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# **MERITAGE HOMES INVESTOR PRESENTATION**

**ZELMAN 2017 HOUSING SUMMIT  
SEPTEMBER 13-14, 2017**



# 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 the potential impacts of Hurricane Harvey on our Houston business, future growth, execution of strategic initiatives and projections with respect to the entry-level and first-time home buyer market, as well as projections provided on August 1 for third quarter and full year 2017 home closings and home closing revenue, home closing gross margins and pre-tax earnings for the full year 2017.

Such statements are based upon the current beliefs and expectations of Company management, and current market conditions, which are subject to significant uncertainties and fluctuations. Actual results may differ from those set forth in the forward-looking statements. The Company makes no commitment, and disclaims any duty, to update or revise any forward-looking statements to reflect future events or changes in these expectations. Meritage's business is subject to a number of risks and uncertainties. As a result of those risks and uncertainties, the Company's stock and note prices may fluctuate dramatically. These risks and uncertainties include, but are not limited to, the following: potential adverse impacts on our Houston sales, closings, revenue and costs due to Hurricane Harvey; the availability and cost of finished lots and undeveloped land; changes in interest rates and the availability and pricing of residential mortgages; the success of strategic initiatives; shortages in the availability and cost of labor; changes in tax laws that adversely impact us or our homebuyers; 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 slow 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 earnest or option deposits; our potential exposure to and impacts from 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; our ability to successfully integrate acquired companies and achieve anticipated benefits from these acquisitions; our compliance with government regulations; the effect of legislative and other governmental actions, orders, policies or initiatives that impact housing, labor availability, construction, mortgage availability, our access to capital, the cost of capital or the economy in general, or other initiatives that seek to restrain growth of new housing construction or similar measures; legislation relating to energy and climate change; the replication of our energy-efficient technologies by our competitors; our exposure to information technology failures and security breaches; 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 and our subsequent Forms 10-Q, under the caption "Risk Factors," which can be found on our website.

# MANAGEMENT REPRESENTATIVES

Steven J. Hilton – Chairman & CEO

Hilla Sferruzza – EVP & Chief Financial Officer

Brent Anderson – VP Investor Relations

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## COMPANY OVERVIEW



# MERITAGE HOMES: COMPANY OVERVIEW

- **Meritage is a leading U.S. single-family homebuilder**
  - 8th largest public homebuilder based on 2016 closings
  - Over 7,400 homes delivered over last twelve months
- **Went public in 1996 and currently trades on the NYSE under the ticker MTH**
  - CEO Steve Hilton founded Monterey Homes in 1985
  - 10 acquisitions and 12 greenfield startups have helped the company grow to 257 active communities as of 6/30/17
- **Operates in nine states across three primary regions: (i) West, (ii) Central and (iii) East**
  - Significant exposure to Texas and Phoenix
  - Meritage holds a top-10 position in most of the markets in which it competes based on 2016 closings
- **Since 2011, Meritage has entered seven attractive markets in the Southeast**
  - Acquired Phillips in Nashville and Legendary in Atlanta to increase southeastern penetration
  - Diverse product offering focused on first-time, move-up, luxury and active adult buyers
  - Q2 2017 home closing ASP of \$419k for the Company

## Key Operating Metrics

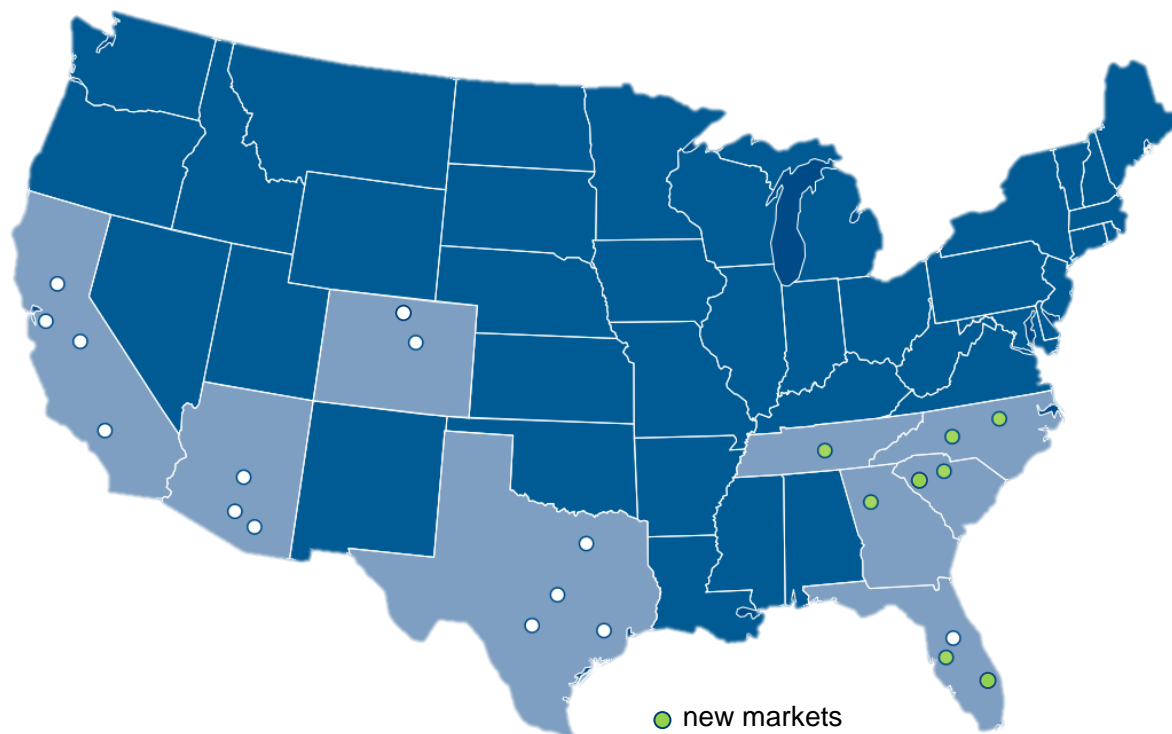
(LTM as of 6/30/17, \$ in millions except EPS)

Total Controlled Lots	33,459
Home Deliveries	7,404
<i>Implied Years Supply</i>	4.5
Homebuilding Revenue	\$3,070
Home Sales Gross Margin	\$536
<i>Home Sales Gross Margin %</i>	17.5%
Diluted EPS	\$3.60
<i>Pre-tax Margin %</i>	7.4%

# 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



# KEY INVESTMENT HIGHLIGHTS

- ✓ Well positioned in top U.S. homebuilding markets
- ✓ Housing market drivers are positive, pointing to continued strength
- ✓ Entry-Level Plus expansion capitalizes on favorable demographic trends
- ✓ Proven track record of executing on growth strategy
- ✓ Strategic initiatives driving earnings growth
- ✓ Conservative balance sheet that supports growth initiatives



