UCD Michael Smurfit Graduate Business School

Yale SCHOOL OF MANAGEMENT

Company Report

Industry: Operative Builders – SIC 1531

Firm: D.R. Horton(NYSE: DHI)

Date: 3rd December, 2025

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Market Cap: 38.54B

Target Value: 35.08B

Recommendation: Hold(-8.99%)

PV of UFCF	37,236,567,845
PV of Tax Shield	885,055,445.4
Enterprise Value (EV)	38,121,623,290.4
Net Debt	3,045,700,000
Target value	35,075,923,290.4
Market cap	38,540,000,000
downside	-8.99%

Company overview

D.R. Horton is the largest homebuilder in the United States, operating in 36 states and 126 markets, and has delivered over 1.2 million homes since its founding in 1978. The company targets the full buyer spectrum entry-level, move-up, luxury, and active-adult with 72% of homes priced below $400,000, supporting affordability and scale. In FY2025, the firm closed 84,863 homes with an average sales price of $370K. DHI maintains industry-leading land access with 591,900 controlled lots and a vertically integrated model supported by its majority-owned lot developer, Forestar. This company is building roughly one in every seven new single-family homes in the U.S.

Company Target market

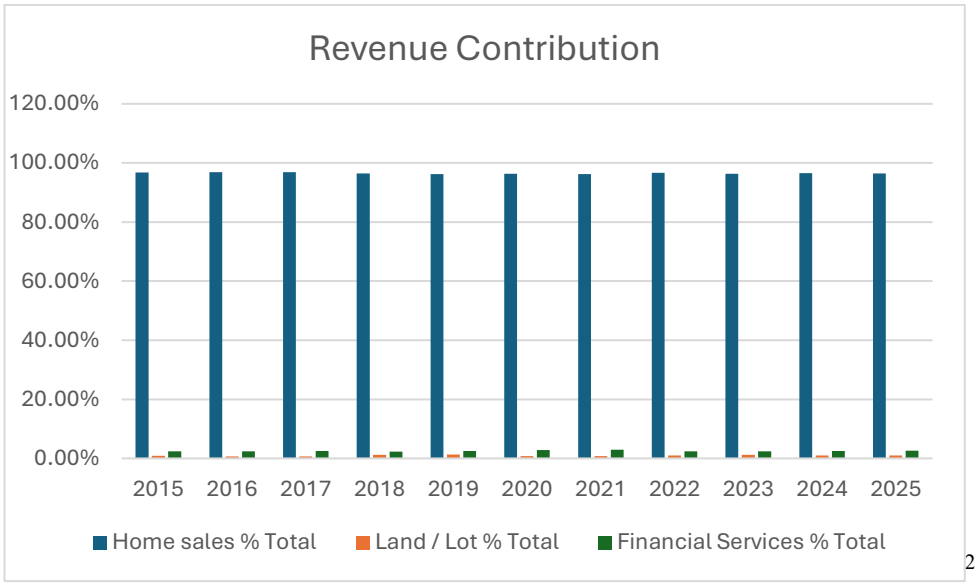
year	ASPUS	ASP DHI	Difference	% Difference
01/01/2010	272,025	206,100	-65,925	-24.23%
01/01/2011	264,600	212,000	-52,600	-19.88%
01/01/2012	288,225	223,300	-64,925	-22.53%
01/01/2013	321,650	249,400	-72,250	-22.46%
01/01/2014	345,450	[1]272,200	-73,250	-21.20%
01/01/2015	350,450	285,700	-64,750	-18.48%
01/01/2016	359,650	292,300	-67,350	-18.73%
01/01/2017	381,150	299,100	-82,050	-21.53%
01/01/2018	382,475	298,900	-83,575	-21.85%
01/01/2019	379,875	297,100	-82,775	-21.79%
01/01/2020	387,900	299,100	-88,800	-22.89%
01/01/2021	452,675	323,300	-129,375	-28.58%
01/01/2022	516,425	385,100	-131,325	-25.43%
01/01/2023	507,125	381,600	-125,525	-24.75%
01/01/2024	507,875	378,000	-129,875	-25.57%
01/01/2025	506,000	370,400	-135,600	-26.80%

[1] Figure Source: U.S. Census Bureau and Bloomberg Finance L.P

Over the past fifteen years, D.R. Horton's average closing price has traded at a –22.92% discount to the U.S. new-home ASP, with a 2.83% standard deviation. Management disclosures show that the discount widens during rate-driven slowdowns because DHI uses mortgage buydowns and pricing incentives and narrows in expansion years. Given the current environment, we assume a 27% discount for the next three years, before reverting toward the long-run 22.92% average.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Home sales revenue	6164.30	3563.60	4302.30	3542.30	4218.40	6024.80	7804.70	10469.40	11783.10	13653.20	15502.00	16925.00	19560.80	26502.60	31861.70	31641.00	33903.60	31432.00
Home sales share (%)	92.75%	97.43%	97.78%	97.40%	96.89%	96.25%	97.26%	96.72%	96.92%	96.89%	96.48%	96.20%	96.31%	96.24%	96.64%	96.31%	96.55%	96.39%
Land / lot sales	354.30	40.30	7.40	7.40	17.80	61.10	53.80	89.60	78.70	88.30	190.70	226.20	165.40	212.00	313.10	412.40	330.20	336.80
Land / lot share (%)	5.33%	1.10%	0.17%	0.20%	0.41%	0.98%	0.67%	0.83%	0.65%	0.63%	1.19%	1.29%	0.81%	0.77%	0.95%	1.26%	0.94%	1.03%
Financial services revenue	127.50	53.70	90.50	87.20	117.80	173.40	166.40	265.00	295.60	349.50	375.30	441.70	584.90	823.60	795.00	801.50	882.50	841.20
Financial services share (%)	1.92%	1.47%	2.06%	2.40%	2.71%	2.77%	2.07%	2.45%	2.43%	2.48%	2.34%	2.51%	2.88%	2.99%	2.41%	2.44%	2.51%	2.58%
Total revenue	6646.10	3657.60	4400.20	3636.90	4354.00	6259.30	8024.90	10824.00	12157.40	14091.00	16068.00	17592.90	20311.10	27538.20	32969.80	32854.90	35116.30	32610.00
Real revenue	6401.87	3534.51	4183.66	3352.66	3932.19	5571.23	7029.19	9469.50	10502.96	11919.35	13268.03	14268.49	16269.22	21072.16	23361.26	22356.99	23210.71	20909.84

Revenue segment contribution



[2]

To decompose the revenue properly, we analyse and summarize the main segments. Based on the historical revenue composition from 2015 onward, Home Sales Revenue accounts for an average of 96.51% of D.R. Horton's total revenue, while Land/Lot Sales contribute 0.94% and Financial Services contribute 2.55%. The standard deviations of these shares 0.25%, 0.23%, and 0.20%, respectively are extremely low, indicating a highly stable revenue mix over time. This stability suggests that DHI's business model is overwhelmingly driven by core home sales, with minimal volatility in the contribution of ancillary segments.

Given both the high averages and the very low dispersion, we maintain the same segment weights in our forward-looking projections, assuming that roughly 96.51% of total revenue will continue to come from homebuilding operations over the next five years. Then We use the Average Sale Price (ASP) time Closing to proxy the home sales.

[2] Bloomberg Finance L.P

$$Home\ Sales_t = \text{ASP}_t * \text{Closing}_t$$

Proxies for forecasting ASP:

Correlation matrix	average closing (P)	RDI	unemployment rate	consumer sentiment	Monthly Supply	PERMIT	started	completed	PPI	Hourly Earnings
average closing price $	1									
real disposable income	0.97332014	1								
unemployment rate	-0.78188	-0.785934	1							
consumer sentiment	-0.6647693	-0.5763992	0.14464941	1						
Monthly Supply	0.91938306	0.86946658	-0.6160753	-0.756924	1					
PERMIT	0.8472111	0.84720806	-0.8085292	-0.3986833	0.653319	1				
started	0.85820064	0.85686507	-0.8272306	-0.400340	0.67070012	0.98881214	1			
completed	0.91937151	0.89040367	-0.845513	-0.487925	0.8027947	0.83756306	0.84993663	1		
PPI	0.94708308	0.9015025	-0.6119957	-0.834759	0.91429747	0.78412375	0.78625227	0.80838276	1	
HEarnings	0.97622388	0.98242277	-0.6838589	-0.699932	0.90953702	0.81096835	0.82017488	0.86086939	0.94641389	1

The average selling price (ASP) is strongly linked to overall market conditions. It rises alongside real disposable income (0.97), producer prices (0.95), hourly earnings (0.98), and housing completions (0.92), reflecting the general strength of the housing cycle. In contrast, it moves in the opposite direction of the unemployment rate (−0.78) and consumer sentiment (−0.66), which tend to weaken when market conditions tighten.

