



# DREAM FINDERS HOMES

## **To the Shareholders of Dream Finders Homes, Inc.:**

Each year I provide shareholders with an annual letter summarizing how the Company performed for the prior year. While this 2023 letter is long overdue, I promise that will not be the case for future letters. 2024 has been a busy year and I look forward to reporting on our accomplishments. This commentary for the 2023 calendar year is intended to give insight as to how we managers view our business and provide a straightforward analysis of our performance; hopefully in a way that is transparent and easy to digest. We have a lot of friends and family that have entrusted us with their hard-earned dollars, who are not necessarily financial experts, and we want to make sure everyone understands what they own and why we believe we are uniquely positioned for long-term success. Success for us is best defined as compounding shareholder equity (or “book value”) at a rate above the industry average and growing both the book value and intrinsic value of the business. Intrinsic value is more difficult to quantify, hence the importance of the more quantifiable metric of shareholder equity growth. However, intrinsic value is just as important to us, which is evident in the long-term approach we take when managing our business.

On January 21, 2024, DFH celebrated its 3rd anniversary as a publicly traded company (and 15th year as a company). Since going public we have made incredible strides as a business. The decision to go public for us was a fairly easy one. We knew we wanted to grow the business and accessing public capital markets would put us on the best footing possible while providing a platform for significant future growth. From the onset of creating DFH, we built our business and a team equipped to one day be a public company, so we were ready when the opportunity presented itself. If I have been consistent with one theme in my letters, it is that DFH will find a way to meaningfully grow earnings per share over time and work hard to produce above-average shareholder returns. With that in mind it should have come as no surprise when we announced the acquisition of Crescent Homes, on February 2, 2024, our 5th acquisition in the past 5 years.

This acquisition meaningfully enhanced Dream Finders’ geographic footprint and allowed the Company to expand into the markets of Charleston and Greenville, South Carolina, and Nashville, Tennessee. In addition, we added approximately 6,200 lots to our controlled land pipeline, which we have continued to increase since closing. While we will cover this acquisition more in depth in the 2024 letter, most of our underwriting and due diligence was completed in the second half of 2023. We are very excited about these new markets and look forward to reporting back on our progress in the 2024 letter. Now, on to our 2023 recap.

## **2023 Overview**

I am pleased to report that in 2023, Dream Finders Homes generated after-tax operating earnings of \$296 million, or \$3.03 per basic share. This was up 13% from \$262 million of after-tax earnings, or \$2.67 per basic share in 2022. Our unit closings were 7,314 (up 6% year over year), revenue was \$3.7 billion (up 12% year over year) and pre-tax operating earnings were \$404 million (up 14% year over year). We were pleased with our 2023 operating results as we generated a return on equity of 36.3% (based on average trailing 12-months equity), which was in line with our historical returns of 40%. Entering 2023, we provided guidance of 6,000 home closings as we were digesting the Federal Reserve’s historic seven rate hikes in 2022 (+425 bps) and preparing for 4 additional rate hikes (+100 bps) that ensued in 2023. Mortgage rates increased from 2.65% in January 2021 to 7.79% in October 2023, which was highest in the published rate’s history aside from the early 1980s inflation crisis. In the face of these challenges, we again demonstrated agility and exceeded our initial guidance by 22%, while achieving Company record homebuilding gross margin of 19.4%. This resulted in the

Company generating record cash flows from operating activities of \$374 million and ending the year with a record \$828 million of available liquidity and a record low net debt to net capitalization of 23.3%. The strength of our December 31, 2023 Balance Sheet provided the Company with the ability to deploy cash for growth in 2024 and beyond.

While we acknowledge the challenges the industry has faced in the past two years, we also aim to demonstrate that the best managers find a way to work through obstacles. The DFH team continues working tirelessly to deliver value and great homes to our customers. Let's spend some time going through our annual highlights and getting to know a few of our specific teams and the leaders who manage those businesses day to day.

