



Investor Presentation

First Quarter 2021



Forward-Looking Statements

Items in this presentation, and statements by KB Home management in relation to this presentation or otherwise, may be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current (at the time made) expectations and projections about future events and are subject to risks, uncertainties, and assumptions about our operations, economic and market factors, and the homebuilding industry, among other things. These statements are not guarantees of future performance. We do not have a specific policy or intent of updating or revising forward-looking statements. Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The most important risk factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to the following: general economic, employment and business conditions; population growth, household formations and demographic trends; conditions in the capital, credit and financial markets; our ability to access external financing sources and raise capital through the issuance of common stock, debt or other securities, and/or project financing, on favorable terms; the execution of any share repurchases pursuant to our board of directors’ authorization; material and trade costs and availability, particularly lumber; changes in interest rates; our debt level, including our ratio of debt to capital, and our ability to adjust our debt level and maturity schedule; our compliance with the terms of our revolving credit facility; volatility in the market price of our common stock; weak or declining consumer confidence, either generally or specifically with respect to purchasing homes; home selling prices, including our homes’ selling prices, increasing at a faster rate than consumer incomes; competition from other sellers of new and resale homes; weather events, significant natural disasters and other climate and environmental factors; any failure of lawmakers to agree on a budget or appropriation legislation to fund the federal government’s operations, and financial markets’ and businesses’ reactions to any such failure; government actions, policies, programs and regulations directed at or affecting the housing market (including the Coronavirus Aid, Relief, and Economic Security Act relief provisions for outstanding mortgage loans and any extensions or broadening thereof, the tax benefits associated with purchasing and owning a home, and the standards, fees and size limits applicable to the purchase or insuring of mortgage loans by government-sponsored enterprises and government agencies), the homebuilding industry, or construction activities; changes in existing tax laws or enacted corporate income tax rates, including those resulting from regulatory guidance and interpretations issued with respect thereto; changes in U.S. trade policies, including the imposition of tariffs and duties on homebuilding materials and products, and related trade disputes with and retaliatory measures taken by other countries; the adoption of new or amended financial accounting standards and the guidance and/or interpretations with respect thereto; the availability and cost of land in desirable areas and our ability to timely develop acquired land parcels and open new home communities; our warranty claims experience with respect to homes previously delivered and actual warranty costs incurred; costs and/or charges arising from regulatory compliance requirements or from legal, arbitral or regulatory proceedings, investigations, claims or settlements, including unfavorable outcomes in any such matters resulting in actual or potential monetary damage awards, penalties, fines or other direct or indirect payments, or injunctions, consent decrees or other voluntary or involuntary restrictions or adjustments to our business operations or practices that are beyond our current expectations and/or accruals; our ability to use/realize the net deferred tax assets we have generated; our ability to successfully implement our current and planned strategies and initiatives related to our product, geographic and market positioning, gaining share and scale in our served markets and in entering into new markets; our operational and investment concentration in markets in California; consumer interest in our new home communities and products, particularly from first-time homebuyers and higher-income consumers; our ability to generate orders and convert our backlog of orders to home deliveries and revenues, particularly in key markets in California; our ability to successfully implement our business strategies and achieve any associated financial and operational targets and objectives, including those discussed in this presentation or in other public filings, presentations or disclosures; income tax expense volatility associated with stock-based compensation; the ability of our homebuyers to obtain residential mortgage loans and mortgage banking services; the performance of mortgage lenders to our homebuyers; the performance of KBHS, our mortgage banking joint venture with Stearns Ventures, LLC; information technology failures and data security breaches; an epidemic or pandemic (such as the outbreak and worldwide spread of COVID-19), and the control response measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities implement to address it, which may (as with COVID-19) precipitate or exacerbate one or more of the above-mentioned and/or other risks, and significantly disrupt or prevent us from operating our business in the ordinary course for an extended period; a continuation of widespread protests and civil unrest related to efforts to institute law enforcement and other social and political reforms, and the impacts of implementing or failing to implement any such reforms; and other events outside of our control. Please see our periodic reports and other filings with the Securities and Exchange Commission for a further discussion of these and other risks and uncertainties applicable to our business.

Built-to-Order Model Is a Key Differentiator

Advantages of Built-to-Order (“BTO”)

Mitigates Risk

Aligns business to demand, as we build to our sales pace, not to a targeted delivery goal, which minimizes speculative inventory and margin variability associated with carrying a large number of finished, but unsold, homes in inventory

Operationally Efficient

Working from a large backlog of sold homes, we can manage starts to achieve even-flow production at the community level, generating efficiencies in overhead and cost to build

Higher Visibility

Even-flow production reinforces our preferred position with subcontractors and provides greater predictability on deliveries

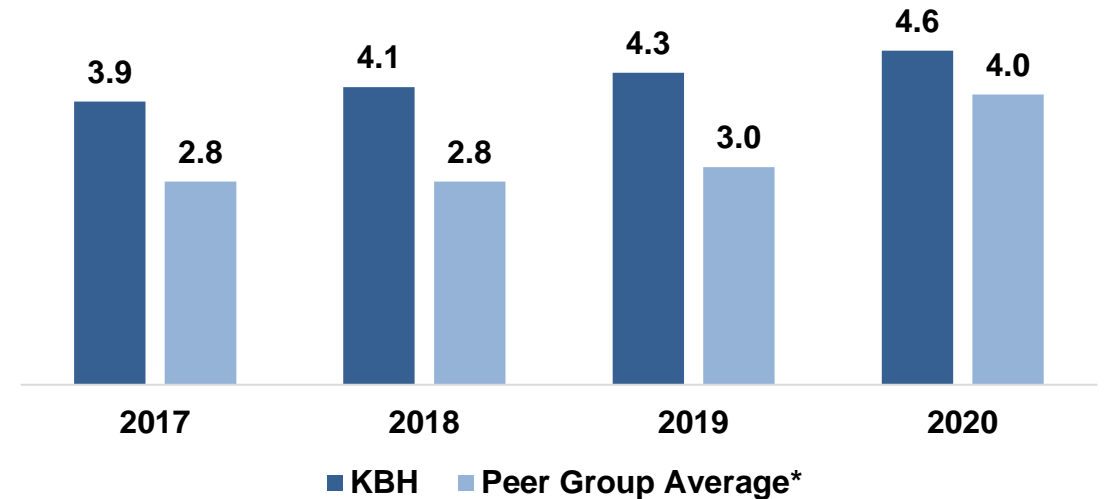
Margin Enhancer

Opportunities for incremental revenue as well as margin enhancement through lot premiums, structural options and design studio upgrades

Drives Absorption

Selling and building the home the customer values helps drive absorption and customer satisfaction

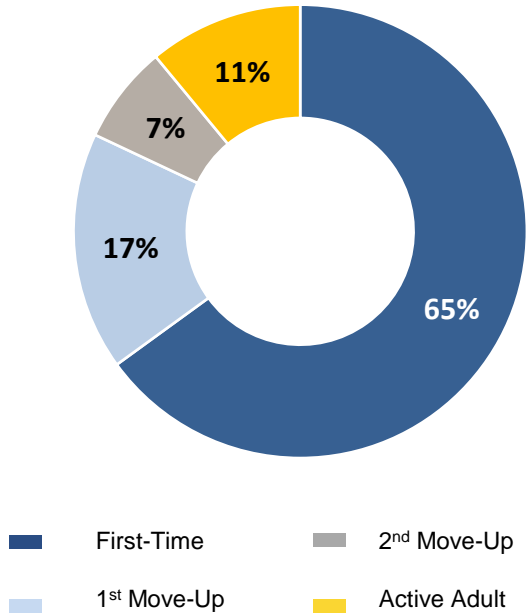
Monthly Absorption Rate per Community



Built-to-Order Model Attracts Largest Demand Segments of Market

A Leader in the First-Time Buyer Segment While Drawing a Mix of Buyers to Our Communities

Q1 2021 Buyer Profile
(Based on Homes Delivered)



Invest in land positions within **prime growth** submarkets

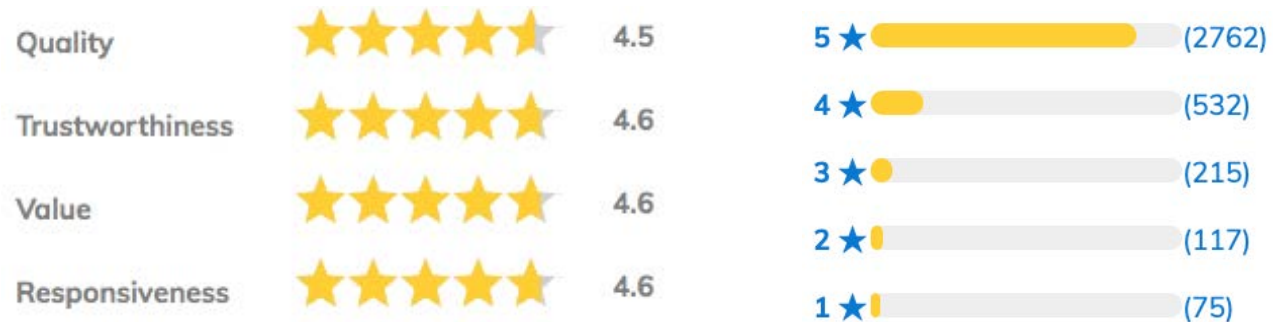
Position our product to target the **median household income** in each submarket

BTO enhances **value** through **choice** of lot, square footage, floor plan and elevation, and then the ability to **personalize** in our Design Studios

While we primarily target the first-time buyer, our model also appeals to move-up buyers and empty nesters who can make a different set of choices in the same community

