

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2024

OR

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 001-36126

**LGI HOMES, INC.**

(Exact name of registrant as specified in its charter)

Delaware

46-3088013

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

1450 Lake Robbins Drive, Suite 430,

The Woodlands, Texas

77380

(Address of principal executive offices)

(Zip code)

(281) 362-8998

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	LGIH	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange

Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 26, 2024, there were 23,500,280 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

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**PART I. FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**LGI HOMES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**  
**(In thousands, except share data)**

	<b>June 30, 2024</b>	<b>December 31, 2023</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 51,071	\$ 48,978
Accounts receivable	43,213	41,319
Real estate inventory	3,360,265	3,107,648
Pre-acquisition costs and deposits	34,004	30,354
Property and equipment, net	56,345	45,522
Other assets	137,968	113,849
Deferred tax assets, net	7,043	8,163
Goodwill	12,018	12,018
<b>Total assets</b>	<b>\$ 3,701,927</b>	<b>\$ 3,407,851</b>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 66,745	\$ 31,616
Accrued expenses and other liabilities	209,975	271,872
Notes payable	1,501,365	1,248,332
<b>Total liabilities</b>	<b>1,778,085</b>	<b>1,551,820</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
Common stock, par value \$0.01, 250,000,000 shares authorized, 27,612,742 shares issued and 23,500,280 shares outstanding as of June 30, 2024 and 27,521,120 shares issued and 23,581,648 shares outstanding as of December 31, 2023	276	275
Additional paid-in capital	331,246	321,062
Retained earnings	1,965,342	1,889,716
Treasury stock, at cost, 4,112,462 shares as of June 30, 2024 and 3,939,472 shares as of December 31, 2023	(373,022)	(355,022)
<b>Total equity</b>	<b>1,923,842</b>	<b>1,856,031</b>
<b>Total liabilities and equity</b>	<b>\$ 3,701,927</b>	<b>\$ 3,407,851</b>

See accompanying notes to the consolidated financial statements.

**LGI HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**  
**(In thousands, except share and per share data)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Home sales revenues	\$ 602,497	\$ 645,270	\$ 993,348	\$ 1,132,627
Cost of sales	451,613	503,333	751,063	891,874
Selling expenses	52,872	49,225	94,000	92,030
General and administrative	30,491	27,626	62,031	57,586
Operating income	67,521	65,086	86,254	91,137
Other income, net	(9,362)	(6,323)	(13,723)	(12,620)
Net income before income taxes	76,883	71,409	99,977	103,757
Income tax provision	18,310	18,275	24,351	23,661
Net income	<u>\$ 58,573</u>	<u>\$ 53,134</u>	<u>\$ 75,626</u>	<u>\$ 80,096</u>
Earnings per share:				
Basic	\$ 2.49	\$ 2.26	\$ 3.21	\$ 3.41
Diluted	\$ 2.48	\$ 2.25	\$ 3.20	\$ 3.39
Weighted average shares outstanding:				
Basic	23,543,378	23,533,097	23,560,977	23,457,615
Diluted	23,603,311	23,608,892	23,635,116	23,615,206

See accompanying notes to the consolidated financial statements.

**LGI HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
**(Unaudited)**  
**(In thousands, except share data)**

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total Equity
	Shares	Amount				
<b>BALANCE—December 31, 2023</b>	<b>27,521,120</b>	<b>\$ 275</b>	<b>\$ 321,062</b>	<b>\$ 1,889,716</b>	<b>\$ (355,022)</b>	<b>\$ 1,856,031</b>
Net income	—	—	—	17,053	—	17,053
Restricted stock units granted for accrued annual bonuses	—	—	786	—	—	786
Stock repurchase	—	—	—	—	(10,002)	(10,002)
Compensation expense for equity awards	—	—	3,829	—	—	3,829
Stock issued under employee incentive plans	75,020	1	1,505	—	—	1,506
<b>BALANCE— March 31, 2024</b>	<b>27,596,140</b>	<b>\$ 276</b>	<b>\$ 327,182</b>	<b>\$ 1,906,769</b>	<b>\$ (365,024)</b>	<b>\$ 1,869,203</b>
Net income	—	—	—	58,573	—	58,573
Stock repurchase	—	—	—	—	(7,998)	(7,998)
Compensation expense for equity awards	—	—	2,841	—	—	2,841
Stock issued under employee incentive plans	16,602	—	1,223	—	—	1,223
<b>BALANCE— June 30, 2024</b>	<b>27,612,742</b>	<b>\$ 276</b>	<b>\$ 331,246</b>	<b>\$ 1,965,342</b>	<b>\$ (373,022)</b>	<b>\$ 1,923,842</b>

See accompanying notes to the consolidated financial statements.

**LGI HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
**(Unaudited)**  
**(In thousands, except share data)**

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total Equity
	Shares	Amount				
<b>BALANCE—December 31, 2022</b>	<b>27,245,278</b>	<b>\$ 272</b>	<b>\$ 306,673</b>	<b>\$ 1,690,489</b>	<b>\$ (355,022)</b>	<b>\$ 1,642,412</b>
Net income	—	—	—	26,962	—	26,962
Restricted stock units granted for accrued annual bonuses	—	—	206	—	—	206
Compensation expense for equity awards	—	—	3,103	—	—	3,103
Stock issued under employee incentive plans	226,928	3	1,543	—	—	1,546
<b>BALANCE— March 31, 2023</b>	<b>27,472,206</b>	<b>\$ 275</b>	<b>\$ 311,525</b>	<b>\$ 1,717,451</b>	<b>\$ (355,022)</b>	<b>\$ 1,674,229</b>
Net income	—	—	—	53,134	—	53,134
Compensation expense for equity awards	—	—	2,360	—	—	2,360
Stock issued under employee incentive plans	13,307	—	1,289	—	—	1,289
<b>BALANCE— June 30, 2023</b>	<b>27,485,513</b>	<b>\$ 275</b>	<b>\$ 315,174</b>	<b>\$ 1,770,585</b>	<b>\$ (355,022)</b>	<b>\$ 1,731,012</b>

See accompanying notes to the consolidated financial statements.

**LGI HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**  
**(In thousands)**

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 75,626	\$ 80,096
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in income of unconsolidated entities	(4,988)	(5,304)
Distributions of earnings from unconsolidated entities	4,397	6,257
Depreciation and amortization	1,450	987
Compensation expense for equity awards	6,669	5,463
Deferred income taxes	1,121	(1,681)
Changes in assets and liabilities:		
Accounts receivable	(1,894)	(23,022)
Real estate inventory	(287,229)	6,435
Pre-acquisition costs and deposits	(3,651)	(1,213)
Other assets	(515)	22,854
Accounts payable	35,129	34,078
Accrued expenses and other liabilities	(9,098)	(32,115)
Net cash provided by (used in) operating activities	<u>(182,983)</u>	<u>92,835</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,281)	(271)
Investment in unconsolidated entities	(1,647)	(9,719)
Return of capital from unconsolidated entities	—	3,148
Net cash used in investing activities	<u>(2,928)</u>	<u>(6,842)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable	349,066	144,783
Payments on notes payable	(99,000)	(205,000)
Proceeds from financing arrangements	—	42,569
Payments on financing arrangements	(46,694)	(54,356)
Loan issuance costs	(97)	(5,487)
Proceeds from sale of stock, net of offering expenses	2,729	2,834
Stock repurchase	(18,000)	—
Net cash provided by (used in) financing activities	<u>188,004</u>	<u>(74,657)</u>
Net increase in cash and cash equivalents	<u>2,093</u>	<u>11,336</u>
Cash and cash equivalents, beginning of period	<u>48,978</u>	<u>31,998</u>
Cash and cash equivalents, end of period	<u>\$ 51,071</u>	<u>\$ 43,334</u>

See accompanying notes to the consolidated financial statements.

**LGI HOMES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. ORGANIZATION AND BASIS OF PRESENTATION**

**Organization and Description of the Business**

LGI Homes, Inc., a Delaware corporation (the "Company", "we," "us," or "our"), is headquartered in The Woodlands, Texas. We engage in the development of communities and the design, construction and sale of new homes in markets in Texas, Arizona, Florida, Georgia, New Mexico, Colorado, North Carolina, South Carolina, Washington, Tennessee, Minnesota, Oklahoma, Alabama, California, Oregon, Nevada, West Virginia, Virginia, Pennsylvania, Maryland and Utah.

**Basis of Presentation**

The unaudited consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments that are of a normal recurring nature and necessary for the fair presentation of our results for the interim periods presented. Results for interim periods are not necessarily indicative of results to be expected for the full year.

The accompanying unaudited financial statements as of June 30, 2024, and for the three and six months ended June 30, 2024 and 2023, include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates, and these differences could have a significant impact on the financial statements.

**Recently Issued Accounting Pronouncements**

In December 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), which is intended to enhance the transparency and decision usefulness of income tax disclosures. This amendment modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold, (2) the amount of income taxes paid (net of refunds received) (disaggregated by federal, state, and foreign taxes) as well as individual jurisdictions in which income taxes paid is equal to or greater than 5 percent of total income taxes paid net of refunds, (3) the income or loss from continuing operations before income tax expense or benefit (disaggregated between domestic and foreign) and (4) income tax expense or benefit from continuing operations (disaggregated by federal, state and foreign). The guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted for annual financial statements that have not yet been issued or made available for issuance. ASU 2023-09 should be applied on a prospective basis, while retrospective application is permitted. We are currently evaluating the impact that this standard will have on our financial statements.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"), which is intended to improve reportable segment disclosure requirements, primarily through additional and more detailed information about a reportable segment's expenses. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The guidance is to be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. We are currently evaluating the impact that this standard will have on our financial statements.

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### 2. REAL ESTATE INVENTORY

Our real estate inventory consists of the following (in thousands):

	June 30, 2024	December 31, 2023
Land, land under development and finished lots	\$ 2,178,433	\$ 2,099,133
Information centers	53,707	47,936
Homes in progress	559,674	313,124
Completed homes	509,502	542,996
Total owned inventory	3,301,316	3,003,189
Real estate not owned	58,949	104,459
Total real estate inventory	\$ 3,360,265	\$ 3,107,648

We have land banking financing arrangements with a third-party land banker to repurchase land that we sold to the land banker as a method of acquiring finished lots in staged takedowns, while limiting risk and minimizing the use of funds from our available cash or other financing sources. In consideration for this repurchase option, we paid a non-refundable commitment fee. Based on our right to control the ultimate economic outcome of these finished lots, these assets will continue to be held as real estate not owned within our inventory and a corresponding obligation was established within our accrued liabilities as discussed in [Note 3](#) to recognize this relationship. While we are not legally obligated to repurchase the balance of the lots, we will be subject to certain performance obligations, financial and other penalties if the lots are not purchased. We do not have any ownership interest or title to the assets that we have sold to the land banker and we do not guarantee any of the land banker's liabilities.

We build and lease a number of single-family homes in select, existing communities. During the six months ended June 30, 2024, we transferred \$11.0 million of home assets from real estate inventory to rental properties within property and equipment, net. We are lessors of the homes representing these home assets. Our leasing contracts are typically for terms of one year.

### 3. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued and other liabilities consist of the following (in thousands):

	June 30, 2024	December 31, 2023
Land banking financing arrangements	\$ 58,949	\$ 104,459
Real estate inventory development and construction payable	64,088	71,193
Accrued compensation, bonuses and benefits	17,309	22,550
Taxes payable	9,620	14,694
Warranty reserve	14,700	13,600
Accrued interest	12,321	13,522
Inventory related obligations	11,414	11,924
Lease liability	4,725	4,947
Contract deposits	4,894	2,909
Other	11,955	12,074
Total accrued expenses and other liabilities	\$ 209,975	\$ 271,872

#### Land Banking Financing Arrangements

We have land banking financing arrangements with a third-party land banker to repurchase land that we sold to the land banker as a method of acquiring finished lots in staged takedowns. Principal payments on these financing arrangements will generally coincide with the repurchase of lot takedowns from the land banker. We expect to complete the repurchase of all lots via takedowns associated with these transactions over the course of approximately one to three years.

