



# FOURTH QUARTER 2023 ANALYST CONFERENCE CALL

FEBRUARY 1, 2024

# Safe Harbor

The information included in this presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include expectations about the housing market in general, our sales pace, backlog conversion rate, level of spec starts, SG&A as a percentage of home closing revenue, landbanking utilization and cash spend on land investments, share repurchases and cash dividends; our intention to increase our community count; expectations about our future results, including but not limited to our 1Q24 and FY2024 projected home closings, home closing revenue, home closing gross margins, SG&A leverage, effective tax rate and diluted earnings per share.

Such statements are based on the current beliefs and expectations of Company management and current market conditions, which are subject to significant uncertainties and fluctuations. Actual results may differ from those set forth in the forward-looking statements. The Company makes no commitment, and disclaims any duty, except as required by law, to update or revise any forward-looking statements to reflect future events or changes in these expectations. Meritage's business is subject to a number of risks and uncertainties. As a result of those risks and uncertainties, the Company's stock and note prices may fluctuate dramatically.

These risks and uncertainties include, but are not limited to, the following: increases in mortgage interest rates and the availability and pricing of residential mortgages; the use of rate locks and buy-downs; inflation in the cost of materials used to develop communities and construct homes; cancellation rates; supply chain and labor constraints; the ability of our potential buyers to sell their existing homes; our ability to acquire and develop lots may be negatively impacted if we are unable to obtain performance and surety bonds; the adverse effect of slow absorption rates; legislation related to tariffs; impairments of our real estate inventory; competition; home warranty and construction defect claims; failures in health and safety performance; fluctuations in quarterly operating results; our level of indebtedness; our ability to obtain financing if our credit ratings are downgraded; our potential exposure to and impacts from natural disasters or severe weather conditions; the availability and cost of finished lots and undeveloped land; the success of our strategy to offer and market entry-level and first move-up homes; a change to the feasibility of projects under option or contract that could result in the write-down or write-off of earnest money or option deposits; our limited geographic diversification; the replication of our energy-efficient technologies by our competitors; shortages in the availability and cost of subcontract labor; our exposure to information technology failures and security breaches and the impact thereof; the loss of key personnel; changes in tax laws that adversely impact us or our homebuyers; our inability to prevail on contested tax positions; failure of our employees and representatives to comply with laws and regulations; our compliance with government regulations related to our financial services operations; negative publicity that affects our reputation; potential disruptions to our business by an epidemic or pandemic, and measures that federal, state and local governments and/or health authorities implement to address it; and other factors identified in documents filed by the Company with the Securities and Exchange Commission, including those set forth in our Form 10-K for the year ended December 31, 2022 and our Form 10-Q for the quarter ended September 30, 2023 under the caption "Risk Factors," which can be found on our website at <https://investors.meritagehomes.com>.

# Speakers



**Steven J. Hilton** – Executive Chairman

**Phillippe Lord** – Chief Executive Officer

**Hilla Sferruzza** – EVP & Chief Financial Officer

**Emily Tadano** – VP of Investor Relations and ESG

# 4Q23 Company Milestones



## Inclusive Workplace Culture

- Launched our first three employee resource groups, starting with a focus on multicultural, women and family structures
- Joined the lists of the *US News & World Report's* Best Companies To Work For and the *Phoenix Business Journal's* Best Places To Work