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

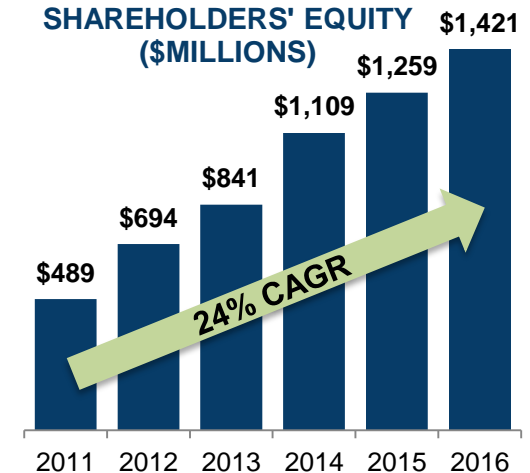
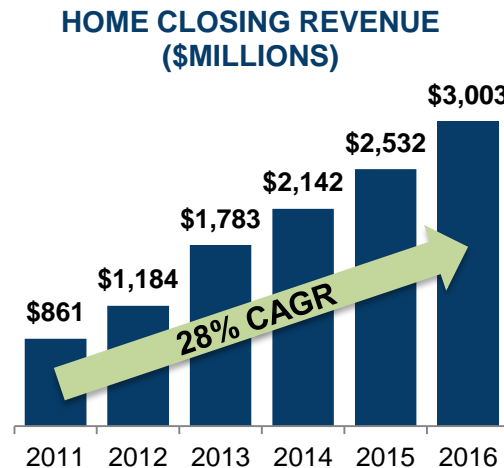
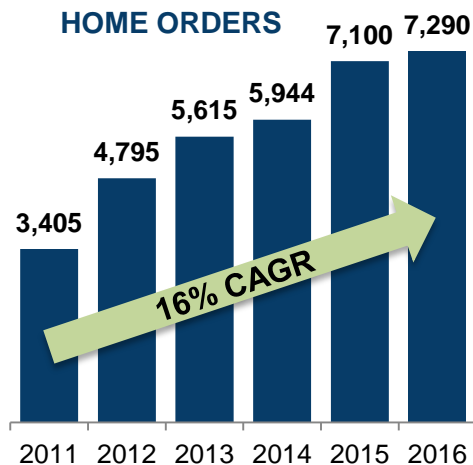
Market	2016 Permit Rank	2016 Single Family Permits
Houston-The Woodlands-Sugar Land, TX	1	35,397
Dallas-Fort Worth-Arlington, TX	2	29,846
Atlanta-Sandy Springs-Roswell, GA	3	22,931
Riverside - LA - OC - Bakersfield, CA	4	19,374
Phoenix-Mesa-Scottsdale, AZ	5	18,577
Denver - Boulder - Fort Collins - Greeley, 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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# 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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## GROWTH OPPORTUNITIES



# INCREASED FOCUS ON HOMES FOR ENTRY-LEVEL / FIRST-TIME BUYERS

- ELP expected to reach 35-40% of community count by 2018-end, up from 23% in 2016
  - Expecting increased absorption pace to roughly offset a lowered ASP and hence have a revenue-neutral impact
  - Nearly 70% of lots purchased YTD2017 were ELP communities.
  - 49% of closings in YTD2017 were from specs started before sold
  - >35% of sales in 2Q17 from entry-level communities

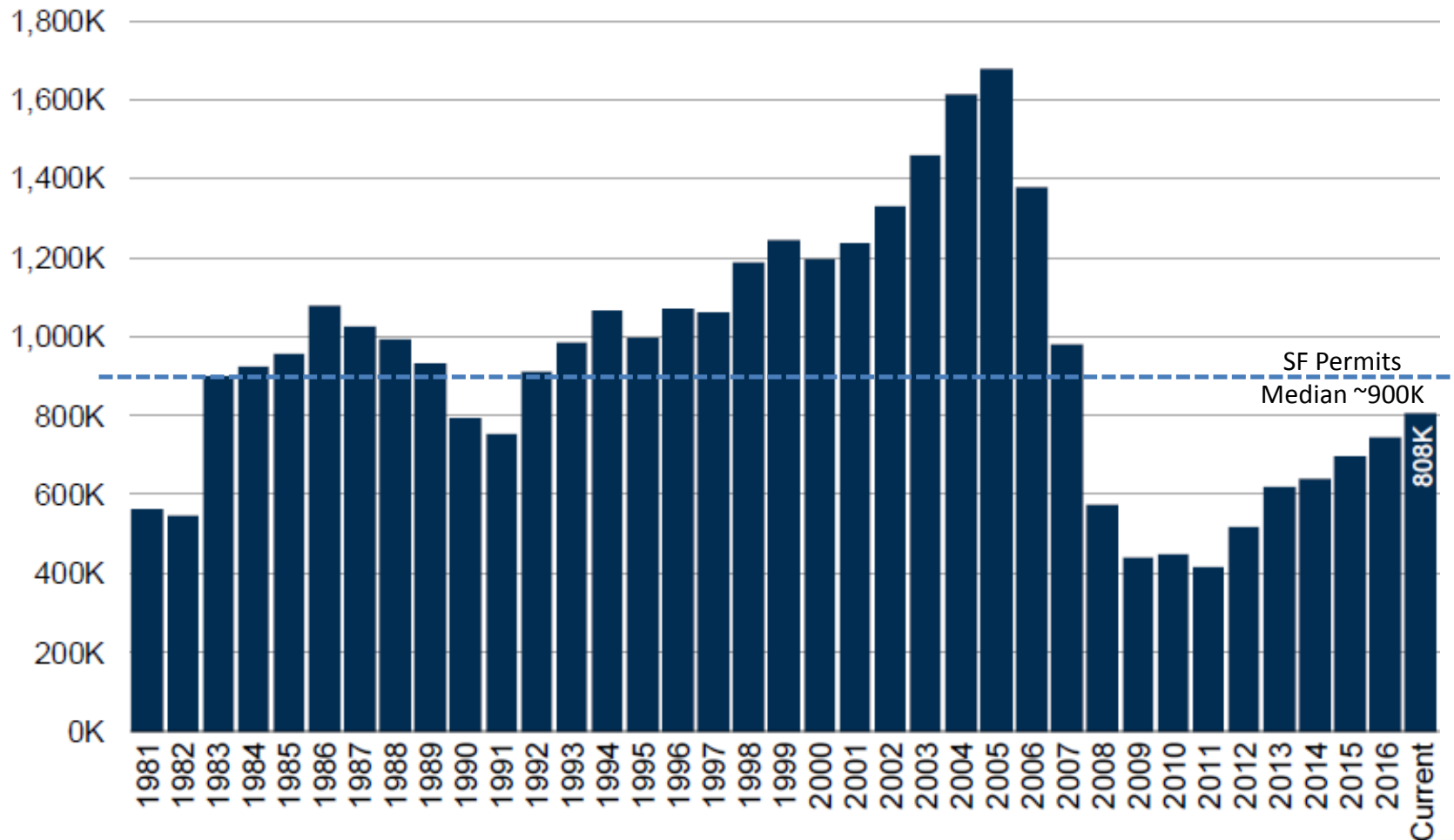
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# PERMITS STILL BELOW HISTORICAL LEVELS DESPITE MARKET RECOVERY



