



J.P. Morgan Homebuilding & Building Products Conference

May 15, 2018

LIFE. BUILT. BETTER.®

Forward-Looking Statements

This presentation and the accompanying comments during our analyst call contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include management's projected home closings, home closing revenue, home closing gross margin and pre-tax earnings for the second quarter and full year 2018, as well as improved overhead leverage and net earnings growth in 2018; and expected future growth and earnings expansion opportunities from millions of Millennials expected to enter the homebuilding market in the next decade.

These statements are based on the current beliefs and expectations of Company management, and current market conditions, which are subject to significant uncertainties and fluctuations. Actual results may differ from those set forth in the forward-looking statements. The Company makes no commitment, and disclaims any duty, to update or revise any forward-looking statements to reflect future events or changes in these expectations. Meritage's business is subject to a number of risks and uncertainties. As a result of those risks and uncertainties, the Company's stock and note prices may fluctuate dramatically. These risks and uncertainties include, but are not limited to, the following: the availability and cost of finished lots and undeveloped land; shortages in the availability and cost of labor; changes in interest rates and the availability and pricing of residential mortgages; changes in tax laws that adversely impact us or our homebuyers; inflation in the cost of materials used to develop communities and construct homes; the success of strategic initiatives; the ability of our potential buyers to sell their existing homes; cancellation rates; the adverse effect of slow absorption rates; competition; impairments of our real estate inventory; a change to the feasibility of projects under option or contract that could result in the write-down or write-off of earnest or option deposits; our potential exposure to and impacts from natural disasters or severe weather conditions; home warranty and construction defect claims; failures in health and safety performance; our success in prevailing on contested tax positions; our ability to obtain performance bonds in connection with our development work; the loss of key personnel; failure to comply with laws and regulations; our limited geographic diversification; fluctuations in quarterly operating results; our level of indebtedness; our ability to obtain financing if our credit ratings are downgraded; our ability to successfully integrate acquired companies and achieve anticipated benefits from these acquisitions; our compliance with government regulations, the effect of legislative and other governmental actions, orders, policies or initiatives that impact housing, labor availability, construction, mortgage availability, our access to capital, the cost of capital or the economy in general, or other initiatives that seek to restrain growth of new housing construction or similar measures; legislation relating to energy and climate change; the replication of our energy-efficient technologies by our competitors; our exposure to information technology failures and security breaches; negative publicity that affects our reputation; and other factors identified in documents filed by the Company with the Securities and Exchange Commission, including those set forth in our Form 10-K for the year ended December 31, 2017 and Form 10-Q for the quarter ended March 31, 2018 under the caption "Risk Factors," which can be found on our website.

Management Representatives

Presenting:

Steven J. Hilton – Chairman & CEO

Attending:

