

M I HOMES INC
Form 424B5
May 18, 2009
Table of Contents

Filed pursuant to Rule 424(b)(5)
Registration Statement No. 333-152751

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the prospectus supplement is delivered in final form. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 18, 2009

PRELIMINARY PROSPECTUS SUPPLEMENT

(to prospectus dated August 14, 2008)

4,000,000 shares

M/I Homes, Inc.

Common Shares

We are offering 4,000,000 of our common shares.

Our common shares are listed on the New York Stock Exchange under the symbol MHO. On May 18, 2009, the last reported sales price of our common shares on the New York Stock Exchange was \$15.07 per share.

	Per share	Total
Public offering price	\$	\$
Underwriting discounts	\$	\$
Proceeds to M/I Homes, Inc., before expenses	\$	\$

We have granted the underwriters an option for a period of 30 days from the date of this prospectus supplement to purchase up to 600,000 additional common shares at the public offering price less the underwriting discounts to cover over-allotments, if any.

Investing in our common shares involves a high degree of risk. See Risk Factors beginning on page S-8.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement. Any representation to the contrary is a criminal offense.

Edgar Filing: M I HOMES INC - Form 424B5

The underwriters expect to deliver the common shares on or about _____, 2009.

Joint bookrunning managers

Citi
, 2009

J.P. Morgan

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

	Page
<u>About this Prospectus Supplement</u>	S-ii
<u>Industry and Market Data</u>	S-ii
<u>Prospectus Supplement Summary</u>	S-1
<u>Risk Factors</u>	S-8
<u>Forward-Looking Statements</u>	S-22
<u>Use of Proceeds</u>	S-24
<u>Capitalization</u>	S-25
<u>Price Range of Common Shares; Dividend Policy</u>	S-26
<u>Material United States Federal Income Tax Consequences to Non-United States Holders of Our Common Shares</u>	S-27
<u>Underwriting</u>	S-30
<u>Validity of the Securities</u>	S-32
<u>Experts</u>	S-32
<u>Where You Can Find More Information</u>	S-32

Prospectus

	Page
<u>About This Prospectus</u>	1
<u>M/I Homes, Inc.</u>	1
<u>Risk Factors</u>	2
<u>Forward-Looking Statements</u>	2
<u>Ratio of Earnings to Fixed Charges</u>	4
<u>Use of Proceeds</u>	4
<u>Description of Securities</u>	4
<u>Description of Debt Securities</u>	5
<u>Description of Capital Stock</u>	15
<u>Description of Depositary Shares</u>	18
<u>Description of Warrants</u>	22
<u>Plan of Distribution</u>	24
<u>Legal Matters</u>	26
<u>Experts</u>	26
<u>Where You Can Find More Information</u>	26

Table of Contents

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not, and the underwriters have not, authorized anyone else to provide you with different or additional information. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We are not, and the underwriters are not, making an offer of these securities or soliciting an offer to buy these securities in any jurisdiction where the offer or solicitation is not permitted. You should not assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate on any date subsequent to the date set forth on the front of this prospectus supplement or the date of incorporation by reference, even though this prospectus supplement and the accompanying prospectus are delivered or securities are sold on a later date.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of common shares and also adds to and updates information contained in the accompanying prospectus as well as the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which information does not apply to the common shares we are offering. To the extent any inconsistency or conflict exists between the information included in this prospectus supplement and the information included in the accompanying prospectus, the information included or incorporated in this prospectus supplement updates and supersedes the information in the accompanying prospectus. This prospectus supplement incorporates by reference important business and financial information about us that is not included in or delivered with this prospectus supplement.

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus supplement and the accompanying prospectus to *M/I*, *us*, *we*, *our* or the *Company* mean *M/I Homes, Inc.*, an Ohio corporation, and our consolidated subsidiaries, except where made clear that the terms mean *M/I Homes, Inc.* only.

INDUSTRY AND MARKET DATA

We obtained the market and competitive position data used throughout this prospectus supplement, the accompanying prospectus and the documents incorporated by reference from our own research, surveys or studies conducted by third parties and industry or general publications. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While we believe that each of these studies and publications is reliable, neither we nor the underwriters have independently verified such data and neither we nor the underwriters make any representation as to the accuracy of such information. Similarly, we believe our internal research is reliable, but it has not been verified by any independent sources.

