



# First Quarter 2021 Analyst Conference Call

April 29, 2021

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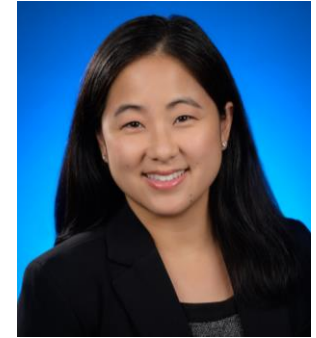
# Forward-Looking Statements

The information included in this presentation and the accompanying comments from management contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include expectations about the housing market in general, and our projected 2021 home closings, home closing revenue, gross margins, effective tax rate, diluted earnings per share and future community counts.

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, except as required by law, 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: changes in interest rates and the availability and pricing of residential mortgages; inflation in the cost of materials used to develop communities and construct homes; our ability to obtain performance and surety bonds in connection with our development work; the ability of our potential buyers to sell their existing homes; legislation related to tariffs; the adverse effect of slow absorption rates; impairments of our real estate inventory; cancellation rates; competition; home warranty and construction defect claims; failures in health and safety performance; fluctuations in quarterly operating results; our level of indebtedness; our ability to obtain financing if our credit ratings are downgraded; our potential exposure to and impacts from natural disasters or severe weather conditions; the availability and cost of finished lots and undeveloped land; the success of our strategy to offer and market entry-level and first move-up homes; 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 limited geographic diversification; the replication of our energy-efficient technologies by our competitors; shortages in the availability and cost of subcontract labor; our exposure to information technology failures and security breaches and the impact thereof; the loss of key personnel; changes in tax laws that adversely impact us or our homebuyers; our inability to prevail on contested tax positions; failure to comply with laws and regulations; our compliance with government regulations; negative publicity that affects our reputation; disruptions to our business by COVID-19, fear of a similar event, and measures that federal, state and local governments and/or health authorities implement to address it; 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, 2020 under the caption "Risk Factors," which can be found on our website at [www.investors.meritagehomes.com](http://www.investors.meritagehomes.com).

# Management Representatives



**Steven J. Hilton** – Executive Chairman

**Phillippe Lord** – CEO

**Hilla Sferruzza** – EVP & Chief Financial Officer

**Emily Tadano** – VP Investor Relations

# 1Q21 Milestones



New Multispeed HVAC System Standard



Centralized Hub For M.Connected Home™ Automation Suite



New On-demand Homeowners' Insurance Quotes



**PARTNER OF THE YEAR**  
Sustained Excellence



Enhanced DEI Recruitment Efforts



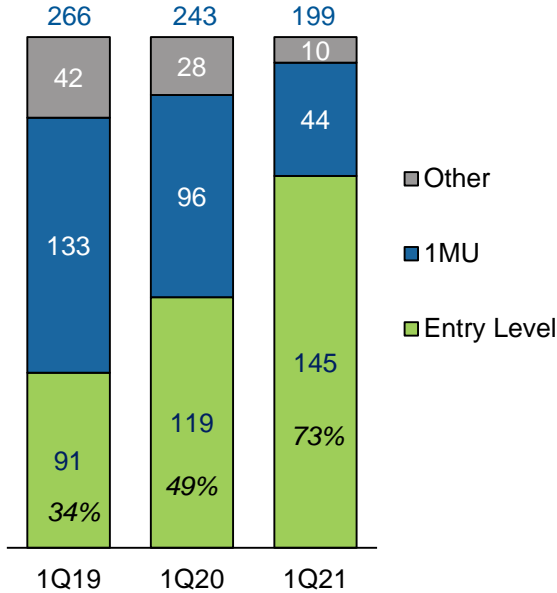
Pledging Annual Financial Support to DEI Efforts Again