Hilla Sferruzza – EVP & Chief Financial Officer

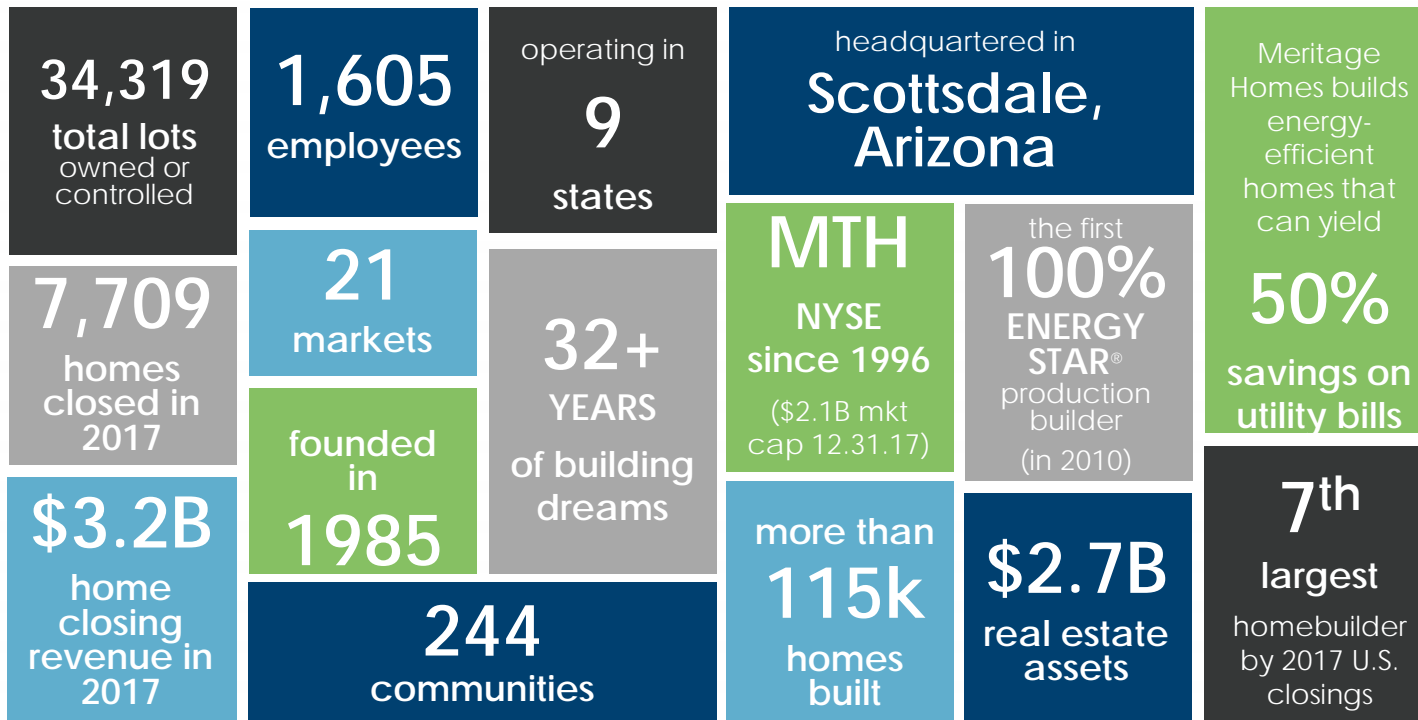
Brent Anderson – VP Investor Relations

COMPANY OVERVIEW



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Quick Facts



All facts and figures as of December 31, 2017, unless otherwise noted.

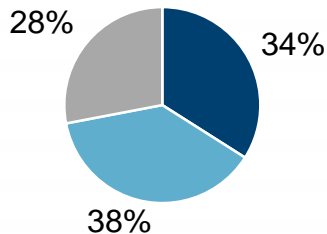
Diversified Across Our Segments

East

- **Florida** – Orlando (2004), Tampa Bay / Sarasota (2011), Miami Metro (2015)
- **Georgia** – Atlanta (2014)
- **North Carolina** – Charlotte (2012), Raleigh (2011)
- **South Carolina** – Greenville (2014)
- **Tennessee** – Nashville (2013)

Selling communities

253 communities at 3/31/18

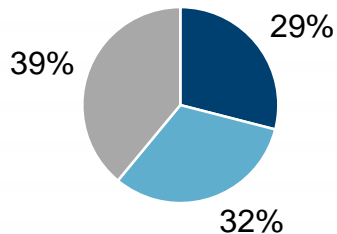


Central

- **Texas** – Austin (1994), Dallas / Ft. Worth (1987), Houston (1997), San Antonio (2003)

Closings

7,853 units ttm 1Q18

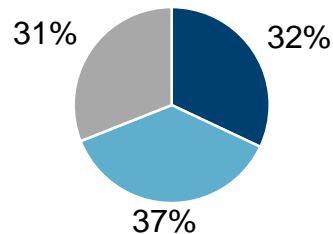


West

- **Arizona** – Phoenix (1985), Tucson (1995)
- **California** – Sacramento (1998), Bay Area (1998), Bakersfield, Inland Empire (2004)
- **Colorado** – Denver (2004)

