To the Shareholders of Dream Finders Homes, Inc.:

Each year I provide shareholders with an annual letter summarizing how the Company performed for the prior twelve months. This commentary is intended to give insight as to how we managers view our business and provide straightforward analysis of our performance, but hopefully in a way that is transparent and easy to digest. We have a lot of friends and family that have entrusted us with their hard-earned dollars, who are not necessarily financial experts, and we want to make sure everyone understands what they own and why we believe we are uniquely positioned for long-term success.

We strive to provide above-market results, with industry-best returns on shareholders' equity. As you may recall from last year's letter — and I believe it is worth reiterating — there is no greater alignment of interests than the fact that your Founder, CEO and Chairman owns approximately 65% of outstanding shares. Over 99% of my net worth is invested directly in this company that I founded and have managed for 14 years. There are not many public businesses that can quote a statistic like that and you should take comfort in knowing that nearly every waking hour is spent thinking about how we protect this business to insure its success over the *next* 14 years.

We have completed three equity raises over those 14 years, including our IPO in January 2021, and each time 100% of the proceeds were reinvested back in to the business to further grow and bolster the Balance Sheet. When we make a decision, I think long and hard how it's going to impact the company because the company and I are one and the same. Because of that ownership, and my effective control of the company, I also have the unique ability to take a long-term approach to how we manage our business. People are quick to use the words "long-term", but I have noticed it means materially different things to different investors. Most investors state they invest with a long-term strategy, but then make investments quarter to quarter or even day to day depending on which way market sentiment is blowing. All too often emotion or fear takes over and short-term decisions are made resulting in poor outcomes. There are few organizations that can truly take a 5, 10 or even 20-year approach and have the discipline, or more importantly the *control*, and authority to stick with it. I have been doing it that way for 14 years and I have no plans to deviate course.

Before discussing 2022 results, I want to remind the audience regarding how we run our business and why we believe we are different from most competitors. 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. This strategy allows us to be more nimble 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.

I am often asked by shareholders why everyone does not employ this type of strategy. The answer is fairly straightforward — because it is more difficult. You have to build relationships with land sellers, developers and land bankers and that takes significant time and energy versus simply buying the land directly on to your balance sheet. Creating long standing and durable relationships can take time, but we are confident it will pay off for DFH over the long-term. Now on to our 2022 operating results.

2022 Overview

I am pleased to report that in 2022 Dream Finders Homes generated after-tax operating earnings of $262 million, or $2.67 per basic share. This was up 117% from $121 million of earnings in 2021. We have come a long way from 2009, our first year in business, when we closed 27 units, revenue was less than $4.5 *million* and pre-tax operating earnings was about $450,000. In 2022, our unit closings were 6,868 (up 41% year over year), revenue was $3.3 billion (up 74% year over year) and pre-tax operating earnings were $356 million (up 120% year over year). We have made a lot of progress over the last 14 years, but we feel like we are just scratching the surface on where this company can go.

Our 2022 operating results generated a return on equity of 49.1% (based on average trailing 12 months equity), above our historical returns of over 40%. 2022 involved different challenges versus 2021, when we completed a successful IPO on January 21, 2021, then issued $150 million of Convertible Preferred Stock with BlackRock, which was utilized to acquire McGuyer Homebuilders, Inc (MHI), providing significant scale in Texas, the largest overall housing market in the country. We spent the majority of 2022 integrating our largest acquisition to date and navigating a rapidly rising interest rate environment that saw the Federal Reserve raise rates at a record pace (since the 1980 recession) of ten times since March 2022, forcing mortgage rates to top out around 7.5%. Rapidly rising mortgage rates is never a friend to the home builder or buyer, as evidenced by rapidly increasing cancelation rates and lower sales volume in the second half of 2022 (net new orders were 2,200 in the last six months of the year versus 3,900 sales in the first half of the year). Our asset-light business model had us prepared for a deeper slowdown as we generated record cash flow in the second half of 2022 ($350 million of cash at year end), but as of today it feels like homebuyers have digested higher rates and homebuilders have quickly adjusted price; new sales velocity feels like a fairly “healthy” housing market. This record cash flow helped us continue to execute on our deleveraging strategy that has seen the leverage (net debt to capitalization ratio) decrease from 78.4% at December 31, 2014 to 42.9% at December 31, 2022. This was all done while achieving a compounded annual growth of 78% in earnings over the same 8 years. This validates our belief that you can grow earnings while continuing to deleverage. This is an incredible transformation for the company’s balance sheet and gives credibility to our goals of reducing net debt to cap to 20% in the next 5 years.

