



December 20th, 2022

LENNAR®

As Macroeconomic Headwinds Persist – Lennar Looks to Guide the Homebuilders to a Period of Outperformance

We are issuing **Lennar Corporation (LEN)** with a short-term **BUY** rating. We assign the public homebuilder a price target of **\$113 USD**. As housing market headwinds challenge the homebuilding industry, we think that current structural and managerial dynamics make LEN an attractive investment.

INVESTMENT THESIS

1. Even as mortgage rates rise and housing market demand continues to roll-over, our team believes **that historically low housing inventory and supply levels should provide an artificial floor to prevent significant pricing and/or sales volume declines**. In conjunction with this market mismatch, we think that LEN's incentive structure and build strategy will help supplement managerial efforts to cushion housing market declines through 2024.
2. LEN continues to dominate market share on a national level, and on a local level. **As LEN continues to consolidate regionally, the builder continues to take market share by becoming the dominant player in select housing markets**. Subsequently, LEN management is afforded succinct competitive advantages relative to the rest of the US homebuilders.
3. Fundamental valuation and APV/DCF analysis suggest that while LEN is trades at a 26% premium to the industry average, **current market pricing leads us to believe that LEN is trading at a discount to intrinsic value**.



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Company: Lennar Corporation (LEN)

Industry: US Public Homebuilding

Current Price: \$90

Price Target: \$113

Investment Horizon (months): 12 - 18

P/E Multiple: 5.71x

P/B Multiple: 1.29x

Average Daily Volume: 2,442,540

52-Week Range: \$62 - \$115

Dividend Yield: 1.50%

Rolling Beta: 1.17x

PERFORMANCE RATING

BUY

2023 Price Target

\$113

2023 Total Return

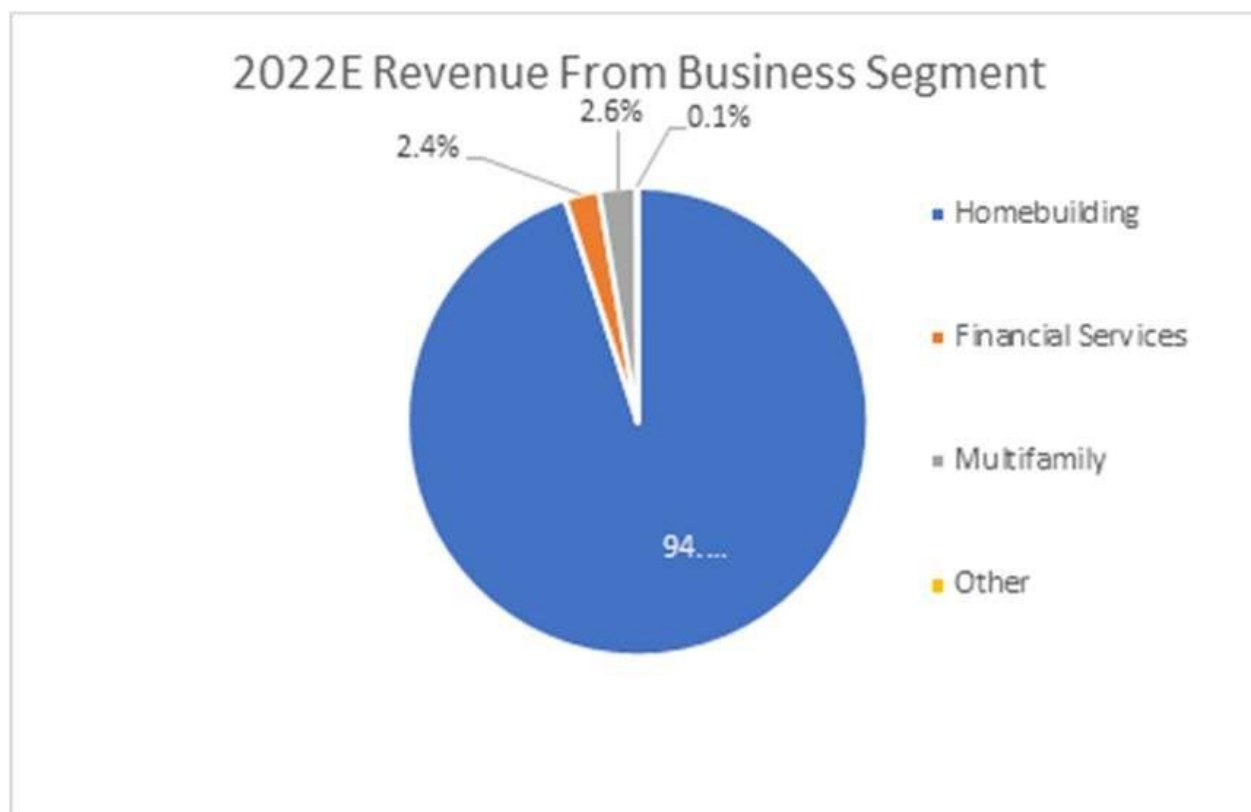
27%

Company Overview and Business Strategy

History: The *Lennar Corporation* (LEN) was formed in 1954 under its original name, *F&R Builders*, in Miami, Florida. The company went public through an IPO in 1971 and was rebranded as Lennar – after founders Leonard Miller and Arnold Rosen. LEN was officially listed on the New York Stock Exchange in 1972. Shortly thereafter, Lennar management decided to expand its traditional homebuilding segment to also include a separate financial services arm. In 1981 *Universal American Mortgage Company* (UAMC) was created, and would later rebrand to *Lennar Mortgage, LLC* in 2020. The 3rd and final business segment would be realized in 2011 through *Lennar Multifamily Communities* (LMC) – specializing in luxury rental apartment communities. As an industry leader in market share, Lennar management has since embraced an inorganic growth strategy within its business model. Lennar began its M&A conquest in 2000 when management acquired another builder in *U.S. Home*. This deal alone doubled LEN’s market size. In 2018, Lennar merged with *CalAtlantic Homes* – a move that would then see LEN become the largest US homebuilder as a function of sales.¹

Management: The top three executives at Lennar have a combined 90 years of experience at the company. Stuart Miller is the executive chairman, Rick Beckwitt is the Co-Chief Executive Officer and Co-President. He shares these roles with Jon Jaffe. Rick Beckwitt came to Lennar from *D.R. Horton Incorporated* (DHI) – LEN’s rival, and the largest homebuilder as a function of industry market capitalization. – where he served as President of the company.²

Business Segments: Lennar has four arms: **Homebuilding**, **Financial Services**, **Multifamily**, and **Corporate Other**. Traditional homebuilding is LEN’s primary revenue driver, accounting for ~ 94% of total company revenue. Among the other three segments, only Multifamily has shown significant growth between 2020 and 2022E, with an expected 2-Year CAGR of ~ 23%. The current Multifamily revenue growth rate is on par with that of the Homebuilding division.

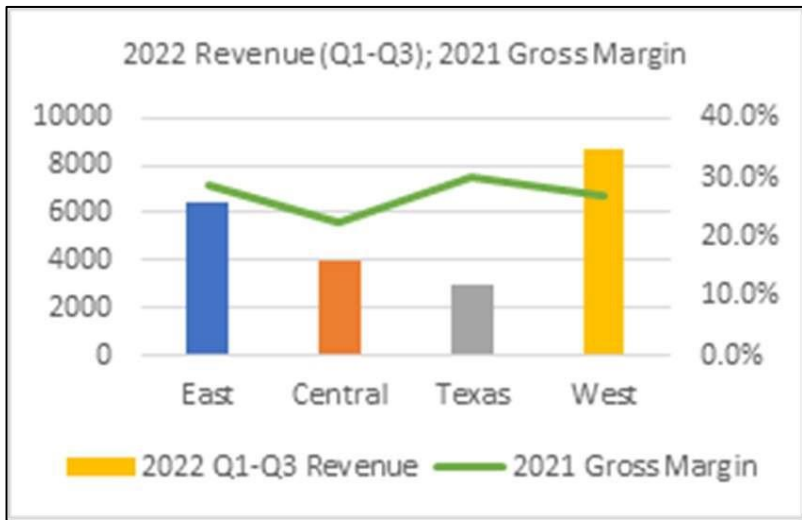
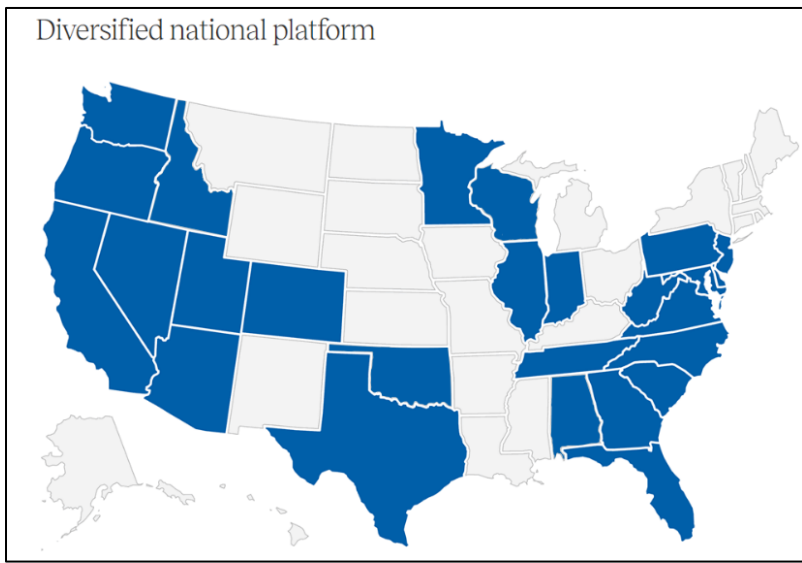


¹ "Lennar History". Lennar Company Website. <<https://www.lennar.com/about/history>>

"Our Leadership Team". Lennar Company Website. <<https://www.lennar.com/about/leadership>>

"Local Operating Structure and Centralized Management." Lennar 2021 10K.

Homebuilding: Lennar’s homebuilding operations covers the construction and sale of **Single-Family Housing Units**. These operations are divided geographically across the US into five housing end-market segments: *East Region, Central-Region, Texas Region, and West Region*. The geographic breakdown grants each Lennar Divisional President the necessary latitude in controlling and optimizing operations locally. Divisional teams usually have experience within their respective regional markets – allowing each to make smart local operating decisions around land identification and development.³



Financial Services: LEN also has a **Mortgage Service** offering that is divided into three primary subsets: *Residential Mortgage Financing; Title Insurance & Closing Services; and Commercial Mortgage Origination*. As of 2021, ~ 75% of LEN homebuyers obtain some form of mortgage financing through Lennar, or through its subsidiaries. Residential mortgage loans are either financed through the borrowing of LEN’s financial services warehouse facilities, or through Lennar’s operating funds. Mortgage loans are typically resold on a secondary market, although some may be held.²

Multifamily: The segment initially focused on the construction and sale of **Multi-Family Housing Units**. Management has since shifted the Multifamily business model to prioritize running these facilities as the lead property manager, rather than apartment unit construction.³

Corporate Other: Lennar has taken a keen interest in **Strategic Technology Investments** over the past handful of years. This segment’s strategy invests in small-cap and startup companies that focus on homebuilding innovation. A portion of LEN portfolio companies may also serve as an informal subsidiary – helping Lennar customers through the entire homebuying process. Some of these companies serve in more of a consulting role – aiding Lennar management in the continued reduction and optimization of SGA and COGS metrics. Some of LEN’s portfolio holdings include: *SmartRent*, a smart home automation company; *Hippo*, a home insurance platform; and *Blend*, a digital lending platform.⁶

² “Residential Mortgage Financing”. Lennar 2021 10K.

