetta, GA
(Address of principal executive offices)

(770) 998-9663
(Registrant's telephone number, including area code)

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12(b) under the Exchange Act (17 CFR 240.14a-12(b))
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosures

On March 27, 2020, Ashton Woods USA L.L.C. (the "Company") hosted a conference call for the purpose of discussing the Quarterly Report for the quarter ended February 29, 2020 and the Company's operating results for the quarter ended February 29, 2020. The Transcript of the Investor Call dated March 27, 2020 is attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits

Exhibit No.	Description
99.1	Transcript of the Investor Call dated March 27, 2020.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 30, 2020

ASHTON WOODS USA L.L.C.

By: /s/ Cory Boydston
Cory Boydston
Chief Financial Officer

EXHIBIT INDEX

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Exhibit 99.1

ASHTON WOODS HOMES

Moderator: Ken Balogh
March 27, 2020
11:00 a.m. ET

OPERATOR: This is Conference #: 5893910

Operator: Good morning and welcome to the Ashton Woods Homes Earnings Conference Call for the Quarter Ended February 29th, 2020. Today's call is being recorded and will be hosted by Ken Balogh and Cory Boydston, the company's CEO and CFO. Before we begin, Ms. Boydston will make comments regarding forward-looking statements.

Cory Boydston: Good morning, everyone, and welcome to the Ashton Woods Conference Call. Sorry about the delayed start but we have lot of people trying to get into the call and it's a pretty big queue backed up. So I just – I will remind everybody at the end again, but this is being recorded and we always post a recording of the call. We will also post a transcript of the call on the website.

So for those of you who will be joining later – I guess if you're hearing me you're already on, but for everybody else, this will be posted so you won't have missed anything. I wanted to let you know that we're being joined today by Ryan Lewis, our chief operating officer, and Zack Sawyer, our chief accounting officer.

You should be aware that during this call, we will be making forward-looking statements as defined by the Private Securities Litigation Reform Act of 1995. Such statements are based on our current expectations regarding our business and industry and involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially. We do not undertake an obligation to update forward-looking statements to reflect events or circumstances after today or to reflect the occurrence of unanticipated events.

I also want to note that we will be discussing EBITDA and adjusted-gross margins. Both EBITDA and adjusted-gross margins are non-GAAP measures. We have provided additional disclosure regarding EBITDA and adjusted-gross margins and a reconciliation to the most comparable GAAP measures in our quarterly report.

In addition, I want to draw everyone's attention to the additional risk factor we added to our 10-Q, which you can find on page 46, that discusses in some detail additional risk factors arising out of the current environment and specifically related to COVID-19.

OK, so now, let's turn to the call. We've had a lot of inquiries from different groups over the past couple of weeks and it seems more efficient to just go ahead and address questions directly and answer them. I realize this is not our usual format, so bear with us.

Also, as you can imagine, we are not all in the same conference room like we usually are. We are all at our home offices, so it may sound a little awkward with stopping and starting or you may hear background noise that you may not usually hear on our calls.

I also want to mention that a few minutes ago, we posted an updated 10-Q and I sent out a new alert. The only thing that changed on this updated Q was the cancellation rates on page 35 were updated and nothing else was changed.

Let's see. Before we start to answer some of the questions we have been getting, I want to discuss the information in the 10-Q and give out some of the details we usually cover.

So let's turn to our third quarter results. The company's net new orders for the third quarter of our fiscal year were up 42 percent year-over-year and closing units were up 29 percent year-over-year for the third quarter. Our sales per active community averaged 3.5 homes per month in this most recent quarter compared to 2.6 homes per month in the same quarter last year.

Breaking this down between different price points and brands, our entry level Ashton brand sold an average of 3.9 homes per month for the quarter ended February 29th, 2020, compared to 4.0 homes per month for the same period last year. Our entry level Starlight brand sold an average of 6.3 homes per month for the most recent quarter compared to 5.0 homes per month in the same quarter of last year.

In the move-up price points, we sold an average of 2.7 homes per month for the quarter ended February 29th, 2020 compared to 2.0 homes per month for the prior year third quarter. And in our multi-move-up communities, we averaged 1.9 homes sold per month this past quarter compared to 1.5 homes per month in the third quarter of last year.