Model Selection for Forecasting ASP

Multiple R	0.86643174
R Square	0.75070397
Adjusted R Square	0.72804069
Standard Error	0.05725674
Observations	37

The dynamic 3-year model fits the ASP data strongly, explaining 75.1% of the total variation (Adjusted R^2 = 72.8%). All three explanatory variables are statistically significant at the 1% level. Completions growth positively predicts ASP growth ($\beta = 0.135$, $p < 0.001$), consistent with housing cycle expansions. Construction PPI inflation is an even stronger driver ($\beta = 0.389$, $p = 0.002$), indicating substantial cost-pass-through into final home prices. The lagged dependent variable ($\beta = 0.484$, $p < 0.0001$) is the strongest determinant of ASP, confirming persistent pricing dynamics and gradual adjustment behaviour. Overall, the regression suggests that U.S. home prices are jointly influenced by cost inflation, construction activity, and strong autoregressive momentum. Then the model is:

$$\Delta_3 \ln(ASP_t) = 0.0196 + 0.1350 \cdot \Delta_3 \ln(Completions_t) + 0.3892 \cdot \Delta_3 \ln(PPI_t) + 0.4836 \cdot \Delta_3 \ln(ASP_{t-1})$$

Forecasted number of Closing:

year	House started	permit	completed	unit under construction	average price	vacancy rate	Median Hose Hold Income	MORTGAGE30US	Mortgage Burden
2000	1544.00	1578.00	1524.33	970.33	172900	1.6	71790	8.05%	17.05%
2001	1601.17	1637.17	1565.17	1005.50	173100	1.75	70610	6.97%	15.61%
2002	1710.25	1749.00	1645.75	1018.58	186025	1.7	70040	6.54%	16.18%
2003	1853.75	1888.42	1676.75	1089.00	192125	1.775	70080	5.83%	15.49%
2004	1949.50	2057.58	1834.58	1236.25	218150	1.725	69970	5.84%	17.64%
2005	2072.92	2160.08	1929.33	1346.42	236550	1.875	71060	5.87%	18.89%
2006	1811.92	1843.67	1989.00	1356.42	243750	2.375	71850	6.41%	20.39%
2007	1341.83	1391.50	1513.83	1144.25	244950	2.725	73010	6.34%	20.02%
2008	900.00	895.83	1126.83	947.83	229550	2.85	70520	6.03%	18.80%
2009	554.00	582.00	795.50	632.33	215650	2.625	70070	5.04%	15.93%
2010	585.50	603.67	653.75	459.75	222700	2.575	68420	4.69%	16.19%
2011	611.92	624.00	584.58	421.67	224900	2.45	67410	0.44%	9.50%
2012	783.75	828.50	641.42	489.42	244400	2.025	67400	3.66%	15.94%
2013	928.17	988.00	763.17	634.17	266225	2	69950	3.98%	17.40%
2014	1000.25	1052.08	882.67	770.58	285775	1.9	69060	4.17%	19.36%
2015	1106.75	1177.42	965.25	899.00	294150	1.875	72790	3.85%	18.19%
2016	1177.08	1205.67	1060.50	1018.50	305125	1.75	75380	3.65%	17.78%
2017	1204.67	1286.25	1151.83	1081.83	322425	1.6	76710	3.99%	19.24%
2018	1246.83	1327.83	1190.00	1128.33	325275	1.525	77700	4.54%	20.46%
2019	1291.50	1386.17	1259.67	1147.75	320250	1.375	83260	3.94%	17.50%
2020	1394.33	1478.25	1283.75	1212.75	328150	0.975	81580	3.11%	16.51%
2021	1603.17	1735.42	1340.58	1385.42	383000	0.9	81270	2.96%	18.98%
2022	1551.50	1684.17	1388.50	1665.58	432950	0.825	79500	5.34%	29.16%
2023	1420.58	1515.92	1452.33	1686.67	426525	0.8	82690	6.81%	32.31%
2024	1370.58	1473.92	1621.42	1551.75	418975	0.95	83730	6.72%	31.06%
2025	1375.13	1412.00	1534.38	1371.50	416950	1.1	85,400	6.71%	30.28%

[3]

The 2008–2011 period marked the housing recession, with completions dropping below 0.7 million and vacancy rates above 2.5 %. A steady recovery followed: from 2012 to 2019, low mortgage rates (3–4 %) and rising household incomes supported growth in housing activity and prices, with the average home price climbing from about $244 k to $320 k. The pandemic years (2020–2021) triggered a surge in demand, pushing prices above $380 k and reducing vacancies below 1 %. However, post-2021, rapid rate hikes (to about 6.7 % in 2025) and worsening affordability pushed the mortgage burden above 30%, while completions stayed elevated at around 1.5 million. By 2025, average prices stabilized near $417k, vacancy rates normalized near 1.1 %. In 2025, housing completions remain elevated at 1.53 million units, close to the post-pandemic peak, while the vacancy rate has only normalized to 1.1 %. At the same time, the 30-year mortgage rate has risen to 6.7 %, pushing the mortgage burden to a record 30.3 % of household income despite median income rising to $85,400. With affordability near its tightest level in twenty years and supply still exceeding 1.5 million completions, these indicate a modest excess of new-home supply relative to effective demand.

[3] Table Source: U.S. Census Bureau

$$Mortgage\ Burden = Median\ Household\ Income \times Average\ Home\ Price \times LTV \times Mortgage\ Rate) \times 100$$

Ratios used Forecasting Supply

Year	permit to start ratio	start to completion ratio
2000	1.01	1.013709
2001	1.04	1.027844
2002	1.06	0.980412
2003	1.03	0.989661
2004	1.01	0.989655
2005	0.84	0.959518
2006	0.73	0.835487
2007	0.65	0.839771
2008	0.62	0.883889
2009	1.01	1.180054
2010	1.01	0.998434
2012	1.26	1.048209
2013	1.12	0.973737
2014	1.01	0.950979
2015	1.05	0.965009
2016	1.00	0.958211
2017	1.00	0.978549
2018	0.97	0.987825
2019	0.97	1.010293
2020	1.01	0.993999
2021	1.08	0.961451
2022	0.89	0.866098
2023	0.84	0.936083
2024	0.90	1.141374
2025	0.93	1.119505
Average	0.96	0.98

[4]

Given an average build time of 12 months, we assume 96% of last year's permits become this year's starts, and 98% of last year's starts become this year's completions. Then we used 2025 numbers to calculate the completion till 2028.

[4] Table Source: U.S. Census Bureau

$$Startst(\text{next year}) = 0.96 \times Permits_{t-1}$$

$$\text{Completionst(Next year)} = 0.98 \times Starts_{t-1}$$

Year	Permits (assumed)	Starts (calc)	Completions (calc)
2026	1,440.24	1,355.52	1,347.63
2027	1,469.04	1,382.63	1,328.41
2028	1,498.38	1,410.28	1,354.98

Year	Completions ('000)	% Change
2024	1,621.42	—
2025	1,534.38	−5.37 %
2026	1,347.63	−12.17 %
2027	1,328.41	−1.42 %
2028	1,354.98	+2.00 %

Between 2025 and 2028, housing completions (closings) decline on average by about 4.2 % per year, calculated as the mean of the annual percentage changes in total completions over the period. Looking back, the current level of mortgage rate is similar like the recession situation in 2001 when the interest rate was around 8.5%. Based on the history, we estimate the mortgage rate will spend 3 years to decrease to 6.2%, then fluctuate around 5%-6% in 3 years and finally drop back to the pre-pandemic level (4.5%, 2015-2019) in the rest of years. According to the September 2025 Economic and Housing Outlook from the Fannie Mae (FNMA/OTCQB) Economic and Strategic Research (ESR) Group, mortgage rates are also forecast to end 2025 and 2026 at 6.4 percent and 5.9 percent, which is consistent with our first step.

observation_date	Number of house completed	MORTGAGE RATE
01/01/2000	1521	7.13
01/01/2001	1693	7.16
01/01/2002	1671	5.93
01/01/2003	1716	5.85
CAGR / AVERAGE	4.10%	-1.28

Year	Growth Assumption	Completions (calc)
2028	-	1,354.98
2029	2.30%	1,386.14
2030	2.30%	1,418.03
2031	2.30%	1,450.64

To benchmark the 2029–2031 completions outlook, I compare today's affordability environment with the 2000–2003 housing recovery. During that earlier cycle, the mortgage-payment burden for the median U.S. buyer averaged roughly 17%, supporting a 4.1% CAGR in housing completions as mortgage rates declined by 128 bps (from 7.1% to 5.9%). Today, the mortgage burden is approximately 30.5% almost double the early-2000s level implying that

affordability is only 55.7% as favourable Scaling the early-2000s completions growth by this affordability ratio yields an affordability-adjusted expected growth rate of about 2.3% annually. The projected completions growth for 2029–2031 therefore represents a soft, rate-driven recovery consistent with historical cyclicality.