Table of Contents

PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us. It may not contain all the information that may be important to you in deciding whether to invest in our common shares. You should read this entire prospectus supplement and the accompanying prospectus, together with the information incorporated by reference, including the financial data and related notes and the Risk Factors sections, before making an investment decision.

M/I Homes, Inc.

M/I Homes, Inc. is one of the nation's leading builders of single-family homes. We were incorporated, through predecessor entities, in 1973 and commenced homebuilding activities in 1976. Since that time, M/I has sold and delivered nearly 74,000 homes. We sell and construct single-family homes, attached townhomes and condominiums to first-time, move-up, empty-nester and luxury buyers under the M/I Homes and Showcase Homes trade names. In 2008, our average sales price of homes delivered was \$274,000 compared to \$296,000 in 2007. During the year ended December 31, 2008, we delivered 2,025 homes with revenues from continuing operations of \$607.7 million and a net loss from continuing operations of \$245.4 million. At December 31, 2008, we had 566 homes in backlog with a sales value of approximately \$139 million compared to 712 homes with a sales value of \$220 million at December 31, 2007.

Our homes are sold in the following geographic markets: Columbus and Cincinnati, Ohio; Indianapolis, Indiana; Chicago, Illinois; Tampa and Orlando, Florida; Charlotte and Raleigh, North Carolina; and the Virginia and Maryland suburbs of Washington, D.C. In December 2007, we sold all of our assets in our West Palm Beach, Florida market and announced our exit from this market. Hence, the results of operations and financial position of this division have been reported as discontinued operation. We are the leading homebuilder in the Columbus, Ohio market, and have been the number one builder of single-family detached homes in this market for each of the last twenty years. In addition, we are one of the top ten homebuilders in the Cincinnati and Tampa markets, based on homes delivered. Our current operating strategy remains focused on the following key initiatives:

Generating cash and preserving liquidity;

Emphasizing our customer service, unique product designs, and premier locations;

Improving affordability through design changes and other cost reduction efforts;

Decreasing our construction costs for material and labor;

Decreasing our overhead expenses and headcount to reflect current business conditions;

Reducing our land and lot inventory by significantly curtailing our land purchases and transitioning more of our purchases to finished lots versus raw ground; and

Phasing and/or delaying land development and selectively pursuing the sale of certain owned land.

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, and by providing customers with the confidence they can only get from superior customer service. Offering homes at a variety of price points allows us to attract a wide range of buyers. We support our homebuilding operations by providing mortgage financing services through our wholly-owned subsidiary, M/I Financial Corp. (M/I Financial), and title and insurance brokerage services through subsidiaries that are either wholly- or majority-owned by us.

Edgar Filing: M I HOMES INC - Form 424B5

Our financial reporting segments consist of the following: Midwest homebuilding, Florida homebuilding, Mid-Atlantic homebuilding, and financial services. Our homebuilding operations comprise the most substantial part of our business, representing more than 97% of consolidated revenue during 2008. Our homebuilding operations generate over 93% of their revenue from the sale of completed homes, with the remaining amount generated from the sale of land and lots. Our financial services operations generate revenue from originating and selling mortgages, collecting fees for title insurance and closing services, and collecting commissions as a broker of property and casualty insurance policies. Please refer to Note 19 to the consolidated financial statements in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2009, incorporated

S-1

Table of Contents

herein by reference, for information regarding our operating and reporting segments.

The United States is in the midst of an unprecedented combination of economic turmoil, uncertainty in the credit and financial markets, and weak consumer confidence. While in the first four months of 2009 we experienced a 25% increase in new contracts from the same period in 2008, our business has generally experienced a significant slowdown in demand since the fourth quarter of fiscal 2005 and we do not expect any immediate sustainable recovery to the level of historical demand. This slowdown, which we believe started with a decline in consumer confidence, an overall softening of demand for new homes, and an oversupply of homes available for sale, has been exacerbated by, among other things, a decline in the overall economy, increasing unemployment, fear of job loss, a decline in the securities markets, the continuing decline in home prices, the large number of homes that are or will be available for sale due to foreclosures, the inability of homebuyers to sell their current homes, the deterioration in the credit markets, and the direct and indirect impact of the turmoil in the mortgage loan market. We believe some of the improvement in 2009 may be attributed to the \$787 billion American Recovery and Reinvestment Act which was signed into law by President Obama on February 17, 2009. This stimulus package, among other things, provides for an \$8,000 tax credit for new home purchases that occur between January 1, 2009 and December 1, 2009. We continue our primarily defensive strategy, which includes: (1) adjusting our approach to land acquisition and development and construction practices and shortening our land pipeline; (2) limiting land development expenditures; (3) reducing production volumes; and (4) working to try to balance home price and profitability with sales pace, although our primary focus at this point is generating cash and liquidity.

