

NEW RISK ALERT: (KBH)

KB Home's Next Quarter to Include \$30.6 Million in Sales Not Yet In Wall Street's Forecast

Latest 10-Q reveals impact of winter storm that was mentioned but not quantified on homebuilder's earnings call.

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This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.

KB Home's Texas Deliveries Not Yet Included in Street's Forecast

Housing revenue for KB Home, which targets first-time and move-up home buyers, came in at the low end of the company's guidance range in the most recent quarter. The February 2021 winter storm that shut down Texas— KB's largest market— prevented the company from delivering homes for approximately ten days.

The company suggested Texas deliveries would be pushed into the second quarter on its Q1 earnings call:

"... which shifted some deliveries from our first quarter into our second quarter."

" So I would say that it was a slight speed bump in deliveries, and I shared that we've already closed the vast majority of them here in March."

We can now quantify the storm's impact. In its Q1 2021 [10-Q](#), KB Home revealed the number home deliveries pushed forward:

*"Additionally, our 2021 first quarter deliveries were impacted by disruptive weather in Texas that delayed **approximately 100 deliveries in our Central homebuilding reporting segment into the second quarter.**"*

Using the average selling price for KB Home's Central region— which includes Texas and Colorado— we calculate the extra one hundred deliveries will add approximately \$30.6 million to KB's second quarter revenue.

This additional revenue does not appear to be in analyst estimates, especially when you consider that KB Home filed the 10-Q quantifying the storm's impact after the close on Friday April 9. The consensus estimate for next quarter is \$1.48 billion in sales. The top end of KB Home's guidance, provided on the earnings call, is \$1.5

Though undeniably bullish in the near term, investors might keep a close eye on the rate of change between home prices and wages over the longer term. In its forward looking statements disclosure, KB Home included new language indicating affordability may become a stiff headwind:

*“...home selling prices, including our **homes' selling prices, increasing at a faster rate than consumer incomes...**”*