

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 January 31, 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 001-09186

Toll Brothers, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

23-2416878

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

1140 Virginia Drive

Fort Washington

Pennsylvania

19034

(Address of principal executive offices)

(Zip Code)

(215) 938-8000

(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	TOL	New York Stock Exchange

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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐
Smaller reporting company ☐ Emerging growth company ☐

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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

At February 28, 2024, there were approximately 104,170,000 shares of Common Stock, par value \$0.01 per share, outstanding.

TOLL BROTHERS, INC.

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STATEMENT ON FORWARD-LOOKING INFORMATION

Certain information included in this report or in other materials we have filed or will file with the Securities and Exchange Commission ("SEC") (as well as information included in oral statements or other written statements made or to be made by us) contains or may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). One can identify these statements by the fact that they do not relate to matters of a strictly historical or factual nature and generally discuss or relate to future events. These statements contain words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "may," "can," "could," "might," "should," "likely," "will" and other words or phrases of similar meaning. Such statements may include, but are not limited to, information related to: market conditions; mortgage rates; inflation rates; demand for our homes; our built-to-order and quick move-in home strategy; sales paces and prices; effects of home buyer cancellations; our strategic priorities; growth and expansion; our land acquisition, land development and capital allocation priorities; anticipated operating results; home deliveries; financial resources and condition; changes in revenues; changes in profitability; changes in margins; changes in accounting treatment; cost of revenues, including expected labor and material costs; availability of labor and materials; selling, general and administrative expenses; interest expense; inventory write-downs; home warranty and construction defect claims; unrecognized tax benefits; anticipated tax refunds; joint ventures in which we are involved; anticipated results from our investments in unconsolidated entities; our ability to acquire land and pursue real estate opportunities; our ability to gain approvals and open new communities; our ability to market, construct and sell homes and properties; our ability to deliver homes from backlog; our ability to secure materials and subcontractors; our ability to produce the liquidity and capital necessary to conduct normal business operations or to expand and take advantage of opportunities; the outcome of legal proceedings, investigations, and claims; and the impact of public health or other emergencies.

From time to time, forward-looking statements also are included in other reports on Forms 10-K, 10-Q, and 8-K; in press releases; in presentations; on our website; and in other materials released to the public. These statements may include guidance regarding our future performance, such as our anticipated annual revenue, home deliveries, and margins, that represents management's estimates as of the date of publication. Guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change.

Any or all of the forward-looking statements included in this report and in any other reports or public statements made by us are not guarantees of future performance and may turn out to be inaccurate. Consequently, actual results may differ materially from those that might be anticipated from our forward-looking statements. This can occur as a result of incorrect assumptions or as a consequence of known or unknown risks and uncertainties. Therefore, we caution you not to place undue reliance on our forward-looking statements. The major risks and uncertainties – and assumptions that are made – that affect our business and may cause actual results to differ from these forward-looking statements include, but are not limited to:

- the effect of general economic conditions, including employment rates, housing starts, interest and mortgage rates, home affordability, inflation, consumer sentiment, availability of financing for home mortgages and strength of the U.S. dollar;
- market demand for our products, which is related to the strength of the various U.S. business segments and U.S. and international economic conditions;
- the availability of desirable and reasonably priced land and our ability to control, purchase, hold and develop such land;
- access to adequate capital on acceptable terms;
- geographic concentration of our operations;
- levels of competition;
- the price and availability of lumber, other raw materials, and home components;
- the impact of labor shortages, including on our subcontractors, supply chain and municipalities;
- the effect of U.S. trade policies, including the imposition of tariffs and duties on home building products and retaliatory measures taken by other countries;
- the effects of weather and the risk of loss from earthquakes, volcanoes, fires, floods, droughts, windstorms, hurricanes, pest infestations and other natural disasters, and the risk of delays, reduced consumer demand, unavailability of insurance, and shortages and price increases in labor or materials associated with such natural disasters;
- risks arising from acts of war, terrorism or outbreaks of contagious diseases, such as COVID-19;
- federal and state tax policies;
- transportation costs;
- the effect of land use, environmental and other governmental laws and regulations;
- legal proceedings or disputes and the adequacy of reserves;
- risks relating to any unforeseen changes to or effects on liabilities, future capital expenditures, revenues, expenses, earnings, indebtedness, financial condition, losses and future prospects;
- the effect of potential loss of key management personnel;
- changes in accounting principles; and
- risks related to unauthorized access to our computer systems, theft of our and our homebuyers' confidential information or other forms of cyber-attack.