### **High Yield Bond Offering**

On August 22, 2023, we raised additional liquidity through the first Company issuance of senior unsecured notes for a total aggregate principal amount of \$300 million, which carries interest at 8.25% annually and matures August 15, 2028. While we utilized this capital to pay down our existing line of credit, the process was also an important step for Company growth, as we became agency credit rated and established a foundation for future issuances. The team did an excellent job making sure we were prepared for this opportunity and I want to commend their efforts. We were rated BB- by both S&P and Fitch in our inaugural issuance. We have long-term goals of achieving investment-grade ratings. Primarily, that goal will require a larger business (both revenue and profitability), as well as lower overall debt. We are focused on maintaining the appropriate balance for DFH to accomplish this significant goal.

### **Homebuilding Operations**

#### Jacksonville

Our Jacksonville division continues to perform at a high level under Division President, Brad Muston. Jacksonville is also our Corporate Headquarters and home of the Jacksonville Jaguars, of whom we are the Official Homebuilder. We take a lot of pride in our hometown and are excited about where the city is heading. The division closed 1,504 homes and produced \$618 million of revenue in 2023, continuing its dominance in unit volume by leading the Company for the 15th year in a row. However, for the first time in the history of the Company, it did not lead in revenue or profitability. On one hand this is a positive as our other divisions have grown considerably, but I also hope this stokes the competitive spirits in Jacksonville and motivates them to regain their former title.

#### Orlando

Division President, Gerry Boeneman has taken a startup division from zero in 2015 to 1,064 closings and \$631 million of revenue in 2023. The division had a 107% increase in revenue from the prior year and is now the 8th largest builder in the Orlando MSA by unit volume. Most importantly, and to the credit of the entire Orlando team, this division delivered the highest revenue and profit of any division in the entire Company, surpassing even Jacksonville for the first time. This is an incredible feat for any division, but particularly one that has been in existence for less than a decade. Gerry and his team deserve a lot of credit for this exciting accomplishment.

#### DC Metro

Led by Division President Jon Adler and his loyal "Ambassador", Matt Bronczek, the division achieved tremendous growth in 2023 as they were able to close 297 homes for \$190 million, increases of 130% and 126%, respectively, from the prior year. Jon and Matt do a tremendous job representing DFH and we have big expectations for future growth in our DC Metro Division.

## Denver

Our Denver operations began in 2014 with one community and now hold, in our humble opinion, one of the best land pipelines in the market. This land acquisition effort was led by our Regional VP of Land Acquisition, Matt Childers, under the guidance of Division President, Jamie Mott. Under Jamie's shrewd leadership the Denver division has quickly become one of our most profitable operations and we are excited to see where Jamie and the team will be in the next several years. The Denver division had 359 closings, up from 285, a 26% increase in closings and \$216 million in revenue, up from \$169 million, a 28% increase of revenue in 2023. We have a very high-quality pipeline of land that totals nearly 6,000 future homesites under option, and we expect significant growth in Denver over the next several years.

## Tampa and Southeast Florida

In 2023 we started operations in Tampa, FL, one of the top metros in the country. Tampa is a natural extension of our Jacksonville and Orlando, FL operations. We have a positive overlap in relationships with developers and land sellers across these three markets making Tampa a great opportunity for DFH expansion. We have every expectation that Tampa will ultimately yield as many, if not more, annual closings as Orlando and Jacksonville.

Southeast Florida, while a smaller opportunity versus Tampa, can still provide a highly profitable operation in a state that has significant tailwinds. We want to expand utilization of the relationships and scale that DFH has built in the state of Florida. One should expect that we will continue to find ways to benefit from our vast network of development and land acquisition relationships.