Like other homebuilders in 2022, our operations continued to be impacted by numerous supply chain challenges, that in our opinion ultimately stemmed from suppliers’ constant start and stop during Covid-19. In early 2023, we are starting to see cycle times decline, which is hopefully a sign that the supply chain is getting back to a more normalized cadence. We are optimistic that we can continue to make incremental progress in reducing cycle times and this will likely take the remainder of 2023, and even into 2024, to return to pre-pandemic cycle times. While we acknowledge the challenges, we also believe the best managers find a way to work through obstacles. The DFH team continues working tirelessly to deliver value and great homes to our customers. Let’s spend some time getting to know our divisions and the leaders who manage those businesses day to day.

Home Building Operations

<u>Orlando Division</u>

Our Orlando division has continued to grow under the leadership of Division President, Gerry Boeneman. Gerry joined DFH in 2015 to organically start the Orlando division. In a relatively short 8 years, Gerry has taken a startup division from zero closings and revenue in 2015 to 656 closings and $304.8 million of revenue in 2022. Gerry has built a great culture and team and it is a direct reflection of Gerry himself and the hard work he puts in each day, with a positive attitude, that is contagious to everyone around him.

This is a good example of the difference between having the right operator at the helm of a division and not having the right operator. We started our Austin, TX division in 2015, the same year we started Orlando, and we went through 3 different division leaders and never exceeded 200 closings (and overall lost several million dollars). It wasn't all bad though as we learned enough about Texas to know we wanted to be there for the long-term and knew that we could be successful with the right team in place. This led us to the MHI acquisition, which now has us in great shape in Austin and the other major Texas markets, but that was partially a function of our inability to get the right team together in Austin.

<u>Jacksonville Division</u>

Our Jacksonville division continues to perform at a high level under the stewardship of Division President, Brad Muston. Jacksonville is also the location of our Corporate Headquarters, and where we started DFH in 2009, so there's no shortage of cooks in Brad's kitchen. Brad has done a terrific job taking us to a more streamlined and efficient operation over the past four years. Jacksonville closed 1,439 homes and $679.3 million of revenue in 2022, making it our largest single division. Brad also led the company in both gross and net margins (we don't disclose division level margins but if we did you would be impressed!). The scale of the operation helps and I can assure you the company has goals of replicating that scale across all of our markets with goals of maximizing returns.

<u>Denver Division</u>

If anyone questioned whether DFH could take our homebuilding show on the road you only need to look at our Denver division nearly 3,000 miles West of Jacksonville, FL. We started our Denver operation in 2014 with one community and now hold, in our humble opinion, one of the best land pipelines of any builder in the market. This land acquisition effort was led by our Regional Land President, Matt Childers, under the guidance of Division President, Jamie Mott. Matt oversees our Texas and Colorado land operations while Jamie started out with DFH in Jacksonville in 2012 as a sales agent and quickly became one of our top sales performers, making his way up to VP of Sales before moving to Denver to become the Division President in 2019. Under Jamie's shrewd leadership the Denver division has quickly become one of our most profitable operations and we are excited to see where Jamie and the team will be in the next several years. The Denver division had 285 closings and $164.9 million of revenue in 2022, but we have a very high-quality pipeline of land that totals nearly 6,000 future homesites under option so you can expect significant growth in Denver.

H&H Acquisition

Our H&H Acquisition has seen strong growth with deliveries increasing 15% year over year and income increasing 50% year over year. We continue to focus on restructuring our Carolinas segment and have hired five new Division Presidents for each MSA in the Carolinas and a new Regional President for the region. In addition, we created a Regional President role covering the Southeast markets (Jacksonville, Orlando, Georgia, and our future expansion into Tampa). The Regional Presidents will help provide better oversight of day to day operations in our divisions. We have increased revenue and profitability significantly in the Carolinas, enough to more than pay back the H&H transaction purchase price in under 3 years. Ralph Huff, the previous owner of H&H, continues to be a strong partner and valuable resource in finding great land deals and we appreciate his support.

