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NEW CENTURY FINANCIAL CORP
Form 425
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Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant Rule 14a-12 of the Securities Exchange Act of 1934

Subject Company: New Century Financial Corporation

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This document is being filed pursuant to Rule 425 under the Securities Act of 1933 and is deemed filed pursuant to Rule 14a-12 under the Securities Exchange Act of 1934.

On April 22, 2004, we issued a press release announcing our earnings for the quarter ended March 31, 2004, and provided further details relating to our previously announced plan to convert to a real estate investment trust (REIT). The text of the press release follows.

FOR ADDITIONAL INFORMATION CONTACT:

New Century Financial Corporation
18400 Von Karman, Suite 1000
Irvine, CA 92612

Carrie Marrelli, VP, Investor Relations
(949) 224-5745
Erin Freeman, VP, Corporate Communications
(949) 862-7624

NEW CENTURY FINANCIAL CORPORATION ANNOUNCES

RECORD EPS OF \$2.03 FOR THE FIRST QUARTER 2004

Increased Guidance for 2004 EPS to \$7.50-\$8.00 and Production to \$36 Billion

Company Moves Forward With Proposed REIT Conversion

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IRVINE, CA, April 22, 2004 . . . New Century Financial Corporation (NASDAQ: NCEN) one of the nation's largest mortgage finance companies, today announced results for the three months ended March 31, 2004, increased production and EPS guidance, provided details related to its proposed conversion to a real estate investment trust (REIT) and announced SEC filings related to the REIT conversion.

Financial Highlights

Record per share net earnings of \$2.03

Quarterly production of \$8.4 billion

Increased 2004 annual loan production target to \$36 billion

Increased 2004 EPS guidance to \$7.50-\$8.00

Increased on-balance sheet portfolio to \$6 billion

Increased quarterly cash dividend to \$0.20 per share from \$0.16 per share

Recent Events

Announced decision to convert to REIT

Filed registration and proxy statement with SEC in connection with REIT conversion

Filed registration statement with SEC to raise approximately \$750 million in common equity

Received RPS3 servicing rating from Fitch Ratings

This has been an historic quarter for New Century, said Robert K. Cole, chairman and chief executive officer of New Century Financial Corporation. We continue to execute on our growth strategies, while adding earnings stability through our increased on-balance sheet portfolio. In addition, we anticipate the REIT structure we are proposing will support our growth strategies, enhance shareholder value and be more tax-efficient.

Our original 2004 guidance for loan production was \$30 billion and our EPS guidance was \$7.00, or more. Given the strong production results reported for the first quarter, we are increasing our 2004 loan production guidance to \$36 billion, said Cole. We project that over 35 percent of our 2004 net income will come from our portfolio assets and are confident that this will be another record earnings year for New Century. Therefore, we are increasing our 2004 EPS guidance to \$7.50-\$8.00, whether or not we convert to a REIT and complete the related capital raise.

As we continue to grow our portfolio of mortgage loans we expect that the percentage of our total earnings generated by our portfolio will reach 50% by the end of 2005. We believe that this strategy will provide us with a more diversified earnings stream while we continue to operate a growing mortgage origination franchise, added Cole.

Financial Results

For the three months ended March 31, 2004, net earnings increased 90.8% to \$87.2 million, or \$2.03 per share on a diluted basis, compared with \$45.7 million, or \$1.23 per share on a diluted basis, for the same quarter a year ago. Total revenues for the quarter increased 99.4% to \$361.0 million, compared with total revenues of \$181.0 million for the same quarter a year ago.

The following table summarizes our financial information for the periods shown:

Financial Summary (in thousands except per share data)	Three Months Ended	
	3/31/04	3/31/03
Total revenues	\$ 361,000	\$ 180,988
Earnings before income taxes	\$ 156,467	\$ 78,057
Net earnings	\$ 87,245	\$ 45,739
Diluted earnings per share	\$ 2.03	\$ 1.23
Diluted wtd. avg. shares outstanding	42,971*	37,242

* Includes approximately 6.0 million shares currently issuable upon conversion of the company's convertible senior notes

Loan Originations

First quarter loan production totaled \$8.4 billion, an increase of 80 percent over the corresponding period a year ago.