Our cancellation rate, when calculated based on a percentage of beginning backlog, was 16.7 percent for the third quarter compared to 21.6 percent for the third quarter last year. Please refer to our MD&A for more details about cancellation rates by buyer profile.

Our average sales price for homes delivered in the third quarter was $349,000 which compares to a $376,000 average sales price for closings in the same quarter last year. We have provided more details about average selling prices by brand and profile in our 10-Q.

At February 29th, 2020, our backlog stood at 1,974 homes with a sales value of $730 million, representing an average sales price in backlog of $370,000. This compares to 1,381 homes in backlog with a sales value of $609 million at February 28th, 2019, representing an average sales price in backlog of $441,000 at the same time last year.

During the quarter, we purchased 2,964 new lots across all of our markets for a total purchase price company-wide of $108 million. 958 of the lots we purchased this quarter were finished and 1,924 lots were to be developed or were partially developed at the time of purchase, 1,392 or 47 percent of the lots purchased this quarter were for Starlight communities.

During the third quarter, we also contracted for 2,233 lots in 16 communities across the company. Additionally, we spent $32 million on land development during the quarter in communities across all of our markets.

For the third quarter of fiscal year 2020, we reported net income of $14.7 million compared to net income of $8.2 million for the third quarter last year.

The homebuilding gross margin of 18.0 percent in the third quarter of this year was higher by 210 basis points compared to the homebuilding gross margin last year in the third quarter.

Our adjusted-gross margin was up by 230 basis points from 18.1 percent for the quarter ended February 28th, 2019 to 20.4 percent for the quarter ended February 29th, 2020. Our EBITDA for the third quarter was $30.1 million compared to EBITDA of $19.7 million for the third quarter last year.

While it seems a long time ago, in January, we issued $250 million of bonds that are due in 2028. We used the proceeds of the new bonds to pay off the revolving credit facility and put cash on our balance sheet.

We ended February with nothing drawn on the revolver and available capacity of $291 million. During March of 2020, we drew $250 million of available borrowing capacity under our revolver as a precautionary measure in order to increase our cash position and preserve financial flexibility in light of the current uncertainty in the global markets. The proceeds from these borrowings may, in the future, be used for general working capital purposes and other general corporate purposes.

One of the most important factors to us at this time of uncertainty is our balance sheet and liquidity.

Turning to our results, geographic diversity has always been important to us. At February 29th, 2020, Atlanta represented 20 percent of our total inventory; Dallas was 12 percent, and Phoenix was 11 percent. For these percentages, we have combined the Ashton inventory with the Starlight inventory. None of the rest of the operations exceeded 10 percent of our inventory. And remember, we have been land-light for a very long time. While we control over 35,000 lots, we only own 7,331 lots, or only 20 percent of our pipeline.

I believe that, other than NVR, we have the lowest percentage of owned lots compared to public builders. The 28,000 lots we control are secured with deposits that total $168 million. This puts us in a very good position to be able to push out lot purchases and to renegotiate with sellers, all of which we area currently doing in every market.

In addition to our focus on the health and safety of our employees, customers and trade partners, our company and our team are focused on cash generation and cash preservation. As you will hear more in the next few minutes, we're taking several steps to accomplish both goals.

The environment is changing all the time, and we intend to be prepared for whatever comes, and when the current circumstances are behind us, we expect that there will be a lot of opportunities for companies that acted swiftly, with a steady hand.

With that, I'll turn to our format for the remainder of the call.

Over the past couple of weeks, we've gotten lots of calls and e-mails, and most of the questions are the same. So what we will do now is I will pose questions to our team, and our team will be answering them based on the most up-to-date information that we have.

I listened to the Lennar call last week and the KB call yesterday, and I think they both covered a lot of topics and answered a lot of questions that we have been getting. For much of those topics, especially about the market in general, we won't rehash those here. We'll focus on topics and questions that are specific to our company. We are not going to be doing an open Q&A at the end, so here we go.

OK, so the first question is for Ken. Ken, let's start by giving an update on trends we are seeing in traffic, sales and closings over the past couple of weeks.

Ken Balogh: Sure. So look, other than Austin and really parts of Raleigh, we're able to sell, start homes, build homes and close homes. And while it's clearly not business as usual, what we are seeing on the trade side, they're showing up to work, and we're still seeing that traffic is obviously and noticeably down, as you would expect.