## **Financial Services Operations**

### DF Title

DF Title, LLC dba Golden Dog Title & Trust ("DFT") was created in 2014 to manage the closings, escrow and title insurance for DFH home-buying customers and lenders. DFT is a full-service title insurance agency issuing owners and lenders title insurance policies underwritten by Fidelity National Financial and other national title insurers. Tom Ralabate, Esq. manages the title insurance operations and is licensed to write title insurance in 19 states and D.C. DFT's staff has many years of skill and expertise in the industry and is focused on providing customers with great service. DFH employees appreciate Tom and the effort his team puts forth each day.

In 2023, DFT generated \$10 million in revenue and had earnings of \$4 million, up from the prior year of \$8 million in revenue and \$3 million in earnings, increases of 24% and 32%, respectively. 2023 marked the ninth consecutive year that title agency operations had year-over-year growth in revenue and earnings. In 4Q23, DFT expanded its title agency operations into the State of Texas, specifically the Dallas Fort-Worth area, with plans for continued expansion into other DFH markets. Most of DFT's business is originated from our homebuilding operations, but a company goal is to grow business beyond homebuilding. We expect to achieve this by leveraging current relationships and continuing to build new ones across the industry. DFT's retail business was approximately 15% of the residential units closed for 2023. We will emphasize external growth over the next several years to maximize DFT's potential. DFT, through its operations, and as an agency for national underwriters, bears low risk for title claims. DFT shares title insurance premiums with the insurer underwriting the transaction, as required by each of the states' regulations.

## Jet HomeLoans

As I mentioned last year, Jet was formed in 2017 as a Mortgage Joint Venture with Prime Lending and we transitioned partners in 2021 to FBC Mortgage (DFH owned 49% of the venture after the transition and did not consolidate the mortgage entity). In early October 2023, we acquired an additional 11% membership interest in the joint venture from FBC, resulting in 60% of the economics, and we continued to account for Jet as an equity-method investment until June 30, 2024.

On July 1, 2024, we completed the acquisition of Jet HomeLoans for \$9.3 million. We worked for almost a year leading up to the completion of the acquisition and we are pleased to have accomplished this milestone for our Company. The transaction has always been a part of our long-term strategic vision, but we also wanted to make sure we achieved a certain level of equity and resources to move forward with the buyout. The patience has paid off and we have now executed on this strategic plan in 2024. We look forward to reporting on our improved profitability in the segment in the 2024 annual letter. In the meantime, you can have confidence that we have successfully transitioned Jet employees under the DFH wholly owned Company from FBC, hired key executives in roles that were retained by FBC and this solid team continues to roll up to Doug Moran and the DFH Executive team for monitoring and growth objectives. We have achieved tremendous success in vertically integrating our Jet business alongside the growth in our homebuilding business and this strategic acquisition allows for further alignment of services for our customers, continuing to create significant value accretion for our business and shareholders.

## **Land Acquisition and Development Operations**

Our VP of Land Acquisition and Development, Batey McGraw, continues to build a world-class Land Acquisition and Development team that generates incredible opportunities for DFH. The land team is truly the tip of the spear and without a first-class land organization it is impossible to grow a homebuilding business meaningfully. As of December 31 2023, DFH owned or controlled 36,677 homesites (and as a sneak peek at the 2024 letter, as of September 30, 2024, DFH owned or controlled 53,306 homesites) thanks to this team of hard-working individuals. It has not been easy over the past several years managing through record interest rate increases, but Batey and his team have grinded through and put DFH on a path to grow. As the market continues to improve, Batey and his team will have their work cut out as competition increases and others may be willing to pay more for the same parcel of land. It is our mission to remain disciplined and only acquire land with strong value propositions. We believe our durable relationships and ability to be nimble with deal structures will pay off greatly over time and allow DFH to continue to grow our quality land positions.