#### Inventory Related Obligations

We own lots in certain communities in Florida and Texas that have Community Development Districts or similar utility and infrastructure development special assessment programs that allocate a fixed amount of debt service associated with development activities to each lot. This obligation for infrastructure development is attached to the land, which is typically

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payable over a 30-year period and is ultimately assumed by the homebuyer when home sales are closed. The obligations assumed by the homebuyer represent a non-cash cost of the lots.

### Estimated Warranty Reserve

We generally provide homebuyers with a one-year warranty on the house and a limited warranty for major defects in structural elements, such as framing components and foundation systems, typically ranging from six to ten years depending on the applicable state.

Changes to our warranty accrual are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Warranty reserves, beginning of period	\$ 14,000	\$ 11,350	\$ 13,600	\$ 10,750
Warranty provision	2,167	2,378	3,957	4,230
Warranty expenditures	(1,467)	(1,578)	(2,857)	(2,830)
Warranty reserves, end of period	<u>\$ 14,700</u>	<u>\$ 12,150</u>	<u>\$ 14,700</u>	<u>\$ 12,150</u>

## 4. NOTES PAYABLE

### Revolving Credit Agreement

On December 5, 2023, we entered into a Fourth Amendment to Fifth Amended and Restated Credit Agreement with several financial institutions, and Wells Fargo Bank, National Association, as administrative agent (the "Fourth Amendment"), which amended the Fifth Amended and Restated Credit Agreement, dated as of April 28, 2021, with several financial institutions, and Wells Fargo Bank, National Association, as administrative agent (as amended to date, including the Fourth Amendment, the "Credit Agreement"). The Credit Agreement provides for a \$1.205 billion revolving credit facility, which can be increased at the request of the Company by up to \$95.0 million, subject to the terms and conditions of the Credit Agreement. The Credit Agreement matures on April 28, 2028 with respect to \$960.0 million, or 79.7%, of the \$1.205 billion of commitments thereunder and on April 28, 2025 with respect to 20.3% of the commitments thereunder.

Before each anniversary of the Credit Agreement, we may request a one-year extension of its maturity date. The Credit Agreement is guaranteed by, among others, each of our subsidiaries that have gross assets of at least \$0.5 million, other than subsidiaries whose sole purpose is to own and operate single-family rental homes.

The borrowings and letters of credit outstanding under the Credit Agreement, together with the outstanding principal balance of our 4.000% Senior Notes due 2029 (the "2029 Senior Notes") and our 8.750% Senior Notes due 2028 (the "2028 Senior Notes"), may not exceed the borrowing base under the Credit Agreement. The borrowing base primarily consists of a percentage of commercial land, land held for development, lots under development and finished lots held by the Company and its subsidiaries that guarantee the obligations under the Credit Agreement. As of June 30, 2024, the borrowing base under the Credit Agreement was \$1.9 billion, and borrowings under the Credit Agreement and the outstanding principal amount of the 2029 Senior Notes and the 2028 Senior Notes totaled approximately \$1.5 billion, \$29.5 million of letters of credit were outstanding and \$354.8 million was available to borrow under the Credit Agreement.

Borrowings under the Credit Agreement bear interest, payable monthly in arrears, at the Company's option, at either (1) the Adjusted Term SOFR (defined as a term SOFR that is based on a fixed 1, 3 or 6 month interest period, as selected by the Company, plus a 10, 15 or 25 basis point adjustment, respectively), which rate is subject to a 50 basis point floor, plus an applicable margin ranging from 145 basis points to 210 basis points (the "Applicable Margin") based on the Company's leverage ratio as determined in accordance with a pricing grid, or (2) the Base Rate (defined as a term SOFR that is based on a daily variable 1 month interest period plus a 10 basis point adjustment), subject to a 50 basis point floor, plus the Applicable Margin. At June 30, 2024, the Applicable Margin was 1.85%, and SOFR was 5.34%, subject to the 0.50% SOFR floor as included in the Credit Agreement.

The Credit Agreement contains various financial covenants, including a minimum tangible net worth, a leverage ratio, a minimum liquidity amount and an EBITDA to interest expense ratio. The Credit Agreement contains various covenants that, among other restrictions, limit the amount of our additional debt and our ability to make certain investments. At June 30, 2024, we were in compliance with all of the covenants contained in the Credit Agreement.

### Senior Notes Offering

On November 21, 2023, we issued \$400.0 million aggregate principal amount of the 2028 Senior Notes in an offering to persons reasonably believed to be qualified institutional buyers in the United States pursuant to Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act"), and to certain non-U.S. persons in transactions outside the

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United States pursuant to Regulation S ("Regulation S") under the Securities Act. Interest on the 2028 Senior Notes accrues at a rate of 8.750% per annum, payable semi-annually in arrears on June 15 and December 15 of each year. The 2028 Senior Notes mature on December 15, 2028. The terms of the 2028 Senior Notes are governed by an Indenture, dated as of July 6, 2018, and Fourth Supplemental Indenture thereto, dated as of November 21, 2023, as may be supplemented from time to time, among us, our subsidiaries that guarantee our obligations under the Credit Agreement and Regions Bank, as trustee.

On June 28, 2021, we issued \$300.0 million aggregate principal amount of the 2029 Senior Notes in an offering to persons reasonably believed to be qualified institutional buyers in the United States pursuant to Rule 144A and to certain non-U.S. persons in transactions outside the United States pursuant to Regulation S. Interest on the 2029 Senior Notes accrues at a rate of 4.000% per annum, payable semi-annually in arrears on January 15 and July 15 of each year. The 2029 Senior Notes mature on July 15, 2029. The terms of the 2029 Senior Notes are governed by an Indenture, dated as of July 6, 2018, and Third Supplemental Indenture thereto, dated as of June 28, 2021, as may be supplemented from time to time, among us, our subsidiaries that guarantee our obligations under the Credit Agreement and Wilmington Trust, National Association, as trustee.

Notes payable consist of the following (in thousands):

	June 30, 2024	December 31, 2023
Notes payable under the Credit Agreement (\$ 1.205 billion revolving credit facility at June 30, 2024) maturing in part on April 28, 2025 and in part on April 28, 2028; interest paid monthly at SOFR plus 1.85%	\$ 819,699	\$ 569,633
4.000% Senior Notes due July 15, 2029; interest paid semi-annually at 4.000%	300,000	300,000
8.750% Senior Notes due December 15, 2028; interest paid semi-annually at 8.750%	400,000	400,000
Net debt issuance costs	(18,334)	(21,301)
<b>Total notes payable</b>	<b>\$ 1,501,365</b>	<b>\$ 1,248,332</b>

### Capitalized Interest

Interest activity, including other financing costs, for notes payable and financing arrangements for the periods presented is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Interest incurred	\$ 29,223	\$ 22,118	\$ 58,586	\$ 41,287
Less: Amounts capitalized	(29,223)	(22,118)	(58,586)	(41,287)
Interest expense	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
 Cash paid for interest	 \$ 35,482	 \$ 14,256	 \$ 56,768	 \$ 39,756

Included in interest incurred was amortization of deferred financing costs and applicable discounts for notes payable and financing arrangements of \$4.4 million and \$5.1 million for the three months ended June 30, 2024 and 2023, respectively, and \$ 10.0 million and \$8.2 million for the six months ended June 30, 2024 and 2023, respectively.

### 5. INCOME TAXES

We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. The statute of limitations with regards to our federal income tax filings is three years. The statute of limitations for our state tax jurisdictions is three to four years depending on the jurisdiction. In the normal course of business, we are subject to tax audits in various jurisdictions, and such jurisdictions may assess additional income taxes. We do not expect the outcome of any audit to have a material effect on our consolidated financial statements; however, audit outcomes and the timing of audit adjustments are subject to significant uncertainty.

For the three months ended June 30, 2024, our effective tax rate of 23.8% is higher than the Federal statutory rate primarily as a result of an increase in the rate for state income taxes, net of the federal benefit, the compensation cost in excess of deductions for share-based payments, and the compensation limitation under Section 162(m) of the Internal Revenue Code, as amended, partially offset by a decrease in the rate for the federal energy efficient homes tax credits.

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For the six months ended June 30, 2024, our effective tax rate of 24.4% is higher than the Federal statutory rate primarily as a result of an increase in the rate for state income taxes, net of the federal benefit, the compensation cost in excess of deductions for share-based payments, and the compensation limitation under Section 162(m) of the Internal Revenue Code, as amended, partially offset by a decrease in the rate for the federal energy efficient homes tax credits.

Income taxes paid were \$16.2 million and \$59.7 million for the three months ended June 30, 2024 and 2023, respectively. Income taxes paid were \$28.3 million and \$59.9 million for the six months ended June 30, 2024 and 2023, respectively.

## **6. EQUITY**

### **Stock Repurchase Program**

In February 2022, our Board of Directors (the "Board") approved a \$ 200.0 million increase to our previously authorized stock repurchase program, pursuant to which we may purchase up to \$550.0 million of shares of our common stock through open market transactions, privately negotiated transactions or otherwise in accordance with applicable laws. During the three and six months ended June 30, 2024, we repurchased 83,763 shares of our common stock for \$8.0 million and 172,990 shares of our common stock for \$18.0 million, respectively, to be held as treasury stock. During the six months ended June 30, 2023, we did not repurchase any shares of our common stock. A total of 3,112,462 shares of our common stock has been repurchased since our stock repurchase program commenced. As of June 30, 2024, we may purchase up to \$193.5 million of shares of our common stock under our stock repurchase program. The timing, amount and other terms and conditions of any repurchases of shares of our common stock under our stock repurchase program will be determined by our management at its discretion based on a variety of factors, including the market price of our common stock, corporate considerations, general market and economic conditions and legal requirements. Our stock repurchase program may be modified, discontinued or suspended at any time.

## **7. EARNINGS PER SHARE**

The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Numerator (in thousands):</b>				
Net income (Numerator for basic and dilutive earnings per share)	\$ 58,573	\$ 53,134	\$ 75,626	\$ 80,096
<b>Denominator:</b>				
Basic weighted average shares outstanding	23,543,378	23,533,097	23,560,977	23,457,615
<b>Effect of dilutive securities:</b>				
Stock-based compensation units	59,933	75,795	74,139	157,591
Diluted weighted average shares outstanding	<u>23,603,311</u>	<u>23,608,892</u>	<u>23,635,116</u>	<u>23,615,206</u>
Basic earnings per share	\$ 2.49	\$ 2.26	\$ 3.21	\$ 3.41
Diluted earnings per share	\$ 2.48	\$ 2.25	\$ 3.20	\$ 3.39
Antidilutive non-vested restricted stock units excluded from calculation of diluted earnings per share	3,399	1,287	16,972	9,373

## 8. STOCK-BASED COMPENSATION

### Non-performance Based Restricted Stock Units

The following table summarizes the activity of our time-vested restricted stock units ("RSUs"):

	Six Months Ended June 30,			
	2024		2023	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Beginning balance	133,359	\$ 114.98	146,239	\$ 100.93
Granted	56,248	\$ 108.16	38,165	\$ 105.37
Vested	(19,900)	\$ 141.38	(44,189)	\$ 64.70
Forfeited	(2,705)	\$ 110.06	(2,647)	\$ 113.57
Ending balance	<u>167,002</u>	<u>\$ 109.62</u>	<u>137,568</u>	<u>\$ 113.56</u>

We recognized \$1.4 million and \$1.3 million of stock-based compensation expense related to outstanding RSUs for the three months ended June 30, 2024 and 2023, respectively. We recognized \$2.8 million and \$2.4 million of stock-based compensation expense related to outstanding RSUs for the six months ended June 30, 2024 and 2023, respectively. Generally, the RSUs cliff vest on the third anniversary of the grant date and can only be settled in shares of our common stock. At June 30, 2024, we had unrecognized compensation cost of \$9.8 million related to unvested RSUs, which is expected to be recognized over a weighted average period of 2.0 years.