Forward-looking statements, including any guidance, speak only as of the date they are made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.

For a further discussion of factors that we believe could cause our actual results to differ materially from expected and historical results, see "Risk Factors" and

“Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our most recent Annual Report on Form 10-K filed with the SEC and in this report.

When this report uses the words “we,” “us,” “our,” and the “Company,” they refer to Toll Brothers, Inc. and its subsidiaries, unless the context otherwise requires. References herein to fiscal year refer to our fiscal years ended or ending October 31.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TOLL BROTHERS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	January 31, 2024 (unaudited)	October 31, 2023
ASSETS		
Cash and cash equivalents	\$ 754,793	\$ 1,300,068
Inventory	9,581,482	9,057,578
Property, construction, and office equipment – net	321,668	323,990
Receivables, prepaid expenses, and other assets (1)	702,030	691,256
Mortgage loans held for sale – at fair value	73,270	110,555
Customer deposits held in escrow	92,901	84,530
Investments in unconsolidated entities (1)	995,811	959,041
	<u>\$ 12,521,955</u>	<u>\$ 12,527,018</u>
LIABILITIES AND EQUITY		
Liabilities		
Loans payable	\$ 1,064,149	\$ 1,164,224
Senior notes	1,596,414	1,596,185
Mortgage company loan facility	63,194	100,058
Customer deposits	534,367	540,718
Accounts payable	610,459	597,582
Accrued expenses	1,463,546	1,548,781
Income taxes payable	154,181	166,268
Total liabilities	<u>5,486,310</u>	<u>5,713,816</u>
Equity		
Stockholders' equity		
Preferred stock, none issued	—	—
Common stock, 112,937 shares issued at January 31, 2024 and October 31, 2023	1,129	1,129
Additional paid-in capital	685,941	698,548
Retained earnings	6,892,821	6,675,719
Treasury stock, at cost — 8,627 and 9,146 shares at January 31, 2024 and October 31, 2023, respectively	(597,632)	(619,150)
Accumulated other comprehensive income ("AOCI")	37,012	40,910
Total stockholders' equity	<u>7,019,271</u>	<u>6,797,156</u>
Noncontrolling interest	16,374	16,046
Total equity	<u>7,035,645</u>	<u>6,813,202</u>
	<u>\$ 12,521,955</u>	<u>\$ 12,527,018</u>

(1) As of January 31, 2024 and October 31, 2023, Receivables, prepaid expenses, and other assets and Investments in unconsolidated entities include \$3.0 million and \$89.6 million, respectively, of assets related to consolidated variable interest entities ("VIEs"). See Note 3, "Investments in Unconsolidated Entities" for additional information regarding VIEs.

See accompanying notes.

TOLL BROTHERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Amounts in thousands, except per share data)
(Unaudited)

	Three months ended January 31,	
	2024	2023
Revenues:		
Home sales	\$ 1,931,836	\$ 1,749,422
Land sales and other	16,012	30,747
	<u>1,947,848</u>	<u>1,780,169</u>
Cost of revenues:		
Home sales	1,399,226	1,300,923
Land sales and other	10,161	42,435
	<u>1,409,387</u>	<u>1,343,358</u>
Selling, general and administrative	230,046	211,497
Income from operations	308,415	225,314
Other:		
Loss from unconsolidated entities	(9,172)	(4,433)
Other income – net	11,918	32,915
Income before income taxes	311,161	253,796
Income tax provision	71,603	62,266
Net income	<u>\$ 239,558</u>	<u>\$ 191,530</u>
Other comprehensive loss – net of tax	(3,898)	(3,464)
Total comprehensive income	<u>\$ 235,660</u>	<u>\$ 188,066</u>
Per share:		
Basic earnings	<u>\$ 2.28</u>	<u>\$ 1.72</u>
Diluted earnings	<u>\$ 2.25</u>	<u>\$ 1.70</u>
Weighted-average number of shares:		
Basic	105,122	111,397
Diluted	106,265	112,336

See accompanying notes.