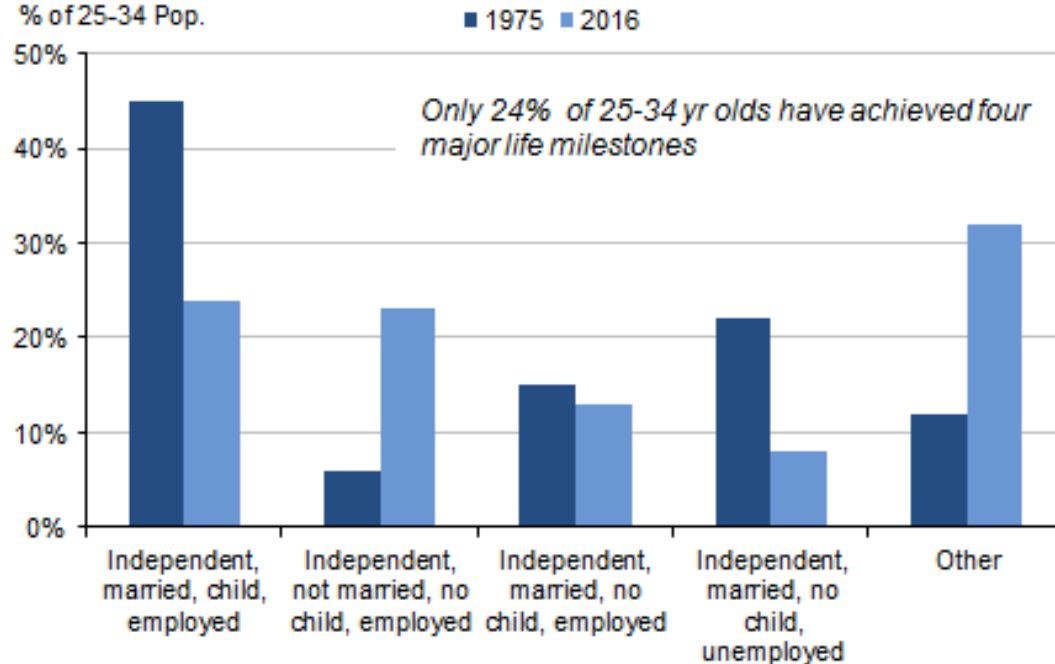
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# PENT-UP DEMAND AMONG FIRST-TIME BUYERS

**Figure 1. Achievement of Four Common Milestones of Adulthood**  
% of 25-34 Pop.



Source: Census Bureau,

Compared to 1975, relatively fewer 25-34 year-olds are hitting major life milestones currently, including marriage.

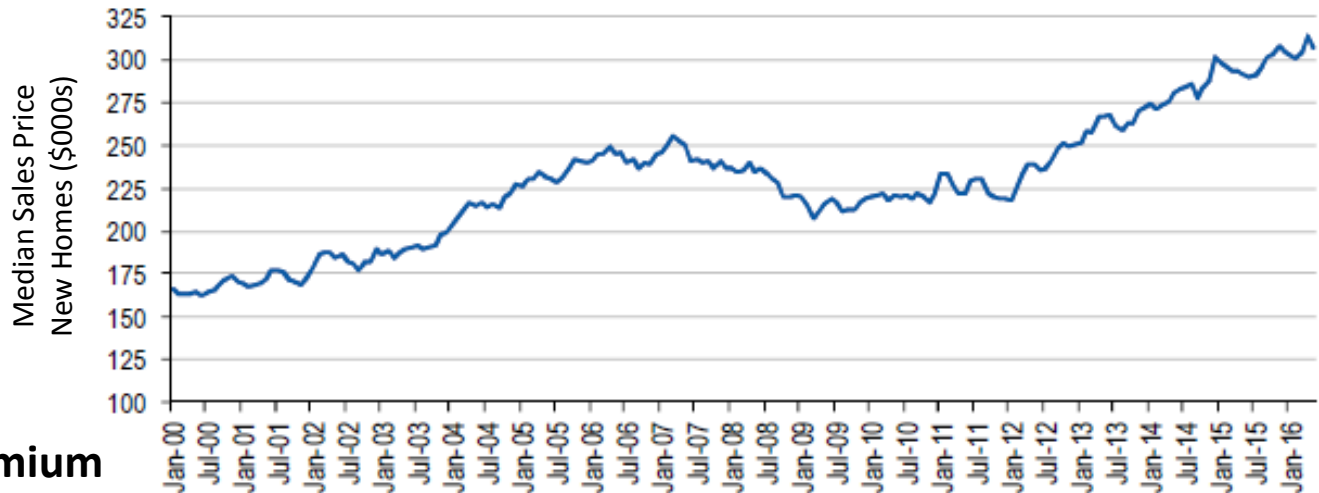
These trends are delaying homeownership.

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# HIGH DEMAND DRIVING PRICES HIGHER



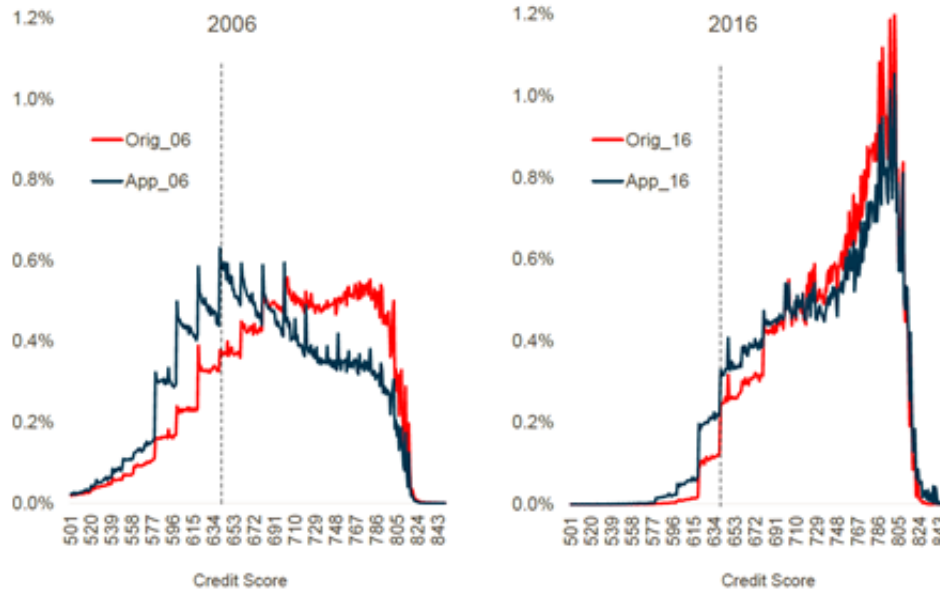
New Home Price Premium



But the new home vs existing home price premium is narrowing

# CREDIT AVAILABILITY GOOD, IF MORE BUYERS WOULD JUST APPLY

Figure 1. Purchase Application Distribution by Credit Score



Source: CoreLogic

Significant reduction in the share of mortgage originations to individuals with FICO scores below 640 not because of higher rejection rate, but because they aren't even applying in the first place.