### Performance-Based Restricted Stock Units

The Compensation Committee of the Board has granted awards of performance-based RSUs ("PSUs") under the Amended and Restated LGI Homes, Inc. 2013 Equity Incentive Plan to certain members of senior management based on three-year performance cycles. The PSUs provide for shares of our common stock to be issued based on the attainment of certain performance metrics over the applicable three-year periods. The number of shares of our common stock that may be issued to the recipients for the PSUs range from 0% to 200% of the target amount depending on actual results as compared to the target performance metrics. The terms of the PSUs provide that the payouts will be capped at 100% of the target number of PSUs granted if absolute total stockholder return is negative during the performance period, regardless of EPS performance; this market condition applies for amounts recorded above target. The compensation expense associated with the PSU grants is determined using the derived grant date fair value, based on a third-party valuation analysis, and expensed over the applicable period. The PSUs vest upon the determination date for the actual results at the end of the three-year period and require that the recipients continue to be employed by us through the determination date. The PSUs can only be settled in shares of our common stock.

The following table summarizes the activity of our PSUs for the six months ended June 30, 2024:

Period Granted	Performance Period	Target PSUs Outstanding at December 31, 2023			Target PSUs Outstanding at June 30, 2024			Target PSUs Outstanding at June 30, 2024	Weighted Average Grant Date Fair Value
		Target PSUs Granted	Target PSUs Forfeited	Target PSUs Vested	Outstanding at June 30, 2024				
		—	—	(43,159)	—				
2021	2021 - 2023	43,159	—	—	(43,159)	—		\$ 141.00	
2022	2022 - 2024	63,304	—	—	—	63,304	\$ 118.80		
2023	2023 - 2025	72,443	—	—	—	72,443	\$ 104.36		
2024	2024 - 2026	—	70,947	—	—	70,947	\$ 111.94		
Total		<u>178,906</u>	<u>70,947</u>	<u>—</u>	<u>(43,159)</u>	<u>206,694</u>			

At June 30, 2024, management estimates that the recipients will receive approximately 100.0%, 97.5% and 0.0% of the 2024, 2023 and 2022 target number of PSUs, respectively, at the end of the applicable three-year performance cycle based on projected performance compared to the target performance metrics. We recognized \$1.2 million and \$0.7 million of total stock-based compensation expense related to outstanding PSUs for the three months ended June 30, 2024 and 2023, respectively. We recognized \$3.2 million and \$2.3 million of total stock-based compensation expense related to outstanding PSUs for the six months ended June 30, 2024 and 2023, respectively. The 2021 - 2023 performance period PSUs vested and issued on March 8, 2024, at 93.6% of the target number. At June 30, 2024, we had unrecognized compensation cost of \$ 10.4 million, based on the probable amount, related to unvested PSUs, which is expected to be recognized over a weighted average period of 2.4 years.

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PSUs granted in 2022, 2023 and 2024 are excluded from the calculation of diluted EPS as they are subject to unsatisfied performance conditions.

### **9. FAIR VALUE DISCLOSURES**

Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements* ("ASC 820"), defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" within an entity's principal market, if any. The principal market is the market in which the reporting entity would sell the asset or transfer the liability with the most significant volume and level of activity, regardless of whether it is the market in which the entity will ultimately transact for a particular asset or liability or if a different market is potentially more advantageous. Accordingly, this exit price concept may result in a fair value that differs from the transaction price or market price of the asset or liability.

ASC 820 provides a framework for measuring fair value under GAAP, expands disclosures about fair value measurements and establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the fair value hierarchy are summarized as follows:

*Level 1* - Fair value is based on quoted prices in active markets for identical assets or liabilities.

*Level 2* - Fair value is determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities, or quoted prices in markets that are not active.

*Level 3* - Fair value is determined using one or more significant inputs that are unobservable in active markets at the measurement date, such as a pricing model, discounted cash flow or similar technique.

We utilize fair value measurements to account for certain items and account balances within our consolidated financial statements. Fair value measurements may also be utilized on a nonrecurring basis, such as for the impairment of long-lived assets. The fair value of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and certain accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments. As of June 30, 2024, the Credit Agreement's carrying value approximates market value since it has a floating interest rate, which increases or decreases with market interest rates and our leverage ratio.

In order to determine the fair value of each of the 2029 Senior Notes and the 2028 Senior Notes, the future contractual cash flows are discounted at our estimate of current market rates of interest, which were determined based upon the average interest rates of similar senior notes within the homebuilding industry (Level 2 measurement).

The following table below shows the level and measurement of liabilities at June 30, 2024 and December 31, 2023 (in thousands):

	Fair Value Hierarchy	June 30, 2024		December 31, 2023	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
2029 Senior Notes <sup>(1)</sup>	Level 2	\$ 300,000	\$ 296,970	\$ 300,000	\$ 296,381
2028 Senior Notes <sup>(1)</sup>	Level 2	\$ 400,000	\$ 438,129	\$ 400,000	\$ 486,306

(1) See [Note 4](#) for more details regarding the offerings of the 2029 Senior Notes and the 2028 Senior Notes.

### **10. COMMITMENTS AND CONTINGENCIES**

#### **Contingencies**

In the ordinary course of doing business, we are subject to claims or proceedings from time to time relating to the purchase, development and sale of real estate and homes and other aspects of our operations. Management believes that these claims include usual obligations incurred by real estate developers and residential home builders in the normal course of business. In the opinion of management, these matters will not have a material effect on our consolidated financial position, results of operations or cash flows.

We have provided unsecured environmental indemnities to certain lenders and other counterparties. In each case, we have performed due diligence on the potential environmental risks including obtaining an independent environmental review from outside environmental consultants. These indemnities obligate us to reimburse the guaranteed parties for damages related to environmental matters. There is no term or damage limitation on these indemnities; however, if an environmental matter arises, we may have recourse against other previous owners. In the ordinary course of doing business, we are subject to regulatory proceedings from time to time related to environmental and other matters. In the opinion of management, these matters will not have a material effect on our consolidated financial position, results of operations or cash flows.



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### Land Deposits

We have land purchase contracts, generally through cash deposits, for the right to purchase land or lots at a future point in time with predetermined terms. We do not have title to the property, and obligations with respect to the land purchase contracts are generally limited to the forfeiture of the related nonrefundable cash deposits. The following is a summary of our land purchase deposits included in pre-acquisition costs and deposits (in thousands, except for lot count):

	June 30, 2024	December 31, 2023
Land deposits and option payments <sup>(1)</sup>	\$ 30,123	\$ 26,955
Commitments under the land purchase contracts if the purchases are consummated <sup>(1)</sup>	\$ 577,001	\$ 513,941
Lots under land purchase contracts <sup>(1)</sup>	15,542	15,750

(1) Includes land banking financing arrangements, see [Note 2](#) and [Note 3](#) for more details regarding real estate not owned.

As of June 30, 2024 and December 31, 2023, approximately \$ 11.7 million and \$11.4 million, respectively, of the land deposits are related to purchase contracts to deliver finished lots that are refundable under certain circumstances, such as feasibility or specific performance, and secured by mortgages or letters of credit or guaranteed by the seller or its affiliates.

### Lease Obligations

We recognize lease obligations and associated right-of-use ("ROU") assets for our existing non-cancelable leases. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. We have non-cancelable operating leases primarily associated with our corporate and regional office facilities. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms. Variable lease costs such as common area costs and property taxes are expensed as incurred. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. ROU assets, as included in other assets on the consolidated balance sheets, were \$4.5 million and \$4.6 million as of June 30, 2024 and December 31, 2023, respectively. Lease obligations, as included in accrued expenses and other liabilities on the consolidated balance sheets, were \$4.7 million and \$4.9 million as of June 30, 2024 and December 31, 2023, respectively.

Operating lease cost, as included in general and administrative expense in our consolidated statements of operations, was \$ 0.6 million for each of the three months ended June 30, 2024 and 2023. Operating lease cost, as included in general and administrative expense in our consolidated statements of operations, was \$1.2 million for each of the six months ended June 30, 2024 and 2023. Cash paid for amounts included in the measurement of lease liabilities for operating leases during the six months ended June 30, 2024 and 2023 was \$0.9 million and \$1.0 million, respectively. As of June 30, 2024, the weighted-average discount rate was 5.9% and our weighted-average remaining life was 2.5 years. We do not have any significant lease contracts that have not yet commenced at June 30, 2024.

The table below shows the future minimum payments under non-cancelable operating leases at June 30, 2024 (in thousands):

<u>Year Ending December 31.</u>	<u>Operating leases</u>
2024	842
2025	1,434
2026	1,262
2027	1,085
2028	640
Thereafter	34
<b>Total</b>	<b>5,297</b>
Lease amount representing interest	(572)
<b>Present value of lease liabilities</b>	<b>\$ 4,725</b>

### Bonding and Letters of Credit

We have outstanding letters of credit and performance and surety bonds totaling \$ 371.2 million (including \$29.5 million of letters of credit issued under the Credit Agreement) and \$357.0 million (including \$28.1 million of letters of credit issued

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under the Credit Agreement) at June 30, 2024 and December 31, 2023, respectively, related to our obligations for site improvements at various projects. Management does not believe that draws upon the letters of credit, surety bonds or financial guarantees if any, will have a material effect on our consolidated financial position, results of operations or cash flows.

### **Investment in Unconsolidated Entities**

As of June 30, 2024, we had one equity-method land joint venture and two additional joint ventures engaged in mortgage and insurance activities that primarily provide services to our homebuyers. As of June 30, 2024 and December 31, 2023, we have a total of \$23.5 million and \$21.5 million, respectively, within other assets on the balance sheet relating to our investment in joint ventures associated with our operations. Contributions into the unconsolidated entities are for the use of investing in certain real estate transactions and residential mortgage services, respectively. Income associated with our investment in unconsolidated entities during the three and six months ended June 30, 2024 was \$3.0 million and \$5.0 million, respectively. Income associated with our investment in unconsolidated entities during the three and six months ended June 30, 2023 was \$2.9 million and \$5.3 million, respectively.

## **11. REVENUES**

### **Home Sales Revenues**

We generate revenues primarily by delivering move-in ready entry-level and move-up spec homes sold under our LGI Homes brand and our move-up and luxury series spec homes sold under our Terrata Homes brand.

The following table presents our home sales revenues disaggregated by revenue stream (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Retail home sales revenues	\$ 566,772	\$ 603,403	\$ 929,061	\$ 1,059,580
Wholesale home sales revenues	35,725	41,867	64,287	73,047
Total home sales revenues	\$ 602,497	\$ 645,270	\$ 993,348	\$ 1,132,627

Our home sales revenues are disaggregated by geography, based on our determined reportable segments. See [Note 12](#) for tabular presentation of this information.

## **12. SEGMENT INFORMATION**

We operate one principal homebuilding business that is organized and reports by division. We have seven operating segments (our Central, Midwest, Southeast, Mid-Atlantic, Northwest, West, and Florida divisions) that we aggregate into five qualifying reportable segments at June 30, 2024: our Central, Southeast, Northwest, West, and Florida divisions. These segments reflect the way the Company evaluates its business performance and manages its operations.

In accordance with ASC 280, *Segment Reporting*, operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision-makers ("CODMs") in deciding how to allocate resources and in assessing performance. The CODMs primarily evaluate performance based on the number of homes closed, gross margin and average sales price per home closed.

In determining the most appropriate reportable segments, we consider operating segments' economic and other characteristics, including home floor plans, average selling prices, gross margin percentage, geographical proximity, production construction processes, suppliers, subcontractors, regulatory environments, customer type and underlying demand and supply. Each operating segment follows the same accounting policies and is managed by our management team. We have no inter-segment sales, as all sales are to external customers. Operating results for each segment may not be indicative of the results for such segment had it been an independent, stand-alone entity for the periods presented.