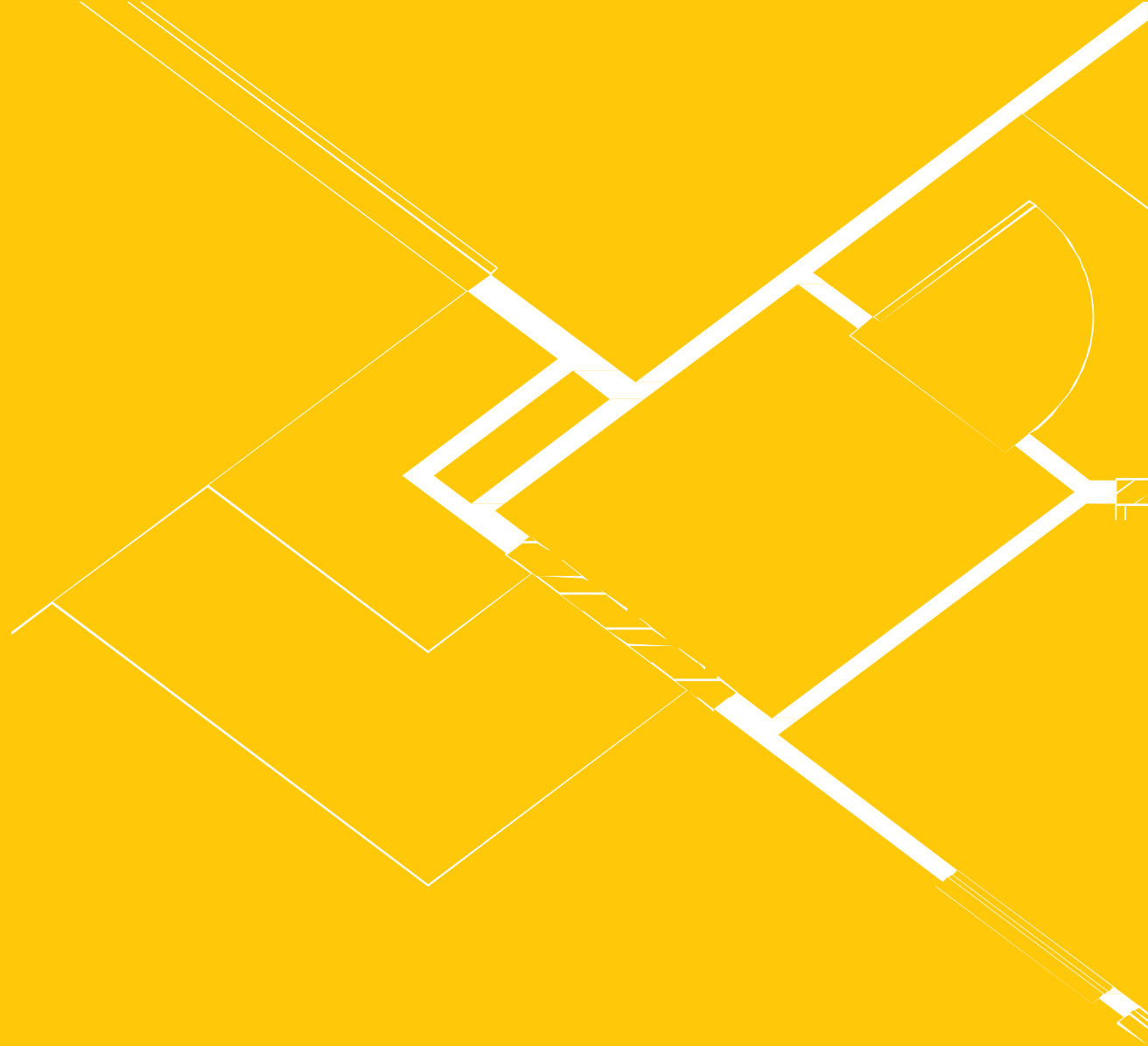
Dedicating to Providing World Class Customer Service

- KB Home's personalized, customer-centric Built-to-Order business model enables us to develop long-term relationships with our customers
- Our community teams partner with customers through each major step of their purchase of a KB home: sale – mortgage – studio – construction – closing – post closing
- Customers recognize the value of our partnership. Recent customer surveys conducted by independent, third-party sources such as TrustBuilder® and ConsumerAffairs have given KB Home exceptional customer satisfaction ratings.



TrustBuilder® data as of March 15, 2021.

First Quarter 2021



Growth-Oriented Geographic Footprint

Principal Markets

- West Coast: California, Washington
- Southwest: Arizona, Nevada
- Central: Colorado, Texas
- Southwest: Florida, North Carolina

Q1 2021 Mix

	West Coast	Southwest	Central	Southeast
Homebuilding Revenues	45%	17%	27%	11%
Deliveries	31%	19%	35%	15%
Avg. Selling Price	\$582K	\$352K	\$306K	\$288K
Net Order Value	42%	18%	29%	11%
Backlog Value	38%	18%	32%	12%



First Quarter 2021 Highlights

(all comparisons on a year-over-year basis)

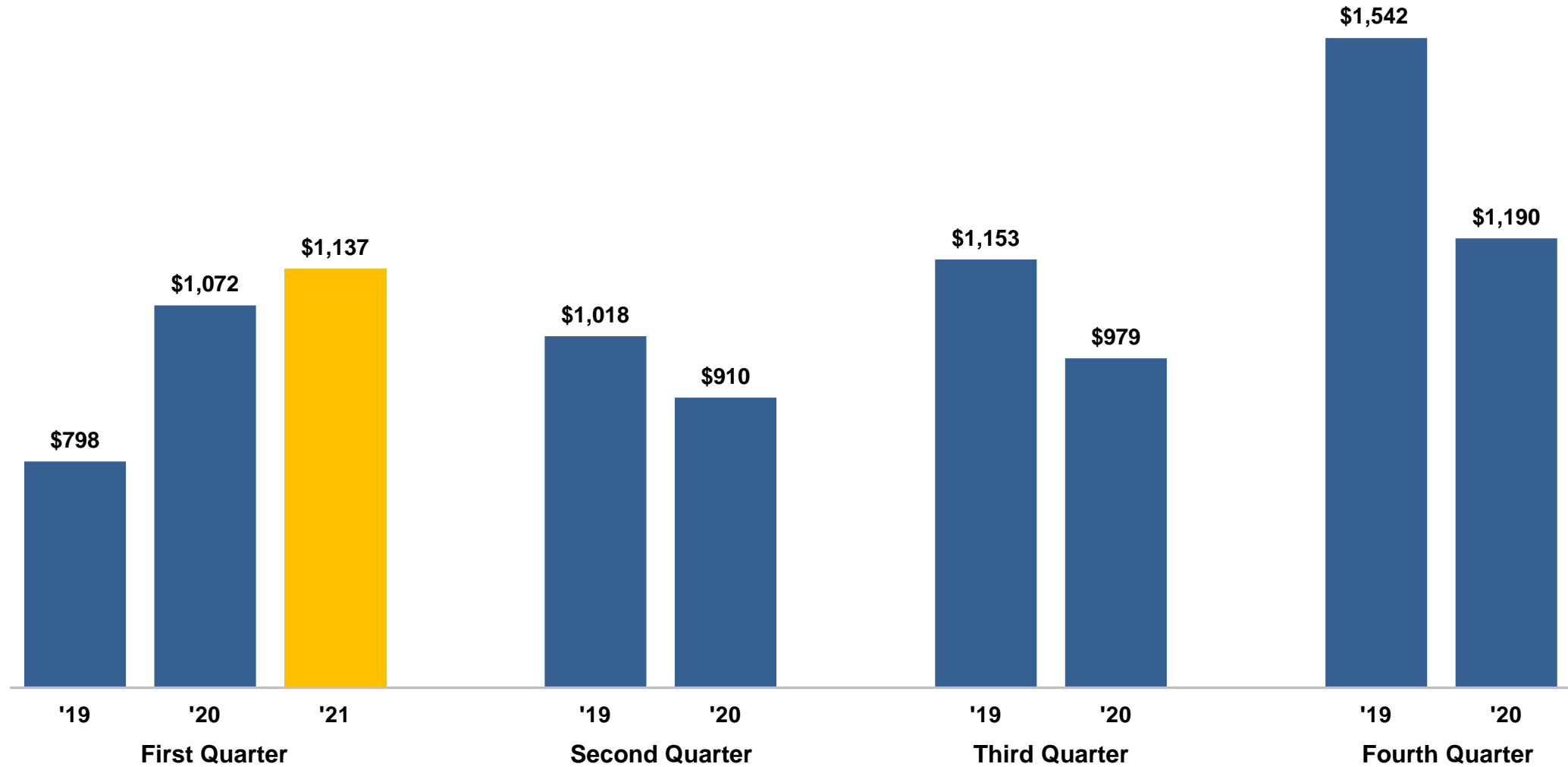
- Revenues totaled \$1.14 billion
- Homebuilding operating income grew 90% to \$114.1 million
 - Homebuilding operating income margin increased 440 basis points to 10.0%. Excluding inventory-related charges, homebuilding operating income margin improved to 10.4% from 6.1%.
 - Housing gross profit margin expanded 340 basis points to 20.8%. Excluding inventory-related charges, housing gross profit margin increased 320 basis points to 21.1%
 - Selling, general and administrative expenses as a percentage of housing revenues decreased to 10.7%
- Net income and diluted earnings per share each increased 62% to \$97.1 million and \$1.02, respectively
- Net orders increased 23% to 4,292, our highest first-quarter level in 14 years. Net order value increased \$486.4 million, or 35%, to \$1.87 billion
- Total liquidity of \$1.36 billion included cash and cash equivalents and available capacity of \$787.6 million under our revolver
- The ratio of debt to capital improved 70 basis points from November 30, 2020 to 38.9%
- Stockholders' equity increased to \$2.75 billion, and book value per share increased by \$2.85, or 11%, to \$29.86

	Q1 2021	Q1 2020	% Change
Housing Revenues	\$1,137.4	\$1,071.8	6%
Deliveries	2,864	2,752	4%
Average Selling Price	\$397,100	\$389,500	2%
Net Orders	4,292	3,495	23%
Net Order Value	\$1,869.1	\$1,382.7	35%
Backlog Homes	9,238	5,821	59%
Backlog Value	\$3,694.1	\$2,124.6	74%
Ending Community Count	209	250	-16%
Average Community Count	223	251	-11%
Absorption (net orders per community, per month)	6.4	4.6	39%



Housing Revenues

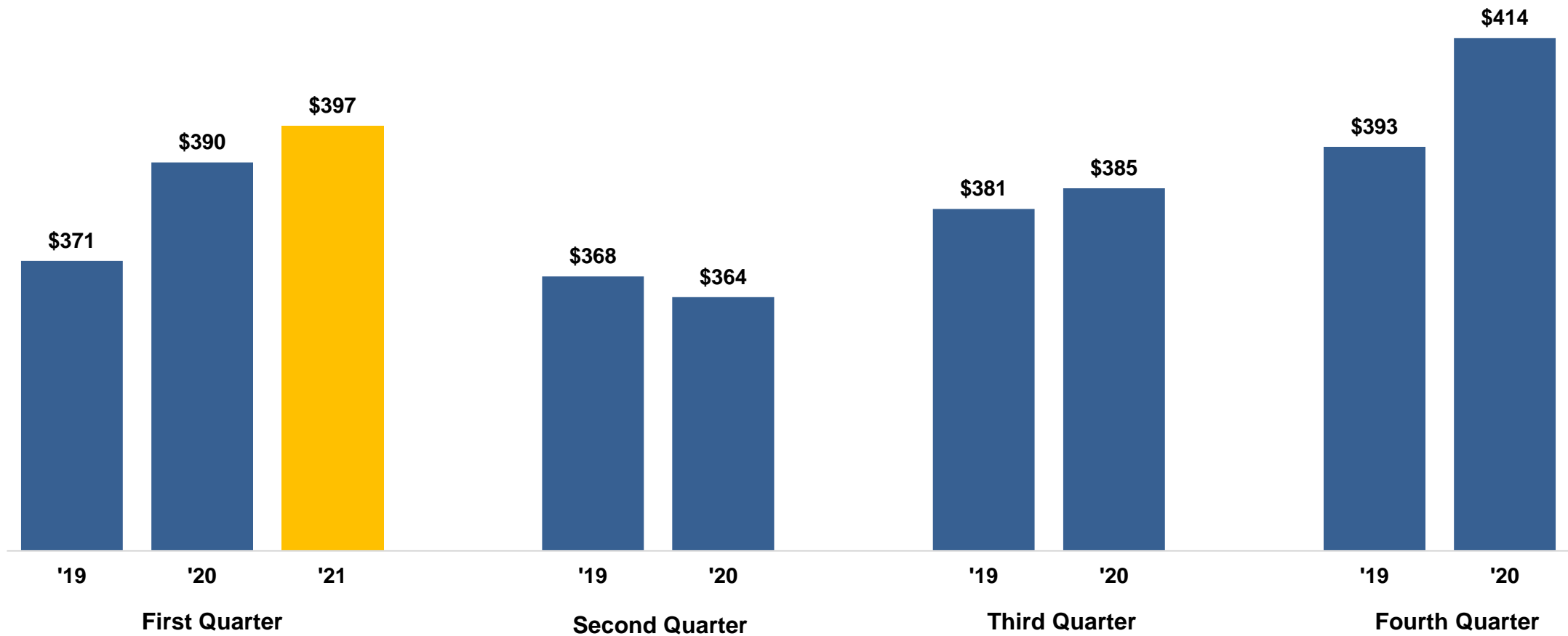
(\$ in millions)