More lower quality buyers could probably become homeowners if they would simply apply -- could be a boost to housing demand in the near-term.

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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.



**Phoenix**  
**The Parks – Juno model**

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## Phoenix The Parks

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## FINANCIAL OVERVIEW





# Highlights of 2Q 2017

- Strong order growth in TX & AZ offset weakness in South Region
  - Led by strong demand in entry-level segment
- Large number of spec closings (51%)
- Home closing gross margin improved (better spec margins)
- Pre-tax earnings increased against difficult 2Q16 (+43% Y/Y) comparison
- Good progress on strategic initiatives

# 2Q & YTD INCOME STATEMENT HIGHLIGHTS

2Q earnings growth driven by improved GM% and lower SG&A%, partially offset by higher tax rate; YTD driven by revenue growth, lower SG&A%

(\$millions, except ASP and per share amounts)	Three Months Ended June 30,			Six Months Ended June 30,		
	2017	2016	%Chg	2017	2016	%Chg
Home closings	1,906	1,950	-2%	3,487	3,438	+1%
ASP (closings)	\$419K	\$408K	+3%	\$418K	\$405K	+3%
Home closing revenue	\$798	\$796	--	\$1,458	\$1,391	+5%
Home closing gross profit	\$141	\$138	+2%	\$248	\$241	+3%
Home closing gross margin	17.7%	17.3%	+40 bps	17.0%	17.3%	-30 bps
SG&A expenses	\$84	\$85	-1%	\$162	\$161	+1%
-- % of home closing revenue	10.6%	10.7%	-10 bps	11.1%	11.6%	-50 bps
Interest expense	\$2	\$2	--	\$2	\$5	-51%
-- % of total closing revenue	0.2%	0.2%	--	0.2%	0.4%	-20 bps
Earnings before taxes	\$63	\$59	+7%	\$100	\$88	+14%
Tax rate	34.2%	32.5%	+170 bps	34.8%	30.8%	+400 bps
Net earnings	\$42	\$40	+4%	\$65	\$61	+7%

# STRONG BALANCE SHEET TO SUPPORT STRATEGIC GROWTH

Net debt-to-capital (non-GAAP reconciliation to Debt-to-capital ratio)	(\$millions)	
	Jun-30, 2017	Dec-31, 2016
Notes payable and other borrowings	\$ 1,358	\$ 1,127
Less: cash and cash equivalents	(217)	(132)
Net debt	\$ 1,141	\$ 996
Stockholders' equity	1,492	1,421
Total capital	\$ 2,633	\$ 2,417
Net debt-to-capital	43.3%	41.2%
Real estate inventory	\$2.64B	\$2.42B

Statistics	2017	2016
2Q Closings from spec inventory	51%	42%
<u>As of June 30</u>		
Unsold homes (specs)	1,790	1,270
Under construction	72%	79%
Completed	28%	21%
2Q land & development spending	\$279M	\$254M

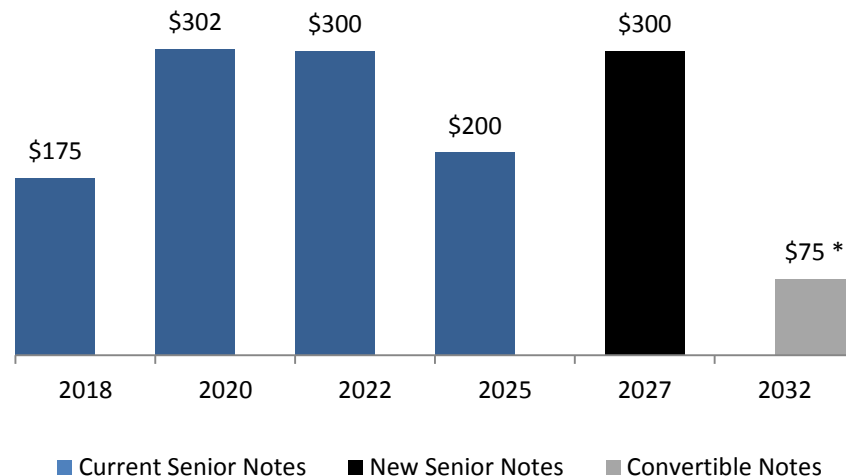
# RECENTLY ISSUED NEW NOTES

## **\$300 million 5.125% 10-year Senior Unsecured Notes Due June 2027**

**Net proceeds \$296 million received June 6, 2017**

- Used to pay off borrowings under Revolving Credit Facility and repurchase/call the Company's 1.875% Senior Unsecured Convertible Notes due 2032\*

**Current Debt Maturities (\$millions)**



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# UPGRADED BY S&P TO BB, EQUIVALENT TO OTHER RATING AGENCIES

**S&P Global**  
Ratings

**RatingsDirect®**

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Research Update:

Meritage Homes Corp. Ratings Raised  
To 'BB' From 'BB-'; Outlook Stable

Investment Grade/BB+	BB	BB- and below
D.R. Horton Toll Bros NVR	<b>MERITAGE</b> CalAtlantic Lennar Mattamy MDC Pulte	Ashton Woods Beazer Brookfield Hovnanian KB Homes M/I Homes Taylor Morrison Tri-Pointe Wm. Lyon