	2026	2027	2028	2029	2030	2031
Closings (‘000)	1,347.63	1,328.41	1,354.98	1,386.14	1,418.03	1,450.64
YoY % Change	−12.17 %	−1.42 %	+2.00 %	+2.30 %	+2.30 %	+2.30%

Forecasted PPI

The regression model linking the Producer Price Index (PPI) for construction material to the steel input cost index shows a strong and statistically significant relationship (Adj. $R^2 = 0.83$, $F = 114.8$, $p < 0.001$). Steel prices are the dominant determinant of construction material costs ($\beta = 0.49$, $p < 0.001$), implying that a 10-point increase in the steel PPI raises construction material prices by approximately 4.9 points.

$$\text{ppi\_construction} = 100.26 + 0.4922 \times \text{ppi\_steel}$$

Steel price growth was calculated using the year-over-year change in the U.S. Producer Price Index for Cold-Rolled Steel Sheet (2000–2024). Extreme shock years 2004, 2009, 2010, 2021and 2023 were excluded because they reflect one-off global disruptions (commodity boom, financial crisis, and post-COVID supply shocks) that are not expected to recur within the forecast horizon. After removing these anomalies, the remaining “normal” years show an average annual change of 2.2% and standard deviation of 9 %, representing the sustainable long-term trend in steel prices.

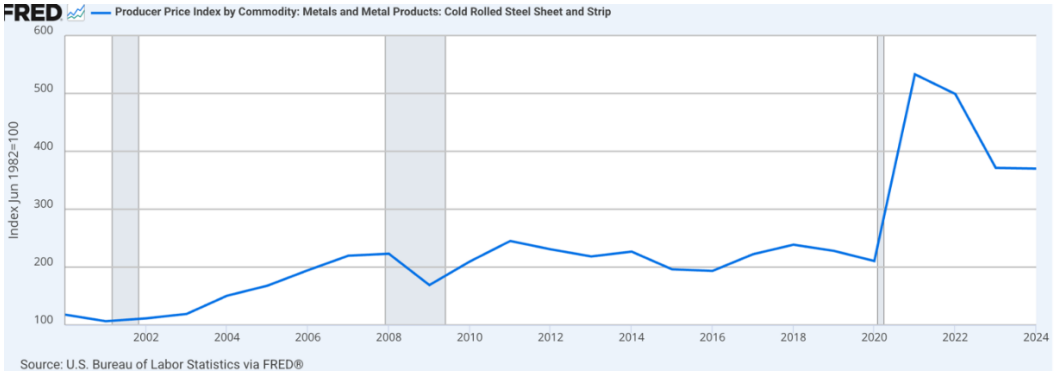


Figure 1 Figure Source: U.S. Census Bureau

5

Multiple industry forecasts point to a temporary steel price trough in 2025, followed by a recovery in 2026–2027 and stabilization near 2% annual growth thereafter. Analyses from the World Steel Association, OECD, deVere Group, Capital.com, and J.P. Morgan all show the same direction short-term weakness due to oversupply and high costs, then a gradual rebound

[5] Figure Source: FRED

as global demand and trade conditions improve. The regression model linking the construction PPI to the steel PPI is used to project the path of material costs from an externally anchored 2025 starting point. We fix the 2025 construction PPI at 338, reflecting current elevated material cost indices. As weaker steel prices begin to pass through with a lag, the construction PPI normalizes in 2026 (−14.9% year-on-year), before returning to a modest growth path from 2027 onward (+4.6% in 2027 and 1.5% per year thereafter). This pattern is consistent with a delayed pass-through of the 2025 steel downturn into construction material costs.

Year	YoY Change	Steel PPI
2026	+6.0 %	380
2027	+7.0 %	407
2028	+2.2 %	416
2029	+2.2 %	425
2030	+2.2 %	434
2031	+2.2%	444

	2026	2027	2028	2029	2030	2031
Predicted Construction PPI	287.56	300.67	305.08	309.59	314.05	319.12
ΔPPI (Level Change)	−50.44	+13.11	+4.41	+4.51	+4.46	+5.07
ΔPPI (%)	−14.92 %	+4.56 %	+1.47 %	+1.48 %	+1.44 %	+1.61%

Forecasted average sales price for the industry

$$\Delta_3 \ln(ASP_t) = 0.0196 + 0.1350 \cdot \Delta_3 \ln(Completions_t) + 0.3892 \cdot \Delta_3 \ln(PPI_t) + 0.4836 \cdot \Delta_3 \ln(ASP_{t-1})$$

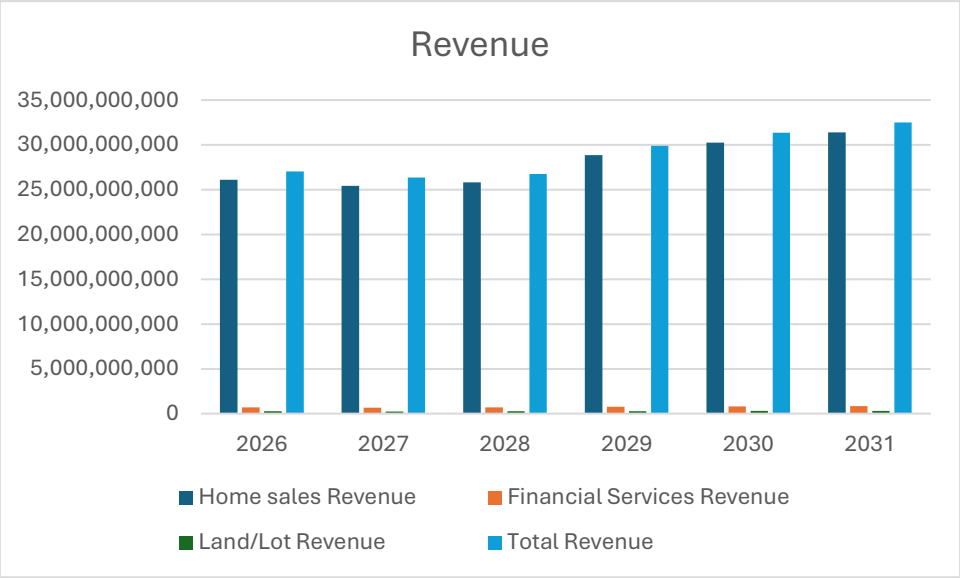
Variable	2026	2027	2028	2029	2030	2031
ASP	479,502.4223	474,089.9259	471,804.3861	488,355.5682	500,497.8587	507,298.4155
YOY%	-5.24%	-1.13%	-0.48%	3.51%	2.49%	1.36%

Forecasted company revenue

years	2026	2027	2028	2029	2030	2031
ASP	**$350,036.77**	**$346,085.65**	**$344,417.20**	**$376,424.47**	**$385,783.75**	**$391,025.62**
Closing	**74,535.17**	**73,476.77**	**74,946.31**	**76,670.07**	**78,433.49**	**80,237.46**
Revenue	**26,090,050,158**	**25,429,255,705**	**25,812,798,240**	**28,860,490,464**	**30,258,365,897**	**31,374,902,543**

D.R. Horton's reported average selling price in 2025 is approximately $375,000. Under our forecast, ASP declines by about 6.7% to $350,037 in 2026 as higher mortgage rates and incentives weigh on pricing, and then eases a further 1.1% in 2027 and 0.5% in 2028 to roughly $346,086 and $344,417, respectively. From 2029 onward, as affordability improves and DHI's discount to the market narrows toward its long-run average, ASP rebounds by about 9.3% to $376,424 in 2029 and then grows by roughly 2.5% and 1.4% per year, reaching around $385,784 in 2030 and $391,026 in 2031.

