



Fourth Quarter & Full Year 2019 Analyst Conference Call

January 30, 2020

LIFE. BUILT. BETTER.

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 management's projected full year 2020 home closings, home closing revenue, home closing gross margin and tax rate, as well as expectations regarding new community openings, the U.S. economy and housing market.

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: changes in interest rates and the availability and pricing of residential mortgages; legislation related to tariffs; the availability and cost of finished lots and undeveloped land; shortages in the availability and cost of labor; the success of strategic initiatives; the ability of our potential buyers to sell their existing homes; inflation in the cost of materials used to develop communities and construct homes; the adverse effect of slow absorption rates; impairments of our real estate inventory; cancellation rates; competition; changes in tax laws that adversely impact us or our homebuyers; 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 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, 2018 and our Form 10-Q for the quarter ended September 30, 2019 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

Strategy for Success: Simplify Less is More, Easy=Right



Deliver a
simple, low
stress, easier
homebuying
experience at
a great value

Streamline
products and
processes to
drive down
costs



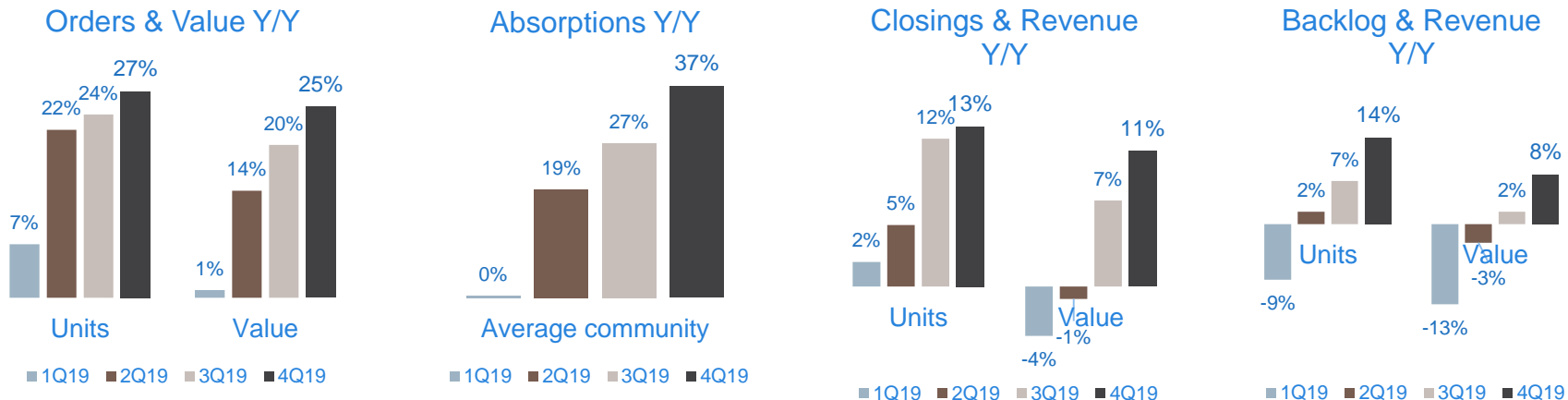
Entry-Level / LiVE.NOW.