TOLL BROTHERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in thousands)
(Unaudited)

For the three months ended January 31, 2024 and 2023:

	Common Stock	Addi- tional Paid-in Capital	Retained Earnings	Treasury Stock	AOCI	Non- controlling Interest	Total Equity
Balance, October 31, 2023	\$ 1,129	\$ 698,548	\$ 6,675,719	\$ (619,150)	\$ 40,910	\$ 16,046	\$ 6,813,202
Net income			239,558				239,558
Purchase of treasury stock				(56)			(56)
Exercise of stock options, stock based compensation issuances, and employee stock purchase plan issuances		(30,857)		21,574			(9,283)
Stock-based compensation		18,250					18,250
Dividends declared			(22,456)				(22,456)
Other comprehensive loss					(3,898)		(3,898)
Loss attributable to non-controlling interest						(202)	(202)
Capital contributions – net						530	530
Balance, January 31, 2024	<u>\$ 1,129</u>	<u>\$ 685,941</u>	<u>\$ 6,892,821</u>	<u>\$ (597,632)</u>	<u>\$ 37,012</u>	<u>\$ 16,374</u>	<u>\$ 7,035,645</u>
Balance, October 31, 2022	\$ 1,279	\$ 716,786	\$ 6,166,732	\$ (916,327)	\$ 37,618	\$ 15,752	\$ 6,021,840
Net income			191,530				191,530
Purchase of treasury stock				(9,357)			(9,357)
Exercise of stock options, stock based compensation issuances, and employee stock purchase plan issuances		(35,055)		59,909			24,854
Stock-based compensation		14,384					14,384
Dividends declared			(22,688)				(22,688)
Other comprehensive loss					(3,464)		(3,464)
Loss attributable to non-controlling interest						(105)	(105)
Balance, January 31, 2023	<u>\$ 1,279</u>	<u>\$ 696,115</u>	<u>\$ 6,335,574</u>	<u>\$ (865,775)</u>	<u>\$ 34,154</u>	<u>\$ 15,647</u>	<u>\$ 6,216,994</u>

See accompanying notes.

TOLL BROTHERS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Three months ended January 31,	
	2024	2023
Cash flow used in operating activities:		
Net income	\$ 239,558	\$ 191,530
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	16,143	15,482
Stock-based compensation	18,250	14,384
Loss from unconsolidated entities	9,172	4,433
Distributions of earnings from unconsolidated entities	2,737	1,460
Deferred tax provision	1,895	3,307
Impairment charges and write-offs	1,471	21,004
Other	(751)	1,462
Changes in operating assets and liabilities:		
Inventory	(499,047)	(353,284)
Origination of mortgage loans	(364,600)	(290,474)
Sale of mortgage loans	405,112	399,744
Receivables, prepaid expenses, and other assets	(21,587)	25,875
Current income taxes – net	(12,655)	(164,463)
Customer deposits – net	(14,722)	(11,975)
Accounts payable and accrued expenses	(87,958)	(216,249)
Net cash used in operating activities	(306,982)	(357,764)
Cash flow used in investing activities:		
Purchase of property, construction, and office equipment – net	(13,581)	(19,738)
Investments in unconsolidated entities	(58,925)	(74,550)
Return of investments in unconsolidated entities	13,142	15,866
Proceeds from the sale of assets	—	9,041
Net cash used in investing activities	(59,364)	(69,381)
Cash flow used in financing activities:		
Proceeds from loans payable	744,565	703,990
Principal payments of loans payable	(890,178)	(829,134)
(Payments) proceeds related to stock-based benefit plans – net	(9,279)	24,857
Purchase of treasury stock	(56)	(9,357)
Dividends paid	(23,264)	(22,878)
Receipts related to noncontrolling interest – net	167	—
Net cash used in financing activities	(178,045)	(132,522)
Net decrease in cash, cash equivalents, and restricted cash	(544,391)	(559,667)
Cash, cash equivalents, and restricted cash, beginning of period	1,344,341	1,398,550
Cash, cash equivalents, and restricted cash, end of period	\$ 799,950	\$ 838,883

See accompanying notes.

