DREAM FINDERS HOMES

To the Shareholders of Dream Finders Homes, Inc.:

Prior to the Company's Initial Public Offering (IPO), I provided shareholders with an annual letter summarizing how the Company performed for the prior twelve months. Owing to our January 2021 IPO timing, I decided not to release a letter recapping our 2020 results; however, I intend to write annually going forward.

This commentary is intended to give insight as to how we managers view our business and provide a straightforward analysis of our performance. We benchmark ourselves against the best in the industry and adhere to a high standard. We strive to provide above-market shareholder returns, with industry-best returns on shareholder equity. You can sleep well at night knowing that I, your Founder, CEO and Chairman, am significantly aligned with shareholders, as I own approximately 65% of outstanding shares and have no intention of selling any of my shares for a long time.

Our Business Model and Philosophy

Before discussing 2021 results, I want to highlight some of the unique features regarding how we run our business and why we believe we are different from competitors. I would categorize these attributes into three buckets: Asset-Light, Alignment of Interests, and Relationships. While some of these may vary in importance, we believe we are most successful by effectively implementing all three aspects together. First — and perhaps most importantly — we utilize what we refer to as an *asset-light* business model. This means that DFH does not own any land on balance sheet unless management is actively in process of permitting or building a home on the homesite. While the current market trend by most public homebuilders is to move towards an asset-light business model — in our opinion, and evident during the 2008 Financial Crisis — you are either 100% asset-light or you pay the price when there is a market correction. While this is not an indicator of future performance, it is interesting to compare NVR, Inc.'s (NVR) financials against other public builders during the financial crisis. During this time NVR was the only publicly traded builder utilizing a 100% asset-light structure and today, post our IPO, NVR is joined by DFH and together are the only two 100% asset-light public builders. Interestingly, builders' optioned lots percentage today is nearly identical to what it was going into the financial crisis — about 62% in 2021 vs. 61% in 2005.

This strategy allows us to be nimbler and adjust quickly before a correction and — just as importantly — allows us to start optioning land again as soon as we see light at the end of the tunnel. Without this strategy, it is very difficult to determine what the land is worth, and the discovery process can lead to significant write-downs in value (a direct reduction in shareholder equity). Because DFH owns no land and only uses option contracts, for which we pay a premium, we can work with our land partners to hold land until DFH is ready to build a home. In a market correction, our land partners can hold the land for a longer duration and wait for the market to return. That is not a luxury that most *traditional* public homebuilders have, which is why we feel it is critical to bifurcate land from homebuilding. We acquire homesites on a just-in-time basis to start construction. Not only does this mitigate downside risk, but it maximizes inventory turns and allows us to generate higher returns on equity by employing capital more efficiently. Being asset-light is a way of life for DFH, not a buzz word to please analysts or attract shareholders. It is in our DNA and is a discipline we will adhere to long into the future.

Stepping back, it is worth mentioning how we originally adopted the asset-light homebuilding strategy. I wish I could say it was a stroke of genius, or years of studying at an elite business school (which I did not attend...), but the truth is it was out of *necessity*. The reality is when I started the business, I had zero dollars of equity and a $200,000 loan that I personally guaranteed (with zero assets to support the guarantee). My thesis was that we could buy land at very attractive prices and that there was demand at the entry level, where rapid 2005 price appreciation had passed up a number of buyers. We had enough money to build three homes, but only three as long as we did not have to actually *pay* for the land until we had a contracted buyer to purchase the home. So, with an *IOU* on the land, I was able to convince a developer to accept these terms (given the severity of the downturn, this was not unreasonable), and we were in business in January 2009 with our first three homes under construction.

The reason we *had* to be asset-light was early recognition that the only way to grow the business was going to be to stretch every dollar. As land acquisition started to return in 2010, we were ready to add a second and third community to our humble homebuilding operation and we could only do that by convincing a lender to acquire these communities — again with us having virtually zero equity in the deal. We reinvested 100% of the profits, just like we have continued to do every year, but we always needed *more* capital to meet our growth prospects. Homebuilding, as it turns out, is very capital *intensive*. We also learned that developers — if you agree to pay them a premium— were generally happy to let us put up a deposit to tie up future land positions — i.e. land options.