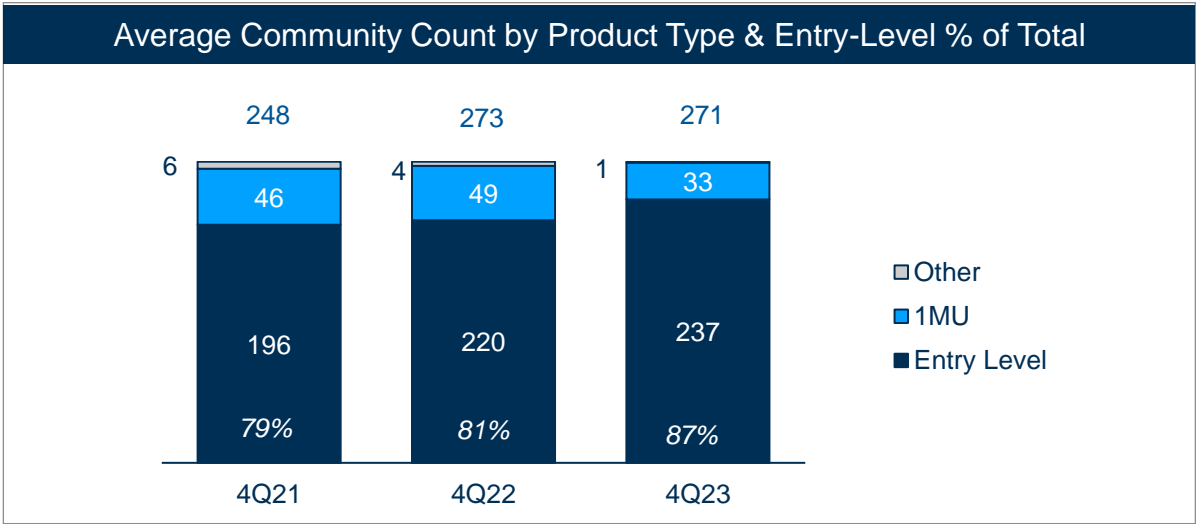
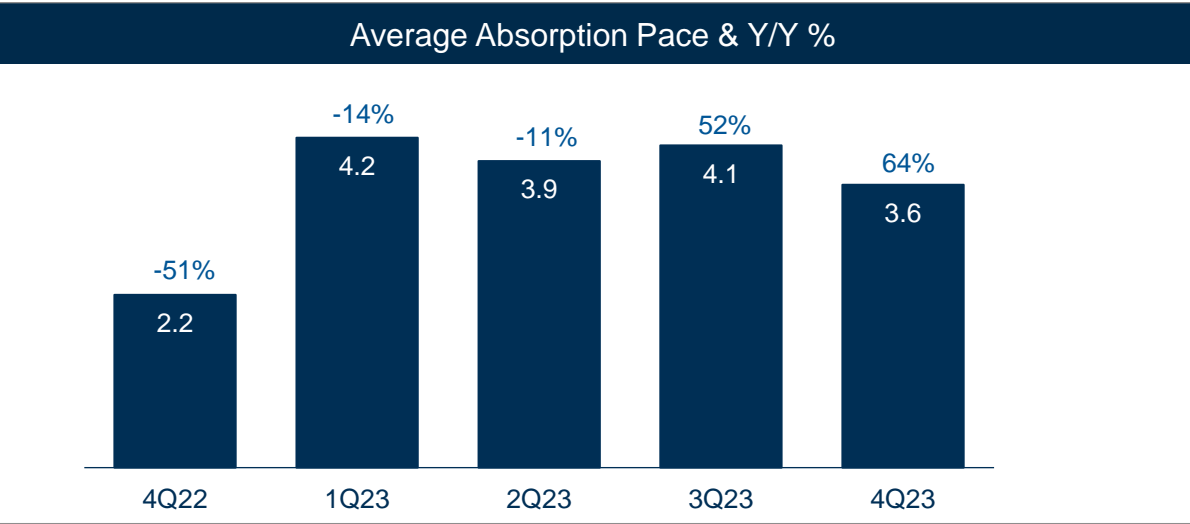
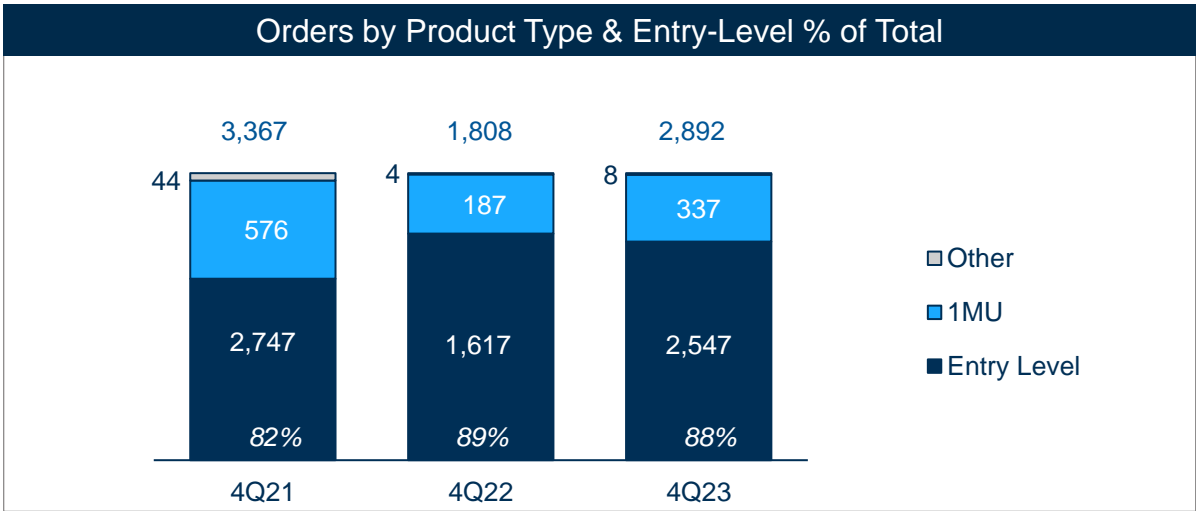
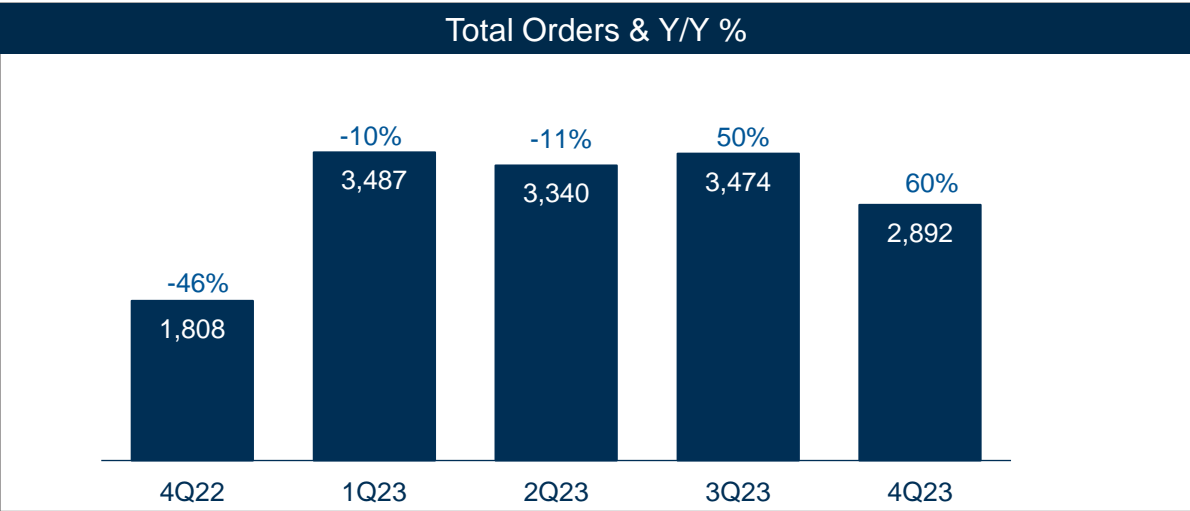
## Philanthropy