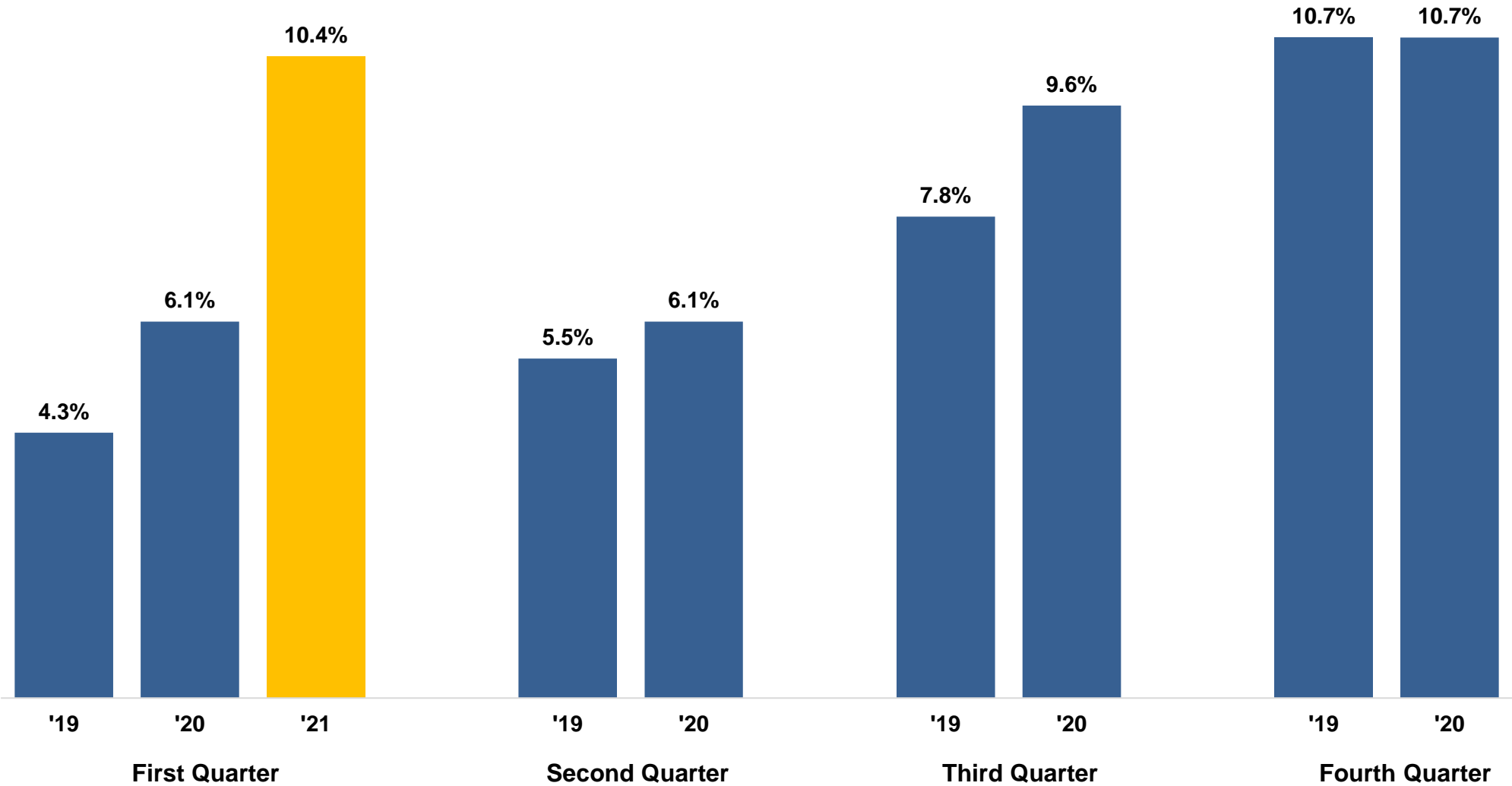
Average Selling Price

(\$ in thousands)



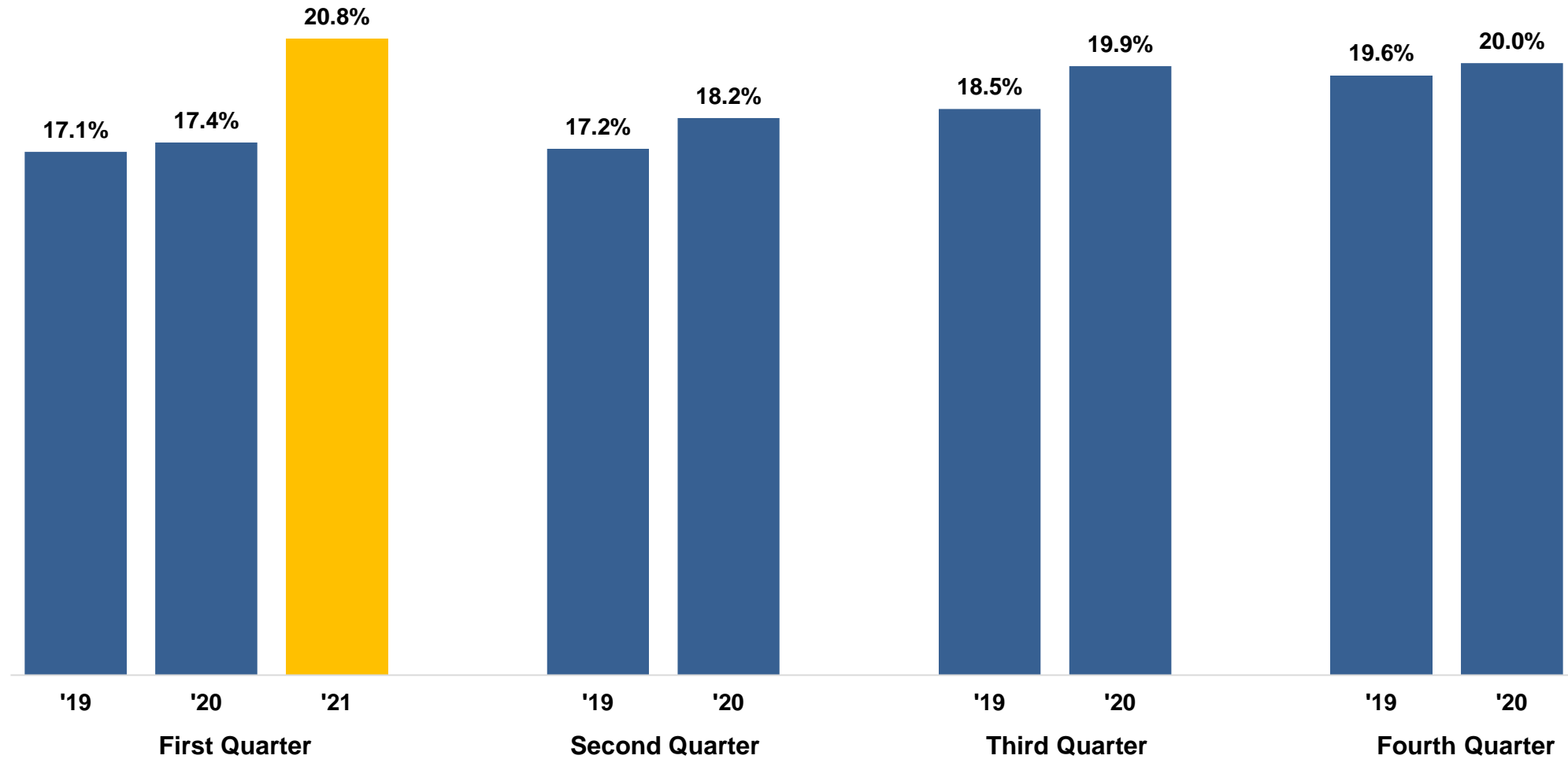


Homebuilding Operating Income Margin*

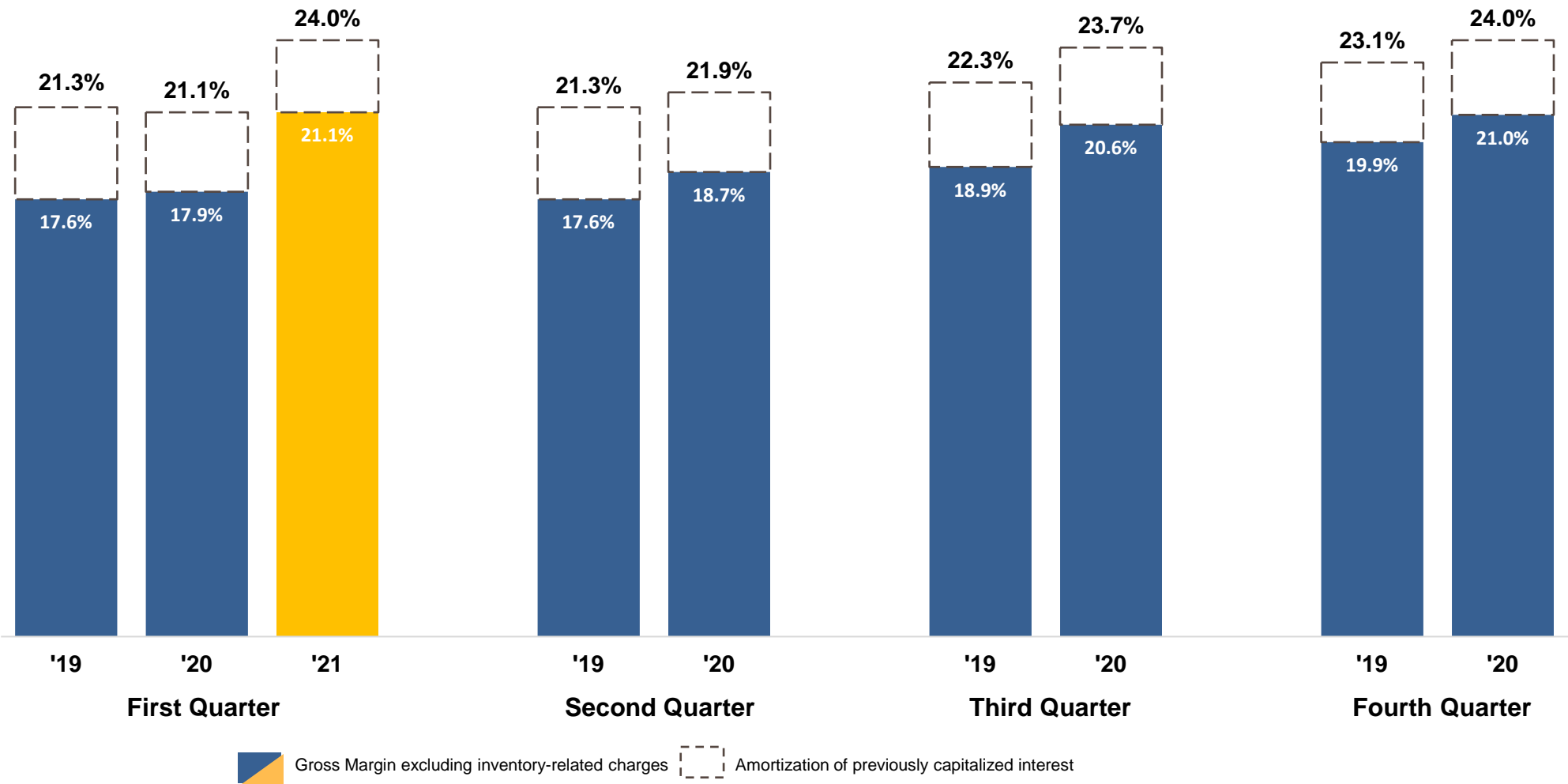


*Excludes inventory-related charges. See Appendix: Reconciliation of Non-GAAP Financial Measures.

