Yale SCHOOL OF MANAGEMENT

Industry Analysis Report - 2022

Toll Brothers — America's Luxury Home Builder® | LENNAR® | NVR

Industry: **US Residential Homebuilders**

Performance Rating: **Buy**

Price Target: **$570**

Current Price: **$446**

Investment Horizon: **12 - 18 Mos**

1) Homebuilder balance sheets are better positioned to handle significant volume declines
2) Industry business models facilitate higher returns and consistent FCF generation
3) APV Analysis and Industry Fundamentals suggest equities might be undervalued

Market Index: **Russell 3000** (R.3000)

Industry Index: **FactSet US Homebuilding Industry** (FI1415US)

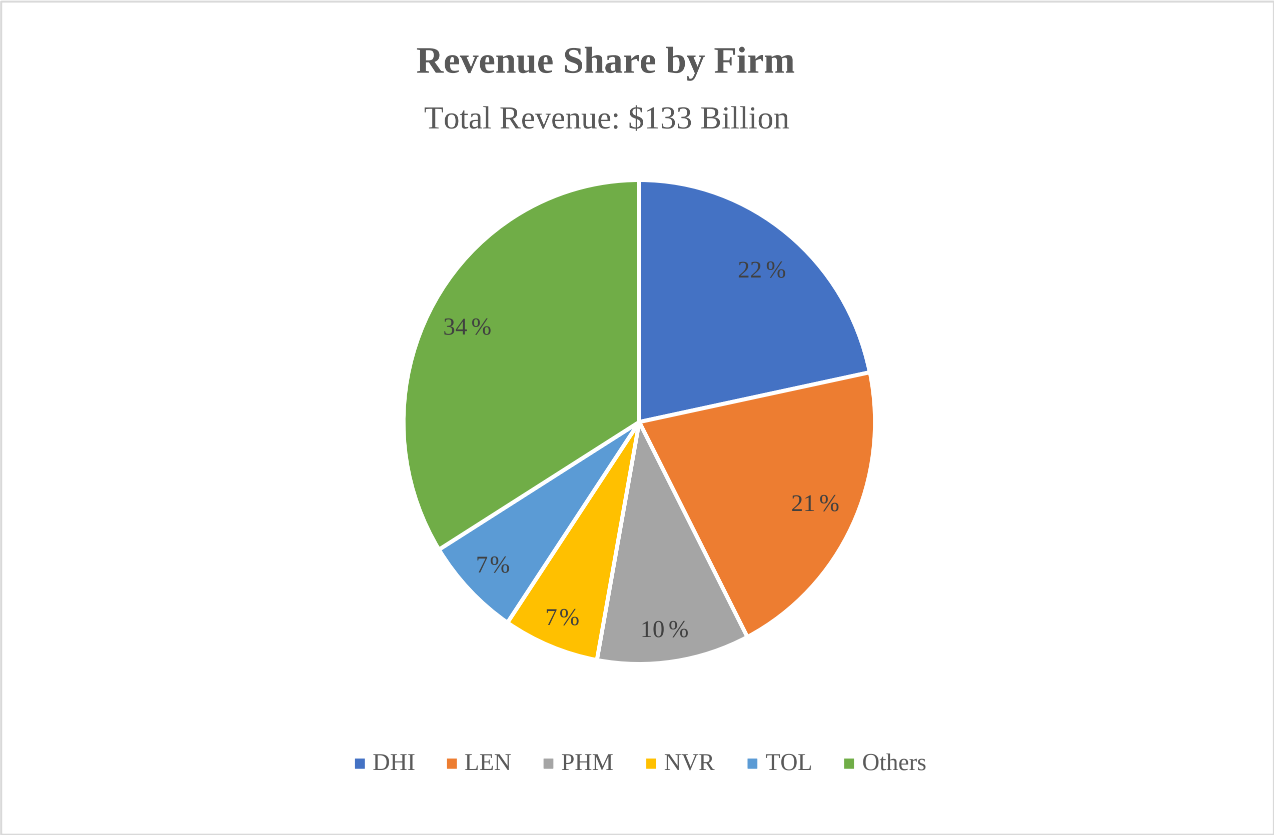
YTD Return	-38.37%	**P/B Multiple**	1.17x
Market Value (mm)	103,671	**Dividend Yield**	1.30%

Investment Team: **Allison Lyons & Al Graves**

Report Date: October 20th, 2022

Industry Overview

<u>US Homebuilding Constituents</u>: The US Public Homebuilder and Residential Construction Sector consists of ~ 20 firms/relevant players, all members of the National Association of Home Builders. D.R. Horton and Lennar Corporation are the two most dominant players in the industry, holding 22% and 21% of Total Sales, respectively. The other firms comprise the remaining 34%. Homebuilder revenue and operations is typically driven through the sale of single-family and multi-family housing units. Many of these firms also segment business operations to include Rental Services and Mortgage/Financial Services. As of 2021 CYE, home sales encompass the vast majority of total revenue ~ 97%.



- D.R. Horton (NYSE: DHI)
- **Lennar Corporation** (NYSE: LEN)
- **NVR, Inc.** (NYSE: NVR)
- PulteGroup, Inc. (NYSE: PHM)
- **Toll Brothers, Inc** (NYSE: TOL)
- Meritage Homes Corporation (NYSE: MTH)
- Taylor Morrison Home Corporation (NYSE: TMHC)
- KB Home (NYSE: KBH)
- M.D.C. Holdings, Inc (NYSE: MDC)
- LGI Homes, Inc. (NYSE: LGIH)
- Tri Pointe Homes, Inc. (NYSE: TPH)
- Century Communities, Inc. (NYSE: CCS)
- M/I Homes, Inc. (NYSE: MHO)
- Green Brick Partners, Inc. (NYSE: GRBK)
- Beazer Homes USA, Inc. (NYSE: BZH) Hovnanian Enterprises, Inc. (NYSE: HOV)
- Landsea Homes Corporation (NYSE: LSEA)

US Housing Market Fundamentals

US public homebuilders operate in a highly fragmented and near perfectly housing market. As most major industry players have exposure to almost all housing end-markets, developing true competitive advantages remain difficult for the builders.[1]

Recent Proprietary Field Research

WASHINGTON D.C. – June 2021 – ★★★★ Heavy Builder Competition, Volume and Pricing Very Strong