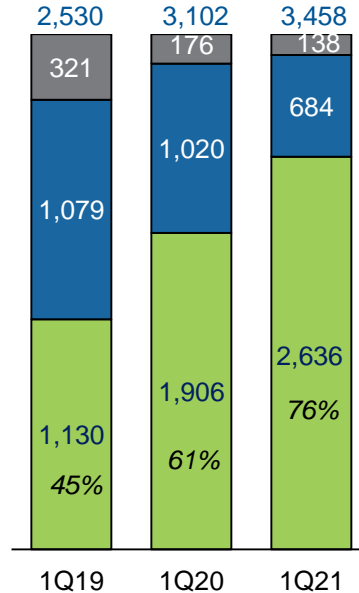
Launched ESG Webpage

# Strong Performance In Both Entry-Level And First Move-Up

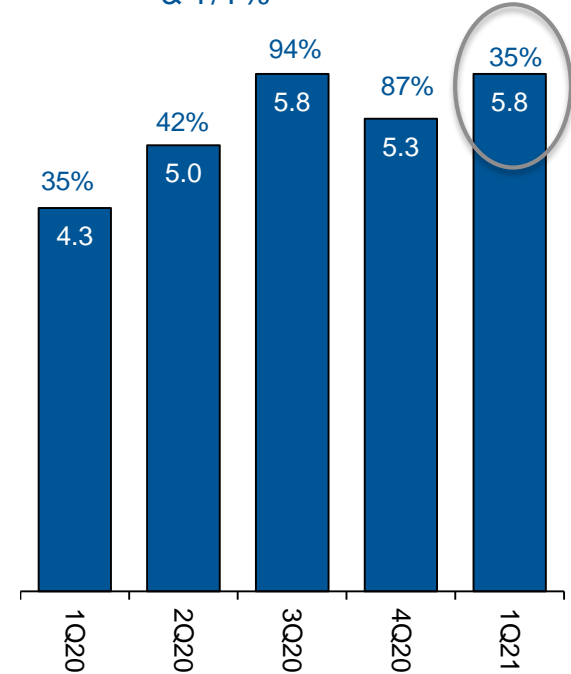
Average community count by product type



Orders by product type



Absorptions per month & Y/Y%



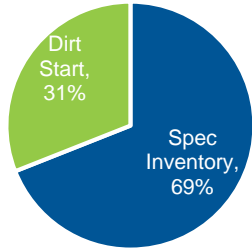
# Absorption Growth Led by East Region, Up 67%. All Regions Reached Entry-Level/First Move-Up Mix Shift

STATES & REGIONS											
Y/Y (%) changes 1Q21 vs 1Q20											
	AZ	CA	CO	West	Central (TX)	FL	GA	NC	SC	TN	East
Average Active Communities	33.0	17.5	11.5	62.0	61.0	30.5	9.5	22.5	6.0	7.5	76.0
	3%	-34%	-26%	-16%	-21%	-9%	-42%	0%	-25%	-29%	-16%
Entry-level % Average Communities	67%	91%	48%	70%	75%	72%	53%	78%	50%	100%	72%
Absorption per month	6.1	5.4	4.9	5.7	6.1	5.2	5.8	6.2	4.2	6.6	5.6
	2%	23%	15%	13%	34%	65%	82%	45%	17%	177%	67%
Orders	6%	-19%	-15%	-6%	5%	51%	5%	46%	-13%	97%	39%
ASP on Orders	15%	-5%	7%	2%	9%	-1%	6%	7%	8%	-11%	2%
Order Value	21%	-23%	-9%	-4%	14%	50%	12%	56%	-5%	76%	43%

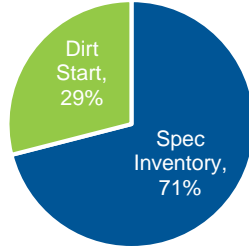
# Maintaining Spec Strategy Despite Accelerated Orders Pace And Construction Constraints

## Home Closings

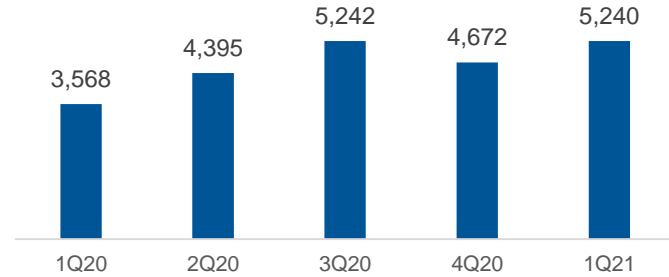
1Q20 Closings



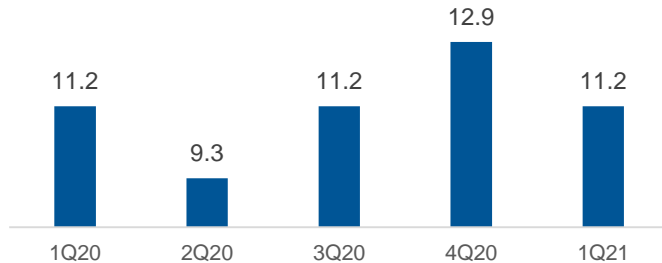
1Q21 Closings



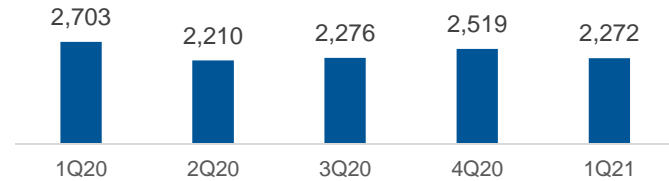
## Ending Backlog Units



## Average Specs Per Community



## Available Specs Completed or Under Construction



# 85% Earnings Growth In 1Q21

(\$ Millions except EPS & ASP)	1Q21	1Q20	%Chg
Home closings	2,890	2,316	+25%
ASP (closings)	\$374K	\$384K	(3)%
Home closing revenue	\$1,080.0	\$890.4	+21%
Home closing gross profit	\$266.7	\$178.4	+50%
Home closing gross margin	24.7%	20.0%	+470bps
SG&A expenses	\$105.7	\$95.3	+11%
% of home closing revenue	9.8%	10.7%	(90)bps
Earnings before taxes	\$166.0	\$86.8	+91%
Tax rate	20.6%	18.1%	+250bps
Net earnings	\$131.8	\$71.2	+85%
Diluted EPS	\$3.44	\$1.83	+88%
% of total specs completed at March 31st	7%	28%	(75)%