## **DF Capital Management**

In 2017, we partnered with Chris Butler to build an investment platform with the goal of providing programmatic funding for Dream Finders Homes asset-light growth and allowing our Company to spend more time running the business and less time raising capital. This has always been intended to supplement DFH's growth, not be its sole source. We have numerous great relationships with developers and land bank partners across the country and DF Capital Management ("DF Capital"), while always a preferred partner, will likely not hold more than 25% of our total land under option. Our strategic relationship with DF Capital provides synergies for both parties and our shared goals should allow us to find mutually beneficial outcomes in various market conditions. For DF Residential I, LP ("Fund I"), Chris successfully assembled \$37 million in commitments from a diverse group of over 30 investors. Including co-investment funds raised and the utilization of non-recourse leverage, Fund I provided Dream Finders Homes with over \$150 million of land acquisition and development capital. In just over 5 years, Fund I, which is now 99% realized, has exceeded its target return with a net (after fees) Internal Rate of Return of 22%.

In late 2020, DF Capital began fundraising for DF Residential II, LP (“Fund II”) and closed with over \$320 million of capital commitments in just over a year. The investor base spans over 100 parties of various profiles including two very high-quality institutions. Including the use of non-recourse leverage and recycled capital, Fund II is expected to provide over \$600 million of capital for Dream Finders Homes projects — approximately \$500 million of which has already been deployed over 41 projects. In July 2024, DF Capital initiated its first close of Fund III. The team expects to execute the final close in the first half of 2025.

As Chris continues to grow his team, DF Capital has expanded by building relationships and providing capital to a variety of public and private homebuilders. While we have zero operational control, DFH is entitled to a significant portion of carried interests which should create meaningful value for our shareholders in the future. Chris and his team deserve a lot of credit for the business they have built over the past five years. If you have interest in learning more about investing in DF Capital Fund III, please reach out to Chris directly at [Chris.Butler@dfcapitalmanagement.com](mailto:Chris.Butler@dfcapitalmanagement.com).

### **General Comments**

Everything at DFH is directed towards driving the highest and best returns on each dollar of capital we invest. We are largely agnostic as to whether these returns are generated organically, via acquisition, or through a strategic asset sale. We have historically grown organically and believe we will continue to do so for numerous reasons (opened organic divisions in Tampa and SE Florida in the past year), but we have also completed five successful acquisitions that have effectively returned all invested capital (other than Crescent which closed in 1Q24), or are on target to do so, in under three years from acquisition closing. The greatest part of these acquisitions is that we will control these businesses’ future earnings streams forever. Each acquisition added quality new team members and brought invaluable learning experiences that we will possess in perpetuity and will guide us in our future decisions. We will continue to work hard to deploy capital towards the highest yielding business opportunities.

### **Future Opportunities**

It continues to be reasonable to assume we will be opportunistic with acquisitions in the future. We believe DFH offers a very compelling partner for anyone looking to sell their homebuilding business. Having recently been a privately held business, we have the unique perspective of understanding the challenges of being private. We are looking for win-win situations where both parties feel like they are getting a fair deal and we are typically able to establish a price within days — we know how important it is to make quick, definitive decisions and have worked hard to earn the reputation of doing what we said we were going to do. We are growing and believe in retaining high-quality talent, so DFH needs the employees we have adopted via acquisition, and we have worked hard to retain key teams. It is very important for sellers to know the employees that helped them build these great businesses are taken care of. The vast majority have stayed on with DFH and many are thriving in our entrepreneurial culture. If you have a great business and are looking for the best home to take care of your legacy, at a fair price, please reach out to me personally.

## Conclusion

We have compounded shareholder equity, earnings, and revenue by more than 40% annually since our Company's 2008 inception. We started with our first home in January 2009, nearly at the bottom of the Great Financial Crisis, and have grown methodically from 27 homes in 2009 to 7,314 homes closed in 2023. With a high degree of confidence, I can state that each year we have been in business, the team has gotten better and we have grown intrinsic value for shareholders. 2023 was no different. While our growing capital base will make this mathematically more challenging, and there is no guarantee of future performance, you can rest assured these are the metrics by which we managers evaluate success.

We appreciate your partnership and look forward to reporting back timely on our 2024 results in 2025.

Your Chairman and CEO,



Patrick Zalupski  
December 14, 2024