Housing Gross Profit Margin – Reported

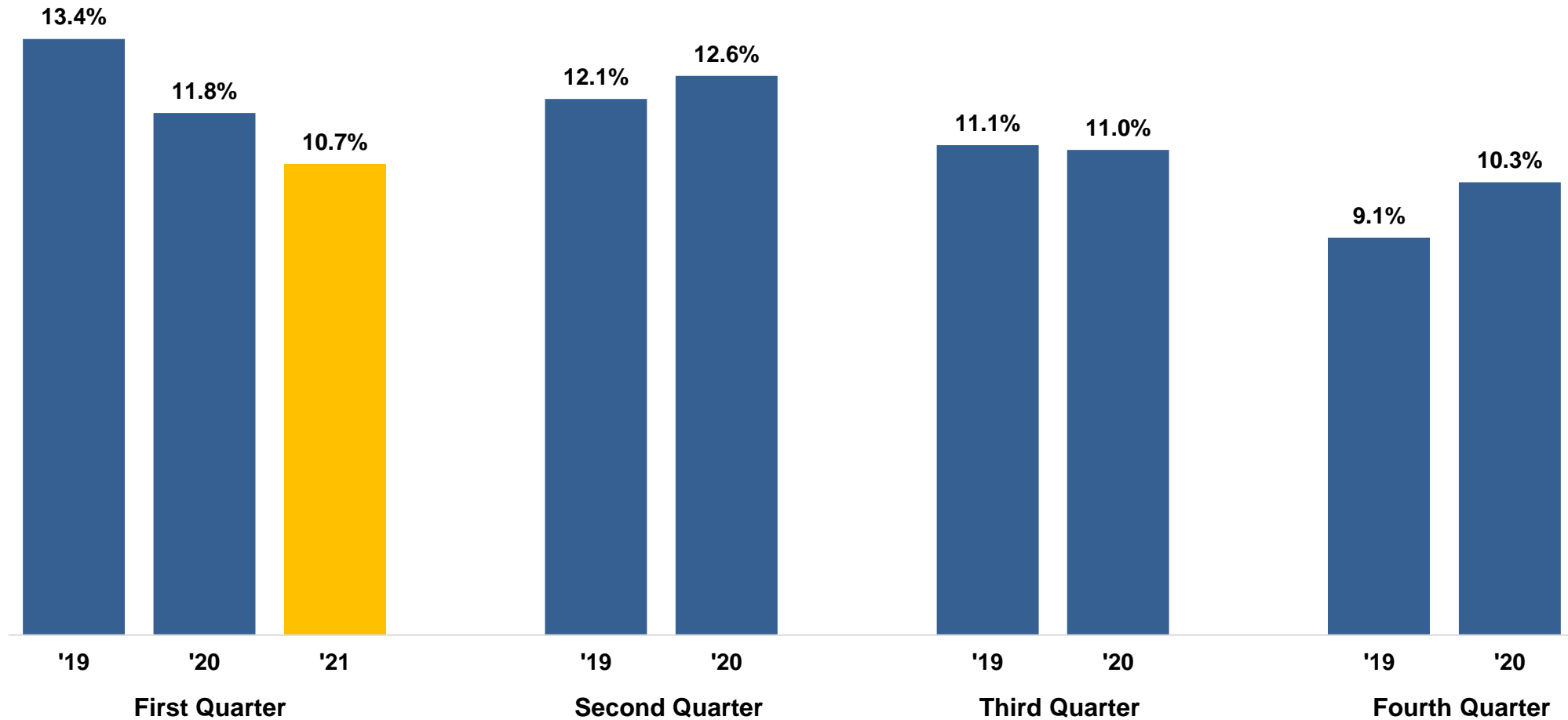


Housing Gross Profit Margin – Adjusted*



*Excludes inventory-related charges and amortization of previously capitalized interest. See Appendix: Reconciliation of Non-GAAP Financial Measures.

SG&A Expense Ratio

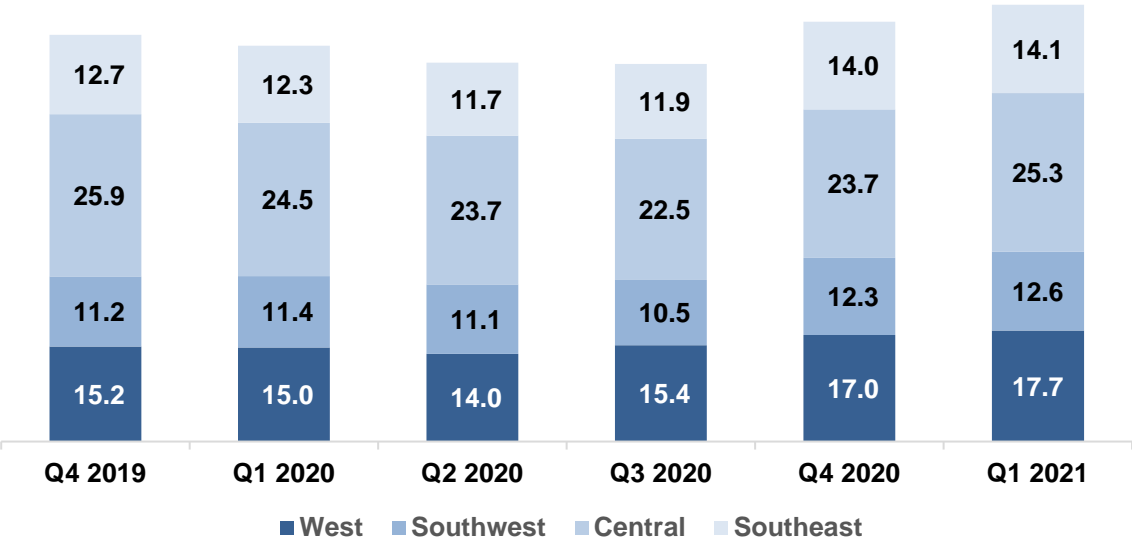


Balanced Land Portfolio

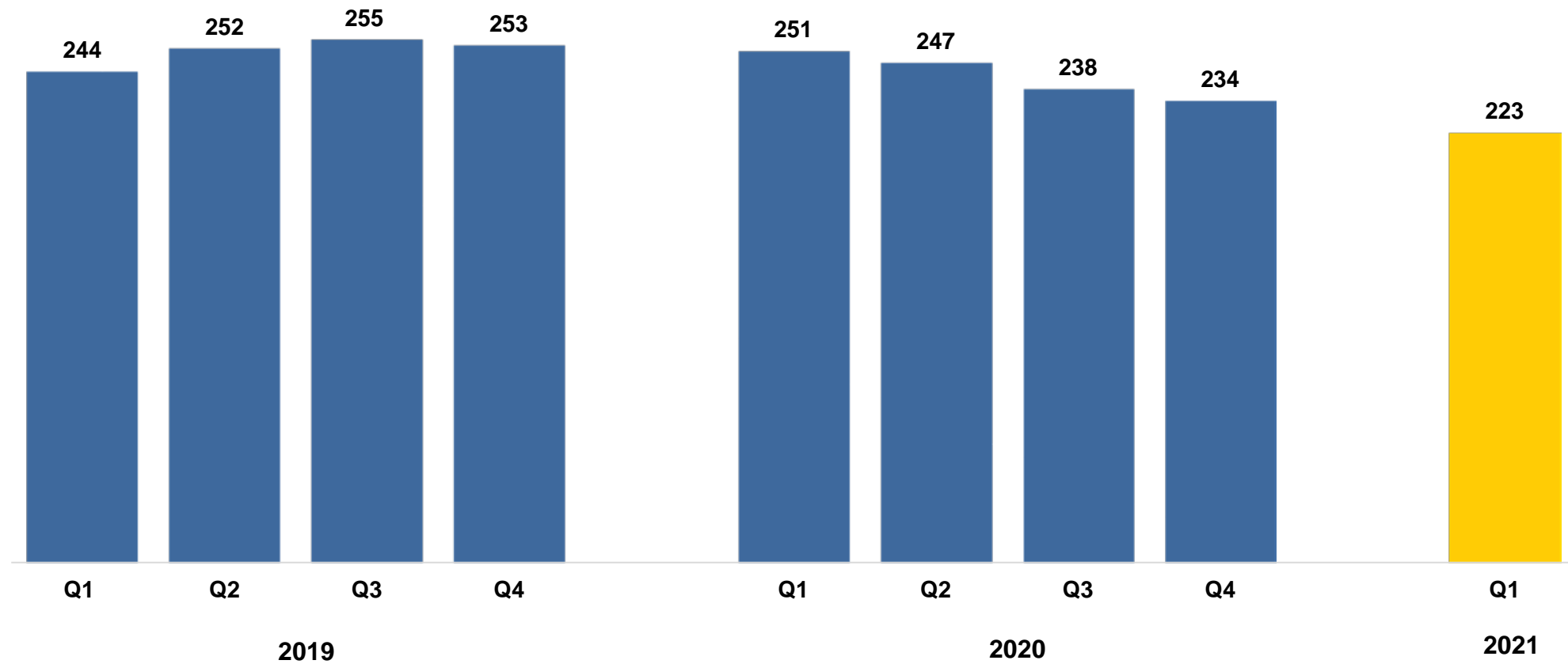
Q1 2021 Highlights

- Total inventory was \$4.12 billion
- Total lots owned or controlled were 69,694
 - Owned lots represented a supply of approx. 3.9 years based on homes delivered in the trailing 12 months
 - Owned / optioned split was 60% / 40%
- We own all of the lots that we need for the sizeable increase in delivery volume anticipated for 2021, and own or control all of the lots we need for delivery growth in 2022.