	2026	2027	2028	2029	2030	2031
Home sales Revenue	**26,090,050,158**	**25,429,255,705**	**25,812,798,240**	**28,860,490,464**	**30,258,365,897**	**31,374,902,543**
Financial Services Revenue	**689,354,760**	**671,895,162**	**682,029,173**	**762,555,701**	**799,490,551**	**828,991,830**
Land/Lot Revenue	**254,115,088**	**247,679,001**	**251,414,676**	**281,098,964**	**294,714,164**	**305,589,145**
Total Revenue	**27,033,520,006**	**26,348,829,868**	**26,746,242,089**	**29,904,145,130**	**31,352,570,612**	**32,509,483,519**



Total revenue is projected to increase from roughly $27.0 billion in 2026 to $31.4 billion by 2030, and further to about $32.5 billion in 2031, reflecting a steady recovery in homebuilding activity, normalizing incentives, and a gradual firming of ASPs as affordability conditions improve.

Adjustment

Considering the impact of population distribution and competition on house selling, we try to use evidence to adjust our model and forecast. However, because of the limited data, treating these two as extra variables in the current model may cause the problem of overfitting and multicollinearity. Hence, we collected information of these two factors and analyse the connection with house selling to adjust model parameters and prediction, rather than explicitly using them as regression variables.

The Geographical Distribution of DHI Markets

[6]

Region	South Central	Southeast	East	Southwest	North	Northwest
	26%	24%	21%	11%	12%	6%

D.R. Horton organizes its U.S. operations into six regional markets. Their respective contributions to total home closings are as follows:

The two largest regions, i.e. South Central and Southeast, account for half of DHI's total number of closings, and they are predominantly driven by two states:

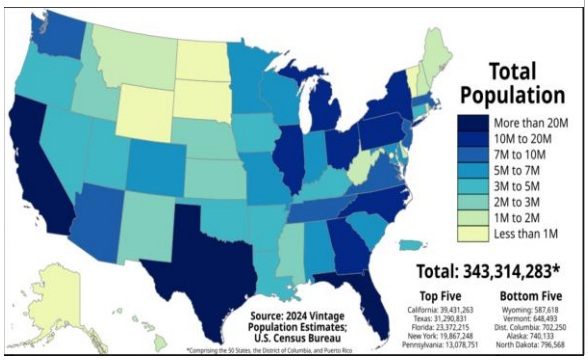
1. Texas: in the South Central region and represents the most influential market to DHI's performance.
2. Florida: leads the Southeast region and has been the most significant population growth market in recent years.

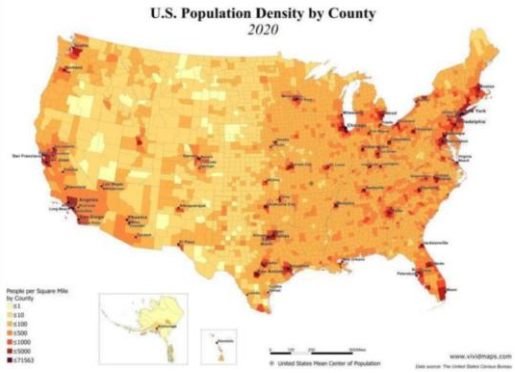
Texas and Florida effectively shape the DHI's closing and indirectly impact the ASP based on our model setting, making them the core markets of the firm's long-term revenue growth.

[6] Figure Source: D.R. Horton Investor Presentation, Q4 2025.

Panel A: The population distribution maps

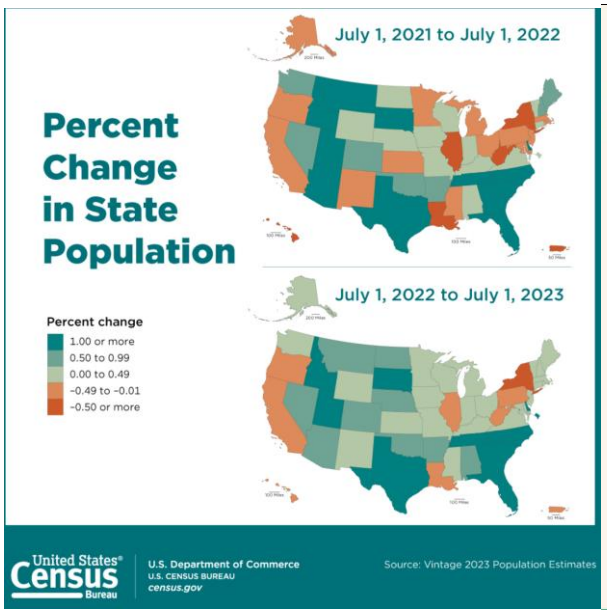
We use the population maps published by U.S. Census Bureau[7]. These two maps separately measure the total population size by state and the density by county. Both maps indicate that U.S. population is concentrated in major metropolitan regions, predominantly in large Southern and coastal population centres (Texas, Florida, Georgia, California, etc.). DHI's largest operating regions overlap with major population centres identified in Panel A, especially Texas and Florida.

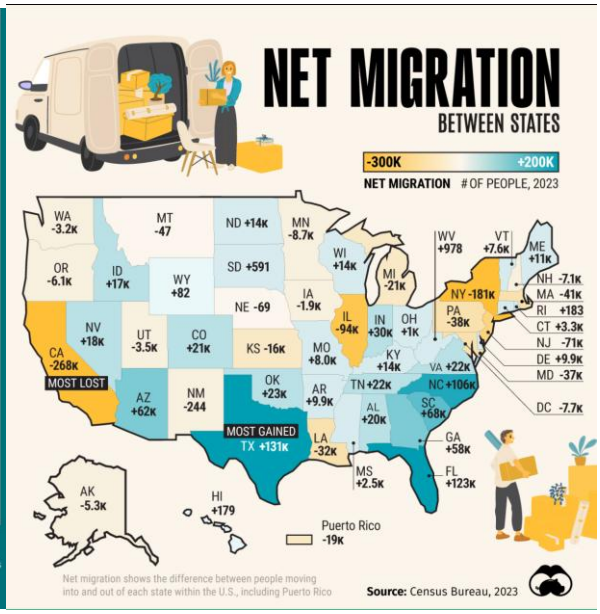




Panel B: Population Growth and Net Migration (post-pandemic)

The first map shows which states are expanding fastest in total residents, and the second indicates where people are moving to. Both point out the same trend, population is moving from high-cost regions to fast-growing Southern and interior states. DHI's top markets (South Central, Southeast, East) overlap with the highest-growth and highest-inflow states, especially Texas and Florida.





[7] Figure Source: U.S. Census Bureau

Population and Closing

From the population maps above, Texas and Florida clearly work as DHI's most critical markets, together accounting for roughly half of its total closings. Specifically, we investigate whether population dynamics in these two key states suggest upward or downward adjustments to our forecasts.

To isolate the demographic effects from company-specific dynamics, we construct a three-layer system:

1. Texas and Florida total population, i.e. *Total*[8], as these states are core markets for DHI.
2. Texas and Florida home sales, i.e. *T-F Closing*[9], which represents the regional housing demand.
3. DHI nationwide closing, i.e. *DHI Closing*[10], to measure the firm performance as the state level data of DHI Closing is unavailable.

	Total	YoY	TF-Closing	YoY	DHI Closing	YoY
2011	44701111	1.39%	405708		16695	
2012	45386136	1.53%	448835	10.63%	18890	13.15%
2013	46031324	1.42%	508733	13.35%	24155	27.87%
2014	46816972	1.71%	547904	7.70%	28670	18.69%
2015	47687642	1.86%	579652	5.79%	36648	27.83%
2016	48541301	1.79%	608413	4.96%	40309	9.99%
2017	49268113	1.50%	631347	3.77%	45751	13.50%
2018	49879490	1.24%	644461	2.08%	51857	13.35%
2019	50478850	1.20%	669418	3.87%	56975	9.87%
2020	50831605	0.70%	723618	8.10%	65388	14.77%
2021	51402300	1.12%	764975	5.72%	81965	25.35%
2022	52492800	2.12%	677536	−11.43%	82744	0.95%
2023	53632758	2.17%	586560	−13.43%	82917	0.21%
2024	54663046	1.92%	590744	0.71%	89690	8.17%

Pattern 1

Population growth acceleration amplifies housing demand and produces above-trend DHI closing growth. For example, Texas-Florida population growth accelerated from 1.5% in 2012 to 1.86% in 2015. During this period, the two-state house sales growth increased (10%-13%), although it slightly slowed down since 2014. And DHI's closing growth surged from 13% to 27%.