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Financial information relating to our reportable segments is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<b>Revenues:</b>				
Central	\$ 173,434	\$ 230,585	\$ 277,170	\$ 380,965
Southeast	135,418	143,649	251,863	248,025
Northwest	68,125	70,404	104,192	145,219
West	128,155	82,739	201,234	161,625
Florida	97,365	117,893	158,889	196,793
<b>Total home sales revenues</b>	<b>\$ 602,497</b>	<b>\$ 645,270</b>	<b>\$ 993,348</b>	<b>\$ 1,132,627</b>
<b>Net income (loss) before income taxes:</b>				
Central	\$ 21,683	\$ 28,285	\$ 25,156	\$ 37,349
Southeast	24,241	20,456	39,987	27,380
Northwest	7,734	6,111	7,267	13,762
West	16,955	3,412	19,916	5,795
Florida	7,734	14,010	9,851	21,497
Corporate <sup>(1)</sup>	(1,464)	(865)	(2,200)	(2,026)
<b>Total net income before income taxes</b>	<b>\$ 76,883</b>	<b>\$ 71,409</b>	<b>\$ 99,977</b>	<b>\$ 103,757</b>

(1) The Corporate balance consists of general and administration unallocated costs for various shared service functions offset by non-strategic other income, as well as our warranty reserve. Actual warranty expenses are reflected within the reportable segments.

	June 30, 2024		December 31, 2023	
<b>Assets:</b>				
Central	\$ 1,084,959	\$ 1,026,303		
Southeast	702,561	664,877		
Northwest	572,574	528,319		
West	744,556	671,558		
Florida	487,082	420,286		
Corporate <sup>(1)</sup>	110,195	96,508		
<b>Total assets</b>	<b>\$ 3,701,927</b>	<b>\$ 3,407,851</b>		

(1) The Corporate balance consists primarily of cash and investments in unconsolidated entities.

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### **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

For purposes of this Management's Discussion and Analysis of Financial Condition and Results of Operation, references to "we," "our," "us" or similar terms refer to *LGI Homes, Inc.* and its subsidiaries.

#### **Business Overview**

Our management team has been in the residential land development business since the mid-1990s. Since commencing home building operations in 2003, we have constructed and closed over 70,000 homes.

We are engaged in the design, construction and sale of new homes in the following markets:

<b>West</b>	<b>Northwest</b>	<b>Central</b>	<b>Midwest</b>	<b>Florida</b>	<b>Southeast</b>	<b>Mid-Atlantic</b>
Phoenix, AZ	Seattle, WA	Houston, TX	Minneapolis, MN	Tampa, FL	Atlanta, GA	Washington, D.C.
Tucson, AZ	Portland, OR	Dallas Ft. Worth, TX		Orlando, FL	Charlotte, NC	Norfolk, VA
Albuquerque, NM	Denver, CO	San Antonio, TX		Fort Myers, FL	Raleigh, NC	Richmond, VA
Las Vegas, NV		Austin, TX		Jacksonville, FL	Wilmington, NC	Baltimore, MD
Northern CA		Oklahoma City, OK		Fort Pierce, FL	Winston-Salem, NC	
Southern CA				Daytona Beach, FL	Columbia, SC	
Salt Lake City, UT				Sarasota, FL	Greenville, SC	
					Birmingham, AL	
						Nashville, TN

The housing market remains healthy, with overall demand supported by strong fundamentals, including household formation and migration trends, the ongoing impact of years of underproduction, and a lock-in effect limiting the supply of existing homes available for sale. On top of these dynamics are a resilient employment market and our customers' positive outlook on the stability of their jobs. On the other side of the demand equation is constrained affordability, which remains the main challenge for our customers. During the six months ended June 30, 2024, we had 2,738 home closings, compared to 3,220 home closings during the six months ended June 30, 2023.

At June 30, 2024, we had 128 active communities, including 17 Terrata Homes communities. At June 30, 2023, we had 102 active communities, including 11 Terrata Homes communities.

While the housing market is currently in a state of transition driven by interest rate-related affordability constraints, demand remains healthy where those affordability challenges can be bridged through a combination of product offerings and rate buydown assistance. The long-term outlook for new homes remains strong, driven by solid fundamentals, including a historically low inventory of new and existing homes for sale, an aging housing stock, rising rents, strong household formations and continued strength in the employment market.

For additional discussion regarding our business and operations, see Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. For additional discussion regarding risks associated with our business and operations, see Item 1A. Risk Factors in Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

#### **Key Results**

Key financial results as of and for the three months ended June 30, 2024, as compared to the three months ended June 30, 2023, were as follows:

- Home sales revenues decreased 6.6% to \$602.5 million from \$645.3 million.
- Homes closed decreased 10.7% to 1,655 homes from 1,854 homes.
- Average sales price per home closed increased 4.6% to \$364,047 from \$348,042.
- Gross margin as a percentage of home sales revenues increased to 25.0% from 22.0%.
- Adjusted gross margin (non-GAAP) as a percentage of home sales revenues increased to 27.0% from 23.8%.
- Net income before income taxes increased 7.7% to \$76.9 million from \$71.4 million.

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- Net income increased 10.2% to \$58.6 million from \$53.1 million.
- EBITDA (non-GAAP) as a percentage of home sales revenues increased to 14.7% from 12.6%.

For reconciliations of the non-GAAP financial measures of adjusted gross margin and EBITDA to the most directly comparable GAAP financial measures, please see “[—Non-GAAP Measures](#).”

Key financial results as of and for the six months ended June 30, 2024, as compared to the six months ended June 30, 2023, were as follows:

- Home sales revenues decreased 12.3% to \$993.3 million from \$1.1 billion.
- Homes closed decreased 15.0% to 2,738 homes from 3,220 homes.
- Average sales price per home closed increased 3.1% to \$362,801 from \$351,748.
- Gross margin as a percentage of home sales revenues increased to 24.4% from 21.3%.
- Adjusted gross margin (non-GAAP) as a percentage of home sales revenues increased to 26.3% from 23.1%.
- Net income before income taxes decreased 3.6% to \$100.0 million from \$103.8 million.
- Net income decreased 5.6% to \$75.6 million from \$80.1 million.
- EBITDA (non-GAAP) as a percentage of home sales revenues increased to 11.9% from 10.7%.

For reconciliations of the non-GAAP financial measures of adjusted gross margin and EBITDA to the most directly comparable GAAP financial measures, please see “[—Non-GAAP Measures](#).”

We owned and controlled 69,904 lots at June 30, 2024 as compared to 70,145 lots at March 31, 2024 and 71,081 lots at December 31, 2023.

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### Results of Operations

The following table sets forth our results of operations for the three and six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
(dollars in thousands, except per share data and average home sales price)				
<b>Statement of Income</b>				
<b>Data:</b>				
Home sales revenues	\$ 602,497	\$ 645,270	\$ 993,348	\$ 1,132,627
Expenses:				
Cost of sales	451,613	503,333	751,063	891,874
Selling expenses	52,872	49,225	94,000	92,030
General and administrative	30,491	27,626	62,031	57,586
Operating income	67,521	65,086	86,254	91,137
Other income, net	(9,362)	(6,323)	(13,723)	(12,620)
Net income before income taxes	76,883	71,409	99,977	103,757
Income tax provision	18,310	18,275	24,351	23,661
Net income	\$ 58,573	\$ 53,134	\$ 75,626	\$ 80,096
Basic earnings per share	\$ 2.49	\$ 2.26	\$ 3.21	\$ 3.41
Diluted earnings per share	\$ 2.48	\$ 2.25	\$ 3.20	\$ 3.39
<b>Other Financial and Operating Data:</b>				
Average community count	128.3	102.0	122.5	99.8
Community count at end of period	128	102	128	102
Home closings	1,655	1,854	2,738	3,220
Average sales price per home closed	\$ 364,047	\$ 348,042	\$ 362,801	\$ 351,748
Gross margin <sup>(1)</sup>	\$ 150,884	\$ 141,937	\$ 242,285	\$ 240,753
Gross margin % <sup>(2)</sup>	25.0 %	22.0 %	24.4 %	21.3 %
Adjusted gross margin <sup>(3)</sup>	\$ 162,690	\$ 153,783	\$ 261,495	\$ 261,392
Adjusted gross margin % <sup>(2)(3)</sup>	27.0 %	23.8 %	26.3 %	23.1 %
EBITDA <sup>(4)</sup>	\$ 88,292	\$ 81,052	\$ 118,660	\$ 120,639
EBITDA margin % <sup>(2)(4)</sup>	14.7 %	12.6 %	11.9 %	10.7 %

(1) Gross margin is home sales revenues less cost of sales.

(2) Calculated as a percentage of home sales revenues.

(3) Adjusted gross margin is a non-GAAP financial measure used by management as a supplemental measure in evaluating operating performance. We define adjusted gross margin as gross margin less capitalized interest and adjustments resulting from the application of purchase accounting included in the cost of sales. Our management believes this information is useful because it isolates the impact that capitalized interest and purchase accounting adjustments have on gross margin. However, because adjusted gross margin information excludes capitalized interest and purchase accounting adjustments, which have real economic effects and could impact our results, the utility of adjusted gross margin information as a measure of our operating performance may be limited. In addition, other companies may not calculate adjusted gross margin information in the same manner that we do. Accordingly, adjusted gross margin information should be considered only as a supplement to gross margin information as a measure of our performance. Please see "[Non-GAAP Measures](#)" for a reconciliation of adjusted gross margin to gross margin, which is the GAAP financial measure that our management believes to be most directly comparable.

(4) EBITDA is a non-GAAP financial measure used by management as a supplemental measure in evaluating operating performance. We define EBITDA as net income before (i) interest expense, (ii) income taxes, (iii) depreciation and amortization and (iv) capitalized interest charged to the cost of sales. Our management believes that the presentation of EBITDA provides useful information to investors regarding our results of operations because it assists both investors and management in analyzing and benchmarking the performance and value of our business. EBITDA provides an indicator of general economic

performance that is not affected by fluctuations in interest rates or effective tax rates, levels of depreciation or amortization and items considered to be unusual or non-recurring. Accordingly, our management believes that this measure is useful for comparing general operating performance from period to period. Other companies may define this measure differently and, as a result, our measure of EBITDA may not be directly comparable to the measures of other companies. Although we use EBITDA as a financial measure to assess the performance of our business, the use of this measure is limited because it does not include certain material costs, such as interest and

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taxes, necessary to operate our business. EBITDA should be considered in addition to, and not as a substitute for, net income in accordance with GAAP as a measure of performance. Our presentation of EBITDA should not be construed as an indication that our future results will be unaffected by unusual or non-recurring items. Our use of EBITDA is limited as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our results as reported under GAAP. Please see "[Non-GAAP Measures](#)" for reconciliations of EBITDA to net income, which is the GAAP financial measure that our management believes to be most directly comparable.

**Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023**

**Homes Sales.** Our home sales revenues, home closings, average sales price per home closed (ASP), average community count and average monthly absorption rate by reportable segment for the three months ended June 30, 2024 and 2023, and our community count by reportable segment as of June 30, 2024 and 2023, were as follows (revenues in thousands):

	Three Months Ended June 30, 2024					As of June 30, 2024	
	Revenues	Home Closings	ASP	Average	Community Count at End of Period		
				Community Count	Average Monthly Absorption Rate		
Central	\$ 173,434	535	\$ 324,176	44.0	4.1	44	
Southeast	135,418	410	330,288	24.7	5.5	23	
Northwest	68,125	132	516,098	14.3	3.1	14	
West	128,155	308	416,088	22.0	4.7	23	
Florida	97,365	270	360,611	23.3	3.9	24	
Total	\$ 602,497	1,655	\$ 364,047	128.3	4.3	128	

  

	Three Months Ended June 30, 2023					As of June 30, 2023	
	Revenues	Home Closings	ASP	Average	Community Count at End of Period		
				Community Count	Average Monthly Absorption Rate		
Central	\$ 230,585	710	\$ 324,768	36.3	6.5	36	
Southeast	143,649	448	320,645	24.7	6.0	23	
Northwest	70,404	143	492,336	10.0	4.8	10	
West	82,739	214	386,631	12.3	5.8	13	
Florida	117,893	339	347,767	18.7	6.0	20	
Total	\$ 645,270	1,854	\$ 348,042	102.0	6.1	102	

Home sales revenues for the three months ended June 30, 2024 were \$602.5 million, a decrease of \$42.8 million, or 6.6%, from \$645.3 million for the three months ended June 30, 2023. The decrease in home sales revenues was primarily due to a 10.7% decrease in homes closed, partially offset by an increase in the average sales price per home closed during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023. The overall decrease in home closings was a result of an overall lower absorption rate, partially offset by a higher average community count, during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023. The decrease in home closings is due to continued pressure on affordability due to inflation and mortgage rates which continue to be elevated. The overall increase in average community count relates to timing associated with the close out of some higher performing communities, new openings that are still in the early stages, or transition between certain active communities during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023. The average sales price per home closed during the three months ended June 30, 2024 was \$364,047, an increase of \$16,005, or 4.6%, from the average sales price per home closed of \$348,042 for the three months ended June 30, 2023. The increase in the average sales price per home closed was primarily due to geographic mix and a favorable pricing environment.