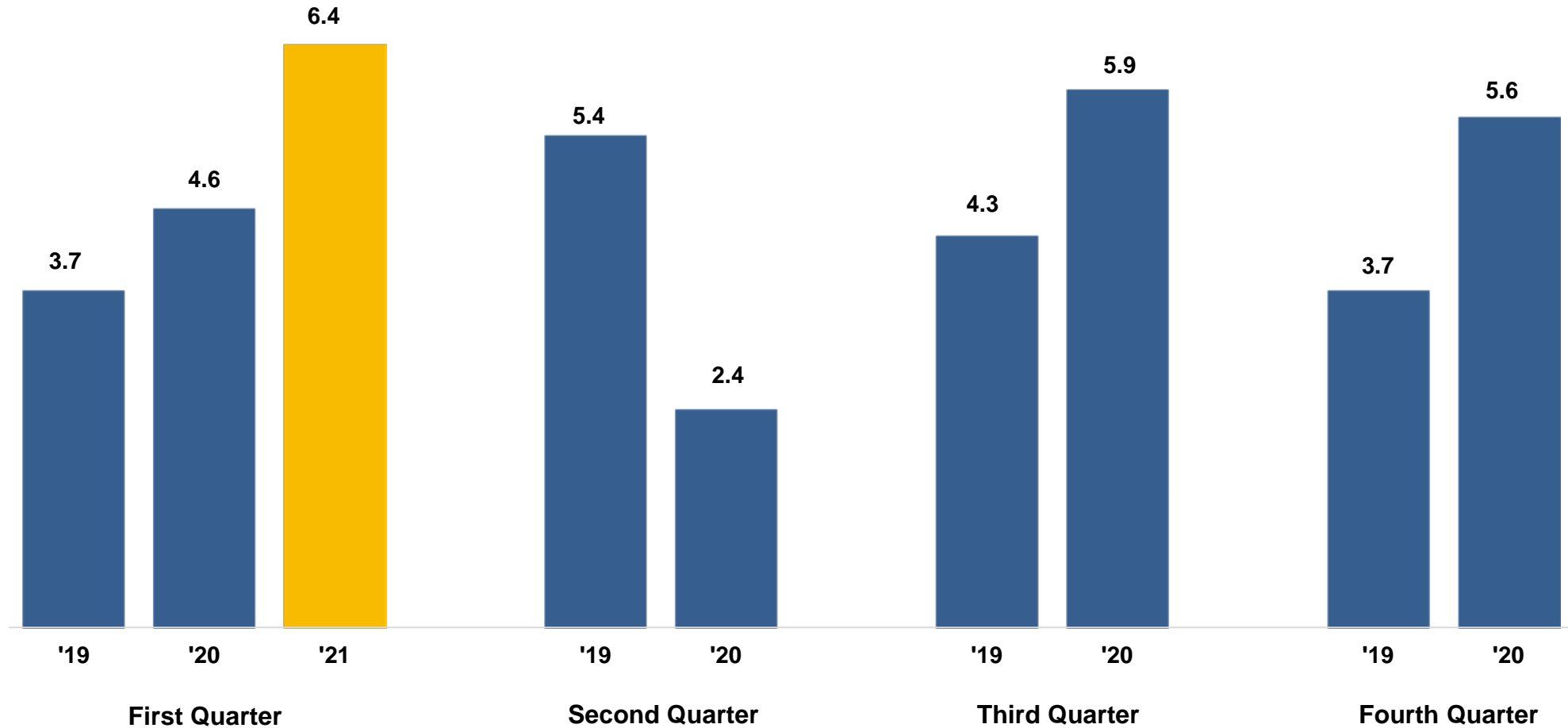
Lots by Region (in 000's)



Average Community Count



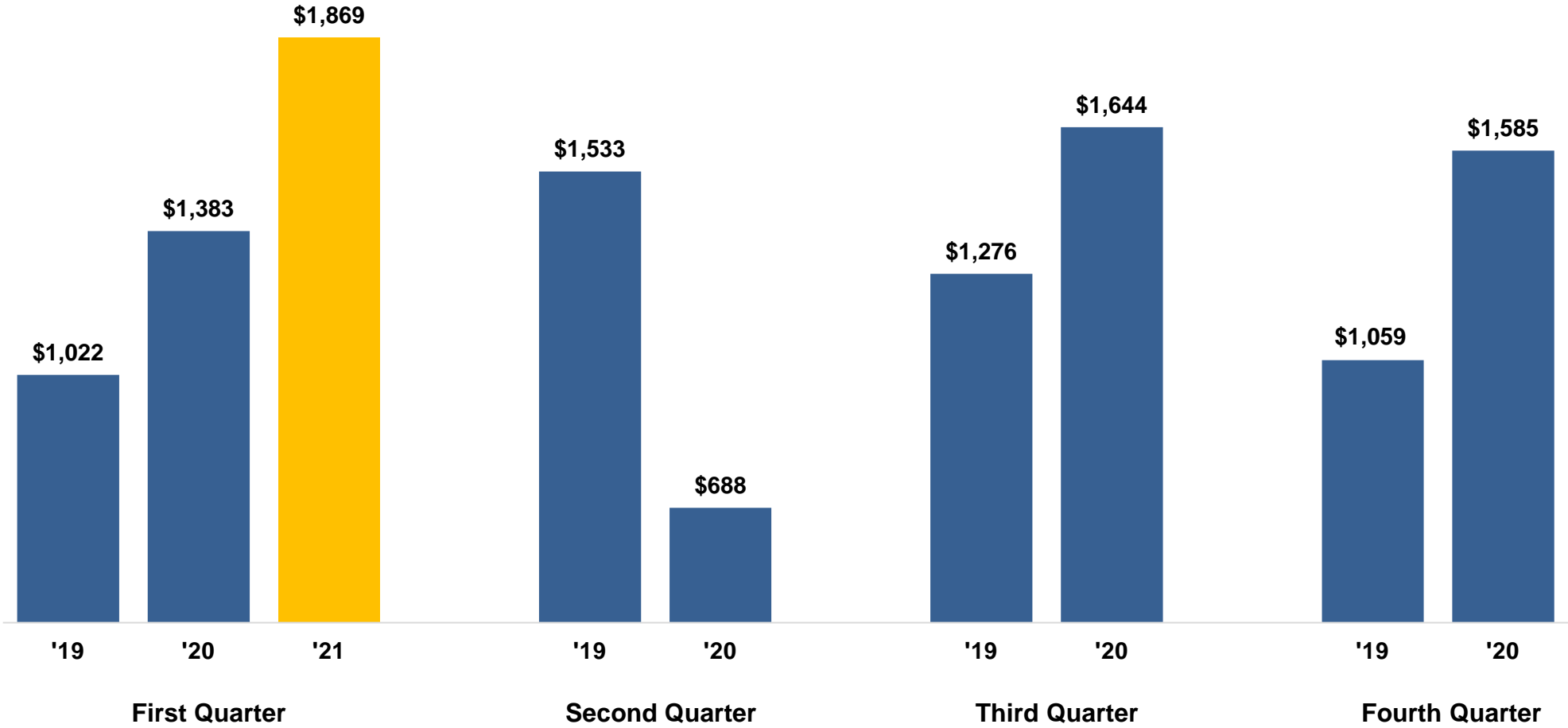
Net Orders per Community per Month





Net Order Value

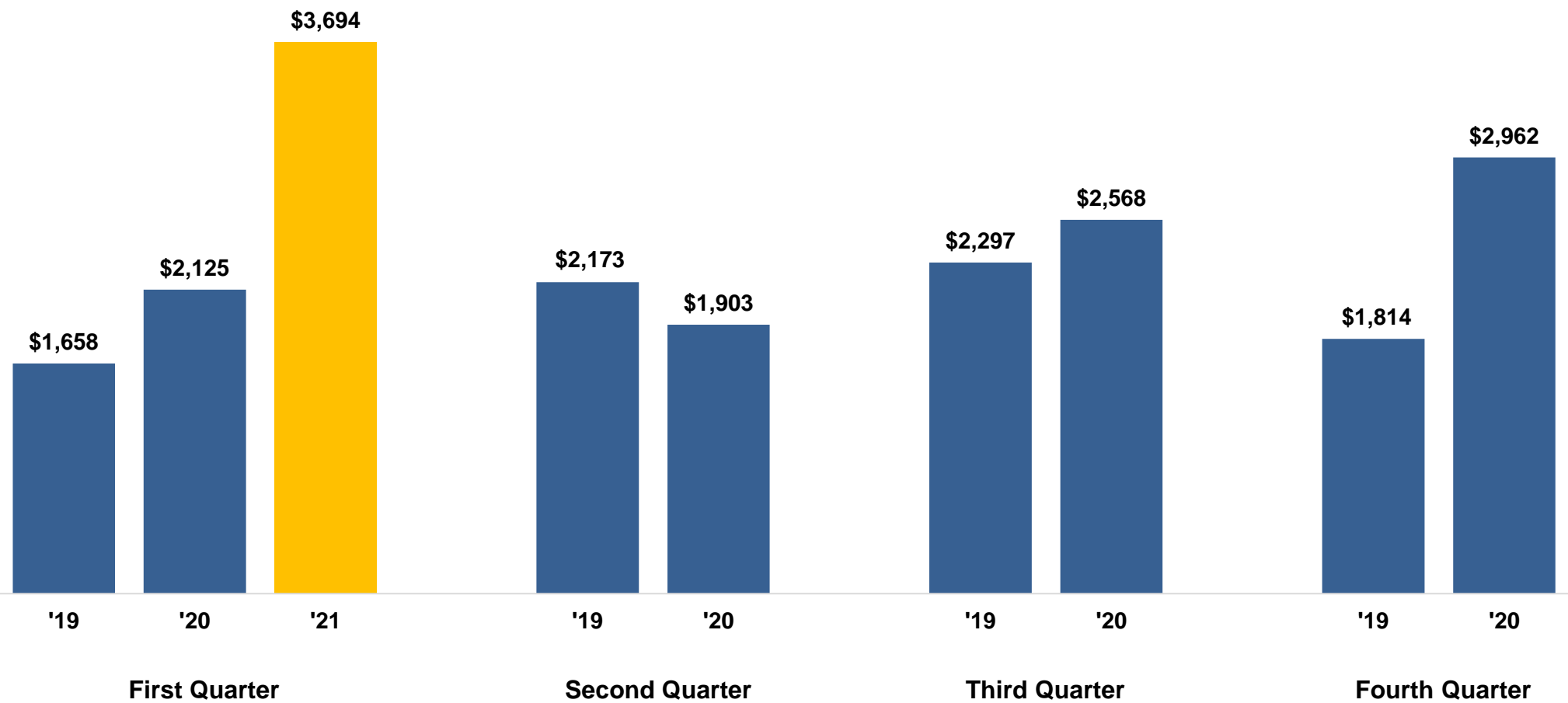
(\$ in millions)





Backlog Value

(\$ in millions)