Backlog

3,509 units as of 3/31/18



Positioned in 14 of the Top 20 Markets

Market	2016 Permit Rank	2016 Single Family Permits
Houston-The Woodlands-Sugar Land, TX	1	35,397
Dallas-Fort Worth-Arlington, TX	2	29,846
Atlanta-Sandy Springs-Roswell, GA	3	22,931
Riverside - LA - OC - Bakersfield, CA	4	19,374
Phoenix-Mesa-Scottsdale, AZ	5	18,577
Denver - Boulder - Fort Collins - Greeley, CO	6	17,901
Tampa - Sarasota, FL	7	16,504
Orlando-Kissimmee-Sanford, FL	8	14,208
Austin-Round Rock, TX	9	13,609
Charlotte-Concord-Gastonia, NC-SC	10	12,989
Washington-Arlington-Alexandria, DC-VA-MD-WV	11	12,974
Raleigh - Durham, NC	12	12,392
Nashville-Davidson--Murfreesboro--Franklin, TN	13	12,014
New York-Newark-Jersey City, NY-NJ-PA	14	9,987
Sacramento - Fresno - Stockton, CA	15	9,829
Seattle-Tacoma-Bellevue, WA	16	9,396
Las Vegas-Henderson-Paradise, NV	17	8,805
Jacksonville, FL	18	8,499
Chicago-Naperville-Elgin, IL-IN-WI	19	8,118
Oakland - San Francisco - San Jose, CA	20	8,081

We hold top-10 positions in most of our markets



RECENT RESULTS



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Strong First Quarter Performance

Y/Y% Comparisons to 1Q 2017

+ 10% orders

+ 9% home closings

+ 10% home closing revenue

+ 90 bps GM%

+ 33% pre-tax earnings

+ 86% net earnings

+33% Increase in Pre-tax Earnings

(\$millions)	Quarter Ended Mar 31,		
	2018	2017	%Chg
Home closings	1,725	1,581	+9%
ASP (closings)	\$422K	\$418K	+1%
Home closing revenue	\$728.5	\$660.6	+10%
Home closing gross profit	\$124.3	\$107.3	+16%
Home closing gross margin	17.1%	16.2%	+90 bps
SG&A expenses	\$83.6	\$77.9	+7%
-- % of home closing revenue	11.5%	11.8%	-30 bps
Earnings before taxes	\$48.9	\$36.8	+33%
Tax rate	10%	36%	-2600 bps
Net earnings	\$43.9	\$23.6	+86%
Diluted EPS	\$1.07	\$0.56	+91%

- 33% increase in earnings before taxes driven by home closing revenue growth, higher home closing margin and lower SG&A%
- Lower tax rate from \$6.3M energy tax credits in addition to lower corporate income tax rates per Tax Cuts & Jobs Act

Strong Improvements Across South Region



East Region Y/Y (%) changes 1Q18 vs 1Q17					
	GA	NC	SC	TN	Region
Average Active Communities	20.0	18.5	12.5	6.0	57.0
	+18%	+6%	-17%	-20%	--
Orders/ Average Community	7.4	8.5	6.4	8.0	7.6
	+80%	-1%	+33%	+57%	+31%
Orders	+114%	+5%	+11%	+26%	+32%
ASP	+6%	-11%	+1%	-3%	-6%
Order Value	+127%	-7%	+12%	+23%	+23%

- **Georgia:** improved sales execution resulted in 80% increase in absorptions (3rd consecutive quarterly increase Y/Y)
- **North Carolina:** decline in ASPs due to shift to more entry-level homes
- **South Carolina:** double-digit order growth for 3rd consecutive quarter
- **Tennessee:** double-digit order growth despite fewer communities open

Opportunities for further improvements across the board

Raised Guidance for FY2018

Full Year
2018

- 8,450-8,850 home closings (+9-13%)
- \$3.5-3.65B home closing revenue (+9-13%)
- Home closing gross margin at least 18%
- Pre-tax earnings \$285-305M (+13-19%)
- ~25% effective tax rate 2Q-4Q18 (~22% FY)