Included within our home sales revenues for the three months ended June 30, 2024 was \$35.7 million in wholesale revenues resulting from 117 home closings, representing 7.1% of the 1,655 total homes closed during the three months ended June 30, 2024. Included within our home sales revenues for the three months ended June 30, 2023 was \$41.9 million in

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wholesale revenues resulting from 139 home closings, representing 7.5% of the 1,854 total homes closed during the three months ended June 30, 2023.

- Home sales revenues in our Central reportable segment decreased by \$57.2 million, or 24.8%, during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023, due to a 24.6% decrease in the number of homes closed and a slight decrease in the average sales price per home closed. The decrease in home closings was the result of a lower absorption rate, partially offset by an increase in the average community count.
- Home sales revenues in our Southeast reportable segment decreased by \$8.2 million, or 5.7%, during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023, due to an 8.5% decrease in the number of homes closed, partially offset by a 3.0% increase in the average sales price per home closed. The decrease in home closings was the result of a lower absorption rate while community count remained flat.
- Home sales revenues in our Northwest reportable segment decreased by \$2.3 million, or 3.2%, during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023, primarily due to a 7.7% decrease in the number of homes closed, partially offset by a 4.8% increase in the average sales price per home closed. The decrease in home closings was the result of a lower absorption rate, partially offset by an increase in the average community count.
- Home sales revenues in our West reportable segment increased by \$45.4 million, or 54.9%, during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023, primarily due to a 43.9% increase in the number of homes closed and a 7.6% increase in the average sales price per home closed. The increase in home closings was the result of an increase in the average community count, partially offset by a lower absorption rate.
- Home sales revenues in our Florida reportable segment decreased by \$20.5 million, or 17.4%, during the three months ended June 30, 2024, as compared to the three months ended June 30, 2023, primarily due to a 20.4% decrease in the number of homes closed, partially offset by a 3.7% increase in the average sales price per home closed. The decrease in home closings was the result of a lower absorption rate, partially offset by a higher average community count.

*Cost of Sales and Gross Margin (home sales revenues less cost of sales).* Cost of sales decreased for the three months ended June 30, 2024 to \$451.6 million, a decrease of \$51.7 million, or 10.3%, from \$503.3 million for the three months ended June 30, 2023, primarily due to a 10.7% decrease in homes closed. Gross margin for the three months ended June 30, 2024 was \$150.9 million, an increase of \$8.9 million, or 6.3%, from \$141.9 million for the three months ended June 30, 2023. Gross margin as a percentage of home sales revenues was 25.0% for the three months ended June 30, 2024 and 22.0% for the three months ended June 30, 2023. This increase in gross margin as a percentage of home sales revenues was primarily due to a combination of lower input costs and higher sales prices during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023.

*Selling Expenses.* Selling expenses for the three months ended June 30, 2024 were \$52.9 million, an increase of \$3.6 million, or 7.4%, from \$49.2 million for the three months ended June 30, 2023. The increase in selling expenses was primarily due to an increase in advertising expense and personnel costs, partially offset by a decrease in sales commissions for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023. Sales commissions decreased to \$27.2 million for the three months ended June 30, 2024 from \$28.9 million for the three months ended June 30, 2023, due to a 6.6% decrease in home sales revenues and a decrease in outside commissions during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023. Selling expenses as a percentage of home sales revenues were 8.8% and 7.6% for the three months ended June 30, 2024 and 2023, respectively. The increase in selling expenses as a percentage of home sales revenues was primarily due to higher advertising and other expenses incurred during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023.

*General and Administrative.* General and administrative expenses for the three months ended June 30, 2024 were \$30.5 million, an increase of \$2.9 million, or 10.4%, from \$27.6 million for the three months ended June 30, 2023. The increase in general and administrative expenses was primarily a result of community count growth during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023. General and administrative expenses as a percentage of home sales revenues were 5.1% and 4.3% for the three months ended June 30, 2024 and 2023, respectively. The increase in general and administrative expenses as a percentage of home sales revenues was primarily due to lower home sales revenues during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023.

*Other Income.* Other income, net of other expenses was \$9.4 million for the three months ended June 30, 2024, an increase of \$3.0 million from \$6.3 million for the three months ended June 30, 2023. The increase in other income, net of other expenses, primarily reflects gains realized from the sale of residential lots and commercial acreage not directly associated with our core homebuilding operations.

*Operating Income and Net Income before Income Taxes.* Operating income for the three months ended June 30, 2024 was \$67.5 million, an increase of \$2.4 million, or 3.7%, from \$65.1 million for the three months ended June 30, 2023. Net income

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before income taxes for the three months ended June 30, 2024 was \$76.9 million, an increase of \$5.5 million, or 7.7%, from \$71.4 million for the three months ended June 30, 2023. Our reportable segments contributed to net income before income taxes during the three months ended June 30, 2024 as follows: Central - \$21.7 million, or 28.2%; Southeast - \$24.2 million, or 31.5%; Northwest - \$7.7 million, or 10.1%; West - \$17.0 million, or 22.1%; and Florida - \$7.7 million, or 10.1%. The increases in operating income and net income before income taxes were primarily attributed to higher gross margins and higher average sales price per home closed, offset by higher advertising and other costs associated with the increase in average community count during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023.

*Income Taxes.* Income tax provision for each of the three months ended June 30, 2024 and 2023 was \$18.3 million. The decrease in our effective tax rate to 23.8% for the three months ended June 30, 2024 from 25.6% for the three months ended June 30, 2023 was primarily a result of a decrease in the rate for the compensation limitation under Section 162(m) of the Internal Revenue Code, as amended.

*Net Income.* Net income for the three months ended June 30, 2024 was \$58.6 million, an increase of \$5.4 million, or 10.2%, from \$53.1 million for the three months ended June 30, 2023. The increase in net income was primarily attributed to a higher gross margin and a higher average sales price per home closed during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023.

**Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023**

*Homes Sales.* Our home sales revenues, home closings, average sales price per home closed (ASP), average community count and average monthly absorption rate by reportable segment for the six months ended June 30, 2024 and 2023 were as follows (revenues in thousands):

Six Months Ended June 30, 2024						
	Revenues	Home Closings	ASP	Average Community Count	Average Monthly Absorption Rate	
Central	\$ 277,170	854	\$ 324,555	42.8	3.3	
Southeast	251,863	765	329,233	25.7	5.0	
Northwest	104,192	194	537,072	13.2	2.4	
West	201,234	487	413,211	19.5	4.2	
Florida	158,889	438	362,760	21.3	3.4	
Total	\$ 993,348	2,738	\$ 362,801	122.5	3.7	

Six Months Ended June 30, 2023						
	Revenues	Home Closings	ASP	Average Community Count	Average Monthly Absorption Rate	
Central	\$ 380,965	1,163	\$ 327,571	35.7	5.4	
Southeast	248,025	764	324,640	24.3	5.2	
Northwest	145,219	302	480,858	9.7	5.2	
West	161,625	423	382,092	12.8	5.5	
Florida	196,793	568	346,467	17.3	5.5	
Total	\$ 1,132,627	3,220	\$ 351,748	99.8	5.4	

Home sales revenues for the six months ended June 30, 2024 were \$993.3 million, a decrease of \$139.3 million, or 12.3%, from \$1.1 billion for the six months ended June 30, 2023. The decrease in home sales revenues was primarily due to a 15.0% decrease in homes closed, offset by an increase in the average sales price per home closed during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023. The overall decrease in home closings was a result of a lower absorption rate, partially offset by a higher average community count, during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023. The decrease in home closings is due to continued pressure on affordability.

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due to inflation and mortgage rates which continue to be elevated. The overall increase in average community count relates to timing associated with the close out of some higher performing communities, new openings that are still in the early stages, or transition between certain active communities during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023. The average sales price per home closed during the six months ended June 30, 2024 was \$362,801, an increase of \$11,053, or 3.1%, from the average sales price per home closed of \$351,748 for the six months ended June 30, 2023. The increase in the average sales price per home closed was primarily due to geographic mix and a favorable pricing environment.

Included within our home sales revenues for the six months ended June 30, 2024 was \$64.3 million in wholesale revenues resulting from 219 home closings, representing 8.0% of the 2,738 total homes closed during the six months ended June 30, 2024. Included within our home sales revenues for the six months ended June 30, 2023 was \$73.0 million in wholesale revenues resulting from 242 home closings, representing 7.5% of the 3,220 total homes closed during the six months ended June 30, 2023. The increase in home closings as a percentage of revenues through our wholesale channel was primarily related to fewer retail home closings during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

- Home sales revenues in our Central reportable segment decreased by \$103.8 million, or 27.2%, during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to a 26.6% decrease in the number of homes closed as well as a slight decrease in the average sales price per home closed. The decrease in home closings was primarily the result of a lower absorption rate, partially offset by an increase in the average community count.
- Home sales revenues in our Southeast reportable segment increased by \$3.8 million, or 1.5%, during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to a 1.4% increase in the average sales price per home closed and a slight increase in the number of homes closed. The increase in home closings was the result of an increase in the average community count.
- Home sales revenues in our Northwest reportable segment decreased by \$41.0 million, or 28.3%, during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to a 35.8% decrease in the number of homes closed, offset by a 11.7% increase in the average sales price per home closed. The decrease in home closings was the result of a lower absorption rate, partially offset by an increase in the average community count.
- Home sales revenues in our West reportable segment increased by \$39.6 million, or 24.5%, during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023, primarily due to a 15.1% increase in the number of homes closed and an 8.1% increase in the average sales price per home closed. The increase in home closings was the result of an increase in the average community count, partially offset by a lower absorption rate.
- Home sales revenues in our Florida reportable segment decreased by \$37.9 million, or 19.3%, during the six months ended June 30, 2024, as compared to the six months ended June 30, 2023, primarily due to a 22.9% decrease in the number of homes closed, partially offset by a 4.7% increase in the average sales price per home closed. The decrease in home closings was the result of a lower absorption rate, partially offset by an increase in the average community count.

*Cost of Sales and Gross Margin (home sales revenues less cost of sales).* Cost of sales for the six months ended June 30, 2024 was \$751.1 million, a decrease of \$140.8 million, or 15.8%, from \$891.9 million for the six months ended June 30, 2023. This decrease was primarily due to a 15.0% decrease in homes closed. Gross margin for the six months ended June 30, 2024 was \$242.3 million, an increase of \$1.5 million, or 0.6%, from \$240.8 million for the six months ended June 30, 2023. Gross margin as a percentage of home sales revenues was 24.4% for the six months ended June 30, 2024 and 21.3% for the six months ended June 30, 2023. The increase in gross margin as a percentage of home sales revenues during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 was primarily due to a combination of lower input costs and higher sales prices during the six months ended June 30, 2024.