- Packed over 250,000 meals for No Child Hungry
- Planted trees with Arbor Day Foundation
- Received the Arizona Housing Fund's Partner of the Year award

## Sustainability

- Joined *Newsweek's* list of America's Greenest Companies for 2024
- Moved into a newly built LEED-certified corporate headquarters in Scottsdale

# Net Sales Orders Increased 60% Year-Over-Year



# Steady Performance Across Our Diversified Geographic Footprint

	West Region	Central Region	East Region	Total
Average Active Communities	81.0	85.0	105.0	271.0
Average Active Communities Y/Y(%)	-17%	10%	8%	-1%
Entry-level % Average Communities	85%	89%	87%	87%
Absorption per month	3.0	4.1	3.5	3.6
Absorption per month Y/Y(%)	88%	58%	40%	64%
Orders	722	1,054	1,116	2,892
Orders Y/Y(%)	56%	72%	52%	60%
ASP on Orders	\$518K	\$372K	\$387K	\$415K
ASP on Orders Y/Y(%)	7%	10%	4%	6%
Order Value Y/Y(%)	67%	88%	59%	70%

We aggregate our homebuilding operating segments into reporting segments based on similar long-term economic characteristics and geographical proximity.

Our three reportable homebuilding segments are as follows:

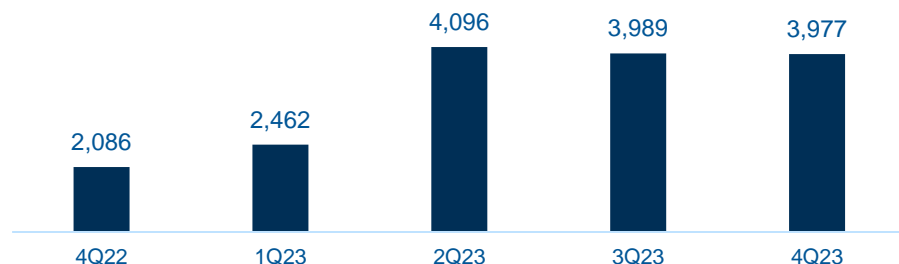
West: Arizona, California, Colorado, and Utah