Previous Guidance (Jan-18)

- 8,350-8,750 (+8-14%)
- \$3.4-3.6B (+7-13%)
- Gross margin 17.5-18%
- Pre-tax earnings +6-13%
- ~25% effective tax rate

2Q18

- 1,850-2,000 home closings (-3% - +5%)
- \$775-850M home closing revenue (-3% - +7%)
- Home closing gross margin mid-17's%
- Pre-tax earnings \$55-60M

GROWTH OPPORTUNITIES



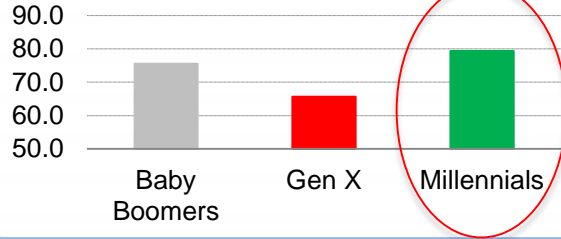
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Housing Fundamentals Remain Strong

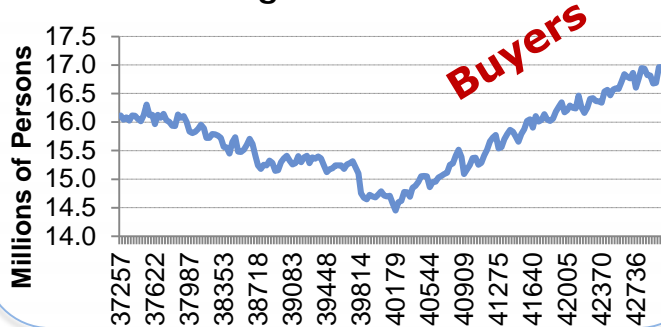
- ✓ Non-farm payrolls increasing
- ✓ Low unemployment
- ✓ Household formations growing
- ✓ Positive consumer sentiment
- ✓ Low inventory of existing homes
- ✓ Housing starts & sales up
- ✓ Home values increasing
- ✓ Individual and corporate taxes reduced
- ✓ **Affordability good:** Mortgage rates near historic lows, credit availability improving, FHA & Conforming Conventional Loan Limits increased
- ✓ **Strong demand for entry-level homes**

Huge Opportunity as Millennials Become Home Buyers While Supply is Short

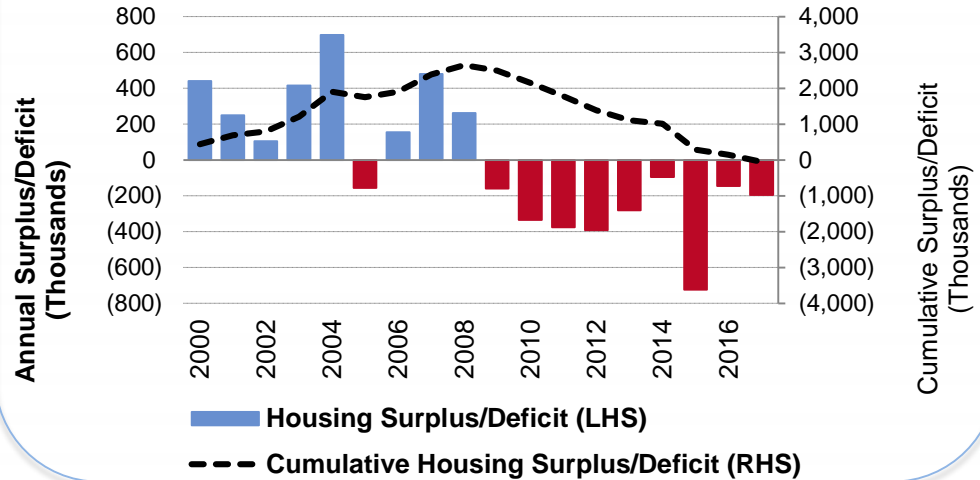
**Population by Generation
(Millions), 2015**