First Move-Up

Improved Trends in 2019 Driven by Strategic Focus

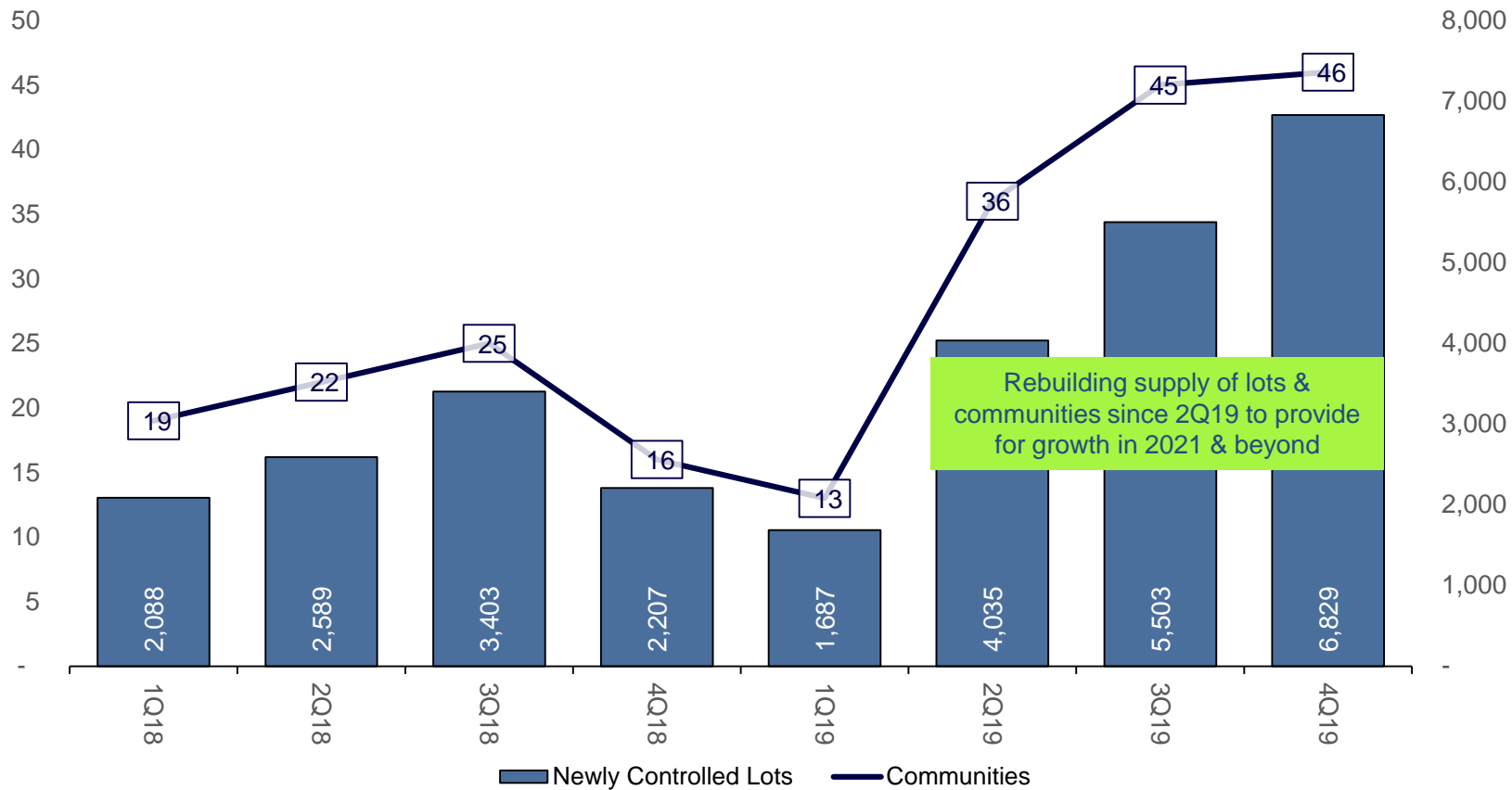
Year/Year % Comparisons To 2018



	1Q19	2Q19	3Q19	4Q19
GM%	16.7%	18.4%	19.8%	19.8%
SG&A%	12.3%	11.0%	10.7%	10.1%
Diluted EPS	\$ 0.65	\$ 1.31	\$ 1.79	\$ 2.65

