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Meritage Homes Analyst Day

NYSE, New York City

.....

March 30, 2017

STEVEN J. HILTON, CHAIRMAN & CEO



- Co-founded Monterey Homes in 1985: predecessor company to Meritage Homes Corporation, which became a public company in 1996
- Co-chairman and co-chief executive officer of Meritage Homes Corporation from 1997 to May 2006
- Named chairman and chief executive officer in May 2006
- B.S. in accounting from the University of Arizona
- Director of Western Alliance Bancorporation, a leading bank holding company based in Phoenix, Arizona
- 33 years of real estate experience
- Considered a leader and innovator in the homebuilding industry, frequently a participant in panels and interviews regarding the industry

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MANAGEMENT REPRESENTATIVES



Steven J. Hilton – Chairman & CEO

Phillippe Lord – EVP & Chief Operating Officer

Hilla Sferruzza – EVP & Chief Financial Officer

Brent Anderson – VP Investor Relations

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TODAY'S AGENDA

8:00-9:00am	Registration and breakfast
9:00-10:00am	Management presentations
10:00-10:15am	Break
10:15-11:00am	Management presentations
11:00-11:30am	Q&A
11:30-12:30pm	Lunch

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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 expectations with respect to future growth, our strategy and projections with respect to the entry-level and first-time home buyer market, the timing of community openings and expected community count growth in 2017, quarterly order trends during 2017, projected home closings and home closing revenue, home closing gross margins, operating leverage, pre-tax earnings and tax rates for the full year and first quarter of 2017, as well as expectations for growth in 2018..

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; 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; enactment of new laws or regulations or our 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 due to a downgrade of our credit ratings; 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, 2016 under the caption "Risk Factors," which can be found on our website.

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QUICK FACTS

29,815
total lots
owned or
controlled

1,485
employees

operating in
9
states

headquartered in
**Scottsdale,
Arizona**

Meritage
Homes builds
energy-efficient
homes that can
yield up to a

50%
savings on
utility bills

7,355
homes
closed in
2016

22
markets

31+
YEARS
of building
dreams

MTH
NYSE
since 1996
(\$1.4B mkt cap
as of 12.31.16)

the first
100%
ENERGY
STAR®
production
builder
(in 2010)

\$3.0B
home
closing
revenue in
2016

founded in
1985

243
communities selling

more than
100k
homes
built

\$2.4B
real estate
assets

8th
largest
homebuilder by
2016 U.S.
closings

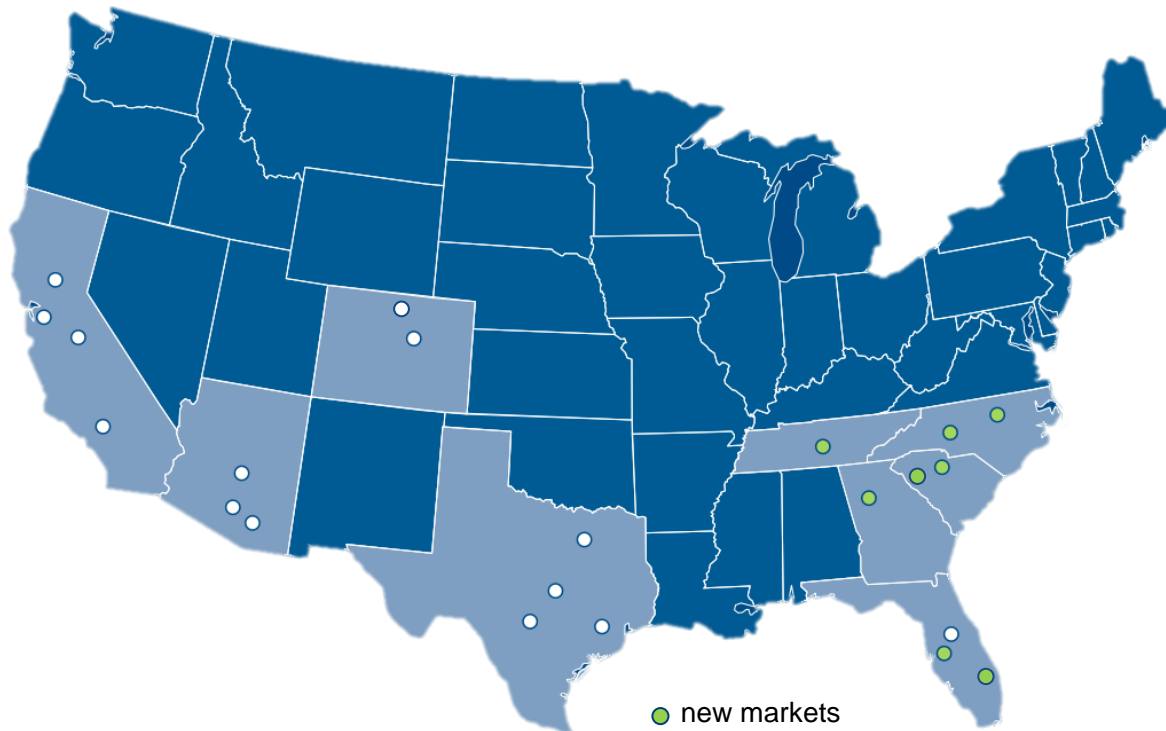
All facts and figures as of December 31, 2016, unless otherwise noted.

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OUR FOOTPRINT

Meritage constructs single-family detached homes, townhomes and active adult communities across the country. Our long-term success begins with being in the right markets. We have made strategic investments in seven new markets since 2011, positioning Meritage in 14 of the top 20 markets for single-family homebuilding activity.



**Phoenix /
Scottsdale, AZ**
1985

**Dallas /
Fort Worth, TX**
1987

Austin, TX
1994

Tucson, AZ
1995

Houston, TX
1997

**East Bay,
Central Valley,
Sacramento, CA**
1998

San Antonio, TX
2003

**Southern California;
Denver, CO;
Orlando, FL**
2004

**Raleigh, NC
Tampa, FL**
2011

Charlotte, NC
2012

Nashville, TN
2013

**Atlanta, GA
Greenville, SC**
2014

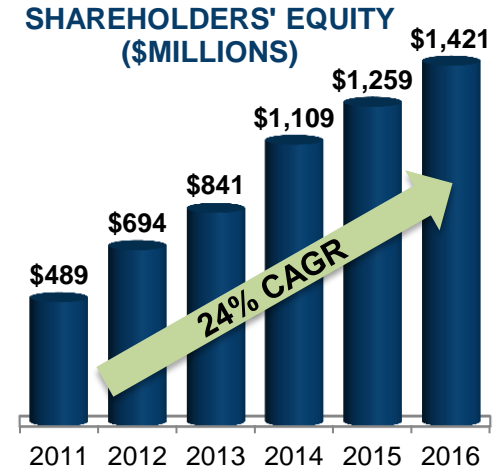
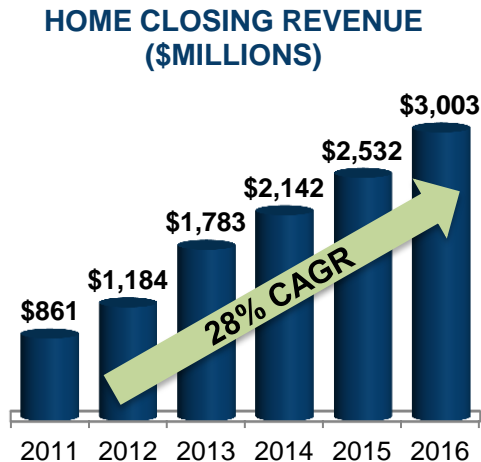
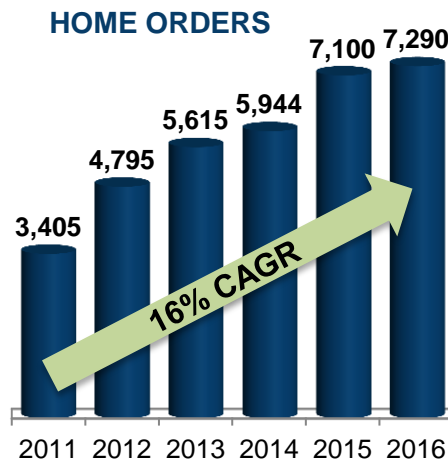
South Florida
2016

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HISTORY OF EXECUTING OUR GROWTH STRATEGY



History of 10 Acquisitions and 12 Greenfield Startups
3 New Markets Acquired and 4 New Startups Since 2011

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MANAGEMENT TEAM



Phillippe Lord
EVP, Chief Operating
Officer

- Formerly West Region President (2012-2015)
- Joined Meritage in 2008 as VP Strategic Operations & Market Research
- Previous experience with Acacia Capital and Centex Homes
- BA in Economics & Business from Colorado State University, Masters in Economics from University of Arizona



Hilla Sferruzza
EVP, Chief Financial
Officer & CAO

- Joined Meritage in 2006, served as Corporate Controller, named Chief Accounting Officer in 2010 and SVP in 2013
- Previous financial management experience with Starwood Hotels & Resorts Worldwide, Inc. and KPMG
- BS in Accounting from University of Arizona, Executive MBA from Washington State University
- CPA

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MANAGEMENT TEAM



C. Timothy White
EVP, General
Counsel & Secretary

- Joined Meritage as Outside Counsel in 1991
- Former chairman of Real Estate Department for Greenburg Traurig, LLP
- Director of Monterey and Meritage Homes Feb 1995 through Oct 2005
- Law degree, Arizona State University College of Law; BS in Accounting, University of Arizona



Javier Feliciano
EVP, Chief Human
Resources Officer

- Joined Meritage in 2015 as EVP and CHRO
- Previous experience with Apollo Education Group, Ford Motor Company and PepsiCo
- Graduate of HR Development Programs at Ford Motor Company and Cornell University
- BA in Criminal Justice, Master's degree in Labor Relations and Human Resources, both from Michigan State University
- AZ Hispanic Chamber of Commerce Board Member

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INVESTMENT THESIS

Strategic Growth Driving Earnings Expansion

- **Strategic expansion and growth:**
 - Expand into new, highly desirable markets, grow community count, increase market share
 - Take advantage of strong demand drivers to increase sales in our markets
 - Increasing focus on first time buyers (higher volume on lower ASPs)
- **Expand earnings and Book Value:**
 - Increase revenue from volume growth (community count and absorptions)
 - Improve home closing gross margins through cost management and volume leverage
 - Maximize SG&A leverage with higher closing volumes and cost containment

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WELL POSITIONED IN 14 OF THE TOP 20 MARKETS FOR HOMEBUILDING ACTIVITY

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



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CURRENT STATE OF HOUSING MARKET



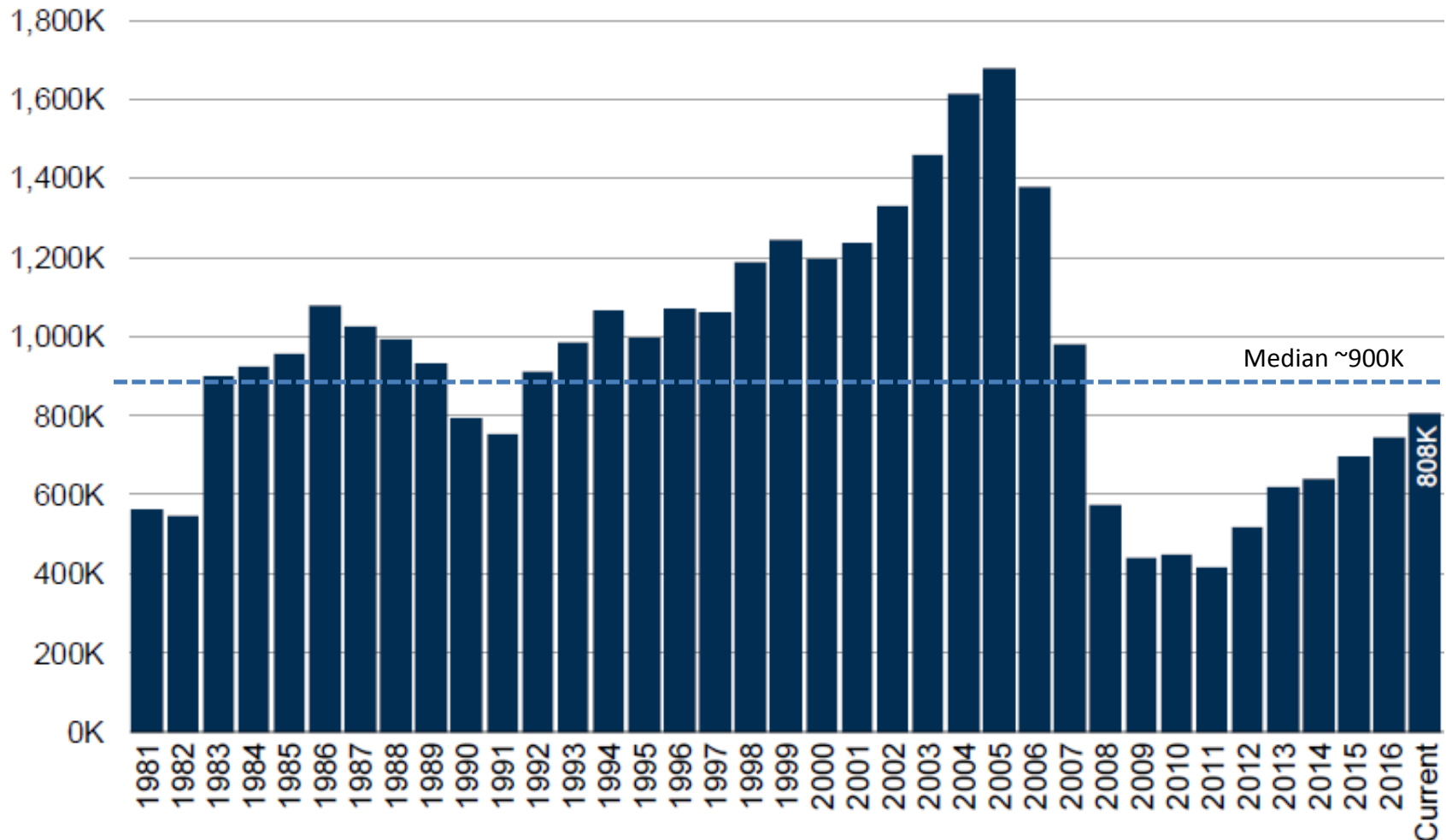
“STATE OF THE NATION’S HOUSING”

- Market continues to recover – still early in the cycle
- Demand driving prices higher, spurred by low interest rates
- Labor shortages => higher costs => higher prices & rents => lower affordability
- Millennials returning => additional growth opportunity

Source: Harvard’s Joint Center for Housing Studies

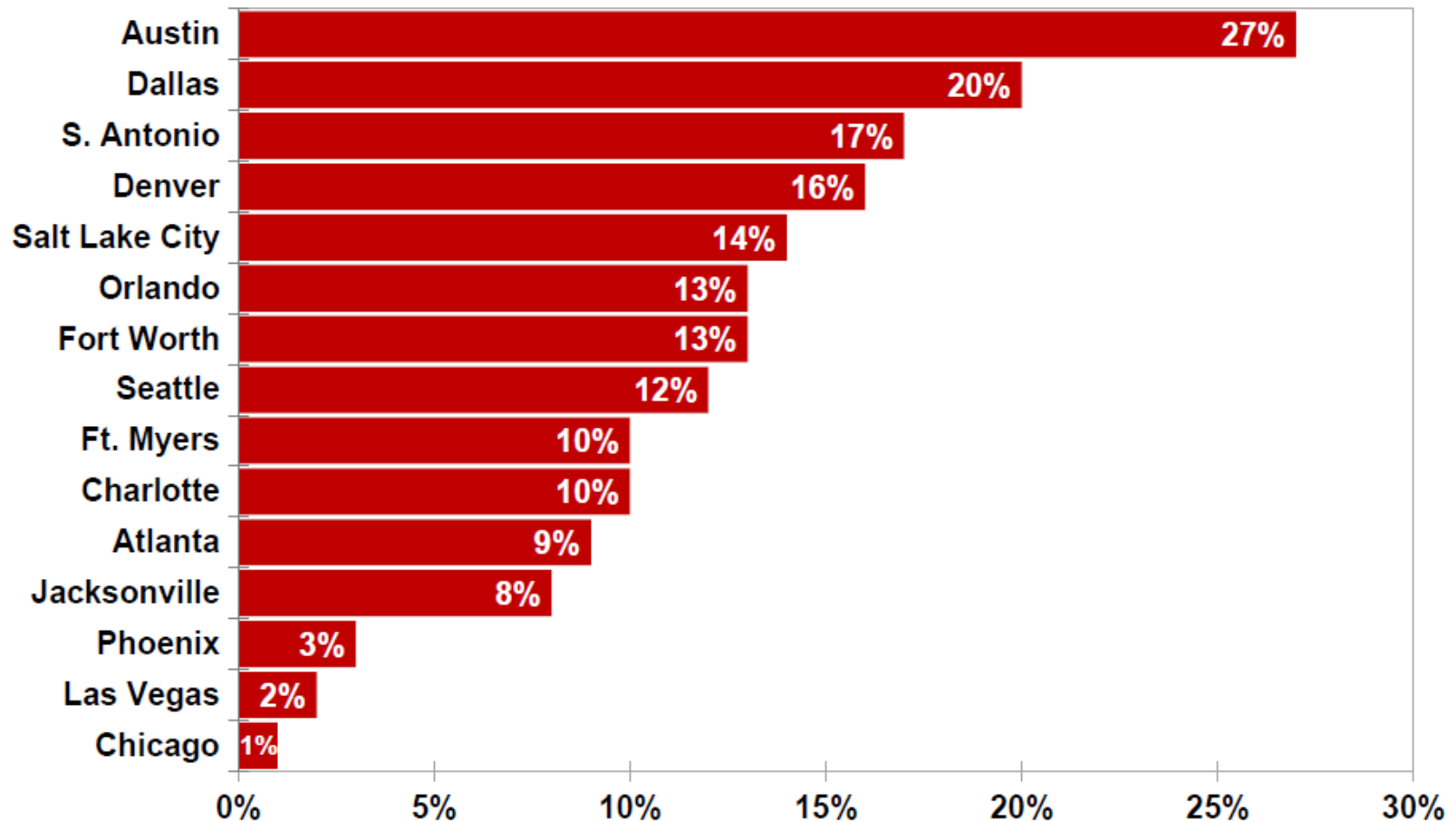
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PERMITS STILL BELOW HISTORICAL LEVELS DESPITE MARKET RECOVERY



ECONOMIC RECOVERY HAS VARIED GREATLY

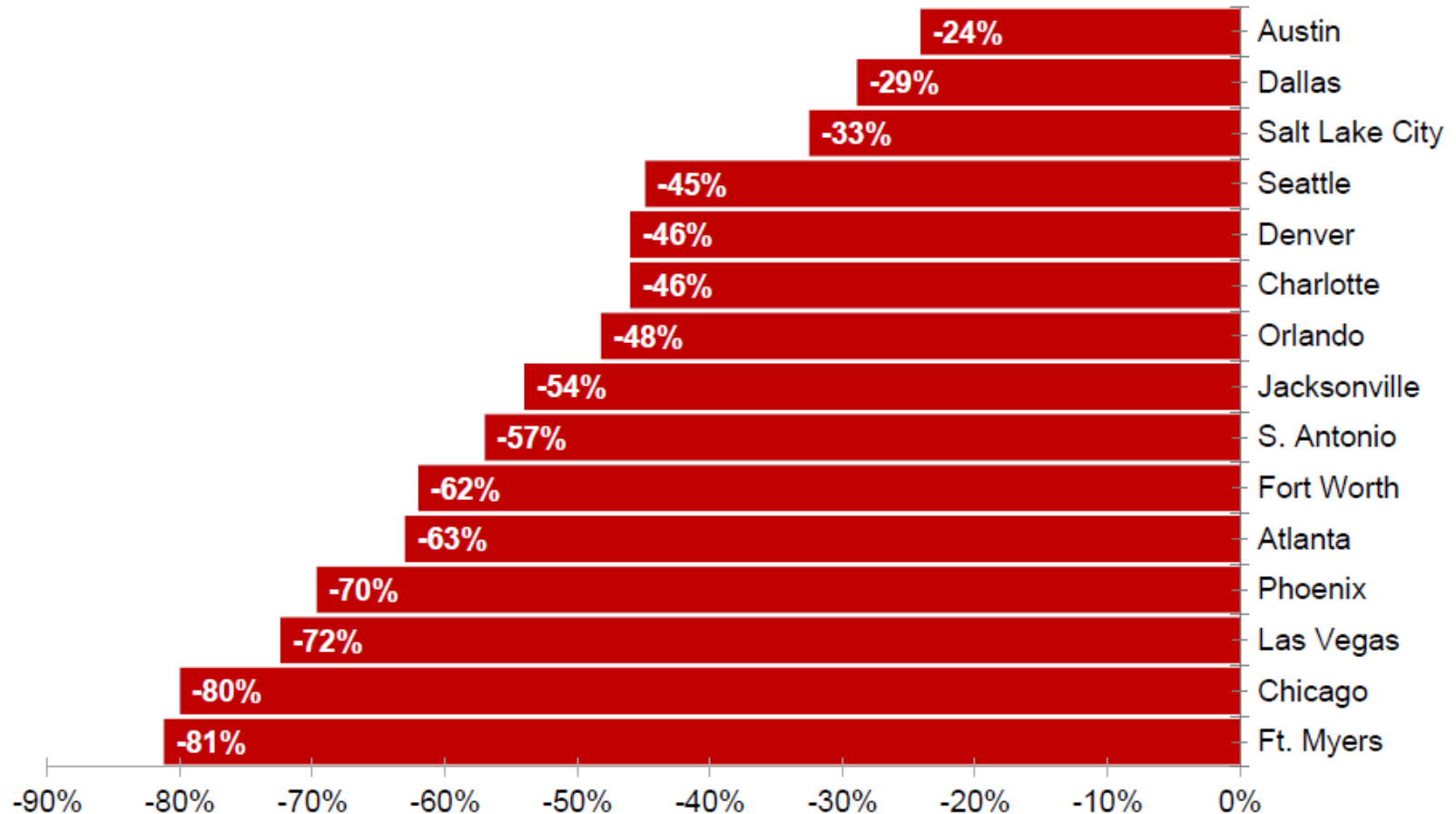
Percent Above Prior Peak Employment in Top Markets



Source: BLS, John Burns Real Estate Consulting, LLC (Pub: Jan-17)

CONSTRUCTION STILL WELL BELOW PRIOR PEAKS

Single-Family Permits as % of Prior Peak in Top Markets



Source: Census, John Burns Real Estate Consulting, LLC (Pub: Jan-17)

SHORT SUPPLY TO MEET DEMAND

- 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.