When our industry recovers, we believe that we will see reduced competition from the small and mid-sized private builders, leading to our ability to increase our market share in our existing markets. We believe that the access of these private builders to capital already appears to be severely constrained. We believe that this reduced competition, combined with attractive long-term demographics, will reward those builders who can persevere through the current challenging environment.

Notwithstanding the current market conditions, and as market conditions improve over time, we believe that geographic and product diversification, access to lower-cost capital, and strong demographics have in the past, and will in the future, benefit those builders that can control land and persevere through the increasingly difficult regulatory approval process. We believe that these factors favor the large publicly traded homebuilding companies with the capital and expertise to control home sites and gain market share. We believe that, as builders reduce the number of home sites being taken through the approval process and this process continues to become more difficult, and if the political pressure from no-growth proponents continues to increase, our expertise in taking land through the approval process and our already approved land positions will allow us to grow in the years to come.

In addition to our current focus on cash generation and liquidity, we will continue to focus on our historic key business strategies. We believe that these strategies separate us from our competitors in the residential homebuilding industry and the adoption, implementation, and adherence to these principles will continue to improve our business, lead to higher profitability for our shareholders, and give us an advantage over our competitors when the market returns to normalcy.

Our business strategy emphasizes the following:

Build confidence in all areas of our company. Our unique designs, superior quality and craftsmanship, premier customer service and customer-focused, confidence-building financing options are all designed to build superior customer confidence in both our product and our company.

Superior homeowner service. Our core operating philosophy is to provide superior service to our homeowners. We attempt to involve the homeowner in many phases of the building process in order to enhance communication, knowledge and involvement of the homeowner. Our selling process focuses on the homes' features, benefits, quality and design, as opposed to merely price and square footage. In most of our markets, we utilize design centers to better promote the sale of options and enable buyers to make more informed choices.

Table of Contents

This enhances the selling process and increases the sale of optional features that typically carry higher margins. We believe all of this leads to a more satisfied homeowner.

Product diversity and innovative design. We devote significant resources to the research and design of our homes to meet the needs of our buyers. We offer a broad number of distinct product lines and approximately 600 different floor plans, with some of those floor plans being built in multiple elevations. We also offer a high level of design and construction quality within each of our price ranges.

Premier locations and highly desirable communities. As a key strategic element of our business, we focus on locating and controlling land in the most desirable areas of our markets. We also focus on the overall design and appearance of our communities. Through our community planning and design process, we create well-planned communities with careful attention to a wide variety of aesthetic elements. We focus on the location and design of our communities because we believe these are important factors our homebuyers consider when making a decision to purchase a new home.

Maintain market position in existing markets. Though most of our markets have experienced a significant slowdown in new homebuilding construction as a result of various economic factors, we believe in their long term prospects for growth and successful homebuilding operations.

Recent Developments

While the homebuilding industry continues to face difficult and unprecedented conditions, in April 2009, we experienced a 37% increase in new contracts over April 2008, from 191 to 261 new contracts. For the four months ended April 30, 2009, our new contracts increased 25% over the same period in 2008, from 745 to 928. Our backlog units at April 30, 2009 were 965, which represents a 13% increase over the prior year period's backlog units of 854. Given market conditions, we are unsure of the sustainability of this year-to-date increase in new contracts and year-over-year backlog units, and we remain in a primarily defensive mode as described above. There can be no assurance that these results will be indicative of our results for the full second quarter of 2009 or the full year ending December 31, 2009.