NVR, Lennar, Tri Pointe

Builder Exposure to Top Performing Markets												
	% '20 Closings	Total	Naples	San Antonio	Sacramento	Albuquerque	Indianapolis	Columbia, SC	Jacksonville	Tampa	Las Vegas	Chicago
KBH	27%	2871	-	1048	336	-	-	-	-	-	1487	-
TMHC	24%	2980	-	-	427	-	-	-	2240	313	-	-
LEN	21%	11372	-	2189	1516	-	1209	-	539	3587	1526	806
PHM	18%	5890	-	1071	-	-	755	-	1487	855	1261	461
TPH	16%	525	-	-	-	-	-	-	-	-	525	-
DHI	14%	8856	-	2687	388	-	688	391	440	2120	1403	739
MDC	12%	944	-	-	-	-	-	-	-	-	944	-
TOL	10%	331	-	-	-	-	-	-	-	-	331	-
MTH	9%	1022	-	711	-	-	-	-	-	311	-	-
LGIH	7%	1185	-	603	-	-	-	59	523	-	-	-

Builder Exposure to Bottom Performing Markets							
	% '20 Closings	Total	Washington DC	Seattle	San Jose	Baltimore	Riverside
TPH	28%	1441	383	286	-	59	713
NVR	19%	3852	2750	-	-	1102	-
KBH	10%	1043	-	-	-	-	1043
MDC	9%	762	-	260	-	-	502
LEN	9%	4718	987	654	-	703	2374
TOL	9%	736	638	-	-	98	-
PHM	6%	1585	470	370	-	113	632
TMHC	5%	688	-	248	-	-	440
DHI	4%	3067	-	1358	-	379	1330
LGIH	4%	336	-	336	-	-	-
MTH	2%	258	-	-	-	-	258

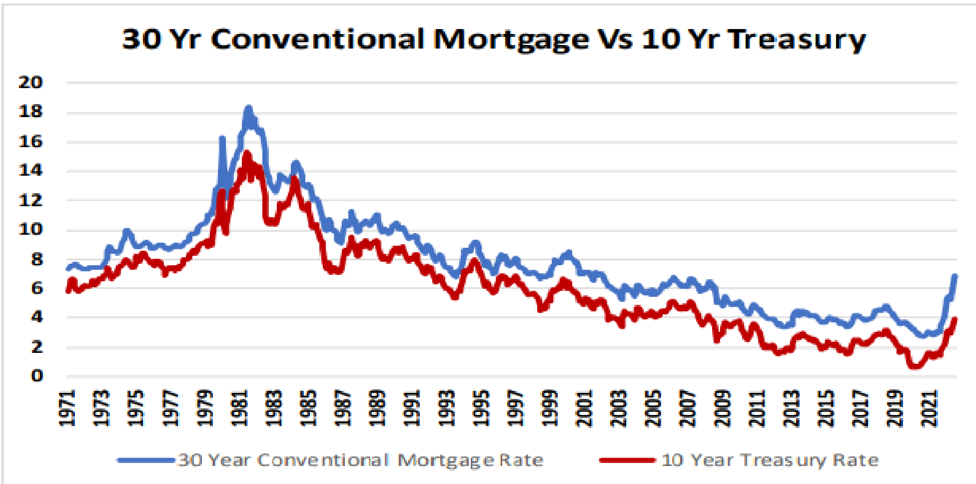
Builder	CA	FL	AZ	GA	NC
DHI	5%	21%	5%	6%	6%
KBH	30%	16%	9%	0%	2%
LEN	14%	28%	5%	3%	6%
LGIH	3%	12%	6%	5%	11%
MDC	15%	11%	17%	0%	0%
MTH	8%	12%	19%	6%	8%
NVR	0%	9%	0%	0%	7%
PHM	5%	22%	8%	4%	5%
TMHC	17%	20%	14%	4%	5%
TPH	42%	0%	9%	0%	0%
TOL	15%	6%	3%	3%	4%

Given these housing market dynamics, US homebuilders are '*Price-Takers*' within respective end markets. As such, *Housing Unit Average Selling Price* (ASP) remains the most important driver of both *Demand* and *Total Sales Revenues*. Therefore, current macroeconomic conditions and housing market cycles largely determine builder profitability.

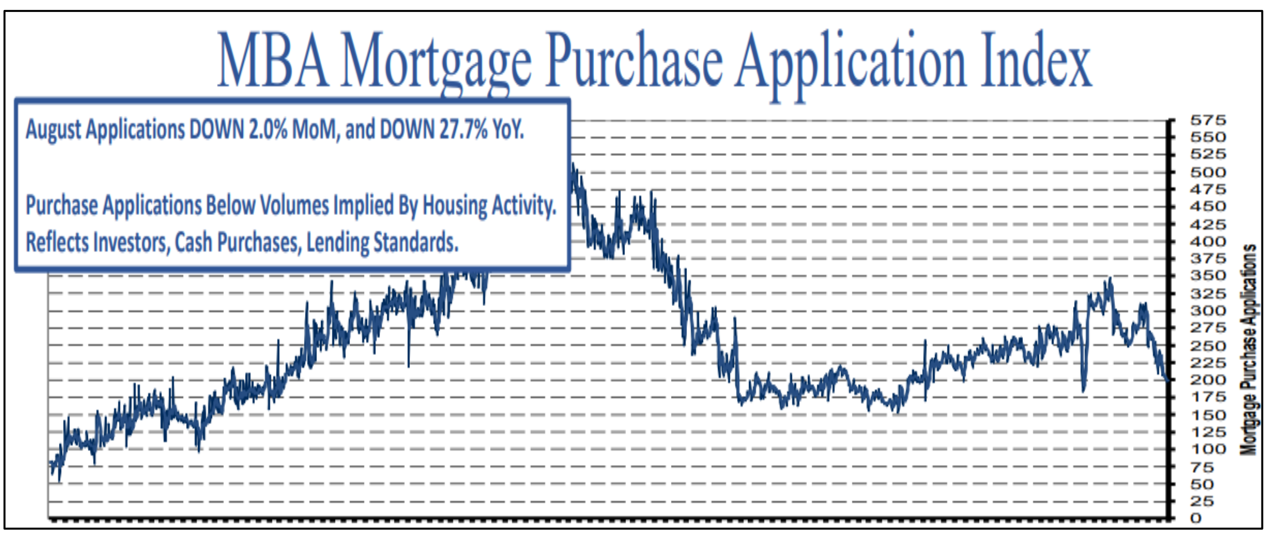
Macroeconomic and market factors are the most significant drivers of price, and therefore revenue. We do believe that current monetary tightening, coupled with a Fed 'hard-landing' should lead to some form of market turn sometime in 2023. could lead the housing and capital markets into a downturn 2023. <u>However</u>, we do find ourselves firmly in the camp which believes that should such a recession occur, ensuing declines in sales volume and pricing power should prove mild in nature. We argue that consensus market expectations through FY24 appear too draconian in both magnitude and duration. The market is pricing in expectations of a severe downturn – a recession similar to the *'08 Great Financial Crisis* (GFC). Should a GFC-esque scenario occur, builders would experience a ~ **-45%** YoY % decline in **Sales Revenue Growth**. Moreover, **Industry Gross Margins** should contract from **25% - 11%** over the ensuing handful of years. It would likely take another five years before margins could reach the **20% Net Income Break-Even Threshold**.[2]

[1] Patterson, Truman et al. "Housing – Homebuilding & Building Products Compendium." <u>Wolfe Research</u>. January 2022. 50 – 51.
[2] "United States/Homebuilding – Key Items". FactSet. December 2022.