Then there's obviously stay-at-home orders for most of our markets, or many of our markets. And so, there is traffic decline, as we would expect, but the quality's up. So people who are out, or are engaging us digitally, they're serious. They want to – they're not out there wasting time. So the quantity's down, but the quality's up.

And so, back to Austin for a second, I think, Cory, that actually KB addressed it as well, that most recently, most of our markets, the interpretation by municipalities has been that – or it's been considered that homebuilding is an essential activity. So Austin and little pockets of Raleigh don't have the same interpretation, so we're working it down to make sure we understand what options we have there.

And if we can't work past that, there could be several weeks, or longer, of disruption there, but in the bulk of our markets, homebuilding is considered an essential activity. So we are able to sell, build and close homes. It's choppier than usual, as you'd expect, but we're able to conduct business.

Cory Boydston: OK, thanks. So next question for Ryan. Ryan, I thought maybe you could spend a couple minutes talking about – a little bit more what – with what we're doing with regard to selling, building, and closing homes given the evolving environment? And also maybe touch on how we're handling warranty calls?

Ryan Lewis: Thanks Cory. I could not be prouder of our teams in the way that they have responded to an ever-evolving environment. On the sales front we have successfully shifted our teams to one-on-one appointments only. We are ensuring that protecting our employees and customers by requiring social distancing and we have increased the cleaning intervals of all of our models and sales centers.

In addition, we have rolled out virtual selling in all of our communities where we can engage a customer through a video chat, demonstrate our homes with 3D tours and videos, and complete the process by utilizing electronic signatures.

For our construction teams, we continue to work and our employees and trade partners are working hard to complete the commitments we've made to our customers in backlog. We are requiring social distancing and limiting the number of people who can be in a home at any one time. We have also limited our warranty responses to emergency only so we can protect our customers, our employees, and again, our trade partners.

For closings we are working daily and really hourly with our mortgage companies, title companies, and all our closing agents. We are performing closings virtual and electronic where possible, and ensuring that social distancing when things are happening one-on-one and in-person.

The last thing I'll say is that as states, cities, and municipalities are issuing shelter in place and other ordinances which seems to be daily, they generally differ as to what they cover and how they will be implemented.

We are working diligently to stay on top of each one of these to understand how they apply to our operations as they are issued. This is all moving very fast, and changing quickly and we recognize the importance of staying on top of the rules and are doing our best to do that.

Cory Boydston: Sorry about that, I was on mute. Maybe you could also address what you're seeing in terms of the supply chain for materials?

Ryan Lewis: Yes, absolutely. So again, I'm proud of our teams as they have tried to be very proactive in every market that we operate in, securing materials for our homes in production, and thus far suppliers have held up very well, we have seen very little to no disruption in availability of product, and our ability to get those products to our home sites. So at this point we expect that to continue.

Cory Boydston: OK, great, thanks. Ken, why don't you go ahead and address what's happening with margins so far and whether you're seeing a lot of discounting by competitors?

Ken Balogh: Sure. So fortunately as you just mentioned margins were trending up nicely heading in to this crisis, and really driven by a very strong demand, fundamentals for housing were very strong, and very, very low supply in the system.

So obviously that's changing in terms of demand, as it's been disrupted temporarily, but the good news is on the supply side there just isn't a lot out there. And most builders like us they're pausing inventory in process – not starting any homes right now in terms of inventory spec starts. So I don't expect a lot of supply to be flooding the system anytime here. I think builders are, from what I've heard consistently they're taking appropriate cash measures like us.

So I think that the good news so far is we really haven't seen discounting come in to play too much. Traffic is down for most builders noticeably. They are still selling, and – but I think most understand that it's just not – the discounts are not what's going to be in play here, there is not a lot of supply.

And I think much like us, most builders are viewing this as some sort of temporary disruption and we'll just have to see how that plays out. But right now really not seeing much on the sales floor in terms of discounting.

Cory Boydston: OK, so Zack one question we keep getting is about impairments, and I know that Lennar spent some time addressing that last week, I think Diane did a good job of talking about that. But maybe you could just touch on impairments, how they're calculated, when they're calculated – just give a little bit of info on that?