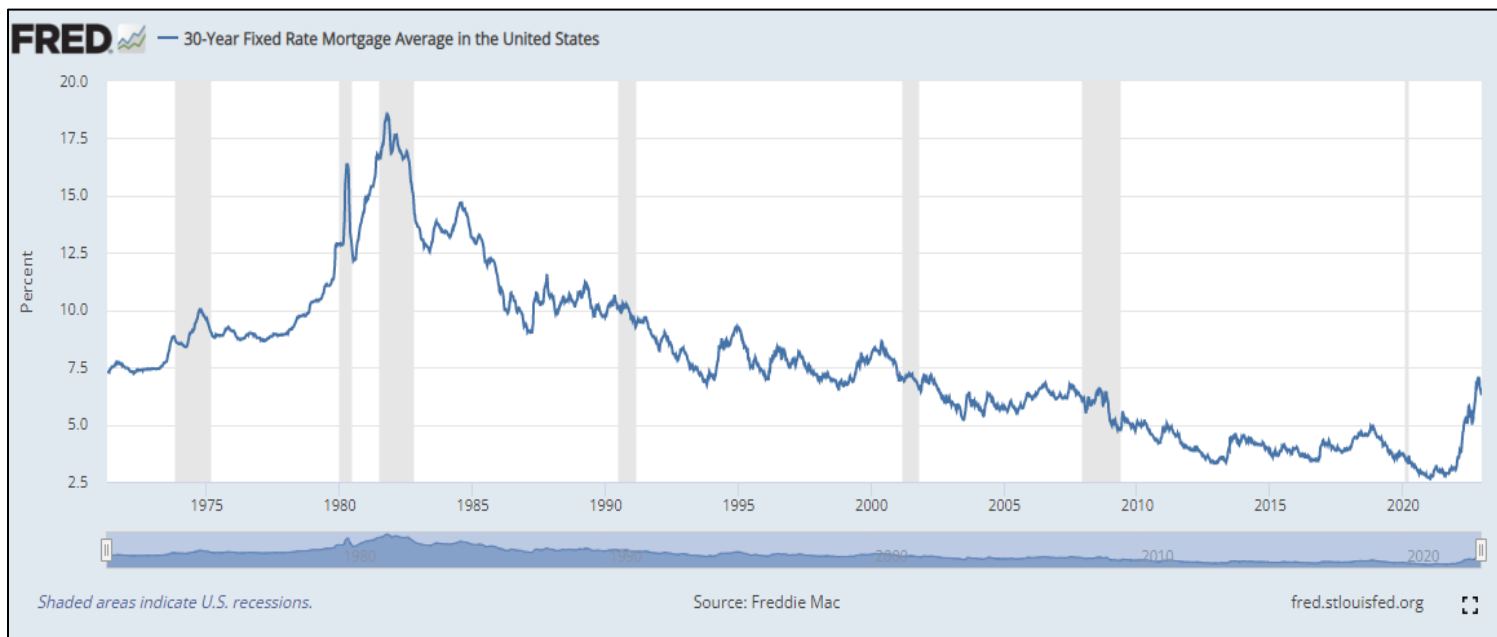
³ “Multifamily Operations”. Lennar 2021 10K.

US Housing Market Overview

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. However, 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**.⁴

We think that this market mispricing could provide a window of opportunity in LEN as an investment. We think that this level of pricing dislocation is stemming from the consensus’s failure to recognize and acknowledge the succinct competitive advantages of a large and industry dominant competitor like LEN. We argue that the market has yet to recognize Lennar’s recent **FCF Efficiency**, superior **Balance Sheet Mechanics**, and steady **Margin Expansion**. The posit that market continues to underestimate the resiliency of LEN and the builders. Lessons learned in 2008 inevitably forced these companies to both adopt and optimize new forms of business strategy and model integration.

Fast-Forward to today – relying on *FRED Economic Data*, we are provided with evidence to support our thesis that the **Average 30-Year Fixed Mortgage Rate** might have already peaked this past November. Then reaching a plateau of ~ 7.10%, these expensive lines of credit and financing options would only serve to exacerbate the recent US housing affordability crisis. The high interest environment of an economic tightening cycle ultimately make housing less desirable for the average consumer, which in turn spurns periods of housing market decline. The builders have continued to battle these macroeconomic headwinds, even now as mortgage rates have receded to ~ 6.50%.

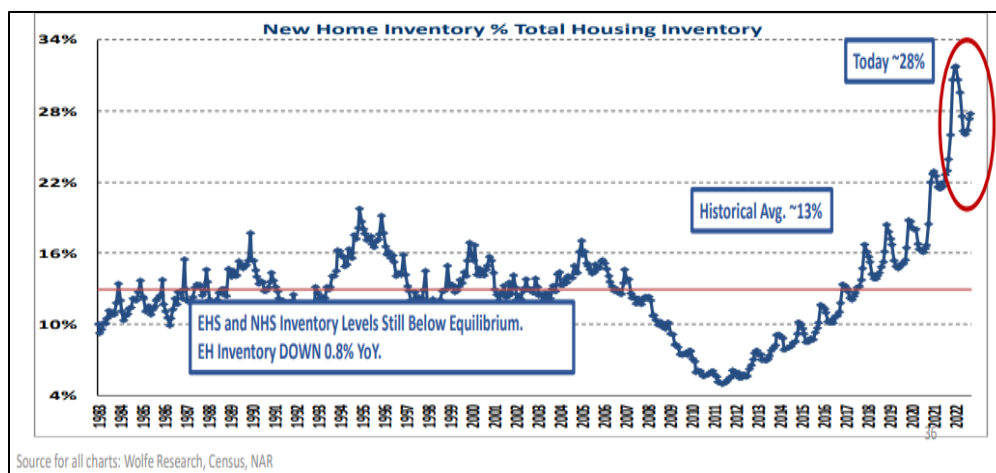


While LEN did experience a **-24% YoY % decline in demand** during Q4 FY22, **Total Home Sales Revenue** grew **20% YoY** (\$9.6B). During this same time frame, **Units Closed**, and **Delivery Average Selling Price (ASP)** increased by ~ **13%** (~ 20,000 Units) and **8%** (\$483K), YoY respectively.⁵ Granted that LEN’s current revenue decline and metrics appear to mirror the magnitude of decline observed during the **Housing Market Recession of 1992**, we used figures and assumptions from that period to mirror our 2024 scenario in Lennar’s financial model.

⁴ “United States/Homebuilding – Key Items”. FactSet. December 2022.

⁵ “Lennar Industry Metrics – FactSet”. December 2022.

1) Although interest rates and housing affordability remain at decade-high levels, historically low US housing inventory and supply levels should provide an **Artificial Floor** to the magnitude and level of sales volume decline. Since 2008, the US housing market has been undersupplied by an average of ~ 2.5 million units per annum. Moreover, the aftermath of the **2020 Global Pandemic** still affects homebuilding operations today. A few public builders continue to cite significant unit delivery delays, as well as a steep decline in backlog conversion rates. These headwinds are likely to persist given the fact that vertically integrated distributors are simply unable to meet timetables or even provide certain building products – still having to deal with supply chain disruptions of their own. This kind of negative feedback loop further hinders the market’s ability to supply the market with enough housing units to meet demand. As **Total Housing Inventories** sit near all-time lows, we think that such structural market imbalance should provide floor to volume declines. During GFC, Lennar sales dropped ~ **-54% YoY**. During the ‘92 housing downturn, LEN experienced a ~ **-25%** decline in sales volume at the trough – identical to LEN’s most recent Q4 FY22 decline in demand. We use these insights to justify a sales volume floor proxied at roughly half the levels of GFC.⁶




2) LEN’s role as a dominant market share leader grants the company select **Economies of Scale** cost structure efficiencies, granting LEN enhanced **Gross Margin** capabilities. This dynamic affords LEN management greater malleability in adjusting price to elevate demand volume through **Sales Incentives** – providing benefits or price cuts to homebuyers in exchange for an expedited close on a home sale. Incentives provide management with the means to ensure that sales volume remain at business optimal levels through effectively sacrificing a small portion of operational margin. Management will typically follow through with these concessions, as long as overall gross margin remains at or above the ~ 20% break-even tipping point. As an example, Lennar is currently offering interest rates as low as 4.88% for buyers in the Greater Philadelphia Area who are willing to close on a home before 2023.⁷ Market leader scale efficiencies also bestow LEN management with heightened **Margin Drop-Through Visibility** – the latitude and ability to adjust **COGS + SG&A** ‘on-the-fly’ to better navigate unfavorable market conditions or economic downturn.

LENNAR Q

Unwrap HUGE Savings! Special pricing on select move-in ready homes.

Get up to \$15,000 in Closing Costs OR a fantastic interest rate as low as 4.875% (4.933%APR) this holiday season! This is your chance to buy your dream home at an incredible price! Lennar builds newly built homes throughout the Philadelphia suburbs, where our communities are located near the best restaurants, shopping and outdoor activities. Special Savings on select homes until 12/31/2022.



⁶ “Lennar Income Statement Metrics – FactSet”. December 2022.

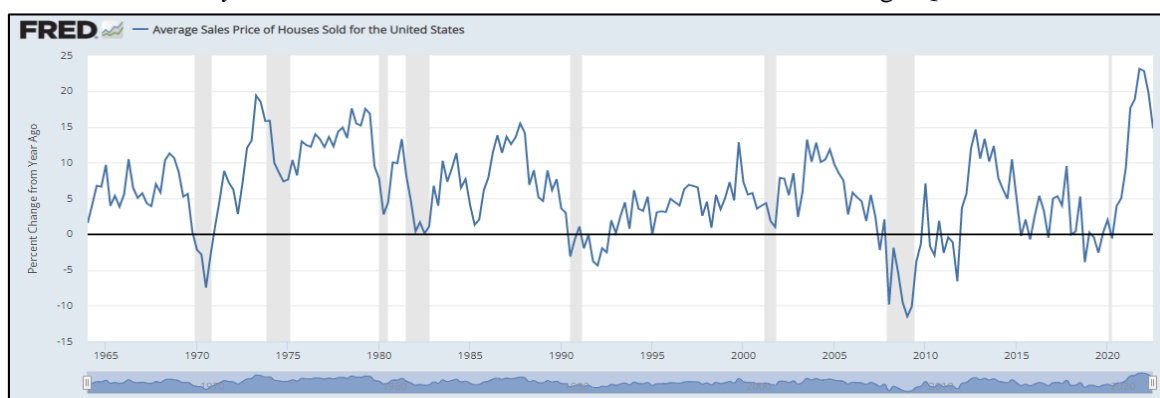
⁷ “Lennar New Homes – PA”. <https://www.lennar.com/new-homes/pennsylvania/greater-philadelphia-area/promo>. 2022.

Segmented Revenue Build

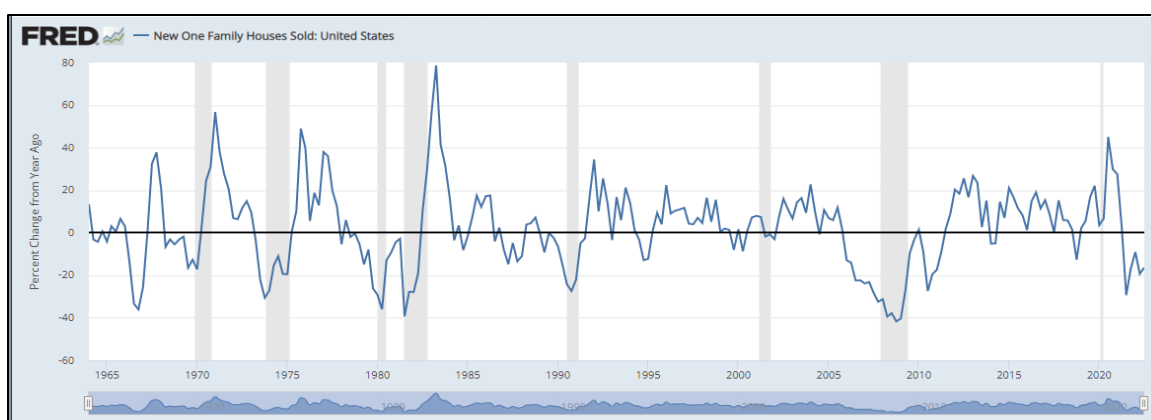
We model a revenue build which assumes a housing downturn in FYE23. However, we do not think that LEN volume or pricing will decline in the same magnitude nor duration similar to The Great Financial Crisis of '08, given reasons already mentioned in this memo. LEN's financial model and earnings drivers will therefore emulate the same economic and market conditions observed during the **Housing Market Recession of the 90s**. Using *1992 YoY % Δ FRED Data*, we anchor these assumptions about FYE23 price and volume decline to the historical figures of past downturns.⁸

Company Name	Ticker	Fiscal Period	Mkt Cap (M)	Sales (M)
Lennar A	LEN-US	8/31/2022	25,659.0	32,321.1
DR Horton	DHI-US	9/30/2022	30,333.0	33,480.0
NVR	NVR-US	9/30/2022	14,973.4	9,923.8
Pulte Home	PHM-US	9/30/2022	10,270.1	15,416.2
Toll Brothers	TOL-US	10/31/2022	5,679.0	10,275.6

We look at 1992 **Average Sales Price of Houses Sold in the US % Δ** data to proxy **Pricing Downturn**. We assign a **-5%** figure to LEN's FYE23 *Delivery ASP*. Moreover, we forecast this level of decline through Q2 FYE24.⁹



We look at 1992 **New One Family Houses Sold in the US % Δ** data to proxy **Demand Volume Decline**. We assign a **-23%** figure to LEN FYE23 *Units Ordered*. Likewise, we also forecast this magnitude of downturn through Q2 FYE24.¹⁰



⁸ "Lennar – Peer Comparison". FactSet. December 2022.