Interest Rates and US Mortgages: Influenced by the Fed, and through monetary policy, interest rates play a large role in determining demand for housing and housing unit affordability. In periods of economic tightening, the Fed will raise the *Federal Funds* Rate by altering the short end of the *Treasury Yield Curve*. As rates and short-end yields continue to rise, market participants are encouraged to save rather than invest given the higher EAR on a riskless return. Subsequently, financing a home effectively becomes more expensive for the consumer due to the higher interest rate in which they must lock in at. US homebuilders are an extremely cyclical industry. Where we are in a cycle will determine how one might project future earnings and total return. As such, the builders' current position within an economic cycle can be proxied through the direction of how interest rates appear to be moving. used as a proxy in projecting near future earnings and return total return. The current 10-YR is at 3.91% as of October – the highest it's been since the early months of 2019. Furthermore, as rates increase housing prices become less affordable to the market since over 90% of residential home purchases are financed through mortgages. The *10-Year Treasury Yield* and the mortgage rates tend to move in lockstep with one another.[3]



The average *30 Year Fixed Mortgage Rate* is currently at 6.94% - the highest it's been in decades. As the Fed continues this current tightening cycle, housing affordability issues will also become more prevalent. As housing units rise in price, housing market demand will generally decline. The *MBA Mortgage Purchase Application Index* serves as a proxy for **Housing Demand** and measures the monthly number of mortgage applications filed for *Single-Family Housing* Units in the US. As of August 2022, US housing demand had already been down 27% YoY.[4]

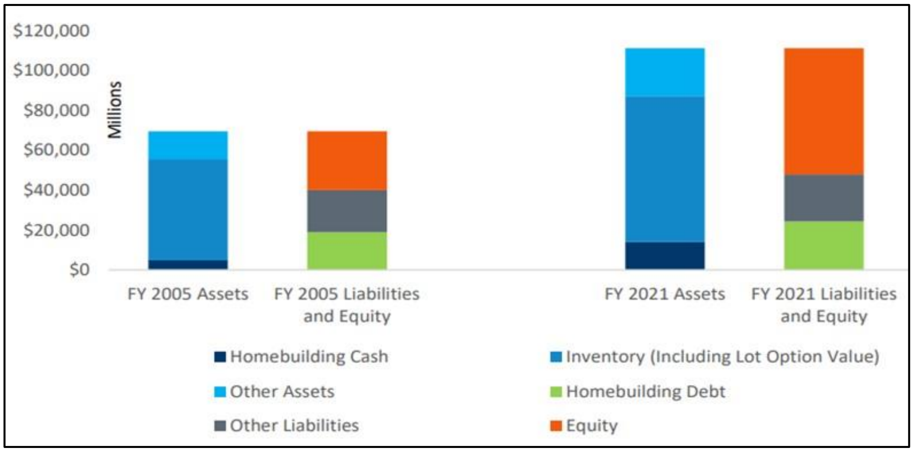


[3] Patterson, Truman et al. "Housing – Homebuilding & Building Products Compendium." Wolfe Research. January 2022. 55.
[4] Patterson, Truman et al. "Housing – Homebuilding & Building Products Compendium." Wolfe Research. October 2022. 53.

Homebuilder Business Model and Market Strategy

Regional Scale Efficiencies: As price takers within these fragmented markets, **Regional Consolidation** remains the primary vehicle through which homebuilders may attain competitive advantages. Local dominance is crucial for homebuilder market strategy, elevating the regionally dominant homebuilder to a **Quasi-Monopoly** status. As these companies continue to consolidate in local markets, builders will likewise optimize the rate at which they take market share – granting them additional **Economics of Scale** cost structure benefit. The builder is granted leverage in negotiation wages with sub-contractors, and lower raw material prices with suppliers. Most importantly, regionally dominant builders may also purchase Lot **Inventories** and **Land Bank Options** (granting the right, but not the obligation to purchase land lots at a set price in the future) at hefty discounts.

More importantly, after the events of GFC, many of the homebuilders lean on these land bank options to enhance Balance Sheet Mechanics, generating high **ROE** and consistent **FCF** through-cycle. An **Asset-Light** Model not only **1)** reduces homebuilder exposure to both **Land and Liquidity Risk**, but also **2)** optimizes **Asset Turnover** rates, as inventory may be sold and moved more quickly with a portion held off of the balance sheet. The visual below illustrates how homebuilder balance sheet dynamics have improved since GFC. The builders have since positioned to better absorb and navigate any housing market downturn.[5]



Profitability and Liquidity: The asset-light model facilitates higher **ROIC** and steady **WC** – thereby optimizing management profitability and structurally higher margins over time. NVR – The Industry "*Unicorn*" – remains the paramount example of this business model. Consolidating almost entirely in the Northeast during the 1990s, NVR became the 1st (and only) homebuilder to attain 100% optionality. Holding a firm foothold in the Washington D.C., Philadelphia, and New York housing markets – NVR's scale efficiency has facilitated higher FCF generation, optimized GMs, and increased **Cash Liquidity** from FY17 to FY21.

NVR, Inc.
NVR 62944T105 2637785 NYSE Common stock
Source: FactSet Fundamentals

	DEC '17	DEC '18	DEC '19	DEC '20	DEC '21
Profitability (%)					
Gross Margin	19.58	19.16	19.43	19.40	22.64
SG&A to Sales	7.43	7.29	7.26	6.92	6.44
Operating Margin	12.15	11.87	12.16	12.48	16.20
Pretax Margin	13.65	13.65	14.13	14.63	18.19
Net Margin	8.66	11.34	12.10	12.23	14.15
Free Cash Flow Margin	8.96	10.15	11.74	12.50	14.01

NVR, Inc.
NVR 62944T105 2637785 NYSE Common stock
Source: FactSet Fundamentals

	DEC '17	DEC '18	DEC '19	DEC '20	DEC '21
GAAP/IFRS Balance Sheet					
Assets					
Cash & Short-Term Investments	**688.5**	**731.9**	**1,160.5**	**2,809.5**	**2,636.7**
Cash Only	688.5	731.9	1,160.5	2,809.5	2,636.7
Short-Term Receivables	**20.0**	**18.6**	**18.3**	**18.3**	**18.6**