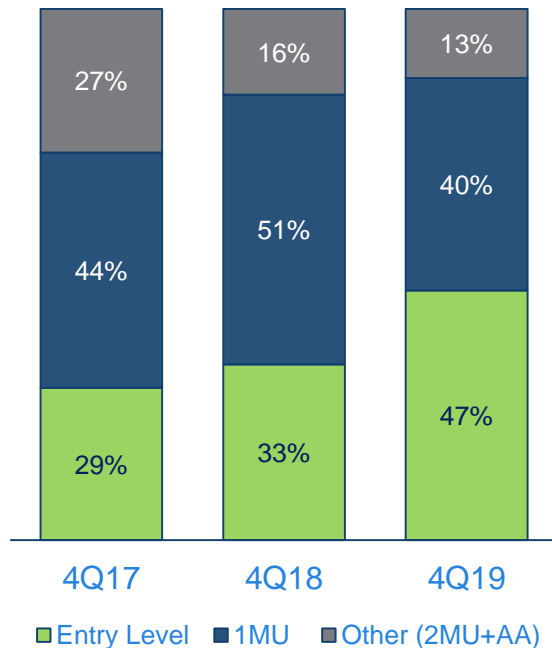
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Accelerated Investment in Land Since 2Q19

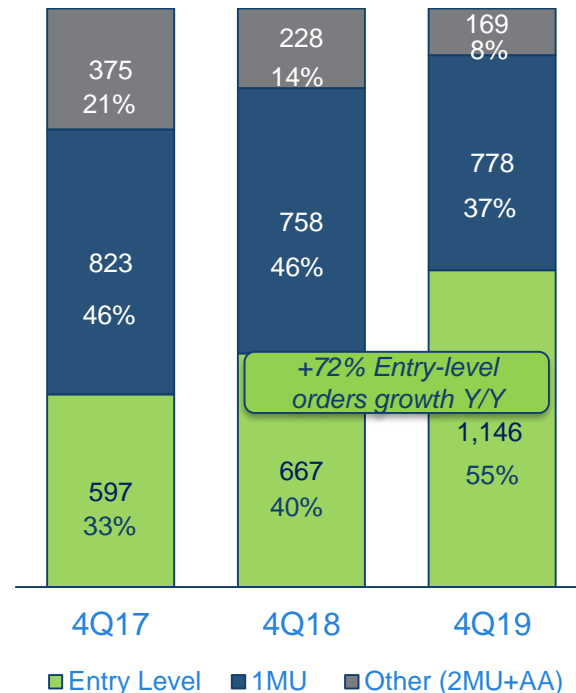


Entry-level/LiVE.NOW. Shift Driving Growth

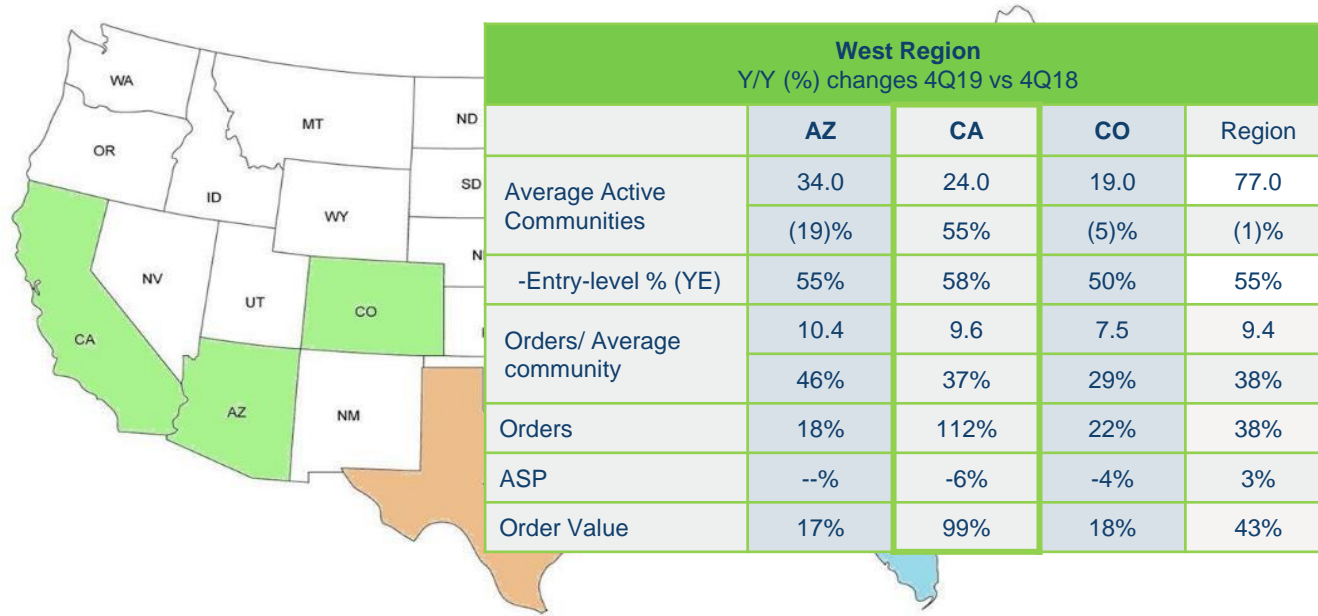
Ending community count by product type



Orders by product type

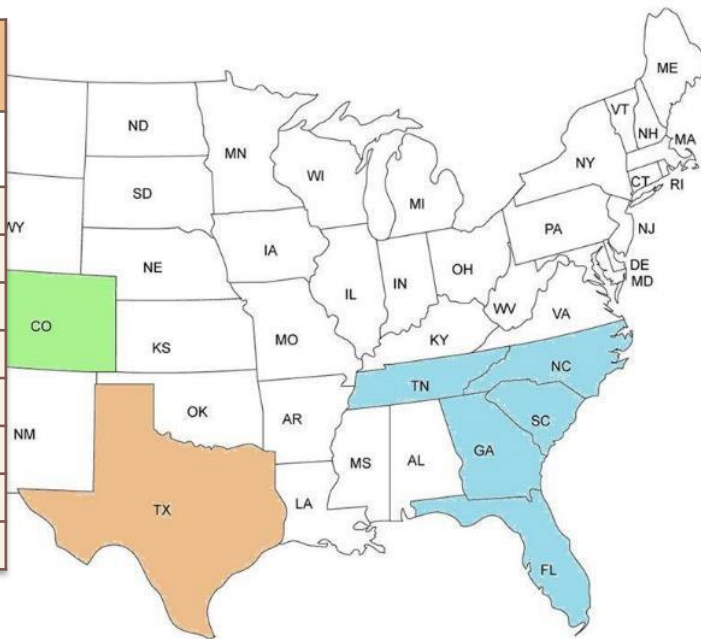


West: Highest regional absorptions drove 38% order growth and 43% increase in total order value



Central: Strong absorptions offsetting early close-out communities

Central Region Y/Y (%) changes 4Q19 vs 4Q18	
	TX
Average Active Communities	75.5 (19)%
-Entry-level % (YE)	56%
Orders/ Average Community	9.2 46%