⁹ "Average Sales Price of Houses Sold for the United States." FRED Economic Data St. Louis Fed. <https://fred.stlouisfed.org/series/ASPUS>

¹⁰ "New Privately Owned Housing Units Started: Total Units." FRED Economic Data St. Louis Fed. <https://fred.stlouisfed.org/series/HOUST>

Homebuilding: Lastly, we leverage *Lennar 2023 Forward Guidance* provided in company 10-K and 8-K documents to model these key metrics. Management expects the following in FY23 Q1: 12,000 – 13,500 **New Order Units**; 12,000 – 13,500 **Home Deliveries**; ~ \$440,000 **ASP**; 21% **Home Sales Gross Margin**; 8% **Home Sales SG&A**; and **Financial Services Earnings** in the range of \$50M – \$55M. Guidance also expects 60,000 – 65,000 **Deliveries** for FY23.¹¹ We use these quarterly metrics in modeling **LEN Consolidated Revenue** to reflect -5% *Price* and -23% *Volume* declines.

LENNAR USD - Millions Fiscal Year - 11/30	2021				2021	2022				2022	2023E				2023
	2/28	5/31	8/31	11/30		2/28	5/31	8/31	11/30		2/28	5/31	8/31	11/30	
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
REVENUE BUILD															
Consolidated Earnings Drivers															
Home Sales Revenue	\$4,897	\$5,994	\$7,040	\$7,985	\$25,916	\$5,736	\$7,865	\$8,466	\$9,684	\$31,751	\$6,045	\$6,077	\$7,116	\$5,622	\$24,859
% Change	18%	22%	16%	40%	24%	17%	31%	20%	21%	23%	5%	-23%	-16%	-42%	-22%
Units Closed	12,314	14,507	16,556	17,819	61,196	12,538	16,205	17,248	20,064	66,055	13,836	13,204	15,221	12,404	54,663
% Change	19%	14%	8%	22%	16%	2%	12%	4%	13%	8%	10%	-19%	-12%	-38%	-17%
Average Selling Price (Sales)	398	413	425	448	423	457	485	491	483	481	437	460	468	453	455
% Change	-1%	7%	8%	17%	8%	15%	20%	16%	9%	14%	-5%	-4%	-4%	-4%	-5%
Net Orders Value	\$6,543	\$7,571	\$7,458	\$7,290	\$28,861	\$7,794	\$9,097	\$6,778	\$5,533	\$29,201	\$5,694	\$6,398	\$4,572	\$3,801	\$20,465
% Change	31%	56%	19%	21%	30%	19%	39%	-10%	-24%	1%	-27%	-30%	-33%	-31%	-30%
Units Ordered	15,570	17,157	16,277	15,539	64,543	15,747	17,792	14,636	13,200	61,375	12,371	13,758	11,282	10,313	47,724
% Change	26%	32%	5%	2%	15%	1%	14%	-15%	-15%	-5%	-21%	-23%	-23%	-22%	-22%
Average Selling Price (Orders)	420	441	458	469	447	495	511	463	419	476	460	465	405	369	429
% Change	4%	18%	14%	18%	12%	18%	22%	5%	-9%	6%	-6%	-7%	-10%	-9%	-10%
Sales Order Backlog	\$9,457	\$11,029	\$11,977	\$11,369	\$11,369	\$13,560	\$14,687	\$12,881	\$8,740	\$8,740	\$8,389	\$8,710	\$6,166	\$4,346	\$4,346
% Change	8%	21%	18%	21%	21%	43%	33%	8%	-23%	-23%	-38%	-41%	-52%	-50%	-50%
Ending Backlog Units	22,077	24,741	25,819	23,771	23,771	27,335	28,624	25,734	18,869	18,869	17,404	17,959	14,020	11,929	11,929
% Change	25%	38%	31%	26%	26%	24%	16%	0%	-21%	-21%	-36%	-37%	-46%	-37%	-37%
Average Selling Price (Backlog)	428	446	464	478	478	496	513	501	463	463	482	485	440	364	364
% Change	-17%	-17%	-14%	-5%	-5%	16%	15%	8%	-2%	-2%	-2%	-3%	-7%	-14%	-14%
Backlog Conversion Rate	65%	66%	67%	69%	69%	53%	59%	60%	78%	78%	73%	76%	85%	88%	88%

SUMMARY FINANCIALS	2020	2021	2022	2023E	2024E	2025E	2026E	TTM
Revenue	22,488	27,129	33,585	27,707	24,197	24,681	26,776	34,065
% Δ in Growth	-	21%	24%	-18%	-13%	2%	8%	26%
Gross Profit	3,475	5,537	7,412	4,370	4,023	5,087	6,044	9,618
Margin %	15%	20%	22%	16%	17%	21%	23%	74%
EBITDA	3,133	4,346	7,595	4,013	3,879	4,859	5,850	7,135
Margin %	14%	16%	23%	14%	16%	20%	22%	64%
Operating Income	3,031	4,332	6,269	3,834	3,282	4,431	5,353	7,134
Margin %	13%	16%	19%	14%	14%	18%	20%	65%
Net Income	2,457	3,906	5,181	3,914	3,255	4,625	5,726	4,576
Margin %	11%	14%	15%	14%	13%	19%	21%	17%
EPS	7.86	12.72	17.82	13.96	12.15	18.01	23.29	15.77
% Δ in Growth YoY	-	62%	40%	-22%	-13%	48%	29%	24%
Book Value	14,467	17,364	20,799	24,761	28,064	32,737	38,511	20,370
% Δ in Growth YoY	-	20%	20%	19%	13%	17%	18%	17%
Dividend/Share	0.63	1.00	1.13	1.60	1.68	1.76	1.85	1.50
% Δ in Growth YoY	-	60%	13%	42%	5%	5%	5%	50%
P/E	9.65x	9.12x	7.75x	9.89x	11.37x	7.67x	5.93x	5.71x
P/B	1.31x	1.65x	1.63x	1.35x	1.16x	0.97x	0.80x	1.29x
Inventory Turnover	0.32x	0.33x	0.29x	0.17x	0.13x	0.13x	0.15x	0.33x
Asset Turnover	0.23x	0.25x	0.28x	0.14x	0.10x	0.09x	0.09x	0.25x
Debt/EBITDA	2.22x	2.82x	3.12x	6.19x	5.52x	4.31x	4.42x	0.76x
Debt/Equity	0.40x	0.29x	0.28x	0.24x	0.22x	0.19x	0.19x	0.26x
ROIC	11%	16%	19%	8%	5%	6%	7%	21%
ROE	14%	22%	21%	17%	13%	15%	16%	22%
ROA	8%	14%	13%	9%	6%	7%	8%	14%

¹¹ Lennar 8-K, December 2022.

Regional Drivers: On a geographically segmented level, price is the most important revenue driver, as it also heavily influences current and future **Units Ordered** – a reliable proxy for housing market demand. ASP for each region in 2023 is projected accordingly to replicate the final consolidated volume decline level of the 1992 downturn.¹²

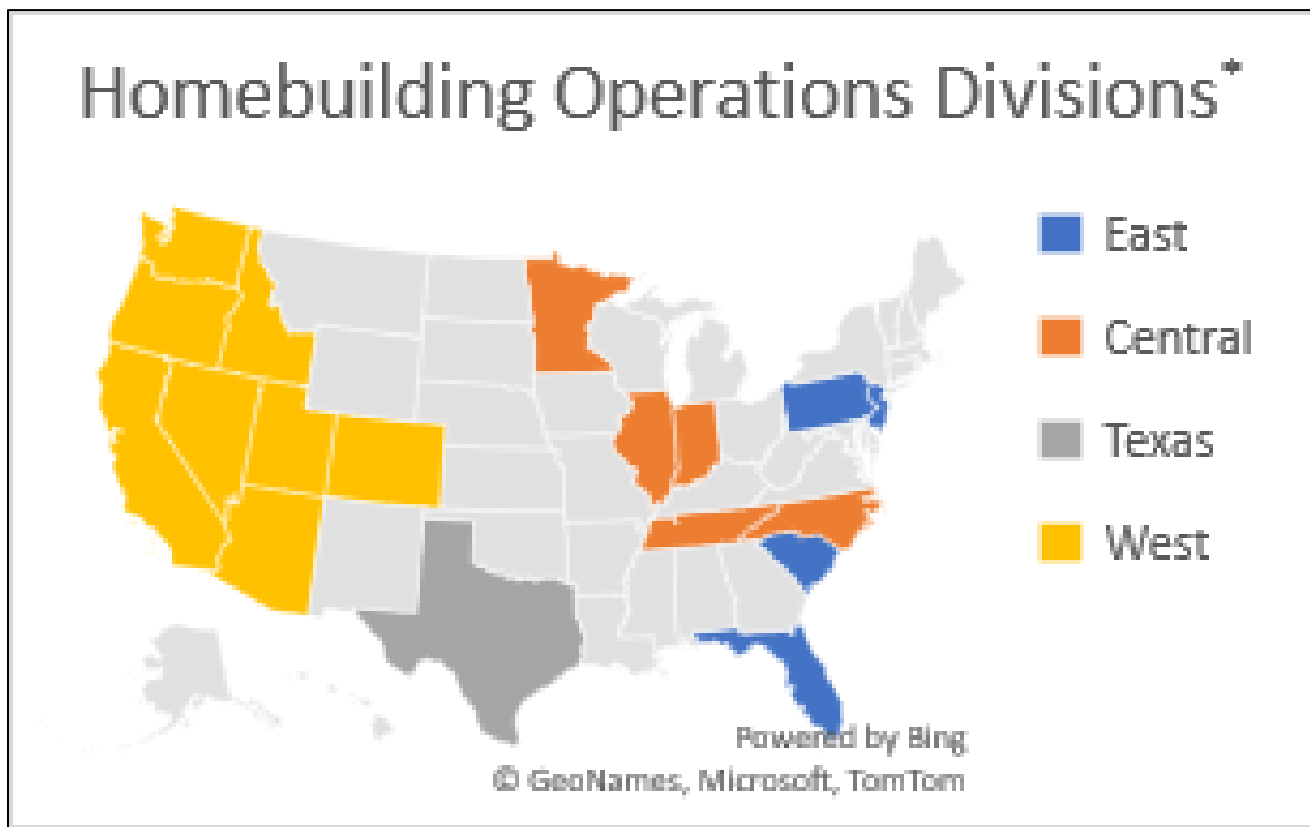
Both **Central** and **Texas** regions are modeled with **-5%** average pricing decline, and with **~40%** and **~ -30%** volume declines in '23 – reflecting higher levels of demand downturn in regions where LEN is not the 'Quasi-Monopoly'.