Central: Texas

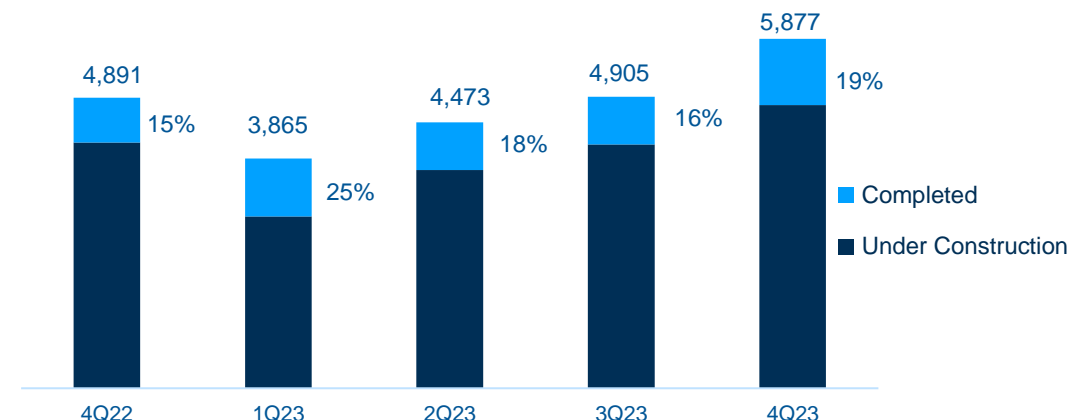
East: Florida, Georgia, North Carolina, South Carolina, and Tennessee

# Increasing Spec Supply is Our Competitive Advantage

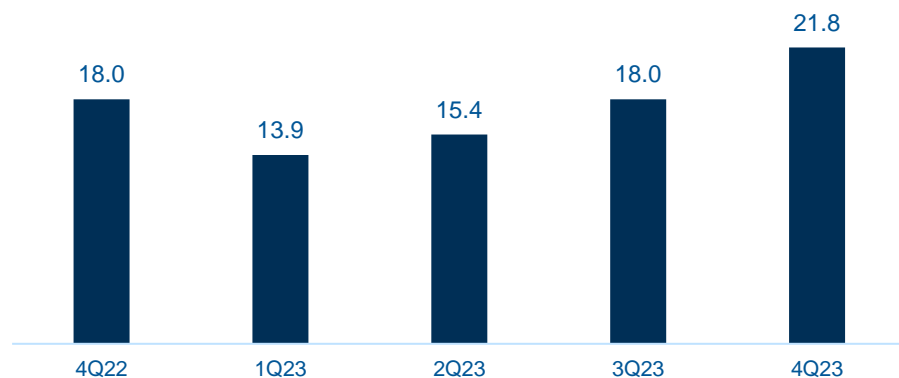
Spec Starts



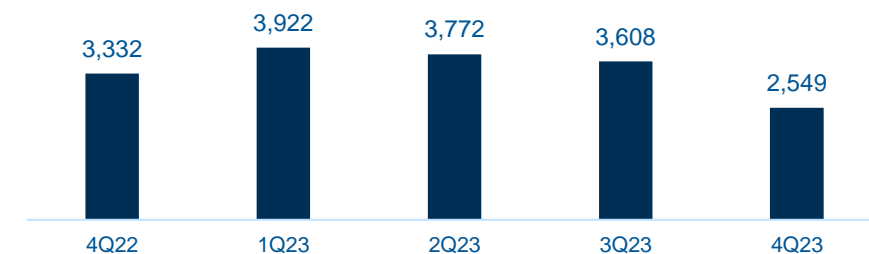
Total Specs & % Completed Specs



Average Specs Per Community



Ending Backlog Units





# 4Q23 Financial Performance

(\$ Millions except EPS & ASP)	4Q23	4Q22	%Chg	FY2023	FY2022	%Chg
Home closings	3,951	4,540	(13)%	13,976	14,106	(1)%
ASP (closings)	\$415K	\$437K	(5)%	\$433K	\$440K	(2)%
Home closing revenue	\$1,642	\$1,984	(17)%	\$6,057	\$6,207	(2)%
Home closing gross profit	\$413	\$500	(17)%	\$1,502	\$1,773	(15)%
Home closing gross margin	25.2%	25.2%	0 bps	24.8%	28.6%	(380) bps
SG&A expenses	\$176	\$167	5%	\$617	\$516	20%
SG&A % of home closing revenue	10.7%	8.4%	230 bps	10.2%	8.3%	190 bps
Earnings before taxes	\$259	\$342	(24)%	\$949	\$1,289	(26)%
Tax rate	23.2%	23.3%	(10) bps	22.2%	23.0%	(80) bps
Net earnings	\$199	\$262	(24)%	\$739	\$992	(26)%
Diluted EPS	\$5.38	\$7.09	(24)%	\$19.93	\$26.74	(25)%