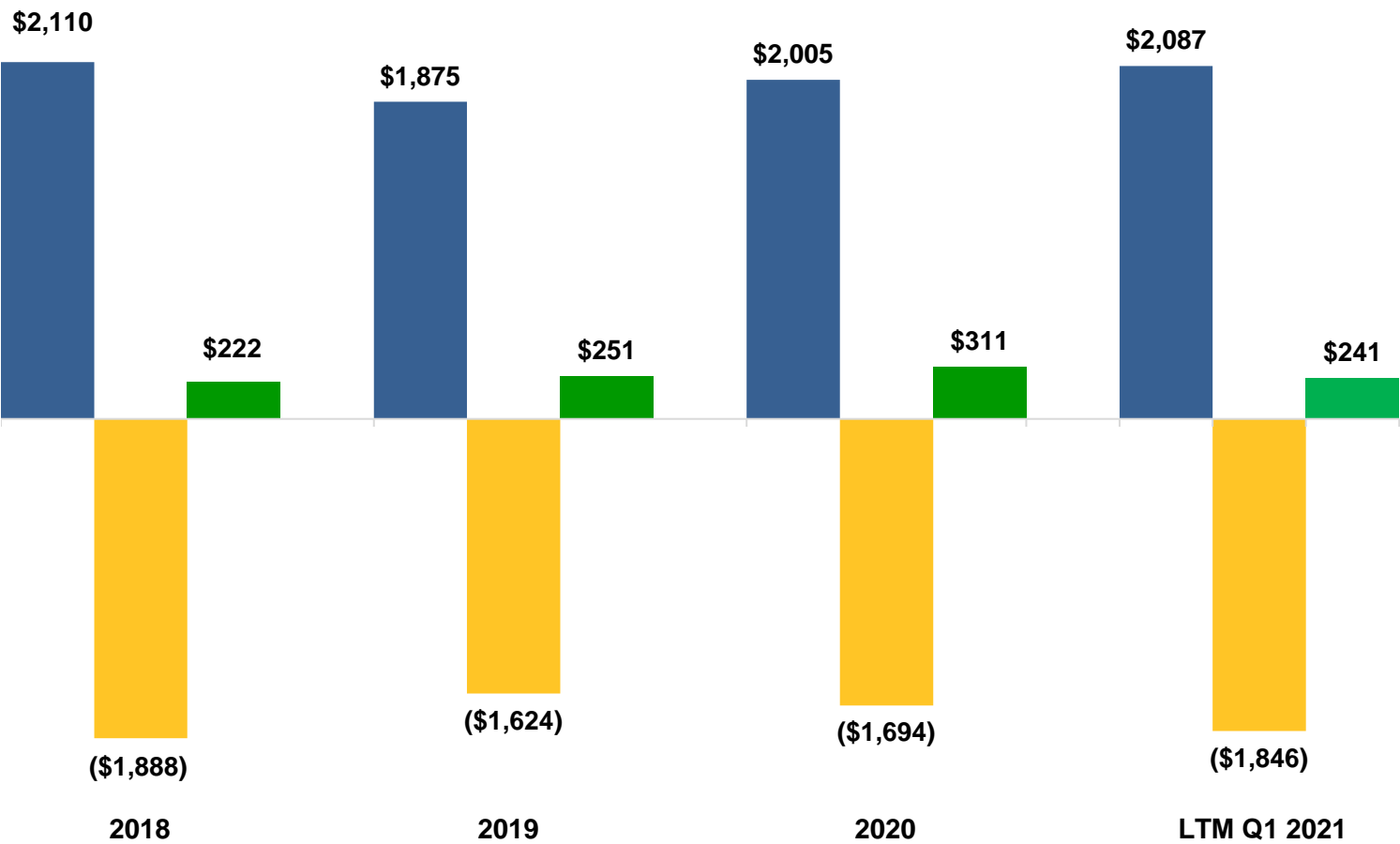


(\$ in millions)

Generating Significant Gross Operating Cash Flow

Highlights

- We have generated nearly \$6 billion in gross operating cash flow over the past three fiscal years
- Approximately 87% of this cash flow has been reinvested in our future growth through land acquisition and development spend that meet our underwriting criteria
- We have returned approximately \$102 million in cash to stockholders through dividends and share repurchases from 2018 through 2020



■ Gross Cash provided by Operating Activities ■ Land Acquisition and Development Investment ■ Net Cash provided by Operating Activities (As Reported)

Healthy Capital Structure

Highlights

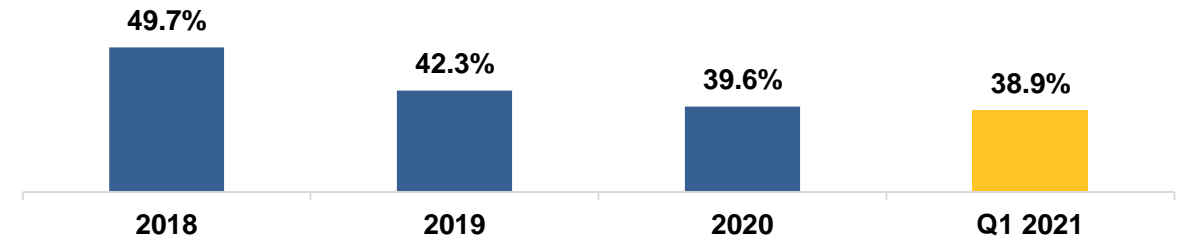
Leverage

- We improved our debt-to-capital ratio by 70 basis points relative to year-end 2020
- From 2018 through 2020, we have repaid approximately \$580 million in senior notes

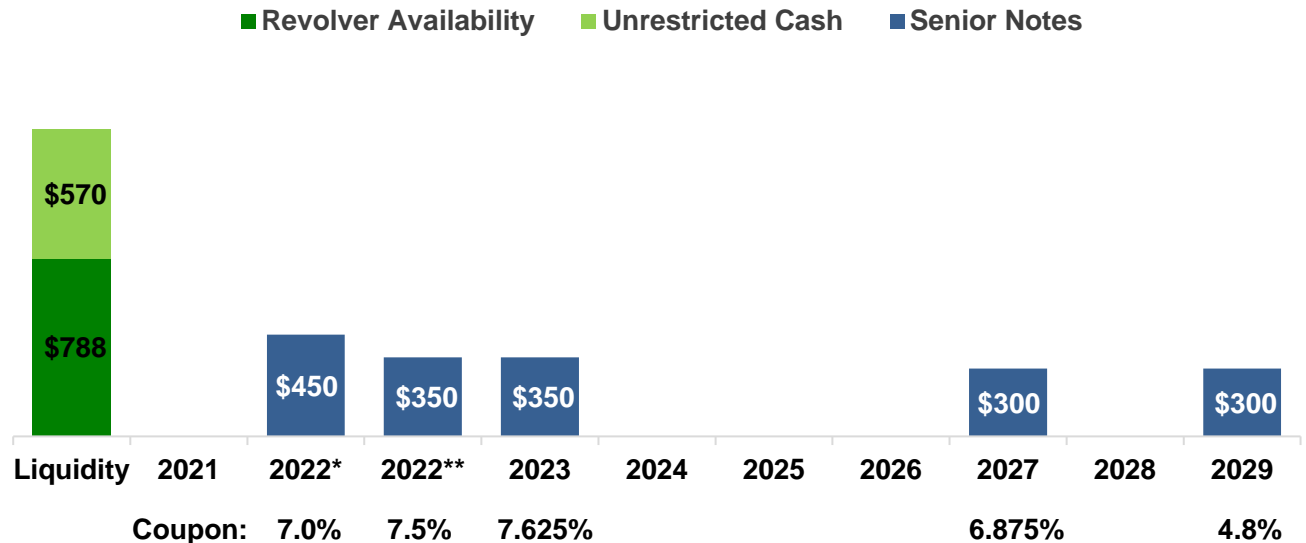
Liquidity

- Total liquidity, including cash and revolver availability, was \$1.36 billion at Q1 2021
- We did not borrow under our unsecured revolving credit facility in 2020, or during Q1 2021

Debt-to-Capital Ratio



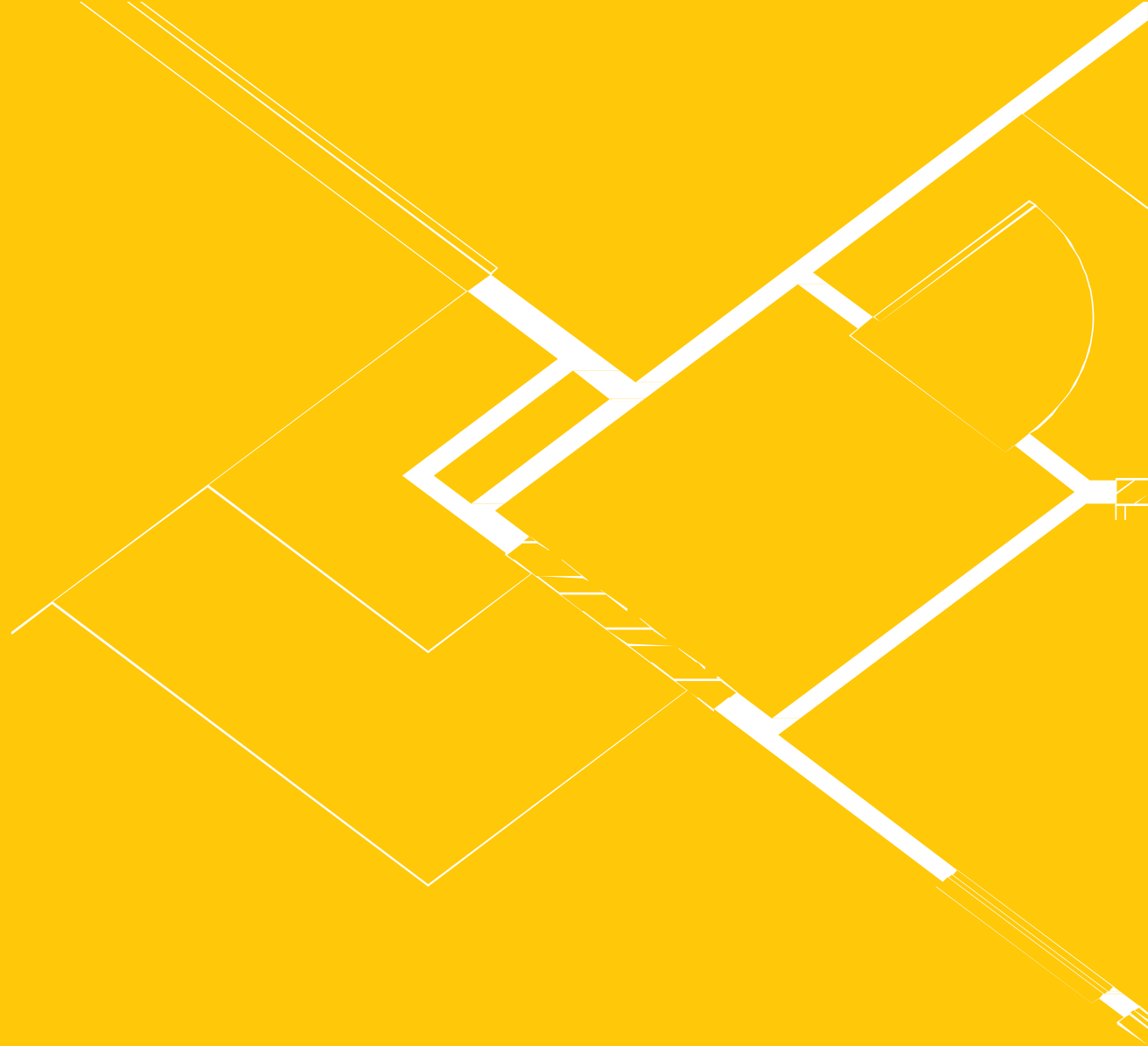
Liquidity and Debt Maturity Summary at 2/28/21 (\$ in millions)



* Matures 12/15/21 (fiscal year 2022)

** Matures 9/15/22

The ESG Difference



Leadership in Sustainable Homebuilding

150,000+
ENERGY STAR
Homes

11,000+
Solar Homes

16,000+
WaterSense &
WaterSmart Homes

\$780 Million
Utility Bill Savings

1.5 Billion Gallons
Water Conserved
Annually

5 Billion Pounds
Fewer CO₂ Emissions

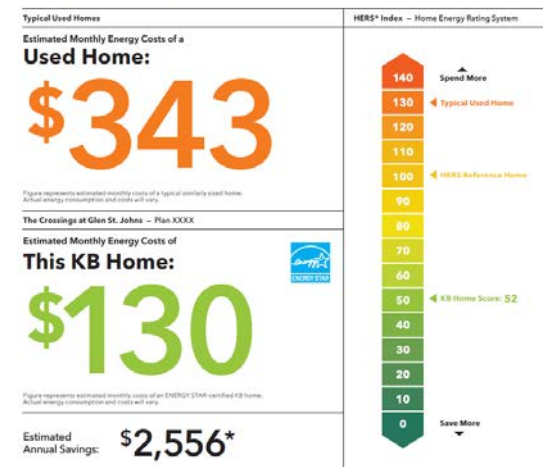


Energy Savings Comparison

The Crossings at Glen St. Johns



At KB Home, every home we build is designed to be ENERGY STAR® certified thanks to the quality construction techniques and materials we use. In fact, we go beyond EPA requirements by ensuring that every ENERGY STAR certified KB home has been tested and verified by a third-party inspector to meet EPA's strict certification standards. Our ENERGY STAR certified homes offer fewer air leaks and drafts, reduced noise and energy-efficient appliances and lighting to ultimately deliver significant savings on utility bills compared to used homes.