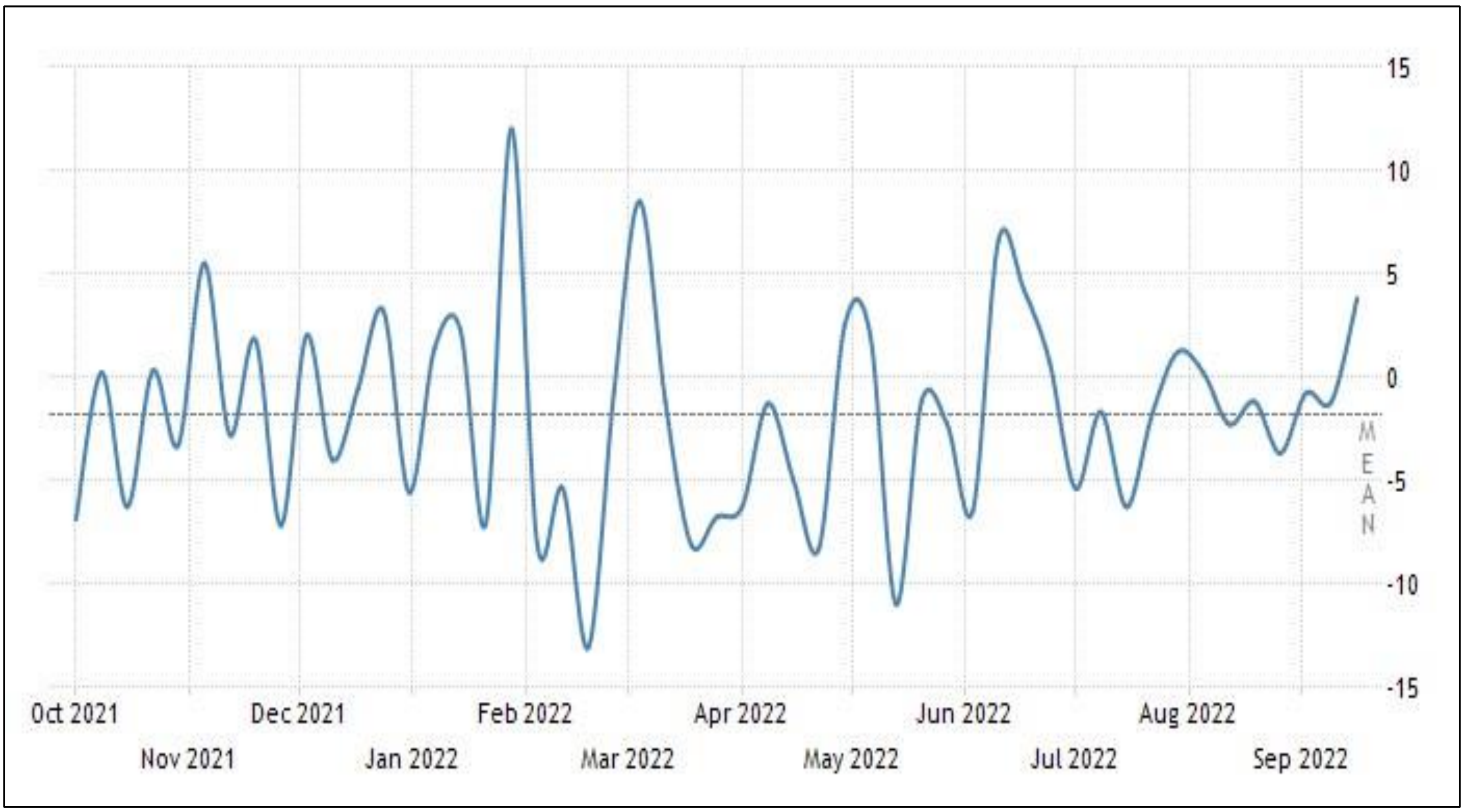
[5] Credit Suisse. "US Homebuilder Industry Comparison – GFC". 2021.

Financial Drivers and Forecasts

Revenue Drivers: Homebuilder revenue is driven primarily by 1) **Units Delivered** 2) **Units Ordered** and 3) **Unit Sales Price**. Houses which have been completed and closed refer to *Units Delivered*. New sales contracts and unit builds fall under the umbrella of *Units Ordered*. These in many cases represent the number of new sales contracts executed by homebuyers, net of cancellations, during the fiscal year.[6] Units ordered can be considered a forecast into demand.

A review of the industry shows units delivered are about 114% of the units ordered the previous year. Excluding 2020, where units delivered far outpaced units ordered in 2019, attributed to the surge into suburbia during the pandemic, units delivered average ~110% of the units ordered the previous year. An insight into units ordered can be determined via applications for US Mortgages. Trading Economics tracks US Mortgage applications on a week-to-week basis.

A rise in mortgage applications this week (a 3.8% rise), was the first in five weeks, the mean over the last year has been around 2.0% decline. We assess the decline in mortgage applications is tied to the hike in interest rates, which make mortgage loans more expensive. Anticipating higher interest rates, and thus, higher mortgage rates, the -2% trend line on mortgage applications will continue through 2025. The -2.0% growth rate in mortgage applications serve as a proxy to estimate the FYE22 Units ordered and FYE23 Units Delivered. We use the 110% estimate through 2025 for units delivered and 2026 for units ordered.



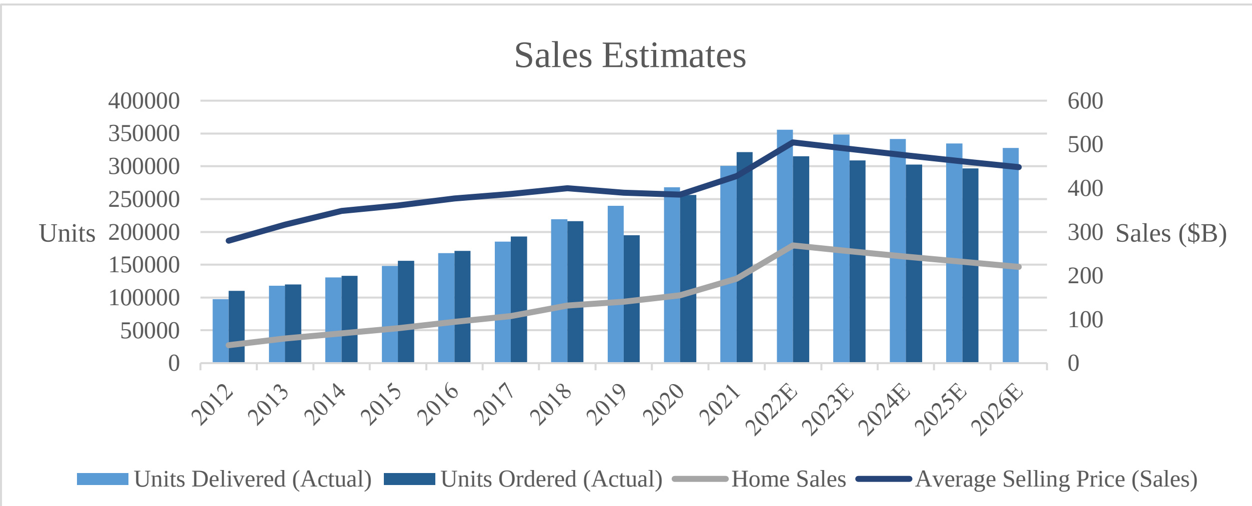
To ascertain *Average Sales Price*, we took the aggregate average sales price by dividing the home sales by the units delivered. This data largely matched with the *FRED* databases "*Average Sales Price of Houses Sold for the United States (ASPUS)*" Dataset. Over a ten-year span dating from 2012 to 2021, the average difference between the calculated industry average and *FRED* annual ASPUS was 50 basis points (on average, Industry average was .5% higher than *FRED* prices). Using FRED as a proxy for average sales price, the average sales price of a house sold in the US increased from $440,000 to $520,000, an 18% YoY increase.[7] Applying the 18% growth in sales price to the 2021 industry average sales price provides an estimate for 2022.