LENNAR® USD - Millions Fiscal Year - 11/30	2021				2021	2022				2022	2023E				2023
	2/28	5/31	8/31	11/30		2/28	5/31	8/31	11/30		2/28	5/31	8/31	11/30	
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
REVENUE BUILD															
Central Region															
Home Sales Revenue	\$926	\$1,093	\$1,795	\$1,525	\$5,340	\$1,107	\$1,284	\$1,575	\$1,875	\$5,841	\$1,175	\$937	\$879	\$976	\$3,966
% Change	18%	11%	8%	128%	30%	19%	17%	-12%	23%	9%	6%	-27%	-44%	-48%	-32%
Units Closed	2,419	2,761	4,568	3,747	13,495	2,521	2,944	3,501	4,186	13,152	2,818	2,261	2,055	2,293	9,427
% Change	18%	7%	6%	114%	26%	4%	7%	-23%	12%	-3%	12%	-23%	-41%	-45%	-28%
Average Selling Price (Sales)	383	396	393	407	396	439	436	450	448	444	417	414	428	426	421
% Change	-1%	4%	2%	7%	4%	15%	10%	15%	10%	12%	-5%	-5%	-5%	-5%	-5%
Net Orders Value	\$1,334	\$1,401	\$1,352	\$1,279	\$5,365	\$1,404	\$1,663	\$1,470	\$938	\$5,474	\$821	\$823	\$687	\$518	\$2,850
% Change	31%	37%	4%	4%	17%	5%	19%	9%	-27%	2%	-45%	-55%	-60%	-50%	-48%
Units Ordered	3,326	3,416	3,189	2,940	12,871	3,112	3,576	3,303	2,299	12,290	2,023	1,967	1,817	1,494	7,301
% Change	25%	27%	-6%	-7%	8%	-6%	5%	4%	-22%	-5%	-35%	-45%	-45%	-35%	-41%
Average Selling Price (Orders)	401	410	424	435	417	451	465	445	408	445	406	419	378	347	390
% Change	5%	8%	10%	12%	8%	12%	13%	5%	-6%	7%	-10%	-10%	-15%	-15%	-12%
Sales Order Backlog	\$2,169	\$2,474	\$2,565	\$2,322	\$2,322	\$2,620	\$3,012	\$2,790	\$1,856	\$1,856	\$1,502	\$1,388	\$1,197	\$739	\$739
% Change	47%	63%	46%	32%	32%	21%	22%	9%	-20%	-20%	-43%	-54%	-57%	-60%	-60%
Ending Backlog Units	5,278	5,933	5,911	5,104	5,104	5,695	6,381	5,912	4,025	4,025	3,230	2,936	2,697	1,899	1,899
% Change	40%	52%	31%	17%	17%	8%	8%	0%	-21%	-21%	-43%	-54%	-54%	-53%	-53%
Average Selling Price (Backlog)	411	417	434	455	455	460	472	472	461	461	463	472	459	427	389
% Change	5%	7%	12%	13%	13%	12%	13%	9%	1%	1%	1%	0%	-3%	-7%	-16%
Backlog Conversion Rate	55%	52%	77%	63%	63%	49%	52%	55%	71%	71%	70%	70%	70%	85%	85%

LENNAR® USD - Millions Fiscal Year - 11/30	2021				2021	2022				2022	2023E				2023
	2/28	5/31	8/31	11/30		2/28	5/31	8/31	11/30		2/28	5/31	8/31	11/30	
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
REVENUE BUILD															
Texas Region															
Home Sales Revenue	\$637	\$795	\$819	\$960	\$3,210	\$807	\$980	\$1,138	\$1,176	\$4,100	\$815	\$700	\$952	\$487	\$2,954
% Change	37%	15%	14%	23%	21%	27%	23%	39%	23%	28%	1%	-29%	-16%	-59%	-28%
Units Closed	2,349	2,761	2,747	3,096	10,953	2,537	2,944	3,447	3,721	12,649	2,697	2,213	3,038	1,622	9,569
% Change	49%	12%	6%	11%	16%	8%	7%	25%	20%	15%	6%	-25%	-12%	-56%	-24%
Average Selling Price (Sales)	271	288	298	310	293	318	333	330	316	324	302	316	314	300	309
% Change	-8%	2%	8%	11%	5%	17%	16%	11%	2%	11%	-5%	-5%	-5%	-5%	-5%
Net Orders Value	\$813	\$1,001	\$990	\$1,031	\$3,835	\$921	\$1,188	\$776	\$709	\$3,594	\$729	\$873	\$527	\$442	\$2,572
% Change	42%	49%	33%	37%	40%	13%	19%	-22%	-31%	-6%	-21%	-27%	-33%	-39%	-28%
Units Ordered	2,775	3,250	3,203	3,154	12,382	2,766	3,375	2,577	2,706	11,424	2,213	2,531	1,804	1,759	8,307
% Change	39%	26%	17%	15%	23%	0%	4%	-20%	-14%	-8%	-20%	-25%	-30%	-35%	-27%
Average Selling Price (Orders)	293	308	309	327	310	333	352	301	262	315	330	345	292	252	310
% Change	2%	18%	14%	20%	13%	14%	14%	-3%	-20%	2%	-1%	-2%	-3%	-4%	-2%
Sales Order Backlog	\$1,001	\$1,208	\$1,380	\$1,455	\$1,455	\$1,569	\$1,663	\$1,303	\$836	\$836	\$751	\$924	\$498	\$454	\$454
% Change	22%	52%	71%	76%	76%	57%	38%	-6%	-43%	-43%	-52%	-44%	-62%	-46%	-46%
Ending Backlog Units	3,249	3,752	4,208	4,266	4,266	4,495	4,582	3,712	2,697	2,697	2,213	2,531	1,298	1,434	1,434
% Change	25%	38%	50%	51%	51%	38%	22%	-12%	-37%	-37%	-51%	-45%	-65%	-47%	-47%
Average Selling Price (Backlog)	308	322	328	341	341	349	363	351	310	310	344	364	363	313	316
% Change	-3%	10%	14%	17%	17%	13%	13%	7%	-9%	-9%	-1%	0%	3%	1%	2%
Backlog Conversion Rate	83%	85%	73%	74%	74%	59%	65%	75%	100%	100%	100%	100%	120%	125%	125%

¹² "Lennar – FactSet Historicals". December 2022.

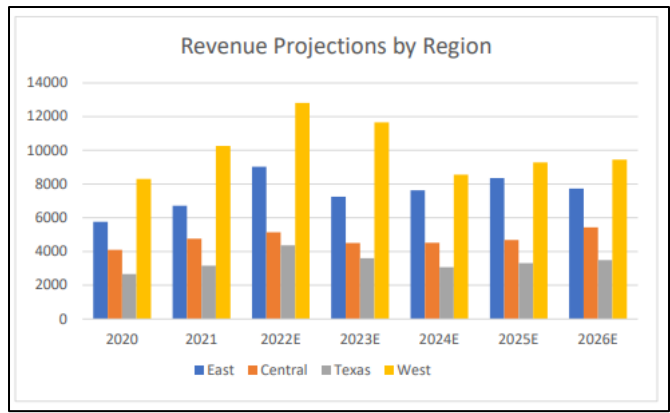
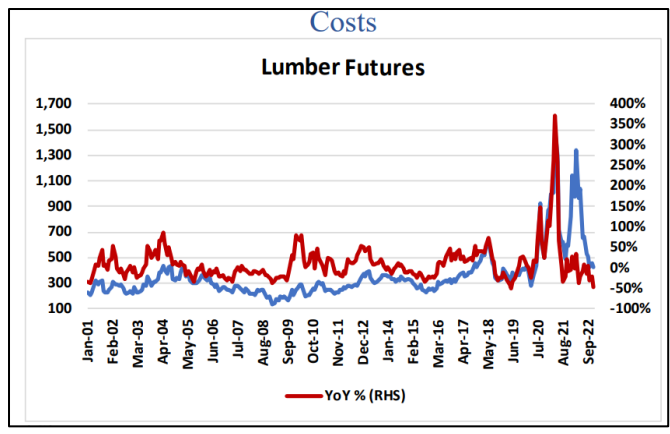
Regional Consolidation: The US homebuilders operate in a near perfectly competitive landscape, having exposure to almost every US end market. True competitive advantages are difficult to attain in this type of environment. One path to a competitive advantage is to dominate regionally to become the “*Quasi-Monopoly*” player in that area. LEN has consolidated locally in the West and East regions where management enjoys certain **Cost Structure/Pricing** advantages and **Contract Negotiation** leverage.



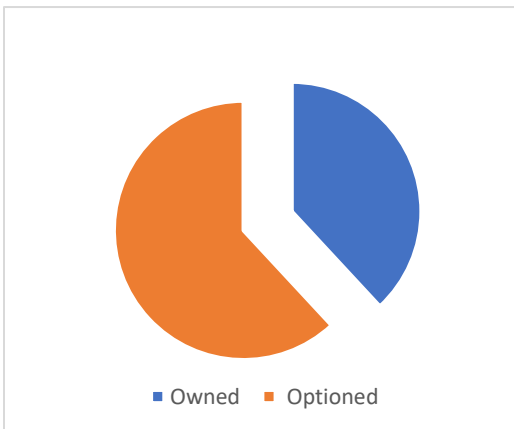
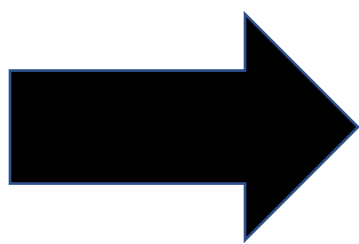
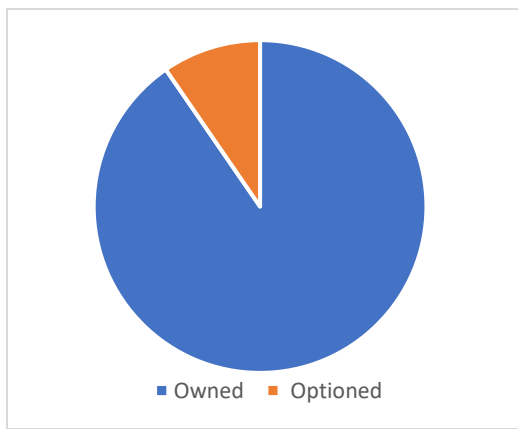
Over time, LEN solidified its grip as the ‘pure-play’ builder in these end-markets. As management’s hold tightened, LEN found success in leveraging favorable sub-contractor fees and in negotiating raw building material prices with local suppliers and distributors. As the primary source of residential construction projects and jobs, other market participants were left with very little alternative. This power dynamic improved Lennar’s **Income Statement** and **Balance Sheet** in three major ways: 1) LEN management booked sub-contracting work years out in advance – and of course at a discount – providing another means in which LEN could optimize its GM control and visibility through SG&A. Looking at LEN’s **SG&A as a % of Revenue** over time provides evidence to illustrate management’s unique level of malleability and control. Q/Q, LEN had proven its proficiency in controlling elements of SG&A to optimize margin adjustment and drop through.

Lennar Corporation Class A												
LEN 526057104 2511920 NYSE Common stock												
Source: FactSet Fundamentals												
	FEB '20	MAY '20	AUG '20	NOV '20	FEB '21	MAY '21	AUG '21	NOV '21	FEB '22	MAY '22	AUG '22	NOV '22
	Preliminary											
Sales	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Cost of Goods Sold (COGS) incl. D&A	80.10	78.21	75.94	74.86	73.93	73.34	72.82	72.11	69.09	70.52	71.50	75.34
Gross Income	19.90	21.79	24.06	25.14	26.07	26.66	27.18	27.89	30.91	29.48	28.50	24.66
SG&A Expense	10.33	9.33	9.00	8.36	10.00	8.70	8.13	7.09	8.39	7.27	6.94	6.32

2) Raw materials and building supplies comprise virtually all of homebuilder **COGS**. However, many of these products are commodities and are sometimes subject to high volatility and violent price swings. During times of high uncertainty and volatility, homebuilder margins may suffer. In 2020 and 2021, *Lumber Futures* rose by more than 350% YoY during peak construction seasons. In order to complete project deliverables and meet designated timelines, many builders were left with no choice but to purchase these supplies at exorbitant premiums. LEN can exert some level of pricing control in raw materials sourced or supplied from the controlled West or East regions, preventing large margin fluctuations.