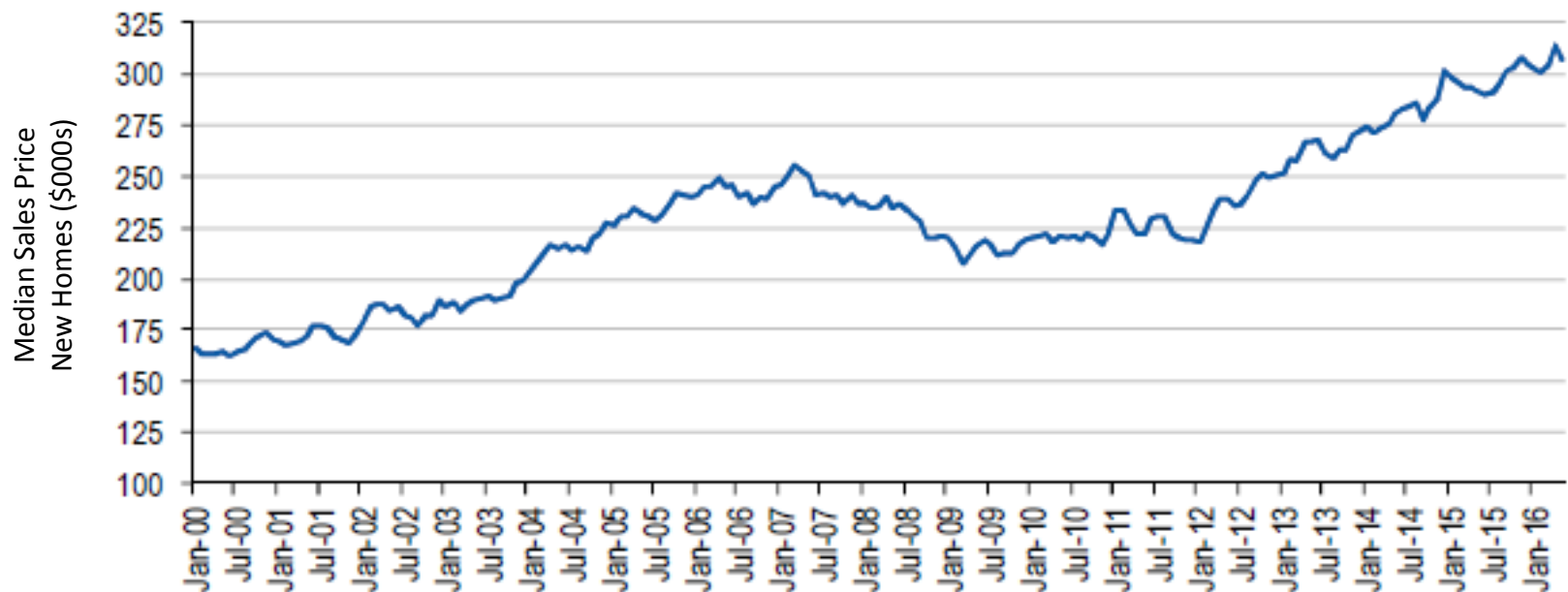
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“STATE OF THE NATION’S HOUSING”

AFFORDABILITY – HIGH DEMAND DRIVING PRICES HIGHER



Source: U.S. Census Bureau.

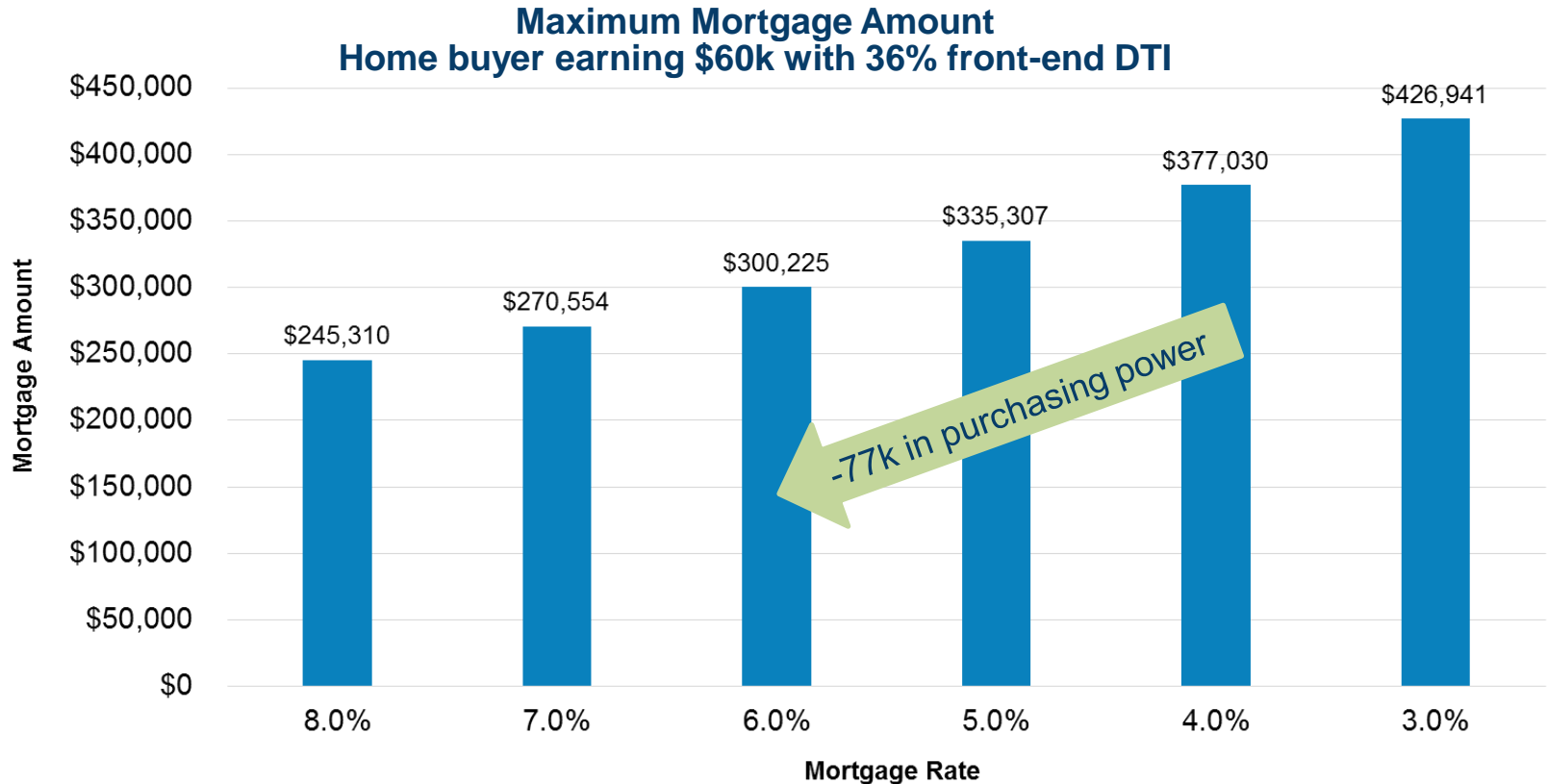
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AFFORDABILITY

AS MORTGAGE RATES RISE, PURCHASING POWER WILL DECREASE



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OPPORTUNITIES FOR HOMEBUILDERS

- **Increasing need for affordable homes:**
 - Higher-density communities close to employment centers
 - Urban infill
 - Townhomes, bungalows, condos, apartments
- **Lower prices through:**
 - Lower priced land in emerging markets
 - Self-development of lots
 - Value-engineered product (contiguous rooms, flex spaces, innovative construction materials & methods, etc)

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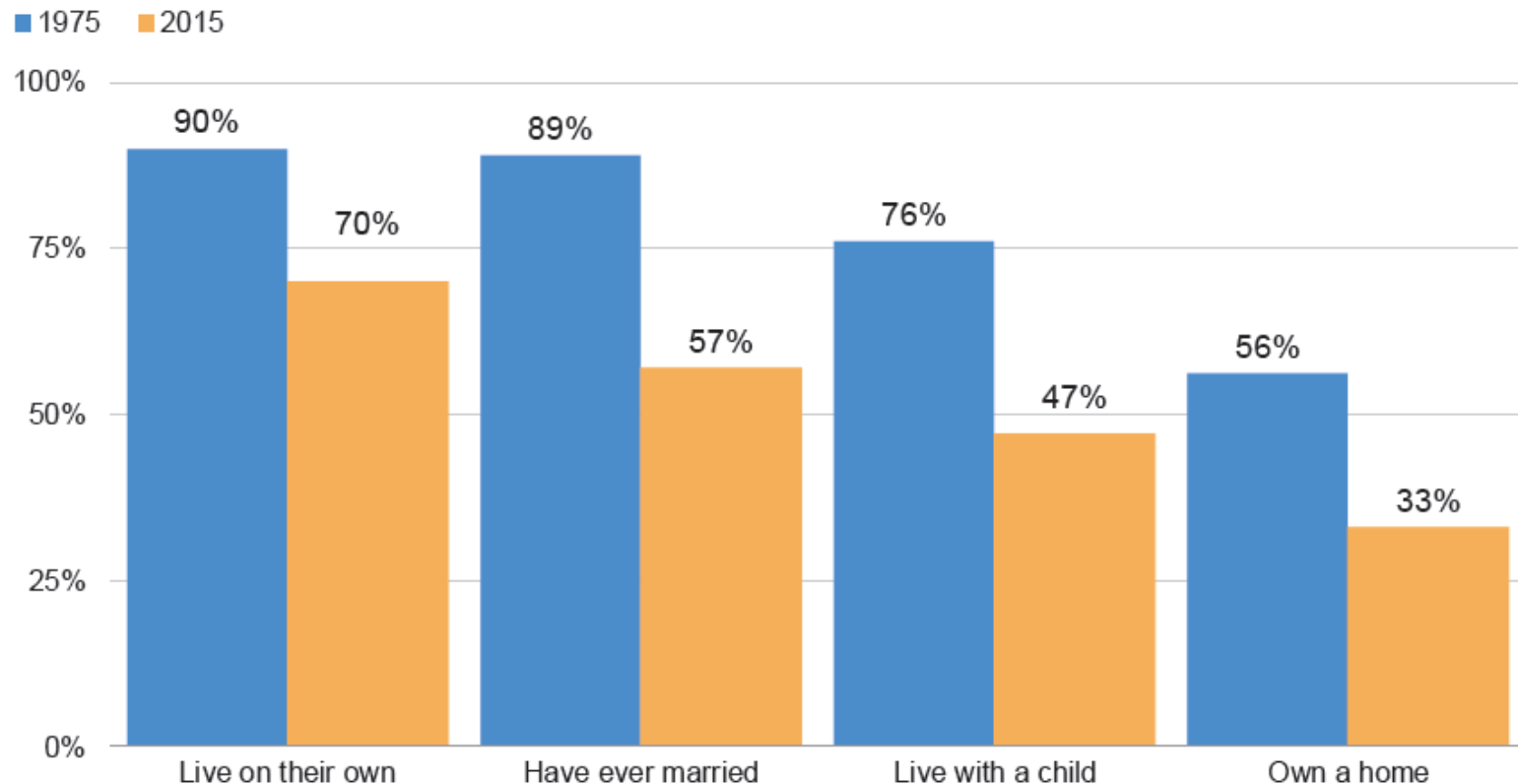
STRATEGY TO GROW ENTRY-LEVEL PLUS



DEMOGRAPHIC OPPORTUNITY

Compared to 1975, fewer 30-year-olds are hitting major life milestones, including marriage. These trends are delaying homeownership.

Percentage of 30-Year-Olds Hitting 'Adult' Milestones



Sources: U.S. Census Bureau; John Burns Real Estate Consulting, LLC (Data: 2015, Pub: Feb-17)

PENT UP DEMAND IS HIGH



The share of Millennials (25-34 years old) living in their parents' homes is still high, having risen from 17% in 2008 to about 22% in 2015. More recent Current Population Survey data show further increases in 2015.



- “2016 State of the Nation’s Housing Report” by the Joint Center for Housing Studies of Harvard University

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TOTAL YOUNG ADULT EMPLOYMENT NOW WELL ABOVE 2007 PEAK...

Total Employment, 25–34-Year-Olds

Millions (6-month average, NSA)

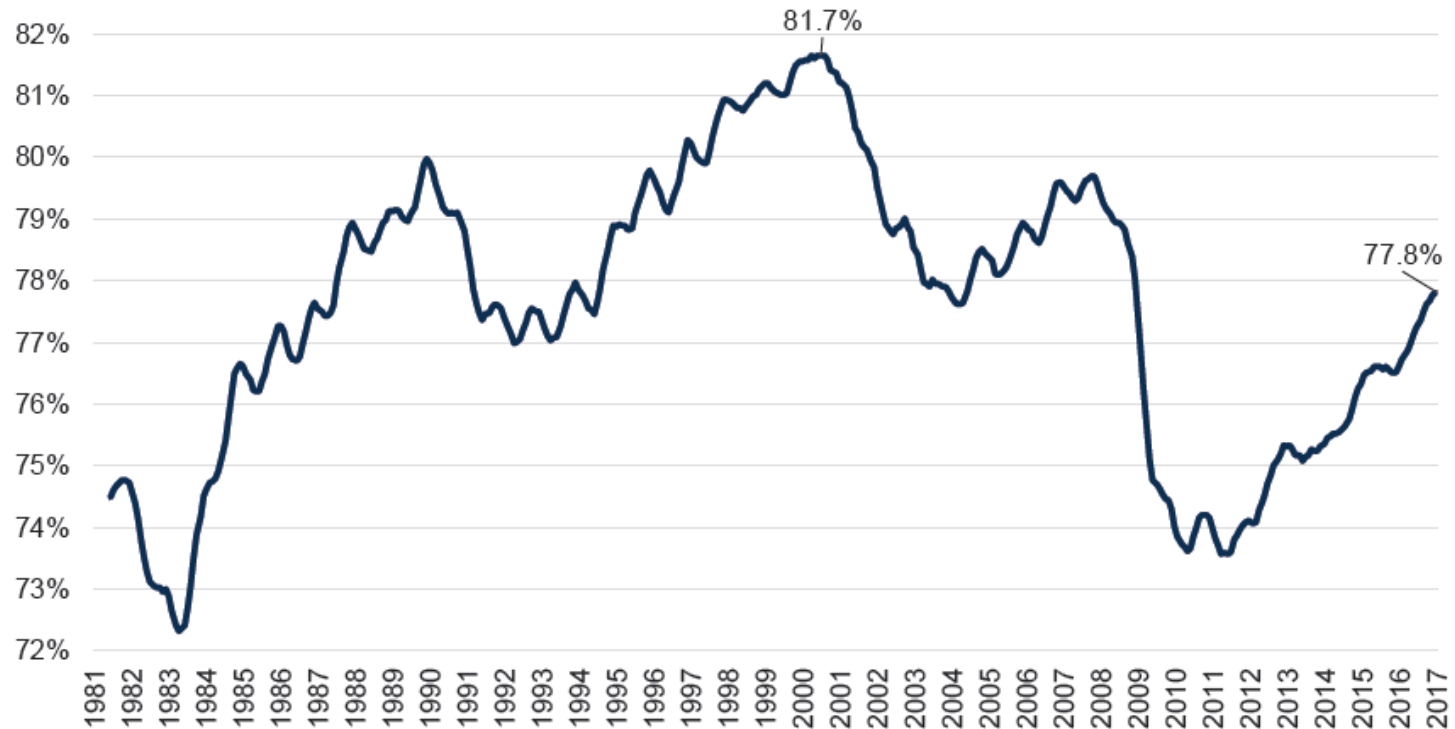


Source: Bureau of Labor Statistics (Data: Nov-15, Pub: Dec-15)

...BUT STILL LOW RELATIVE TO TOTAL POPULATION

Employment to Population for 25–34

6-month average, NSA



Source: Bureau of Labor Statistics (Data: Jan-17, Pub: Feb-17)

2005 VS 2016: WE'VE BEEN HERE BEFORE

	Full Year Ended December 31,		
	2005	2016	Change
Average # communities	161	248	54%
Entry-level/1 st time buyer communities	~30-35%	23%	(7-12 ppt)
Absorptions (average sales pace/mo)	5.5	2.4	(56%)
Annual orders	10,571	7,290	(31%)
Closings	9,406	7,355	(22%)
ASP (closings)	\$319K	\$408K	28%
Home closing revenue	\$2,997M	\$3,003M	(0.2%)
Home closing gross margin	23.6%	17.6%	(600 bps)
SG&A% of home closing revenue	9.5%	11.3%	180 bps

ENTRY LEVEL PLUS VS ENTRY LEVEL

- ELP product **appeals to an early-stage millennial (mid 30's) buyer** accustomed to rentals with higher-grade features than entry-level shelter and wanting to maintain or improve upon that standard of living
- **Primary objective:** expand Meritage's market penetration of the fastest growing segment of the housing market in the next decade – First-Time Home Buyers
- **Secondary objective:** move our ASP down with products **that appeal to move-up buyers priced out of the market** due to inflation or higher interest rates
- ELP product and price point are **attractive to price-sensitive move-down buyers** who are looking to downsize as their children leave the nest

What makes the “Plus” in Meritage’s Entry Level PLUS?

Biggest “Plus”

Item	Typical Entry Level homes	Meritage Entry Level PLUS
PRODUCT DESIGN		
Kitchen Island	No	YES
Linen closets	None	One linen closet
Coat Closet	None	One coat closet
Walk in Closet - Master bedroom	No. Bi-pass reach in	Yes
Pantry	None	Small Framed or Cabinet pantry (not walk in)
Laundry rooms	No. Hallway closet, in garage, in basement or in kitchen	Yes
SPEC LEVEL		
Meritage Green & Energy Star	None	Full Energy Star & Meritage Innovations Standards
Cabinets	30" uppers. Oak or melamine, black toe kick, dead corners, scribe ILO crown. Shop drawings, align arch with box widths	30" uppers, Maple, Veneer toe kicks, blind corners, 2" crown
Kitchen Countertops	Laminate	Granite LV1 - 3 colors max
Garage	Un-finished garages	Drywall finish garages (no texture, no paint)
Vanity Sinks	All baths - one sink	All baths - one sink, space for 2 in master
Kitchen Sink	Porcelain over steel	Stainless Steel
Landscape	Not included	Front yard standard
Door Hinges	Painted	Match hardware
Appliances	Amana slide-in electric range and 30" under cabinet hood. No microwave, no dishwasher.	Amana slide-in electric range and 30" under cabinet hood, including dishwasher. No Microwave
Master Shower	Shower curtain rod	Glass Enclosure
Garage Door Opener	No pre-wire	Standard pre-wire - opener optional
Ice Maker line	None. Only offer non-ice refers	Standard to fridge location

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LiVE.NOW.™ Sales Office

Dare to Compare Display

OUR STANDARD SETS THE STANDARD.



With LiVE.NOW.™ homes, you get much more than just a fast move-in. Our homes are built better from start to finish, so we know they'll check every box on your list of must-haves (and some you didn't even know you had).

INCLUDED FEATURES	MERITAGE HOMES	OTHER HOMES
INDUSTRY-LEADING SPRAY FOAM INSULATION	✓	?
LOW E WINDOWS	✓	?
ADVANCED AIR FILTRATION	✓	?
WEATHER SENSING IRRIGATION	✓	?
INTERIOR FINISH OPTION PACKAGES SELECTED BY PROFESSIONAL DESIGNERS	✓	?
LARGER HOMESITES & 3 CAR GARAGES AVAILABLE	✓	?
KITCHEN ISLANDS, PANTRIES & GRANITE COUNTERTOPS	✓	?
SPACIOUS WALK-IN CLOSETS	✓	?

- **Energy Efficiency Features**
 - Industry-leading spray foam insulation
 - Low E windows
 - Advanced air filtration
 - Weather sensing irrigation
 - Dual-actuated toilets, water-efficient faucets and shower heads
- **Design Features**
 - Interior finish option packages selected by professional designers
 - Kitchen islands, pantries & granite countertops
 - Spacious walk-in closets
 - Upgraded cabinets
 - Laundry rooms
 - Stainless steel appliances
 - Larger homesites & 3 car garages available

MOVE-UP vs ELP vs LiVE.NOW.™

	Traditional Move-up	Entry-Level Plus (ELP)	LiVE.NOW.™
Underwriting			
Absorptions	≥ 3/month	≥ 4/month	≥ 5/month
Pricing	ASP in line with market	ASP under FHA	ASP under FHA
Option %	In line with Division avg	8-12%	< 10%
Locations	A & B+	A & B, and select C	A & B, and select C & D

Factors to consider when choosing between an ELP and LiVE.NOW. Strategy

- **Volume:** LiVE.NOW.™ communities should be higher-volume communities, where buyers generally choose from available specs.
- **Quick Move-In:** LiVE.NOW.™ communities will have greater numbers of apartment renters who will need to move quickly after their lease expires.
- **Price Point:** LiVE.NOW.™ communities will be price-point driven, with high importance on affordability. ELP will favor buyers who are also price-point driven, but who are willing to pay for some more features and choice.

MOVE-UP vs ELP vs LiVE.NOW.™

	Traditional Move-up	Entry-Level Plus (ELP)	LiVE.NOW.™
Buyer Profile	>50% Move-Up Buyer	>50% First-Time Buyer	>50% First-Time Buyer
Sales Contracts	Standard	Standard	Simplified
Project Marketing			
Sales Office	Traditional with Store Front	Reduced version	Reduced version
Model Upgrades	10-12% above proforma avg	8-10% above proforma avg	Design Packages only
Options	Design Center	Design Center	Packages offered at Sales Office
Operations			
Specs	1-2 months of sales	50-70% of 4-month sales	80-90% of 4-month sales
Time: Sale-to-Close	5-7 months	4-6 months	45-90 days
Plans	≤ 7-8 plans	3-6 plans	3-4 plans
Elevations	≤ 5 elevations	3-4 elevations	Max 3 elevations
Structural Options	Normal	Limited	None
Production	Normal	Favor line building	Line building / don't sell lots out of sequence
Purchasing	Normal	Reduce complexity to reduce costs	Re-engage trades to reduce direct cost by committing to spec cadence and volume

ELP VISITORS & BUYER ANALYSIS

- **Targeting Millennial Buyers** - ELP is attracting greater proportions of younger buyers (under 35) compared to the total company.
- **Targeting Affordability** - ELP is also attracting more first time and lower income buyers compared to the total company.
 - ELP community visitors are more likely to indicate their desired purchase price is below \$300k.
- **Targeting FHA** - ELP buyers are more likely to have taken out a FHA loan, and have lower average FICO scores than the total company buyer.

Revised Segments - no child consideration	Buyers	
	Total	ELP
Non-Affluent Gen Y (Under 35, \$50k-\$99k)	11%	20%
Affluent Gen Y (Under 35, \$100k+)	13%	11%
Non-Affluent Gen X (35-50, \$50k-\$99k)	14%	19%
Affluent Gen X (35-50, \$100k+)	30%	20%
Move Down (50+, \$50k-\$99k)	7%	7%
Affluent Move Down (50+, \$100k+)	13%	7%

We are hitting the profile that we are targeting with the ELP product.

	Buyers	
	Total	ELP
Avg. FICO	733	717
% FHA Loan	14%	28%

2016 AVERAGE ORDERS PER MONTH AND AVERAGE PRICE

2016 Pace and Average Price	Entry Plus and LiVE.NOW	Not Entry Plus or LiVE.NOW.™	Total
Opened in 2016	3.6 \$293K ASP	1.8 \$488K ASP	2.2 \$381K
Opened Pre-2016	3.1 \$283K ASP	2.4 \$439K ASP	2.5 \$410K
Total	3.0 \$285K ASP	2.3 \$441K ASP	2.4 \$408K

Average orders/month for full year 2016 or actual months open for communities opened in 2016

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LIVE.NOW.™ EXECUTION

LIVE.NOW.™

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.

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LIVE.NOW.™ Sales Office Execution

34"x38"

2nd surface flatbed print on 1/4" clear acrylic panel, samples to top mounted onto panel and final panel to wall mount with 1" dia. aluminum caps and cleats on back

LIVE.NOW.™
MOVE SOONER. LIVE BETTER. WHY WAIT?