The strength of our production franchise has been demonstrated once again, said Brad A. Morrice, vice chairman, president and chief operating officer. We are extremely pleased with the commitment and dedication of our Associates, which is reflected in wholesale s production increase of 82 percent and retail s production increase of 64 percent, compared with the first quarter of last year.

The following table summarizes our loan originations by channel and by product type for the periods shown:

(dollars in thousands)	Three Months Ended 3/31/04		Three Months Ended 3/31/03	
	Amount	% of Total	Amount	% of Total
Wholesale	\$ 7,695,006	91.2	\$ 4,237,188	90.4
Retail	741,350	8.8	452,283	9.6
Total	\$ 8,436,356	100.0	\$ 4,689,471	100.0
Fixed rate	\$ 2,325,645	27.6	\$ 1,242,633	26.5
Adjustable rate	6,110,711	72.4	3,446,838	73.5
Total	\$ 8,436,356	100.0	\$ 4,689,471	100.0
Refinance	\$ 5,951,982	70.6	\$ 3,824,150	81.6
Purchase	2,484,374	29.4	865,321	18.4
Total	\$ 8,436,356	100.0	\$ 4,689,471	100.0

Credit Quality

The following table summarizes our loan originations by credit risk grades for the periods shown:

(dollars in thousands)	Three Months Ended 3/31/04				Three Months Ended 3/31/03			
	Amount	%	Avg. LTV	FICO	Amount	%	Avg. LTV	FICO
AA	\$ 6,112,500	72.5	87.3	634	\$ 1,269,129	27.1	83.8	614
A+	981,884	11.6	81.1	594	2,073,530	44.2	82.3	616
A-	638,241	7.6	77.0	574	632,322	13.5	77.0	564
B	370,050	4.4	74.6	562	547,077	11.7	74.7	547
C/C-	298,555	3.5	68.8	549	166,867	3.5	68.8	541
Subtotal	\$ 8,401,230	99.6	84.6	619	\$ 4,688,925	100.0	80.6	598
Commercial	28,524	0.3	54.4	N/A	546		N/A	N/A
Private label prime	6,602	0.1	N/A	N/A			N/A	N/A
Total	\$ 8,436,356	100.0	84.5	619	4,689,471	100.0	80.6	598

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Commercial loans represent real estate mortgage loans on multifamily and mixed-use properties. Private label prime loans represent agency-qualifying loans originated for the company by a third party under a private label agreement.

The following table sets forth the FICO score and credit trends on production for the periods indicated:

	<u>1Q04</u>	<u>4Q03</u>	<u>3Q03</u>	<u>2Q03</u>	<u>1Q03</u>
Wtd. avg. FICO score	619	615	626	599	598
% of production in top 2 credit grades	84.1%	82.6%	85.4%	80.3%	71.2%
% of production in bottom 2 credit grades	3.5%	3.5%	2.6%	3.6%	3.6%

Our production continues to be concentrated in our top two credit grades, consistent with our previously stated goals, said Morrice. We expect this trend to continue as we maintain our focus on strong credit and underwriting discipline.

Internet-Based Originations

The following table sets forth the originations from our wholesale division's FastQual® Web site as a percent of total wholesale loan production and originations from our retail division's Internet program as a percent of total retail loan production for the periods indicated:

<i>(dollars in thousands)</i>	<u>1Q04</u>	<u>4Q03</u>	<u>3Q03</u>	<u>2Q03</u>	<u>1Q03</u>
Total wholesale production	\$ 7,695,006	\$ 7,581,860	\$ 7,990,073	\$ 5,320,603	\$ 4,237,188
FastQual	\$ 5,121,573	\$ 5,411,686	\$ 5,778,164	\$ 3,278,230	\$ 1,679,601
Percent FastQual	66.6%	71.4%	72.3%	61.6%	39.6%
Total retail production	\$ 741,350	\$ 669,702	\$ 648,735	\$ 482,394	\$ 452,283
Retail Internet production	\$ 371,775	\$ 290,667	\$ 246,898	\$ 214,492	\$ 172,493
Percent Internet	50.1%	43.4%	38.1%	44.5%	38.1%

Net Operating Margin

The following table sets forth the components of operating margin for the periods indicated:

	<u>1Q04</u>	<u>4Q03</u>	<u>3Q03</u>	<u>2Q03</u>	<u>1Q03</u>
Gain on sale(a)	3.82%	3.75%	4.59%	4.46%	4.07%
Net interest income(b)	0.58%	0.54%	0.46%	0.53%	0.52%
Loan acquisition cost(c)	(2.35)%	(2.35)%	(2.06)%	(2.46)%	(2.61)%
Operating margin	2.05%	1.94%	2.99%	2.53%	1.98%

- (a) Excludes additions to loan loss allowances and losses on securitization pool repurchases
(b) Represents net interest on mortgage loans held for sale divided by origination volume for the corresponding period
(c) Loan acquisition cost is a non-GAAP financial measure, for comparable GAAP information see below and schedule 1

First quarter gain on sale was slightly higher than the fourth quarter as a result of a more favorable secondary market environment.

Loan Acquisition Costs

The following table sets forth the components of loan acquisition costs for the periods indicated:

<u>1Q04</u>	<u>4Q03</u>	<u>3Q03</u>	<u>2Q03</u>	<u>1Q03</u>
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Points and fees					
Wholesale	(0.73)%	(0.76)%	(0.65)%	(0.76)%	(0.75)%
Retail	3.70%	4.19%	4.29%	4.26%	4.10%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net points and fees	(0.36)%	(0.38)%	(0.30)%	(0.35)%	(0.29)%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Overhead	(1.99)%	(1.97)%	(1.76)%	(2.11)%	(2.32)%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loan acquisition costs	(2.35)%	(2.35)%	(2.06)%	(2.46)%	(2.61)%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Wholesale production as a % of total production	91.2%	91.9%	92.5%	91.7%	90.4%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Loan acquisition costs is a non-GAAP financial measure within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The most directly comparable GAAP financial measure is total expenses as reflected in our income statement. We believe that the presentation of loan acquisition costs provides useful information to investors regarding our financial performance because it allows us to monitor the performance of our core operations, which is more difficult to do using the most directly comparable GAAP measure. Our management uses loan acquisition cost data for the same purpose. The presentation of this additional information is not meant to be considered in isolation or as a substitute for our financial results prepared in accordance with GAAP. As required by Regulation G, a reconciliation of loan acquisition costs to the most directly comparable GAAP financial measure is set forth in the table attached as Schedule 1 to this press release.

Forward Sale Commitments

Current forward sales commitments totaling \$7.15 billion will be settled during the second and third quarters of 2004. We expect the price of these forward sales to be greater than that received in the first quarter of 2004 resulting from a favorable secondary market and strong demand for our product.

Secondary Market Transactions

The following table summarizes secondary market transactions for the periods shown below:

<i>(dollars in thousands)</i>	Three Months Ended			
	3/31/04		3/31/03	
	Amount	% of Sales	Amount	% of Sales
Whole loan sales	\$ 7,309,153	99.4	\$ 4,107,742	88.4
Discounted loan sales	40,522	0.6	47,482	1.0
Total sales	\$ 7,349,675	100.0	\$ 4,155,224	89.4
On-balance sheet securitizations			493,605	10.6
Total secondary market transactions	\$ 7,349,675	100.0	\$ 4,648,829	100.0
Total secondary market transactions as a % of production	87.1%		88.6%	

On April 21, 2004, we completed the sixth on-balance sheet transaction, New Century Home Equity Loan Trust, Series 2004-1, backed by \$1.5 billion of fixed- and adjustable-rate mortgage loans. Because this transaction did not close until April, it is not included in the table above. However, because these mortgage loans were identified and pooled prior to March 31, 2004, they have been included in mortgage loans held for investment, net, in the Selected Balance Sheet Data accompanying this press release. See On-Balance Sheet Securitizations below.

Gain on Sale of Loans

The following table reflects the components of our gain on sale of loans for the periods shown below:

	Three Months Ended	
	3/31/04	3/31/03

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<i>(dollars in thousands)</i>	<u>\$</u>	<u>% Gain</u>	<u>\$</u>	<u>% Gain</u>
Whole loan sales	\$ 283,639		\$ 155,641	
Mortgage servicing rights			18,967	
	\$ 283,639	3.88	\$ 174,608	4.25
Loss on loans sold at a discount	(3,076)		(7,242)	