

**LIFE. BUILT. BETTER.**



**J.P. Morgan  
Building & Building Products  
Conference**

New York, NY

May 17, 2016

# Forward-Looking Statements

This presentation and accompanying comments contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include management's expectations with respect to future revenue and earnings growth, estimated home closings, home closing revenue, home closing gross margin and earnings per share for the second quarter and full year 2016, as well as the Company's expectations for improved leverage of overhead expenses and its strategy to develop communities with higher densities, lower price points and consistent net margins.

Such statements are based upon the current beliefs and expectations of Company management, and current market conditions, which are subject to significant risks and uncertainties. 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; interest rates and changes in the availability and pricing of residential mortgages; fluctuations in the availability and cost of labor; changes in tax laws that adversely impact us or our homebuyers; reversal of the current economic recovery; the ability of our potential buyers to sell their existing homes; cancellation rates; inflation in the cost of materials used to develop communities and construct homes; the adverse effect of slower order absorption rates; 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 option deposits; our potential exposure to natural disasters or severe weather conditions; competition; construction defect and home warranty claims; adverse legal rulings; 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; changes in or our failure to comply with, laws and regulations; limitations of our geographic diversification; fluctuations in quarterly operating results; our level of indebtedness; our ability to obtain financing; our ability to successfully integrate acquired companies and achieve anticipated benefits from these acquisitions; our compliance with government regulations and the effect of legislative 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; 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, 2015 and subsequent quarterly reports on Forms 10-Q under the caption "Risk Factors," which can be found on our website.

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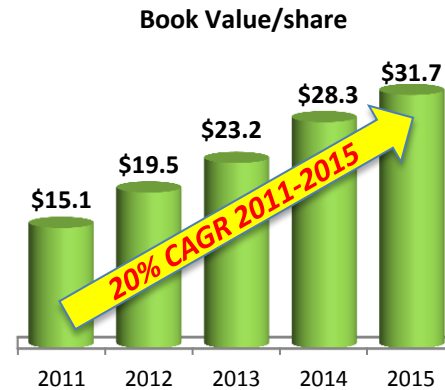
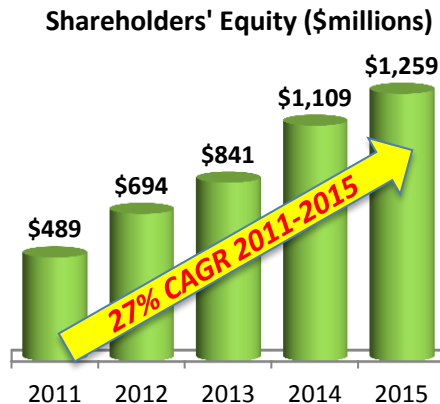
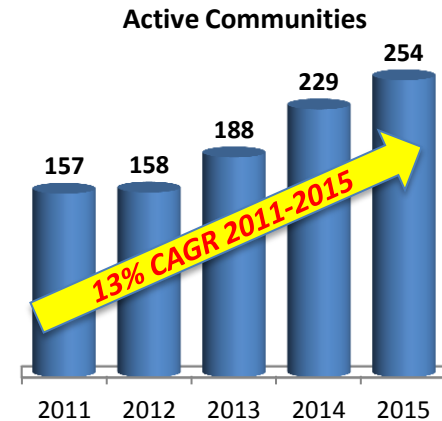
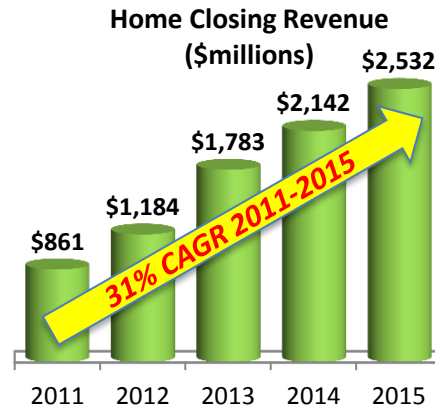
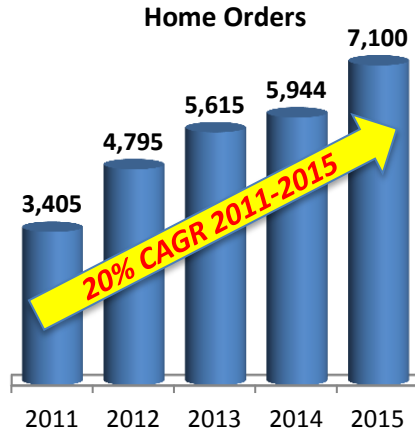
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# Strategic focus on long-term growth and earnings expansion