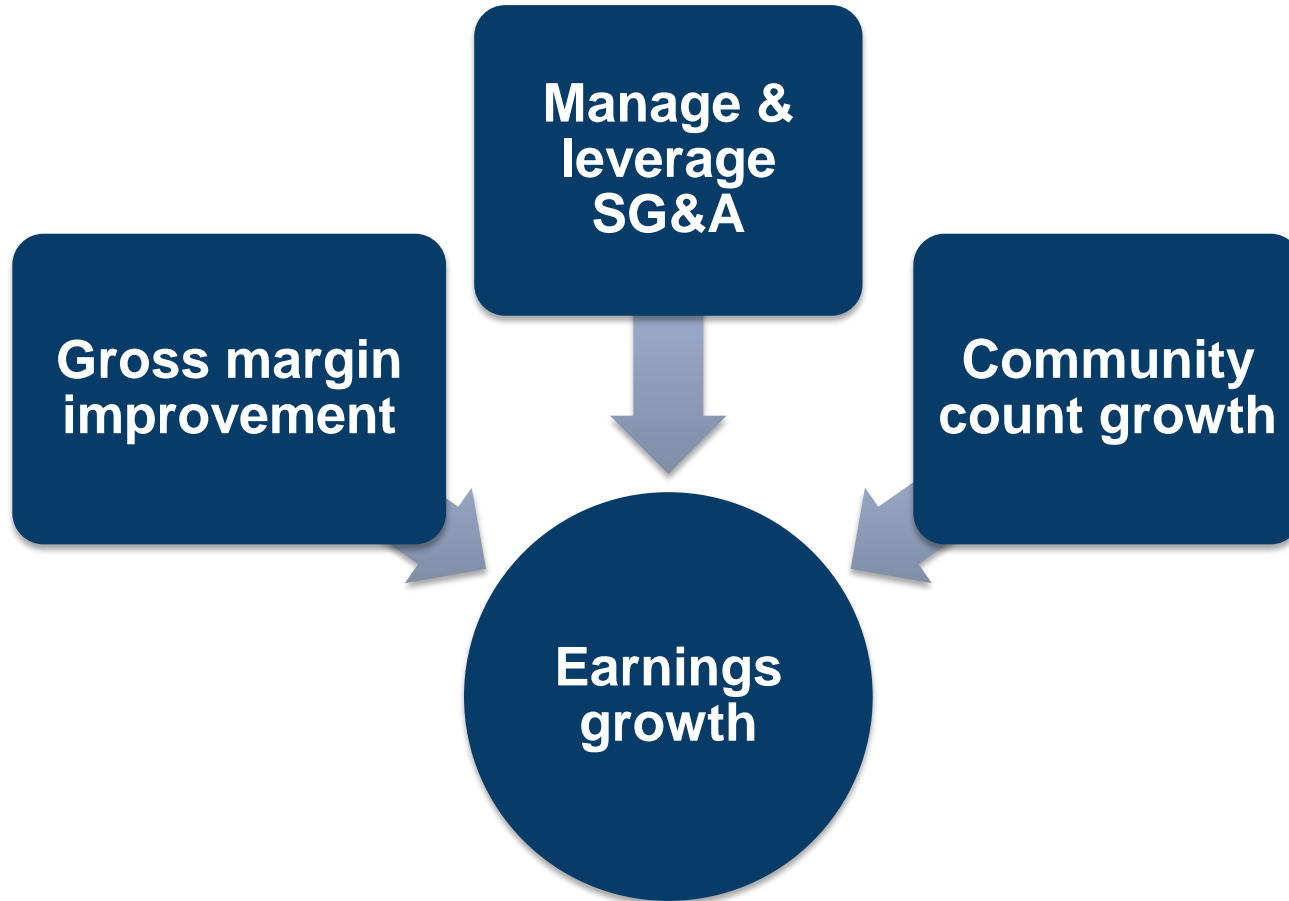
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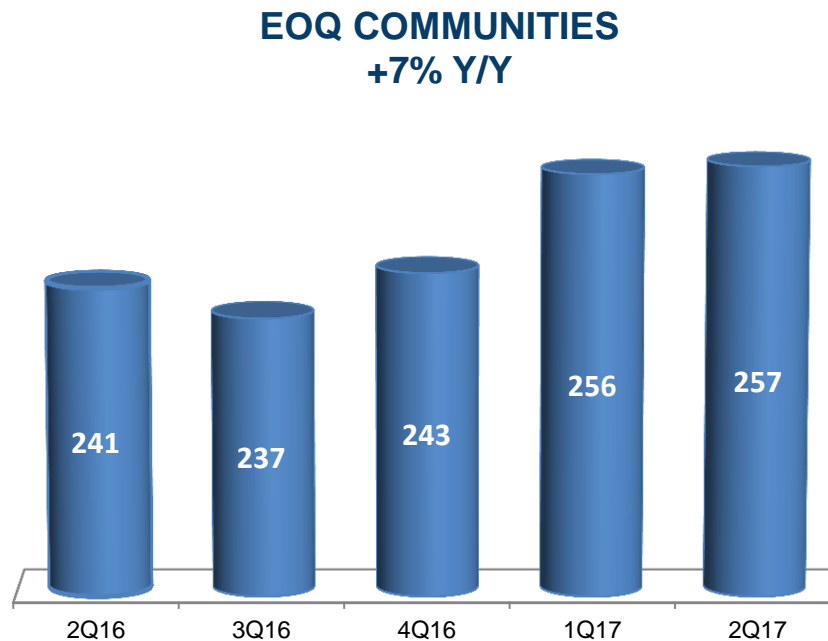
## STRATEGIC INITIATIVES



# STRATEGIC INITIATIVES FOR LONG-TERM SUCCESS



# COMMUNITY COUNT GROWTH

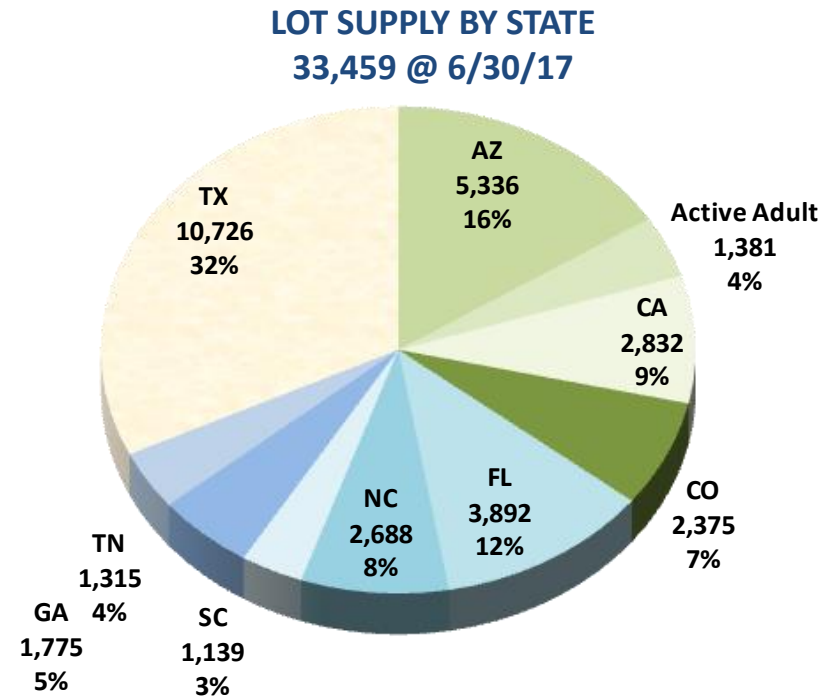
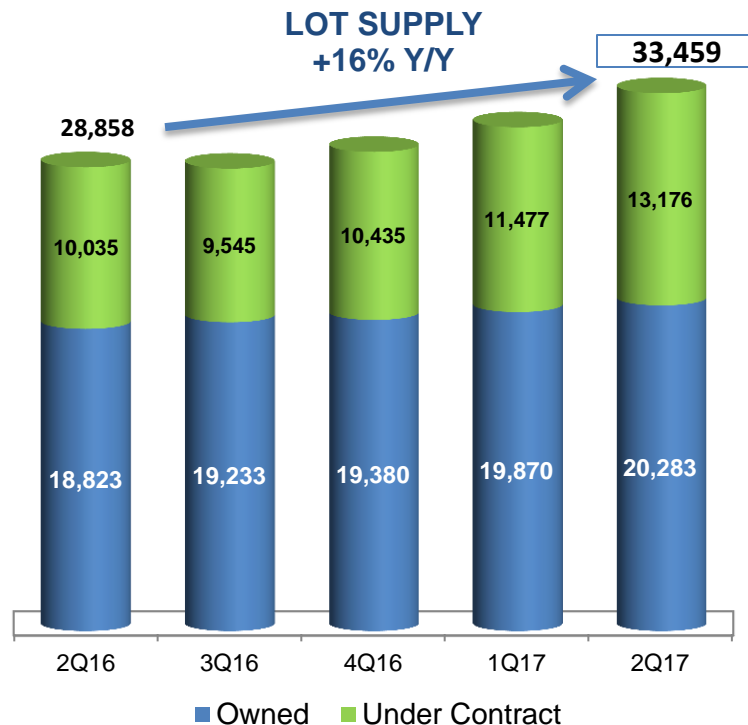