Option Package 1
Inspire

Option Package 2
Chic

Option Package 3
Bold

Option Package Display in Closing Offices

appr. 108"

84"

80"

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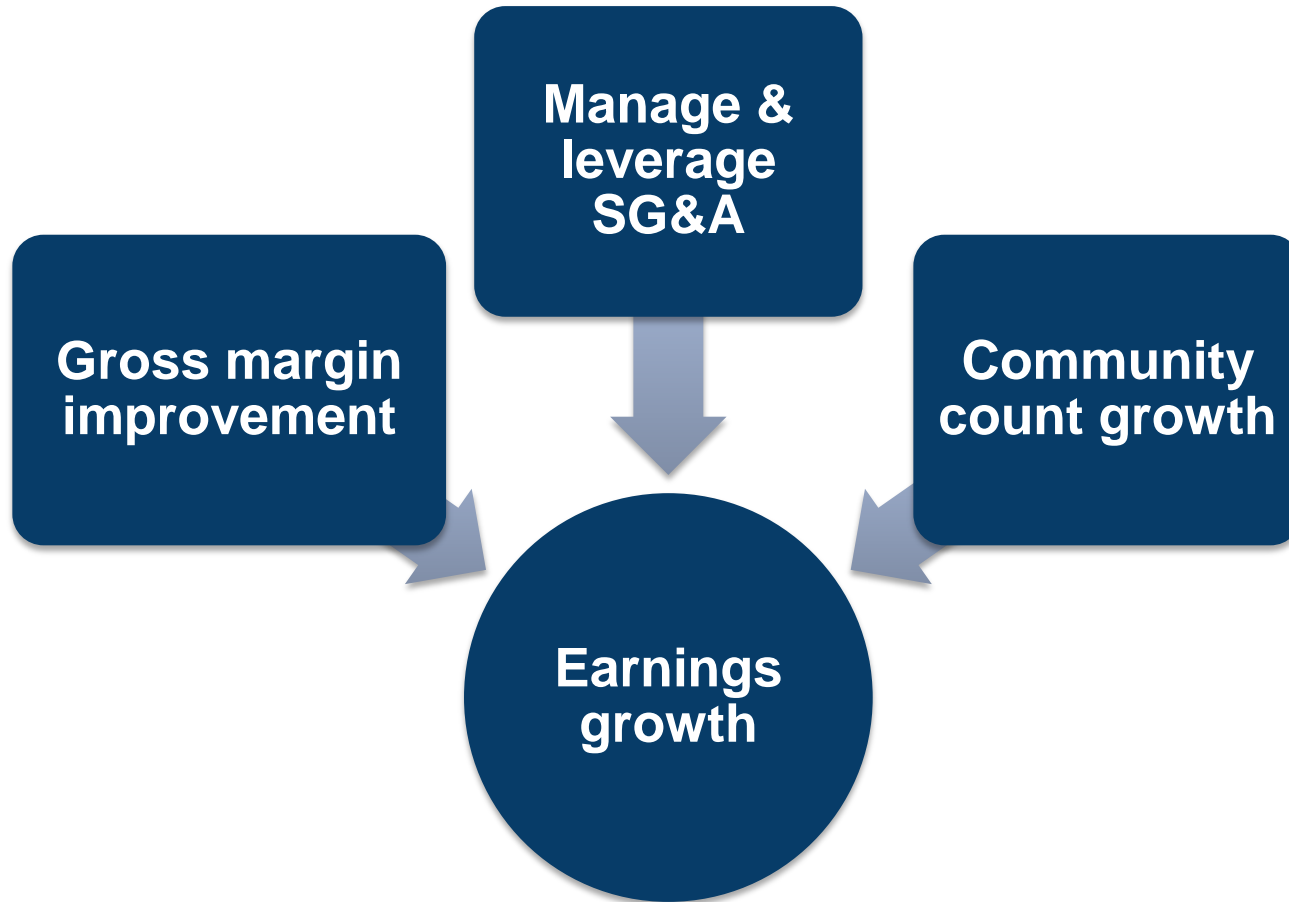
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STRATEGIC INITIATIVES



DRIVING LONG-TERM SUCCESS



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STRATEGIC INITIATIVES: COMMUNITY COUNT GROWTH

- **Goals & Timeline:** achieve ~5% growth in 2017; build land pipeline for future growth
- **Current state:**
 - Didn't buy enough land in 2015 – lot count declined
 - Too many small communities – low leverage, higher risks
 - Delayed opening some communities for new product library in South region
 - Shortage of communities in the pipelines of certain divisions
- **Plans to improve:**
 - Expand pipeline with focus on larger communities in B/C submarkets for ELP communities – easier and quicker to open
 - Avoid/limit entitlement risks that cause delays
 - Lock in product – use existing product library line-up

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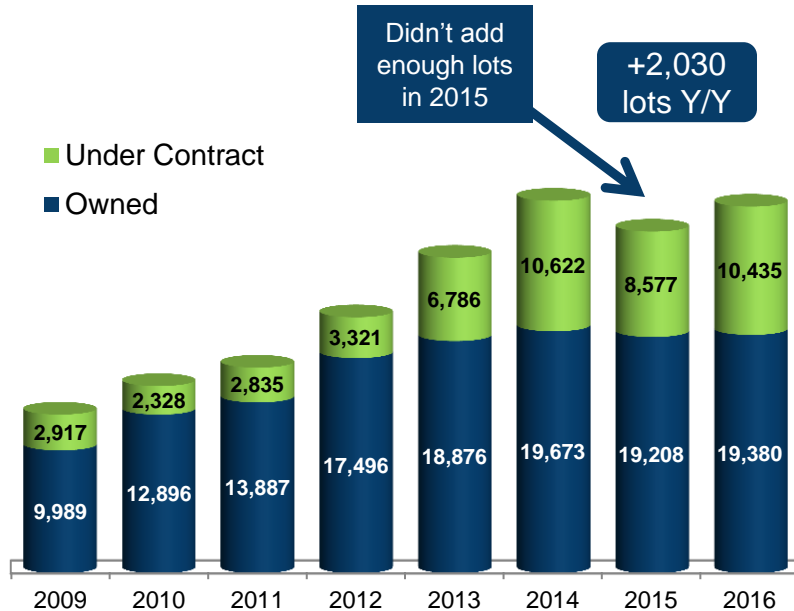
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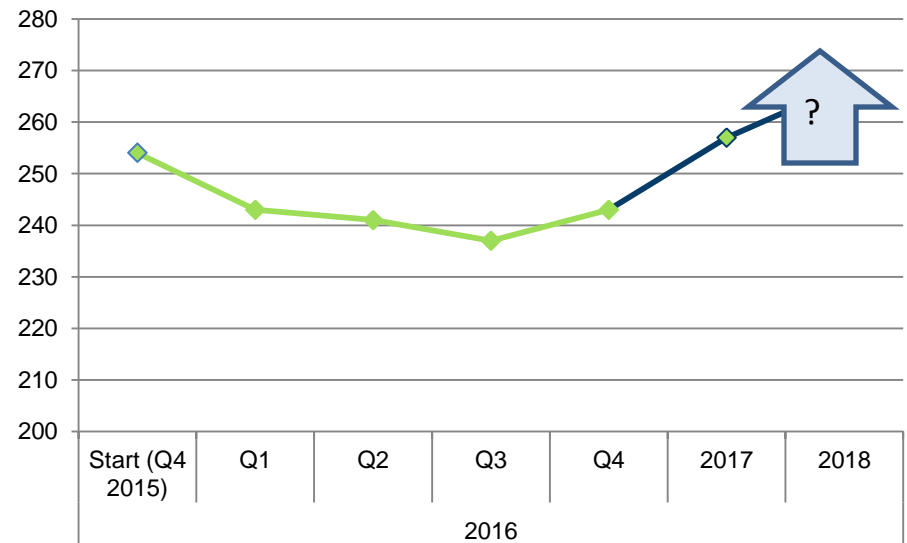
RE-ACCELERATED LAND ACQUISITIONS IN 2016

INCREASED TOTAL LOT SUPPLY BY 7% YEAR OVER YEAR

29,815 TOTAL LOTS OWNED/CONTROLLED AS OF 12/31/16



COMMUNITY COUNT PROJECTED GROWTH



COMMUNITY SUMMARY BY STATE

	As of 12/31/16 (*some will close in 2017-18)			
State	Number of Active Communities	Percent in A/B Submarkets	Percent Entry Level Plus and LIVE.NOW	New Communities to Open by Q1 2018
Arizona	42	88%	24%	7
California	28	88%	18%	22
Colorado	10	90%	30%	10
Florida	27	93%	11%	14
Georgia	17	89%	30%	10
North Carolina	17	100%	29%	20
South Carolina	15	100%	40%	0
Tennessee	7	100%	36%	7
Texas	80	89%	35%	30
Total	243*	91%	28%	120

STRATEGIC INITIATIVES: GROSS MARGIN IMPROVEMENT

- **Goals & Timeline: achieve 18-19% by FY 2018/2019**
- **Current state**
 - Below target / historical average
 - South region integration more complex and took longer than anticipated
 - Development cost overruns
 - Price reductions forced by reduced FHA loan limits impacting margins in CA and AZ
- **Plans to improve**
 - New communities coming on at better margins
 - STROPS research to help manage pricing in Arizona, SoCal, Nashville, and Tampa
 - New Land Development contingency matrix to manage cost overruns
 - Reducing direct costs through management of spec features, structural options, design packages, elevations

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PRODUCT MANAGEMENT

- **Complete new plan library for South region**
 - Legendary did too much customization
 - Plans were inefficient, costly and not leveragable
- **Too many plans in general – changing for nearly every community**
- **Product changes take longer to get new communities opened**
 - Establishing regional product libraries
 - Limiting additions of new plans
 - Increasing use of ELP/LiVE.NOW. plans



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NEW SOUTH REGION PRODUCT LIBRARY

Massive undertaking involving:

- 60 floor plans
 - 30-ft wide
 - 40's
 - 50's
 - 60's
 - two widths of Townhomes
- 250 elevation types
- 3 foundation types
- to serve all 5 markets and various municipal design requirements and lot configurations
- Multiple iterations to get it right before roll-out and bid



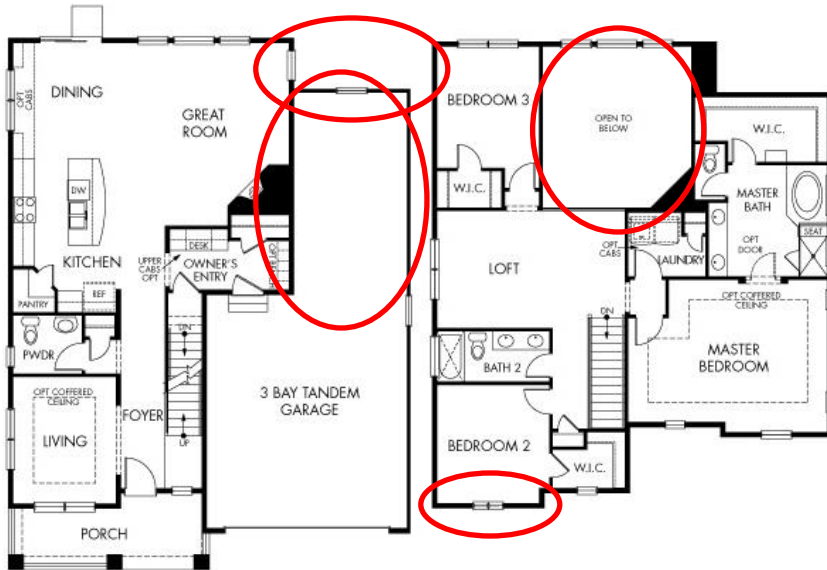
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USING RESEARCH TO CREATE TARGETED PLANS

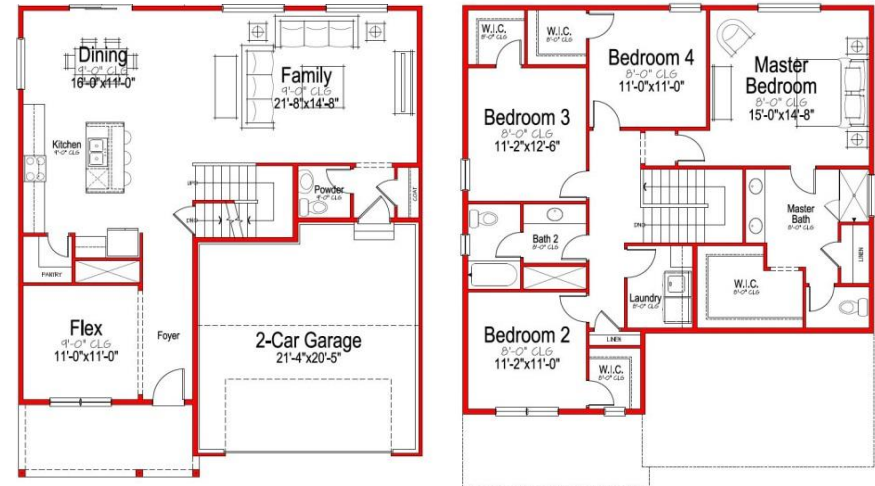
Plan 4220: 2,397 SQFT



MARKET RESEARCH FINDINGS

1. Market Capture **5.5%**
2. Missing Bedroom
3. Expensive Volume Space – *not required based on market needs*
4. Expensive Tandem Space – *not required based on market needs*
5. Inefficient Footprint
6. Expensive Basement Corners

New ELP Plan (as of 10-28-16): 2,393 SQFT

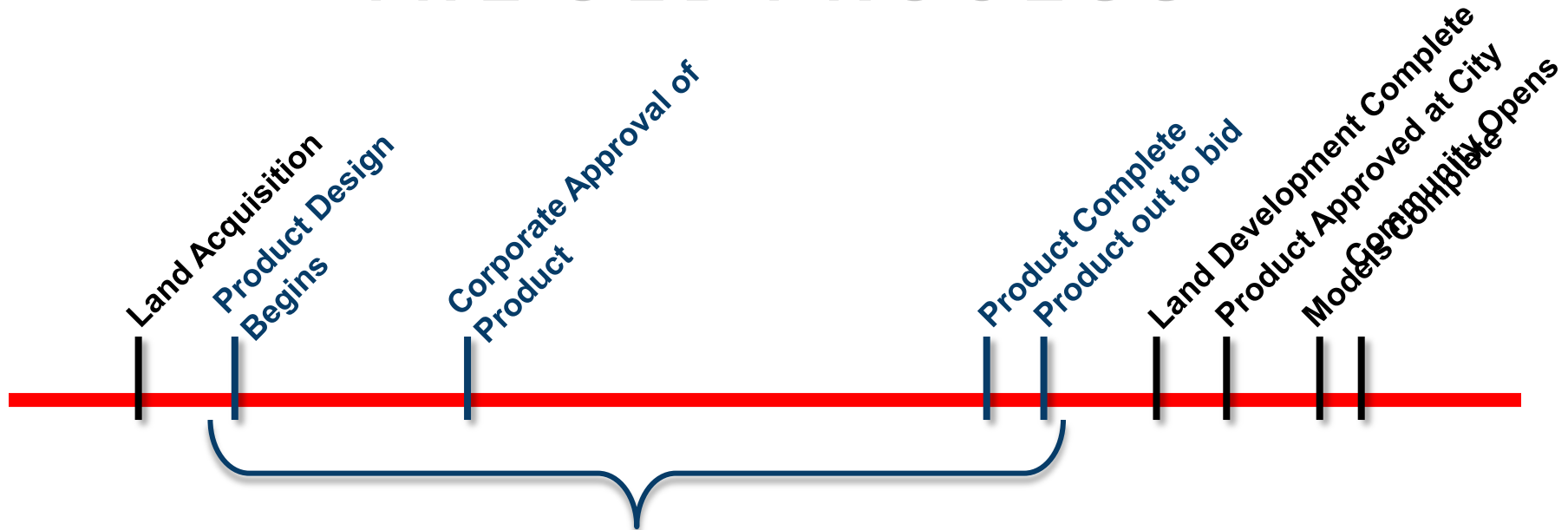


VALUE ENGINEERING EXAMPLE

1. New Plan developed to cover **11.5%** of competitive market
2. Value Engineered to remove Tandem and Volume Space
3. Added a 4th bedroom per market data
4. New plan projected lower direct cost to build

PLAN DEVELOPMENT PROCESS

THE OLD PROCESS

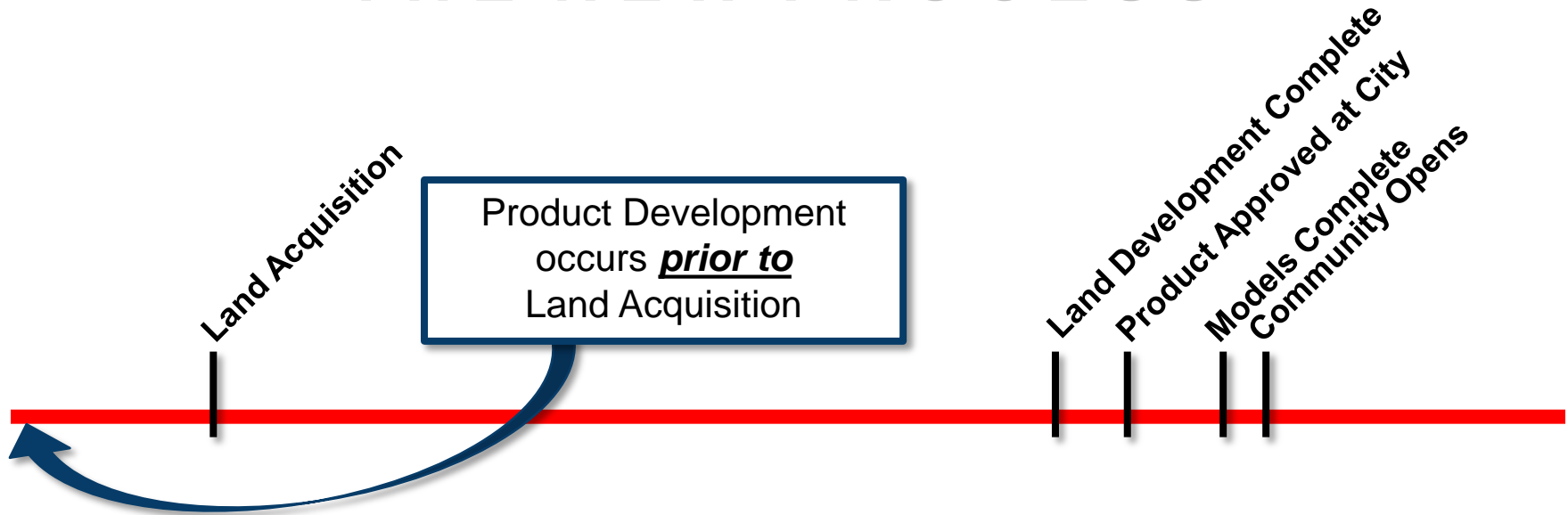


PROCESS RISKS

- Product developed specifically for land
- Limited ability to leverage product in the future
- Unable to leverage reuse with trade partners
- Repeated learning curve each time
- Burden to operational overhead

PLAN DEVELOPMENT PROCESS

THE NEW PROCESS



PROCESS BENEFITS

- Corporate and Region control initiative
- Validated by market research and consumer research at a Regional effort
- Leverage of plan in multiple locations required in order for it to be developed
- Less risks to direct cost increases, improve construction speed and quality over time, provides opportunity for improvement as compared to re-draw

MARKET ANALYSIS TO FIND PRODUCT GAPS

PERMIT ACTIVITY - FLORIDA REGION						
Submarket	A	B	C & D	TOTAL		
Attached Townhomes	<div>#1 Priority Deepest Market Segment with and no pre-existing ELP 40' lineup</div>		1,501	5,472	13.52%	
High Density Detached	844	849	544	2,237	5.53%	
35ft SFD	397	687	151	1,235	3.05%	
40ft SFD	3,520	3,017	4,002	10,539	26.03%	
50ft SFD	1,709	1,678	1,779	5,166	12.76%	
60ft SFD	1,910	1,848	2,536	6,294	15.55%	
	A	B	C & D			
	10,504	9,926	10,513			

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INNOVATION



RECOGNIZED FOR INDUSTRY LEADERSHIP

Meritage Homes Best Standard - Proofs

- 1st NET ZERO Production Builder
- 1st Full EPA Certified Home: Energy Star, Indoor airPLUS, and WaterSense
- 1st 100% Energy Star Production Builder
- 1st HERS<40 Community Builder
- DOE Building America Partner

Local Best

- 2012 MAME Green Builder of the Year, BIA Bay Area
- 2012 GHBA Green Building Single Family Home of the Year, GHBA
- 2013 “Green Champion” Build it Green San Antonio
- 2013 Arizona Real Estate Achievement
- 2014 BrightEE Award, TEP
- 2014 MAME Green Builder, Home Builders Association of Charlotte
- 2014 Solar Champions Award by Build San Antonio Green.

National Best by Authoritative Source

- 2012 Project of the Year – Single Family Production, NAHB’s National Green Building Awards
- 2012 Gold Nugget Grand Award for Green Rated Home, PCBC
- 2016, 2015, 2014, 2013 Energy Star, Partner of the Year – Sustained Excellence

National Best by Media

- 2012 CEO of the Year, Hanley Wood
- 2013 One of the Most Trusted Builders in America according to Lifestory Research Most Trusted Builders in America Study
- 2014 Green Home Builder “Developer of the Year”

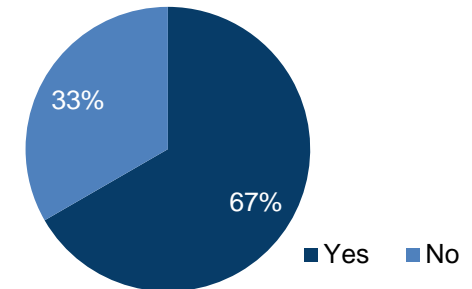
A partial list



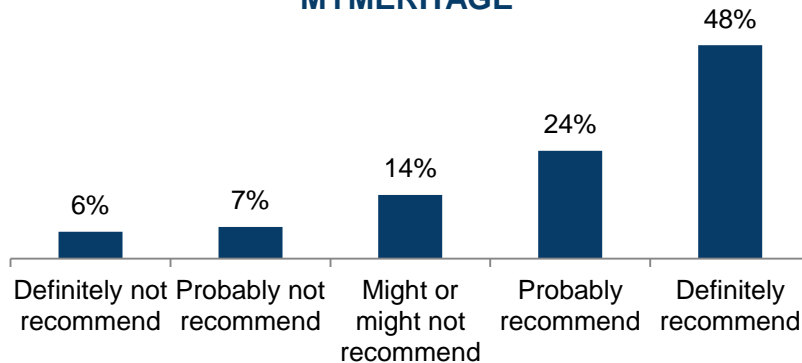
MYMERITAGE BUYER PORTAL SUCCESS

- A large majority of MyMeritage users continue to have a positive experience with the portal, and would recommend it to others.
- In addition, most indicate that MyMeritage has had a positive impact on their home buying experience.