MHI Acquisition

On October 2, 2021, DFH closed on the asset acquisition of a leading Texas homebuilder, McGuyer Homebuilders, Inc (MHI). This was a transformative deal that immediately provided major operations in Houston (MHI Headquarters), Dallas, Austin, and San Antonio — collectively the country's largest housing market. Gary Tesch, MHI's former CEO and now Texas Regional President post acquisition, has done a solid job adapting to our systems and buying in to the DFH way. It's never easy when you have successfully run a business a certain way for years, but we are working together to implement processes to hopefully grow this business significantly over time. The early results are promising. MHI achieved company record revenues and profits in 2022, all while completing a significant integration to DFH systems. The MHI team has bought in and is excited about unleashing their talents to help grow the business. We are only 1.25 years in, but we are already big fans of Texas and the MHI organization. Frank McGuyer, the former owner, continues to be an integral part of our Texas growth and his support is greatly appreciated.

Land Development Operations

The Land Development Team, headed by VP of Land Acquisition and Development, Batey McGraw, continues to generate terrific opportunities for DFH. DFH currently controls approximately 40,000 homesites. It has not been easy over the past 18 months as we reworked a significant percentage of our land deals to accommodate for record interest rate increases. Batey and his team have grinded through and put DFH on a path to grow going forward. We believe these are highly desirable locations near quality school districts. As the market continues to improve, Batey and his team will have their work cut out as competition increases and others may be willing to pay more for the same parcel of land. It is our mission to remain disciplined and only acquire land with strong value propositions. This may mean decreasing our lot inventory in future years if we do not feel the opportunities are appropriate uses for our capital (as we did in 2022). However, we believe our durable relationships and ability to be nimble with deal structures will pay dividends over time and allow DFH to continue to grow our quality land positions.

Title Insurance Operations

DF Title, LLC dba Golden Dog Title & Trust ("DFT") was created in 2014 to manage the closings, escrow and title insurance for the DFH home-buying customers and lenders. DFT is a full-service title insurance agency issuing owners and lenders title insurance policies underwritten by Fidelity National Financial and other national title insurers. Tom Ralabate, Esq. was hired in 2014 to start and manage the title insurance operations, and is doing a fine job today. Tom has a distinguished reputation in the real-estate industry and is licensed in 20 states for title insurance. DFT's staff has years of skill and expertise in the industry and are focused on providing the customers with great service. DFH employees appreciate Tom and the effort his team puts forth each day. Generally, title insurance premium rates are regulated by each state. In 2018, DFT generated $3.2 million in revenue and had earnings of $830k. Just four years later, in 2022, DFT generated $7.8 million in revenue and had earnings of $2.8 million.

Most of DFT's business is originated from the Home Building Operation, but a company goal is to grow the business beyond the home building work. We do this by leveraging current relationships and continuing to develop new ones, allowing the business to expand and become more profitable. DFT's non-builder business has been consistently around 20% of the overall units closed, which shows continued growth given that DFH units increase year-over-year. DFT, through its operations, and as an agency for national underwriters, bears low risk for title claims. DFT shares title insurance premiums with the insurer underwriting the transaction, as required by each of the state's regulations. Expansion of Title Insurance Operations into other markets is ongoing and we expect continued growth for this business in future years.

Jet HomeLoans

Jet was formed in late 2017 as a Mortgage Joint Venture with Prime Lending. We moved this relationship over to FBC mortgage in 2021 with FBC owning 51% and DFH owning 49%, so the financials do not consolidate, but the earnings are distributed as cash is available and roll through to DFH's earnings. DFH invested $735,000 and has already received back over $20 million in distributions since 2017, so we continue to feel this is a great venture for DFH. Perhaps as importantly, we are able to better control the overall customer experience and insure our underwriting standards are sound. In periods of uncertainty, it is valuable to have transparency in to the credit worthiness of your homebuilding backlog and this was particularly valuable in the second half of 2022. Pursuant to the operating agreement, DFH also has the right to acquire the other 51% of the JV at any time and in DFH's sole discretion by paying FBC an amount equal to FBC's then-current capital account balance. This will likely make sense for DFH to initiate sooner versus later, as is common among our public homebuilding peers who typically own 100% of the mortgage business. We are very happy overall with the FBC partnership and this has been a net gain for DFH Shareholders.

DF Capital Management

In 2017, we partnered with Chris Butler to build an investment platform with the goal of providing programmatic funding for Dream Finders Homes asset-light growth and allowing our Company to spend more time running the business and less time raising capital. This has always been intended to supplement DFH's growth, not be its sole source. We have numerous great relationships with developers and land bank partners across the country and DF Capital Management (DF Capital) will likely never be more than 25% of our total land under option. Our strategic relationship with DF Capital provides synergies for both parties and our shared goals should allow us to find mutually beneficial outcomes in various market conditions. 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. In just under 5 years, Fund 1 has already realized a net 18% IRR and is on track to exceed its target return for Limited Partners.