TOLL BROTHERS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Significant Accounting Policies

Basis of Presentation

Our condensed consolidated financial statements include the accounts of Toll Brothers, Inc. (the "Company," "we," "us," or "our"), a Delaware corporation, and its majority owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in 50% or less owned partnerships and affiliates are accounted for using the equity method unless it is determined that we have effective control of the entity, in which case we would consolidate the entity.

Our unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. The October 31, 2023 balance sheet amounts and disclosures have been derived from our October 31, 2023 audited financial statements. Since the condensed consolidated financial statements do not include all the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements, they should be read in conjunction with the consolidated financial statements and notes included in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023 ("2023 Form 10-K"). In the opinion of management, the unaudited condensed consolidated financial statements include all recurring adjustments necessary to present fairly our financial position as of January 31, 2024; the results of our operations and changes in equity for the three-month periods ended January 31, 2024 and 2023; and our cash flows for the three-month periods ended January 31, 2024 and 2023. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Use of Estimates

The preparation of financial statements in accordance with GAAP requires estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Estimates and assumptions may prove to be incorrect for a variety of reasons, whether as a result of the risks and uncertainties our business is subject to or for other reasons. In times of economic disruption when uncertainty regarding future economic conditions is heightened, our estimates and assumptions are subject to greater variability. Actual results could differ from the estimates and assumptions we make and such differences may be material.

Revenue Recognition

Home sales revenues: Revenues and cost of revenues from home sales are recognized at the time each home is delivered and title and possession are transferred to the buyer. For the majority of our home closings, our performance obligation to deliver a home is satisfied in less than one year from the date a binding sale agreement is signed. In certain states where we build, we are not able to complete certain outdoor features prior to the closing of the home. To the extent these separate performance obligations are not complete upon the home closing, we defer a portion of the home sales revenues related to these obligations and subsequently recognize the revenue upon completion of such obligations. As of January 31, 2024, the home sales revenues and related costs we deferred related to these obligations were immaterial. Our contract liabilities, consisting of deposits received from customers for sold but undelivered homes, totaled \$534.4 million and \$540.7 million at January 31, 2024 and October 31, 2023, respectively. Of the outstanding customer deposits held as of October 31, 2023, we recognized \$137.2 million in home sales revenues during the three months ended January 31, 2024. Of the outstanding customer deposits held as of October 31, 2022, we recognized \$122.9 million in home sales revenues during the three months ended January 31, 2023.

Land sales and other revenues: Our revenues from land sales and other generally consist of: (1) land sales to joint ventures in which we retain an interest; (2) lot sales to third-party builders within our master-planned communities; (3) bulk lot sales to third parties of land we have decided no longer meets our development criteria; (4) sales of land parcels to third parties (typically because there is a superior economic use of the property); and (5) sales of commercial and retail properties generally located at our high-rise urban luxury condominium projects. In general, our performance obligation for each of these land sales is fulfilled upon the delivery of the land, which generally coincides with the receipt of cash consideration from the counterparty. For land sale transactions that contain repurchase options, revenues and related costs are not recognized until the repurchase option expires. In addition, when we sell land to a joint venture in which we retain an interest, we do not recognize revenue or gains on the sale to the extent of our retained interest in such joint venture.

In February 2024, we sold a parcel of land to a commercial developer for net cash proceeds of \$ 180.7 million which is expected to result in a pre-tax gain of approximately \$175.0 million during the three months ended April 30, 2024.

Forfeited Customer Deposits: Forfeited customer deposits are recognized in "Home sales revenues" in our Condensed Consolidated Statements of Operations and Comprehensive Income in the period in which we determine that the customer will not complete the purchase of the home and we have the right to retain the deposit.

Sales Incentives: In order to promote sales of our homes, we may offer our home buyers sales incentives. These incentives vary by type of incentive and by amount on a community-by-community and home-by-home basis. Incentives are reflected as a reduction in home sales revenues. Incentives are recognized at the time the home is delivered to the home buyer and we receive the sales proceeds.

