



Fourth Quarter & Full Year 2018 Analyst Conference Call

January 31, 2019

LIFE. BUILT. BETTER.

Forward-Looking Statements

This presentation and the accompanying comments during our analyst call contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include management's expectations regarding the entry-level market and macroeconomic housing demand drivers, as well as projected home closings, average sales price and home closing gross margin for the first quarter of 2019.

Such statements are based on the current beliefs and expectations of Company management, and current market conditions, which are subject to significant uncertainties and fluctuations. Actual results may differ from those set forth in the forward-looking statements. The Company makes no commitment, and disclaims any duty, to update or revise any forward-looking statements to reflect future events or changes in these expectations, except as required by law. Meritage's business is subject to a number of risks and uncertainties. As a result of those risks and uncertainties, the Company's stock and note prices may fluctuate dramatically. These risks and uncertainties include, but are not limited to, the following: the availability and cost of finished lots and undeveloped land; shortages in the availability and cost of labor; changes in interest rates and the availability and pricing of residential mortgages; changes in tax laws that adversely impact us or our homebuyers; inflation in the cost of materials used to develop communities and construct homes; the success of strategic initiatives; the ability of our potential buyers to sell their existing homes; cancellation rates; the adverse effect of slow absorption rates; slowing in the growth of entry-level home buyers; competition; impairments of our real estate inventory; a change to the feasibility of projects under option or contract that could result in the write-down or write-off of earnest or option deposits; our potential exposure to and impacts from natural disasters or severe weather conditions; home warranty and construction defect claims; failures in health and safety performance; our success in prevailing on contested tax positions; our ability to obtain performance and surety bonds in connection with our development work; the loss of key personnel; failure to comply with laws and regulations; our limited geographic diversification; fluctuations in quarterly operating results; our level of indebtedness; our ability to obtain financing if our credit ratings are downgraded; our ability to successfully integrate acquired companies and achieve anticipated benefits from these acquisitions; our compliance with government regulations, the effect of legislative and other governmental actions, orders, policies or initiatives that impact housing, labor availability, construction, mortgage availability, our access to capital, the cost of capital or the economy in general, or other initiatives that seek to restrain growth of new housing construction or similar measures; legislation relating to energy and climate change; the replication of our energy-efficient technologies by our competitors; our exposure to information technology failures and security breaches; negative publicity that affects our reputation; legislation related to tariffs and other factors identified in documents filed by the Company with the Securities and Exchange Commission, including those set forth in our Form 10-K for the year ended December 31, 2017 and Form 10-Q for the third quarter ended September 30, 2018 under the caption "Risk Factors," which can be found on our website at www.investors.meritagehomes.com.

Management Representatives

Steven J. Hilton – Chairman & CEO



Phillippe Lord – EVP & Chief Operating Officer

Hilla Sferruzza – EVP & Chief Financial Officer





Brent Anderson – VP Investor Relations

Full Year 2018 Financial Highlights

Y/Y% Comparisons to 2017

- Home closings  11%
- Home closing GM%  60 bps

- Pre-tax earnings  14%
- Net earnings  59%
- Diluted EPS  64%

- Repurchased 2.6M shares  \$100M
- Cash  \$141M
- Shareholders' equity  9%
- Net debt/equity  (470) bps