[6] Lennar 10K

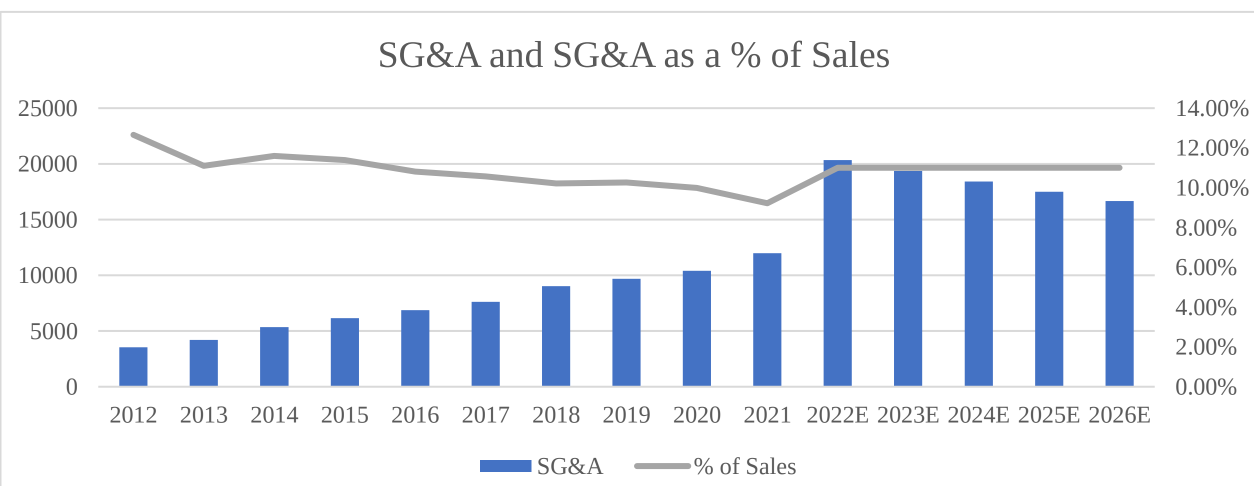
[7] https://fred.stlouisfed.org/series/ASPUS

Sales: We think high interest rates will squeeze the housing market. The *NAHB* and *Wells Fargo* publish a *Housing Market Index (HMI)* which surveys *NAHB* members about the single-family housing market. The index ranges from 0 to 100 and reflects *NAHB* members view on the market conditions for the sale of new homes at the present time and in the next six months. This month, September 2022, the index is 46, the lowest it's been since 2014, after recovering from indexes in the single digits in 2008-2009.[8] Notably though, it's a 30-point drop from September 2021 – the last time there has been that significant YoY drops was during 2006-2008 (with the exception of March and April 2020).

If this pessimistic outlook on the housing market follows a similar trend to the housing market burst in 2008 – though this time for high inflation, we can use the *FRED ASPUS* data from this time to determine a forecast. According to *FRED* data, in Q1 2008, the average price of a home was $290,400. When the recession ended in Q3 2009, the average price of a home was $274,100. It took to Q4 2011 before prices started rising – the average price of a home was $259,700 during this time. Using Q1 2008 data to Q4 2011 data, the quarterly compound growth rate is a -0.7%, which is applied to housing prices for 2023E-2026E. Home sales average 97% of total revenues and are used to estimate the aggregate industry's future sales.



SG&A: While Selling, General, and Administrative (SG&A) increased over the ten-year span (CAGR 14.5%), SG&A as a percentage of total sales trended downwards. We reason that other factors may have contributed toward this SG&A margin downtrend. Firstly, most builders began to vertically build so that each new unit would have significantly less variation in specs and options. Through this, builders were not only granted cost savings, but also enabled most to have more foresight into future costs, and ability to control those costs. Secondly, most builders began to bundle SGA + COGS, as administrative oversight granted the builders more latitude to control these costs to maintain a certain level of margin (i.e., the ability to shutdown/stall certain projects in various regions if demand was not consistent with margin threshold). Ultimately, we believe that SG&A will return to pre-pandemic levels - ~ 11% of sales.