## 4Q23 Highlights:

- ASPs on closings impacted by more costly financing incentives and geographic mix
- Home closing gross margin benefited from improved cycle time and lower lumber costs, which partially offset increased financing incentives and higher lot costs
- SG&A as a percentage of home closing revenue affected by increased performance-based compensation costs, higher commission rates and lower home closing revenue leverage



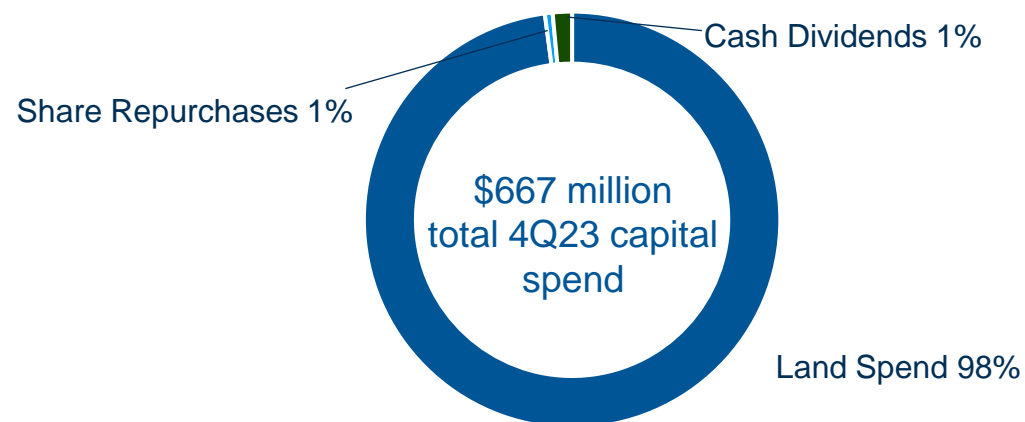
# 4Q23 Balance Sheet & Capital Spend

## Capital Structure – Non-GAAP Reconciliation

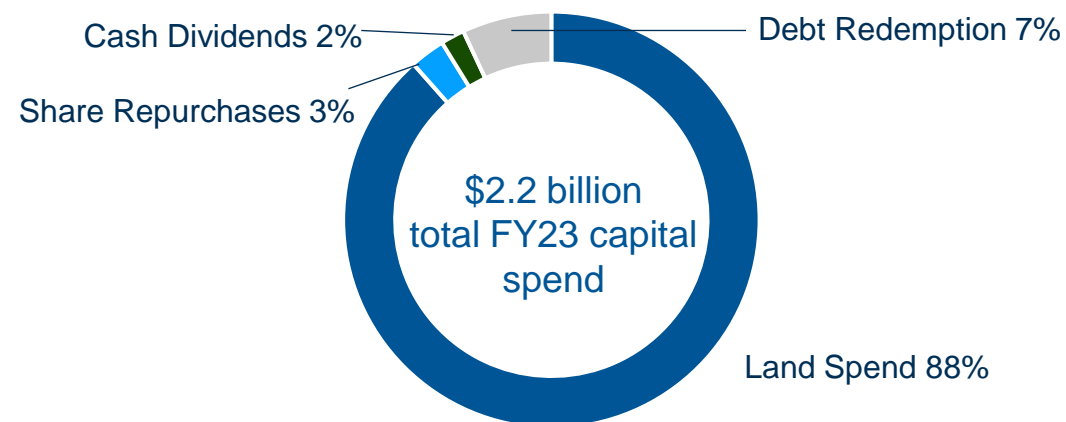
(\$ Millions)	Dec 31, 2023	Dec 31, 2022
Notes payable & other borrowings	\$1,008	\$1,151
Stockholders' equity	\$4,612	\$3,950
Total capital	\$5,620	\$5,100
Debt-to-capital	17.9%	22.6%
Less: cash & cash equivalents	(\$921)	(\$862)
Net debt	\$87	\$289
Total net capital	\$4,699	\$4,239
Net debt-to-capital	1.9%	6.8%
Book value per share	\$126.61	\$108.00