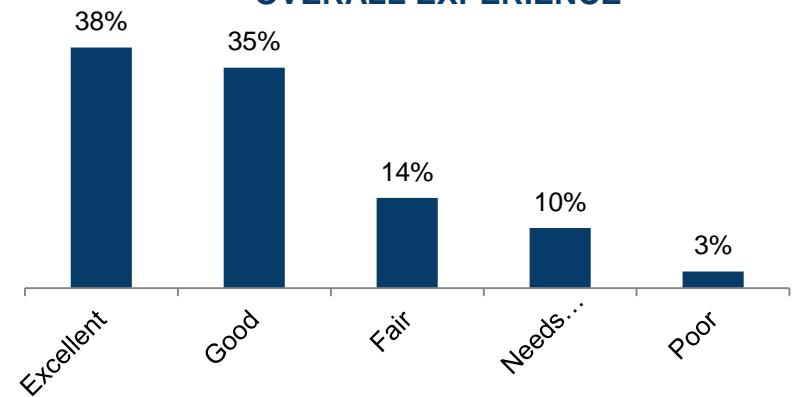
POSITIVE IMPACT ON HOME
BUYING EXPERIENCE



LIKELIHOOD TO RECOMMEND
MYMERITAGE



OVERALL EXPERIENCE



RECENTLY ANNOUNCED CONCEPT HOME FOR 2018 INTERNATIONAL BUILDERS SHOW



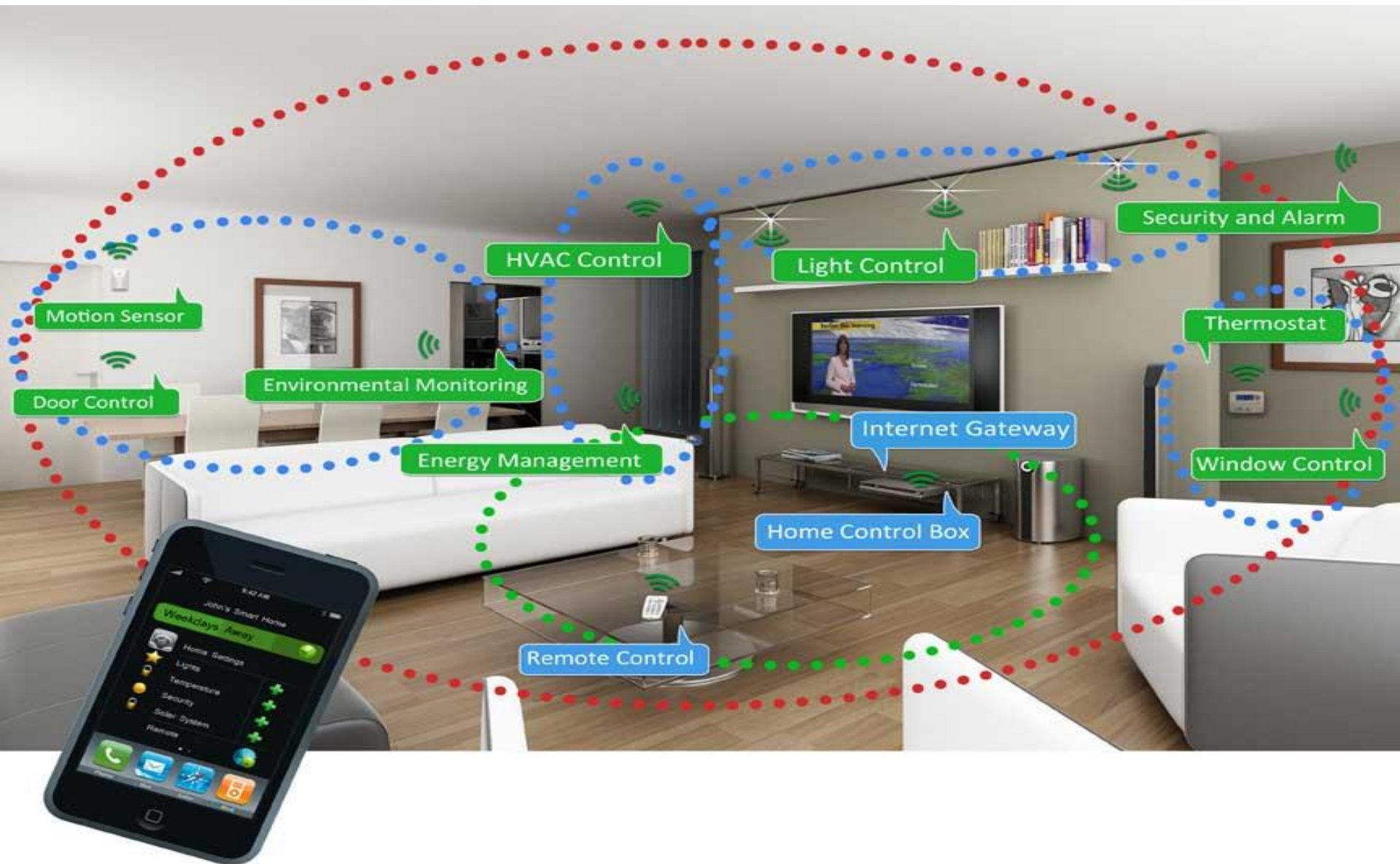
BUILDER and Meritage are creating a 2018 concept house called reNEWable Living Home. The year-long project will focus on engineering that solves for the cost and scalability of some of home building's most advanced building technologies. It will be unveiled Jan. 9, 2018, in Orlando, the day the International Builders Show opens.

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HOME AUTOMATION PLATFORM CONCEPT



KEY PROGRAM REQUIREMENTS

- Components shall be ecosystem agnostic
- No loose parts
- No post-close activities
- All work as a normal component if no internet in the home
- All function at time of close without post-close go-back trips



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STRATEGIC INITIATIVES: MANAGE & LEVERAGE SG&A

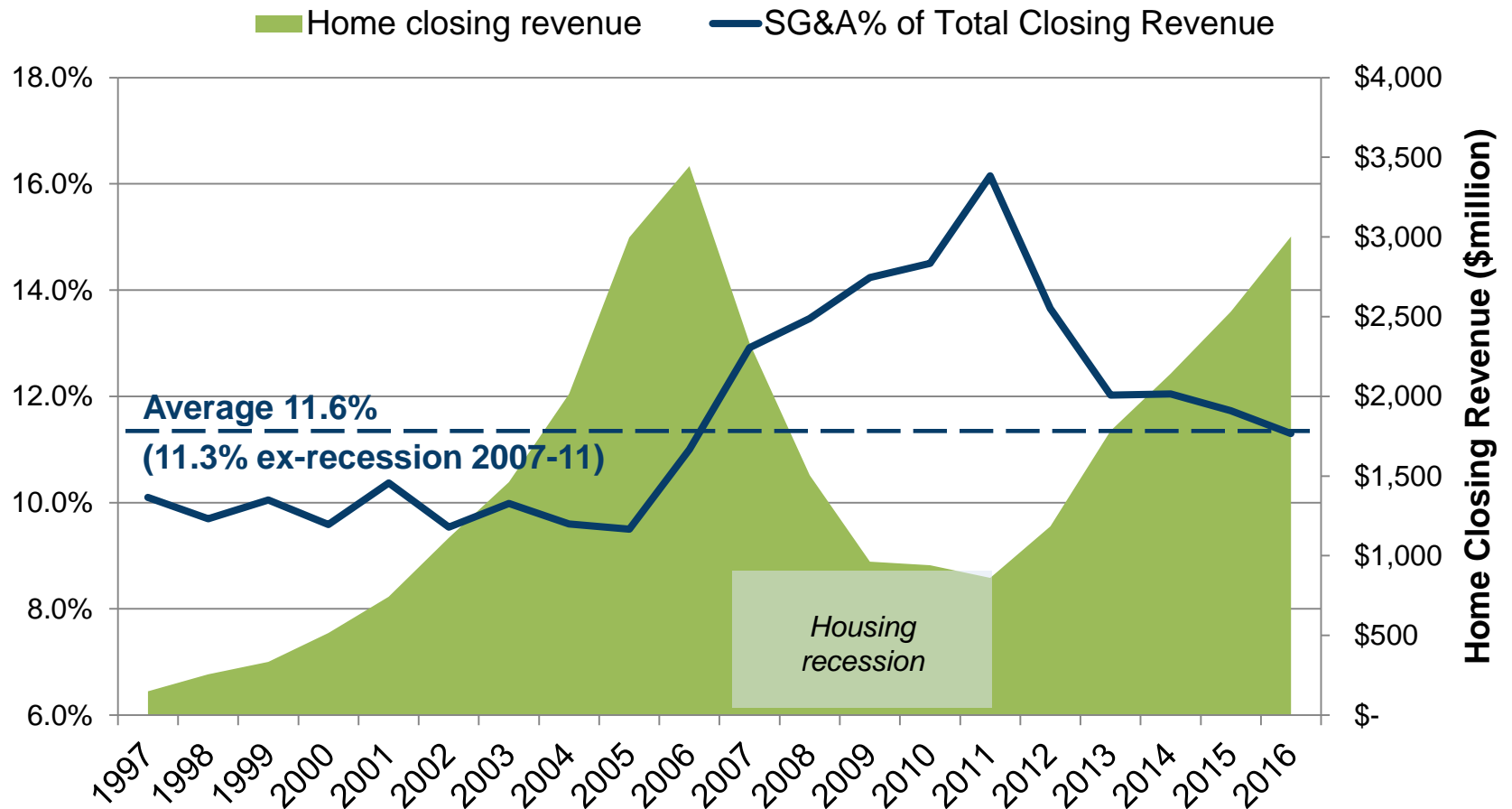
- **Goals & Timeline:**
 - 30-50 bps improvement 2017; longer-term goal 10-10.5%
- **Current State:**
 - Good improvement in 2016 – revised commission structure, headcount reduction in 4Q
- **Plans to Improve:**
 - 2017 Budget assumes further improvement
 - FY impact of headcount reductions, revised bonus structure
 - Sales center & model cost reductions

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HISTORICAL SG&A%



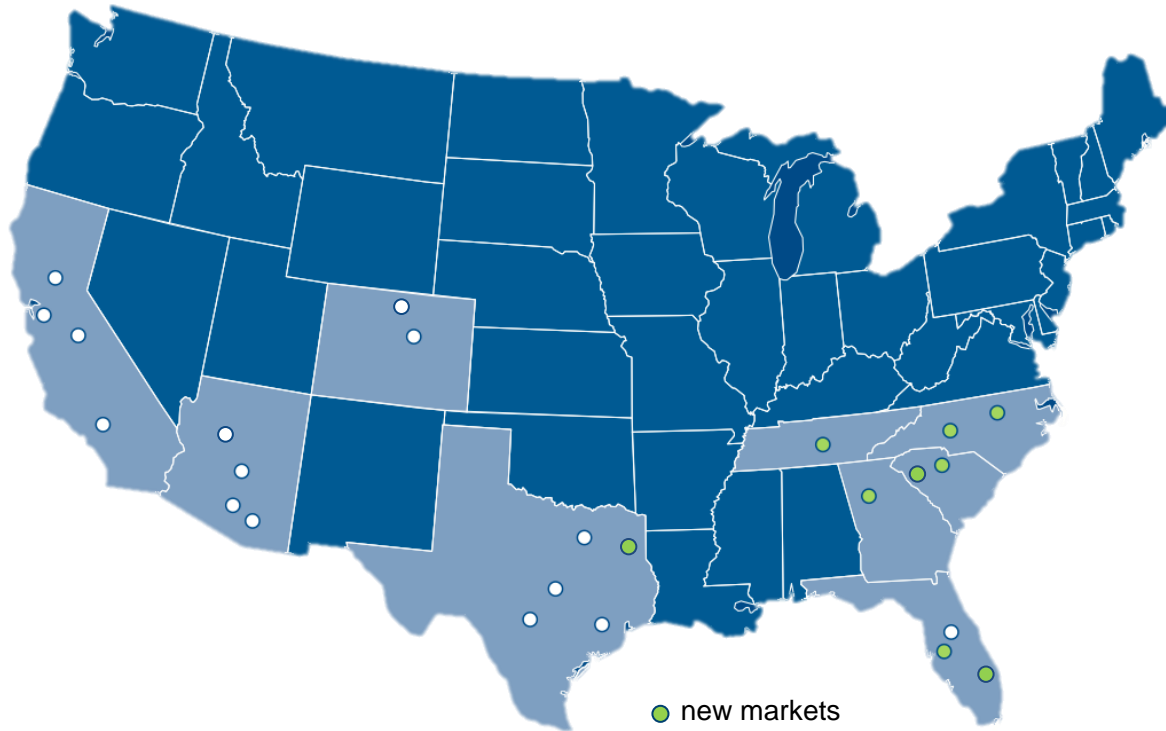
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OPERATIONS



OUR MARKETS



**Phoenix /
Scottsdale, AZ**
1985

**Dallas /
Fort Worth, TX**
1987

Austin, TX
1994

Tucson, AZ
1995

Houston, TX
1997

**East Bay,
Central Valley,
Sacramento, CA**
1998

San Antonio, TX
2003

**Southern California;
Denver, CO;
Orlando, FL**
2004

**Raleigh, NC
Tampa, FL**
2011

Charlotte, NC
2012

Nashville, TN
2013

**Atlanta, GA
Greenville, SC**
2014

South Florida
2016

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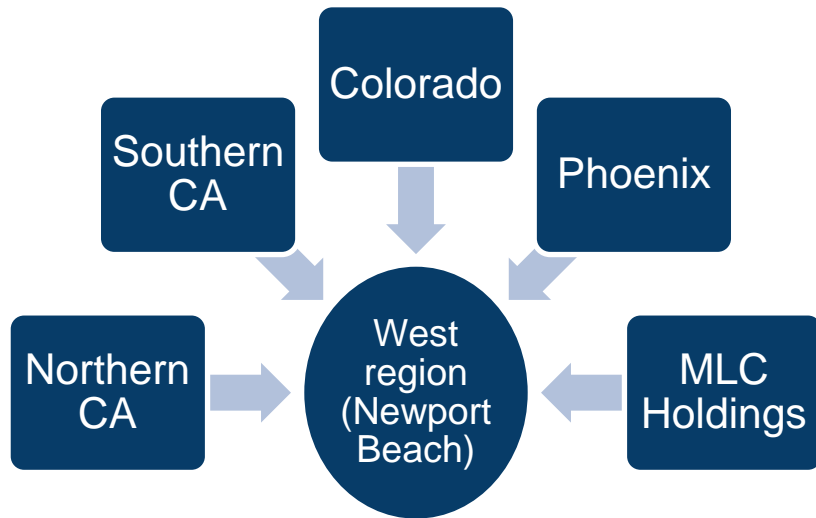
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WEST REGION



WEST REGION



**Gordon Jones,
West Region President**

- 30 years in the Homebuilding Industry
- Joined Meritage Homes in 2015
- Has worked in Phoenix, Colorado, California, Hawaii, Texas and Washington markets
- Previously worked with DR Horton and Lennar

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NORTHERN CALIFORNIA DIVISION

2016 Statistics	NorCal
Residential permits	16,035
Permits rank in U.S.	9
Y/Y growth in permits	9%
Permits growth rank	10
Listing months supply	1.2
Meritage market share	4%
Meritage builder size rank	6



Barry Grant, President

- 34 years of experience in the Homebuilding Industry
- 8 years at Meritage Homes
- Worked in Phoenix, Colorado, and California markets
- Previously worked with KB Homes and Lennar

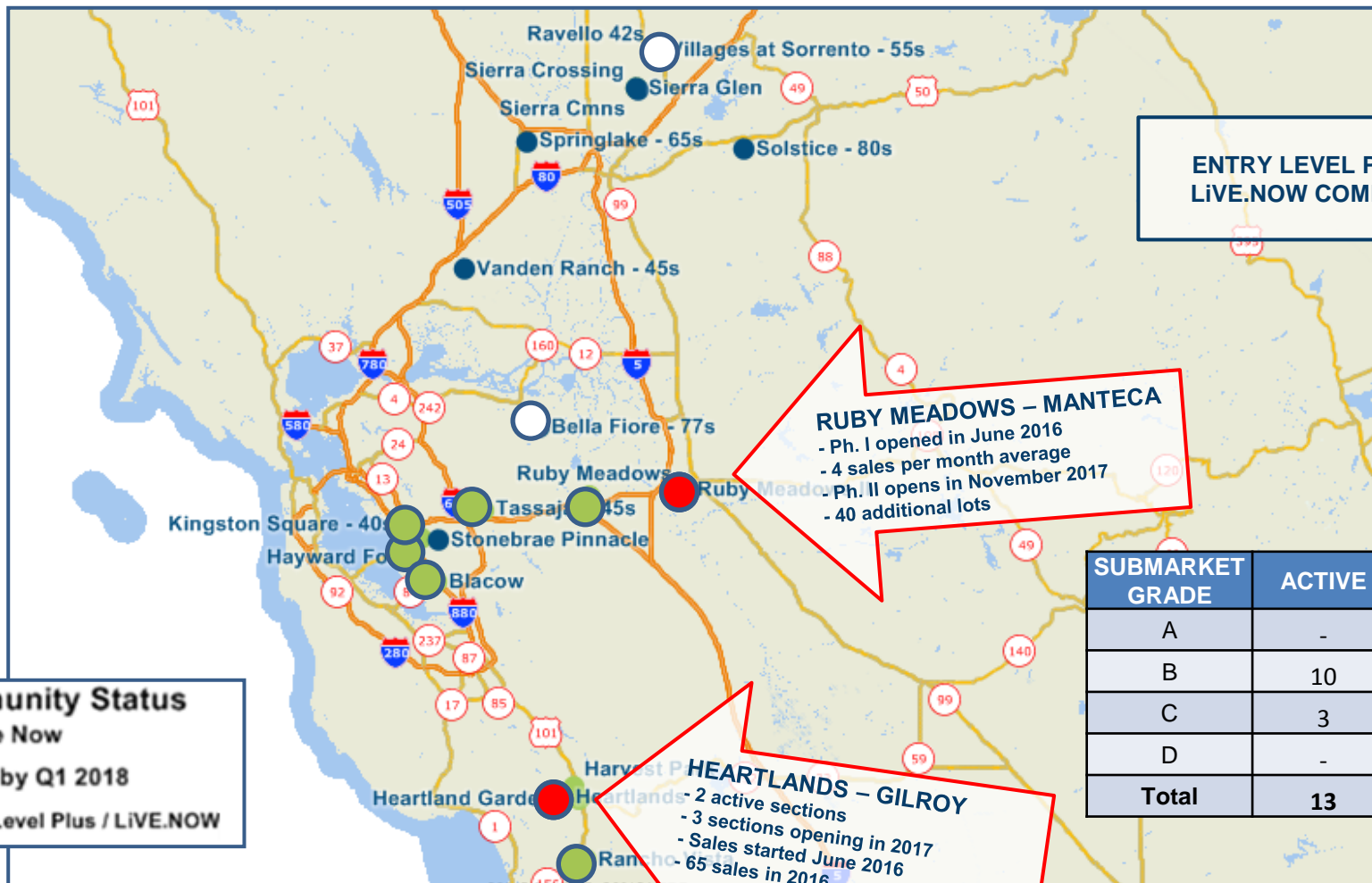
Heavy Focus on the Bay Area

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NORTHERN CALIFORNIA DIVISION



ENTRY LEVEL PLUS AND
LiVE.NOW COMMUNITIES

SUBMARKET GRADE	ACTIVE	OPEN SOON
A	-	2
B	10	12
C	3	2
D	-	-
Total	13	16



Northern California
Sierra Crossings

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Northern California Sierra Crossings

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Northern California
The Pinnacle at Stonebrae Country Club

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Northern California
The Pinnacle at Stonebrae Country Club

SOUTHERN CALIFORNIA DIVISION

2016 Statistics	SoCal
Residential permits	21,715
Permits rank in U.S.	4
Y/Y growth in permits	4%
Permits growth rank	12
Listing months supply	3
Meritage market share	2%
Meritage builder size rank	16



Phil Bodem, President

- 26 years in the Homebuilding Industry
- Joined Meritage Homes in 2017
- Has worked in Northern, Central and Southern California
- Formerly with Taylor Morrison, Morrison Homes and Stellar Homes

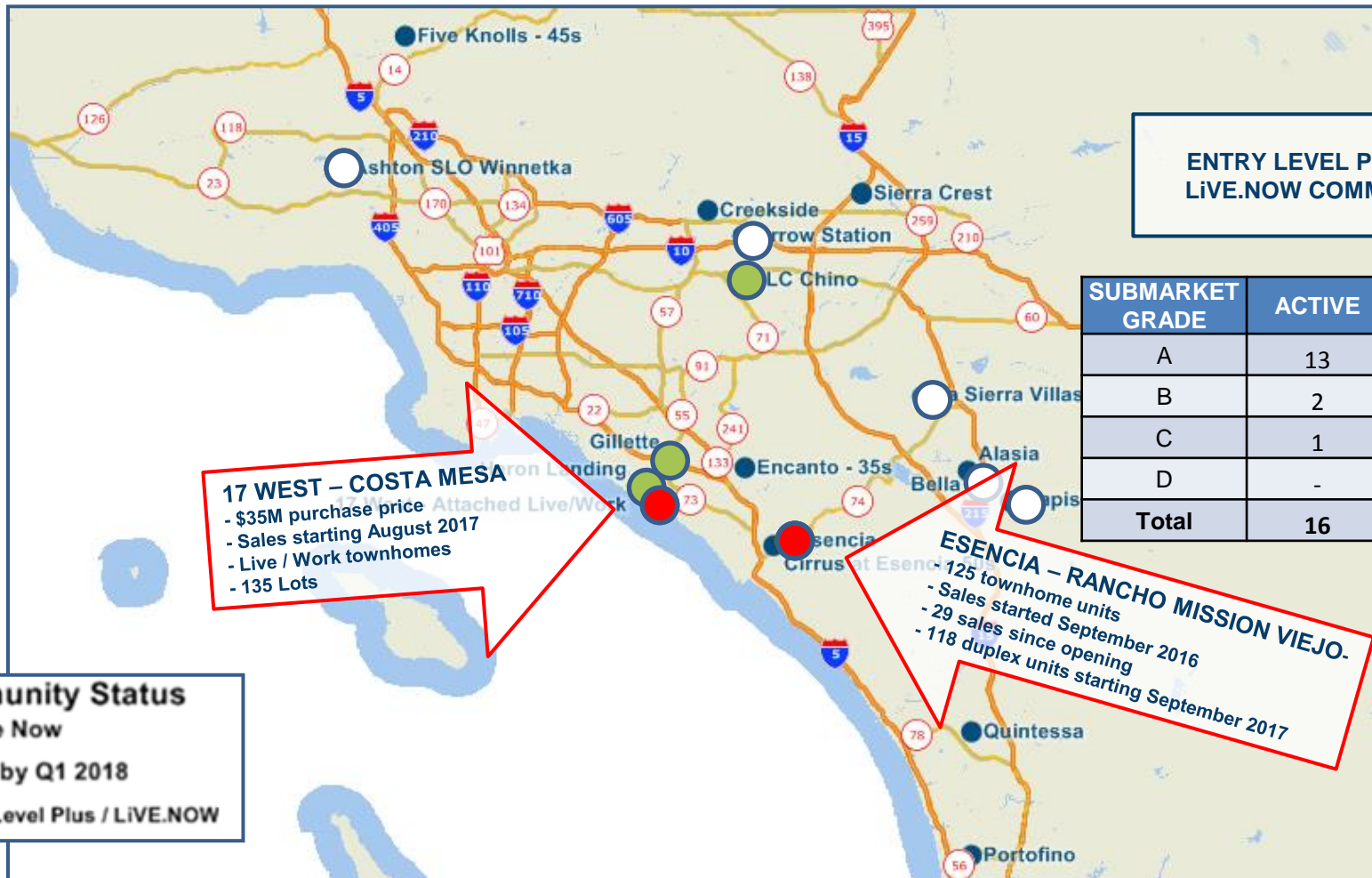
- Most new positions focus on LA and Orange County
- 17 West is a high-profile position in Costa Mesa offering Live/Work townhomes