Maintained 5%  
YTD growth in  
active  
community  
count,  
consistent with  
our target for  
2017

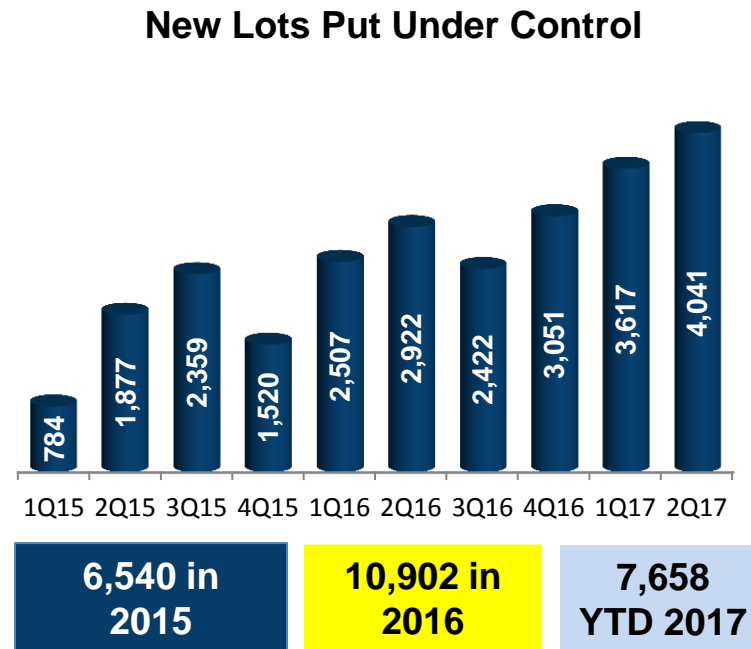
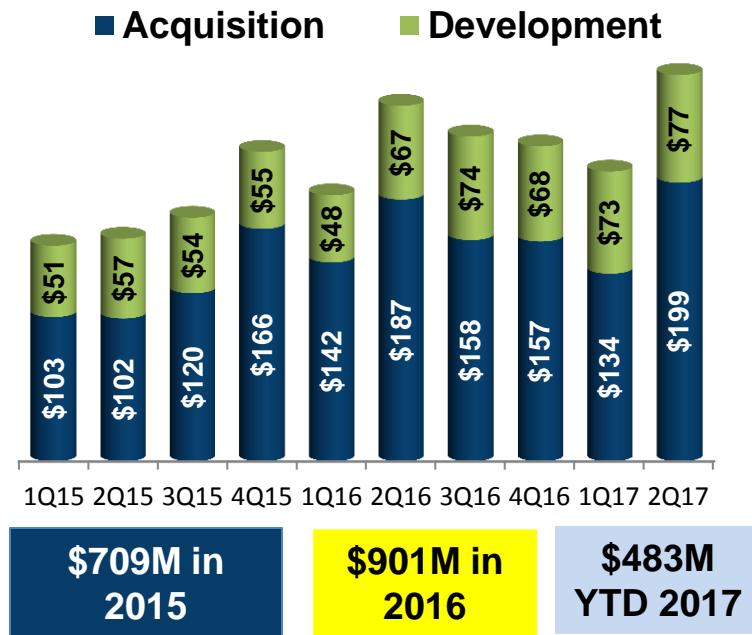


# CONTINUING TO INVEST IN NEW COMMUNITIES

- Invested \$279M in land & development in 2Q17
- Secured 4,000+ new lots in 2Q17 for 2018+ (~70% for entry-level)