Corporate Information

M/I Homes, Inc. is an Ohio corporation incorporated through predecessor entities in 1973. Our executive offices are located at 3 Easton Oval, Suite 500, Columbus, Ohio 43219. Our telephone number is (614) 418-8000.

Table of Contents

The Offering

Common Shares Offered by Us	4,000,000 shares.
Common Shares to be Outstanding After the Offering	18,034,636 shares. The number of common shares to be outstanding after the offering is based on the number of common shares outstanding at May 11, 2009, and excludes 600,000 common shares that may be sold by us if the underwriters exercise their over-allotment option in full and 1,783,284 common shares underlying awards outstanding as of May 11, 2009 granted under our incentive compensation plans.
Use of Proceeds	We expect to receive net proceeds from this offering of approximately \$ million (or approximately \$ million if the underwriters exercise their option to purchase additional shares in full) after deducting underwriting discounts and estimated transaction expenses payable by us. We intend to use the net proceeds for general corporate purposes, which may include acquisitions of land when market conditions warrant, repayment of indebtedness, capital expenditures and increasing our working capital. Pending the application of the net proceeds, we may invest the proceeds in short-term, interest-bearing instruments and other investment-grade securities.
Listing	Our common shares are listed on the New York Stock Exchange under the symbol MHO.
Risk Factors	An investment in our common shares involves various risks, and prospective investors should carefully consider the matters discussed under the caption entitled Risk Factors beginning on page S-8 of this prospectus supplement.

Table of Contents**Summary Consolidated Financial Data**

The table below sets forth summary consolidated financial data for the periods indicated. You should read the following summary consolidated financial data in conjunction with the consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our most recent annual report on Form 10-K and subsequent quarterly report on Form 10-Q, which are incorporated by reference in this prospectus supplement.

The summary consolidated net income data for the fiscal years ended December 31, 2006, 2007 and 2008 and the summary consolidated balance sheet data as of December 31, 2006, 2007 and 2008 have been derived from our historical consolidated financial statements audited by Deloitte & Touche LLP, our independent registered public accounting firm. The summary consolidated net income data for the three months ended March 31, 2008 and 2009 and the summary consolidated balance sheet data as of March 31, 2008 and 2009 have been derived from our unaudited consolidated financial statements.

	Year Ended December 31,			Three Months Ended	
	2006	2007	2008	March 31, 2008	2009
(in thousands, except per share amounts)					
Net income data⁽¹⁾:					
Revenue	\$ 1,274,145	\$ 1,016,460	\$ 607,659	\$ 156,085	\$ 96,149
Land and housing cost	959,226	832,596	532,164	131,568	87,915
Impairment of inventory and investment in unconsolidated LLCs	67,200	148,377	153,300	21,107	10,946
(Loss) income from continuing operations before income taxes	45,306	(150,876)	(215,124)	(26,758)	(27,960)
(Benefit) provision for income taxes	16,009	(58,396)	30,291	(6,608)	169
(Loss) income from continuing operations ⁽²⁾⁽³⁾	29,297	(92,480)	(245,415)	(20,150)	(28,129)
Discontinued operation, net of tax	9,578	(35,646)	(33)	380	
Net (loss) income ⁽²⁾⁽³⁾	\$ 38,875	\$ (128,126)	\$ (245,448)	\$ (19,770)	\$ (28,129)
Less: preferred share dividends		7,313	4,875	2,437	
Net income (loss) available to common shareholders ⁽²⁾⁽³⁾	\$ 38,875	\$ (135,439)	\$ (250,323)	\$ (22,207)	\$ (28,129)
Per share data:					
Earnings per common share:					
Basic⁽²⁾⁽³⁾:					
(Loss) earnings from continuing operations	\$ 2.10	\$ (7.14)	\$ (17.86)	\$ (1.61)	\$ (2.01)
(Loss) earnings from discontinued operation	0.68	(2.55)		0.03	
Basic (loss) earnings	\$ 2.78	\$ (9.69)	\$ (17.86)	\$ (1.58)	\$ (2.01)
Diluted⁽²⁾⁽³⁾:					
(Loss) earnings from continuing operations	\$ 2.07	\$ (7.14)	\$ (17.86)	\$ (1.61)	\$ (2.01)
(Loss) earnings from discontinued operation	0.67	(2.55)		0.03	
Diluted (loss) earnings	\$ 2.74	\$ (9.69)	\$ (17.86)	\$ (1.58)	\$ (2.01)
Weighted average shares outstanding:					
Basic	13,970	13,977	14,016	14,007	14,027