Home Buying Slowed in Back Half of 2018

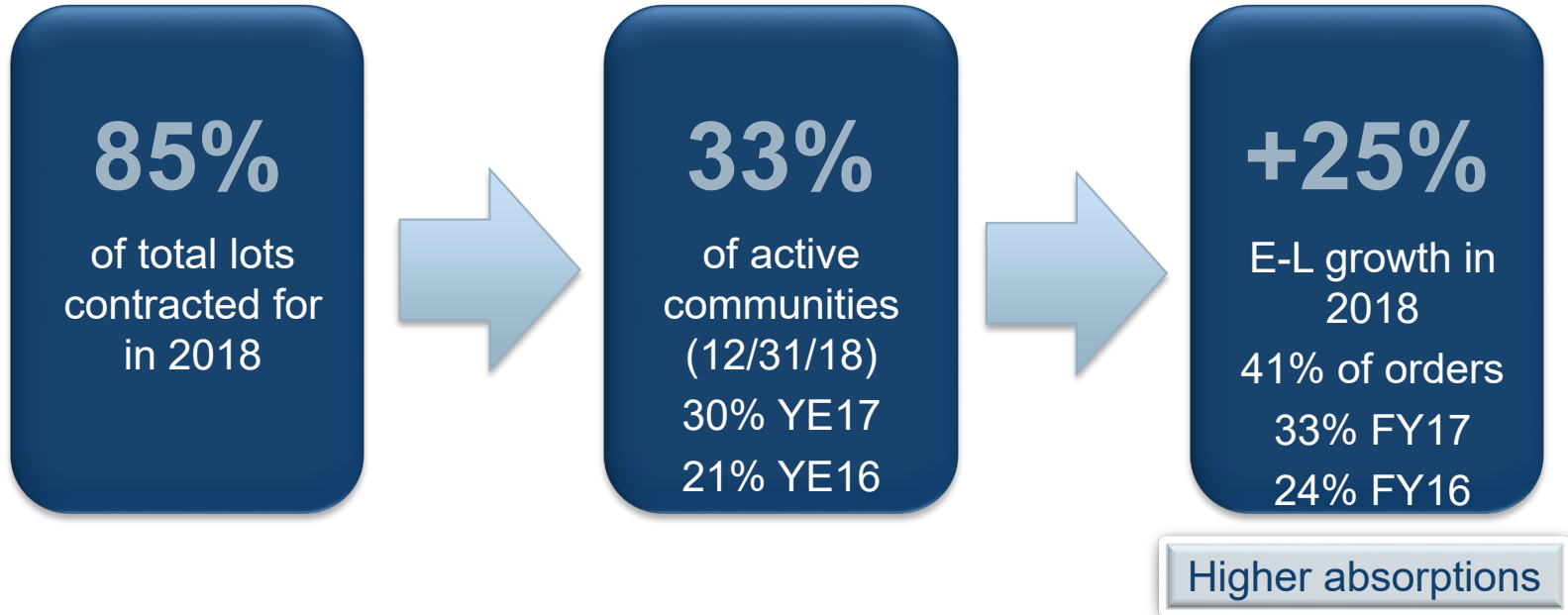
Order trends 2018 vs 2017

- 4Q (8)%
- FY +2%

Housing fundamentals solid:

- ✓ Economy is strong: GDP growth, low inflation, low unemployment, wages
- ✓ Consumer confidence high
- ✓ Household formation improving
- ✓ Debt service improved, mortgage availability improving slowly
- ✓ Low inventories of affordable homes