Pattern 2

Deceleration in population growth (but remaining positive) cools house demand without causing contraction. For instance, from 2016 to 2019, the regional home sales growth moderated to 2-4% and DHI closing growth decreased to around 11%, when the two-state population growth declined from 1.79% to 1.20%. This illustrates the demographics weaken the marginal demand impulse but do not create negative sales growth.

[8] Data Source: U.S. Census Bureau
[9] Data Source: Relators
[10] Data Source: Bloomberg

Pattern 3

Negative closing growth arises only from macroeconomic shocks, but not caused by demographic deterioration. After the pandemic (2022-2023), the two-state population growth accelerated a bit from 1.1% to 2.1%. While the mortgage rate had a big jump and exceeded 7%, construction PPI remained elevated and permits softened, the regional closing growth turned to be negative and DHI closing growth dropped to almost zero. Therefore, the demographics explain the trend, but macro shocks cause the short-run negatives.

Regional House Demand & DHI Sales

While demographic growth establishes the potential homebuyer base, the impact on DHI's closing operates primarily through regional housing demand, not through national aggregates. Texas and Florida are among the highest-growth housing markets in U.S., and DHI holds dominant shares in both states. As a result, fluctuations in state-level demand translate into the firm's realized sales.

Historically, periods of strong regional demand (2012-2015) correspond to outsized increase in DHI closing growth rate. When regional demand softens, DHI's sales growth slows but remain above the regional demand growth rate, reflecting this firm' s competitive advantage and its leading position in the industry.

Population Forecast

If we could predict the population (growth) in Texas and Florida in the next 5 years, based on the prior population-closing pattern, we could find whether predicted closings need to be modified or not.

The Census forecasts total United States population to reach 355.1 million by 2030[11]. Starting from the end of 2024, we interpolate annual population prediction for 2025–2030 using a linear adjustment consistent with the Census tendency.

Historical performance shows that the combined population of Texas and Florida represents a stable but gradually rising share of the U.S. population, increasing at an average rate of 0.143% per year from 2010 to 2024 (excluding 2020). We apply this long-term trend to predict the two-state share of total U.S. population for 2025–2030. Multiplying projected shares by the projected total population yields the forecasted population in two states.

In addition, Census projections indicate that the core home-buying group (ages 18–64) will remain close to 60% of total U.S. population in 2030, similar to 2020. This implies no demographic deterioration in effective housing demand.

[11] Data Source: U.S. Census Bureau

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Ave
Total	44088040	44701111	45386136	46031324	46816972	47687642	48541301	49268113	49879490	50478850	50831605	51402300	52492800	53632758	54663046	
% of US	14.25%	14.35%	14.46%	14.56%	14.70%	14.87%	15.02%	15.15%	15.26%	15.37%	15.30%	15.48%	15.72%	15.92%	16.07%	
YoY (% of US)		0.0935%	0.1133%	0.1043%	0.1403%	0.1636%	0.1569%	0.1288%	0.1075%	0.1132%	−0.0442%	0.1477%	0.2376%	0.2083%	0.1482%	0.1433%
Total	309327143	311583481	313857662	316605947	318386329	320738994	323071755	325129128	326838199	328329953	331577260	332099760	334073241	336806231	340110288	

	2025E	2026E	2027E	2028E	2029E	2030E
Total	55555656	56455427	57362361	58276456	59197713	60126132
% of US	16.22%	16.36%	16.50%	16.65%	16.79%	16.93%
US	342609155	345107324	347605493	350103662	352601831	355100000
YoY of Total	1.63%	1.62%	1.61%	1.59%	1.58%	1.57%

The predicted population growth of Texas and Florida remains persistently positive over 2025–2030, with annual increases stabilizing in a narrow range between 1.57% and 1.63%, and their combined share of U.S. population rising steadily from 16.22% to 16.93%. From the historical patterns, such a trend implies no acceleration effect and aligns with Pattern 2, where both regional and DHI house demand should cool modestly, but remain structurally positive by ongoing inflows and demographic stability. The projected two-state population growth rate (1.6%) is analogous to 2015-2017, a period with moderate but decreasing population growth (1.6%-1.9%), regional home sales growth around 4-6% and DHI closing growth around 10%. However, the current economic environment is different and worse than that period.

Our baseline model predicts the DHI closing growth would be -2% to 0% in 2025-2027, and revert to approximately 2% since 2028. From the perspective of population patterns, short episodes of mild negative sales growth (-2% to 0%) are plausible when strong macro shocks present, such as elevated mortgage rate, persistent PPI pressure, tighter labour markets and declined permits. This is analogous to 2022-2023, when the population growth was also positive but macro conditions generated a collapse in housing activity. Based on the key requirement from the demographic rule, the forecasted sales growth cannot exhibit sustained structural negatives, and must return to positive growth once shocks ease, as long as the population growth remains positive. The model forecast satisfies this condition: negative growth is short-lived, and growth turns to be positive by 2028, consistent with population support.

Therefore, from a demographic perspective, no population-adjustment is required. The 2025-2030 population path corresponds to Pattern 2 regime, which supports moderate positive closings growth (DHI & regional) once macro shocks dissipate. The model's temporary negative DHI sales growth is macro-driven, but not demographically driven. Afterwards, its return to ~2% is fully consistent with demographic fundamentals.

Competition

Except for the population distribution, competitors serve as another reason that may impact our prediction. In DHI's three largest operating regions, i.e. South Central, Southeast, and East, the competitive landscape is dominated by a small set of national builders, primarily Lennar, PulteGroup, NVR, KB Home, and Taylor Morrison. Investor presentations and Zonda/NAHB

metro-level data show that D.R. Horton holds the No. 1 position in key markets, typically with 3%-7% market share lead over the next largest competitor Lennar.

Based on our industry report, the percentage of DHI market capitalization in the whole industry also keeps constant since 2015. As the leading company, DHI accounts for 30% in the industry, and this share even kept solid during COVID-19. Hence, without significant changes and following the historical leading position, we still maintain the model baseline forecast without upward revision or downward revision.

Date	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
DHI	11837	10200	19202	12948	19456	25130	38628	30713	50609	44858	45133
Industry	39882	38340	66481	47604	70165	87657	127615	94022	160977	150851	139516
%	30%	27%	29%	27%	28%	29%	30%	33%	31%	30%	32%

Since the closing, which serve as a factor to impact ASP in our model, is not needed to adjust, then the final predicted revenue, i.e., Closing* ASP, will keep the same as the baseline without population- and competition-modified.

COGS

D.R. Horton's cost structure has been highly stable over the past decade. Between 2015 and 2025, the company's Cost of Revenue averaged 75.26% of total revenue, with a standard deviation of only 3.13%. This low dispersion indicates that COGS has remained remarkably consistent despite significant changes in market conditions, including fluctuations in home prices, construction costs, and mortgage rates. Because the COGS-to-revenue ratio shows minimal variability, we adopt the simple 10-year historical average of 75.26% as the forward-looking estimate.