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SOUTHERN CALIFORNIA DIVISION



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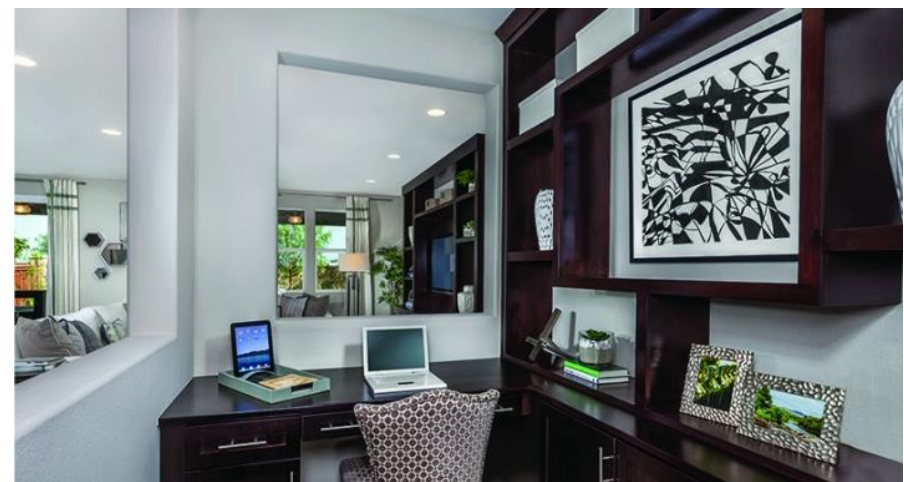


Southern California
Alaska

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Southern California
Alasia

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Southern California
Sage at Esencia

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Southern California
17 West

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Southern California
17 West

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VIDEO

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Southern California – 17 West
Costa Mesa Flyover and Community

MLC DIVISION

2016 Statistics	MLC
Residential permits	n/a
Permits rank in U.S.	n/a
Y/Y growth in permits	n/a
Permits growth rank	n/a
Listing months supply	n/a
Meritage market share	n/a
Meritage builder size rank	n/a



**Charles McKeag,
President**

- 16 years in the Development and Homebuilding Industry
- Joined Meritage Homes and started MLC in 2014
- Extensive experience throughout the core urban Coastal California markets
- Formerly with The New Home Company and SCS Development

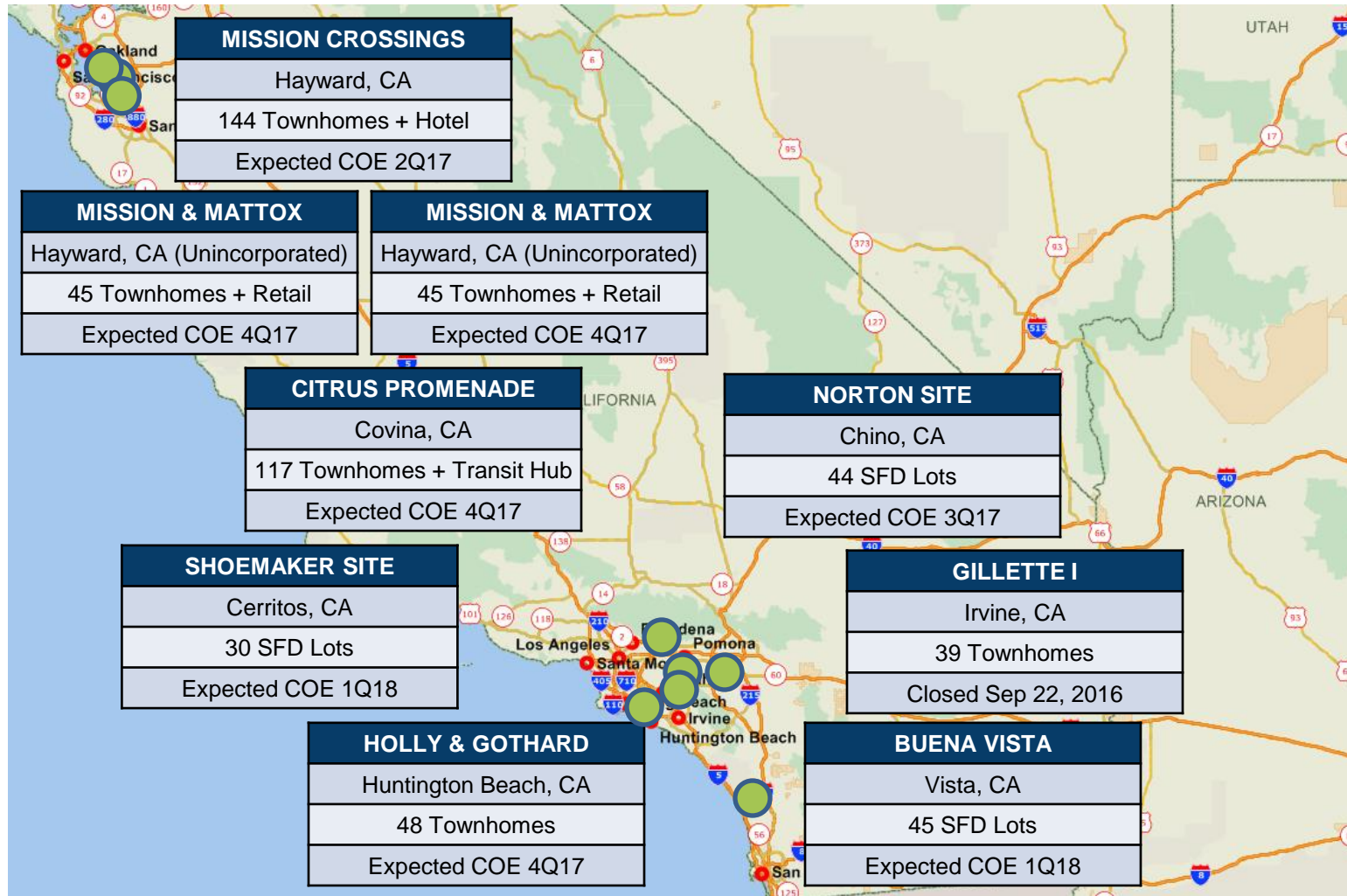
Finding and redeveloping unique infill locations in California

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ACTIVE MLC PROJECTS



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MLC Holdings, Inc.



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Southern California - Covina

COLORADO DIVISION

2016 Statistics	CO
Residential permits	13,991
Permits rank in U.S.	10
Y/Y growth in permits	3%
Permits growth rank	13
Listing months supply	1.3
Meritage market share	5%
Meritage builder size rank	6



**Rusty Crandall,
President**

- Over 30 years in the Homebuilding Industry
- Joined Meritage Homes in 2016
- Has worked in Denver, Indianapolis and Washington DC markets
- Previously worked for Lennar, KB Homes and Pulte

- Strong market conditions make affordability a major issue
- 10 communities opening in the next year, 5 of which are affordable entry level plus positions

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COLORADO DIVISION

TRAILS AT COAL CREEK

- \$13M purchase price
- About 94 acres
- Opened in September 2016
- Over 9 sales per month

RICHARDS FARM

- \$9M purchase price
- About 21 acres
- Opened November 2015
- 6.5 sales per month

ENTRY LEVEL PLUS AND
LIVE.NOW COMMUNITIES

Community Status

- Active Now
- Open by Q1 2018
- Entry Level Plus / LIVE.NOW

SUBMARKET GRADE	ACTIVE	OPEN SOON
A	9	4
B	-	5
C	-	1
D	1	-
Total	10	10

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Denver
Richards Farms

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Denver Richards Farms

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Denver
Trails at Coal Creek

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Denver
Trails at Coal Creek

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PHOENIX DIVISION

2016 Statistics	Phoenix
Residential permits	18,577
Permits rank in U.S.	5
Y/Y growth in permits	10%
Permits growth rank	9
Listing months supply	2.6
Meritage market share	6%
Meritage builder size rank	4



**Fred Hermann,
President**

- 34 years in the Homebuilding Industry
- 9 years with Meritage Homes
- Has worked in Arizona, California, Florida and Illinois
- Formerly with First Home Builders of Florida

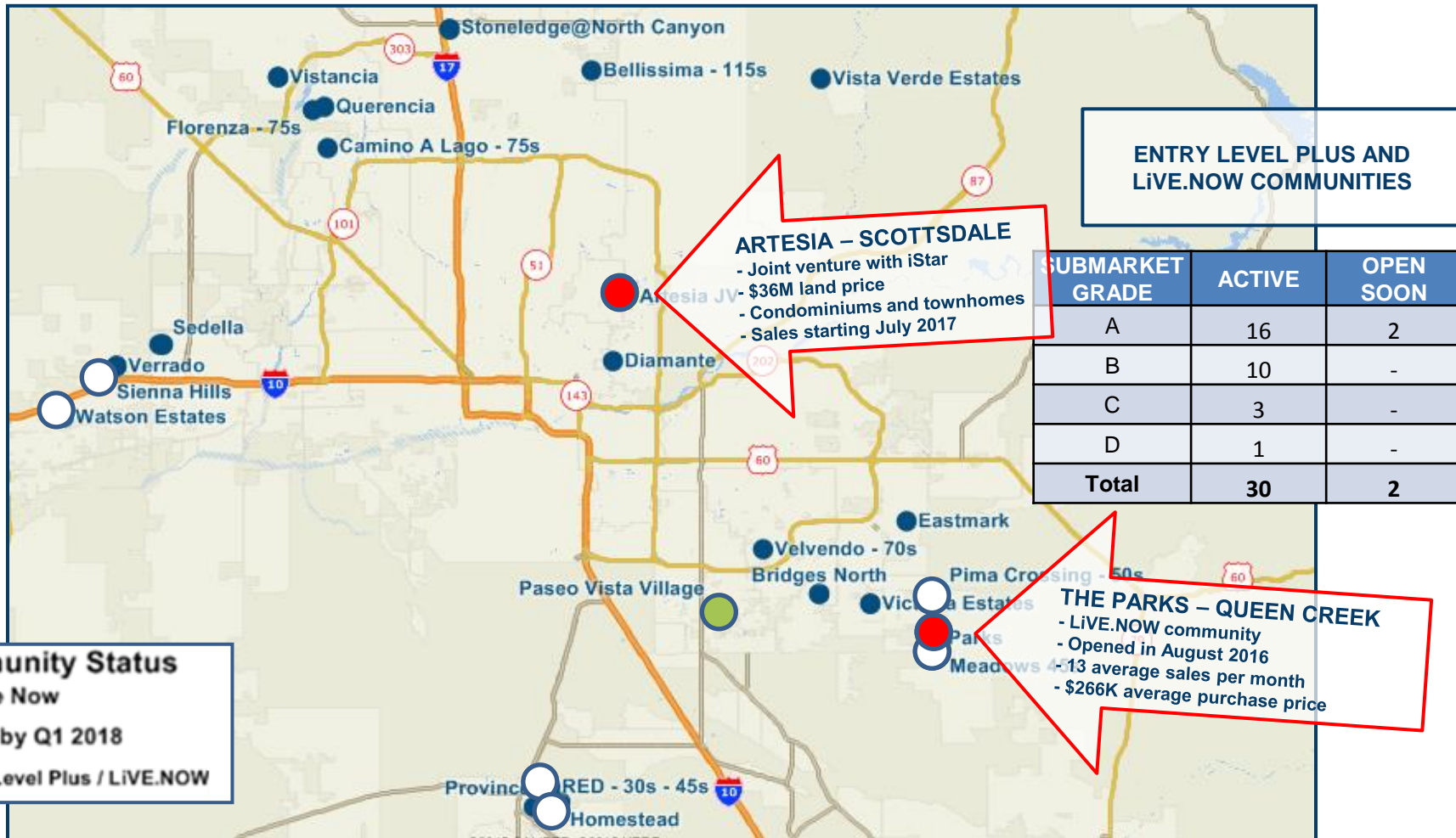
- 87% of active communities are in A or B submarkets
- 7 active communities are entry level plus, including the Parks
- Artesia is intended to be the value leader for luxury product in the core Scottsdale area

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PHOENIX DIVISION



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Phoenix
Sienna Hills

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Phoenix Sienna Hills

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**Phoenix – Monterey Luxury
Verde River**

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Phoenix – Monterey Luxury Verde River

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Phoenix The Parks

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Phoenix The Parks

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Phoenix – The Parks



Phoenix Artesia

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Phoenix Artesia

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Phoenix - Artesia

TUCSON/ACTIVE ADULT DIVISION

2016 Statistics	Tucson/AA
Residential permits	2,164
Permits rank in U.S.	17
Y/Y growth in permits	-13%
Permits growth rank	17
Listing months supply	4.1
Meritage market share	8%
Meritage builder size rank	4



**Jeff Grobstein,
President**

- 33 years in the Homebuilding Industry
- 29 years with Meritage Homes
- Has worked in Tucson, Phoenix and Las Vegas markets
- Formerly with Dix Homes

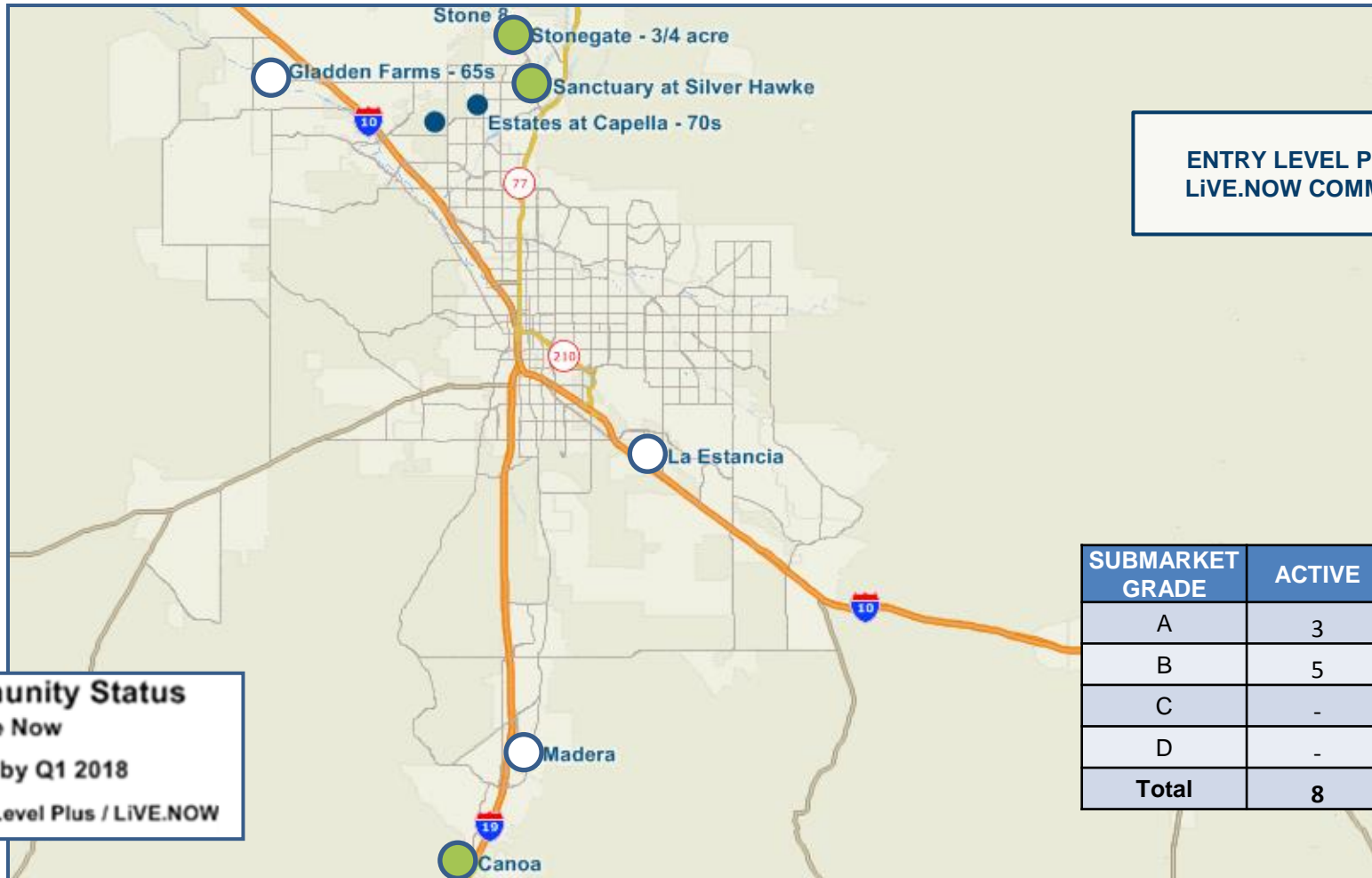
- Market conditions in Tucson have gotten good enough to “unmothball” an older asset
- La Estancia Entry-level plus community highly successful in 2016 – 46 sales in 8 months

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TUCSON DIVISION



ENTRY LEVEL PLUS AND
LiVE.NOW COMMUNITIES

SUBMARKET GRADE	ACTIVE	OPEN SOON
A	3	-
B	5	2
C	-	-
D	-	-
Total	8	2

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Tucson
Estates at Capella – The Canyons



Tucson
Estates at Capella – The Canyons



Tucson
Estates at Capella – The Canyons

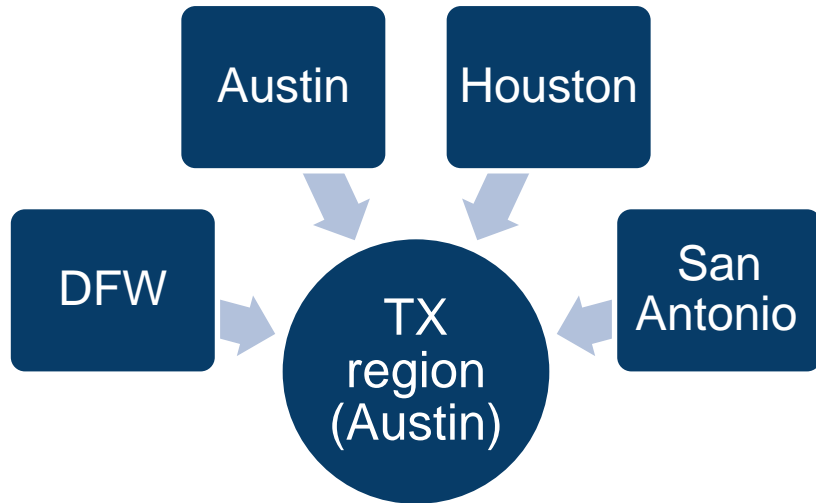
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CENTRAL REGION



CENTRAL REGION



**Rick Harvey,
President**

- 35 years in the Homebuilding Industry
- 20 years with Meritage Homes
- Has worked in Texas, Maryland, Virginia and Florida
- Formerly with US Homes and Ryland

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DALLAS / FT. WORTH DIVISION

2016 Statistics	DFW
Residential permits	29,270
Permits rank in U.S.	1
Y/Y growth in permits	4%
Permits growth rank	11
Listing months supply	1.8
Meritage market share	2%
Meritage builder size rank	13



**Stephanie MacLean,
President**

- 30 years in the Homebuilding Industry
- 5 years with Meritage Homes
- Worked in Arizona, California, Colorado, and Texas markets
- Previously worked with Ashton Woods, Ryland, and KB Home

- 14 positions opening in the next year
- 6 affordable upcoming bungalow communities, mostly in A & B submarkets, priced under detached projects in the area

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DALLAS-FT. WORTH DIVISION

DFW BUNGALOW COMMUNITIES

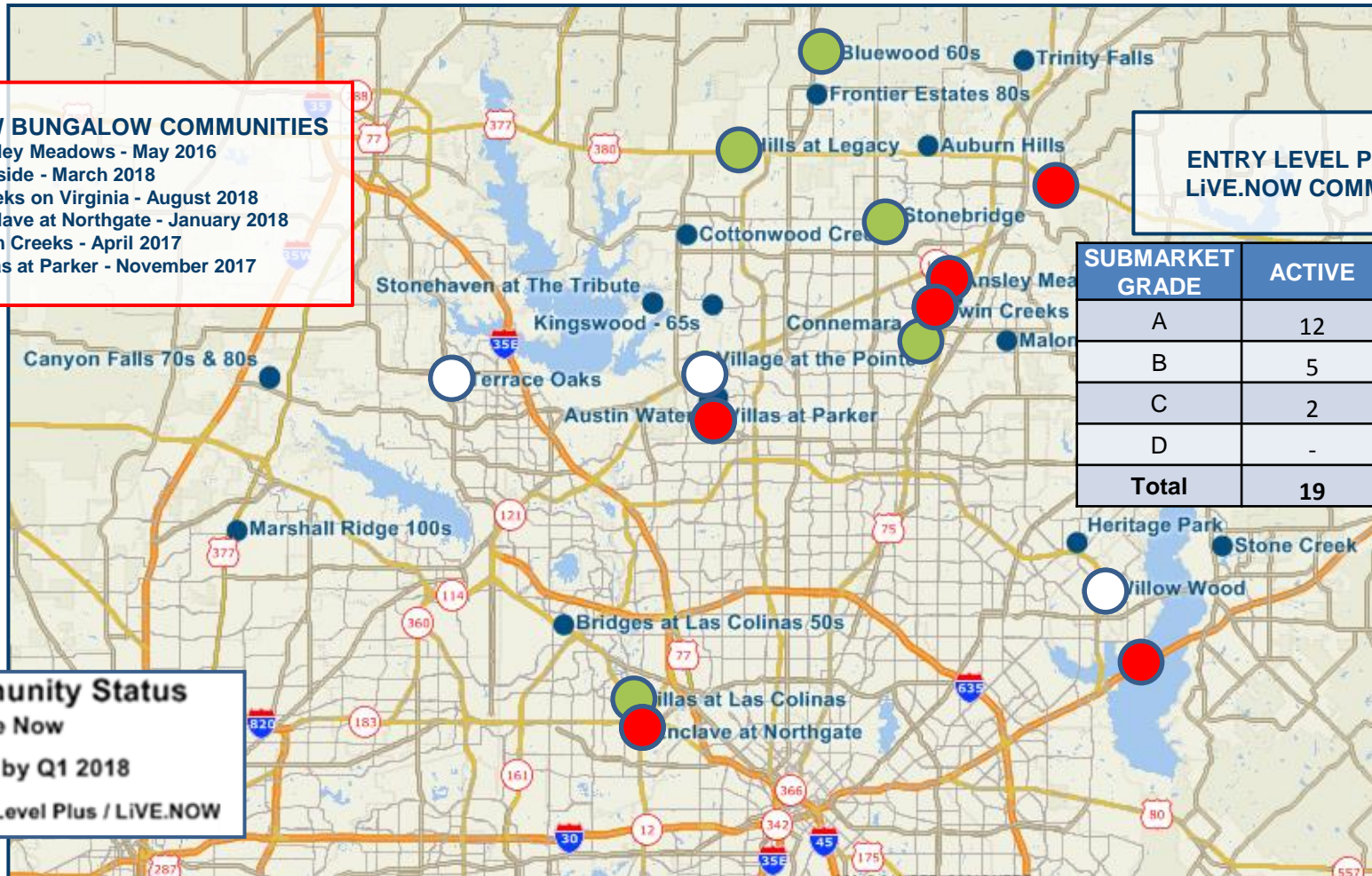
- Ansley Meadows - May 2016
- Bayside - March 2018
- Creeks on Virginia - August 2018
- Enclave at Northgate - January 2018
- Twin Creeks - April 2017
- Villas at Parker - November 2017

ENTRY LEVEL PLUS AND LIVE.NOW COMMUNITIES

SUBMARKET GRADE	ACTIVE	OPEN SOON
A	12	9
B	5	3
C	2	2
D	-	-
Total	19	14

Community Status

- Active Now
- Open by Q1 2018
- Entry Level Plus / LIVE.NOW



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ADVANTAGES OF BUNGALOW PRODUCT

- Located within “A” rated submarkets.
- Priced well below traditional new single family detached homes
- Provides a price point similar to townhomes with the advantages of detached single family product.
- Works well with a variety of municipal guidelines including new urbanism style zoning and form base code.