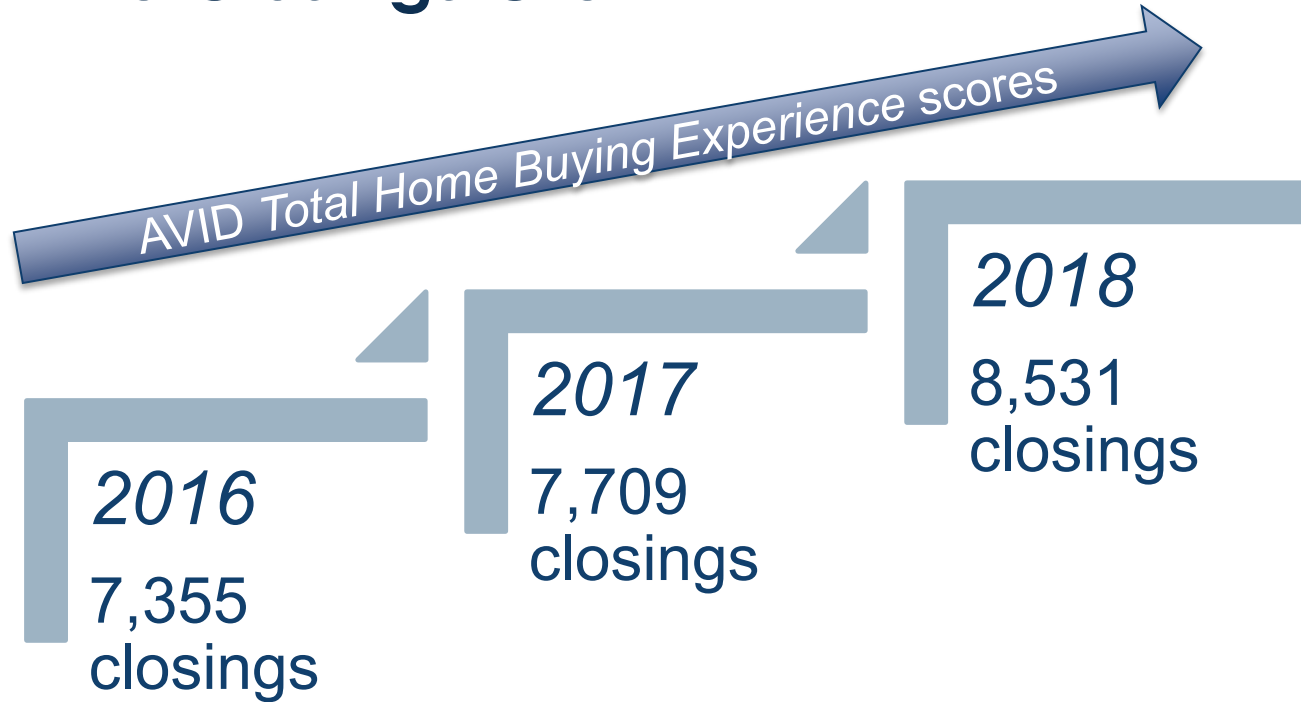
Strategic Expansion of Entry-Level Business