- Strategic growth:
  - Expand into new, highly desirable markets, grow community count & increase market share
  - Take advantage of healthy demand drivers in our markets
  - Increase focus on first time buyers (higher volume vs higher ASPs long-term)
- Long-term earnings growth:
  - Revenue expansion
  - Return to historical margin levels over time
  - Additional overhead leverage on higher closing volumes

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# Impressive 5-year growth record



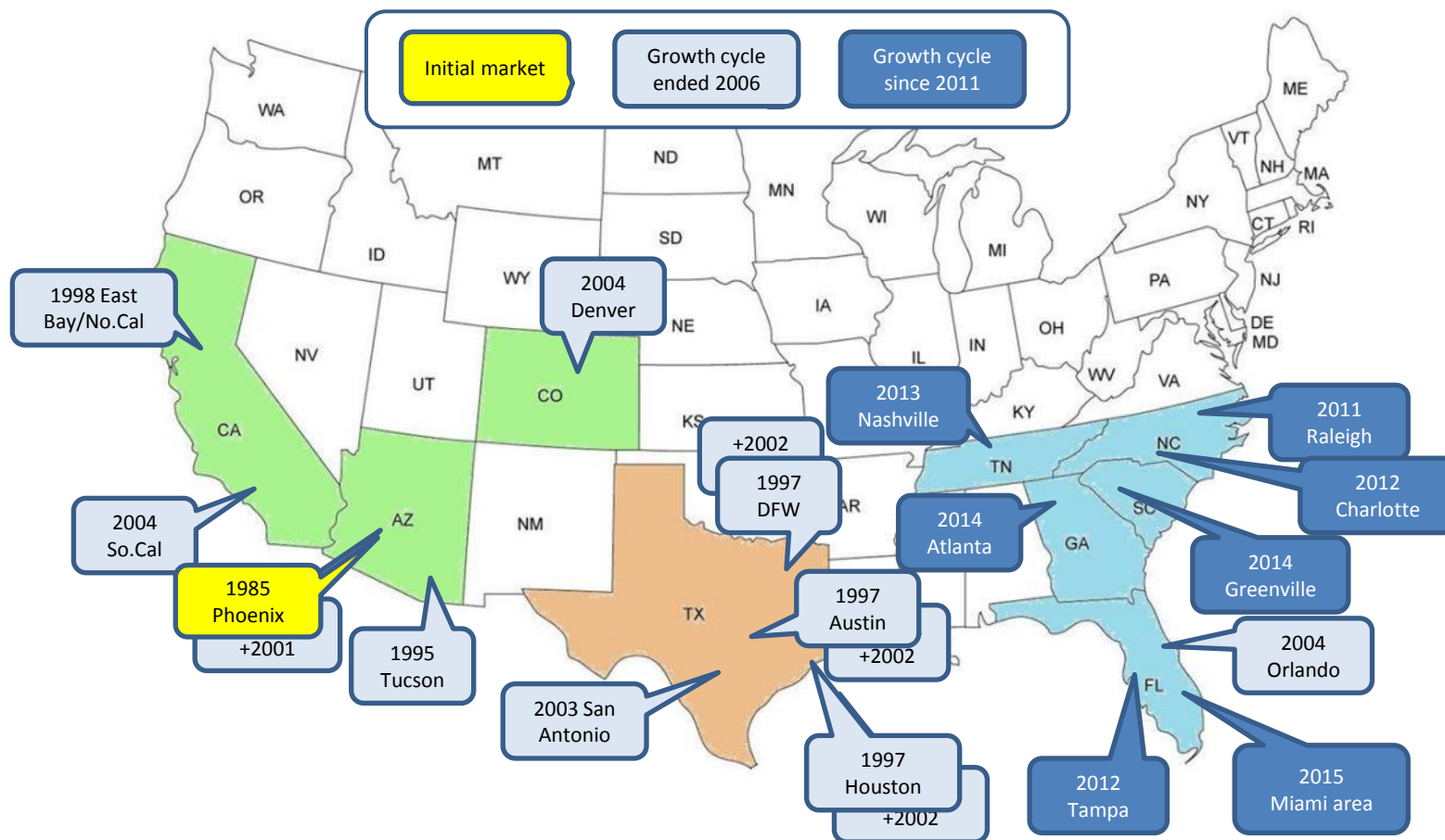
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# Entered seven attractive eastern markets since 2011