**Number of Employed Persons
aged 30-34**



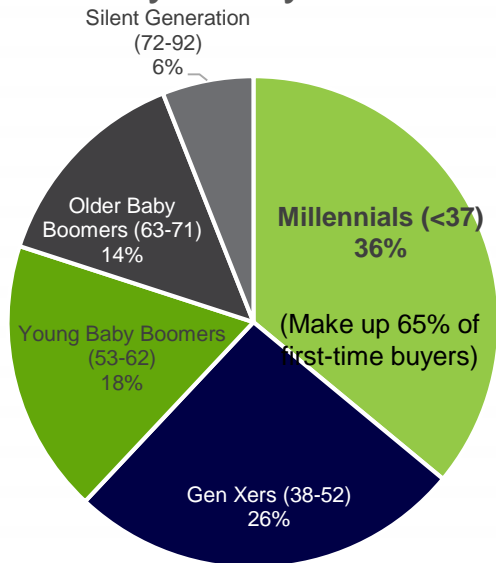
Housing Surplus/Deficit (thousand)



Source: Wells Fargo Securities Nov-6, 2017

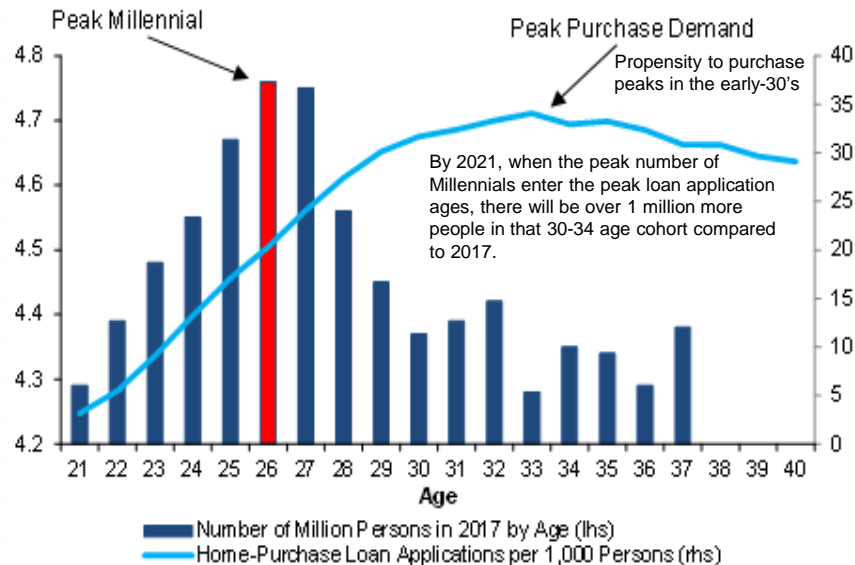
Wave of Millennials Coming for Many Years

Home Buyers by Generation



Source: NAR Home Buyer & Seller Generational Trends Report 2018

Figure 1. Number of Persons vs. Home-Purchase Loan Applications



Source: CoreLogic, Census Bureau, Evercore ISI Research

Homebuying Decision Drivers

Why?

- Job/income
- Marriage
- Child(ren)
- Tired of renting

When?

- Confidence
- Economy
- Employment

What/
Where?

- Size
- Features
- Amenities
- Location

- Life events are the primary drivers for buying a home (vs investment decision)
- Buying a home is a vote of confidence – in the economy & personal employment
- Home prices & interest rates impact only what homes a buyer can afford
- ***We are building homes in communities buyers can afford even as interest rates rise***

Strategic Pivot to Meet Entry-level Demand

~32%

of active
communities at
3/31/18



~21% YE16
~30% YE17
~35-40% by YE 2018

~38%

orders in
1Q18



~24% FY16
~33% FY17

~81%

total lots
contracted
for in 1Q18



~70% FY17

~51%

closings
from specs
in 1Q18



~41% FY16
~49% FY17

Homes Designed For Entry-level Buyers

LiVE.NOW.TM

MOVE SOONER. LIVE BETTER. WHY WAIT?