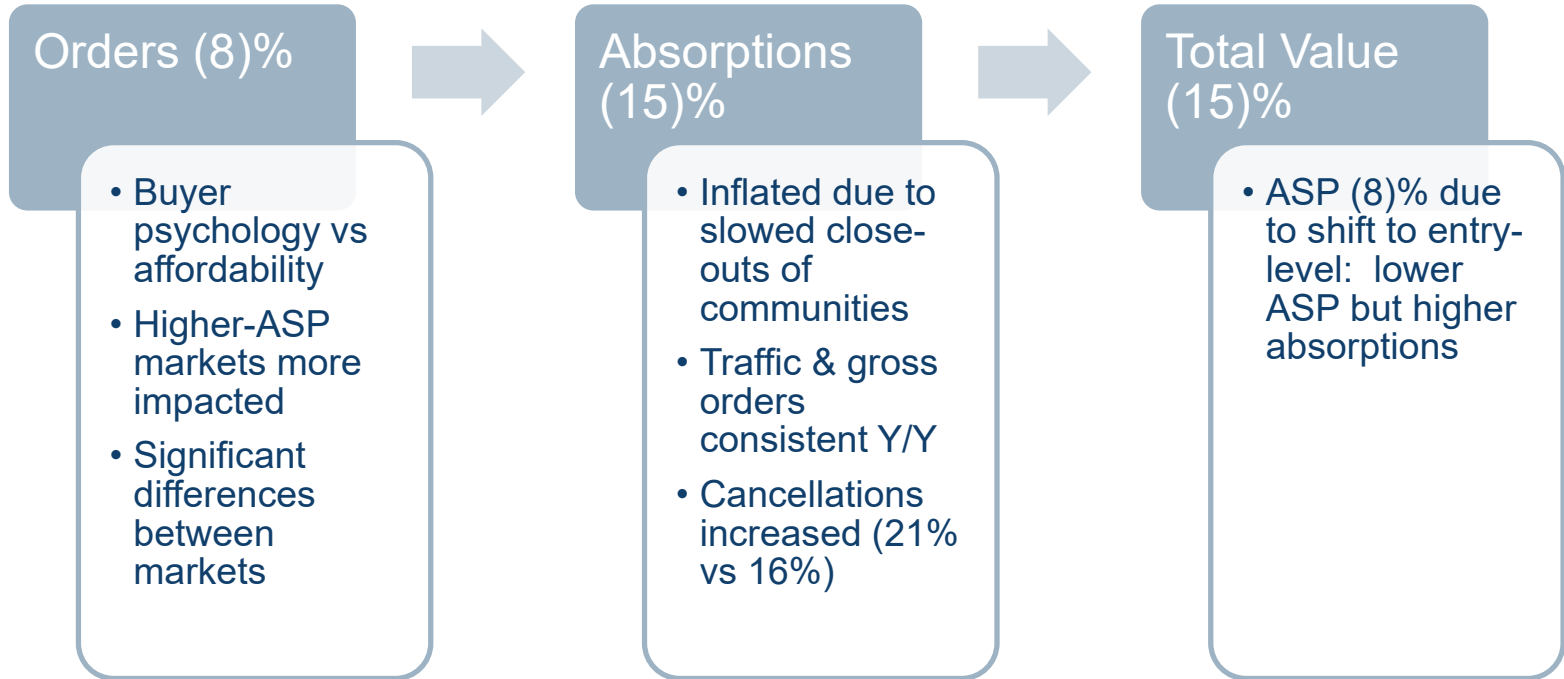
Benefits of Simplifying & Streamlining



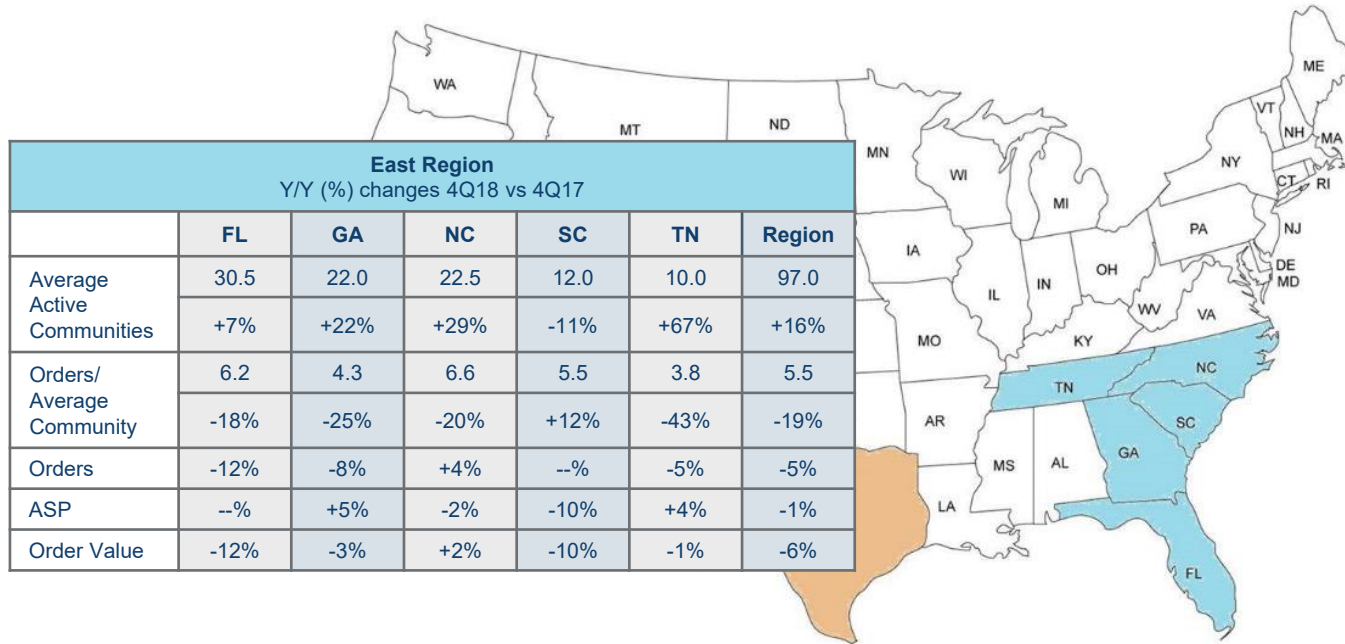
Customer Satisfaction Increased While Closings Grew