Zack Sawyer: Yes, sure – thanks Cory. So first of all it's important to keep in mind that this is not a financial sector driven slow-down. It doesn't derive from an inventory buildup, it doesn't derive from an over production of mortgages or excesses. So we're really going to have to wait and see how this resolves and moves forward.

To the impairment question, that really relates to what kind of duration we have and to what extent we see real impact to the overall and broad economy – and to what extent we see any snapback. We've got to keep in mind that when you start to look at impairing assets there's a built-in kind of shock absorber, or a buffer between a reduction in the market and an impairment, and that's our gross margin.

And you're also looking at inventory levels across the industry that have been defined by short supply and production deficits. Lastly, I would say we've got to keep in mind that impairments look at how the remainder of a community will play out over the life of the community – not what happens to the shock in the system. So we'll keep looking at this every quarter just like we always do.

Cory Boydston: Great, thanks. And yes, as a reminder, these get tested every quarter. So next question for Ken, another question that I've gotten is, do we have any plans to mothball any communities at this time? Or any plans to walk away from land deals at this time?

Ken Balogh: Sure, so no plans to mothball anything at this point. I will add that we're looking at timing of our new communities that are in the pipeline to open soon, next two to three months – four months from now.

And we are making strategic decisions in many cases to just delay the openings, delay the overhead that comes with that. Delay the production that comes along with that. So those aren't mothballed, but you'll see us delay the opening of some of our new communities.

I will say it's really encouraging, we've – on the seller side, are working on the land deals we've got good partners out there. So we – who you decide to go into business with is very important. Cory, as you mentioned we have a very land-light model with good partners.

So we've been working with them to restructure takedowns, restructure purchases, push out deals – just delay everywhere possible, and so far in almost every case they've been working with us and they understand the situation.

Look, we're all in this together, so they've been working with us to extend and push out takedowns, and so far so good on that front as well. And also add that on the land development side, and entitlement we've been obviously slowing all those expenses down, and those activities down as well.

Cory Boydston: I'll add, and of course I get this question all the time. But usually on our calls we give some insight as to how much we're going to be spending on land as a percentage of revenue for a particular year. I'm not going to give any information at this point. There are only, what about eight, nine weeks left in our fiscal year.

As you said we're slowing down our spend in land development, we're slowing down and pushing off land takes. So those dollars going out the door over the next eight or nine weeks are going to be dramatically lower than they would have been normally, so not going to give any kind of guidance on that at this point.

Ken, one more thing I wanted you to cover is, maybe you could talk a little bit about steps we're taking with regard to overhead.

Ken Balogh: Yes, sure. So look, none of us know how long this goes on. Is it a couple months, three months? And then how steep is the recovery coming out of this thing in terms of businesses getting back to running normal so they can go out and buy homes?

So what we do know is that the actions we've taken to delay production, push out land deals, delay community openings – obviously the key that goes along with all that is we just have to maintain kind of the right size of the organization.

So we're going to continue to do that and as we slow the business down and make adjustments temporarily – and sometimes, in some cases it's a longer disruption with walking on some land deals that might happen – you just continue to right-side the organization to match your business going forward.

Cory Boydston: OK. So that actually concludes all the questions that I have for everybody today. I know people were still, again, trying to join the call and were very backed up in the queue. So for those of you who joined after we started I just want to reiterate that we will be posting a transcript of this call and the recording of this call on our website, and I will send out an e-mail alert to let you know when those get posted.

Apologize for the difficulty that people had getting on the call. I think the call centers are just completely swamped with calls these days. Anyway, Ken, would you like to make any final comments before we conclude the call?

Ken Balogh: Yes, thanks Cory. Look, I hope this was informative to everyone, and I would just like to emphasize that we have a great team here at Ashton Woods, a lot of experience, and we know how to move quickly in times like this. So we'll continue to focus on the health and safety of our employees, our customers and of course our trade partners.

And we're continually communicating with one another, with our leaders in the operating divisions, and we're involved in decisions that are being made literally every day in every market, so we are very hands-on with this.

So thank you everyone for joining us on the call today and look forward to talking with you again soon.

Cory Boydston: Bye. everybody.

Ken Balogh: Take care.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for your participation, you may now disconnect.

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