Orders	18%
ASP	(6)%
Order Value	11%



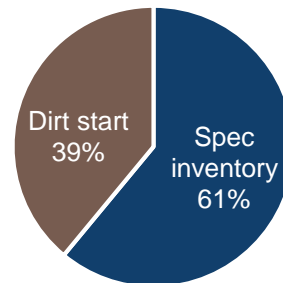
East: Improving absorptions as more entry-level communities are opened

East Region						
Y/Y (%) changes 4Q19 vs 4Q18						
	FL	GA	NC	SC	TN	Region
Average Active Communities	34.5	18.0	23.5	9.5	9.0	94.5
	13%	(18)%	4%	(21)%	(10)%	(3)%
-Entry-level % (YE)	42%	33%	36%	22%	11%	34%
Orders/ Average Community	7.4	5.9	8.8	5.2	5.8	7.1
	19%	37%	33%	(5)%	53%	29%
Orders	34%	13%	39%	(26)%	37%	25%
ASP	(9)%	1%	(5)%	(4)%	(10)%	(5)%
Order Value	22%	14%	32%	(28)%	24%	19%

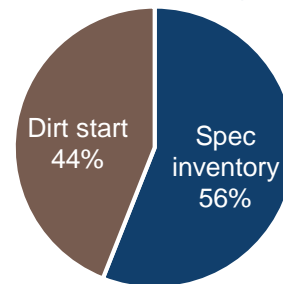
Additional spec inventory allows us to capture demand and convert into same-quarter closings