*Selling Expenses.* Selling expenses for the six months ended June 30, 2024 were \$94.0 million, an increase of \$2.0 million, or 2.1%, from \$92.0 million for the six months ended June 30, 2023. The increase in selling expenses was primarily due to an increase in advertising expense and personnel costs, partially offset by a decrease in sales commissions for the six months ended June 30, 2024 as compared to the three months ended June 30, 2023. Sales commissions decreased to \$44.6 million during the six months ended June 30, 2024 from \$49.2 million for the six months ended June 30, 2023, primarily due to fewer homes closed. Selling expenses as a percentage of home sales revenues were 9.5% and 8.1% for the six months ended June 30, 2024 and 2023, respectively. The increase in selling expenses as a percentage of home sales revenues was driven primarily by increased advertising expense and other expenses incurred in addition to lower home sales revenues during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

*General and Administrative.* General and administrative expenses for the six months ended June 30, 2024 were \$62.0 million, an increase of \$4.4 million, or 7.7%, from \$57.6 million for the six months ended June 30, 2023. The increase in general and administrative expenses was primarily a result of community count growth and lower home sales revenues during

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the six months ended June 30, 2024. General and administrative expenses as a percentage of home sales revenues were 6.2% and 5.1% for the six months ended June 30, 2024 and 2023, respectively. The increase in general and administrative expenses as a percentage of home sales revenues was primarily a result of community count growth and lower home sales revenues during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

*Other Income.* Other income, net of other expenses was \$13.7 million for the six months ended June 30, 2024, an increase of \$1.1 million from \$12.6 million for the six months ended June 30, 2023. The increase in other income, net of other expenses, primarily reflects interest income and gains realized from the sale of residential lots and commercial acreage not directly associated with our core homebuilding operations.

*Operating Income and Net Income before Income Taxes.* Operating income for the six months ended June 30, 2024 was \$86.3 million, a decrease of \$4.9 million, or 5.4%, from \$91.1 million for the six months ended June 30, 2023. Net income before income taxes for the six months ended June 30, 2024 was \$100.0 million, a decrease of \$3.8 million, or 3.6%, from \$103.8 million for the six months ended June 30, 2023. Our reportable segments contributed to net income before income taxes during the six months ended June 30, 2024 as follows: Central - \$25.2 million, or 25.2%; Southeast - \$40.0 million, or 40.0%; Northwest - \$7.3 million, or 7.3%; West - \$19.9 million, or 19.9%; and Florida - \$9.9 million, or 9.9%. The overall decreases in operating income and net income before income taxes were primarily due to overall lower home closings at a lower absorption rate, higher advertising and other selling expenses incurred partially offset by a higher gross margin and a higher average community count during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

*Income Taxes.* Income tax provision for the six months ended June 30, 2024 was \$24.4 million, an increase of \$0.7 million, or 2.9%, from income tax provision of \$23.7 million for the six months ended June 30, 2023. The increase in our effective tax rate to 24.4% for the six months ended June 30, 2024 from 22.8% for the six months ended June 30, 2023 was primarily a result of an increase in the compensation cost in excess of deductions for share-based payments, partially offset by the compensation limitation under Section 162(m) of the Internal Revenue Code, as amended.

*Net Income.* Net income for the six months ended June 30, 2024 was \$75.6 million, a decrease of \$4.5 million, or 5.6%, from \$80.1 million for the six months ended June 30, 2023. The decrease in net income was primarily attributed to overall lower homes closed and lower home sales revenues, partially offset by a higher gross margin during the six months ended June 30, 2024 as compared to the six months ended June 30, 2023.

## **Non-GAAP Measures**

In addition to the results reported in accordance with accounting principles generally accepted in the United States ("GAAP"), we have provided information in this Quarterly Report on Form 10-Q relating to adjusted gross margin and EBITDA.

### **Adjusted Gross Margin**

Adjusted gross margin is a non-GAAP financial measure used by management as a supplemental measure in evaluating operating performance. We define adjusted gross margin as gross margin less capitalized interest and adjustments resulting from the application of purchase accounting included in the cost of sales. Our management believes this information is useful because it isolates the impact that capitalized interest and purchase accounting adjustments have on gross margin. However, because adjusted gross margin information excludes capitalized interest and purchase accounting adjustments, which have real economic effects and could impact our results, the utility of adjusted gross margin information as a measure of our operating performance may be limited. In addition, other companies may not calculate adjusted gross margin information in the same manner that we do. Accordingly, adjusted gross margin information should be considered only as a supplement to gross margin information as a measure of our performance.

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The following table reconciles adjusted gross margin to gross margin, which is the GAAP financial measure that our management believes to be most directly comparable (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Home sales revenues	\$ 602,497	\$ 645,270	\$ 993,348	\$ 1,132,627
Cost of sales	451,613	503,333	751,063	891,874
Gross margin	150,884	141,937	242,285	240,753
Capitalized interest charged to cost of sales	10,632	9,138	17,233	15,895
Purchase accounting adjustments <sup>(1)</sup>	1,174	2,708	1,977	4,744
Adjusted gross margin	\$ 162,690	\$ 153,783	\$ 261,495	\$ 261,392
Gross margin % <sup>(2)</sup>	25.0 %	22.0 %	24.4 %	21.3 %
Adjusted gross margin % <sup>(2)</sup>	27.0 %	23.8 %	26.3 %	23.1 %

(1) Adjustments result from the application of purchase accounting for acquisitions and represent the amount of the fair value step-up adjustments included in cost of sales for real estate inventory sold after the acquisition dates.

(2) Calculated as a percentage of home sales revenues.

## **EBITDA**

EBITDA is a non-GAAP financial measure used by management as a supplemental measure in evaluating operating performance. We define EBITDA as net income before (i) interest expense, (ii) income taxes, (iii) depreciation and amortization and (iv) capitalized interest charged to the cost of sales. Our management believes that the presentation of EBITDA provides useful information to investors regarding our results of operations because it assists both investors and management in analyzing and benchmarking the performance and value of our business. EBITDA provides an indicator of general economic performance that is not affected by fluctuations in interest rates or effective tax rates, levels of depreciation or amortization and items considered to be unusual or non-recurring. Accordingly, our management believes that this measure is useful for comparing general operating performance from period to period. Other companies may define this measure differently and, as a result, our measure of EBITDA may not be directly comparable to the measures of other companies. Although we use EBITDA as a financial measure to assess the performance of our business, the use of this measure is limited because it does not include certain material costs, such as interest and taxes, necessary to operate our business. EBITDA should be considered in addition to, and not as a substitute for, net income in accordance with GAAP as a measure of performance. Our presentation of EBITDA should not be construed as an indication that our future results will be unaffected by unusual or non-recurring items. Our use of EBITDA is limited as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- (i) it does not reflect every cash expenditure, future requirements for capital expenditures or contractual commitments, including for purchase of land;
- (ii) it does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- (iii) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced or require improvements in the future, and EBITDA does not reflect any cash requirements for such replacements or improvements;
- (iv) it does not adjust for all non-cash income or expense items that are reflected in our statements of cash flows;
- (v) it does not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations; and
- (vi) other companies in our industry may calculate it differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, our EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. We compensate for these limitations by using our EBITDA along with other comparative tools, together with GAAP measures, to assist in the evaluation of operating performance. These GAAP measures include operating income, net income and cash flow data. We have significant uses of cash flows, including capital expenditures, interest payments and other non-recurring charges, which are not reflected in our EBITDA. EBITDA is not intended as an alternative to net income as an indicator of our operating

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performance, as an alternative to any other measure of performance in conformity with GAAP or as an alternative to cash flows as a measure of liquidity. You should therefore not place undue reliance on our EBITDA calculated using these measures.

The following table reconciles EBITDA to net income, which is the GAAP financial measure that our management believes to be most directly comparable (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income	\$ 58,573	\$ 53,134	\$ 75,626	\$ 80,096
Income tax provision (benefit)	18,310	18,275	24,351	23,661
Depreciation and amortization	777	505	1,450	987
Capitalized interest charged to cost of sales	10,632	9,138	17,233	15,895
EBITDA	88,292	81,052	118,660	120,639
EBITDA margin % <sup>(1)</sup>	14.7 %	12.6 %	11.9 %	10.7 %

(1) Calculated as a percentage of home sales revenues.

## Backlog

We sell our homes under standard purchase contracts, which generally require a homebuyer to pay a deposit at the time of signing the purchase contract. The amount of the required deposit is minimal (typically \$1,000 to \$10,000). We permit our retail homebuyers to cancel the purchase contract and obtain a refund of their deposit in the event mortgage financing cannot be obtained within a certain period of time, as specified in their purchase contract. Typically, our retail homebuyers provide documentation regarding their ability to obtain mortgage financing within 14 days after the purchase contract is signed. If we determine that the homebuyer is not qualified to obtain mortgage financing or is not otherwise financially able to purchase the home, we will terminate the purchase contract. If a purchase contract has not been cancelled or terminated within 14 days after the purchase contract has been signed, then the homebuyer has met the preliminary criteria to obtain mortgage financing. Only purchase contracts that are signed by homebuyers who have met the preliminary criteria to obtain mortgage financing are included in new (gross) orders.

Our "backlog" consists of homes that are under a purchase contract that has been signed by homebuyers who have met the preliminary criteria to obtain mortgage financing but have not yet closed and wholesale contracts with varying terms. Since our business model is generally based on building move-in ready homes before a purchase contract is signed, the majority of our homes in backlog are currently under construction or complete. Ending backlog represents the number of homes in backlog from the previous period plus the number of net orders (new orders for homes less cancellations) generated during the current period minus the number of homes closed during the current period. Our backlog at any given time will be affected by cancellations, the number of our active communities and the timing of home closings. Homes in backlog are generally closed within one to two months, although home closings have been, and may continue to be, delayed. In addition, we may experience cancellations of purchase contracts at any time prior to closing. It is important to note that net orders, backlog and cancellation metrics are operational, rather than accounting data, and should be used only as a general gauge to evaluate performance. Backlog may be impacted by customer cancellations for various reasons that are beyond our control, and in light of our minimal required deposit, there is little negative impact to the potential homebuyer from the cancellation of the purchase contract.

Our net orders decreased for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 primarily due to lower demand resulting from higher mortgage rates.

The number of homes in our backlog at June 30, 2024 decreased 15.0% compared to June 30, 2023. The decrease in ending backlog is primarily a result of lower demand resulting from higher mortgage rates during the three months ended June 30, 2024 as compared to the three months ended June 30, 2023.

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As of the dates set forth below, our net orders, cancellation rate and ending backlog homes and value were as follows (dollars in thousands):

<b>Backlog Data</b>	<b>Six Months Ended June 30,</b>	
	<b>2024 <sup>(4)</sup></b>	<b>2023 <sup>(5)</sup></b>
Net orders <sup>(1)</sup>	3,541	4,156
Cancellation rate <sup>(2)</sup>	19.5 %	20.8 %
Ending backlog – homes <sup>(3)</sup>	1,393	1,638
Ending backlog – value <sup>(3)</sup>	\$ 553,604	\$ 601,275

(1) Net orders are new (gross) orders for the purchase of homes during the period, less cancellations of existing purchase contracts during the period.

(2) Cancellation rate for a period is the total number of purchase contracts cancelled during the period divided by the total new (gross) orders for the purchase of homes during the period.

(3) Ending backlog consists of retail homes at the end of the period that are under a purchase contract that has been signed by homebuyers who have met our preliminary financing criteria but have not yet closed and wholesale contracts with varying terms. Ending backlog is valued at the contract amount.

(4) As of June 30, 2024, we had 181 units related to bulk sales agreements associated with our wholesale business.

(5) As of June 30, 2023, we had 131 units related to bulk sales agreements associated with our wholesale business.

## Land Acquisition Policies and Development

We had 128 and 117 active communities as of June 30, 2024 and December 31, 2023, respectively. Generally, it takes us two to three years to turn raw or undeveloped land into an active community. To mitigate our exposure to real estate inventory risks, we utilize, on a limited and strategic basis, land banking financing arrangements.

Our lot inventory decreased to 69,904 owned or controlled lots as of June 30, 2024 from 71,081 owned or controlled lots as of December 31, 2023, primarily related to our discipline in the evaluation of and selective approval of new land deals.

We have land banking financing arrangements with a third-party land banker to repurchase land that we sold to the land banker as a method of acquiring finished lots in staged takedowns, while limiting risk and minimizing the use of funds from our available cash or other financing sources. In consideration for this repurchase option, we paid a non-refundable commitment fee. Based on our right to control the ultimate economic outcome of these finished lots, these assets will continue to be held as real estate not owned within our inventory and a corresponding obligation was established within our accrued liabilities, as discussed in [Note 3](#), "Accrued Expenses and Other Liabilities" to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, to recognize this relationship. While we are not legally obligated to repurchase the balance of the lots, we will be subject to certain performance obligations, financial and other penalties if the lots are not purchased. We do not have any ownership interest or title to the assets that we have sold to the land banker and we do not guarantee any of the land banker's liabilities.

