



# Third Quarter 2021 Analyst Conference Call

October 28, 2021

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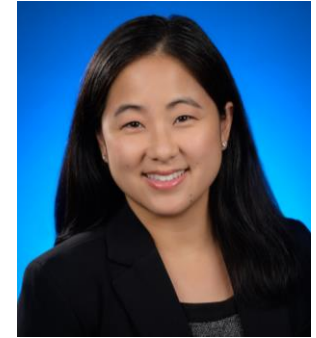
# Forward-Looking Statements

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; projected 2021 home closings, home closing revenue, home closing gross margins, effective tax rate and diluted earnings per share; future community counts; trends in construction costs; and expectations about our future results.

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; supply chain constraints; 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; potential disruptions to our business by an epidemic or pandemic (such as COVID-19), 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 and our Form 10-Q for the quarter ended June 30, 2021 under the caption "Risk Factors," which can be found on our website at <https://investors.meritagehomes.com>.

# Management Representatives



**Steven J. Hilton** – Executive Chairman

**Phillippe Lord** – CEO

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

**Emily Tadano** – VP Investor Relations

# 3Q21 Milestones



- Received 2021 EPA's Indoor airPLUS Leader Award



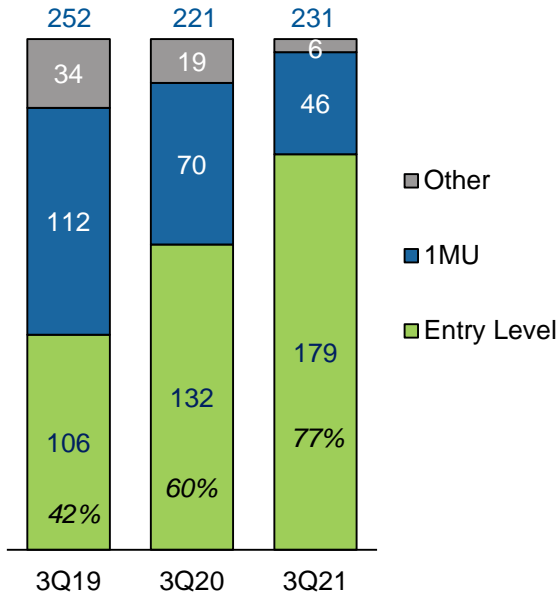
- Launched no-contact, after-hours self-guided tours of model homes
- Expanded digital financial services with on-demand homeowners' insurance quotes