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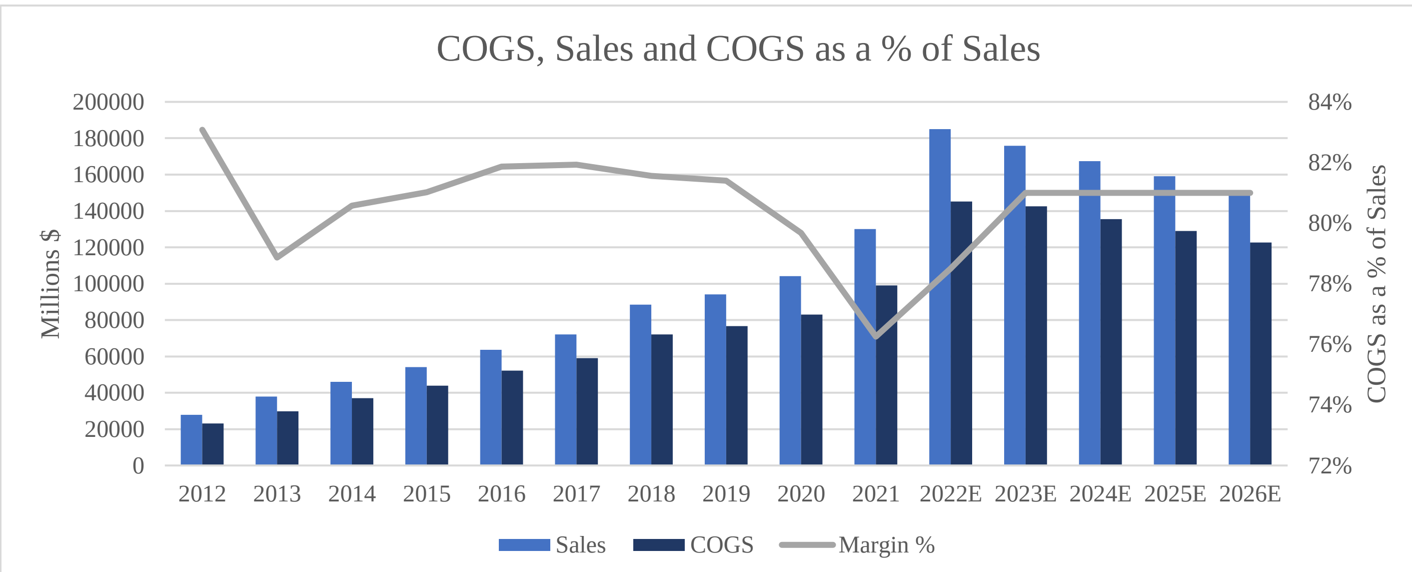
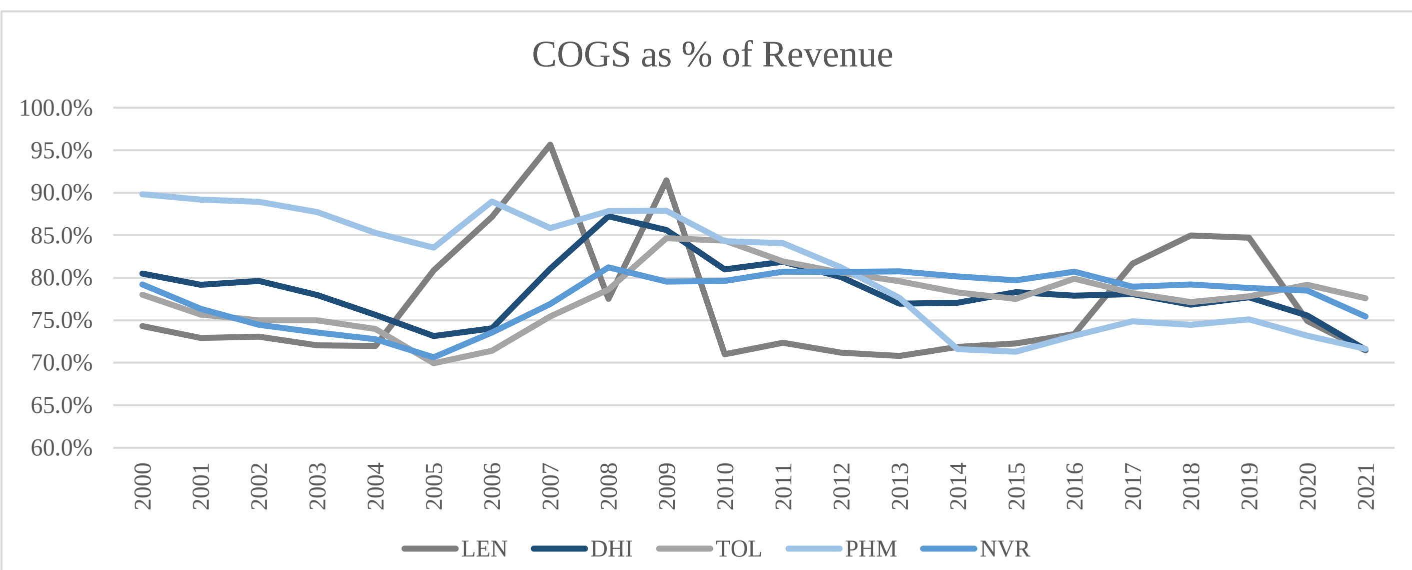
[8] https://www.nahb.org/news-and-economics/housing-economics/indices/housing-market-index

COGS: Homebuilders practice to push the cost of building a home to the home buyer. In a planned community, if costs change from the estimates, the costs are allocated to the remaining, unfinished homes. Further, costs are recognized at the time of purchase, as described by Toll Brothers in their FY21 Annual Report.[9] COGS as a % of home sales falls between 76% and 83% of home sale revenue over the last ten years. Increases in margin likely reflect competition in the home buying market, leading to increased prices as people sought homes in response to Covid-19 lockdowns and low interest rates.

Post-GFC, homebuilders sought out ways in which to deleverage both debt and land risk. As a result, builders implemented strategies like *Vertical Construction* – building more identical units with less variability to provide greater visibility in COGS and SGA. Builders also acquired land and sought building strategies which were much more meticulous than previous years, such as through land options. Between 2014 and 2019, COGS as a % of sales was between 76% and 83%. The drop to 76% in 2021 is likely due to increased demand, which inflated revenue – and not a measure of the homebuilder's industry active reduction in decreasing COGS. Given declining housing prices, and less demand, we estimate that COGS as a % of revenues will not remain at a low 76%, and will instead increase to 81% in 2023E, COGS will be 78.5% of Sales in 2022E. 81% for COGS was chosen given its slightly less than 2012, and we believe firms were still reorganizing their building strategies after the 2008 financial crises. Further, when looking at the 5 largest firms, with the exception of Lennar, all firms have hovered around the same percentage between 2014 and 2019 (note, given the five firms are the largest, their COGS margin is lower than industry average due to economies of scale). The average between 2014 and 2019 is 81%, which is used in future projections.





[9] Toll Brothers FY21 10K

Depreciation: Had almost tripled between 2012 and 2021 but increased at a slower rate than total units delivered, indicating that the fixed assets acquired to accommodate the growth in units delivered used economies of scale. Depreciation is calculated using a straight-line method or based on units of production methods, based on information included in Toll Brothers FY21 10K. Industry wide (or even companywide) we do not have a good indication of the split between straight line method or units of production method. Depreciation as a percentage of revenues is consistently less than 1% and averages at 0.5% over the last ten years. We use 0.5% to project depreciation.

Taxes: Aggregating industry data from both Bloomberg and FactSet terminals places the range of current firm tax rates ~ 24.15% - 25.75%. If we assume a normal distribution among the group, we can take ~24.50% as the industry average tax rate.