We began to option as many land deals as we could — looking back I wish we had been even more aggressive on land acquisition! However, with no track record and the eternal optimism of starting a homebuilding company out of the financial crisis, it was very difficult to raise capital. Our perspective was there was nowhere to go but up given the extreme recessionary depths. After several years, people began to mention that we reminded them of a builder called NVR out of Reston, VA. I had never heard of NVR because they were not actively building in any of our markets then, so I began to research their track record. I was astounded to appreciate that they had some of the best historical returns of any business, regardless of industry. Once we researched their performance through the financial crisis, it became very apparent this was going to be the only way we would ever run DFH (spoiler alert — NVR maintained profitability throughout every year of the financial crisis). We basically had found a way that would allow us to grow the Company as rapidly as possible via a capital efficient model, which was also the lowest risk way to run the business. By economic necessity, we had adopted what we believe to be the only way to run a homebuilding company.

A second important feature of DFH is that we focus heavily on strong alignment of interests among employees, the Company, and shareholders. This gives our employees the ability to earn above market compensation by producing above market results. Not every position in the organization is easily geared towards this philosophy, but we are constantly working to ensure that each employee does well when the Company is doing well. We believe that meritocracy and the right incentive structures drive outperformance. The cream rises to the top at DFH, and we go to great lengths to reward talent, as we know this is a critical difference maker in our organization. We want the best and most talented individuals to move up, regardless of tenure, rank, education, or background — hard work and results are what matter. It is this balance in alignment of interests that we believe drives the best long term results and I can assure you we spend tremendous time making sure we take care of our team and want them to be at DFH for a long- time.

Consequently, this alignment with the Company's results in enhanced personal accountability, or an owner-oriented attitude, allowing us to run the organization more autonomously so decision makers have the power to make decisions. I have made a personal vow to ensure that as we grow, we maintain the entrepreneurial spirit that has allowed individuals to flourish at DFH and not be encumbered by bureaucratic processes. We would rather someone acknowledge and learn from a mistake — I am the first to admit I have made the most — than have to wait repeatedly for a response from a corporate executive. The unforeseen compounding effect of indecision will be far more expensive than the quantifiable costs of a few bad decisions.

Lastly, Relationships are the foundation of DFH. We work extremely hard to build long term partnerships with everyone who does business with DFH. We have land sellers from whom we bought land in 2009 and are still doing deals with today, which is a testament to our culture and the way we do business. We have plumbers, electricians, and framers we supported when they were just starting their businesses who have grown beyond their furthest expectations. We constantly strive to find win-win solutions for all parties, and we can only be successful in the long term if our land and trade partners are also successful. It is a lot more efficient and profitable for both sides to replicate a similar transaction many times versus a "one and done" scenario. Maybe one side was able to squeeze a few more dollars out of the deal, but if that is the last deal between parties, who really won? We try to apply this approach to every aspect of our business. We want to be the preferred partner to work with in all aspects of home building as we believe that to be the winning approach.

These aspects of DFH culture may be easy to articulate, but are far more difficult to execute, as it takes constant discipline and a culture that buys into this mentality. I assure you that our team is all-in.

Capital-Deployment Example

A good example of how we focus on generating the highest returns on capital was the construction and sale/leaseback of our corporate headquarters, located in Jacksonville, Florida. In 2014, DFH acquired three land parcels for a future office (it is difficult to find suburban office space in Jacksonville so we decided to design and build it ourselves). We felt like the $750,000 acquisition price was attractive, which included entitlements for over 150,000 square feet of office space. We ranked the parcels 1, 2 and 3 regarding marketability for sale and decided to keep parcel 2 for our future offices. We sold parcel 3 in 2016 for $550,000 and sold parcel 1 in 2018 for $750,000. The cost to build our entire headquarters, including land, was approximately $10.4 million and we had approximately $4.6 million of that in DFH cash/equity. Once completed, we decided to test the market to see what a sale and leaseback would yield, and we were pleasantly surprised to ultimately close at a suburban office record price of $13.7 million. This allowed DFH to generate a pre-tax profit of $3.3 million in the building sale and free up an additional $4.6 million of equity capital, $8.8 million in total, to be re-deployed towards a higher and better use. By generating $3.3 million of pre-tax profit while utilizing $4.6 million of equity capital we generated over 60% of ROE on a pre-tax basis, which, on our much lower company capital base at that time of $54.2 million was very meaningful. If, for example, we took the $8.8 million of capital and invested it at a 20% rate and continued to reinvest those earnings at the same rate, we would generate an extra $104 million of pre-tax net earnings over the next 15 years — the duration of our lease. That is the magic of compound interest.