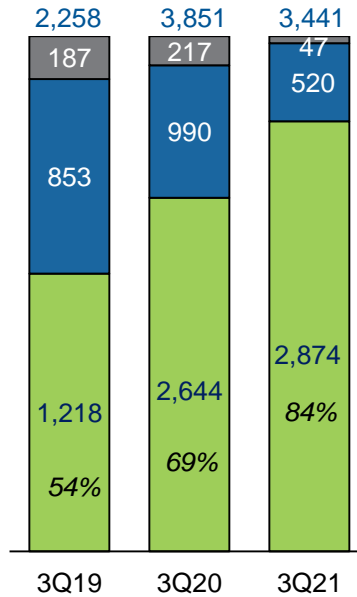
- Memorialized our human rights policy

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

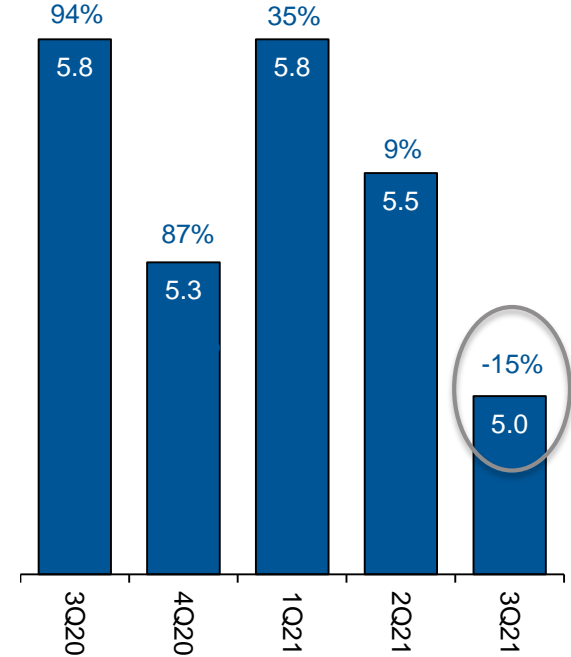
Average community count by product type



Orders by product type



Absorptions per month & Y/Y%



# Higher Community Count And ASP On Orders Partially Offset Metered Orders Pace

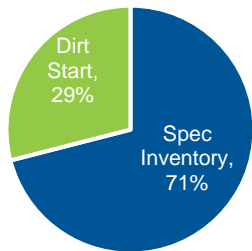
STATES & REGIONS											
Y/Y (%) changes 3Q21 vs 3Q20											
	AZ	CA	CO	West	Central (TX)	FL	GA	NC	SC	TN	East
Average Active Communities	38.0	19.0	16.5	73.5	66.0	36.0	11.0	26.0	9.0	9.5	91.5
	4%	-21%	38%	1%	5%	3%	-21%	27%	64%	-5%	8%
Entry-level % Average Communities	68%	100%	48%	72%	79%	82%	64%	83%	78%	89%	80%
Absorption per month	4.8	5.6	4.2	4.9	5.4	4.9	5.3	4.4	3.7	4.8	4.7
	-25%	-21%	-20%	-25%	-14%	6%	30%	-29%	-32%	19%	-4%
Orders	-22%	-37%	10%	-24%	-10%	9%	2%	-10%	11%	13%	3%
ASP on Orders	26%	7%	26%	15%	20%	-1%	17%	17%	1%	11%	7%
Order Value	-3%	-33%	39%	-12%	8%	7%	20%	5%	12%	26%	10%



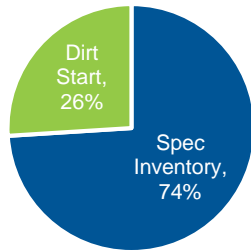
# Continue To Focus On Specs, But Supply Constraints Limit Starts

## Home Closings

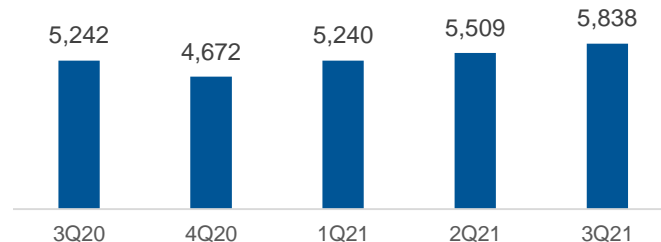
3Q20 Closings



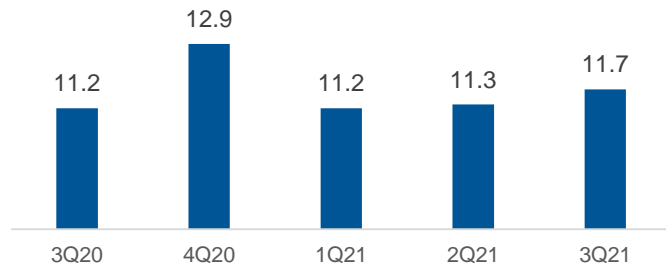
3Q21 Closings



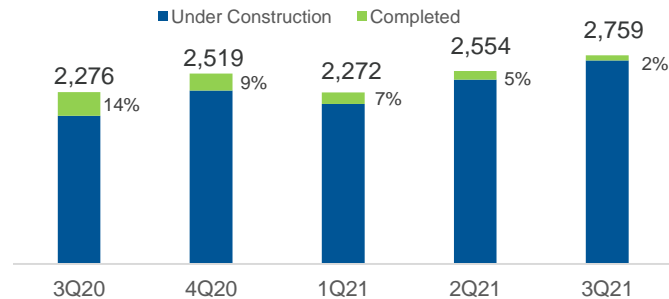
## Ending Backlog Units



## Average Specs Per Community



## Available Specs Completed or Under Construction



# 84% Earnings Growth In 3Q21

(\$ Millions except EPS & ASP)	3Q21	3Q20	%Chg	YTD2021	YTD2020	%Chg
Home closings	3,112	3,004	+4%	9,275	8,090	+15%
ASP (closings)	\$402K	\$377K	+7%	\$388K	\$378K	+3%
Home closing revenue	\$1,251	\$1,133	+10%	\$3,596	\$3,055	+18%
Home closing gross profit	\$372	\$244	+53%	\$984	\$643	+53%
Home closing gross margin	29.7%	21.5%	+820 bps	27.4%	21.0%	+640 bps
SG&A expenses	\$116	\$114	+2%	\$339	\$316	+7%
% of home closing revenue	9.3%	10.1%	(80) bps	9.4%	10.3%	(90) bps
Earnings before taxes <sup>1</sup>	\$262	\$136	+93%	\$643	\$338	+90%
Tax rate	23.3%	19.5%	+380 bps	22.3%	19.9%	+240 bps
Net earnings <sup>1</sup>	\$201	\$109	+84%	\$500	\$271	+85%
Diluted EPS <sup>1</sup>	\$5.25	\$2.84	+85%	\$13.06	\$7.04	+86%