Recent Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" ("ASU 2023-07"). ASU 2023-07 requires disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items to reconcile to segment profit or loss, and the title and position of the entity's CODM. The amendments in this update also expand the interim segment disclosure requirements. ASU 2023-07 will be effective for our fiscal year ending October 31, 2025 and for interim periods starting in our first quarter of fiscal 2026. Early adoption is permitted and the amendments in this update are required to be applied on a retrospective basis. We are currently reviewing the impact that the adoption of ASU 2023-07 may have on our consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" ("ASU 2023-09"), which requires expanded disclosure of our income tax rate reconciliation and income taxes paid. ASU 2023-09 will be effective for our fiscal year ending October 31, 2026 and may be applied either retrospectively or prospectively. We are currently evaluating ASU 2023-09 and do not expect it to have a material effect on our consolidated financial statements and disclosures.

Reclassification

Certain prior period amounts have been reclassified to conform to the fiscal 2024 presentation.

2. Inventory

Major components of inventory at January 31, 2024 and October 31, 2023 were (amounts in thousands):

	January 31, 2024	October 31, 2023
Land deposits and costs of future development	\$ 533,512	\$ 549,035
Land and land development costs	2,671,521	2,631,147
Land and land development costs associated with homes under construction	3,182,663	2,916,334
Total land and land development costs	6,387,696	6,096,516
Homes under construction	2,722,430	2,515,484
Model homes (1)	471,356	445,578
	<u>\$ 9,581,482</u>	<u>\$ 9,057,578</u>

(1) Includes the allocated land and land development costs associated with each of our model homes in operation.

The following table provides a summary of the composition of our inventory based on community status at January 31, 2024 and October 31, 2023 (amounts in thousands):

	January 31, 2024	October 31, 2023
Land controlled for future communities	\$ 167,697	\$ 173,175
Land owned for future communities	561,866	663,413
Operating communities	8,851,919	8,220,990
	<u>\$ 9,581,482</u>	<u>\$ 9,057,578</u>

Operating communities include communities offering homes for sale; communities that have sold all available home sites but have not completed delivery of the homes and communities preparing to open for sale. The carrying value attributable to

operating communities includes the cost of homes under construction, land and land development costs, the carrying cost of home sites in current and future phases of these communities, and the carrying cost of model homes.

Backlog consists of homes under contract but not yet delivered to our home buyers ("backlog").

The amounts we have provided for inventory impairment charges and the expensing of costs that we believe not to be recoverable, and which are included in home sales cost of revenues, are shown in the table below (amounts in thousands):

	Three months ended January 31,	
	2024	2023
Land controlled for future communities	\$ 1,471	\$ 2,604
Operating communities	—	5,400
	<u>\$ 1,471</u>	<u>\$ 8,004</u>

We have also recognized \$13.0 million of impairment charges on land held for sale included in land sales and other cost of revenues during the three-month period ended January 31, 2023. No similar amounts were recognized in the three-month period ended January 31, 2024.

See Note 13, "Commitments and Contingencies," for information regarding land purchase commitments.

At January 31, 2024, we evaluated our land purchase contracts, including those to acquire land for apartment developments, to determine whether any of the selling entities were variable interest entities ("VIEs") and, if they were, whether we were the primary beneficiary of any of them. Under these land purchase contracts, we do not possess legal title to the land; our risk is generally limited to deposits paid to the sellers and predevelopment costs incurred; and the creditors of the sellers generally have no recourse against us. At January 31, 2024, we determined that 263 land purchase contracts, with an aggregate purchase price of \$4.17 billion, on which we had made aggregate deposits totaling \$423.3 million, were VIEs, and that we were not the primary beneficiary of any VIE related to our land purchase contracts. At October 31, 2023, we determined that 251 land purchase contracts, with an aggregate purchase price of \$3.79 billion, on which we had made aggregate deposits totaling \$421.4 million, were VIEs and that we were not the primary beneficiary of any VIE related to our land purchase contracts. However, at January 31, 2024 and October 31, 2023, certain contracts were accrued as we concluded we were economically compelled to purchase the land.