Edgar Filing: M I HOMES INC - Form 424B5

Diluted	14,168	13,977	14,016	14,007	14,027
Dividends per common share	\$ 0.10	\$ 0.10	\$ 0.05	\$ 0.025	\$

S-5

Table of Contents

	2006	December 31, 2007	2008	March 31, 2008	2009
(in thousands)					
Balance sheet data⁽¹⁾:					
Cash	\$ 11,516	\$ 1,506	\$ 32,518	\$ 1,615	\$ 28,627
Restricted cash ⁽⁴⁾	58,938	21,239	6,658	11,607	36,722
Inventory	1,092,739	797,329	516,029	747,850	497,776
Total assets ⁽⁵⁾	1,477,079	1,117,645	693,288	961,893	641,476
Note payable banks-homebuilding operations	410,000	115,000		42,000	
Note payable bank-financial service operations	29,900	40,400	35,078	11,200	20,430
Notes payable banks-other	6,944	6,703	16,300	6,640	6,374
Total shareholders' equity ⁽⁹⁾	617,052	581,345	333,061	559,582	305,645

- (1) In December 2007, we sold substantially all of our assets in our West Palm Beach, Florida market and announced our exit from this market. The results of operations for this market for all periods presented have been reclassified as discontinued operation in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets.
- (2) 2006, 2007 and 2008 includes the impact of charges relating to the impairment of inventory and investment in unconsolidated LLCs, reducing gross margin by \$67.2 million, \$148.4 million and \$153.3 million for the years ended December 31, 2006, 2007 and 2008, respectively. The three months ended March 31, 2008 and 2009 include the impact of charges relating to the impairment of inventory and investment in unconsolidated LLCs, reducing gross margin by \$21.1 million and \$10.9 million, respectively. The three months ended March 31, 2009 also includes the impact of a \$4.0 million charge related to imported drywall warranty issues.
- (3) The charges in note (2) above, along with the write-off of land deposits, intangibles and pre-acquisition costs:

reduced net income from continuing operations by \$46.7 million and earnings per diluted share by \$3.29 for the year ended December 31, 2006;

increased net loss from continuing operations by \$96.9 million and \$98.3 million and loss per diluted share by \$6.71 and \$7.00 for the years ended December 31, 2007 and 2008, respectively; and

increased net loss from continuing operations by \$6.8 million and \$13.8 million and loss per diluted share by \$0.67 and \$0.99 for the three months ended March 31, 2008 and 2009, respectively.

- (4) Restricted cash includes cash held in escrow of \$58.9 million, \$21.2 million and \$6.7 million at December 31, 2006, 2007 and 2008, respectively, and \$11.6 million and \$2.1 million at March 31, 2008 and 2009, respectively. At March 31, 2009, restricted cash also includes homebuilding cash we had in excess of \$25.0 million, that is to be designated as collateral in accordance with the January 2009 amendment to our Second Amended and Restated Credit Facility dated October 6, 2006 (as amended, the Credit Facility).
- (5) Net loss for the year ended December 31, 2008 and three months ended March 31, 2009 reflects a \$108.6 million and \$11.7 million valuation allowance for deferred tax assets, or \$7.75 and \$0.84 per diluted share, respectively. Total assets and shareholders' equity have been reduced by \$108.6 million and \$120.3 million for deferred tax valuation allowance as of December 31, 2008 and March 31, 2009, respectively.

Table of Contents**Summary Homebuilding Operations Data**

The following table sets forth summary information by market regarding our homebuilding activities. The following data have been derived from our unaudited financial records for the periods indicated.

	Year Ended December 31,			Three Months Ended	
	2006	2007	2008	March 31, 2008	2009
(Dollars in thousands)					
Midwest Region:					
Homes delivered	1,821	1,436	937	189	176
New contracts, net	1,513	1,195	911	240	347
Backlog at end of period	632	391	365	442	536
Aggregate sales value of homes in backlog	\$ 173,000	\$ 107,000	\$ 84,000	\$ 118,000	\$ 110,000

Florida Region