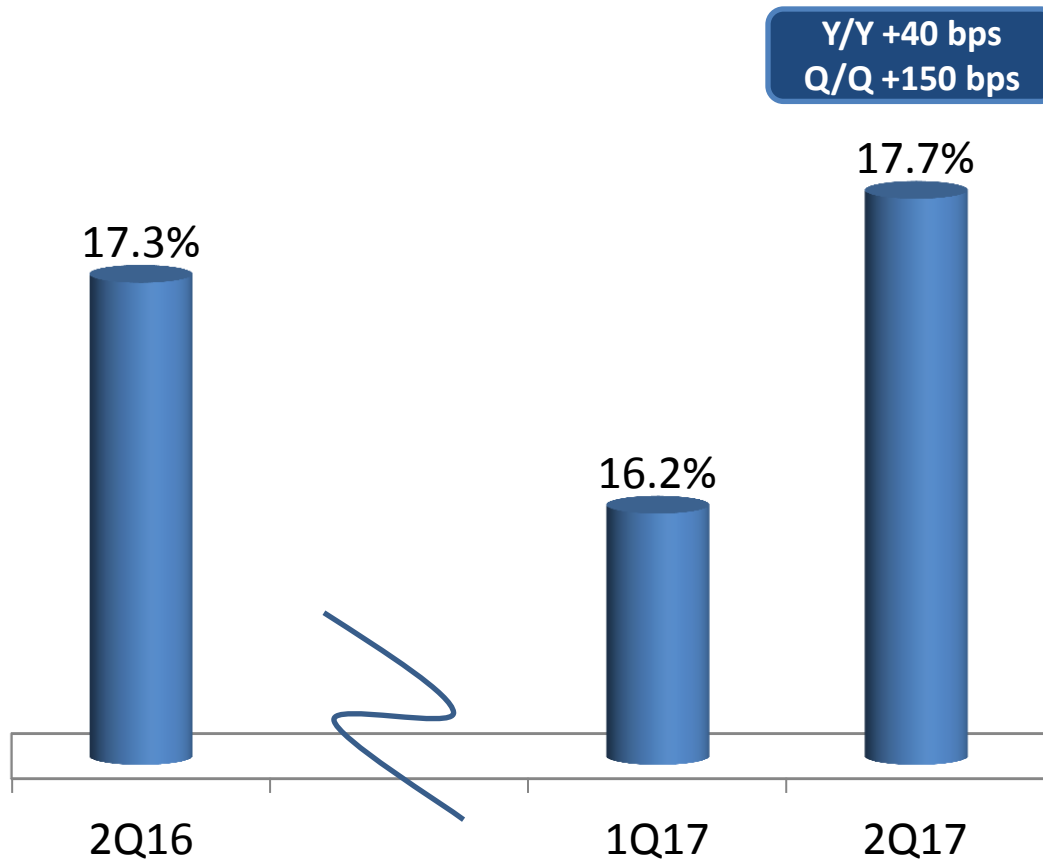


# INCREASED LAND & DEVELOPMENT SPENDING



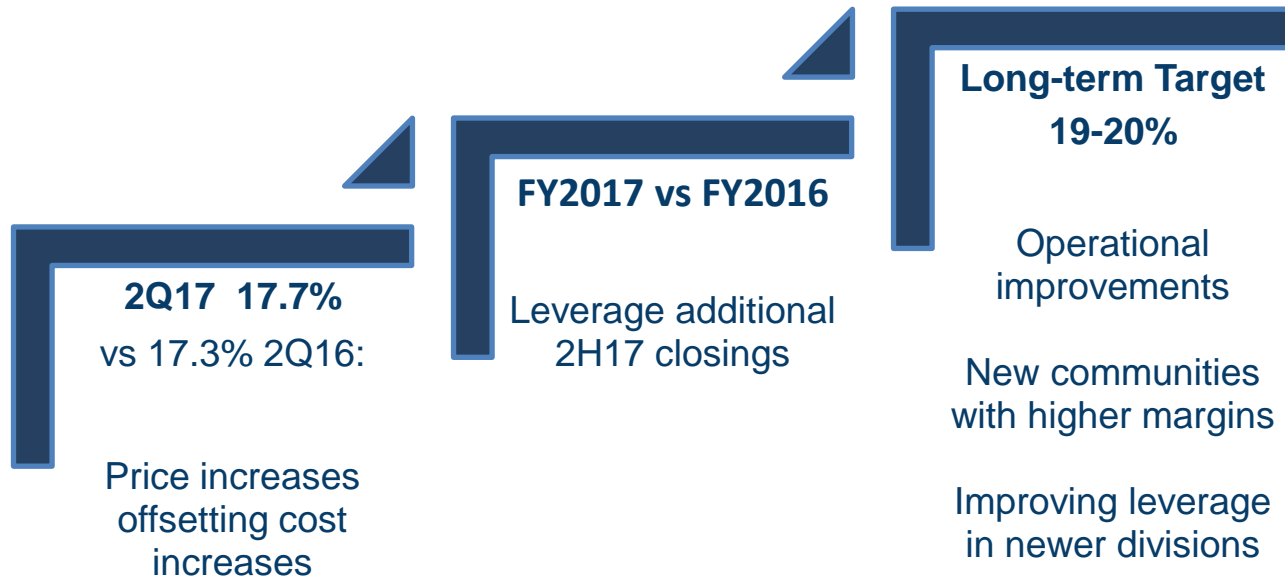
2Q17 Land & Development spending highest quarter since cycle downturn

# GROSS MARGIN IMPROVEMENT



- Price increases offset rising costs
- Better margins on spec homes
- Greater operating leverage

# STRATEGIC INITIATIVES: GROSS MARGIN IMPROVEMENT





# SG&A IMPROVEMENT

2Q17  
10.6%

- (10) bps Y/Y reduction in 2Q17
- (50) bps Y/Y reduction YTD

FY17  
10.5-11%

- Cost controls
- Productivity gains

Long-term  
10-10.5%

- Closing volume leverage

# 2017 FY & 3Q GUIDANCE

(PROVIDED 8/1/17 – NEITHER CONFIRMING NOR REVISING AT THIS TIME)

Full Year  
2017

- 7,600-8,000 home closings (+3-9% Y/Y)
- \$3.1-3.3 billion home closing revenue (+3-10%)
- Gross margin % in line with 2016
- Improve leverage – reduce SG&A 30-80 bps
- \$230-250 million pre-tax earnings
- 34-35% tax rate unless energy tax credits renewed

3Q17

- 1,875-1,975 closings: (4-10)% vs 3Q16 1,800
- \$780-830M revenue: (6-13)% vs 3Q16 \$736M
- \$53-58M pre-tax earnings: (-2-7)% vs 3Q16 \$54M

# HURRICANE HARVEY IMPACT ON HOUSTON

- Unprecedented flooding -- situation is fluid and will be for some time
- Houston Division offices and communities closed for one week
- Minimal property damage to few homes in active communities
- All but one community opened for business by 9/1; last one opened 9/6
- Sales, construction & closings resumed, but experiencing general delays
- Monitoring for potential labor and/or material shortages or price increases, but too early to project
- Tens of thousands of housing units in Houston will need to be replaced





# SUMMARY

- Solid 2Q17 results
  - Good progress on strategic initiatives
  - Housing market drivers remain positive
- Increased focus on growing entry-level segment

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## APPENDIX



# QUICK FACTS ABOUT MERITAGE HOMES

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

**33,459**  
total lots  
owned or  
controlled  
(6/30/17)

**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

**32**  
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**

**257**  
communities active  
(6/30/17)

more than  
**100k**  
homes  
built

**\$37**  
Book Value  
per share

**8<sup>th</sup>**  
largest  
Public  
homebuilder by  
2016 U.S.  
closings



# 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”

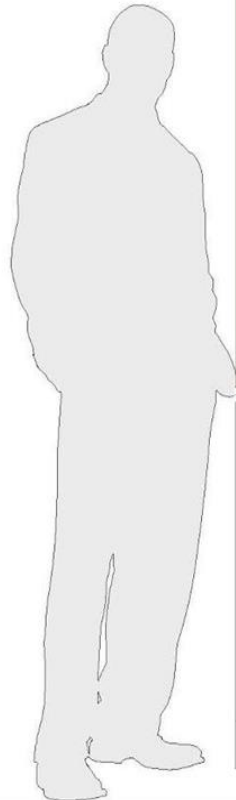


A partial list

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# LiVE.NOW. Sales Office Execution: Option Package Display in Closing Offices

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





**Option Package 1  
Inspire**

ROOMING SECTION A		ROOMING SECTION B	
CABINET SECTION	ISLAND SECTION	CABINET SECTION	ISLAND SECTION
07'x4"	07'x4"	07'x4"	07'x4"
KITCHEN SECTION A		KITCHEN SECTION B	
COUNTER SECTION	APPLANCE HAPT	COUNTER SECTION	APPLANCE HAPT
07'x4"	07'x4"	07'x4"	07'x4"
CABINET SECTION		CABINET SECTION	
13'x6 3/4"		13'x6 3/4"	