3) LEN’s position as the 3rd most “*Land-Light*” builder at ~ **62% Optioned Land** remains a testament to the firm’s advantageous cost structure. These types of land bank options give the owner the right, but not the obligation, to develop a land lot at a future date – but at a set price which includes a hefty premium. Opting to purchase these options, in lieu of outright land, not only deleverages the homebuilder’s land risk exposure, but also grants the owner unique balance sheet mechanics which increase **Inventory Turnover** and **ROIC/ROE** metrics – optimizing gross margins and FCF generation. Lennar has increased its land/lot optionality from ~ 10% in Q3 FY10 to 61% in Q2 of FY22 – an increase of ~ **510%**. We argue that LEN could achieve this level of optionality faster than most other builders since management could presumably purchase land bank options from the West and East more cheaply.¹³



¹³ “Lennar – Industry Metrics”. December 2022.

Locally dominated **East**, **West** and **Other** regional markets support a less severe ~**-3%** average pricing decline. We are confident in LEN's ability in mitigating steep volume decline through its sales incentive offerings. We argue that for this reason, we justify our projected FYE23 ~**-25%** average demand downturn within these regions.

LENNAR USD - Millions Fiscal Year - 11/30	2021				2021	2022				2022	2023E				2023
	2/28	5/31	8/31	11/30		2/28	5/31	8/31	11/30		2/28	5/31	8/31	11/30	
	Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4	
REVENUE BUILD															
East Region															
Home Sales Revenue	\$1,352	\$1,559	\$1,658	\$2,276	\$6,845	\$1,674	\$2,225	\$2,541	\$2,835	\$9,275	\$2,077	\$2,198	\$2,850	\$2,688	\$9,814
% Change	17%	22%	12%	24%	19%	24%	43%	53%	25%	35%	24%	-1%	12%	-5%	6%
Units Closed	3,920	4,480	4,568	5,911	18,879	4,082	5,198	5,647	6,287	21,214	5,224	5,295	6,529	6,145	23,193
% Change	16%	17%	6%	8%	11%	4%	16%	24%	6%	12%	28%	2%	16%	-2%	9%
Average Selling Price (Sales)	345	348	363	385	363	410	428	450	451	437	398	415	437	437	423
% Change	1%	4%	5%	14%	8%	19%	23%	24%	17%	21%	-3%	-3%	-3%	-3%	-3%
Net Orders Value	\$1,699	\$1,991	\$2,102	\$2,119	\$7,911	\$2,131	\$2,754	\$2,514	\$2,113	\$9,511	\$1,923	\$2,429	\$2,073	\$1,724	\$8,149
% Change	33%	46%	29%	28%	33%	25%	38%	20%	0%	20%	-10%	-12%	-18%	-19%	-14%
Units Ordered	4,814	5,351	5,308	5,093	20,566	4,910	5,973	5,675	5,091	21,649	4,665	5,854	5,505	4,887	20,910
% Change	29%	30%	14%	6%	19%	2%	12%	7%	0%	5%	-5%	-2%	-3%	-4%	-3%
Average Selling Price (Orders)	353	372	396	416	385	434	461	443	415	439	412	415	377	353	390
% Change	3%	13%	13%	20%	11%	23%	24%	12%	0%	14%	-5%	0%	-15%	-15%	-11%
Sales Order Backlog	\$2,659	\$3,088	\$3,526	\$3,450	\$3,450	\$4,038	\$4,565	\$4,536	\$3,822	\$3,822	\$3,668	\$3,898	\$3,121	\$2,157	\$2,157
% Change	24%	39%	49%	49%	49%	52%	48%	29%	11%	11%	-9%	-15%	-31%	-44%	-44%
Ending Backlog Units	6,907	7,778	8,518	7,932	7,932	9,115	9,882	9,903	8,706	8,706	8,147	8,705	7,681	6,424	6,424
% Change	14%	23%	27%	32%	32%	32%	27%	16%	10%	10%	-11%	-12%	-22%	-26%	-26%
Average Selling Price (Backlog)	385	397	414	435	435	443	462	458	439	439	449	449	418	363	336
% Change	8%	13%	17%	13%	13%	15%	16%	11%	1%	1%	1%	-3%	-9%	-17%	-24%
Backlog Conversion Rate	65%	65%	59%	69%	69%	51%	57%	57%	63%	63%	60%	65%	75%	80%	80%
West Region															
Home Sales Revenue	\$1,978	\$2,544	\$2,764	\$3,216	\$10,502	\$2,144	\$3,367	\$3,208	\$3,794	\$12,513	\$1,976	\$2,384	\$2,601	\$1,672	\$8,633
% Change	14%	30%	25%	33%	26%	8%	32%	16%	18%	19%	-8%	-29%	-19%	-56%	-31%
Units Closed	3,622	4,502	4,669	5,057	17,850	3,392	5,110	4,649	5,864	19,015	3,096	3,654	3,847	2,664	13,261
% Change	10%	18%	12%	11%	13%	-6%	14%	0%	16%	7%	-9%	-29%	-17%	-55%	-30%
Average Selling Price (Sales)	546	565	592	636	588	632	659	690	647	658	638	652	676	628	651
% Change	4%	10%	12%	20%	11%	16%	17%	17%	2%	12%	1%	-1%	-2%	-3%	-1%
Net Orders Value	\$2,694	\$3,173	\$3,008	\$2,855	\$11,729	\$3,334	\$3,483	\$2,015	\$1,771	\$10,603	\$2,376	\$2,430	\$1,467	\$1,275	\$7,547
% Change	27%	76%	17%	19%	32%	24%	10%	-33%	-38%	-10%	-30%	-32%	-29%	-30%	-29%
Units Ordered	4,652	5,135	4,571	4,345	18,703	4,954	4,858	3,077	3,101	15,990	3,716	3,644	2,462	2,481	12,301
% Change	17%	42%	-4%	-4%	11%	6%	-5%	-33%	-29%	-15%	-25%	-25%	-20%	-20%	-23%
Average Selling Price (Orders)	579	618	658	657	627	673	717	655	571	663	639	667	596	514	614
% Change	8%	24%	22%	23%	17%	16%	16%	0%	-13%	6%	-5%	-7%	-9%	-10%	-7%
Sales Order Backlog	\$3,627	\$4,256	\$4,500	\$4,138	\$4,138	\$5,330	\$5,443	\$4,249	\$2,226	\$2,226	\$2,625	\$2,671	\$1,537	\$1,140	\$1,140
% Change	34%	67%	54%	42%	42%	47%	28%	-6%	-46%	-46%	-51%	-51%	-64%	-49%	-49%
Ending Backlog Units	6,642	7,275	7,177	6,465	6,465	8,027	7,775	6,203	3,440	3,440	4,060	4,049	2,664	2,481	2,481
% Change	27%	45%	27%	15%	15%	21%	7%	-14%	-47%	-47%	-49%	-48%	-57%	-28%	-28%
Average Selling Price (Backlog)	546	585	627	640	640	664	700	685	647	647	655	679	639	512	459
% Change	5%	15%	21%	23%	23%	22%	20%	9%	1%	1%	-1%	-3%	-7%	-21%	-29%
Backlog Conversion Rate	65%	68%	64%	70%	70%	52%	64%	60%	95%	95%	90%	90%	95%	100%	100%
Other Regions															
Home Sales Revenue	\$4	\$3	\$4	\$8	\$18	\$5	\$9	\$4	\$4	\$21	\$1	\$4	\$6	\$1	\$11
% Change	-55%	-78%	60%	-18%	-44%	37%	221%	-12%	-54%	16%	-75%	-62%	61%	-82%	-47%
Units Closed	4	3	4	8	19	6	9	4	6	25	2	4	7	1	13
% Change	-56%	-77%	33%	-20%	-46%	50%	200%	0%	-25%	32%	-75%	-61%	63%	-82%	-50%
Average Selling Price (Sales)	912	952	1,035	972	969	834	1,018	914	595	856	826	1,008	905	589	897
% Change	2%	-5%	20%	3%	3%	-9%	7%	-12%	-39%	-12%	-1%	-1%	-1%	-1%	5%
Net Orders Value	\$3	\$5	\$6	\$6	\$21	\$5	\$9	\$3	\$2	\$19	\$3	\$5	\$1	\$1	\$11
% Change	-78%	-	312%	121%	15%	56%	79%	-55%	-67%	-9%	-43%	-45%	-50%	-50%	-43%
Units Ordered	3	5	6	7	21	5	10	4	3	22	3	6	2	2	13
% Change	-79%	-	200%	133%	11%	67%	100%	-33%	-57%	5%	-40%	-40%	-40%	-40%	-40%
Average Selling Price (Orders)	991	1,029	996	917	977	926	920	667	703	846	898	874	600	633	797
% Change	2%	6%	37%	-3%	4%	-7%	-11%	-33%	-23%	-13%	-3%	-5%	-10%	-10%	-6%
Sales Order Backlog	\$1	\$3	\$5	\$4	\$4	\$4	\$4	\$3	\$1	\$1	\$3	\$4	\$0	\$0	\$0
% Change	-92%	204%	-	113%	113%	204%	4%	-50%	-70%	-70%	-27%	20%	-104%	-66%	-66%
Ending Backlog Units	1	3	5	4	4	3	4	4	1	1	3	5	1	2	2
% Change	-93%	200%	-	100%	100%	200%	33%	-20%	-75%	-75%	-17%	25%	-78%	62%	62%
Average Selling Price (Backlog)	1,175	1,155	1,060	986	986	1,189	903	656	1,164	1,164	1,072	858	482	-323	246
% Change	18%	1%	-7%	7%	7%	1%	-22%	-38%	18%	18%	-10%	-5%	-26%	-128%	-79%
Backlog Conversion Rate	200%	300%	133%	160%	160%	150%	300%	100%	150%	150%	150%	140%	130%	120%	120%

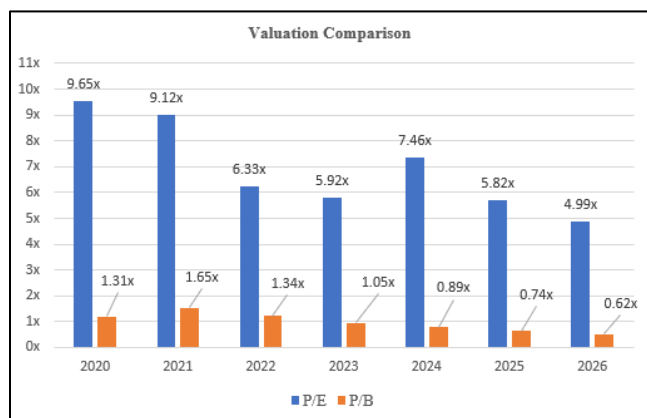
Valuation and Justified Multiples

Most homebuilders are not consistent cash flow generators, so they are valued on **P/B** basis, rather than on a **P/E** basis. Over the past few fiscal years, Lennar has generated consistent positive **FCF** Q/Q with reasonable **Working Capital** swings. We are confident that as this trend continues, and if LEN can increase its optionality mix above the 75% threshold, the market should also begin to value the builder on price-to-earnings. Given such a scenario, we think that the market could assign the equity a ~ **11.47x P/E Multiple Through-Cycle** – significantly higher than LEN’s current five year average ~ **10.15x P/E**. LEN currently trades at 5.74x P/E and 1.29x P/B. As we assume structurally higher GM at ~ 22%, we should expect the market to rerate Lennar’s multiple as margins normalize in the latter half of FY24.