©2021 KB Home. The energy efficiency level and the estimated energy cost and savings shown for this KB home plan are determined per the California Energy Commission (CEC) Home Energy Rating System (HERS) Program using CEC-certified computer software and CEC-mandated inputs and certain assumed conditions as to specific standard features of the home as designed. Each is based on the heating and cooling systems, appliances and lighting that are included as standard items with this KB home plan and average local energy utility rates available at the time of determination. The estimated energy cost shown for a typical used home is calculated based on corresponding features of a vintage home (built in 1984-1995) of similar overall square footage without accounting for typical or historical costs, as published by the CEC, or for appliances and lighting, assumed for that period and average local energy utility rates available at the time of determination. The estimated energy cost and savings shown do not include or take into account any applicable local, state or federal laws and/or regulations or energy utility provider required fees, tariffs or charges. The typical new home energy efficiency level shown represents a home as built to the 2008 California Building Energy Efficiency Standards (standards). The used home energy efficiency level is a comparison to the energy efficiency level of a home as built to the standards. KB Home does not warrant or guarantee that the energy efficiency level for an as-built home will be equivalent or lower than the energy efficiency level shown for this KB home plan. The actual energy cost and savings of any KB home will vary over time, and may vary substantially, based on a number of factors and variables, including information about the energy efficiency level and the estimated energy cost and savings shown for this KB home plan is not intended to be used for comparison or other purposes. KB Home does not intend to be used for comparison or other purposes. KB Home is not affiliated with any home energy efficiency evaluation organization or system, software program or other. (CA, reg. 1017715000730-281, 288)

Energy Savings Comparison

Our proprietary tool demonstrating the lower cost of homeownership possible with a KB home*

KB Home provides this comparison for every floor plan at each of our communities

Giving Back to Our Communities



kbcares



Robust Corporate Governance

Governance Practices: A Snapshot

Independent

- Eleven of our twelve directors are independent
- Independent directors lead all Board committees

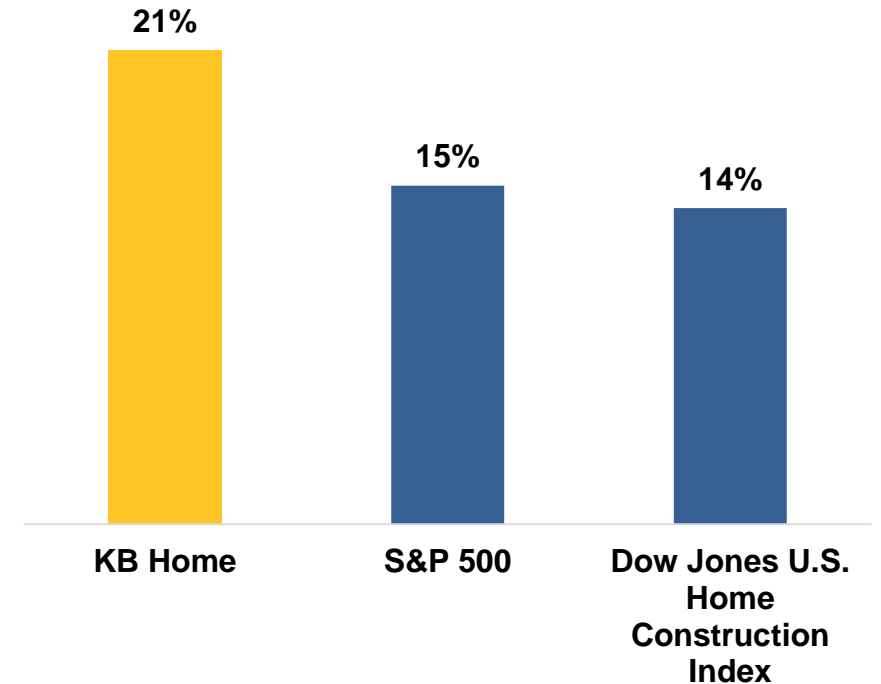
Accountable

- Directors are elected annually under a majority voting standard
- In 2021, our directors received an average of 96% support
- Directors and senior executives are subject to strong stock ownership requirements
- Executive officers are subject to a robust incentive compensation claw-back policy

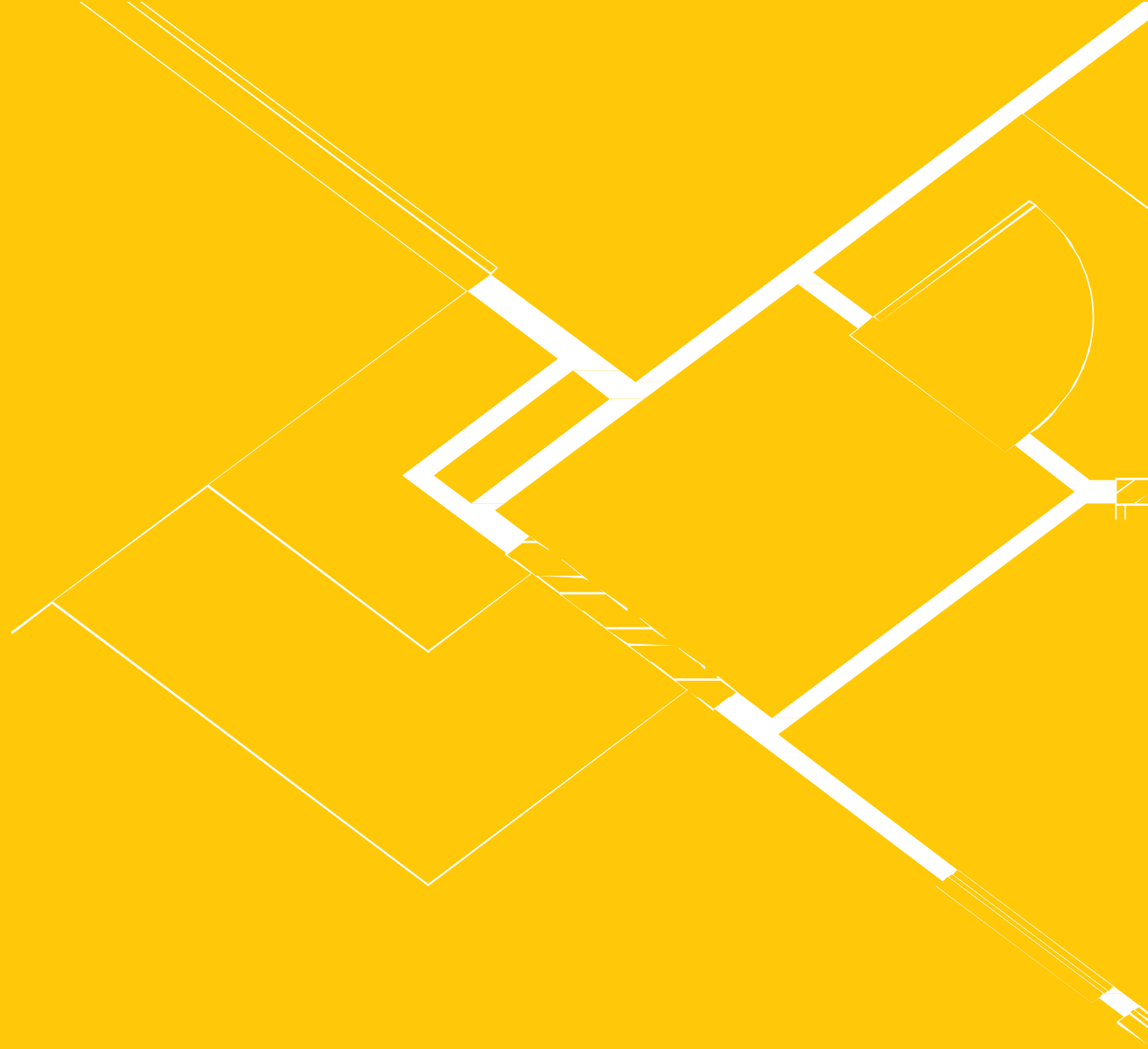
Aligned

- We have one class of outstanding voting securities that allows each holder one vote for each share held
- No supermajority voting requirements
- In 2021, our Say-on-Pay proposal received 85% support

Five-Year Annualized Total Stockholder Return (2016-2020)



Summary





KB Home – A Compelling Story

Key Takeaways

Well positioned

Existing geographic footprint offers potential for substantially larger scale in markets selected for their long-term economic and demographic growth potential

Compelling

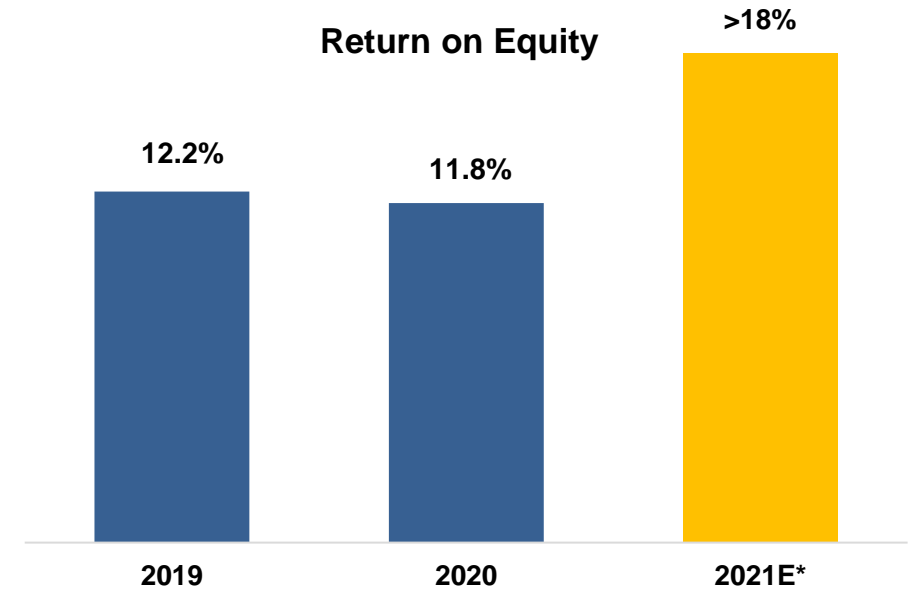
Focused on first-time buyers while appealing to move-up buyers and empty nesters, thereby targeting the largest homebuyer demand segments

Advantages of BTO

Sell and build the home the customer values, which helps drive absorption. With a large backlog of sold homes, we can manage starts to achieve even-flow production at the community level, generating efficiencies in overhead and cost to build, and we have greater predictability on deliveries.