## 1Q21 HIGHLIGHTS:

- Company's highest first quarter of closings
- Best quarterly home closing gross margin since 1Q06 despite rising costs of lumber and other commodities
- Strong growth in net earnings reflected higher closing volume, pricing power, expanded gross margin and improved overhead leverage
- Selling more specs in early stages of production to meet elevated demand as well as managing our spec starts to correspond with the supply chain constraints drove the lower percentage of completed specs



# Strong Balance Sheet Provides Flexibility

Net Debt-to-Capital Reconciliation (\$ Millions)		
(non-GAAP reconciliation)	March 31, 2021	Dec 31, 2020
Notes payable & other borrowings	\$1,021	\$1,020
Less: cash & cash equivalents	(\$716)	(\$746)
Net debt	\$304	\$274
Stockholders' equity	\$2,477	\$2,348
Total net capital	\$2,781	\$2,622
Net debt-to-capital	10.9%	10.5%
Total capital	\$3,497	\$3,368
Debt-to-capital	29.2%	30.3%
Book value/share	\$65.44	\$62.59

Ample liquidity at March 31, 2021 given

- \$716M of cash
- Nothing drawn under \$780M credit facility
- Continued low net debt to capital

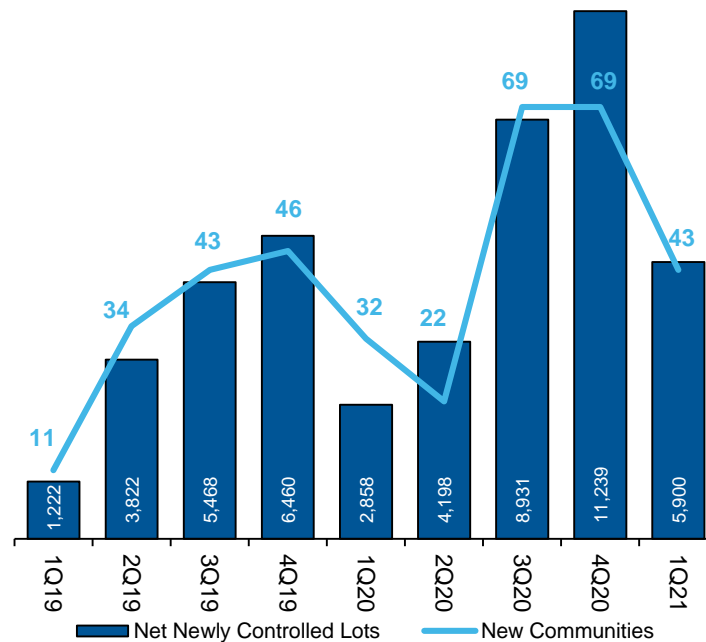
Achieved several objectives in 1Q21:

- Announced issuance of \$450M of new senior notes priced at 3.875% due in 2029
- Issued notice of redemption for \$300M principal outstanding of the 7.00% senior notes due 2022 with redemption date of April 30, 2021
- Repurchased 100K shares for a total of \$8.4M to partially offset issuance of annual employee grants
- Received an S&P credit rating upgrade

**Meritage now one notch below investment grade from all three rating agencies**

# Accelerated Land & Development Investment

Real Assets	1Q21	1Q20
Land & development spending	\$370M	\$246M
As of period ended Mar-31:		
Total lots controlled	58,085	41,501
Supply of lots (years)	4.7	4.2
- Owned	60%	63%
- Optioned	40%	37%



# Guidance For FY2021 & 2Q21

## FULL YEAR 2021

- 11,700-12,700 home closings
- \$4.55-4.85 billion home closing revenue
- Home closing gross margin approximately 25.0%
- Effective tax rate approximately 23.0%
- Diluted EPS \$13.75 - \$14.75

## 2Q 21

- 2,800-3,100 home closings
- \$1.1-1.2 billion home closing revenue
- Home closing gross margin approximately 25.0%
- Diluted EPS \$3.05 - \$3.35

## Projected Community Count

- 2Q21 to remain around 200 communities
- End 2021 up 20% from today's level
- June 2022 target of 300 communities

# Positioned For Growth

Well-positioned with entry-level & first move-up

Prioritizing price while managing spec starts & the corresponding orders pace

100% spec building for entry-level communities

Strong balance sheet to support elevated land investment & healthy land position

Operationally executing at a high level



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