In late 2020, DF Capital began fundraising for DF Residential II, LP (Fund II) and closed with over $320 million of capital commitments in just over a year. The investor base spans over 100 investors of various profiles including two high-quality institutions. Including the use of non-recourse leverage and recycled capital, Fund II is expected to provide over $450 million of capital for Dream Finders Homes projects — approximately 60% of which has already been deployed across over 30 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. As Chris continues to grow his team, DF Capital has expanded by building relationships and providing capital to a variety of public and private homebuilders. While we have zero operational control, DFH is entitled to a significant portion of carried interests 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 six years. The team is targeting early 2024 to begin raising Fund III.

Chief Operating Officer — Doug Moran

Doug deserves a special section in this letter. He joined DFH in August 2015 as Division President of our Jacksonville Operation. We had just started up our Savannah and Denver operations, neither of which were profitable, and Jacksonville was going to make about $6 million dollars in 2015. At the time, Doug represented a significant financial commitment for DFH, but I felt like he was the guy that could help manage the operation and aligned with my goals of expansion and growth. I had high hopes that Doug would come on and we would grow the business together and he hasn't disappointed. Doug's leadership and skill has helped build this organization from 474 homes in 2015 to nearly 7,000 in 2022 (~14.5x in 7 years just in case you were wondering...). Doug and his team have underwritten and completed four acquisitions in four years, along with fully integrating them, which is no small feat. This is a team effort and Doug would be the first to acknowledge that, but he is the leader of the team and is in the trenches every day and for that we shareholders should be thankful to have Doug (and I know I am).

General Comments

As we have alluded in several quarterly earnings releases, we consider basic earnings per share our most meaningful profitability metric, as the diluted EPS calculation, based on accounting guidance and the terms of the convertible preferred stock we issued in October 2021 is impacted by common stock price volatility and fluctuates outside of our control. In simple terms, as our stock price decreases we would theoretically have to issue more shares to cover the preferred stock as if it were redeemed (which we do not intend to happen), so it forces our fully diluted EPS lower. While this conversion could not even occur until October 2026 at the earliest, we are still required by GAAP to show the calculation "fully diluted" each quarter. As we have consistently stated, we cannot think of a circumstance where it would make sense to allow the convertible preferred stock to actually convert. DFH has until October 2026 to pay-off or refinance the convertible preferred stock and our goal is to complete that no later than October 2025 to give ourselves flexibility. It is worth reiterating that this convertible carries a 9.0% coupon, which is attractive in today's preferred equity environment. We intend to use this competitive cost of capital to our advantage.

Stock price is something we will generally not spend a lot of time discussing in this letter other than in relation to our convertible preferred stock and its impact on diluted EPS. However, it's worth mentioning that 2022 was obviously a bumpy year for the stock market and DFH's stock price was not spared. As I have outlined the value of my control of Dream Finders Homes business and the long-term benefits I believe that will produce for all shareholders, I note the one aspect out of my control — our stock price. The divergence in 2022 between our 110% basic EPS *growth* and our 55% share price *decline* should illustrate that I am laser focused on the former and cannot dictate the latter! It is true that it feels better when the stock price is higher, but at the end of the day we are steadfast in creating long term value for our shareholders and too often we see short term decisions being made in hopes of elevating ones share price. At the end of the day, what matters to the managers of DFH is continuing to build a great business that is focused on generating high returns on equity and long term sustainable per share earnings growth.

Everything at DFH is directed towards driving the highest and best returns on each dollar of capital we invest. We are largely agnostic as to whether these returns are generated organically, via acquisition, or through a strategic asset sale. 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 have 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 added quality new team members and brought invaluable learning experiences 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 16 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 to get us there. This is our philosophy and how we have built this business over the past 14 years.

Future Opportunities

While nothing is imminent, it continues to be reasonable to assume we will be opportunistic with acquisitions in the future. We are conservative and currently have no acquisitions built in to our forecast, but we may complete one or more 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. We are 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, nearly at the bottom of the Great Financial Crisis, and have grown methodically from 27 homes in 2009 to nearly 7,000 homes closed in 2022. With a high degree of confidence, I can state that every year the team has gotten better and we have increased intrinsic value for shareholders. 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.

We appreciate your partnership and look forward to reporting back in 2024.

Your Chairman and CEO,

Patrick Zalupski
July 28, 2023