Lennar Corporation Class A											
LEN 526057104 2511920 NYSE Common stock											
Source: FactSet Fundamentals											
	FEB '20	MAY '20	AUG '20	NOV '20	FEB '21	MAY '21	AUG '21	NOV '21	FEB '22	MAY '22	AUG '22
Changes in Working Capital	-167.0	345.8	798.1	342.3	-372.8	-637.5	-542.0	-98.6	-1,077.2	-1,324.2	-1,268.0
Net Operating Cash Flow	469.3	956.6	1,606.6	1,379.0	468.7	480.9	655.1	1,290.1	101.3	190.4	591.5
Free Cash Flow	451.4	948.8	1,589.5	1,349.1	459.5	465.8	639.6	1,264.9	95.6	185.3	574.9
Free Cash Flow per Share	1.5	3.1	5.1	4.4	1.5	1.5	2.1	4.2	0.3	0.6	2.0
Free Cash Flow Yield (%)	14.56	18.98	18.66	18.50	16.95	12.63	8.84	8.94	9.33	9.39	9.50

Our financial model forecasts a **\$113 Price Target** with a **1.50x P/B Multiple**. The market currently prices LEN at a ~ 1.05x P/B Multiple in FY23. We remain steadfast in reasoning that the multiple will rerate once all of LEN’s cash generation and liquidity capabilities are realized. Within this reasoning, we are confident in our fair value estimate and believe that its deviation from consensus is due to these factors. APV/DCF analysis also arrives at a \$113 price target.

SUMMARY FINANCIALS	2020	2021	2022	2023E	2024E	2025E	2026E	TTM
P/E	9.65x	9.12x	6.33x	5.92x	7.46x	5.82x	4.99x	5.71x
P/B	1.31x	1.65x	1.34x	1.05x	0.89x	0.74x	0.62x	1.29x
Inventory Turnover	0.32x	0.33x	0.30x	0.16x	0.13x	0.13x	0.15x	0.33x
Asset Turnover	0.23x	0.25x	0.28x	0.15x	0.10x	0.09x	0.09x	0.25x
Debt/EBITDA	2.22x	2.82x	3.12x	4.81x	4.86x	4.31x	4.59x	0.76x
Debt/Equity	0.40x	0.29x	0.28x	0.23x	0.20x	0.18x	0.18x	0.26x
ROIC	11%	16%	19%	10%	6%	6%	6%	21%
ROE	14%	20%	25%	15%	11%	11%	10%	22%
ROA	8%	13%	15%	9%	6%	6%	6%	14%



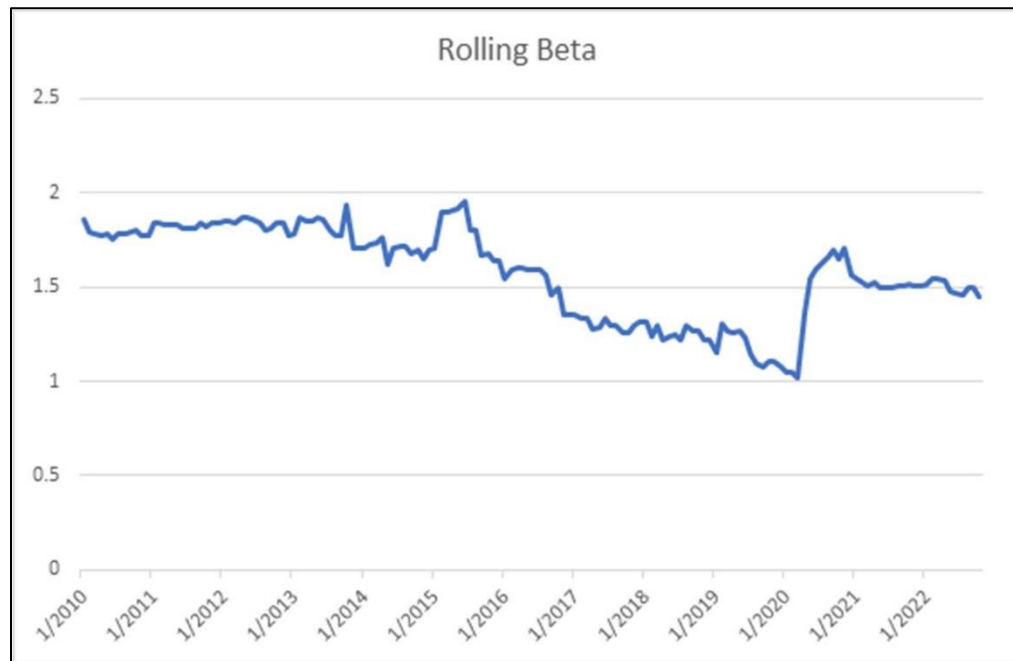
Justified Multiples	2023
P/B Multiple	1.50x
β	1.17
Rf	4.70%
Rm	5.00%
Ke	10.55%
Growth	2.25%
ROE	14.67%
P/E	10.20x

P/B Valuation	2023
Book Value	20,799
P/B Multiple	~ 1x ~
Equity Value	31,116
Shares Outstanding	276
Price Target	113
Price Return	25%
Dividend Return	2%
Total Return	27%

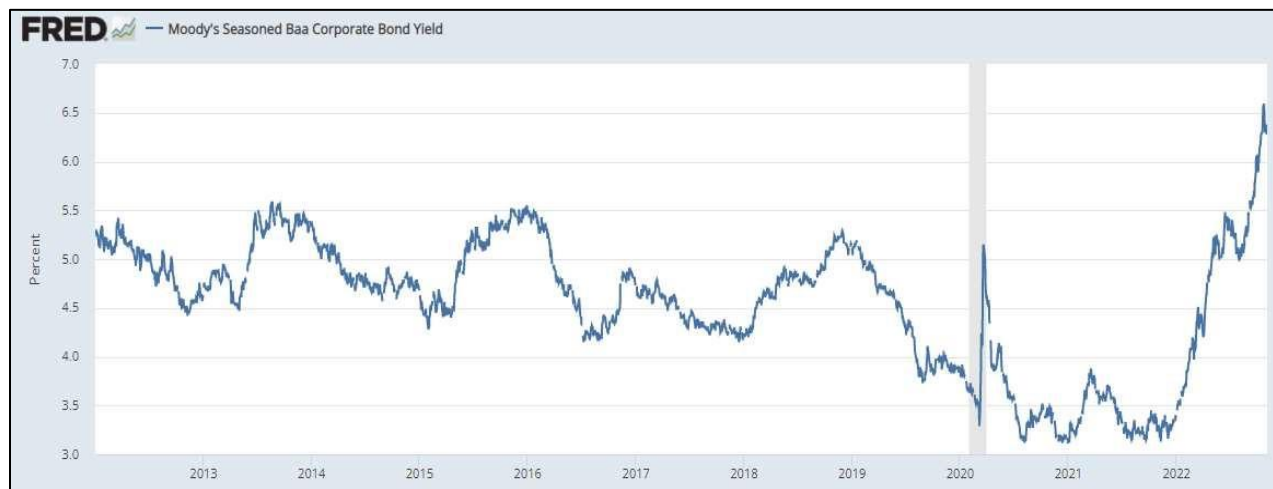
APV/DCF Fair Value Analysis

	2022	2023	2024	2025	2026
EBIT	6,898	5,557	5,177	6,482	6,636
Depreciation	174	12	43	37	38
Taxes	1,690	1,362	1,268	1,588	1,626
Capital Expenditure	-20	-23	0	0	0
Change in Working Capital	1,961	2,067	2,153	2,212	2,231
Cash Flows	3,441	2,163	1,799	2,719	2,817

Beta Equity: Due to the unique conditions of the 2020 Pandemic, we opted to ignore the 70 bps spike in β_{LEN} . Given the equity's downward trend in volatility since 2010, we chose a **Rolling Beta** of **1.17**.



Cost of Debt: In FY21 Q3, Moody's upgraded Lennar's debt from BAA3 to BAA2.¹⁴ The current corporate bond yield is 6.33%.¹⁵ The daily average return since 2012 is **4.55%** and is also our **Cost of Debt**.

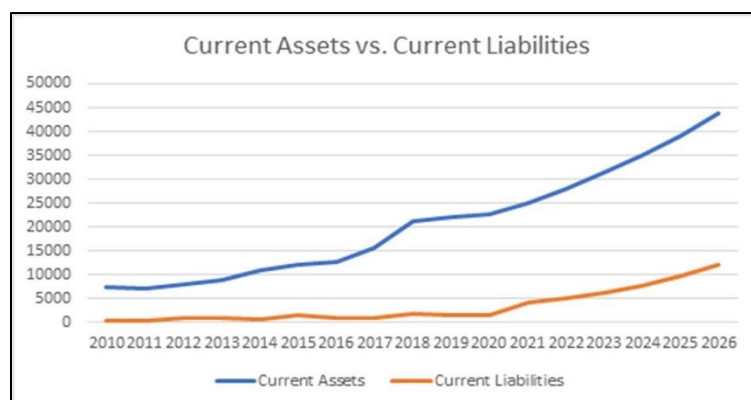
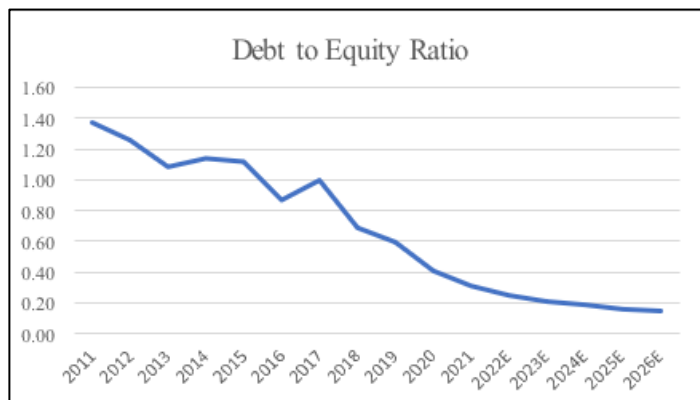


¹⁴ Lennar Q3 Earnings Call

¹⁵ "Moody's Seasoned Baa Corporate Bond Yield". FRED Economic Data. St. Louis Fed. < <https://fred.stlouisfed.org/series/DBAA#0>>

Risk Free Rate: The spot rate is based on the current **6-Month Treasury Note Yield, 4.70%**. Given the unique interest rate environment and our positioning within the housing cycle, a short duration note gives an accurate proxy for timeframe.

Total Debt and Terminal Debt Growth Rates: Lennar is actively seeking to deleverage. In the FY21 Q3 earnings call, the executive team explained their recent decision to pay down \$575 million of maturing senior debt. Lennar is withholding repurchasing stock to pay off debt.¹⁶ We projected the following **D/E Ratios** and used this to calculate D/E. **Total Equity 2022E - 2026E** was calculated using Q3 numbers for in Class A Common Stock, Class B Common Stock, Treasury Stock, Other Loss/Gain, Retained Earnings, and non-controlling Interests. Additional Paid in Capital was increased by about \$1,000 a quarter. We expect a **Terminal Growth Rate** at or below long-term GDP growth ~ **1.00%**. Likewise, a similar compound annual growth rate was used to calculate LEN's **Terminal Cash Flow Growth Rate ~ 4.25%**.



Present Value (millions)

Beta Equity	1.17
D/E Ratio ¹³	0.29
Risk Free Rate	4.70%
Cost of Debt	4.55%
Market Premium ¹⁴	5.00%
Tax Rate	24%
Rate of Equity	12.45%
Discount Rate	11.20%
Terminal Cash Flow Growth Rate	4.25%
Terminal Total Debt Growth Rate	2.25%

Free Cash Flows	\$35,408
Debt Tax Shield	\$7,705
Enterprise Value	\$40,118

LEN currently has **291 Million Shares Outstanding** and holds **\$8 Billion** in **Cash and Cash Equivalents**. APV/DCF analysis reflects a **\$113.13 Fair Value** estimate.