*10 acquisitions and 12 greenfield startups to get to 246 communities across 22 markets and 9 states at 3/31/16*

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# Well positioned in 16 of the top 20 markets for homebuilding activity

## Newest Meritage markets

MetroLabel	SF Rank	Single-Family Permits
Houston, TX	1	36,662
Dallas-Fort Worth, TX	2	28,362
Atlanta, GA	3	19,887
Riverside-LA-OC-Bakersf., CA	4	17,344
Phoenix, AZ	5	16,941
Tampa-Sarasota, FL	6	14,036
Denver-Boulder-Fort Collins-Greeley, CO	7	13,856
Washington DC, DC-VA-MD-WV (MSA)	8	12,418
Orlando, FL	9	12,328
Charlotte, NC-SC	10	11,745
Austin, TX	11	11,574
Raleigh-Durham, NC	12	11,287
Nashville, TN	13	10,814
Salt Lake - Provo, UT	14	8,929
Sacramento-Fresno-Stockton, CA	15	8,585
Oakland-San Francisco-San Jose, CA	16	8,262
Las Vegas, NV	17	7,800
Jacksonville, FL	18	7,242
Portland, OR-WA	19	7,128
Miami-West Palm-Fort Lauderdale, FL	20	7,103

\*MTH division ranking in closest statistical market  
Source: Metrostudy

*We hold top-10 positions in most of our markets*



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# Early-mover opportunity into entry-level plus segment

- **Millennials have re-entered as home buyers and are looking for more than a basic entry-level home, yet still at an affordable price**
- **Lack of attractive homes in good locations at prices for first-time buyers**
  - Most builders have focused on move-up buyers over the last five years
  - New home prices have risen to record levels
  - Land prices in the best locations are high
- **Low interest rates have helped offset higher prices to keep affordability at reasonable levels, but affordability is becoming an issue in some markets and will be more of an issue as rates rise**
- **Target first-time buyers with attractive, affordable homes in desirable locations:**
  - Higher-density communities close to employment centers
  - Reducing construction costs through value engineered product
  - Locating emerging markets with lower lot prices
  - Higher percentage of spec sales for quicker asset turns

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# Meritage's differentiated entry-level plus offering

- **Entry point for first-time buyers into a submarket**
- **Priced under FHA loan limits ( $\leq$ \$300's BSP except CA)**
- **Sweet spot of 2,000 sf to 2,500 sf**
  - A, B & C Submarkets
  - Product
    - SF Detached: 30' to 45'
    - Bungalows in the best locations
    - Townhomes with market-specific strategy
  - Deal Size: 100 to 200 lots
  - Absorptions: 4+ per month
- **Appealing and efficient product**
  - Expected to meet margin hurdles
  - Consistent with Meritage's green brand identity
  - Tailored production, sales and qualification are differentiated from move-up communities
- **~20% of Meritage communities in 2015 were entry-level/first-time homebuyer communities**

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# 1Q 2016 highlights

(% comparisons 1Q16 vs 1Q15)

Net earnings +28%

Diluted EPS +25%

Earnings before taxes +14%

Home closing gross profit +8%  
(GM% -110 bps)

Home closing revenue +15%  
(closings +11%; ASP +3%)

- ✓ East region improved
- ✓ Houston exceeding expectations
- ✓ Backlog value up 21%
- ✓ On track for 10-15% growth in closings for FY 2016