The table below shows (i) home closings by reportable segment for the six months ended June 30, 2024 and (ii) our owned or controlled lots by reportable segment as of June 30, 2024.

<b>Reportable Segment</b>	<b>Six Months Ended June 30, 2024</b>	<b>As of June 30, 2024</b>		
	<b>Home Closings</b>	<b>Owned <sup>(1)</sup></b>	<b>Controlled</b>	<b>Total</b>
Central	854	20,588	2,104	22,692
Southeast	765	14,177	4,274	18,451
Northwest	194	5,411	2,218	7,629
West	487	9,131	3,365	12,496
Florida	438	5,055	3,581	8,636
<b>Total</b>	<b>2,738</b>	<b>54,362</b>	<b>15,542</b>	<b>69,904</b>

(1) Of the 54,362 owned lots as of June 30, 2024, 39,284 were raw/under development lots and 15,078 were finished lots.

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### **Homes in Inventory**

When entering a new community, we intend to build a sufficient number of move-in ready homes to meet our budgets. We base future home starts on home closings. As homes are closed, we start more homes to maintain our inventory. As of June 30, 2024, we had a total of 2,032 completed homes, including information centers, and 2,639 homes in progress.

### **Raw Materials and Labor**

When constructing homes, we use various materials and components. We generally contract for our materials and labor at a fixed price for the anticipated construction period of our homes. This allows us to mitigate the risks associated with increases in building materials and labor costs between the time construction begins on a home and the time it is closed. Typically, the raw materials and most of the components used in our business are readily available in the United States. We purchase some components and materials centrally to achieve volume discounts, a practice that often reduces costs and ensures timely deliveries. We typically do not store significant inventories of construction materials, except for work in progress materials for homes under construction. In addition, the majority of our raw materials are supplied to us by our subcontractors and are included in the price of our contract with such subcontractors. Most of the raw materials necessary for our subcontractors are standard items carried by major suppliers. Our construction work is substantially completed by third-party subcontractors, most of whom are non-unionized. We continue to monitor the supply markets to achieve the best prices available. Typically, the price changes that most significantly influence our operations are price increases in labor, commodities and lumber. In future quarters, we could see various cost pressures associated with inflation similar to the cost pressures experienced in the last few years. Generally, we have successfully increased the sales prices of our homes to absorb these increased costs or have successfully made cost-effective changes as we endeavor to keep our homes affordable.

### **Seasonality**

In all of our reportable segments, we have historically experienced similar variability in our results of operations and in capital requirements from quarter to quarter due to the seasonal nature of the homebuilding industry. We generally close more homes in our second, third and fourth quarters. Thus, our revenues may fluctuate on a quarterly basis and we may have higher capital requirements in our second, third and fourth quarters in order to maintain our inventory levels. Our revenues and capital requirements are generally similar across our second, third and fourth quarters.

As a result of seasonal activity, our quarterly results of operations and financial position at the end of a particular quarter, especially the first quarter, are not necessarily representative of the results we expect at year end. We expect this seasonal pattern to continue in the long term.

### **Liquidity and Capital Resources**

#### *Overview*

As of June 30, 2024, we had \$51.1 million of cash and cash equivalents. Cash flows for each of our active communities depend on the status of the development cycle and can differ substantially from reported earnings.

Our principal uses of capital are operating expenses, land and lot purchases, lot development, home construction, interest costs on our indebtedness and the payment of various liabilities. In addition, we may purchase land, lots, homes under construction or other assets as part of an acquisition and repurchase shares of our common stock. Early stages of development or expansion require significant cash outlays for land acquisitions, land development, plats, vertical development, construction of information centers, general landscaping and other amenities. Because these costs are a component of our inventory and are not recognized in our statement of operations until a home closes, we incur significant cash outflows prior to recognition of home sales revenues. In the later stages of an active community, cash inflows may exceed home sales revenues reported for financial statement purposes, as the costs associated with home and land construction were previously incurred.

#### *Short-term Liquidity and Capital Resources*

We generally rely on our ability to finance our operations by generating operating cash flows and borrowing under the Credit Agreement (as defined below) to adequately fund our short-term working capital obligations and to purchase land and other assets, develop lots and homes and repurchase shares of our common stock. As needed, we will consider accessing the debt and equity capital markets as part of our ongoing financing strategy. We rely on our ability to obtain performance, payment and completion surety bonds as well as letters of credit to finance our projects. Furthermore, we utilize, on a limited and strategic basis, land banking financing arrangements to access short-term liquidity.

As of the date of this Quarterly Report on Form 10-Q, we believe that we will be able to fund our current and foreseeable liquidity needs for at least the next twelve months with our cash on hand, cash generated from operations and cash expected to be available from the Credit Agreement or through accessing debt or equity capital, as needed. However, our ability to engage in the transactions described above may be constrained by volatile or tight economic, capital, credit and financial market

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conditions, as well as moderated investor or lender interest or capacity and our liquidity, leverage and net worth, and we can provide no assurance as to successfully completing, the costs of, or the operational limitations arising from any one or series of such transactions.

### *Long-term Liquidity and Capital Resources*

We believe that our long-term principal uses of liquidity and capital resources will be inventory related purchases concerning land, lot development, repurchases of shares of our common stock, other capital expenditures, and principal and interest payments on our debt obligations maturing between 2025 and 2029. We believe that we will be able to fund our long-term liquidity needs with cash generated from operations and cash expected to be available to borrow under the Credit Agreement or through accessing debt or equity capital, as needed, although no assurance can be provided that such additional debt or equity capital will be available when needed or on terms that we find attractive. Additionally, we plan to further utilize, on a limited and strategic basis, land banking financing arrangements to maximize long-term liquidity for lot development projects where we have sufficient finished lot availability in certain markets. To the extent these sources of capital are insufficient to meet our needs, we may also conduct additional public or private offerings of our securities, refinance our indebtedness, or dispose of certain assets to fund our operating activities and capital needs.

### *Revolving Credit Facility*

On December 5, 2023, we entered into a Fourth Amendment to Fifth Amended and Restated Credit Agreement with several financial institutions, and Wells Fargo Bank, National Association, as administrative agent (the "Fourth Amendment"), which amended the Fifth Amended and Restated Credit Agreement, dated as of April 28, 2021, with several financial institutions, and Wells Fargo Bank, National Association, as administrative agent (as amended to date, including the Fourth Amendment, the "Credit Agreement"). The Credit Agreement provides for a \$1.205 billion revolving credit facility, which can be increased at the request of the Company by up to \$95.0 million, subject to the terms and conditions of the Credit Agreement. The Credit Agreement matures on April 28, 2028 with respect to \$960.0 million, or 79.7%, of the \$1.205 billion of commitments thereunder and on April 28, 2025 with respect to 20.3% of the commitments thereunder.

Before each anniversary of the Credit Agreement, we may request a one-year extension of its maturity date. The Credit Agreement is guaranteed by, among others, each of our subsidiaries that have gross assets of at least \$0.5 million, other than subsidiaries whose sole purpose is to own and operate single-family rental homes.

The borrowings and letters of credit outstanding under the Credit Agreement, together with the outstanding principal balance of our 4.000% Senior Notes due 2029 (the "2029 Senior Notes") and our 8.750% Senior Notes due 2028 (the "2028 Senior Notes"), may not exceed the borrowing base under the Credit Agreement. The borrowing base primarily consists of a percentage of commercial land, land held for development, lots under development and finished lots held by the Company and its subsidiaries that guarantee the obligations under the Credit Agreement. As of June 30, 2024, the borrowing base under the Credit Agreement was \$1.9 billion, and borrowings under the Credit Agreement and the outstanding principal amount of the 2029 Senior Notes and the 2028 Senior Notes totaled approximately \$1.5 billion, \$29.5 million of letters of credit were outstanding and \$354.8 million was available to borrow under the Credit Agreement.

For a further description of the Credit Agreement, please refer to [Note 4, "Notes Payable"](#) to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### *Senior Notes Offering*

On November 21, 2023, we issued \$400.0 million aggregate principal amount of the 2028 Senior Notes in an offering to persons reasonably believed to be qualified institutional buyers in the United States pursuant to Rule 144A ("Rule 144A") under the Securities Act of 1933, as amended (the "Securities Act"), and to certain non-U.S. persons in transactions outside the United States pursuant to Regulation S ("Regulation S") under the Securities Act. Interest on the 2028 Senior Notes accrues at a rate of 8.750% per annum, payable semi-annually in arrears on June 15 and December 15 of each year. The 2028 Senior Notes mature on December 15, 2028. The terms of the 2028 Senior Notes are governed by an Indenture, dated as of July 6, 2018, and Fourth Supplemental Indenture thereto, dated as of November 21, 2023, as may be supplemented from time to time, among us, our subsidiaries that guarantee our obligations under the Credit Agreement and Regions Bank, as trustee.

On June 28, 2021, we issued \$300.0 million aggregate principal amount of the 2029 Senior Notes in an offering to persons reasonably believed to be qualified institutional buyers in the United States pursuant to Rule 144A and to certain non-U.S. persons in transactions outside the United States pursuant to Regulation S. Interest on the 2029 Senior Notes accrues at a rate of 4.000% per annum, payable semi-annually in arrears on January 15 and July 15 of each year. The 2029 Senior Notes mature on July 15, 2029. The terms of the 2029 Senior Notes are governed by an Indenture, dated as of July 6, 2018, and Third Supplemental Indenture thereto, dated as of June 28, 2021, as may be supplemented from time to time, among us, our subsidiaries that guarantee our obligations under the Credit Agreement and Wilmington Trust, National Association, as trustee.

### *Letters of Credit, Surety Bonds and Financial Guarantees*

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We are often required to provide letters of credit and surety bonds to secure our performance under construction contracts, development agreements and other arrangements. The amount of such obligations outstanding at any time varies in accordance with our pending development activities. In the event any such bonds or letters of credit are drawn upon, we would be obligated to reimburse the issuer of such bonds or letters of credit.

Under these letters of credit, surety bonds and financial guarantees, we are committed to perform certain development and construction activities and provide certain guarantees in the normal course of business. Outstanding letters of credit, surety bonds and financial guarantees under these arrangements totaled \$371.2 million as of June 30, 2024. Although significant development and construction activities have been completed related to the improvements at these sites, the letters of credit and surety bonds are not generally released until all development and construction activities are completed. We do not believe that it is probable that any outstanding letters of credit, surety bonds or financial guarantees as of June 30, 2024 will be drawn upon.

### *Stock Repurchase Program*

In February 2022, our Board of Directors (the "Board") approved a \$200.0 million increase to our previously authorized stock repurchase program, pursuant to which we may purchase up to \$550.0 million of shares of our common stock through open market transactions, privately negotiated transactions or otherwise in accordance with applicable laws. During the three and six months ended June 30, 2024, we repurchased 83,763 shares of our common stock for \$8.0 million and 172,990 shares of our common stock for \$18.0 million, respectively, to be held as treasury stock. During the six months ended June 30, 2023, we did not repurchase any shares of our common stock. A total of 3,112,462 shares of our common stock has been repurchased since our stock repurchase program commenced. As of June 30, 2024, we may purchase up to \$193.5 million of shares of our common stock under our stock repurchase program. The timing, amount and other terms and conditions of any repurchases of shares of our common stock under our stock repurchase program will be determined by our management at its discretion based on a variety of factors, including the market price of our common stock, corporate considerations, general market and economic conditions and legal requirements. Our stock repurchase program may be modified, discontinued or suspended at any time.

## **Cash Flows**

### *Operating Activities*

Net cash used in operating activities was \$183.0 million during the six months ended June 30, 2024. The primary drivers of operating cash flows are typically cash earnings and changes in inventory levels, including land acquisition and development. Net cash used in operating activities during the six months ended June 30, 2024 was primarily driven by cash outflow from the \$287.2 million decrease in the net change in real estate inventory, which was primarily related to our homes under construction and land acquisitions and development level of activity, and the \$9.1 million decrease in the net change in accrued expenses and other liabilities, partially offset by net income of \$75.6 million and the \$35.1 million increase in the net change in accounts payable.