¹⁶ FY21 Q3 Lennar Earnings Call

APPENDIX – Abbreviated Financials

LENNAR USD - Millions Fiscal Year - 11/30	2020	2021	2022	2023	2024	2025	2026
INCOME STATEMENT	Annual	Annual	Annual	Annual	Annual	Annual	Annual
Revenue							
Homebuilding	20,981	25,545	31,867	26,026	22,349	22,699	24,656
Financial Services	890	898	809	728	801	881	969
Multifamily	576	665	865	908	999	1,049	1,091
Other	41	21	44	44	47	52	60
Total Revenue	\$22,488	\$27,129	\$33,585	\$27,707	\$24,197	\$24,681	\$26,776
Cost of Sales							
Homebuilding	17,961	20,502	24,819	21,889	17,965	17,801	19,094
Financial Services	471	407	500	502	521	529	533
Multifamily	575	652	815	899	979	1,018	1,058
Other	6	31	39	38	38	41	46
Total Costs of Goods Sold	\$19,013	\$21,592	\$26,173	\$23,328	\$19,503	\$19,388	\$20,732
Gross Profit							
Homebuilding	3,020	5,043	7,048	4,137	4,384	4,898	5,562
Financial Services	419	491	309	226	280	352	436
Multifamily	1	13	50	9	20	31	33
Other	35	-10	5	7	9	11	14
Total Gross Profit	\$3,475	\$5,537	\$7,412	\$4,379	\$4,694	\$5,293	\$6,044
Selling, General, and Administrative Expenses							
Corporate Expenses	333	398	413	370	367	367	367
Charitable Cause Donations	25	60	67	76	76	76	76
Total SG&A	\$358	\$458	\$480	\$446	\$443	\$443	\$443
Operating Income							
Homebuilding	3,020	5,043	7,048	4,137	4,384	4,898	5,562
Financial Services	419	491	309	226	280	352	436
Multifamily	1	13	50	9	20	31	33
Other	-323	-468	-475	-439	-434	-431	-429
Total Operating Profit	\$3,117	\$5,079	\$6,932	\$3,933	\$4,251	\$4,851	\$5,602
Other Income and Expenses							
Homebuilding	-30	3	5	13	15	15	15
Financial Services	61	0	0	0	0	0	0
Multifamily	0	0	0	0	0	0	0
Other	0	680	-601	-10	-221	-137	-171
Equity in Earnings of Unconsolidated Entities	-22	57	-67	-92	-92	-92	-92
Total Other Income and Expenses	\$9	\$740	-\$663	-\$89	-\$298	-\$214	-\$248
Goodwill Impairment	0	0	6	12	12	12	12
Loss (Gain) On Early Retirement of Debt	0	0	1	4	4	4	4
Income Before Income Taxes	\$3,108	\$4,339	\$7,588	\$4,006	\$4,533	\$5,049	\$5,834
Income Tax Expense (Benefit)	656	1,363	-1,152	741	762	778	801
Net Income (Continued Operations)	\$2,452	\$2,976	\$8,740	\$3,266	\$3,772	\$4,271	\$5,034
Net Income (Loss) Attributable to Noncontrolling Interests	2	26	-15	-13	-13	-13	-13
Converted Interest Add-Back	0	0	0	0	0	0	0
Adjustments & Non-Recurring Items	-452	0	299	249	656	342	-332
Net Income (GAAP)	\$2,457	\$3,006	\$5,181	\$3,925	\$4,055	\$4,870	\$5,726
Share Buybacks and Dividends							
Shares Outstanding	313	299	287	276	265	253	242
Shares Repurchased	-1	14	12	11	11	11	11
Repurchase Principal	321	1,430	919	0	460	230	345
Average Purchase Price	0	295	226	0	165	82	123
Average Dividend	0.63	1.00	1.13	1.60	1.68	1.76	1.85
EPS	7.86	12.72	17.82	14.01	15.12	18.96	23.29
Adjusted Operating Profit	\$3,117	\$5,079	\$6,932	\$3,933	\$4,251	\$4,851	\$5,602
(+) COGS Amortized Interest	25	7	0	0	0	0	0
(+) Other Income	61	740	663	89	298	214	248
EBIT	\$3,031	\$4,332	\$6,269	\$3,844	\$3,953	\$4,637	\$5,353
(+) Depreciation and Amortization	95	86	-125	43	45	60	59
EBITDA	\$3,133	\$4,346	\$7,595	\$4,022	\$4,549	\$5,065	\$5,850
NOPAT	\$2,516	\$4,100	\$5,596	\$3,175	\$3,432	\$3,916	\$4,522
Margin Analysis							
Homebuilding Margin	14%	19%	22%	21%	18%	21%	23%
Financial Services Margin	46%	55%	39%	31%	35%	40%	45%
Multifamily Margin	-1%	2%	5%	1%	2%	3%	3%
Other Margin	62%	8%	-4%	16%	20%	22%	23%
Gross Margin	15%	20%	22%	16%	19%	21%	23%
Operating Margin	13%	18%	20%	14%	17%	19%	21%
Revenue Analysis % Δ Y/Y							
Homebuilding	0%	21%	25%	-16%	-15%	1%	10%
Financial Services	0%	3%	-9%	-10%	10%	10%	10%
Multifamily	0%	20%	36%	5%	10%	5%	4%
Other	0%	11%	-1%	-2%	7%	10%	15%
Total Revenue % Δ Y/Y	0%	21%	24%	-18%	-13%	2%	8%

LENNAR	2020	2021	2022	2023	2024	2025	2026
USD - Millions Fiscal Year - 11/30							
BALANCE SHEET	Annual	Annual	Annual	Annual	Annual	Annual	Annual
Assets							
Cash and Cash Equivalents	2,863	2,921	4,616	8,073	15,129	22,966	33,625
Restricted Cash	70	34	23	23	23	23	23
Net Receivables	938	1,296	674	404	425	446	468
Inventories	17,175	19,169	21,432	28,488	38,241	41,088	34,996
Loans Held for Sale	1,490	1,636	1,949	1,949	1,949	1,949	1,949
Investments in Equity Securities	69	1,006	813	813	813	813	813
Investments Available for Sale	54	42	96	96	96	96	96
Net Loans Held for Investment	73	45	87	87	87	87	87
Investments Held to Maturity	164	158	314	314	314	314	314
Investments in Unconsolidated Entities	2,064	1,972	1,174	1,174	1,174	1,174	1,174
Goodwill	3,632	3,632	3,442	3,442	3,442	3,442	3,442
Other Assets	1,343	1,294	1,323	1,323	1,323	1,323	1,323
Total Assets	\$29,935	\$33,205	\$35,943	\$46,187	\$63,015	\$73,721	\$78,310
Liabilities							
Accounts Payable, Net Notes, and Debts Payable	7,421	6,378	7,630	7,706	7,783	7,861	7,940
Other Liabilities	4,414	5,833	3,348	3,348	3,348	3,348	3,348
Total Liabilities	\$11,835	\$12,211	\$10,978	\$11,054	\$11,131	\$11,209	\$11,288
Stockholder's Equity							
Class A Common Stock	30	30	26	26	26	26	26
Class B Common Stock	4	4	4	4	4	4	4
Additional Paid-In-Capital	8,676	8,807	5,418	9,391	13,494	18,412	24,186
Treasury Stock	-1,279	-2,709	-210	-210	-210	-210	-210
Other Loss/Gain	0	-1	2	2	2	2	2
Retained Earnings	10,564	14,685	18,861	18,861	18,861	18,861	18,861
Noncontrolling Interests	104	180	140	140	140	140	140
Total Equity	\$17,995	\$20,816	\$24,101	\$28,074	\$32,177	\$37,095	\$42,869
P & L Items (TTM)							
Sales (Homebuilding)	6,827	8,436	10,117	6,718	6,150	6,659	7,005
COGS (Homebuilding)	5,585	6,535	7,936	5,768	4,923	5,190	5,378
Operating Income	1,146	1,780	2,081	839	1,116	1,358	1,516
Net Income (Continuing Operations)	2,452	2,976	8,740	3,266	3,772	4,271	5,034
Shares Outstanding	313	299	287	276	265	253	242
Tax Rate	19%	19%	19%	19%	19%	19%	19%
Adjusted EBIT	3,133	4,346	7,595	4,022	4,549	5,065	5,850
Adjusted EBITDA	3,228	4,432	7,470	4,065	4,594	5,125	5,909
Capital Structure							
Total Cash	2,863	2,921	4,616	8,073	15,129	22,966	33,625
Net Debt	7,421	6,378	7,630	7,706	7,783	7,861	7,940
Total Stockholder Equity	18,099	20,996	24,241	28,214	32,317	37,235	43,009
Book Value	14,467	17,364	20,799	24,772	28,875	33,793	39,567
Total Assets	29,935	33,205	35,943	46,187	63,015	73,721	78,310
Total Capital	25,520	27,374	31,871	35,920	40,100	45,097	50,949
Invested Capital	22,514	26,827	28,313	38,480	55,232	65,860	70,370
Total Inventory	17,175	19,169	21,432	28,488	38,241	41,088	34,996
Average Balances							
Average Cash	2,716	2,246	4,962	8,760	15,961	24,115	33,625
Average Inventory	17,579	20,079	27,046	33,747	38,508	41,276	34,996
Average Tangible Assets	27,526	30,673	36,878	43,362	48,144	50,932	44,685
Average Total Assets	30,242	32,919	41,841	52,122	64,104	75,047	78,310
Average Debt	7,181	6,116	6,771	6,838	6,907	6,976	7,940
Average Shareholder Equity	18,558	20,921	24,733	28,543	32,697	37,765	43,009
Average Total Capital	25,739	27,037	31,504	35,381	39,604	44,741	50,949
Average Invested Capital	23,061	26,804	35,070	45,283	57,198	68,071	70,370
Average Receivables	915	1,106	612	395	414	435	468
Book Value per Share	57.82	70.22	84.46	102.31	122.14	146.94	177.58
Key Ratios							
Cash and Cash Equivalents Ratio	0.33x	0.41x	0.26x	0.15x	0.17x	0.11x	0.10x
Days in Inventory	3	3	3	5	8	8	7
YoY Δ in Net Receivables	0%	38%	-48%	-40%	5%	5%	5%
YoY Δ in Net Payables	0%	-14%	20%	1%	1%	1%	1%
Leverage Analysis							
Net Debt/Equity	0.40x	0.29x	0.28x	0.24x	0.21x	0.19x	0.18x
Net Debt/EBITDA	5.37x	2.82x	3.12x	6.19x	5.06x	4.31x	4.42x
Inventory Turnover	0.32x	0.33x	0.29x	0.17x	0.13x	0.13x	0.15x
Asset Turnover	0.23x	0.25x	0.28x	0.15x	0.10x	0.09x	0.09x
Returns Analysis							
ROIC	11%	16%	19%	8%	6%	6%	7%
ROE	14%	22%	21%	17%	15%	15%	15%
ROA	8%	14%	13%	10%	8%	8%	8%