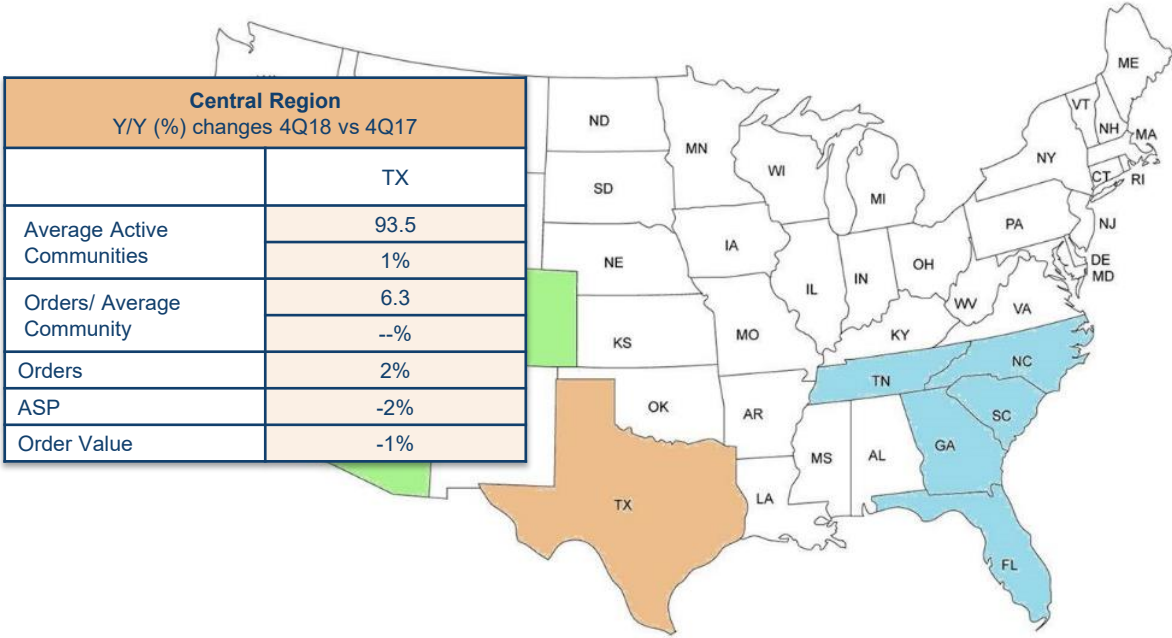
Order Trends (4Q18/4Q17)