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DFW
Ansley Meadows

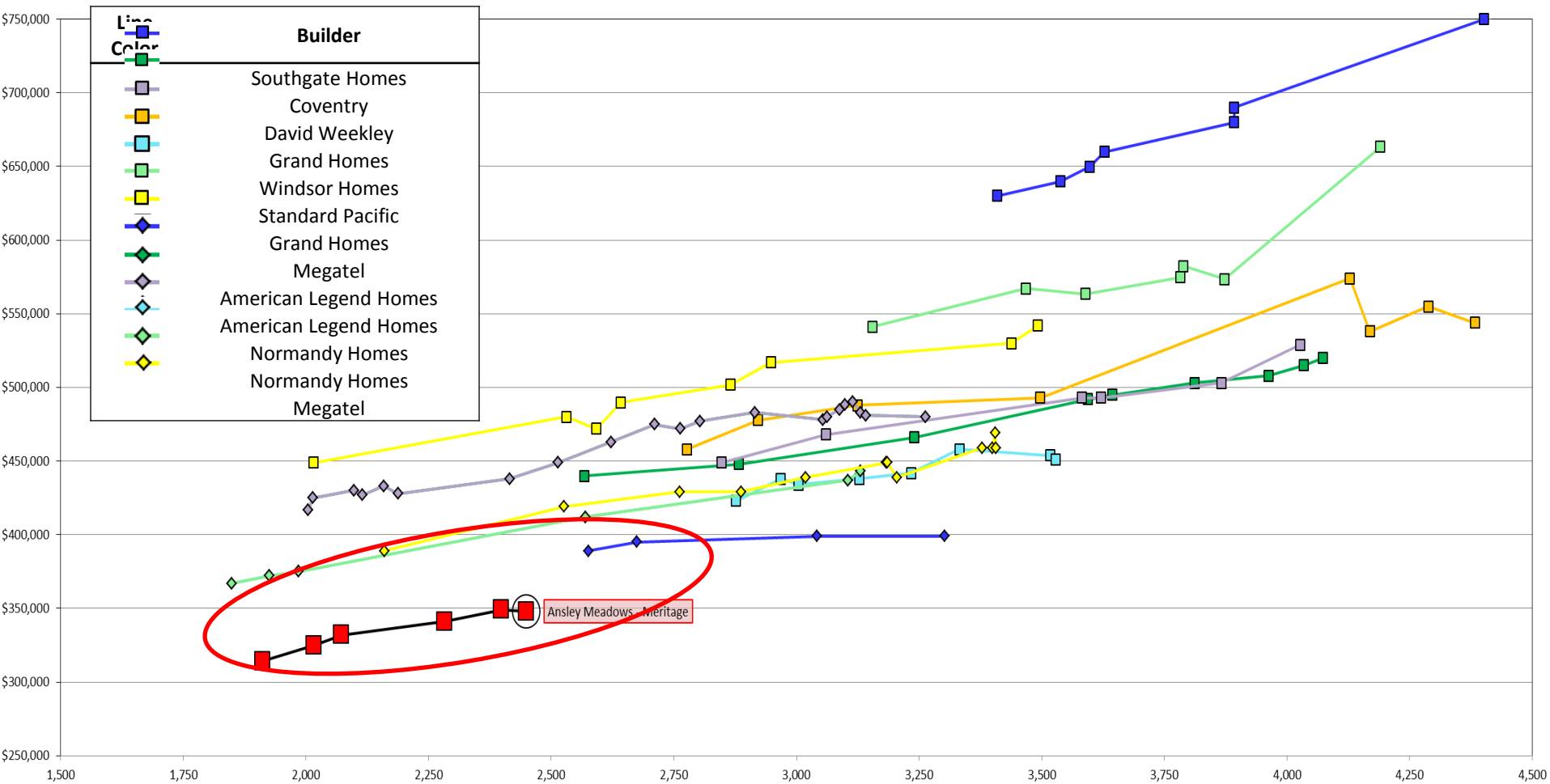
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ANSLEY MEADOWS – ALLEN, TX

Bungalow pricing vs. new home competitors within the submarket.



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DFW
Ansley Meadows

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ANSLEY MEADOWS – ALLEN, TX

- Located within an affluent “A” rated submarket in the highly acclaimed Allen ISD
- Utilizing Bungalow created an ELP price point within one of the nations best housing markets.
- Bungalow portion of the Community consists of 63 units
- Since opening mid-year 2016 the community has generated 36 bungalow sales



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AUSTIN DIVISION

2016 Statistics	Austin
Residential permits	16,429
Permits rank in U.S.	8
Y/Y growth in permits	14%
Permits growth rank	5
Listing months supply	2.1
Meritage market share	2%
Meritage builder size rank	11



**James Saunders,
President**

- 13 years in the Homebuilding Industry
- 6 years with Meritage Homes
- Formerly with DR Horton

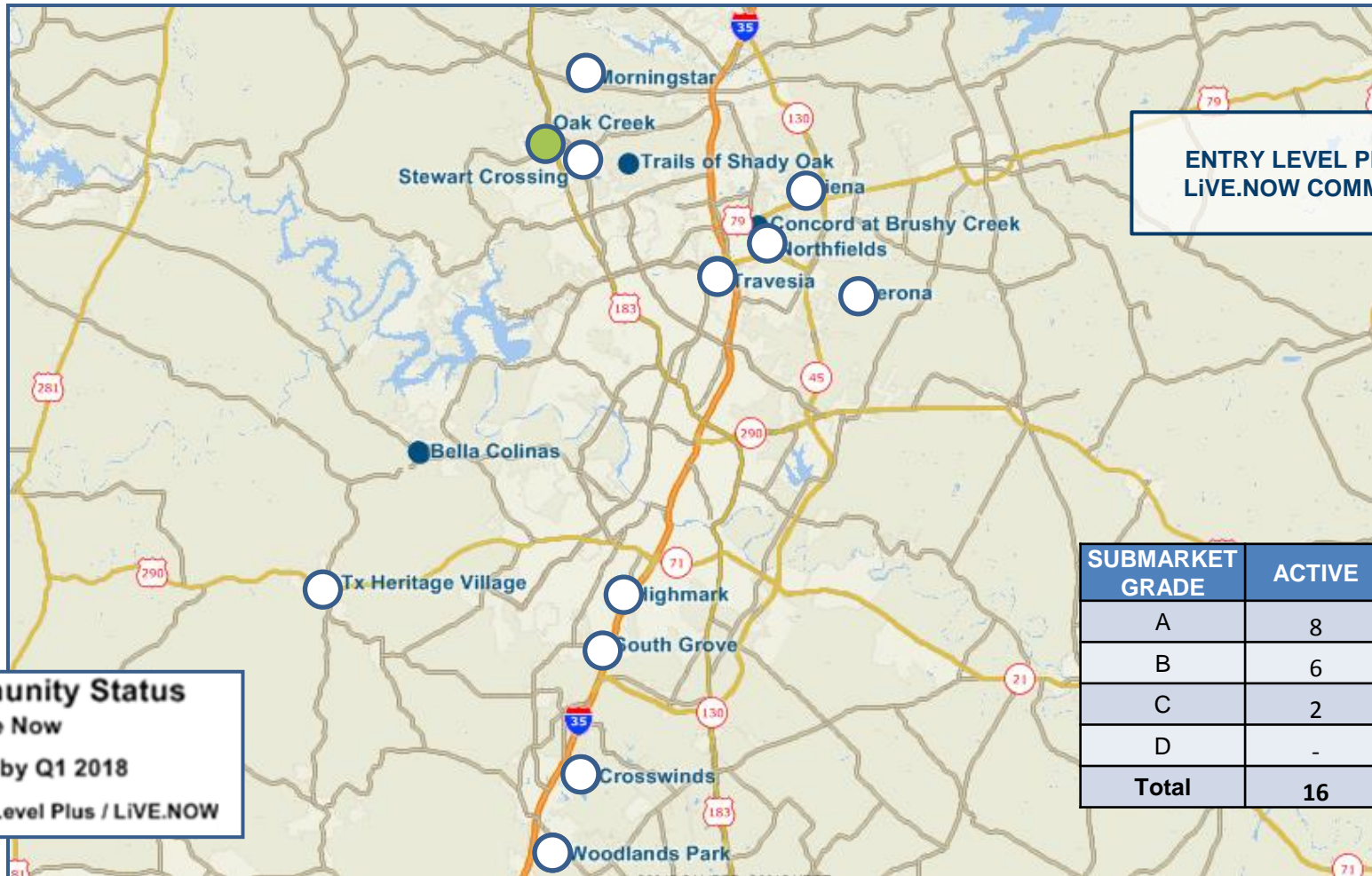
- Sales are slower at higher price points so half of our active communities are entry level plus
 - 71% of Austin positions opening in the next year are entry level plus

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AUSTIN DIVISION



SUBMARKET GRADE	ACTIVE	OPEN SOON
A	8	-
B	6	5
C	2	2
D	-	-
Total	16	7

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Austin – Texas Heritage Village



Austin – Texas Heritage Village

SAN ANTONIO DIVISION

2016 Statistics	San Antonio
Residential permits	3,621
Permits rank in U.S.	16
Y/Y growth in permits	0%
Permits growth rank	14
Listing months supply	3.2
Meritage market share	6%
Meritage builder size rank	5



**Jeremy Flach,
President**

- 17 years in the Homebuilding Industry
- 10 years with Meritage Homes
- Formerly with Pulte Homes

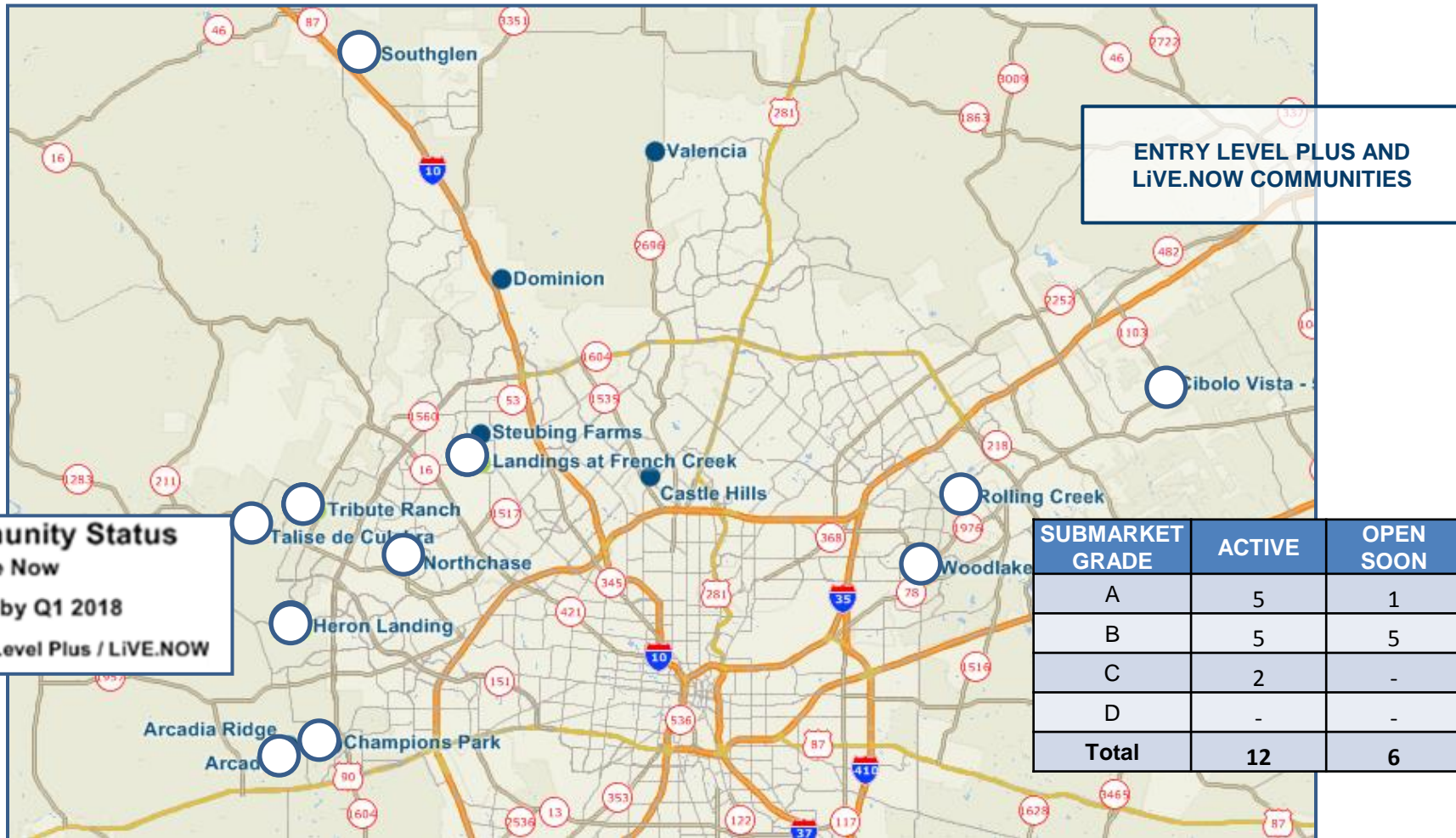
- Focus on traditional single-family detached product in mostly A & B submarkets
 - 11 out of 18 current and opening-soon communities are entry level plus

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SAN ANTONIO DIVISION



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San Antonio – The Enclave at Talise de Culebra



San Antonio – The Enclave at Talise de Culebra

HOUSTON DIVISION

2016 Statistics	Houston
Residential permits	25,233
Permits rank in U.S.	2
Y/Y growth in permits	-8%
Permits growth rank	15
Listing months supply	3.6
Meritage market share	2%
Meritage builder size rank	13



**Kyle Davison,
President**

- 22 years in the Homebuilding Industry
- Joined Meritage Homes in 2016
- Has experience in the Texas markets with focus on Houston
- Formerly with Westin Homes, KB Home and Pulte

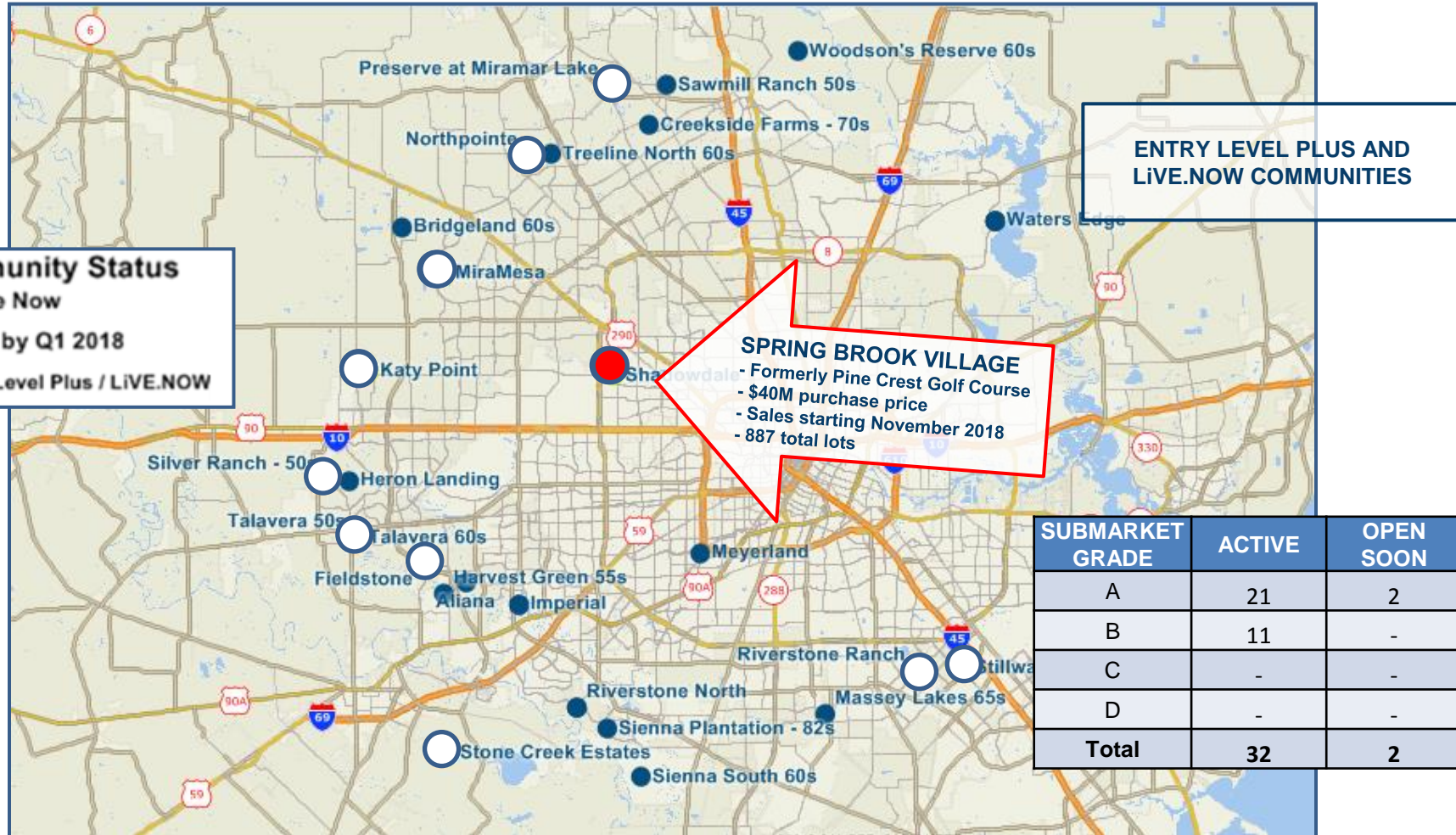
- Paused acquisitions mid-2015, selectively re-engaging currently
 - Even without growth, we were a top 13 builder in 2016
- A recently acquired former golf course within the beltway will include a master-planned community with 3 detached product series, substantial amenities, and price points below \$400K to appeal to first-time buyers

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HOUSTON DIVISION



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SPRING BROOK VILLAGE



The Meritage Houston Division has received approval to move forward on a spectacular 116 acre infill property, formally known as Pinecrest Golf Course. Located just a few minutes from Memorial City Mall, Spring Brook Village will provide over 800 residents with beautiful walking trails, lakes, amenity centers, a gorgeous infinity pool and a special water feature, along with trails and open space for homeowners to enjoy. Meritage is working with the best land planners and consultants to create a community that provides a unique sense of arrival and lifestyle not currently available in Houston, TX. Meritage was selected as the purchaser of the tract after a bid and interview process. The Seller agreed to structure this transaction as an "option" whereby only the land purchased is recorded on the balance sheet of Meritage. The Seller agreed to allow the creation of a Municipal Utility District ("MUD") that will provide a cost advantage over the competition. This is truly an exceptional opportunity. The ability to control 100 acres in the Spring Branch area will provide Meritage the ability to create a special community. We anticipate lots will be ready in the 3rd quarter of 2018 and home closing starting in Dec 2018. The Houston team is exceedingly eager to get this project off the ground as it will be one of a kind in the area!



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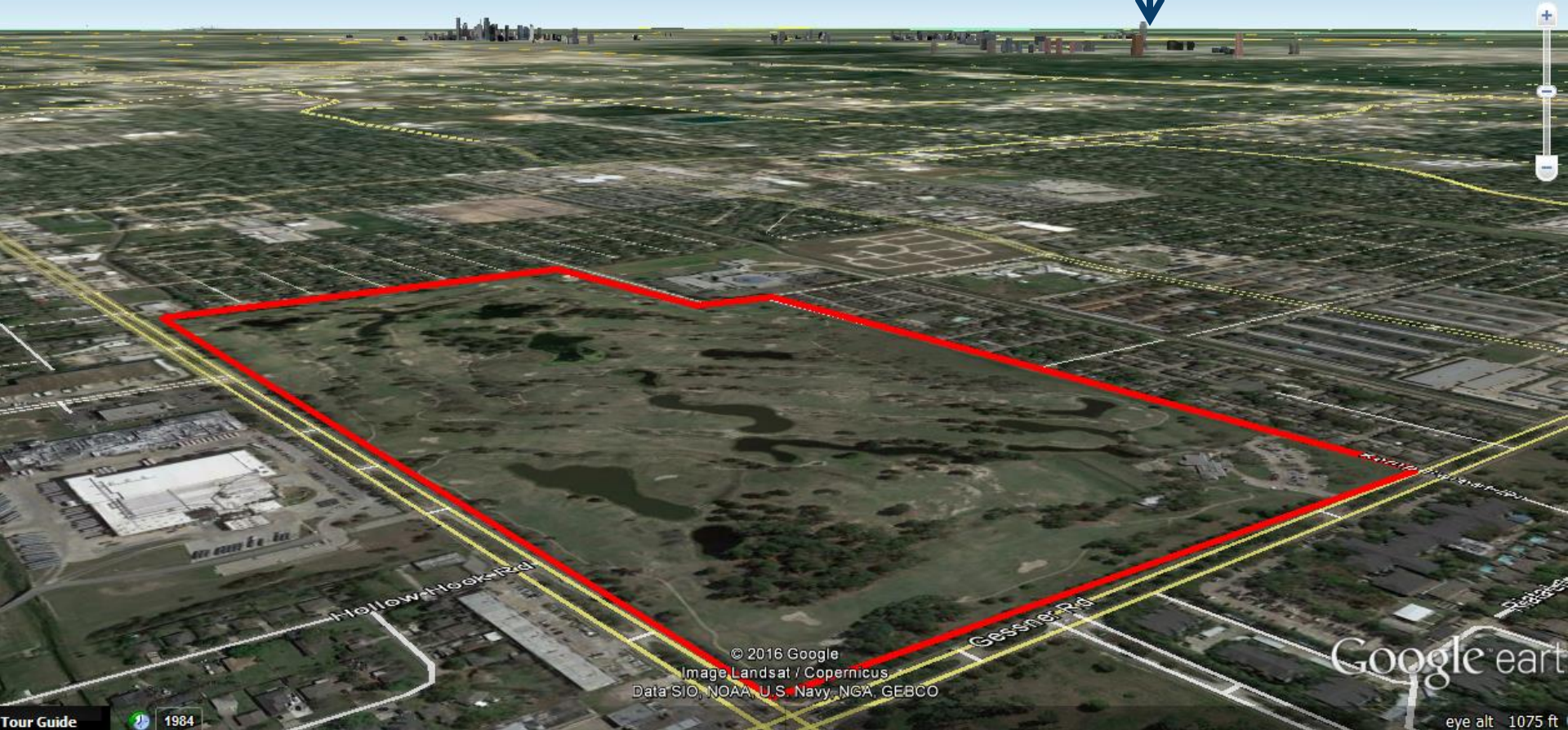
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Texas Medical Center