LENNAR

USD - Millions Fiscal Year - 11/30

	2020	2021	2022	2023	2024	2025	2026
CASH FLOW	Annual	Annual	Annual	Annual	Annual	Annual	Annual
Cash Flows from Operating Activities							
Net Income	2,467	4,456	3,023	4,584	4,715	5,530	6,385
Δ in Gross Working Capital							
Depreciation and Amortization	94	86	38	43	45	60	59
Amortization of Discounts and Fees	-25	-7	-1	0	0	0	0
Equity in Unconsolidating Entity Earnings	26	-49	49	56	56	56	56
Distributions of Unconsolidated Entity Earnings	62	46	81	140	140	140	140
Share-Based Compensation Expense	107	134	194	156	156	156	156
Deferred Income Tax Expense	92	192	50	264	264	264	264
Loans Held-For-Sale Unrealized Gain/Loss	0	15	55	56	56	56	56
Lennar Other Unrealized Gain/Loss	-22	-680	676	388	388	388	388
Gain/Loss on Sale of Other Assets	-8	-28	-9	-4	-4	-4	-4
Gain/Loss on Deconsolidation of Previously Consolidated Entity	-56	0	0	0	0	0	0
Gain/Loss on Sale on Interest in Unconsolidated Entity and Other	0	-1	0	0	0	0	0
Gain/Loss on Sale of Financial Services Portfolio/Business	-5	-9	0	0	0	0	0
Adjustments and Write-Offs	117	26	40	52	52	52	52
Δ in Net Working Capital - Increases/Decreases							
Receivables	26	-289	-173	270	-20	-21	-22
Inventories	781	-1,960	-2,484	-7,056	-9,753	-2,847	6,092
Other Assets	90	-121	-271	0	0	0	0
Loans Held-for-Sale	177	-160	319	0	0	0	0
Accounts Payable and Other Liabilities	267	881	1,472	-76	-77	-78	-79
Net Operating Cash Flow	\$4,190	\$2,532	\$3,059	-\$1,127	-\$3,983	\$3,752	\$13,544
Cash Flows from Investing Activities							
Purchase of PP&E	-73	-65	-45	-68	-68	-68	-68
Proceeds from Sale of Operating PP&E	32	42	18	0	0	0	0
Investment in Unconsolidated Entities	0	32	-533	-544	-544	-544	-544
Distributions of Capital from Unconsolidated Entities	14	3	425	372	372	372	372
Proceeds from Sale of Investment in Consolidated Joint Venture	-484	-408	0	0	0	0	0
Proceeds from Sale of Financial Services and Portfolio	220	362	-10	-40	-40	-40	-40
Proceeds from Sale of Commercial Mortgage-Backed Securities Bonds	3	11	0	0	0	0	0
Net Financial Services Loans Held-for-Investment	-3	0	22	12	12	12	12
Purchases of Investment Securities	-44	30	-109	-60	-60	-60	-60
Proceeds from Maturities/Sales of Investment Securities	53	-128	15	24	24	24	24
Other Receipts	2	16	0	0	0	0	0
Net Investing Cash Flow	-\$280	-\$105	-\$217	-\$304	-\$304	-\$304	-\$304
Cash Flows from Financing Activities							
Net Borrowings under Revolving Line of Credit	0	0	0	0	0	0	0
Net Repayments under Warehouse Facilities	-282	262	-72	664	664	664	664
Redemption of Senior Notes	-1,500	-1,159	-50	-56	-56	-56	-56
Principal Payments on Notes Payable and Other Borrowings	-605	-215	0	0	0	0	0
Proceeds from Liabilities Related to Consolidated Inventory Not Owned	0	14	1,133	1,152	1,152	1,152	1,152
Proceeds from Other Borrowings	93	694	-689	-684	-684	-684	-684
Payments Related to Other Liabilities	-116	-350	42	48	48	48	48
Receipts Related to Noncontrolling Interests	176	25	0	0	0	0	0
Payments Related to Noncontrolling Interests	-42	70	-105	-80	-80	-80	-80
Common Stock:							
Repurchases	-321	-1,430	-919	0	-460	-230	-345
Dividends	-195	309	-440	-440	-440	-440	-440
Net Financing Cash Flow	-\$2,792	-\$1,780	-\$1,100	\$604	\$145	\$374	\$259
Net Cash and Cash Equivalents							
Increase (Decrease) in Cash & Cash Equivalents	1,118	647	1,742	-827	-4,143	3,822	13,499
Cash & Cash Equivalents at Beginning of Period	1,052	2,863	2,921	5,729	4,902	759	4,582
Cash & Cash Equivalents at End of Period	2,863	2,921	5,729	4,902	759	4,582	18,080
Operating Cash Flow	4,190	2,532	3,059	-1,127	-3,983	3,752	13,544
PP&E Capex	-73	-65	-45	-68	-68	-68	-68
Intangible Capex	0	0	0	0	0	0	0
Net Free Cash Flow	\$4,117	\$2,467	\$3,014	-\$1,195	-\$4,051	\$3,684	\$13,476
FCF Conversion (EBITDA)	131%	57%	40%	-30%	-89%	73%	230%
P&L Items							
Sales (TTM)	22,488	27,129	33,585	27,707	24,197	24,681	26,776
Net Income (TTM)	2,452	2,976	8,740	3,266	3,772	4,271	5,034
Average Shares Repurchased (TTM)	-1	14	12	11	11	11	11
Cash Flow Items							
Depreciation and Amortization (TTM)	94	86	38	43	45	60	59
Capex (TTM)	73	65	45	68	68	68	68
Working Capital							
Capex % D&A (TTM)	78%	76%	118%	158%	151%	113%	115%
Capex % Sales (TTM)	0%	0%	0%	0%	0%	0%	0%
D&A % Sales (TTM)	0%	0%	0%	0%	0%	0%	0%
Inventories	17,175	19,169	21,432	28,488	38,241	41,088	34,996
% of Revenue	76%	71%	64%	103%	158%	166%	131%
Receivables	938	1,296	674	404	425	446	468
% of Revenue	4%	5%	2%	1%	2%	2%	2%
Payables	7,421	6,378	7,630	7,706	7,783	7,861	7,940
% of Revenue	33%	24%	23%	28%	32%	32%	30%
Net Working Capital	\$ 25,534	\$ 26,843	\$ 29,736	\$ 36,598	\$ 46,449	\$ 49,395	\$ 43,404
Δ in Net Working Capital	1,341	-1,649	-1,137	-6,862	-9,851	-2,946	5,992

LENNAR CORPORATION

(LEN)

Industry: Real Estate Development & Diversified Activities

Country/Region: United States of America



What is the company's commitment to reduce its carbon emissions?

Decarbonization Target

Does LENNAR CORPORATION have a decarbonization target? NO

Does LENNAR CORPORATION have a decarbonization target that is considered in the calculation of Implied Temperature Rise? NO

To consider a target in our assessment, we utilized reported data such as the target's baseline and end-year, the target coverage (whether Scope 1, 2, and/or 3 emissions are covered), the expected reduction in emissions and other information which enable the accurate projection of emissions into the future. Without this underlying information, a target may not be included in our overall assessment and consequently in the calculation of Implied Temperature Rise.

Target data as of December 21, 2022*

Untangling companies' decarbonization targets

MSCI ESG Research's targets and commitment dataset is designed to address the disparity in corporate decarbonization targets. We evaluate a company's climate commitments based on their:

Comprehensiveness, which addresses whether a target is focused on all scopes and geographic sources of the company's total emissions.

Ambition, which refers to the amount of the emissions reduction embedded in the target and the target timeline and

Feasibility, which refers to a company's track record of past targets and progress towards current active targets.

If you are a corporate issuer, and you would like to update your targets or emissions data, we invite you to visit our [ESG Issuer Communications Portal](#).

Learn more

- [Climate Target and Commitments](#) →



How well is the company aligned to global climate goals?

MSCI IMPLIED TEMPERATURE RISE



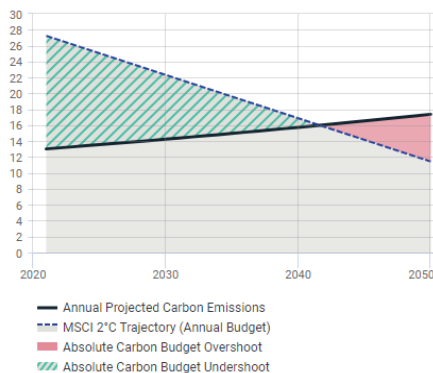
2.2°C

MISALIGNED

An Implied Temperature Rise of **between 2°C and 3.2°C** indicates that LENNAR CORPORATION is misaligned with global climate goals and is in line with a business-as-usual scenario.⁽¹⁾

2°C Trajectory

Absolute emissions (Megatons CO₂e)



Decarbonization data as of December 05, 2022*

What is MSCI ESG Research's Implied Temperature Rise?

Implied Temperature Rise from MSCI ESG Research is an intuitive, forward-looking metric, expressed in degrees Celsius, designed to show the temperature alignment of companies, portfolios and funds with global temperature goals.

Translating corporate reduction targets and emissions trajectories into an Implied Temperature Rise shows where companies are headed and where more aggressive action is required.

We frequently update our Implied Temperature Rise estimates with the latest company data, including stated decarbonization targets. That way, we seek to reflect the current state of company alignment.*

Alignment with global temperature goals

>3.2°C	STRONGLY MISALIGNED
>2.0° – 3.2°C	MISALIGNED
>1.5° – 2.0°C	2°C ALIGNED
≤ 1.5°C	1.5°C ALIGNED

Learn more

- [How Implied Temperature Rise works](#) →
- [Methodology Excerpt](#) →
- [Videos: What is ITR](#) →
- [MSCI In Practice: Implied Temperature Rise Workshop](#) →

¹⁷ MSCI ESG Ratings. "LEN". <https://www.msci.com/our-solutions/esg-investing/esg-ratings-climate-search-tool/issuer/lennar>

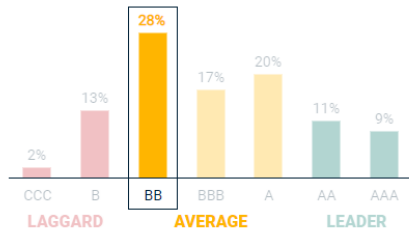
MSCI ESG RATINGS



Lennar is **average** among 54 companies in the **real estate development & diversified activities industry**.

ESG Rating distribution in relation to industry peers

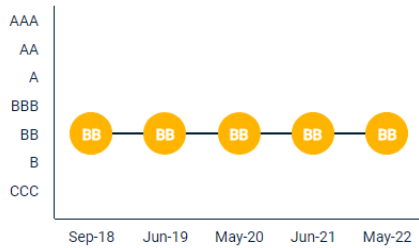
Universe: MSCI ACWI Index constituents real estate development & diversified activities, (54 companies)



Lennar's rating remains unchanged since June, 2019.

ESG Rating history

MSCI ESG Rating history data over the last five years or since records began.



Key Issues distribution in relation to industry peers

We focus on the key issues material to the **real estate development & diversified activities industry**. Here is how **Lennar** compares to industry peers. For more details, visit the [ESG investing page](#).

ESG LAGGARD	AVERAGE	ESG LEADER
<p>CORPORATE GOVERNANCE</p>	<p>CORPORATE BEHAVIOR</p>	<p>Lennar is not a leader on any of the Key Issues that we evaluated for its industry.</p>
	<p>OPPORTUNITIES IN GREEN BUILDING</p>	
	<p>HEALTH & SAFETY</p>	
	<p>PRODUCT SAFETY & QUALITY</p>	

What is an MSCI ESG Rating?

ESG Ratings from MSCI ESG Research are designed to measure a company's resilience to financially material environmental, societal and governance (ESG) risks. Our ESG Ratings provide a window into one facet of risk to financial performance.

We use a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers (not across industries).

Our ESG Ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC).

Learn more

- [How do MSCI ESG Ratings work? →](#)
- [What MSCI's ESG Ratings are and are not →](#)
- [ESG Industry Materiality Map →](#)
- [Methodology Excerpt →](#)

How often is an MSCI ESG Rating updated?

Companies are monitored on a systematic and ongoing basis.

We do not issue surveys or questionnaires or conduct general interviews with companies, nor do we accept or consider in our analysis any data provided by issuers that is not publicly available to other stakeholders. Given the dynamic nature of our research, companies can access the data we have collected to date at any time to review.

We are committed to updating a company profile as required in a timely manner.

If you are a corporate issuer and have questions about your MSCI ESG Rating, we invite you to visit our [ESG Issuer Communications Portal](#).

ESG Ratings Key Issue Framework

We assess thousands of data points across 35 ESG Key Issues that focus on the intersection between a company's core business and the industry-specific issues that may create significant risks and opportunities for the company. The Key Issues are weighted according to impact and time horizon of the risk or opportunity. All companies are assessed for Corporate Governance and Corporate Behavior.

Different industries face different risks. Carbon emissions, for example, will affect the rating of an oil company far more than that of a restaurant company.

Other ESG factors – such as sourcing of inputs, packaging waste and product safety – are more financially relevant to the fast-food chain than the carbon emissions of its operations, and thus weigh more heavily in its ESG rating and environmental score.

Learn more

- [ESG Ratings Key Issues Framework →](#)
- [ESG Industry Materiality Map →](#)