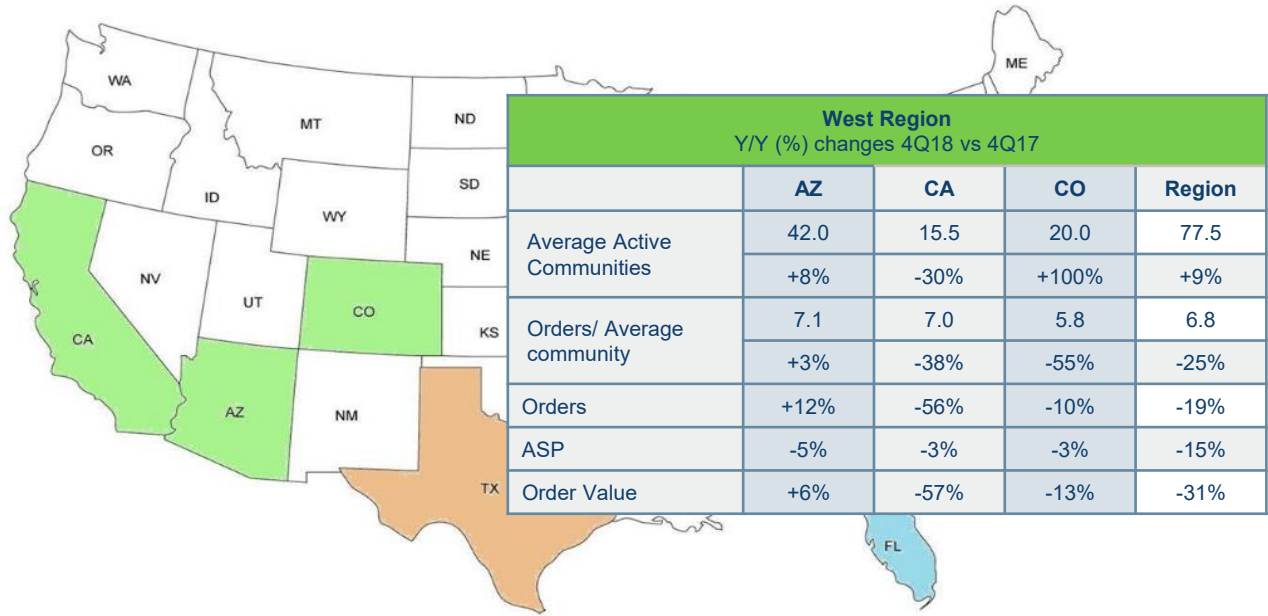
East Region: Solid Year Despite Difficult Comps to 4Q17