Central Business District

Galleria Financial Center



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VIDEO



Houston – Spring Brook

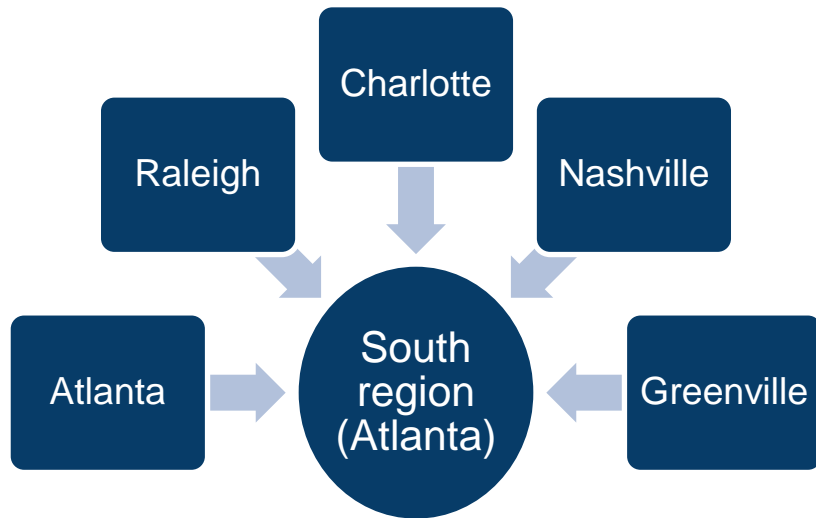
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SOUTH REGION



SOUTH REGION



**Jay Thrower,
President**

- 28 years in the Homebuilding Industry
- 3 years with Meritage Homes
- Multi-market experience in the southeastern U.S.
- Formerly with Ryland and Centex

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ATLANTA DIVISION

2016 Statistics	Atlanta
Residential permits	23,139
Permits rank in U.S.	3
Y/Y growth in permits	15%
Permits growth rank	4
Listing months supply	2.6
Meritage market share	2%
Meritage builder size rank	12



**Stephen Haines,
President**

- 18 years in the Homebuilding Industry
- 2 years with Meritage
- Has worked in Texas, Georgia, Tennessee, North/South Carolina and Florida
- Formerly with Centex, KB Home, Pulte and John Wieland

- 82% of active communities and 100% of communities opening in the next year are in A & B submarkets

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ATLANTA DIVISION



SUBMARKET GRADE	ACTIVE	OPEN SOON
A	4	7
B	10	3
C	3	-
D	-	-
Total	17	10

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Atlanta – Fernwood



Atlanta – Lakeside

CHARLOTTE DIVISION

2016 Statistics	Charlotte
Residential permits	9,989
Permits rank in U.S.	13
Y/Y growth in permits	15%
Permits growth rank	3
Listing months supply	2.9
Meritage market share	3%
Meritage builder size rank	11



Maurice “Mo” Johnson, President

- 12 years in the Homebuilding Industry
- Joined Meritage in 2016
- Has worked in Florida, Georgia and Arizona markets
- Formerly with Taylor Morrison and Morrison Homes

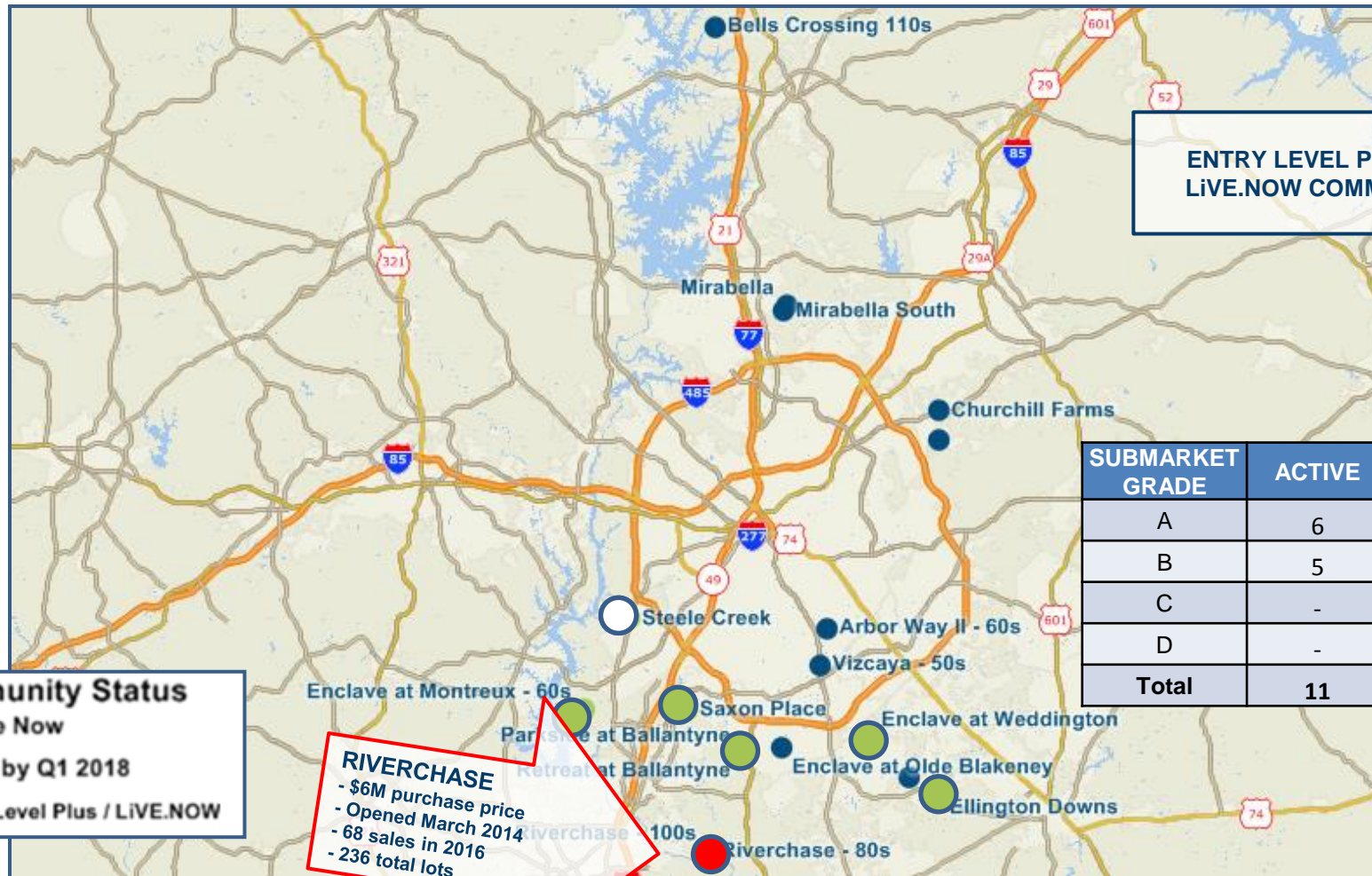
- All active communities and those opening in the next year are in A & B submarkets

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CHARLOTTE DIVISION



ENTRY LEVEL PLUS AND
LIVE.NOW COMMUNITIES

SUBMARKET GRADE	ACTIVE	OPEN SOON
A	6	5
B	5	3
C	-	-
D	-	-
Total	11	8

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CHARLOTTE DIVISION - RIVERCHASE

- 236-lot community situated on 185 with 94 acres of common area, 4 lot sizes (55', 65', 80', 100'), 3 products (40', 50', 60')
- 64 sales in the last year (Feb. 2016 to Jan. 2017) during close out
- Amenities include clubhouse, swimming pool, walking trails and kayak launch





Charlotte – Riverchase



Charlotte – Riverchase



Charlotte – Meadows at Mirabella



Charlotte – Meadows at Mirabella

GREENVILLE DIVISION

2016 Statistics	Greenville
Residential permits	5,570
Permits rank in U.S.	14
Y/Y growth in permits	20%
Permits growth rank	1
Listing months supply	N/A
Meritage market share	9%
Meritage builder size rank	3



**Pat Murphy,
President**

- 17 years in the Homebuilding Industry
- 3 years with Meritage Homes
- Has worked in Greenville, Atlanta, Columbia and Charlotte markets
- Formerly with McCar Homes and Legendary Communities

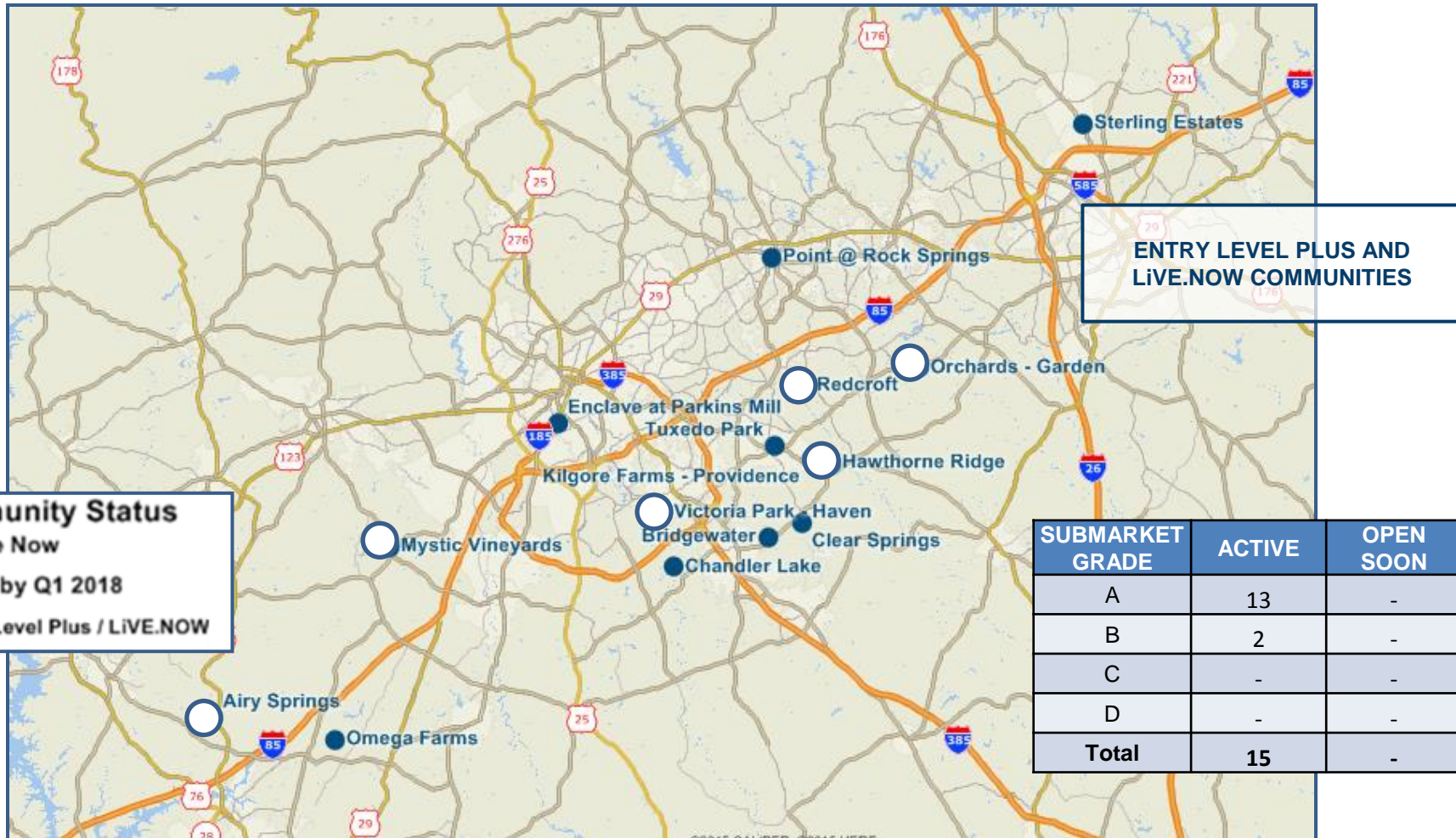
- Focusing on adding additional ELP Communities
- Targeting the Taylors, Spartanburg 5 and Spartanburg 2 Submarkets

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GREENVILLE DIVISION



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Greenville – Manor at Abner Creek



Greenville – Hawthorne Ridge



Greenville – Hawthorne Ridge

NASHVILLE DIVISION

2016 Statistics	Nashville
Residential permits	11,879
Permits rank in U.S.	12
Y/Y growth in permits	11%
Permits growth rank	7
Listing months supply	3.8
Meritage market share	3%
Meritage builder size rank	9



**John Hennebery,
President**

- 14 years in the Homebuilding Industry
- Joined Meritage Homes in 2016
- Has worked in Florida and Texas markets
- Formerly with Taylor Morrison, Beazer and NVR

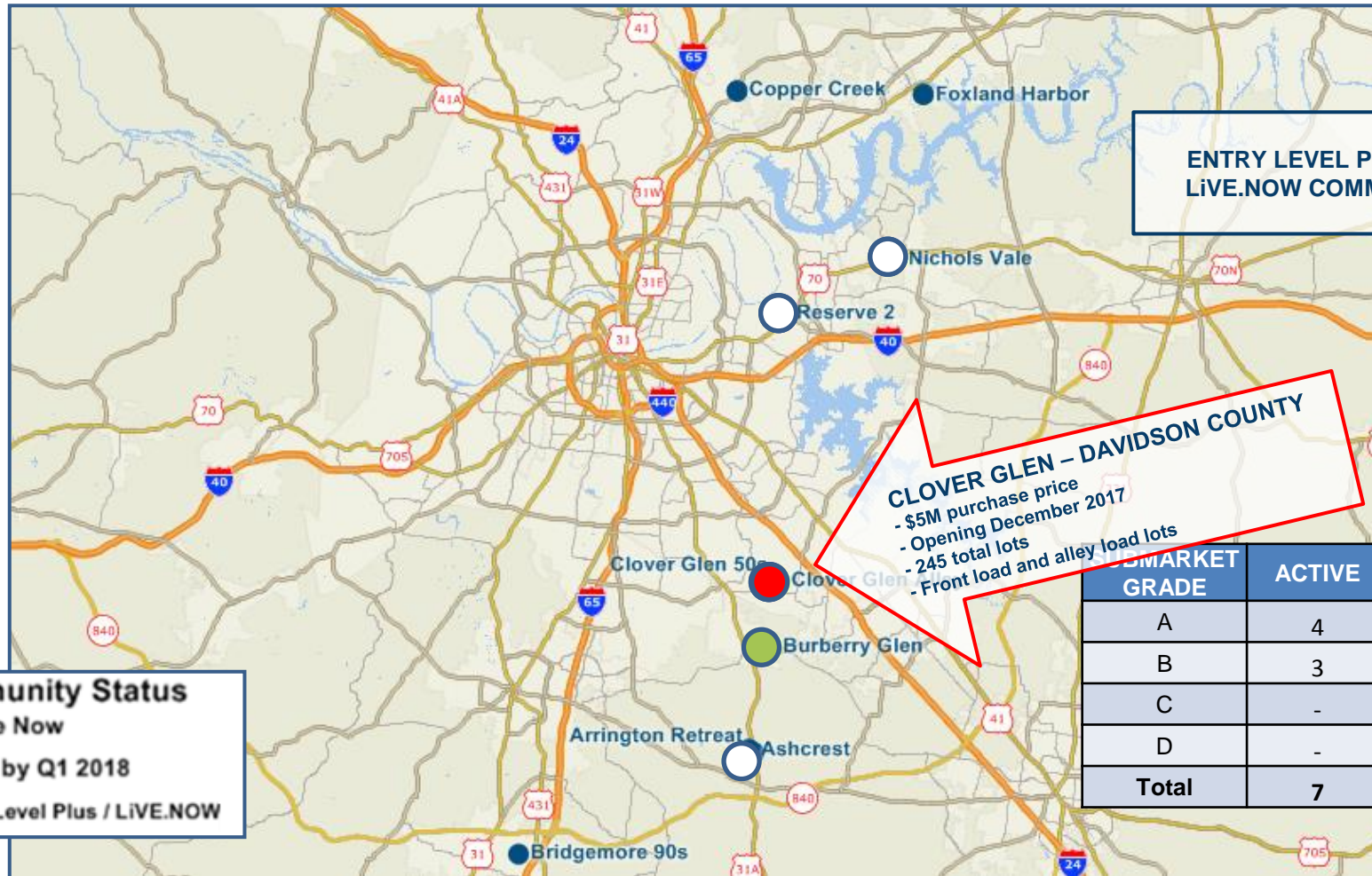
- Targeting ELP positions in Rutherford and Maury counties, which account for 25% and 8% market share of the area's new home sales

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NASHVILLE DIVISION



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Nashville – Arrington Retreat



Nashville – Arrington Retreat



Nashville – Ashcrest



Nashville – Ashcrest

RALEIGH DIVISION

2016 Statistics	Raleigh
Residential permits	12,674
Permits rank in U.S.	11
Y/Y growth in permits	10%
Permits growth rank	8
Listing months supply	3.7
Meritage market share	2%
Meritage builder size rank	7



**Lawrence Lane,
President**

- 13 years in the Homebuilding Industry
- 3 years with Meritage Homes
- Has worked in North Carolina, Georgia, Texas, California and Michigan markets
- Formerly with Pulte Homes

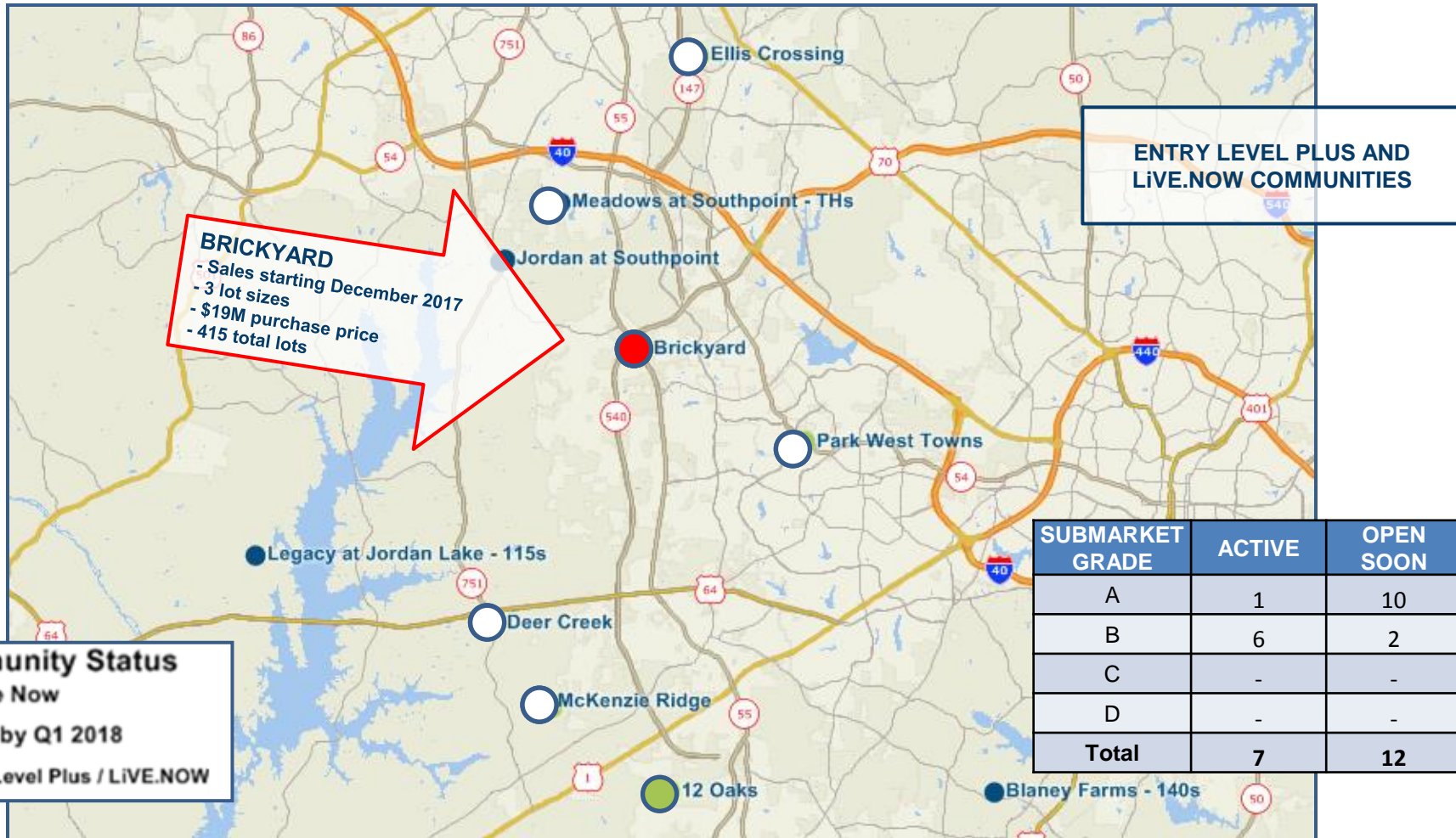
- Targeting Fuquay Submarket for additional ELP positions

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RALEIGH DIVISION



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Raleigh – Meadows at Southpoint



Raleigh – Meadows at Southpoint

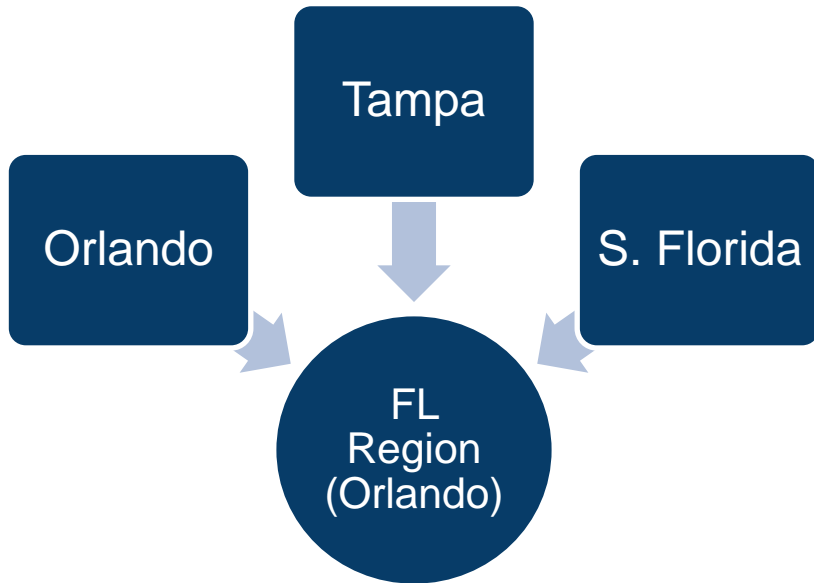
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FLORIDA REGION



FLORIDA REGION



**Steve Harding,
President**

- 25 years in the Homebuilding Industry
- 12 years with Meritage Homes
- Has worked in Texas and Florida
- Formerly with Pulte Homes

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ORLANDO DIVISION

2016 Statistics	Orlando
Residential permits	18,099
Permits rank in U.S.	6
Y/Y growth in permits	14%
Permits growth rank	6
Listing months supply	2.6
Meritage market share	5%
Meritage builder size rank	4



**Brian Kittle,
President**

- 16 years in the Homebuilding Industry
- 9 years with Meritage Homes
- Has worked in Ohio, Pennsylvania and Florida markets
- Formerly with Ryan, Centex and Ryland