(\$millions except ASP)	4Q19	4Q18	Y/Y %Chg
Beginning backlog	3,519	3,285	+7%
Spec inventory	3,025	2,507	+21%
Completed	853	797	7%
Under construction	2,172	1,710	27%
Backlog conversion rate	80%	76%	+4 ppt
Home closings	2,830	2,505	+13%

4Q19 Closings



4Q18 Closings



Strong Net Earnings Growth in 2019

(\$millions)	Quarter Ended Dec-31,			Year to Date Dec-31,		
	2019	2018	%Chg	2019	2018	%Chg
Home closings	2,830	2,505	+13%	9,267	8,531	+9%
ASP (closings)	\$390K	\$398K	(2)%	\$389K	\$407K	(4)%
Home closing revenue	\$1,103.7	\$996.1	+11%	\$3,604.6	\$3,474.7	+4%
Home closing gross profit	\$219.0	\$189.5	+16%	\$680.7	\$632.0	+8%
Home closing gross margin ⁽¹⁾	19.8%	19.0%	+80 bps	18.9%	18.2%	+70 bps
Financial services profit	\$4.3	\$7.9	(46)%	\$20.6	\$24.0	(14)%
SG&A expenses	\$111.2	\$105.5	+5%	\$392.8	\$380.4	+3%
-- % of home closing revenue	10.1%	10.6%	(50) bps	10.9%	10.9%	--
Earnings before taxes	\$110.5	\$91.8	+20%	\$302.9	\$283.3	+7%
Tax rate ⁽²⁾	6%	18%	n/m	18%	20%	(200) Bps
Net earnings	\$103.6	\$75.5	+37%	\$249.7	\$227.3	+10%
Diluted EPS	\$2.65	\$1.91	+39%	\$6.42	\$5.58	+15%

⁽¹⁾ Home closing gross margin excluding impairments +100 bps Y/Y:

- 4Q19 20.1%
- 4Q18 19.1%

⁽²⁾ 4Q19 and FY2019 tax rates reflect impact of ~\$20M energy tax credits extended in Dec-2019 for 2018-2020

Projecting ~22% tax rate for 2020

Maintaining Strong Balance Sheet While Increasing Investment in Land for Growth

Real assets key metrics	2019	2018
Land & development spending	\$836M	\$812M
<u>As of period ended Dec-31:</u>		
Total lots controlled	41,399	34,553
Years supply of lots	4.5	4.1
-- Owned	63%	69%
-- Optioned	37%	31%

Planning for ~ \$1B-1.2B land & development investment in 2020 to support ~300 communities by YE2021

Net debt-to-capital reconciliation (\$millions)		
<i>(non-GAAP reconciliation to net debt-to capital ratio)</i>	Dec-31, 2019	Dec-31, 2018
Notes payable and other borrowings	\$ 1,019	\$ 1,310
Less: cash and cash equivalents	(319)	(311)
Net debt	\$ 700	\$ 999
Stockholders' equity	1,974	1,721
Total net capital	\$ 2,674	\$ 2,719
Net debt-to-capital	26.2%	36.7%
Total capital	\$2,993	\$3,031
Debt-to-capital	34.0%	43.2%
Book value/share	\$51.68	\$45.20

Guidance

Full Year
2020

- 9,700-10,200 home closings
- Closing ASPs ~\$360-370,000
- Home closing gross margin in mid-19's %
- Tax rate ~22%

First Quarter
2020

- 1,800-2,000 home closings
- Closing ASPs ~\$380-390,000
- Home closing gross margin mid-18's%

Summary

- ✓ **Sound strategy for entry-level and 1st move-up**
- ✓ **Executing well – proof in 2019 results**
- ✓ **Unique value proposition with LiVE.NOW. & Studio M**
- ✓ **Market conditions remain strong**
- ✓ **Simplifying and streamlining operations**
- ✓ **Better margins and leverage through increased volume help drive earnings growth**
- ✓ **Generating free cash flow**

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