Dates	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue(B)	10824	12157.4	14091	16068	17592.9	20311.1	27774.2	33480	35460.4	36801.4	34250.4
COGS(B)	8475.4	9471.2	11002.6	12347.7	13666.9	15349.4	19870.6	22905.5	26110	27266	25976.1
COGS % REVENUE	78.3%	77.9%	78.1%	76.8%	77.7%	75.6%	71.5%	68.4%	73.6%	74.1%	75.8%
Gross profit	2,348.60	2,686.20	3,088.40	3,720.30	3,926.00	4,961.70	7,903.60	10,574.50	9,350.40	9,535.40	8,274.30
	21.70%	22.10%	21.92%	23.15%	22.32%	24.43%	28.46%	31.58%	26.37%	25.91%	24.16%

Forecasted COGS

	2026	2027	2028	2029	2030	2031
Total Revenue	**27,033,520,006**	**26,348,829,868**	**26,746,242,089**	**29,904,145,130**	**31,352,570,612**	**32,509,483,519**
COGS	**20,345,427,156.52**	**19,830,129,358.66**	**20,129,221,796.18**	**22,505,859,624.84**	**23,595,944,642.59**	**24,466,637,296.40**
GROSS PROFIT	**6,688,092,849.48**	**6,518,700,509.34**	**6,617,020,292.82**	**7,398,285,505.16**	**7,756,625,969.41**	**8,042,846,222.60**
GPM	**24.74%**	**24.74%**	**24.74%**	**24.74%**	**24.74%**	**24.74%**

D.R. Horton's gross profitability remains consistent across the forecast horizon. Total revenue increases from $27.03 billion in 2026 to $32.51 billion in 2031. Correspondingly, COGS rises from $20.35 billion in 2026 to $24.47 billion in 2031. Gross profit progresses from $6.69 billion in 2026 to $8.04 billion in 2031, while the gross profit margin remains constant at 24.74% in each year.

SG&A

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue(B)	**10824**	**12157.4**	**14091**	**16068**	**17592.9**	**20311.1**	**27774.2**	**33480**	**35460.4**	**36801.4**	**34250.4**
SG&A(B)	**1186**	**1320.3**	**1471.6**	**1676.8**	**1832.5**	**2047.8**	**2556.2**	**2933.7**	**3248.8**	**3599.5**	**3692**
SG&A % REVENUE	**11.0%**	**10.9%**	**10.4%**	**10.4%**	**10.4%**	**10.1%**	**9.2%**	**8.8%**	**9.2%**	**9.8%**	**10.8%**

Between 2015 and 2025, D.R. Horton's SG&A-to-revenue ratio remained highly stable, averaging 10.1% with a standard deviation of only 0.75%. This consistency indicates that SG&A expenses have not experienced meaningful structural shifts over the past decade. Because the ratio shows minimal volatility and no trend of sustained increase or decrease, the long-run average provides a reliable basis for forecasting. Accordingly, we apply the simple historical mean of 10.1% as the projected SG&A-to-revenue ratio for the next five years.

Forecasted SG&A

	2026	2027	2028	2029	2030	2031
Total Revenue	**27,033,520,006**	**26,348,829,868**	**26,746,242,089**	**29,904,145,130**	**31,352,570,612**	**32,509,483,519**
SG&A	**2,730,385,520.61**	**2,661,231,816.67**	**2,701,370,450.99**	**3,020,318,658.13**	**3,166,609,631.81**	**3,283,457,835.42**

EBITDA

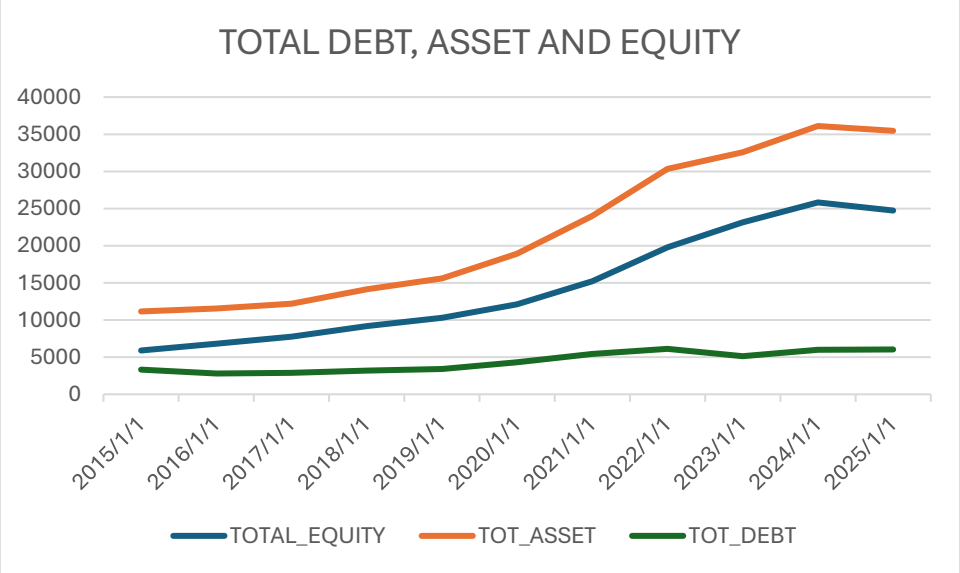
	2015	2016	2017	2018	2019	2020	2023	2024	2025
Revenue(B)	10824	12157.4	14091	16068	17592.9	20311.1	35460.4	36801.4	34250.4
EBITDA(B)	1146.6	1388.3	1631.3	2074.3	2165.4	3030	6193.2	6023	4525.5
EBITDA%REVENUE	10.6%	11.4%	11.6%	12.9%	12.3%	14.9%	17.5%	16.4%	13.2%

Forecasted EBITDA

	2026	2027	2028	2029	2030	2031
Total Revenue	27,033,520,006	26,348,829,868	26,746,242,089	29,904,145,130	31,352,570,612	32,509,483,519
COGS	20,345,427,156.52	19,830,129,358.66	20,129,221,796.18	22,505,859,624.84	23,595,944,642.59	24,466,637,296.40
SG&A	2,730,385,520.61	2,661,231,816.67	2,701,370,450.99	3,020,318,658.13	3,166,609,631.81	3,283,457,835.42
EBITDA	3,957,707,328.87	3,857,468,692.67	3,915,649,841.83	4,377,966,847.03	4,590,016,337.60	4,759,388,387.18
EBITDA%REVENUE	14.64%	14.64%	14.64%	14.64%	14.64%	14.64%

Based on D.R. Horton's cost structure, the company's EBITDA margin is derived directly from the long-run averages of COGS and SG&A. Over the 2015–2025 period, COGS averaged 75.26% of revenue and SG&A averaged 10.1%, implying a stable EBITDA margin of approximately 14.64%. Because both components exhibit very low volatility over time and show no evidence of structural shifts, we use this implied EBITDA-to-revenue ratio of 14.64% as the forward-looking assumption for 2026–2031.

Total Debt, Equity and Asset



Dates	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/20205
TOT_ASSET	11,151,000,000	11,558,900,000	12,184,600,000	14,114,600,000	15,606,600,000	18,912,300,000	24,015,900,000	30,351,100,000	32,582,400,000	36,104,300,000	35,471,200,000
TOTAL_EQUITY	5,895,400,000	6,793,000,000	7,747,600,000	9,158,900,000	10,295,100,000	12,121,500,000	15,216,200,000	19,785,600,000	23,137,900,000	25,824,400,000	24,742,200,000
TOT_DEBT	3,333,600,000	2,798,300,000	2,871,600,000	3,203,500,000	3,399,400,000	4,320,300,000	5,449,400,000	6,114,800,000	5,142,600,000	5,971,000,000	6,031,100,000
TOTAL ASSET TO REVENUE	103%	95%	86%	88%	89%	93%	86%	91%	92%	98%	104%
TOT EQUITY% TOT_ASSET	52.87%	58.77%	63.59%	64.89%	65.97%	64.09%	63.36%	65.19%	71.01%	71.53%	69.75%
TOT_DEBT% TOT_ASSET	29.90%	24.21%	23.57%	22.70%	21.78%	22.84%	22.69%	20.15%	15.78%	16.54%	17.00%