Everything we do at DFH is directed towards driving the highest and best returns for each dollar of capital we invest. We are largely agnostic as to whether these returns are generated organically, via acquisition, or through an asset sale as discussed in the previous example. We have historically grown organically and believe we will continue to do so for numerous reasons, but we have also completed four successful acquisitions that effectively returned all invested capital, or are on target to do so, in under three years from acquisition closing. The greatest part of these acquisitions is that we will control these businesses' future earnings streams *forever*. Each acquisition brought invaluable knowledge that we will possess in perpetuity and will guide us in our future decisions. We want our operators who manage each homebuilding division — we have 14 in total — to compete for capital and not just assume we are going to invest in each of their deals. Some divisions will grow faster than others due to their outperformance and the best operators will receive the most capital. This competition for investment dollars will help ensure we are deploying our capital as effectively as possible because we care most about returns, not the vehicle used to get us there. This is our philosophy and how we have built this business over the past 13 years, let us now move onto 2021 results.

2021 Overview

I am pleased to begin this letter as I have begun nearly all of my previous letters over 13 years in business, DFH had another record year with key statistics reaching all-time highs. Unit closings were up 54.5% year over year to 4,874. Revenue grew 72.7% to $1.9 billion and Pre-tax net income was up 87.9% year over year to $149 million. This generated a return on equity of 44.3%, in line with our historical returns of over 40%. While this was not exactly a *normal* year for DFH, I think you will start to see a pattern that this is a highly motivated organization where status quo is shunned by our management team. On top of record results, we completed a successful IPO on January 21, 2021, and issued $150 million of Convertible Preferred Stock with BlackRock, which was utilized to acquire McGuyer Homebuilders, Inc (MHI), a best-in-class Texas homebuilder that provides major inroads to all four major Texas markets, the largest overall housing market in the country. Additionally, along with our affiliate, DF Capital Management, LLP, we exceeded our target capital raise of over $300 million, bringing on two highly respected institutional partners.

I will provide some context as to the importance of each achievement. We started 2021 by completing a successful IPO. This was significant for our Company and shareholders, as the IPO provided capital to fuel our long term business growth. Just like the previous three times the Company raised capital, 100% of proceeds were re-invested in the business with no shareholder taking anything "off the table." Our goal from Day 1 of starting Dream Finders was to build a durable business with a steady vision of generating long term above-average shareholder returns. This long term vision guided the reality that being a public company was the best way to continue to accomplish that goal. Several major business advantages were gained via the IPO, and it is worth discussing each to communicate the value these will drive for shareholders.

(1) One Single Unsecured Credit Facility — This was arguably the #1 reason for DFH to complete an IPO. Our team was managing over 30 different fully secured credit facilities with tremendous friction costs due to the inefficiencies of having to appraise and secure each individual home or homesite prior to acquisition. These processes slowed down funding and significantly impacted our sale to start timeline. Ongoing funding was based on regular draw schedules as we built homes, which severely affected the payment timing to our vendors and land sellers, putting us at a constant disadvantage to peers. Bank of America Securities, who led our IPO, agreed to provide DFH with an unsecured credit facility of $450 million, which subsequently increased to $817.5 million. Not only was the loan rate significantly lower than our traditional facility, but this consolidated all 30+ credit facilities into a single unsecured revolver. It is nearly impossible to overemphasize the efficiencies gained, which will allow DFH to turn our inventory more rapidly, resulting in better returns to shareholders along with more loyal vendors and land sellers who are now paid timelier. This single facility also lowered our overall cost of capital we estimate roughly 200 bps or more that ultimately flows through to increasing margins.

(2) IPO Capital Raised — We netted $125 million of IPO proceeds which we immediately used to deleverage our balance sheet and option more land contracts. Land option contracts are the lifeblood of our asset-light business and will drive all future growth. In 2021, we increased our option land position to 38,495 homesites, up 99.7% y/y. This positioned us well ahead of our year end 2021 land options target goal, which now provides us the position of being able to narrow the deal funnel and really focus on the best, high-quality land opportunities that should drive better margins over the long term.