Capital Expenditure: *Land Lot/Options and Units* are considered *Inventory* items on the balance sheet. *PP&E* is therefore non-existent since sub-contracting labor and other SG&A costs are the main operating expenditures. Due to this Capex as a % of Sales is typically ~.20% - and has held constant historically. As a % of EBIT, we calculate this figure to be ~ 3.60%. We believe moving forward this ratio will remain rather resilient and should stay connected to sales and earnings.

Working Capital Δ: Is calculated by subtracting current liabilities from current assets, between 2012 and 2021 varied from year to year. To estimate future working capital, we forecasted the average from 2012 to 2021 for years 2022E through 2026E.

Table of Projected Free Cash Flows

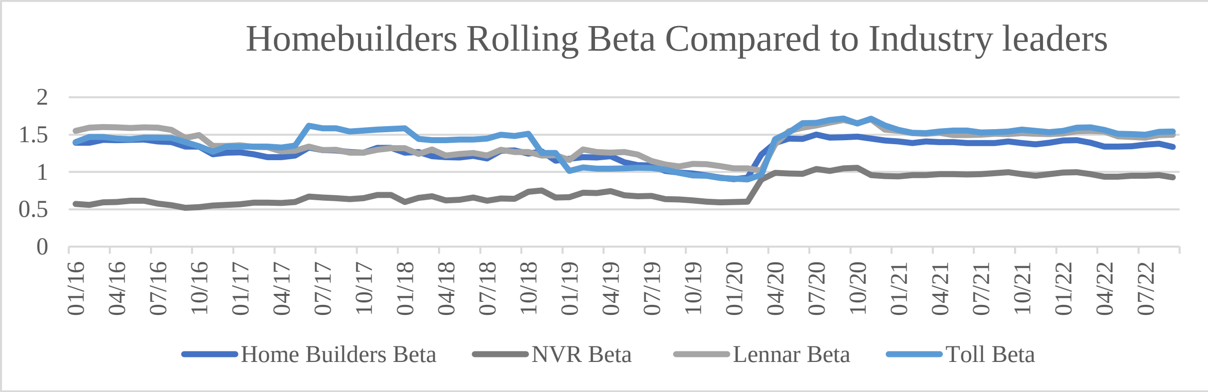
	2022	2023	2024	2025	2026
EBIT	24,967	17,592	16,734	15,918	15,142
Depreciation	538	541	543	546	549
Taxes	6,117	4,310	4,100	3,900	3,710
Capital expenditure	899	633	602	573	545
Change in Working Capital					
Cash Flows	6,289 12,	6,289	6,289	6,289	6,289

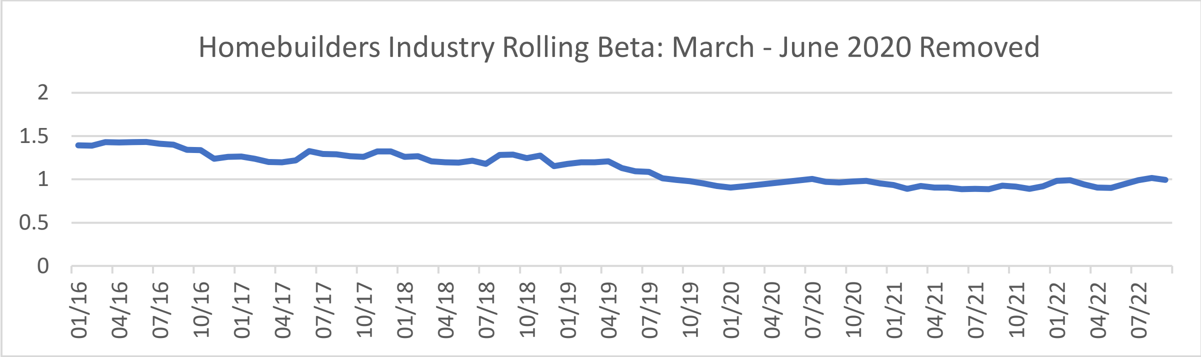
Housing Fundamentals: The current *Housing Cycle* and *Economic Cycle* dynamics will also play a role in homebuilder equity returns. The homebuilder industry is highly cyclical. As leading-economic indicators, homebuilder stocks will tend to look most attractive at cycle peaks, and least attractive at cycle troughs. Given this technical dynamic, we believe that a buying opportunity exists when the builders are trading at low through-cycle P/E and P/B ratios. Low multiples may indicate an equity trough and valuable entry point. We firmly believe that the homebuilders are near or at cycle-trough. Our $570 fair value estimate helps to affirm our thesis since such a valuation would represent a ~ 16% discount to the current index price. Furthermore, data reveals that US homebuilders are currently trading at ~ 4.90x P/E and ~ 1.17x P/B – well below their 11.70x and 1.80 5-YR averages.

Secondly, we believe technical analysis likewise conveys the US homebuilders as a solid buying opportunity. As market leading indicators, the homebuilders will tend to trough before the general market, subsequently outperforming the market index for a number of periods. For instance – homebuilders underperformed the market in 2006, well before GFC's trough. Subsequently, the builders outperformed the market from 2012 – 2019. After lagging from 2019 – 2022, we believe fundamentals indicate that the builders are near cycle-trough and are positioned for a period of market outperformance. Most recently, the homebuilders have outperformed the market since September 19th – indicating that the group could have reached trough if rates did peak in July.

APV Valuation Analysis

Beta Equity: The US Homebuilder Index *Rolling Beta* has hovered at ~ 1.40 since August 2020. If COVID effects are removed, the Industry$_{\beta}$ should eventually converge to 1, given its gradual downtrend since 2020.





Cost of Debt: The four largest firms in the industry have *Investment Grade Credit Ratings (BBB)*. The current cost of debt is 6.21% (as of 11 October 2022), which is a ten year high. We used the ten-year average ~3.50% [10]

Terminal Cash Flow Growth Rate: 4%, less than the *GDP* compounded annual growth rate between 1991 and 2021 (4.5%).[11]

Terminal Debt Growth Rate: This variable is calculated using the weighted average of the projected 1% growth rate for *Long Term Debt* and the projected 12% growth rate for *Short Term Debt*.

Beta Equity	1.00
D/E[7]	66%
10-Year Treasury Rate	3.91%
Cost of Debt	3.50%
Tax Rate	24.5%
Market Risk Premium	6.00%
Rate of Equity	9.91%
Discount Rate	7.78%
Terminal Cash Flow Growth Rate	4.00%
Terminal Total Debt Growth Rate	2.34%

Equity Value: The equity value was calculated using 2022 projected cash and debt + 2020-2021 growth rate, to return an equity value of USD $132,444 million.

Share Price: We compared our equity value of $132,444 million to the Homebuilders Index market value of $103,671. From this, we derived a $570.69 *Fair Value Price*.