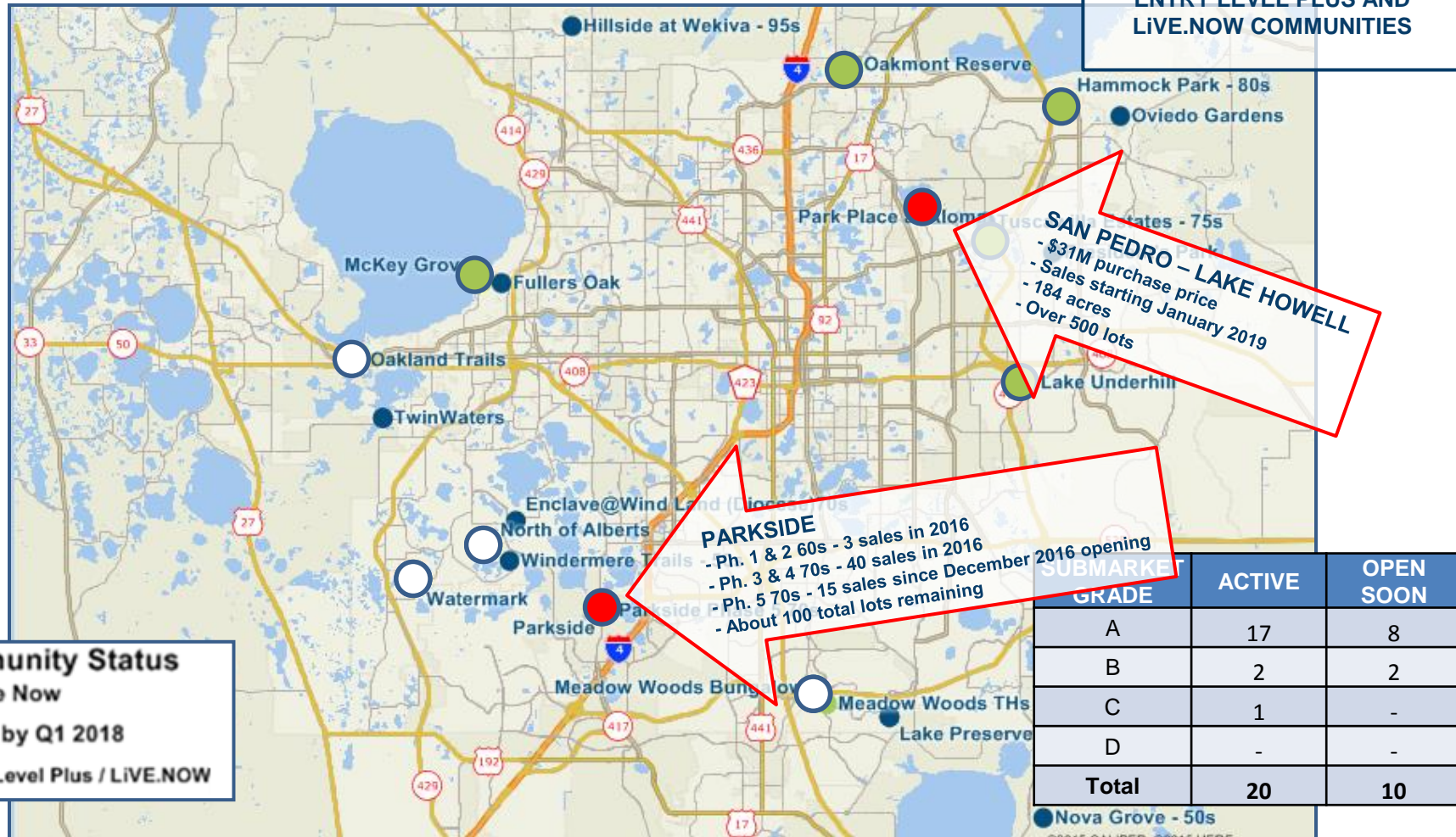
- Focusing on acquiring lots in A & B submarkets while still taking advantage of good deals in lower ranked opportunity markets, as well as AAA core/infill market areas
 - 6 ELP stores set to open by the end of 2017

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ORLANDO DIVISION



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VIDEO



Orlando San Pedro Flyover



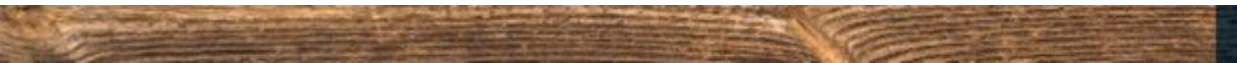
Orlando – Parkside



Orlando – Parkside



Orlando – Parkside





HAWK'S CREST

AT WINTER PARK



HAWK'S  CREST
— AT WINTER PARK —

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VIDEO

.....

Orlando – Parkside and Estates at Parkside

TAMPA DIVISION

2016 Statistics	Tampa
Residential permits	16,991
Permits rank in U.S.	7
Y/Y growth in permits	18%
Permits growth rank	2
Listing months supply	3.0
Meritage market share	1%
Meritage builder size rank	21



**Chris Ryan,
President**

- 27 years in the Homebuilding Industry
- Joined Meritage Homes in 2017
- Has worked in Tampa/St. Petersburg, Nashville, Naples, Melbourne and Palm Beach markets
- Formerly with WCI, Ryland, KB Home and Pulte

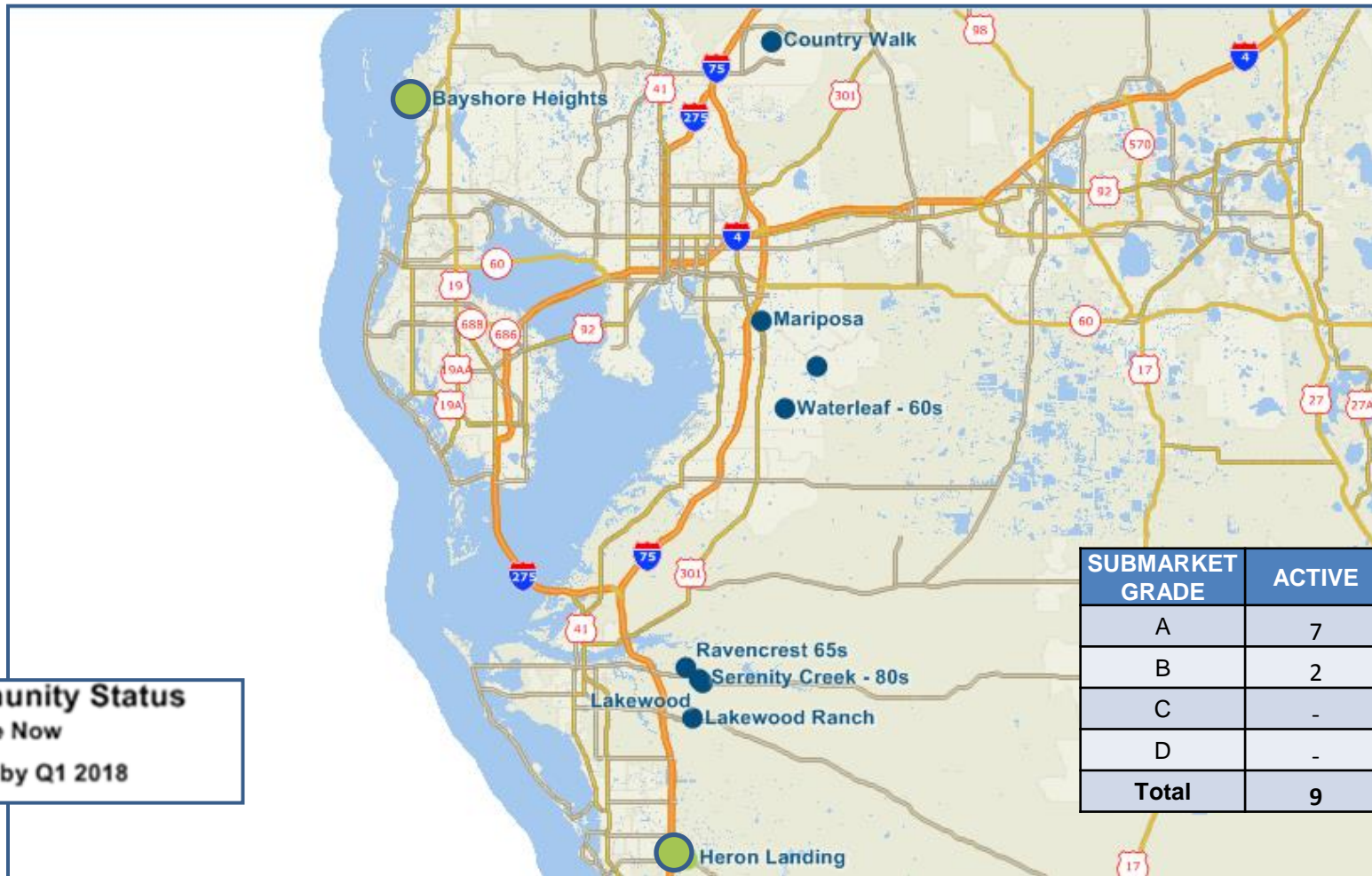
- Actively acquiring land in highly ranked markets where we can build on traditional 50' & townhome lots

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TAMPA DIVISION



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Tampa – Savanna at Lakewood Ranch



Tampa – Savanna at Lakewood Ranch



Tampa – Savanna at Lakewood Ranch

SOUTH FLORIDA DIVISION

2016 Statistics	S. Florida
Residential permits	4,116
Permits rank in U.S.	15
Y/Y growth in permits	-11%
Permits growth rank	16
Listing months supply	4
Meritage market share	N/A
Meritage builder size rank	N/A



**Lara Swanson,
President**

- 14 years in the Homebuilding Industry
- 5 years with Meritage Homes
- Has worked in multiple Florida markets
- Formerly with Wood Development and Pulte Homes

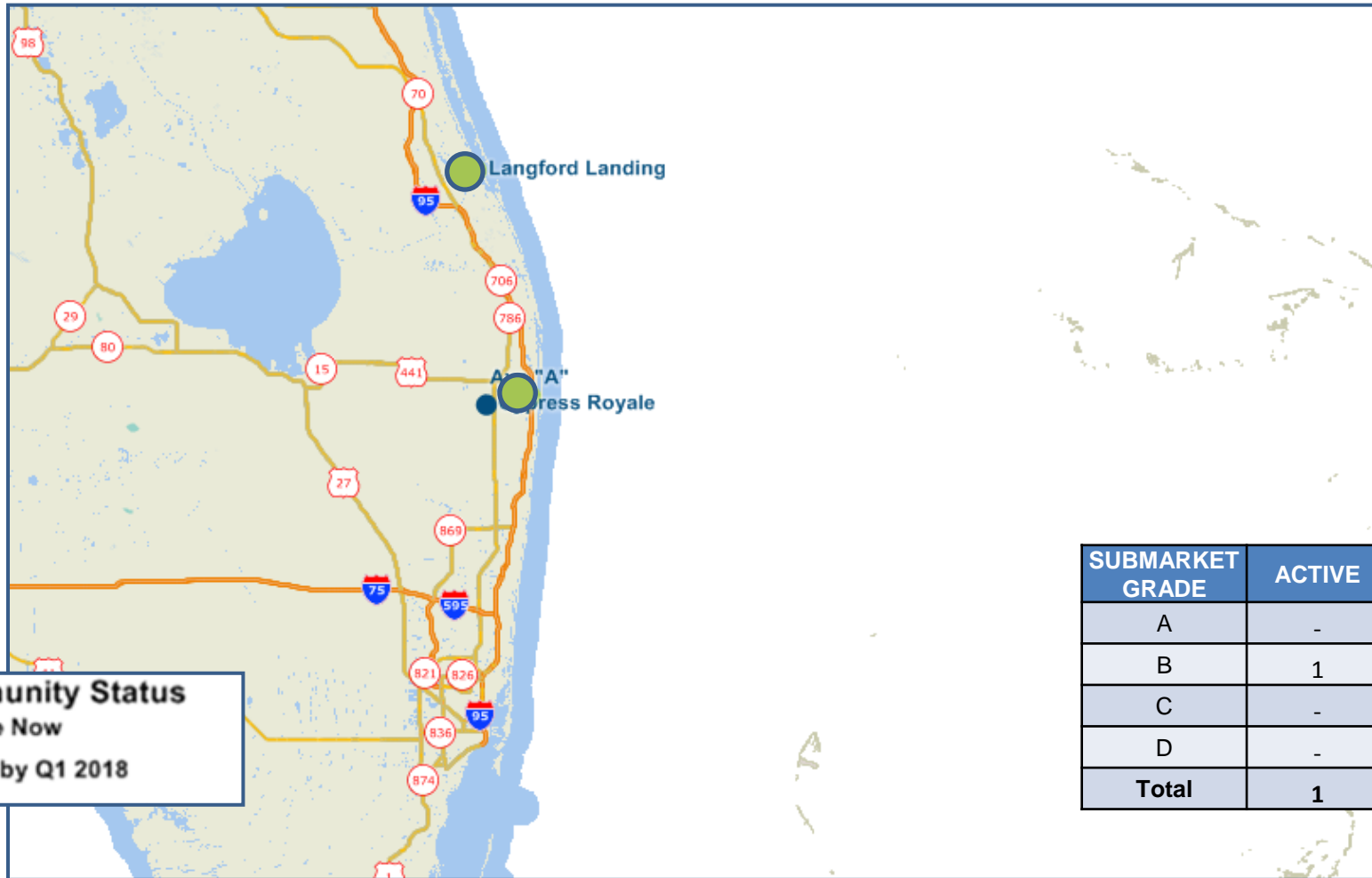
- Actively building backlog of ELP deals to expand our portfolio of traditional single family detached and townhome offerings

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SOUTH FLORIDA DIVISION



SUBMARKET GRADE	ACTIVE	OPEN SOON
A	-	-
B	1	-
C	-	1
D	-	1
Total	1	2

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RECENT RESULTS



MERITAGE HIGHLIGHTS OF 2016

- 7,355 closings
- \$3.0B home closing revenue – highest since 2006
- Net earnings increased 16% Y/Y
- \$1.4B shareholders' equity
- Expanded Entry-Level Plus – markets, lots, communities & plans
- ~11,000 new lots put under control
- Created new South Region plan library



- Celebrated our 100,000th home closing
- Awarded our 4th ENERGY STAR Partner of the Year award for Sustained Excellence

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FY2016 INCOME STATEMENT HIGHLIGHTS

FY revenue growth, leverage, lower interest expense & tax rate offset GM% contraction

(\$millions, except per share amounts)	Full Year Ended December 31		
	2016	2015	%Chg
Home closing revenue	\$3,003	\$2,532	+19%
Home closing gross profit	\$529	\$482	+10%
Home closing gross margin	17.6%	19.0%	-140 bps
Commissions & other sales costs	\$215	\$188	+14%
-- % of home closing revenue	7.2%	7.4%	-20 bps
General & administrative expenses	\$124	\$113	+10%
-- % of total closing revenue	4.1%	4.4%	-30 bps
Interest expense	\$5	\$16	-68%
-- % of total closing revenue	0.2%	0.6%	-40 bps
Earnings before taxes	\$218	\$189	+15%
Tax rate	31.4%	32.1%	-70 bps

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FULL YEAR 2016 ACTUAL PERFORMANCE VS GUIDANCE

We beat estimates for home closing revenue margin and EPS, and were within our guidance ranges for closings and closing revenue, falling short of guidance on orders mainly due to delayed community openings

(\$ in millions except ASP)	FY2016 <i>Actuals</i>	FY2016 <i>Consensus</i>	FY2016 <i>Guidance</i>
Home orders	7,290	7,403	7,300-7,500
Home closings	7,355	7,404	7,300-7,500
Home closing revenue	\$3.0 billion	\$3.0 billion	\$2.9-3.1 billion
Home closing gross margin	17.6%	17.5%	~17.5%
Effective tax rate	31%	32%	31-32%
Diluted EPS	\$3.55	\$3.46	\$3.40-3.60

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2017 FY & 1Q GUIDANCE

Full Year 2017

- Increase in communities mainly in 1Q-2Q, driving order growth 3Q-4Q
- 7,500-7,900 home closings (+2-7% Y/Y)
- \$3.1-3.3 billion home closing revenue (+3-10%)
- Gross margin % in line with 2016
- Improve leverage – reduce SG&A 30-50 bps
- +6-12% Y/Y increase in pre-tax earnings
- 34-35% tax rate unless energy tax credits renewed

First Quarter 2017

- 1,400-1,475 closings: (1-6)% vs 1Q16 1,488
- \$585-625M revenue: (2)-5% vs 1Q16 \$596M
- \$22-26M pre-tax earnings: (10-24)% vs 1Q16 \$29M

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GUIDANCE HIGHLIGHTS

- **Moderate sales, closings & revenue growth Y/Y for 2017**
- **2017 Home Closing Gross Margin consistent with 2016**
 - Significant shift to new higher-producing and better margin projects in late 2017-2018
 - Mix shift to more ELP and greater pct% from East region offset higher West & TX margins
 - Increased lot costs and construction costs factored into forecast offsetting higher margin projects
- **SG&A leverage improving in 2016 and further in 2017**
 - Internal commission structure adjusted
 - Leverage from higher closing revenue
 - Tighter G&A cost controls
- **Pre-tax margin** increases due to leverage and SG&A efficiency gains

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GUIDANCE HIGHLIGHTS

- **2017 ASP increases Y/Y with higher ASPs in 1st half of 2017 and lower ASPs in 2nd half due to larger ELP product mix**
 - West and Florida Regions contain the bulk of the swing, having the greatest rise and fall in ASPs as the South and Texas Region ASPs drop only slightly
- **Closely manage land spend to maintain sufficient liquidity throughout the year**
 - Review capital allocations quarterly and make adjustments based on market conditions
 - Review upcoming convertible debt put/call options (Sept-2017)

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PROJECTED IMPACT OF REMAINING LOTS IN COMMUNITIES IMPACTED BY REDUCED FHA LOAN LIMITS

- Almost half of the lots remaining in FHA challenged communities at 12/31/16 are in two communities that have higher direct margins than the other affected communities.
- Approximately (30) bps impact on 2016 & 2017
- Projecting a smaller % of total closings from these communities in 2018, so impact on GM% should be small in 2018.

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STATUS OF TAX REFORM DEBATE IN CONGRESS

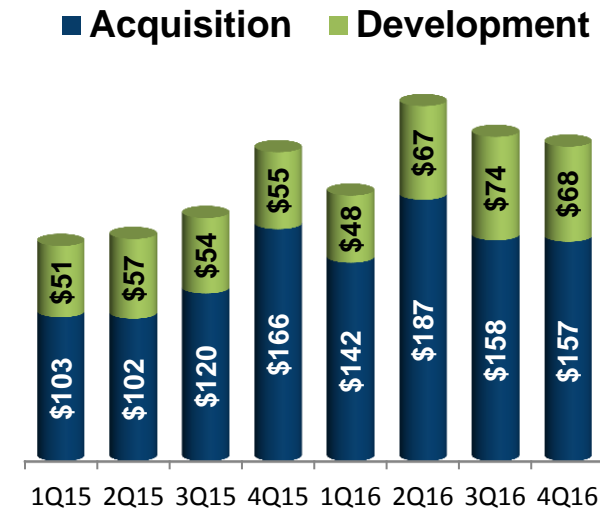
- It's early -- House blueprint may not be completely followed by the Senate and/or Trump.
- Proposed corporate tax rate 20%. We estimate 20-25% tax rate would be neutral due to offsets:
 - **Give up the business interest deduction, manufacturing deduction, and energy tax credits.** Carve out for capitalized interest related to inventory or land being discussed. [MTH: Based on 2016 data, at a 20% tax rate we estimate that we would break even losing the entire interest deduction, manufacturing deduction, and energy credits.]
 - **100% expensing method for COGS.** Opening inventory and land are problems to be worked out if this method is adopted. May create federal NOL's. Difficult transition. Financial statement impact surrounding the opening inventory issue is very significant and has not been vetted: 20% of opening inventory flows through as tax expense to our net income in year1. As a deferred deduction, we would get to deduct over time and eventually recover. As a disallowed deduction, it is gone forever.
 - **Recognize income on percentage of completion method (PCM)** versus current homebuilder method of completed contract (CCM). CCM is based on close of escrow and PCM would be based on the ratio of costs incurred versus costs budgeted. PCM produces phantom income (no cash in hand), but the related costs incurred would be 100% deductible under the 100% expensing method. We currently use PCM for condos only.
- Effective date may not be tied to a calendar year. The last 1986 overhaul was done as a mid-year change.

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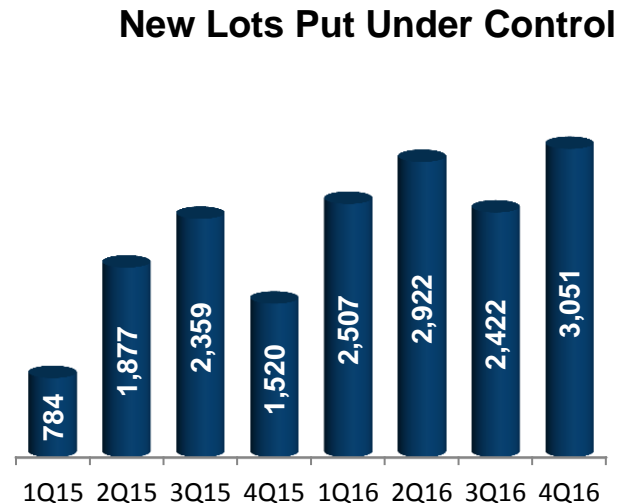
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\$901M TOTAL 2016 LAND & DEVELOPMENT SPENDING



\$709M in 2015

\$901M in 2016!



6,540 in 2015

10,902 in 2016!

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MAINTAINING STRONG BALANCE SHEET WHILE INVESTING CASH FOR FUTURE GROWTH

Net debt-to-capital (non-GAAP reconciliation to Debt-to-capital ratio)	(\$millions)	
	Dec-31, 2016	Dec-31, 2015
Notes payable and other borrowings	\$1,127	\$1,117
Less: cash and cash equivalents	(132)	(262)
Net debt	\$996	\$855
Stockholders' equity	1,421	1,259
Total capital	\$2,417	\$2,114
Net debt-to-capital	41.2%	40.4%
Real estate inventory	\$2.4B	\$2.1B

Statistics	2016	2015
4Q Closings from spec inventory	41%	35%
<u>As of December 31</u>		
Unsold homes (specs)	1,692	1,270
Under construction	71%	63%
Completed	29%	37%
Full year land & development spending	\$901M	\$709M

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CONVERTIBLE NOTES DUE 2032

- **Overview**

- Convert issued 2012 @ 1.875%
- 47.5% conversion feature = \$58.14 strike price
- First call/put Sept 2017
 - MTH can call any time after Sept 2017
 - Holders can put on the 5/10/15th anniversaries
- 2.2M shares dilutive to EPS (about 5%)

- **Potential advantages to call**

- Dilution from shares more punitive than interest spread in current environment
- Expect holders to put as conversion significantly out of the money, although convert market is in high demand
- If no put, we intend to call, depending on conditions – pseudo share-repurchase

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SUMMARY

- **Positioned in very good markets with many opportunities for growth and earnings expansion**
 - exploiting each of those opportunities while also maintaining disciplined balance sheet management
- **The stage is set for growth in 2017 and 2018 with:**
 - strong housing market, expanding as pent-up demand from Millennials is unleashed
 - solid positions in most of the top 20 markets
 - great community positions in A&B markets
 - a broad and differentiated product offering across ELP and move-up (including semi-custom luxury and AA)
 - improving cost efficiencies for better gross margins
 - additional leverage opportunities with growth

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