Like other homebuilders over the past year, our operations have been impacted by numerous supply chain challenges, that in our opinion ultimately stemmed from suppliers' constant start and stop during Covid-19. While we acknowledge the challenges, we also believe the best managers find a way to work through obstacles. We believe that the homebuilding industry is resilient and that our suppliers and trade partners are working hard to navigate and address these issues. The DFH team continues working tirelessly to deliver great homes to our customers. However, it would not be surprising if these challenges continue throughout 2022. We are confident that there is a long term undersupply of housing, and this demand will persist for years. We also believe that not all businesses are created equal and that DFH has the culture, tenacity, and skills to navigate these challenges and we remain relentless in delivering a great product to our customers while maintaining industry best returns on shareholder equity.

MHI Acquisition

On October 2, 2021, DFH closed on the asset acquisition of a leading Texas homebuilder, McGuyer Homebuilders, Inc (MHI). This is a transformative deal that immediately provides major operations in Houston (MHI Headquarters), Dallas, Austin, and San Antonio — collectively the country's largest housing market. Not only are we now in great markets, but we have a great team to lead them. Frank McGuyer built a stellar reputation over thirty years, recognized by both his customers and his business partners. We are inheriting a seasoned and professional team that is excited about our combined new growth opportunities. I look forward to reporting back in 2023 — we have big expectations for Texas and the MHI team.

DF Capital Management

In 2017, we partnered with Chris Butler to build an independent investment platform with the goal of providing programmatic funding for Dream Finders Homes' asset-light growth, allowing management to spend more time running the business and less time raising capital.

This partnership is intended to supplement DFH's growth, not be its sole source. DF Capital Management (DFCM) is one of numerous great relationships we have with developers and land bank partners across the country, and will likely never be more than 25% of our total land under option. Our many partnerships enable DFH to retain flexibility and be nimble when market conditions require.

For DF Residential I, LP (Fund I), Chris successfully assembled $37 million in commitments from a diverse group of over 30 investors. Including co-investment funds raised and the utilization of non-recourse leverage, Fund I provided Dream Finders Homes with over $150 million of land acquisition and development capital. Fund I is in its final distribution stage and currently tracking an 18%+ after fees IRR, in line with our return target for Limited Partners.

In late 2020, DF Capital Management began fundraising for DF Residential II, LP (Fund II). Fund II initiated its first close in March 2021 with $140 million and recently commenced its final close with $320 million of total commitments — comfortably exceeding its $250 million target. The investor base spans nearly 100 investors of various profiles and incorporates two high-quality institutions. Including the use of non-recourse leverage, Fund II is expected to provide over $450 million of capital for Dream Finders Homes projects — approximately 50% of which has already been deployed to over a dozen projects.

We are excited about these deals and the returns they will generate and believe Fund II will serve as a launchpad for future real estate funds of increasing size and scope. While we have zero operational control, DFH is entitled to a significant portion of carried interest which should create meaningful value for our shareholders in the future. Chris and his team deserve a lot of credit for the business they have built over the past four years, and we are targeting late 2022 to begin raising Fund III.

Future Opportunities

While nothing is imminent, it is reasonable to assume we will be opportunistic with acquisitions in the future. We believe DFH offers a very compelling partner for anyone looking to sell their homebuilding business. Having recently been a privately held business, we have the unique perspective of understanding the challenges of being private. We are looking for win-win situations where both parties feel like they are getting a fair deal and we are typically able to establish a price within days. We know how important it is to make quick and definitive decisions and have worked hard to earn the reputation of doing what we said we were going to do. This is evidently not as prevalent in business as one may think. We are fast growing and believe in retaining high quality talent, so DFH needs the employees we have adopted via acquisition, and we have worked hard to retain key teams. It is very important for sellers to know the employees that helped them build these great businesses are taken care of. The vast majority have stayed on with DFH and many are thriving in our entrepreneurial culture. If you have a great business and are looking for the best home to take care of your legacy, at a fair price, please reach out to me personally.

Conclusion

We have compounded shareholder equity, earnings, and revenue by more than 40% annually since our Company's 2008 inception. We started with our first home in January 2009, just about the bottom of the Financial Crisis and have grown methodically from 27 homes in 2009 to nearly 5,000 homes closed in 2021. In our minds we are just getting started and have only scratched the surface on what our Company can become. While our growing capital base will make this mathematically more challenging, and there is no guarantee of future performance, you can rest assured these are the metrics by which we managers evaluate success. DFH is committed to employing our capital in the most attractive and consistent earnings power achievable.

We appreciate your partnership and look forward to reporting back in 2023.

Your Chairman and CEO,

Patrick Zalupski
April 6, 2022