**Option Package 2  
Chic**

ROOMING SECTION A		ROOMING SECTION B	
CABINET SECTION	ISLAND SECTION	CABINET SECTION	ISLAND SECTION
07'x4"	07'x4"	07'x4"	07'x4"
KITCHEN SECTION A		KITCHEN SECTION B	
COUNTER SECTION	APPLANCE HAPT	COUNTER SECTION	APPLANCE HAPT
07'x4"	07'x4"	07'x4"	07'x4"
CABINET SECTION		CABINET SECTION	
13'x6 3/4"		13'x6 3/4"	

**Option Package 3  
Bold**

ROOMING SECTION A		ROOMING SECTION B	
CABINET SECTION	ISLAND SECTION	CABINET SECTION	ISLAND SECTION
8'x4"	8'x4"	8'x4"	8'x4"
KITCHEN SECTION A		KITCHEN SECTION B	
COUNTER SECTION	APPLANCE HAPT	COUNTER SECTION	APPLANCE HAPT
07'x4"	07'x4"	07'x4"	07'x4"
CABINET SECTION		CABINET SECTION	
13'x6 3/4"		13'x6 3/4"	



appr.  
108"

84"

80"

# **LIVE.NOW.™ SELLING POINTS**

1. Affordable monthly payments
2. Quick move-ins available
3. Designer options included
4. Simplified buying process
5. Reduced energy bills
6. Industry leading builder

# 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.



# M Connected Home™

AUTOMATION SUITE

Homes come standard with features like, Video Doorbell, Smart Door Lock, Lighting Controls, Advanced Thermostat, Smart Garage Door and Weather Sensing Irrigation


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# West Region: Strong Demand, Reloading

- **Arizona:** Benefitting from aggressive pivot into more entry-level product, which is driving significant growth
- **California:** Reloading for communities closing out; 2<sup>nd</sup> highest absorptions in the company
- **Colorado:** Highest absorption rate due to strong demand; Reloading pipeline as communities close out early



West Region				
Percentage (%) changes 2Q17 vs. 2Q16				
	AZ	CA	CO	Region
Average Active Communities	40.5	27.5	10.0	78.0
	-5%	+12%	-23%	-3%
Orders/ Average community	9.8	10.0	13.3	10.3
	+26%	-15%	+2%	+4%
Orders	+20%	-5%	-21%	+2%
ASP	-7%	+3%	+16%	-1%
Order Value	+12%	-2%	-9%	+1%



*Northern California  
Sierra Crossings*





*Southern California  
Sage at Esencia*





*Denver  
Richards Farms*

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**MeritageHomes®**

Setting the standard for energy-efficient homes®





*Phoenix  
The Parks – Lark model*

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Setting the standard for energy-efficient homes®





*The Parks – Lark model*

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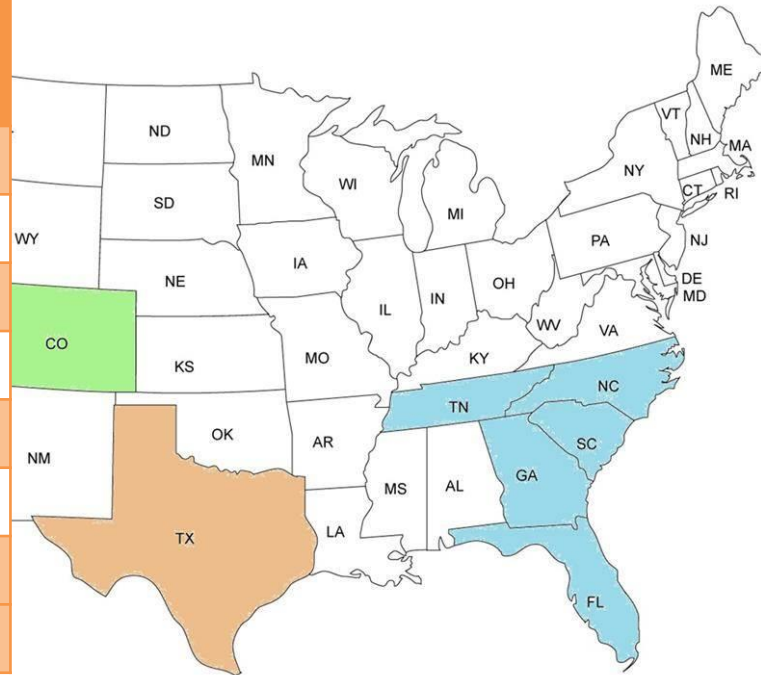
**MeritageHomes®**

Setting the standard for energy-efficient homes™

# Central Region: Strong Demand Across Texas

- Volume growth at lower ASP's due to pivot to entry-level, especially in Austin and Houston

<b>Central Region</b> Percentage (%) changes 2Q17 vs. 2Q16	
	<b>TX</b>
Average Active Communities	88.5 +24%
Orders/ Average Community	8.1 +5%
Orders	+30%
ASP	-3%
Order Value	+25%







*Austin – Texas Heritage Village*





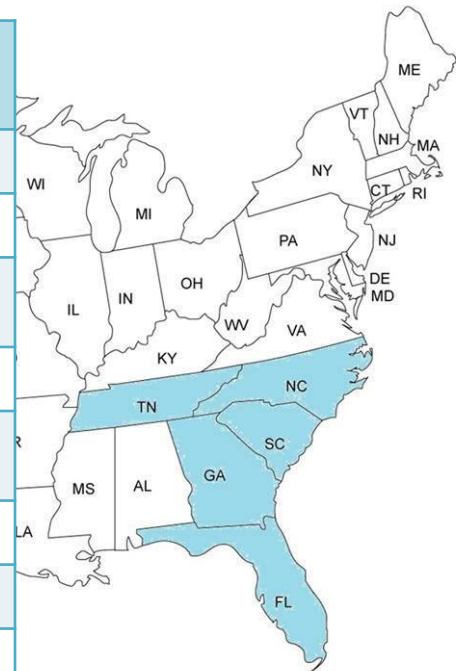
*Austin – Texas Heritage Village*

# East Region: Successes With New Product

## – Focus on Rolling Out in New and Existing Communities

- **Florida:** nice bounce back driven by our affordable bungalow product and new communities in A locations
- **Georgia:** new product rolled out in new communities being well-received by buyers, working to build momentum
- **NC & SC:** success with new product in NC, new Division President just placed in SC
- **Tennessee:** focusing on opening new communities and increasing brand awareness

East Region						
Percentage (%) changes 2Q17 vs. 2Q16						
	FL	GA	NC	SC	TN	Region
Average Active Communities	31.0	18.0	19.0	14.5	7.5	90.0
	+19%	+3%	-17%	-9%	-6%	-1%
Orders/ Average Community	9.1	5.5	7.5	4.6	5.9	7.1
	-12%	-17%	+9%	-38%	-37%	-12%
Orders	+6%	-14%	-10%	-44%	-41%	-13%
ASP	+7%	-%	+2%	+6%	+11%	+7%
Order Value	+13%	-14%	-8%	-41%	-35%	-8%







*Charlotte – Riverchase*





*Nashville – Arrington Retreat*



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