Central: Steady

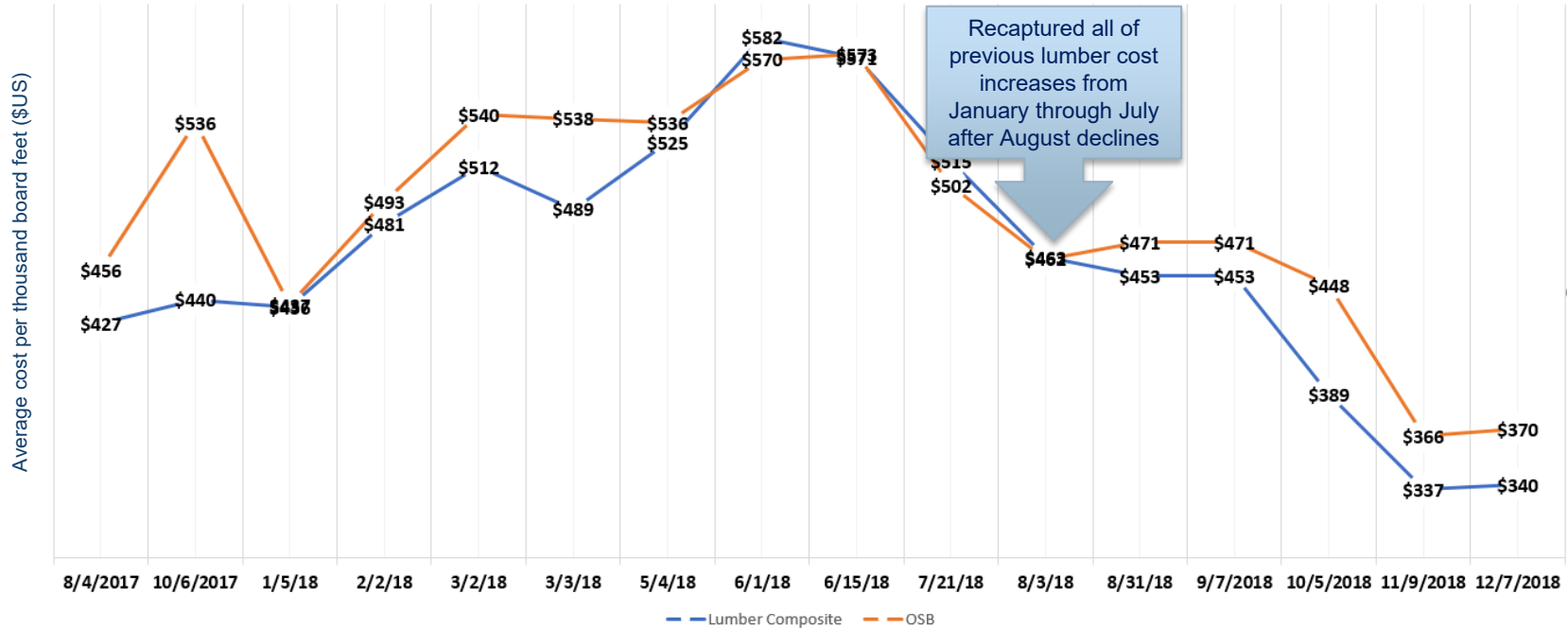


West: Strength in Arizona Offset by Cooling in California and Colorado



Trending Lumber/OSB Composite Costs

YTD LUMBER AND OSB - COMPOSITE



Strong Net Earnings Growth 2018

(\$millions, except ASP and EPS)	Quarter Ended Dec-31,			Year to Date Dec-31,		
	2018	2017	%Chg	2018	2017	%Chg
Home closings	2,505	2,253	+11%	8,531	7,709	+11%
ASP (closings)	\$398K	\$410K	-3%	\$407K	\$413K	-1%
Home closing revenue	\$996.1	\$923.4	+8%	\$3,474.7	\$3,186.8	+9%
Home closing gross profit	\$189.5	\$168.3	+13%	\$632.0	\$562.1	+12%
Home closing gross margin	19.0%	18.2%	+80 bps	18.2%	17.6%	+60 bps
SG&A expenses	\$105.5	\$96.0	+10%	\$380.4	\$345.7	10%
-- % of home closing revenue	10.6%	10.4%	+20 bps	10.9%	10.8%	+10 bps
Earnings before taxes	\$91.8	\$84.1	+9%	\$283.3	\$247.5	+14%
Tax rate	18%	58%	-4000 bps	20%	42%	-2200 bps
Net earnings	\$75.5	\$35.6	+112%	\$227.3	\$143.3	59%
Diluted EPS	\$1.91	\$0.87	+120%	\$5.58	\$3.41	+64%

-Home closing revenue growth & higher home closing gross margins have been the principal drivers of pre-tax earnings growth year-to-date in 2018

-Tax savings due to rate reductions & energy tax credits

-2018 EPS dilution reduced by share repurchases

Strong Balance Sheet Supports Share Repurchases

Net debt-to-capital reconciliation (\$millions)		
<i>(non-GAAP reconciliation to net debt-to capital ratio)</i>	Dec-31, 2018	Dec-31 2017
Notes payable and other borrowings	\$ 1,310	\$ 1,284
Less: cash and cash equivalents	(311)	(171)
Net debt	\$ 999	\$ 1,113
Stockholders' equity	1,721	1,577
Total net capital	\$ 2,719	\$ 2,690
Net debt-to-capital	36.7%	41.4%
Book value/share	\$45.20	\$39.10

Real assets key metrics	4Q 2018	4Q 2017
<u>As of period ended:</u>		
Total lots controlled	34,553	34,319
Years supply of lots	4.1	4.5
Unsold homes (specs)	2,507	2,086
Avg specs/community:	9.2	8.5
Under construction	68%	69%
Completed	32%	31%
Land & development spending	\$195M	\$250M