Interest incurred, capitalized, and expensed, for the periods indicated, were as follows (amounts in thousands):

	Three months ended January 31,	
	2024	2023
Interest capitalized, beginning of period	\$ 190,550	\$ 209,468
Interest incurred	33,960	36,854
Interest expensed to home sales cost of revenues	(23,579)	(25,080)
Interest expensed to land sales and other cost of revenues	(294)	(3,477)
Interest capitalized on investments in unconsolidated entities	(2,489)	(2,463)
Previously capitalized interest transferred to investments in unconsolidated entities	—	(244)
Previously capitalized interest on investments in unconsolidated entities transferred to inventory	142	139
Interest capitalized, end of period	<u>\$ 198,290</u>	<u>\$ 215,197</u>

3. Investments in Unconsolidated Entities

We have investments in various unconsolidated entities and our ownership interest in these investments ranges from 5.0% to 50%. These entities are structured as joint ventures and either: (i) develop land for the joint venture participants and for sale to outside builders ("Land Development Joint Ventures"); (ii) develop for-sale homes ("Home Building Joint Ventures"); (iii) develop luxury for-rent residential apartments and single family homes, commercial space, and a hotel ("Rental Property Joint Ventures"); or (iv) provide financing and land banking to residential builders and developers for the acquisition and development of land and home sites ("Gibraltar Joint Ventures").

The table below provides information as of January 31, 2024, regarding active joint ventures that we are invested in, by joint venture category (\$ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Number of unconsolidated entities	16	2	43	3	64
Investment in unconsolidated entities (1)	\$ 362,881	\$ 63,448	\$ 558,132	\$ 11,350	\$ 995,811
Number of unconsolidated entities with funding commitments by the Company	7	—	22	1	30
Company's remaining funding commitment to unconsolidated entities (2)	\$ 170,925	\$ —	\$ 159,911	\$ 9,404	\$ 340,240

(1) Our total investment includes \$ 139.9 million related to 11 unconsolidated joint venture-related variable interests in VIEs and our maximum exposure to losses related to these VIEs is approximately \$373.8 million as of January 31, 2024, inclusive of our investment in these joint ventures. Our ownership interest in such unconsolidated Joint Venture VIEs ranges from 25% to 50%.

(2) Our remaining funding commitment includes approximately \$ 131.6 million related to our unconsolidated joint venture-related variable interests in VIEs.

The table below provides information as of October 31, 2023, regarding active joint ventures that we are invested in, by joint venture category (\$ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Gibraltar Joint Ventures	Total
Number of unconsolidated entities	16	2	43	3	64
Investment in unconsolidated entities (1)	\$ 351,154	\$ 65,285	\$ 531,823	\$ 10,779	\$ 959,041
Number of unconsolidated entities with funding commitments by the Company	9	—	19	1	29
Company's remaining funding commitment to unconsolidated entities (2)	\$ 204,438	\$ —	\$ 184,266	\$ 12,066	\$ 400,770

(1) Our total investment includes \$ 121.6 million related to 11 unconsolidated joint venture-related variable interests in VIEs and our maximum exposure to losses related to these VIEs is approximately \$329.3 million as of October 31, 2023, inclusive of our investment in joint ventures. Our ownership interest in such unconsolidated Joint Venture VIEs ranges from 25% to 50%.

(2) Our remaining funding commitment includes approximately \$ 105.4 million related to our unconsolidated joint venture-related variable interests in VIEs.

Certain joint ventures in which we have investments obtained debt financing to finance a portion of their activities. The table below provides information at January 31, 2024, regarding the debt financing obtained by category (\$ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Total
Number of joint ventures with debt financing	11	2	41	54
Aggregate loan commitments	\$ 590,236	\$ 219,650	\$ 3,731,195	\$ 4,541,081
Amounts borrowed under loan commitments	\$ 403,803	\$ 162,760	\$ 2,357,652	\$ 2,924,215

The table below provides information at October 31, 2023, regarding the debt financing obtained by category (\$ amounts in thousands):

	Land Development Joint Ventures	Home Building Joint Ventures	Rental Property Joint Ventures	Total
Number of joint ventures with debt financing	12	2	42	56
Aggregate loan commitments	\$ 610,758	\$ 219,650	\$ 3,731,847	\$ 4,562,255
Amounts borrowed under loan commitments	\$ 445,506	\$ 135,723	\$ 2,152,872	\$ 2,734,101

More specific and/or recent information regarding our investments in, advances to, and future commitments to these entities is provided below.