A name that expresses the streamlined and simplified building process, enabling buyers to get even more than they thought was possible in their new home and to move in even sooner than they imagined.



Tucson – Compass Pointe



Southern California – Sage at Esencia



Dallas – Village at the Point



Austin – Texas Heritage Village

LiVE.NOW. Customer Benefits

- **Affordability**
 - Under FHA loan limits (local)
 - Primary LiVE.NOW. buyer makes <\$100K
- **“Plus” features included**
 - Energy efficiency
 - Desirable finishes
 - Appealing floorplan
 - High quality construction
- **Streamlined buying process**
 - Low-stress, low anxiety, transparent

“ [The Agent] said, ‘Nope, everything you see in that model is standard. And I looked at my husband, and he looked at me, and we put an earnest check down on the house.’ ”

“...Versus coming into Meritage...[the sales agent] took me through a spreadsheet and pretty much said ‘this is your price’... For us it was an easy decision.”

“...‘Oh my gosh, [Meritage] they are the best homebuilders’...that’s all I have been hearing since buying this home...”

Respondents: Buyers at The Parks - Phoenix

Phoenix Entry-Level (LiVE.NOW.) The Parks – 100% Specs



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Phoenix Entry-Level (LiVE.NOW.) The Parks



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LIVE.NOW. Spec Strategy

- No Structural options
- Pricing simple and transparent
- Provides zero motivation for build to order



Eliminate “a la carte” Options & Upgrades



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What We Achieve

- We simplify our business
- Our buyers have a faster more transparent experience with less anxiety surrounding their selections.
- Our purchasing teams are managing less products and options and can focus their efforts on controlling costs through the opportunities provided by scale and alignment.
- Studio M provides a consistent experience throughout our Divisions that aligns closely with our Life.Built.Better brand.