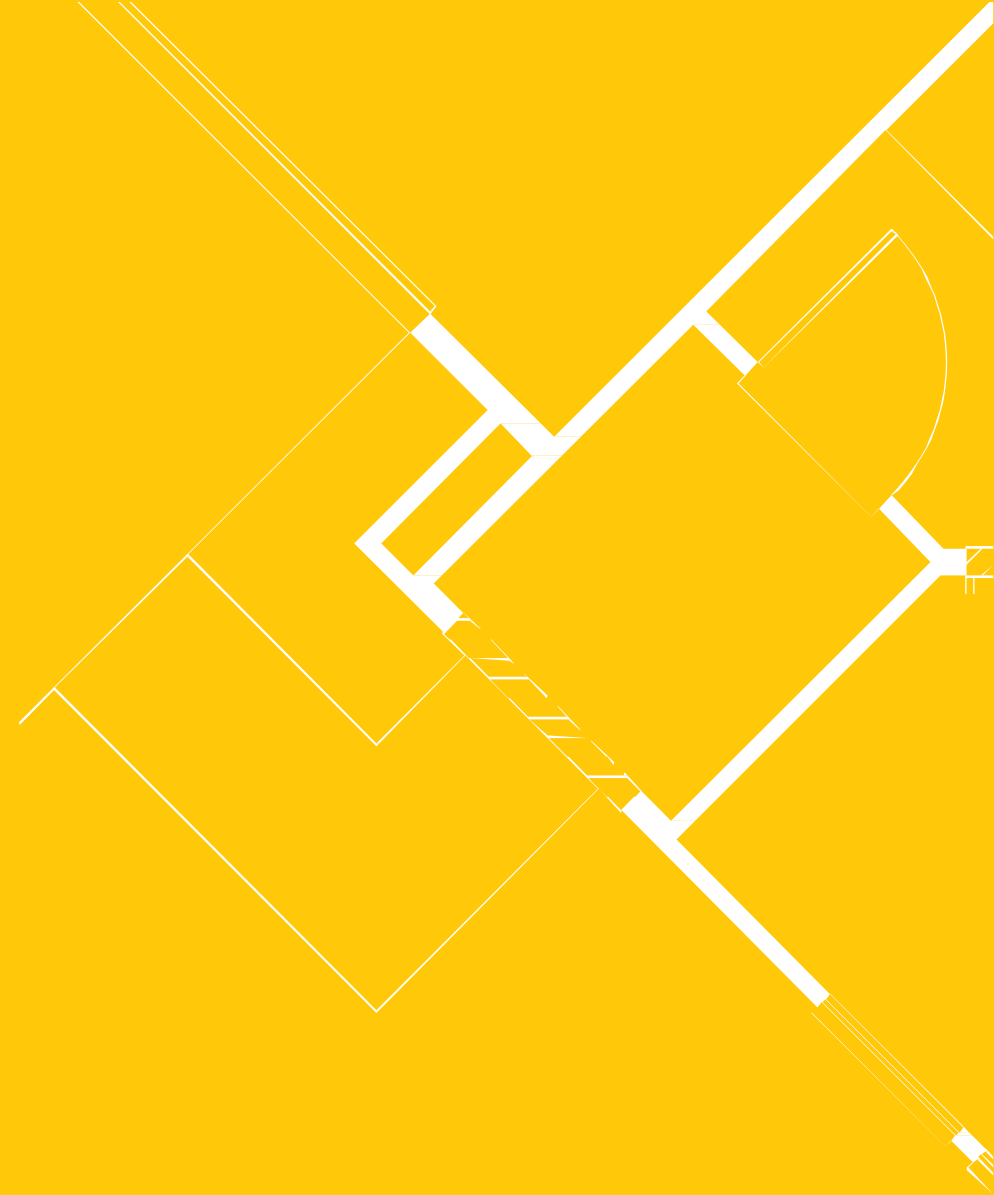
Demonstrated leadership in sustainability

With an industry-leading over 150,000 ENERGY STAR homes delivered, we are committed to helping our buyers lower the cost of homeownership. Our ENERGY STAR homes are up to 20% more efficient than standard new homes built to code.



*Reflects the guidance we provided on our Q1 2021 earnings conference call on March 24, 2021. See Appendix: ROE Calculation Detail.

Appendix





ROE Calculation Detail

(\$ in thousands)

Net Income	2019	2020
Pretax income	\$ 348,175	\$ 364,043
Income tax expense	(79,400)	(67,800)
Net income	<u>\$ 268,775</u>	<u>\$ 296,243</u>
Average stockholders' equity (a)	<u>\$ 2,211,312</u>	<u>\$ 2,509,531</u>
Return on equity	<u>12.2%</u>	<u>11.8%</u>

(a) Average stockholders' equity for the trailing five quarters.

Reconciliation of Non-GAAP Financial Measures

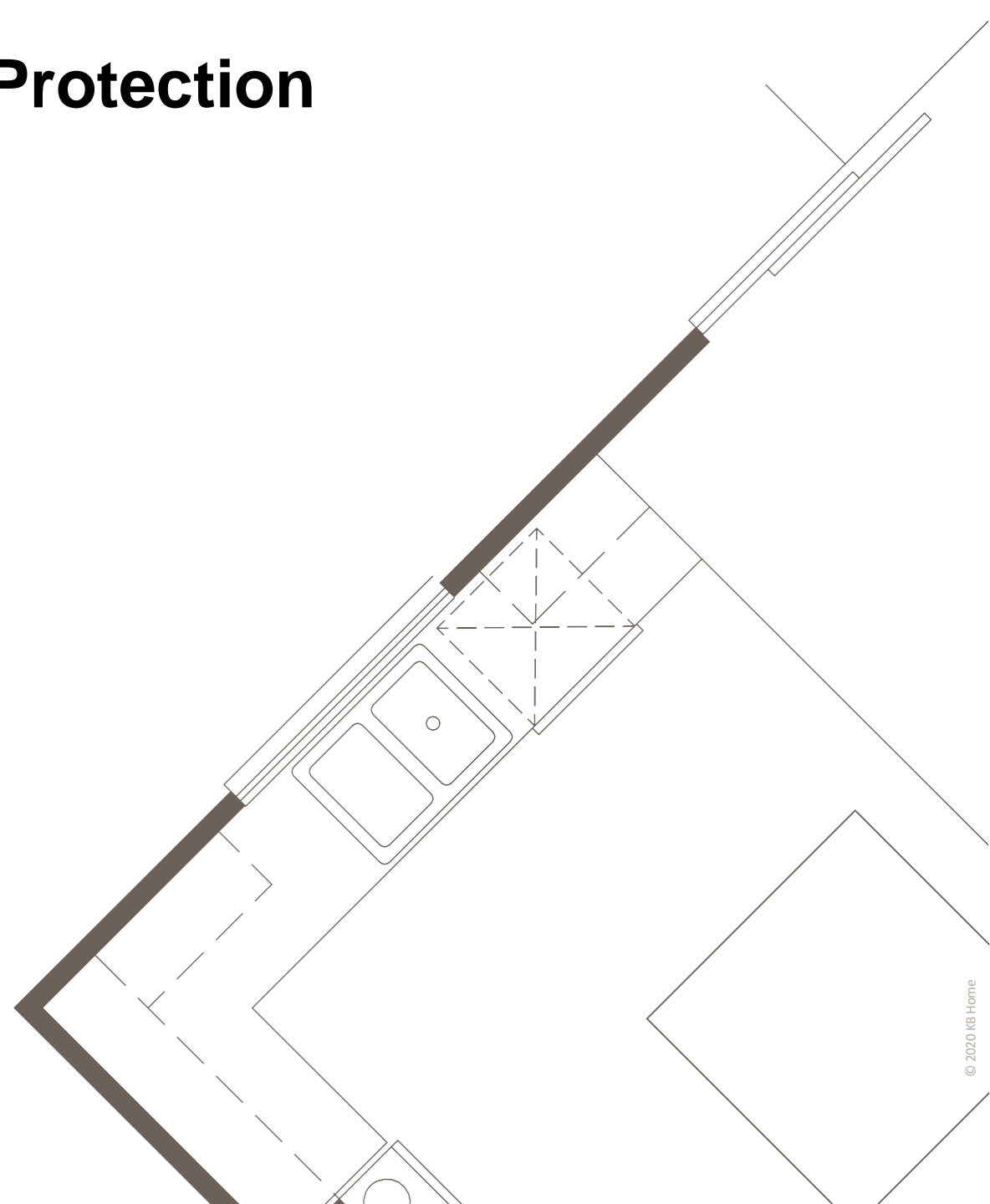
	2019				2020				2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
<u>Housing Gross Profit Margin</u>									
Housing Gross Profit Margin - As Reported	17.1%	17.2%	18.5%	19.6%	17.4%	18.2%	19.9%	20.0%	20.8%
Housing inventory-related charges	0.5	0.4	0.4	0.3	0.5	0.5	0.7	1.0	0.3
Housing gross profit margin excluding inventory-related charges	17.6	17.6	18.9	19.9	17.9	18.7	20.6	21.0	21.1
Amortization of previously capitalized interest	3.7	3.7	3.4	3.2	3.2	3.2	3.1	3.0	2.9
Housing Gross Profit Margin - As Adjusted	<u>21.3%</u>	<u>21.3%</u>	<u>22.3%</u>	<u>23.1%</u>	<u>21.1%</u>	<u>21.9%</u>	<u>23.7%</u>	<u>24.0%</u>	<u>24.0%</u>
<u>Homebuilding Operating Income Margin</u>									
Homebuilding Operating Income Margin - As Reported	3.9%	5.1%	7.4%	10.5%	5.6%	5.7%	8.9%	9.7%	10.0%
Homebuilding inventory-related charges	0.4	0.4	0.4	0.2	0.5	0.4	0.7	1.0	0.4
Homebuilding operating income margin excluding inventory-related charges	<u>4.3%</u>	<u>5.5%</u>	<u>7.8%</u>	<u>10.7%</u>	<u>6.1%</u>	<u>6.1%</u>	<u>9.6%</u>	<u>10.7%</u>	<u>10.4%</u>

The Company believes these non-GAAP financial measures, which assist management in making certain decisions, are relevant and useful to investors in understanding its operations and in providing meaningful period-to-period comparisons, and may be helpful in comparing the Company with other homebuilding companies to the extent they provide similar information.



Deferred Tax Asset Value and Protection

- At Feb. 28, 2021, KB Home had net deferred tax assets (DTA) of approximately \$215 million
- To support the realization of the DTA, KB Home has undertaken a number of steps to avoid experiencing an “ownership change” under federal tax laws
- The primary protection is a Rights Agreement approved by stockholders in 2009, 2018 and 2021 (which extended the latest expiration to Apr. 30, 2024). The Rights Agreement provides authority for the distribution of dilutive stock purchase rights in connection with an acquisition of 4.9% or more of KB Home’s outstanding common stock.
- At Feb. 28, 2021, there were 92.0 million shares of common stock outstanding



**Thank you for your interest in KB Home.
For further information,
please contact us:**

**Investor Relations
(310) 231-4000
investorrelations@kbhome.com**