~1.9M shares repurchased in 4Q18 for \$70.6M (avg. price \$37.23/sh)

Guidance

1Q 2019

- 1,500-1,625 home closings
- ASP ~\$400K
- Home closing gross margin ~(50-75) bps lower vs 1Q18
- Beginning backlog (15)% lower Y/Y 2019 vs 2018
- Lower ASPs due to product shift toward entry-level
- Lower GM% due to higher incentives

Summary

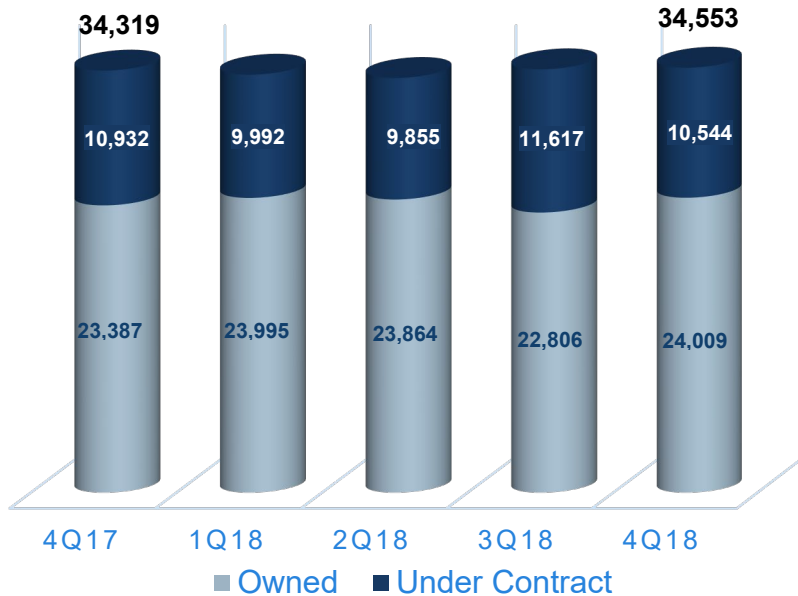
- + Solid 4Q & YTD earnings growth
- + Planning for softer sales in 2019
- + Housing market drivers remain positive
- + Confident in strategic shift to entry-level market
- + Simplifying & streamlining product & operations

Appendix

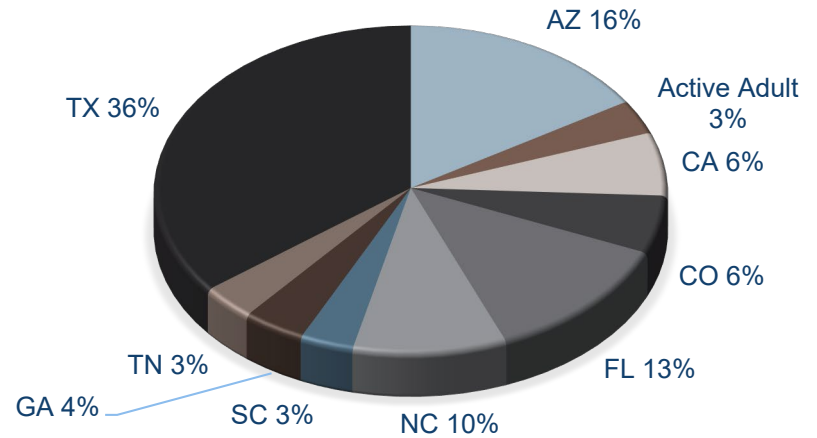


Maintaining Adequate Lot Supply

LOT SUPPLY



LOT SUPPLY BY STATE



- Invested \$195M in land & development 4Q18: \$812M FY18 vs \$1.02B FY17
- Secured 2,207 new lots in 4Q18 (97% LIVE.NOW.)

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