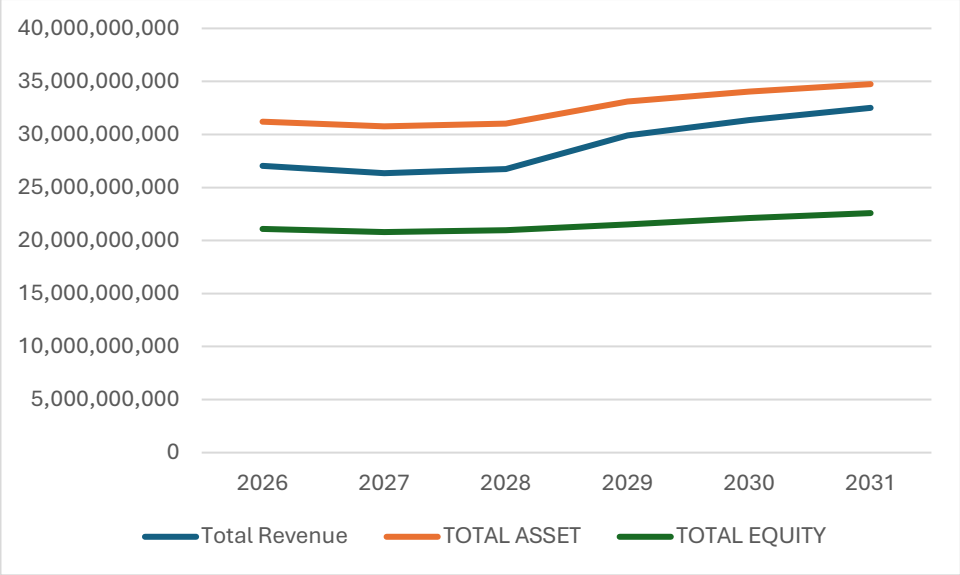
D.R. Horton's Total Assets-to-Revenue ratio averaged roughly 93% over 2015–2025. However, in downturns, assets adjust more slowly than revenue because inventory (land and homes under construction) is accumulated 12–18 months ahead of closings. During the 2007–2009 housing downturn, D.R. Horton's revenue fell by 29% while total assets declined only 12%, implying that assets moved about 40–45% as much as revenue in percentage terms. In our forecast, revenue decreases by 21% in 2026; we therefore assume a proportional 12% reduction in total assets to mirror this historical pattern. For 2027–2031, we let total assets grow at approximately 0.57× the revenue growth rate, so that the assets-to-revenue ratio temporarily rises during the downturn (reflecting inventory overhang) and gradually normalises as revenue recovers.

After excluding 2015–2016 and applying double weight to the three most recent years (2023–2025), the forward-looking Debt-to-Asset ratio is 19.4%. For the period beyond these three years, the model reverts to the long-run 10-year historical average of approximately 22%.

After excluding 2015–2016 and applying double weight to the last three years (2023–2025), D.R. Horton's forward-looking Equity-to-Assets ratio is 67.6%. For later forecast years, the model transitions to the 10-year historical average of roughly 65%.

Forecasted Total Debt, Equity and Asset

Year	Total Revenue	TOTAL ASSET	TOTAL EQUITY	TOTAL DEBT
2026	27,033,520,006	31,214,656,000	21,101,107,456	6,055,643,264
2027	26,348,829,868	30,764,412,515	20,796,742,860	5,968,296,028
2028	26,746,242,089	31,028,669,162	20,975,380,354	6,019,561,818
2029	29,904,145,130	33,115,064,384	21,524,791,849	7,285,314,164
2030	31,352,570,612	34,028,520,691	22,118,538,449	7,486,274,552
2031	32,509,483,519	34,743,622,689	22,583,354,748	7,643,596,992



CAPEX

To forecast this line item, we first exclude 2021 as an outlier and use the ten remaining observations from 2015–2020 and 2022–2025. We then apply double weight to the most recent four years (2022–2025) and single weight to the earlier six years, which produces a forward-looking ratio of approximately 0.67% of revenue. This weighted ratio is applied for the next three forecast years. For the period beyond that, the model reverts to the simple average of the full cleaned history, which is about 0.76% of revenue.

For operating builders, capital expenditures (CapEx) refer to the company's investments in long-lived, non-inventory assets that are used to support ongoing operations rather than being sold as part of home inventory. This makes CapEx conceptually distinct from land acquisition and development costs, which are treated as inventory rather than as capital assets.
A critical distinction must be shown between CapEx and land acquisition and development spending, which often dominates the cash outflows of homebuilders:
Land and development costs are used to acquire raw land and other site improvements, which are recorded as inventory and flow through COGS when the related homes are closed.
CapEx represents expenditures that do not enter COGS but instead support the long-term operational capacity. Therefore, while both are investments, CapEx affects the balance sheet via PP&E and is expensed through D&A, whereas land and development costs affect inventory and are expensed through COGS when the homes are sold.

Dates	2015	2016	2017	2018	2019	2020	2022	2023	2024	2025
CAPEX	56.1	86.1	157.3	138.3	224.1	286.8	148.2	148.6	165.3	137.4
Revenue	10824	12157.4	14091	16068	17592.9	20311.1	33480	35460.4	36801.4	34250.4
Capex % revenue	0.518%	0.708%	1.116%	0.861%	1.274%	1.412%	0.443%	0.419%	0.449%	0.401%

Forecasted Capex(Absolute value)

	2026	2027	2028	2029	2030	2031
Total Revenue	**27,033,520,006**	**26,348,829,868**	**26,746,242,089**	**29,904,145,130**	**31,352,570,612**	**32,509,483,519**
CAPEX	179,839,816	175,284,932	177,928,707	227,314,057	238,324,151	247,118,336

PP&E

Dates	2015	2016	2017	2018	2019	2021	2022	2023	2024	2025
Revenue	**10824**	**12157.4**	**14091**	**16068**	**17592.9**	**27774.2**	**33480**	**35460.4**	**36801.4**	**34250.4**
PP&E	**144**	**195.4**	**325**	**401.1**	**462.2**	**392.9**	**471.6**	**445.4**	**531**	**578.9**
	1.33%	**1.61%**	**2.31%**	**2.50%**	**2.63%**	**1.41%**	**1.41%**	**1.26%**	**1.44%**	**1.69%**

Forecasted PP&E

The homebuilding industry operates under an asset-light model in which most investments are directed toward inventory rather than fixed assets. Land acquisition, land development, and home construction costs are capitalized as inventory because the properties are intended for sale, not long-term use. As a result, PP&E primarily consist of corporate offices, information technology systems, vehicles, and model homes used for marketing. These assets represent a very small portion of total assets.

After removing 2020 as an outlier, D.R. Horton's net PP&E remains a consistently small portion of revenue, fluctuating between 1.26% and 2.63% over 2015–2025. The adjusted historical average is 1.76%, with a standard deviation of just 0.52%, indicating a very stable long-term relationship between PP&E and revenue. Because the series shows no upward trend and volatility is low, the model applies the historical average of 1.76% as the forward PP&E-to-revenue ratio for all forecast years.

	2026	2027	2028	2029	2030	2031
Total Revenue	27,033,520,006	26,348,829,868	26,746,242,089	29,904,145,130	31,352,570,612	32,509,483,519
PP&E	475,789,952	463,739,406	470,733,861	526,312,954	551,805,243	572,166,910

D&A

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
REVENUE	10824	12157.4	14091	16068	17592.9	20311.1	27774.2	33480	35460.4	36801.4	34250.4
D&A	54.1	61	54.7	62.4	72	80.4	82.1	81.4	91.6	87.1	101.3
D&A%REVENUE	0.50%	0.50%	0.39%	0.39%	0.41%	0.40%	0.30%	0.24%	0.26%	0.24%	0.30%

Between 2015 and 2025, D.R. Horton's depreciation and amortisation expense remained extremely low relative to revenue, ranging between 0.24% and 0.50%. The historical average over this period is 0.36%, with a standard deviation of just 0.10%, indicating a stable and predictable pattern with no structural shifts or upward trend. Because DHI operates a land-light, inventory-heavy business model in which PP&E is a very small component of total assets, depreciation naturally stays low and exhibits minimal volatility. Given this consistency, the model applies the long-run average depreciation-to-revenue ratio of 0.36% for all forecast years.