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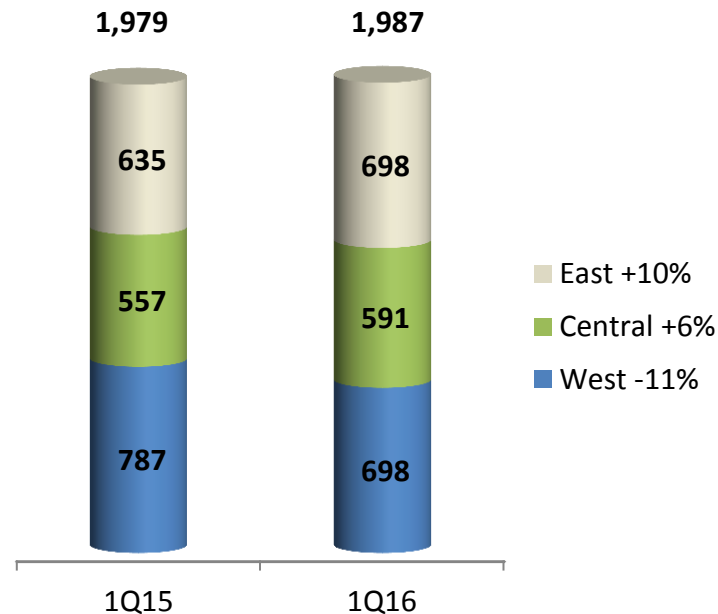
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# East region performance improving

- New management with Meritage experience
- Securing better land positions for new communities
- Proven Meritage product introduced
- Shifted to Meritage sales philosophy, training and management
- Expected effects already beginning to take hold:
  - Higher sales pace
  - More manageable production
  - Improved margins
- Continuing to identify opportunities for further improvements

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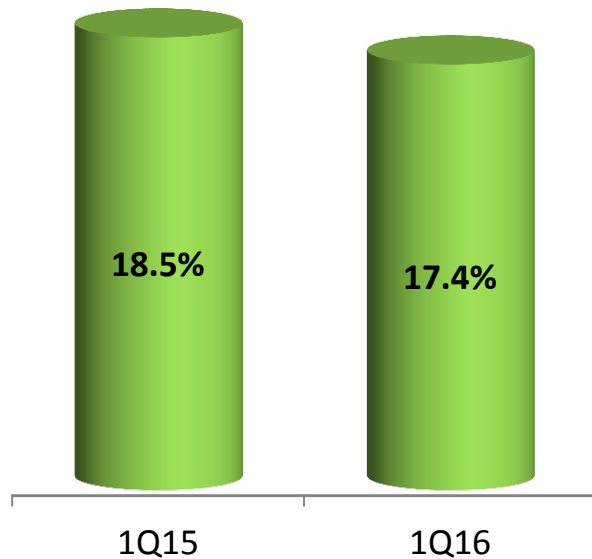
# 1Q16 orders consistent with prior year despite early close-out of high-volume communities and intentional slowing in others



- Strong growth in expanded East region
- Consistent demand in Central (TX) region
- West region impacted by early close-outs of exceptionally high-volume communities

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# Home closing gross margins expected to improve throughout the year

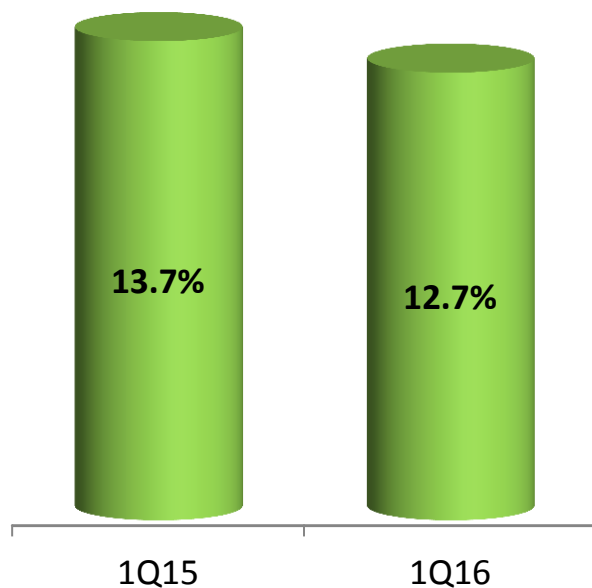


- ✓ Land and labor cost trending more consistently with home prices recently
- ✓ Working through low-margin closings from underperforming communities
- ✓ Leverage gains with higher closings
- ✓ Sequential increases in quarterly margins expected through 2016 (3Q-4Q well above 1Q-2Q)