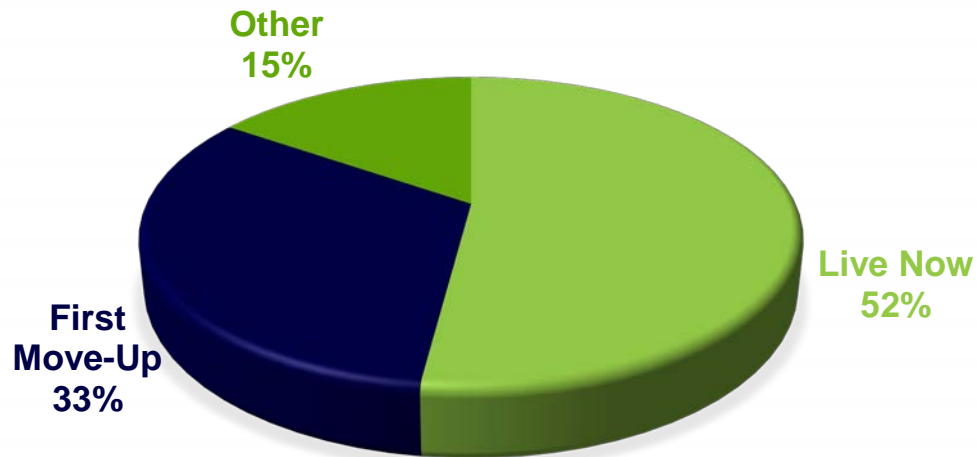
Reduction of SKUs Much More Efficient



Because of this process, LiVE.NOW. cycle times are the lowest in the company

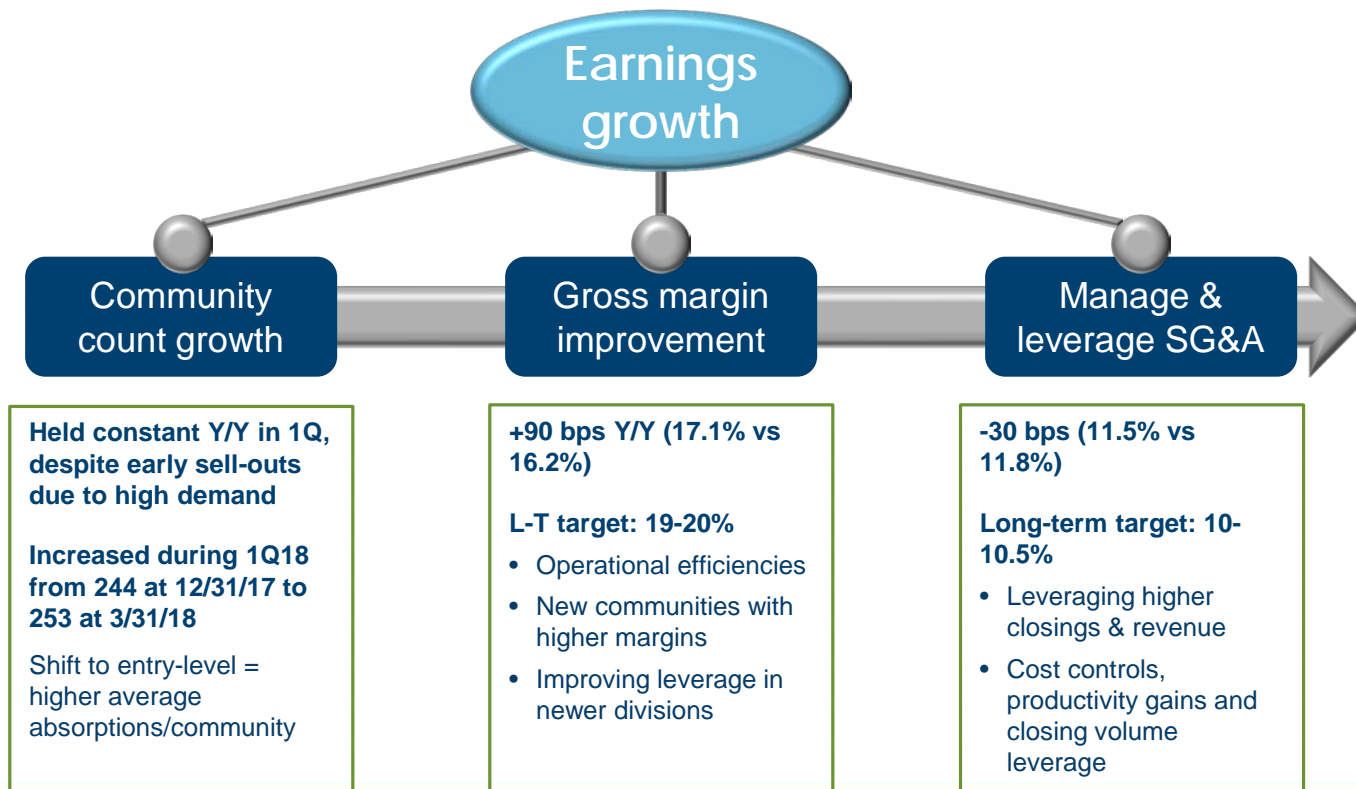
Average Construction Cycle Time Closings Through 12-15-2017	
Class	Months
LiVE.NOW.	3.8
Move-Up	5.2-5.4

Strategic Pivot Reflected in Operating Metrics



For the period or as of:	1Q 2018	1Q 2017
Closings from spec inventory	51%	47%
Total lots controlled	33,987	31,347
Years supply of lots	4.3	4.2
Unsold homes (specs)	1,998	1,633
Avg specs/community	7.9	6.4
Under construction	67%	68%
Completed	33%	32%

Driving Strategic Initiatives for Earnings Growth



Summary

- + Housing fundamentals remain strong
- + Huge opportunity in entry-level homes for Millennials
- + Strategic pivot to more entry-level addresses long-term growth opportunity
- + LiVE.NOW. Has benefits for buyers and for Meritage

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