Forecasted D&A

	2026	2027	2028	2029	2030	2031
Total Revenue	27,033,520,006	26,348,829,868	26,746,242,089	29,904,145,130	31,352,570,612	32,509,483,519
D&A	97,320,672	94,855,788	96,286,472	107,654,922	112,869,254	117,034,141

Working capital

Between 2015 and 2025, D.R. Horton maintained a highly stable working-capital structure characteristic of large U.S. homebuilders. Current assets consistently represented the vast majority of the balance sheet, ranging from 79.8% to 84.3% of total assets, with a long-run average of 81.94% and a very low standard deviation of 1.60%. Current liabilities also exhibited limited volatility, fluctuating between 12.1% and 14.8% of total assets, with a long-term average of 13.13% and a standard deviation of 0.81%. Given the consistency of these ratios over the past decade, the forecast assumes the same historical averages for future periods.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	11151	11558.9	12184.6	14114.6	15606.6	18912.3	24015.9	30351.1	32582.4	36104.3	35471.2
Total Liabilities	3333.6	2798.3	2871.6	3203.5	3399.4	4320.3	5449.4	6114.8	5142.6	5971	6031.1
Total Current Assets	9200.5	9653.6	10261.4	11901	12796	15277.5	19716.3	24228.6	26273.4	29447.2	28320.6
Total Current Liabilities	1444.1	1494.6	1565.4	1752.2	1912.1	2507.5	3387.3	4498.6	4350	4362.2	4763.5
working capital	7756.4	8159	8696	10148.8	10883.9	12770	16329	19730	21923.4	25085	23557.1
CURRET ASSET TO Total current asset	82.51%	83.52%	84.22%	84.32%	81.99%	80.78%	82.10%	79.83%	80.64%	81.56%	79.84%
CL TO TOT current asset	12.95%	12.93%	12.85%	12.41%	12.25%	13.26%	14.10%	14.82%	13.35%	12.08%	13.43%
working capital% total current asset	84.30%	84.52%	84.74%	85.28%	85.06%	83.59%	82.82%	81.43%	83.44%	85.19%	83.18%

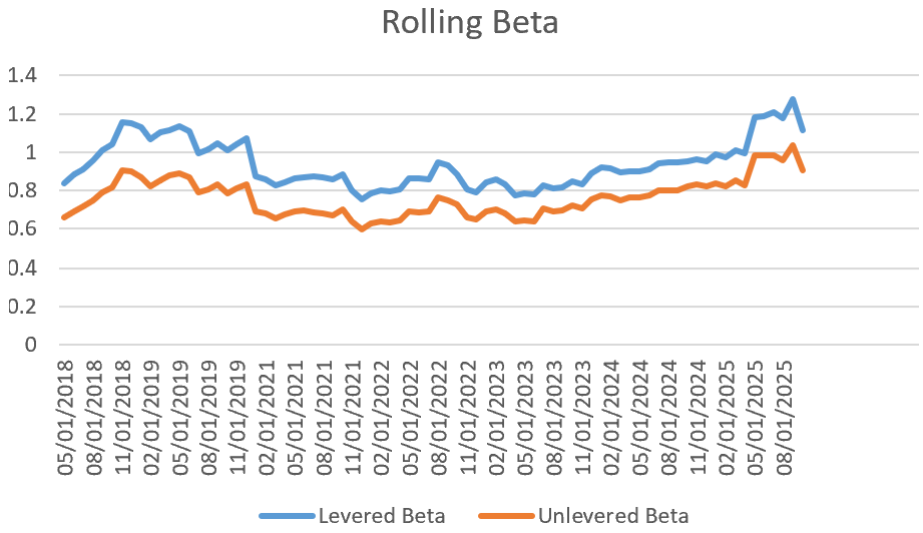
Forecasted change in working capital

	2025	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
Total Assets	35,471,200,000	31,210,955,028	30,760,373,496	31,024,825,185	33,112,775,784	34,026,963,137	34,742,654,140
CURRENT ASSET	29,065,101,280	25,574,256,550	25,205,050,043	25,421,741,757	27,132,608,477	27,881,693,594	28,468,130,802
Current liabilities	4,657,368,560	4,097,998,395	4,038,837,040	4,073,559,547	4,347,707,460	4,467,740,260	4,561,710,489
NWC	24,407,732,720	21,476,258,155	21,166,213,003	21,348,182,210	22,784,901,017	23,413,953,335	23,906,420,314
change in NWC	-	-2,931,474,565	-310,045,152	181,969,207	1,436,718,807	629,052,318	492,466,979

Forecasted UFCF

	2026	2027	2028	2029	2030	2031
EBITDA	3,957,707,328.87	3,857,468,692.67	3,915,649,841.83	4,377,966,847.03	4,590,016,337.60	4759388387.18
D&A	97,320,672	94,855,788	96,286,472	107,654,922	112,869,254	117,034,141
EBIT	3,860,386,656.87	3,762,612,904.67	3,819,363,369.83	4,270,311,925.03	4,477,147,083.60	4,642,354,246.18
EBIAT	2,953,195,793	2,878,398,872	2,921,812,978	3,266,788,623	3,425,017,519	3,551,400,998
ΔNWC	-2,931,474,565	-310,045,152	181,969,207	1,436,718,807	629,052,318	492,466,979
CAPEX	179,839,816	175,284,932	177,928,707	227,314,057	238,324,151	247,118,336
UFCF	5,802,151,214	3,108,014,880	2,658,201,536	1,710,410,681	2,670,510,304	2,928,849,824

Rolling Beta



We use the Russell 3000 index[12] as the market benchmark, the United-States 3-Month Bond Yield[13] as the proxy for risk-free rate, and current market capitalization as the weight to calculate the rolling beta. The data frequency is monthly, starting from 2013, and the length of each window is 60. The tax rate of DHI is 23.5%.

Before 2020, the housing market was boosted because of the historically low and declined mortgage rate. From the figure, we could observe the exposure to market risk was generally decreased. Being shocked by COVID-19, the entire industry was sensitive to the systematic risk, thus the beta experienced a significant volatility in that year. To ensure the reliability of our valuation, we removed the 2020 outliers from our rolling beta calculation, since this period represented a market disruption that did not reflect the company's typical market risk profile. After excluding the extreme values, the plot does not show a big jump in beta estimates, we think DHI as the biggest one and the industry leader has stronger stability to against the systematic risk, as well as recovering to the normal level. Subsequently, the uncertainty and the worse economic background, i.e., dramatically increased mortgage rate, higher material inflation, less new projects and etc, badly impacted the profitability and made DHI exposed to higher systematic risk, sustaining an elevated beta level.

Valuation

[12] Data Source: investing.com
[13] Data Source: investing.com

Risk free rate	Market risk premium	Growth rate	Effective interest rate	Unlevered beta	Unlevered cost of equity
4.57	5[14]	2.0[15]	12.86[16]	1.0	9.57

	2026	2027	2028	2029	2030	2031
Total Debt	6,055,643,264	5,968,296,028	6,019,561,818	7,285,314,164	7,486,274,552	7,643,596,992
Tax Shield	183,007,595.1	180,367,874.3	181,917,177.7	220,169,479.4	226,242,703.2	230,997,144.7

	2026	2027	2028	2029	2030	2031	TV	Total
UFCF	5,802,151,214	3,108,014,880	2,658,201,536	1,710,410,681	2,670,510,304	2,928,849,824	39,386,646,251	
PV of UFCF	5,295,383,055	2,588,807,547	2,020,751,546	1,186,680,356	1,690,970,183	1,692,571,930	22,761,403,228	37,236,567,845
PV of Tax shield	167,023,450.8	150,236,640.5	138,292,530.9	152,753,253.4	143,257,138.8	133,492,431		885,055,445.4

Considering the higher market risk exposure and worse environment, we employ the latest unlevered beta, which is close to 1 and higher than the average, as the discount rate in our valuation. Since the D/E ratio declined from 56.55% to 24.38% in the past decade, the APV valuation is used in this case.

Using the APV approach, the firm's cash flows were discounted at the unlevered cost of equity of 9.57%, derived from an unlevered beta of 1 and market assumptions of a 4.57% risk-free rate and a 5% market risk premium. The forecasted unlevered free cash flows for 2026 to 2030 range from $5.80 to $2.93 billion, with a terminal-year UFCF of $39.39 billion growing at 2%. Discounting these flows at the unlevered cost of equity yields a present value of $37.24 billion for the unlevered firm. The present value of tax shields, computed using the effective interest rate of 12.86% and the projected debt schedule, amounts to $885.1 million. Adding this financing effect to the unlevered firm value results in a total enterprise value of approximately $38.12 billion.

PV of UFCF	**37,236,567,845**
PV of Tax Shield	**885,055,445.4**
Enterprise Value (EV)	**38,121,623,290.4**
Net Debt	**3,045,700,000**
Target value	**35,075,923,290.4**
Market cap	**38,540,000,000**
downside	**-8.99%**

[14] Data Source: Kroll
[15] Data Source: Congressional Budget Office
[16] Data Source: National Association of Home Builders

Based on the APV valuation, intrinsic equity value is estimated at $35.08 billion, while the current market capitalization stands at approximately $38.54 billion. This implies a valuation gap of roughly 8.99%, suggesting that the market is pricing DHI above its fundamental value.

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All financial statements, market data, and valuation inputs for D.R. Horton (DHI) used in this report are sourced from Bloomberg Finance L.P.