Net cash provided by operating activities was \$92.8 million during the six months ended June 30, 2023. The primary drivers of operating cash flows are typically cash earnings and changes in inventory levels, including land acquisition and development. Net cash provided by operating activities during the six months ended June 30, 2023 was primarily driven by cash inflow from net income of \$80.1 million, and the \$34.1 million and \$22.9 million increase in the net change in accounts payable and other assets, respectively.

### *Investing Activities*

Net cash used in investing activities was \$2.9 million during the six months ended June 30, 2024, primarily due to the purchase of property and equipment and additional investment in unconsolidated entities.

Net cash used in investing activities was \$6.8 million during the six months ended June 30, 2023, primarily due to additional investment in unconsolidated entities.

### *Financing Activities*

Net cash provided by financing activities was \$188.0 million during the six months ended June 30, 2024, primarily driven by \$349.1 million of borrowings under our Credit Agreement, offset by \$99.0 million of repayments on our Credit Agreement and payments of \$46.7 million related to a financing arrangement with a third-party land banker. In addition, during the six months ended June 30, 2024, we repurchased \$18.0 million of shares of our common stock under our stock repurchase program to be held as treasury stock.

Net cash used in financing activities was \$74.7 million during the six months ended June 30, 2023, primarily driven by net payments of \$60.2 million on our credit agreement then in effect and net payments of \$11.8 million related to a financing arrangement with a third-party land banker.

## **Inflation**

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Our business can be adversely impacted by inflation, primarily from higher land, financing, labor, material and construction costs. In addition, inflation can lead to higher mortgage rates, which can significantly affect the affordability of mortgage financing to homebuyers. See "Industry and Economic Risks—Inflation could adversely affect our business and financial results" in Item 1A. Risk Factors in Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

### **Material Cash Requirements**

As of June 30, 2024, there have been no material changes to our known contractual and other obligations appearing in the "Material Cash Requirements" section of *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in our [Annual Report on Form 10-K](#) for the fiscal year ended December 31, 2023.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. On an ongoing basis, management evaluates such estimates and judgments and makes adjustments as deemed necessary. Actual results could differ from these estimates using different estimates and assumptions, or if conditions are significantly different in the future.

We believe that there have been no significant changes to our critical accounting policies and estimates during the six months ended June 30, 2024 as compared to those disclosed in *Management's Discussion and Analysis of Financial Condition and Results of Operations* included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

### **Cautionary Statement about Forward-Looking Statements**

From time to time we make statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. You can generally identify our forward-looking statements by the words "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "will" or other similar words.

We have based our forward-looking statements on our management's beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may, and often do, vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

The following are some of the factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements:

- adverse economic changes either nationally or in the markets in which we operate, including, among other things, potential impacts from political uncertainty, civil unrest, increases in unemployment, volatility of mortgage rates, supply chain disruptions (including due to the conflict between Russia and Ukraine and the wide-ranging sanctions the United States and other countries have imposed or may further impose on Russian business sectors, financial organizations, individuals and raw materials and the conflict in the Middle East), inflation, the possibility of recession and decreases in housing prices;
- a slowdown in the homebuilding industry or changes in population growth rates in our markets;
- volatility and uncertainty in the credit markets and broader financial markets;
- disruption in the terms or availability of mortgage financing or increase in the number of foreclosures in our markets;
- the cyclical and seasonal nature of our business;
- our future operating results and financial condition;
- our business operations;
- changes in our business and investment strategy;
- the success of our operations in recently opened new markets and our ability to expand into additional new markets;
- our ability to successfully extend our business model to building homes with higher price points, developing larger communities and producing and selling multi-unit products, townhouses, wholesale products, and acreage home sites;
- our ability to develop our projects successfully or within expected timeframes;

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- our ability to identify potential acquisition targets, close such acquisitions and realize the benefits of such acquisitions;
- increases in taxes or government fees;
- decline in the market value of our land portfolio;
- our ability to successfully integrate any acquisitions with our existing operations;
- availability of land to acquire and our ability to acquire such land on favorable terms or at all;
- availability, terms and deployment of capital and ability to meet our ongoing liquidity needs;
- decisions of the Credit Agreement lender group;
- the cost and availability of insurance and surety bonds;
- shortages of or increased prices for labor, land, or raw materials used in land development and housing construction, including due to changes in trade policies;
- delays in land development or home construction resulting from natural disasters, adverse weather conditions or other events outside our control;
- uninsured losses in excess of insurance limits;
- our leverage and future debt service obligations;
- changes in, liabilities under, or the failure or inability to comply with, governmental laws and regulations, including environmental laws and regulations;
- the timing of receipt of regulatory approvals and the opening of projects;
- the degree and nature of our competition;
- information system failures, cyber incidents or breaches in security;
- our continued ability to qualify for additional federal energy efficient homes tax credits and the extension of the availability of such tax credits beyond 2032;
- our ability to retain our key personnel;
- the impact of an epidemic or pandemic and its effect on us, our business, customers, subcontractors and suppliers (including associated supply chain disruptions);
- negative publicity or poor relations with the residents of our projects;
- existing and future litigation, arbitration or other claims;
- availability of qualified personnel and third-party contractors and subcontractors;
- the impact on our business of any future government shutdown;
- other risks and uncertainties inherent in our business;
- other factors we discuss under the section entitled "[Management's Discussion and Analysis of Financial Condition and Results of Operations](#)"; and
- the risk factors set forth in our [Annual Report on Form 10-K](#) for the fiscal year ended December 31, 2023.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. We expressly disclaim any intent, obligation or undertaking to update or revise any forward-looking statements to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this Quarterly Report on Form 10-Q.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our operations are interest rate sensitive. As overall housing demand is adversely affected by increases in interest rates, a significant increase in mortgage rates may negatively affect the ability of homebuyers to secure adequate financing. Higher interest rates could adversely affect our revenues, gross margin and net income.

#### **Quantitative and Qualitative Disclosures About Interest Rate Risk**

We utilize both fixed-rate debt (\$300.0 million aggregate principal amount of the 2029 Senior Notes, \$400.0 million aggregate principal amount of the 2028 Senior Notes and certain inventory related obligations) and variable-rate debt (our \$1.205 billion Credit Agreement) as part of financing our operations. We do not have the obligation to prepay the 2029 Senior Notes, the 2028 Senior Notes or our fixed-rate inventory related obligations prior to maturity, and, as a result, interest rate risk and changes in fair market value should not have a significant impact on our fixed-rate debt.

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We are exposed to market risks related to fluctuations in interest rates on our outstanding variable rate indebtedness. We currently do not hold derivatives for trading or speculative purposes, but we may do so in the future. Many of the statements contained in this section are forward looking and should be read in conjunction with our disclosures under the heading "[Cautionary Statement about Forward-Looking Statements](#)" above.

As of June 30, 2024, we had \$819.7 million of variable rate indebtedness outstanding under the Credit Agreement. All of the outstanding borrowings under the Credit Agreement are at variable rates based on SOFR. The interest rate for our variable rate indebtedness as of June 30, 2024 was SOFR plus 1.85%. At June 30, 2024, SOFR was 5.34%, subject to the 0.50% SOFR floor as included in the Credit Agreement. A hypothetical 100 basis point increase in the average interest rate above the SOFR floor on our variable rate indebtedness would increase our annual interest cost by approximately \$8.2 million.

Based on the current interest rate management policies we have in place with respect to our outstanding indebtedness, we do not believe that the future interest rate risks related to our existing indebtedness will have a material adverse impact on our financial position, results of operations or liquidity.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2024. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure information is recorded, processed, summarized and reported within the periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error and mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management's override of controls.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

### **Changes in Internal Controls**

No change in our internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f) occurred during the three months ended June 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION****ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors we previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

The following table summarizes the repurchase of shares of our common stock during the three months ended June 30, 2024.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(1)</sup> (in thousands)
				(in thousands)
April 1-30, 2024	—	\$ —	—	\$ 201,526
May 1-31, 2024	39,214	\$ 96.86	39,214	\$ 197,728
June 1-30, 2024	44,549	\$ 94.27	44,549	\$ 193,528
	83,763	95.48	83,763	

(1) On February 15, 2022, the Board announced that it had approved a \$200.0 million increase to our previously authorized stock repurchase program, pursuant to which we may purchase up to \$550.0 million of shares of our common stock through open market transactions, privately negotiated transactions or otherwise in accordance with applicable laws. The timing, amount and other terms and conditions of any repurchases of shares of our common stock under our stock repurchase program will be determined by our management at its discretion based on a variety of factors, including the market price of our common stock, corporate considerations, general market and economic conditions and legal requirements. Our stock repurchase program may be modified, discontinued or suspended at any time.

**ITEM 5. OTHER INFORMATION**

On June 12, 2024, Eric Lipar, Chief Executive Officer of the Company, adopted a “Rule 10b5-1 trading arrangement,” as defined in Item 408(a) of Regulation S-K, that is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. Subject to meeting the stock price conditions set forth therein and pursuant to the terms thereof, Mr. Lipar’s Rule 10b5-1 trading arrangement provides for the sale, between November 5, 2024 and November 5, 2026, of a maximum number of 50,000 shares of the Company’s common stock. Mr. Lipar’s Rule 10b5-1 trading arrangement will be in effect until the earlier of (i) November 5, 2026 and (ii) the completion of all sales contemplated thereunder.

Except as set forth above, during the three months ended June 30, 2024, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

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**ITEM 6. EXHIBITS**

<u>Exhibit No.</u>	<u>Description</u>
3.1**	<a href="#">Certificate of Incorporation of LGI Homes, Inc. (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 (File No. 33-190853) of LGI Homes, Inc. filed with the SEC on August 28, 2013).</a>
3.2**	<a href="#">Certificate of Amendment of Certificate of Incorporation of LGI Homes, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-36126) of LGI Homes, Inc. filed with the SEC on May 1, 2023).</a>
3.3**	<a href="#">Bylaws of LGI Homes, Inc. (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 (File No. 333-190853) of LGI Homes, Inc. filed with the SEC on August 28, 2013).</a>
31.1*	<a href="#">CEO Certification, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">CFO Certification, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INST†	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH†	Inline XBRL Taxonomy Extension Schema Document.
101.CALT†	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEFT†	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB†	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRET†	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104†	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith.

\*\* Previously filed.

† XBRL information is deemed not filed or a part of a registration statement or Annual Report for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under such sections.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LGI Homes, Inc.

Date: July 30, 2024

/s/ Eric Lipar

Eric Lipar

Chief Executive Officer and Chairman of the Board

July 30, 2024

/s/ Charles Merdian

Charles Merdian

Chief Financial Officer and Treasurer

**CEO CERTIFICATION**  
**PURSUANT TO SECTION 302 OF THE**  
**SARBANES - OXLEY ACT OF 2002**

I, Eric Lipar, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LGI Homes, Inc. (the "Registrant");
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and
  - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: July 30, 2024

By:

/s/ Eric Lipar

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Eric Lipar  
Chief Executive Officer and Chairman of the Board  
LGI Homes, Inc.

**CFO CERTIFICATION**  
**PURSUANT TO SECTION 302 OF THE**  
**SARBANES - OXLEY ACT OF 2002**

I, Charles Merdian, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LGI Homes, Inc. (the "Registrant");
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Quarterly Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and
  - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: July 30, 2024

By:

/s/ Charles Merdian

Charles Merdian

Chief Financial Officer and Treasurer

LGI Homes, Inc.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of LGI Homes, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric Lipar, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 30, 2024

/s/ Eric Lipar

Eric Lipar

Chief Executive Officer and Chairman of the Board  
LGI Homes, Inc.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of LGI Homes, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles Merdian, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

July 30, 2024

/s/ Charles Merdian

Charles Merdian  
Chief Financial Officer and Treasurer  
LGI Homes, Inc.