## 3Q21 HIGHLIGHTS:

- Best third quarter of closings in Company history
- Company-high home closing gross margin driven by higher ASP and leveraging fixed costs on greater home closing revenue
- Net earnings reflect higher closing volume, pricing power, expanded gross margin and improved overhead leverage
- Company-high quarterly diluted EPS

(1) The YTD 2021 results include the loss on extinguishment of debt of \$18.2 million recognized in April 2021.



# Strong Balance Sheet Provides Flexibility

Net Debt-to-Capital Reconciliation (\$ Millions)		
(non-GAAP reconciliation)	Sep 30, 2021	Dec 31, 2020
Notes payable & other borrowings	\$1,161	\$1,020
Stockholders' equity	\$2,825	\$2,348
Total capital	\$3,986	\$3,368
Debt-to-capital	29.1%	30.3%
Less: cash & cash equivalents	(\$562)	(\$746)
Net debt	\$599	\$274
Total net capital	\$3,424	\$2,622
Net debt-to-capital	17.5%	10.5%
Book value/share	\$75.23	\$62.59

Ample liquidity at September 30, 2021 given

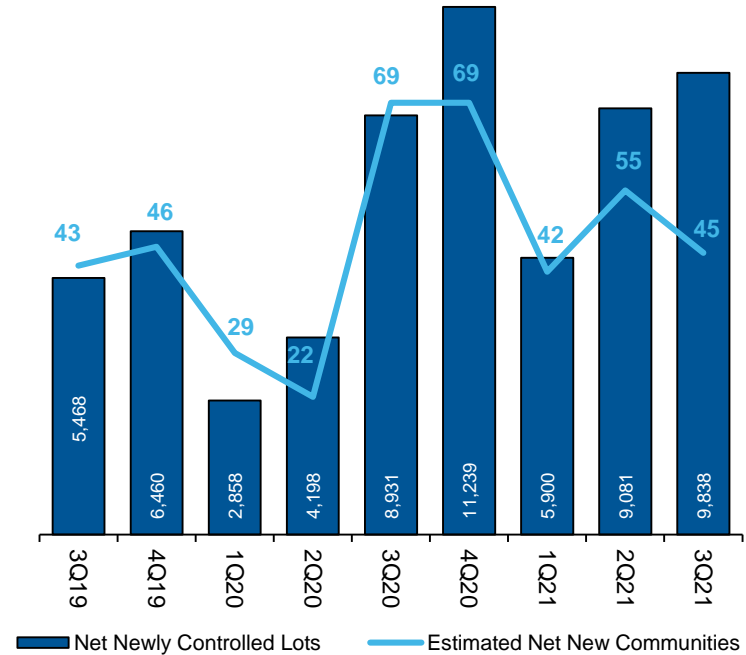
- \$562M of cash
- Nothing drawn under \$780M credit facility
- Continued low net debt to capital

Capital usage in 3Q21:

- Land spend totaling \$526M
- Repurchased over 95,000 shares for \$9.5M

# Accelerated Land & Development Investment

Real Estate Assets	3Q21	3Q20
Land & development spending	\$526M	\$299M
As of period ended Sep-30:		
Total lots controlled	69,767	47,875
Supply of lots (years)	5.4	4.4
- Owned	64%	58%
- Optioned	36%	42%



**Meritage had 236 active communities at September 30, 2021, a 16% increase from 204 at September 30, 2020**

# Guidance

## FULL YEAR 2021

- 12,600-12,900 home closings
- \$5.05-5.15 billion home closing revenue
- Home closing gross margin of 27.50-27.75%
- Effective tax rate of approximately 23.0%
- Diluted EPS \$18.75-19.40
- End 2021 around 250 communities

## FULL YEAR 2022

- Double-digit growth in home closing volume and revenue
- Home closing gross margin to remain elevated
- SG&A as a % of home closing revenue to decline below current low 9% range
- \$2.0 billion land acquisition and development spend
- 300 communities in mid-2022

# Positioned For Growth

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

Healthy land spend leads to significant community count growth

100% spec building for entry-level communities

Strong execution





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