





# Pulte: Trying to conserve cash reserves

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continue cutting overhead to beef up cash reserves to as much as \$1.8 billion by the end of the year.

"Their current mission is to guard cash and hold it," said



Silverman

Gilbert "Buzz" Silverman, chairman and CEO of Bingham Farms-based **Silverman Cos.** "Right now, it's all about staying power, but it will soon turn to acquisition financing

as they can buy at the bottom and become even more dominant."

Silverman, whose companies have developed and managed 25,000 multifamily residences and 10,000 single-family homes, said Pulte will survive because of its cash on hand, and its positive brand recognition and intellectual capital on the management side.

But if cash is king, uncertainty in the housing markets is the challenger to the throne.

For the first nine months of the year, new home orders fell to 13,500 from 20,600 in 2007.

For the third quarter, Pulte posted a \$280 million loss on revenue of \$1.6 billion, with a loss of \$1.3 billion for the first nine months of the year on revenue of \$4.6 billion.

Despite Pulte's efforts to beef up

cash in preparation for a long slog through 2009, analysts aren't convinced the residential market will pick up soon. Of the 16 analysts covering Pulte, 10 rate it as "hold," four as "buy," and two as "sell," according to **Bloomberg News**.

In a report issued Nov. 2, **Citi Investment Research** equity analyst Josh Levin downgraded Pulte from "buy" to "hold," based on the volatility in the housing market.

"We rate PHM as High Risk because of the uncertainty surrounding the ultimate duration and magnitude of the housing market's downturn," Levin wrote.

Given that uncertainty, Pulte has been focused on survival, President and CEO Richard Dugas Jr. said in an Oct. 23 conference call with investors.



Dugas

"Pulte Homes has been diligent and unwavering in its pursuit of its near-term strategy, namely cash flow generation, operating with a lean overhead structure in response to the weak demand environment, and managing our house and land inventory," he said.

The consolidation of accounting offices into Michigan is part of that strategy, as a way to be more effi-

cient, said Mark Marymee, Pulte's director of corporate communications.

Pulte stock has been on a roller-coaster ride this year.

It has averaged \$12.45 per share and hit a 52-week high in September at \$17.23, only to hit a 52-week low on Nov. 21 at \$7.12.

The company also took lumps in write-downs for property, which has lost money. For the first nine months, the company incurred \$1.2 billion in write-downs for property that is worth less than it used to be, following write-downs of \$1.7 billion in 2007.

Still, year-to-date, Pulte has outperformed an index of the five homebuilders listed on the S&P 500 by 42.43 percent, and an index of 23 homebuilders by 6.5 percent, according to Bloomberg data.

In addition to keeping a lot of cash on hand, Pulte needs to keep its losses under control and not overextend itself by being tempted by all the land deals, said Jim McTevia, CEO of Bingham Farms-based turnaround firm **McTevia & Associates**.

But the company will survive, he said.

"And the future will be rosy for all of the companies who survive this," he said. "Because if you're the consumer, and you don't consume for two years, you will gorge yourself."

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