## Capital Allocation Spend

### 4Q23 Breakdown (\$ Millions)



### FY23 Breakdown (\$ Millions)



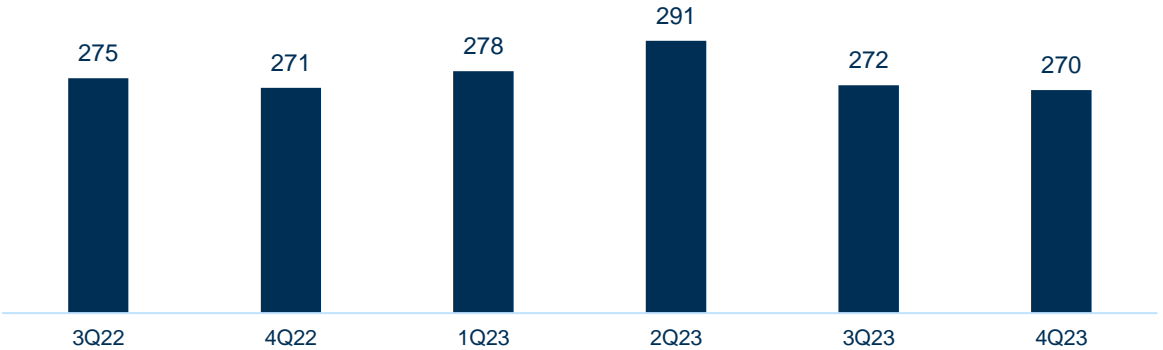
Full year 2023 includes a \$150M partial redemption of our 6.00% senior notes due 2025.

# Momentum in Land Investment

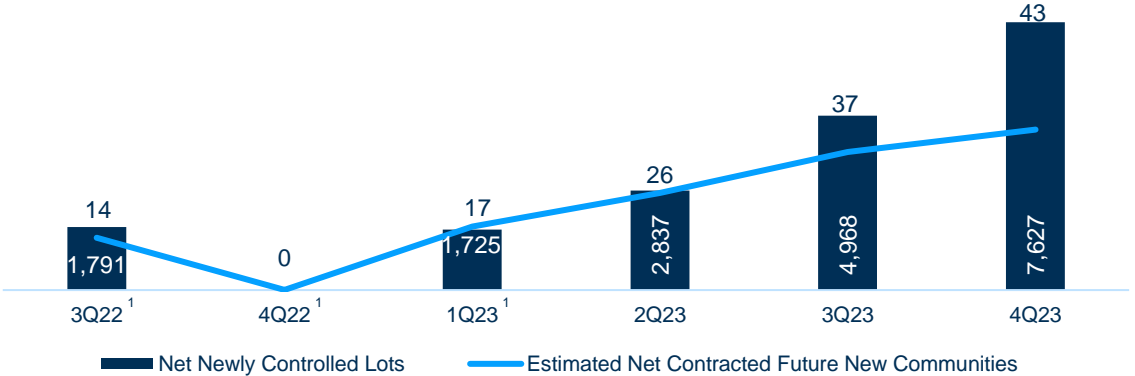
Lots Detail

	4Q23	4Q22
Total lots controlled	64,313	63,182
Supply of lots (years)	4.6	4.5
- Owned	72%	73%
- Optioned	28%	27%

Active Ending Community Count



Net Newly Controlled Lots & Net Contracted Future New Communities



(1) Refers to gross new lots put under control and the related future new communities

# Guidance

FY  
2024

- Home closings of 14,000-15,000 units
- Home closing revenue of \$5.8-6.2 billion
- Home closing gross margin of 23.0-23.5%
- Effective tax rate of about 22.5-23.0%
- SG&A leverage of approximately 10.0%
- Diluted EPS of \$16.50-18.10

1Q  
2024

- Home closings of 3,000-3,200 units
- Home closing revenue of \$1.2-1.3 billion
- Home closing gross margin of 23.5-24.0%
- Effective tax rate of about 22.5-23.0%
- Diluted EPS of \$3.30-3.60

# Positioned for Growing Market Share & Maximizing Shareholder Value Creation



- Spec building strategy
  - Focus on entry-level homes
  - Consistent execution track record
- Prioritize pace over price
  - Disciplined growth
  - Flexible capital allocation strategy
  - Strong balance sheet and ample liquidity