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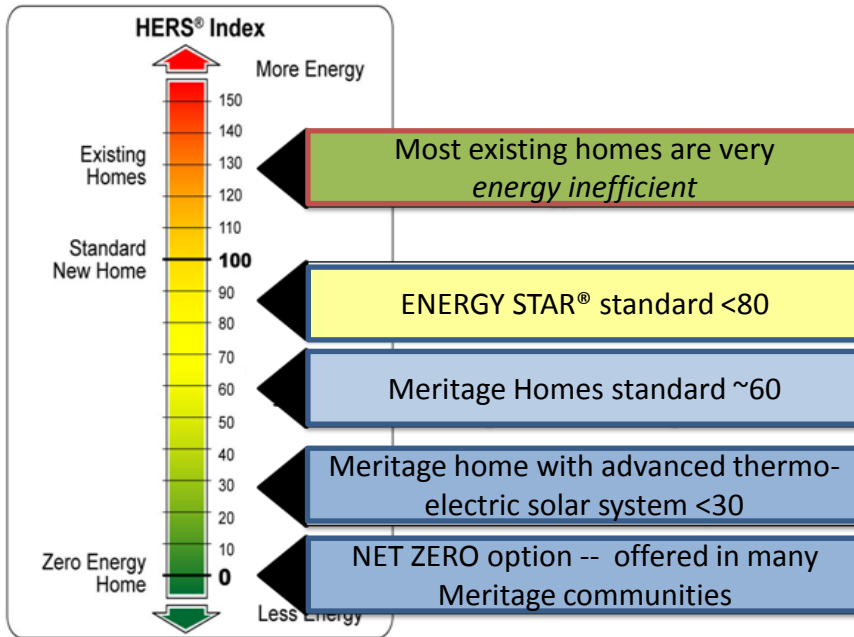
# Additional leverage expected from revenue growth



- ✓ Greater efficiencies from higher closing volumes and revenue expected to reduce SG&A% through the year
- ✓ New commission structure expected to yield savings later in 2016

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# Energy-efficiency benefits us as well as homeowners



## Benefits - Better is Better

- Low Utility Costs
- More Comfortable
- Quieter
- Healthier
- Cleaner
- Safer
- Not Economically Reproducible in Resale



**PARTNER OF THE YEAR**  
**Sustained Excellence**

*3<sup>rd</sup> consecutive year to win highest award*

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# Energy tax credits provide return on expenditures to help offset additional construction costs

(\$ in millions except ASP)	1Q16	1Q15	Chg
Home closings	1,488	1,335	11%
ASP	\$400	\$387	3%
Home closing revenue	\$595,617	\$517,273	15%
Home closing gross margin	17.4%	18.5%	-110 bps
Home closing gross profit			8%
Commissions and other sales costs			11%
-- as a percent of home closing revenue			-20 bps
General and administrative expenses			--
-- as a percent of total closing revenue			-40 bps
Earnings before income taxes			+14%
-- effective tax rate	27%	35%	-800 bps
Net earnings	\$20,969	\$16,400	+28%
Diluted EPS	\$ 0.50	\$ 0.40	+25%

Statutory tax rate 35%

MTH Effective rates:

2013A 30%

2014A 32%

2015A 32%

2016P 32%

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# 2Q and FY2016 guidance:

## Strong top and bottom line growth expected

(\$ in millions except ASP)	2Q16	FY2016	FY2015	Change Y/Y (approximate)
Home orders	1,900-2,100	7,350-7,550	7,100	+4-6%
Home closings	1,775-1,875	7,200-7,600	6,522	+10-17%
Home closing revenue	\$725-775M	\$2.9-3.1B	\$2.5B	+16-24%
Home closing gross margin	mid-17's to 18%	18-18.5%	19%	-50-100 bps
Diluted EPS	\$0.78-0.85	\$ 3.55-3.85	\$ 3.09	+15-25%

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# Summary

- ✓ Proven strategy that continues to create stockholder value
- ✓ Strong positions and positive fundamentals driving new opportunities in attractive geographies
- ✓ Meritage's differentiated products are a competitive advantage in fast-growing customer segments
- ✓ Expecting 10-17% growth in 2016 closings, revenue growth of 16-24% and diluted EPS increase of 15-25%
- ✓ Anticipate gross margin improvement through 2016 and a return to historical margin levels over time

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