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[10] FRED. "ICE BofA BBB US Corporate Index Effective Yield." 22 October 2022. https://fred.stlouisfed.org/series/BAMLC0A4CBBBEY#0 [7] FactSet Industry Average
[11] FactSet – US Homebuilding Return Analysis

APPENDIX

NAHB National Association of Home Builders USD - Millions Calendar Year - 12/31	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
AGGREGATED FINANCIALS	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual	Annual
Sales	$27,878	$37,840	$45,995	$54,097	$63,663	$72,147	$88,437	$95,085	$104,567	$130,447	$180,000	$160,000	$130,000	$126,193	$127,876
YoY Growth %	20%	36%	22%	18%	18%	13%	23%	8%	10%	25%	38%	-11%	-19%	-3%	1%
Home Sales	$27,343	$37,396	$45,431	$53,388	$62,998	$71,511	$87,624	$93,486	$103,367	$128,664	$144,789	$134,530	$122,000	$125,000	$127,000
% Change	20%	37%	21%	18%	18%	14%	23%	7%	11%	24%	13%	-7%	-9%	2%	2%
Units Delivered (Actual)	97,701	118,070	130,605	148,064	167,513	184,980	219,264	239,738	268,177	300,867	350,000	300,000	288,000	300,000	310,000
% Change	9%	21%	11%	13%	13%	10%	19%	9%	12%	12%	16%	-14%	-4%	4%	3%
Average Selling Price (Sales)	280	317	348	361	376	387	400	390	385	428	414	448	424	417	410
% Change	11%	13%	10%	4%	4%	3%	3%	-2%	-1%	11%	-3%	8%	-6%	-2%	-2%
New Orders Value	$29,182	$30,303	$41,862	$50,539	$57,323	$65,907	$74,639	$61,982	$83,735	$129,194	$144,000	$131,000	$107,000	$104,000	$107,000
% Change	15%	4%	38%	21%	13%	15%	13%	-17%	35%	54%	11%	-9%	-18%	-3%	3%
Units Ordered (Actual)	110,372	120,129	133,283	156,179	171,236	192,931	216,172	194,732	256,505	321,750	310,000	277,000	256,000	300,000	290,000
% Change	2%	9%	11%	17%	10%	13%	12%	-10%	32%	25%	-4%	-11%	-8%	17%	-3%
Average Selling Price (Orders)	264	252	314	324	335	342	345	318	326	402	465	473	418	347	369
% Change	13%	-5%	25%	3%	3%	2%	1%	-8%	3%	23%	16%	2%	-12%	-17%	6%
Sales Order Backlog Value	$13,146	$15,577	$18,062	$22,700	$25,581	$31,907	$33,443	$35,908	$57,914	$78,717	$65,000	$40,000	$30,000	$35,000	$37,000
% Change	29%	18%	16%	26%	13%	25%	5%	7%	61%	36%	-17%	-38%	-25%	17%	6%
Ending Backlog Units	40,526	41,830	46,848	55,759	60,522	71,784	76,858	84,042	134,063	152,930	137,000	109,000	90,000	97,000	102,000
% Change	17%	3%	12%	19%	9%	19%	7%	9%	60%	14%	-10%	-20%	-17%	8%	5%
Average Selling Price (Backlog)	324	372	386	407	423	444	435	427	432	515	474	367	333	361	363
% Change	12%	15%	4%	6%	4%	5%	-2%	-2%	1%	19%	-8%	-23%	-9%	8%	1%
% of Backlog Conversion	305%	312%	316%	300%	306%	305%	312%	319%	224%	229%	219%	264%	333%	320%	0%
Other Sales	$536	$443	$564	$709	$665	$636	$813	$1,599	$1,200	$1,783	1,987	500	988	1,193	876
% Change	5%	-17%	27%	26%	-6%	-4%	28%	97%	-25%	49%	11%	-75%	98%	21%	-27%
COGS	$23,161	$29,840	$37,092	$43,829	$52,115	$59,106	$72,128	$76,971	$82,629	$99,100	$147,000	$130,000	$100,000	$100,000	$100,000
% Margin	83%	79%	81%	81%	82%	82%	82%	81%	79%	76%	82%	81%	77%	79%	78%
SG&A	$3,529	$4,201	$5,339	$6,191	$6,882	$7,652	$9,032	$9,674	$10,400	$11,985	$19,000	$15,300	$14,000	$13,000	$13,000
% Margin	13%	11%	12%	12%	11%	11%	10%	10%	10%	9%	11%	11%	11%	10%	10%
D&A	$187	$173	$223	$257	$279	$295	$410	$496	$546	$239	$550	$275	$285	$295	$600
% Margin	1%	0%	0%	0%	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%
EBITDA	$1,809	$3,940	$5,267	$6,219	$7,274	$8,958	$10,929	$11,256	$14,990	$23,213	$26,500	$20,000	$18,000	$16,000	$155,000
% Margin	6%	10%	11%	11%	11%	12%	12%	12%	14%	18%	15%	13%	14%	13%	121%
EBIT	$1,259	$3,090	$4,177	$5,315	$5,834	$6,923	$9,251	$9,571	$13,558	$22,552	$25,000	$20,000	$18,000	$17,000	$16,000
% Margin	5%	8%	9%	10%	9%	10%	10%	10%	13%	17%	14%	13%	14%	13%	13%
Net Income	$2,292	$4,797	$3,685	$3,739	$4,044	$4,761	$6,694	$7,592	$10,918	$17,294	$27,000	$18,000	$18,000	$16,000	$15,000
% Margin	8%	13%	8%	7%	6%	7%	8%	8%	10%	13%	15%	11%	14%	13%	12%
Total Debt	$21,197	$23,628	$27,931	$29,307	$27,445	$32,788	$34,930	$34,197	$34,501	$35,247	$19,000	$15,000	$17,000	$17,500	$16,000
% Margin	76%	62%	61%	54%	43%	45%	39%	36%	33%	27%	11%	9%	13%	14%	13%

	DHI	Len	NVR	PHM	TOL	MTH	TMHC	KBH	MDC	LGIH	TPH	CCS	MHO	GRBK	BZH	HOV	LSEA	TOTALS
Share Price	$71.25	$76.51	$4,009.25	$39.00	$42.87	$70.90	$25.45	$27.54	$28.83	$85.58	$15.55	$43.39	$39.97	$22.05	$10.39	$39.30	$4.70	$4,652.53
Ω	24%	22%	13%	9%	5%	3%	3%	2%	2%	2%	2%	2%	3%	2%	4%	1%	1%	100%
Adjusted MV	$17.10	$16.83	$521.20	$3.51	$2.14	$2.13	$0.76	$0.55	$0.58	$1.71	$0.31	$0.87	$1.20	$0.44	$0.42	$0.39	$0.05	$570.19