New Joint Ventures

There were no new joint ventures entered into during the three-months ended January 31, 2024. The table below provides information on joint ventures entered into during the three-months ended January 31, 2023 (\$ amounts in thousands):

	Land Development Joint Ventures	Rental Property Joint Ventures
Number of unconsolidated joint ventures entered into during the period	1	1
Investment balance at January 31, 2023	\$ 8,676	\$ 3,215

Results of Operations and Intra-entity Transactions

In our first quarter of fiscal 2024 and 2023, we purchased land from unconsolidated entities, principally related to our acquisition of lots from our Land Development Joint Ventures, totaling \$26.9 million and \$16.7 million, respectively. Our share of income from the lots we acquired was insignificant in each period. We sold land to unconsolidated entities, which principally involved land sales to our Rental Property Joint Ventures, totaling \$8.2 million in our first quarter of fiscal 2023. This amount is included in "Land sales and other revenue" on our Condensed Consolidated Statements of Operations and Comprehensive Income and was sold at our cost basis. There were no similar land sales to unconsolidated entities in our first quarter of fiscal 2024.

Guarantees

The unconsolidated entities in which we have investments generally finance their activities with a combination of partner equity and debt financing. In some instances, we have guaranteed portions of the debt of unconsolidated entities. These guarantees may include any or all of the following: (i) project completion guarantees, including any cost overruns; (ii) repayment guarantees, generally covering a percentage of the outstanding loan; (iii) carry cost guarantees, which cover costs such as interest, real estate taxes, and insurance; (iv) an environmental indemnity provided to the lender that holds the lender harmless from and against losses arising from the discharge of hazardous materials from the property and non-compliance with applicable environmental laws; and (v) indemnification of the lender from "bad boy acts" of the unconsolidated entity or its partners.

In some instances, we and our joint venture partner have provided joint and several guarantees in connection with loans to unconsolidated entities. In these situations, we generally seek to implement a reimbursement agreement with our partner that provides that neither party is responsible for more than its proportionate share or agreed upon share of the guarantee; however, we are not always successful. In addition, if the joint venture partner does not have adequate financial resources to meet its obligations under such a reimbursement agreement, we may be liable for more than our proportionate share.

We believe that, as of January 31, 2024, in the event we become legally obligated to perform under a guarantee of an obligation of an unconsolidated entity due to a triggering event, the collateral in such entity should be sufficient to repay a significant portion of the obligation. If it is not, we and our partners would need to contribute additional capital to the venture.

Information with respect to certain of the Company's unconsolidated entities' outstanding debt obligations, loan commitments and our guarantees thereon are as follows (\$ amounts in thousands):

	January 31, 2024	October 31, 2023
Loan commitments in the aggregate	\$ 3,341,700	\$ 3,341,700
Our maximum estimated exposure under repayment and carry cost guarantees if the full amount of the debt obligations were borrowed (1)	\$ 688,000	\$ 688,000
Debt obligations borrowed in the aggregate	\$ 1,871,600	\$ 1,643,600
Our maximum estimated exposure under repayment and carry cost guarantees of the debt obligations borrowed	\$ 571,700	\$ 544,100
Estimated fair value of guarantees provided by us related to debt and other obligations	\$ 19,500	\$ 19,500
Terms of guarantees	2 months - 3.8 years	1 month - 4.0 years

(1) At January 31, 2024 and October 31, 2023, our maximum estimated exposure under repayment and carry cost guarantees includes approximately \$ 102.3 million related to our unconsolidated Joint Venture VIEs.

The maximum exposure estimates presented above do not take into account any recoveries from the underlying collateral or any reimbursement from our partners, nor do they include any potential exposures related to project completion guarantees or the indemnities noted above, which are not estimable. We have not made payments under any of the outstanding guarantees, nor have we been called upon to do so.

Variable Interest Entities

We have both unconsolidated and consolidated joint venture-related variable interests in VIEs. Information regarding our involvement in unconsolidated joint-venture related variable interests in VIEs has been disclosed throughout information presented above.

The table below provides information as of January 31, 2024 and October 31, 2023, regarding our consolidated joint venture-related variable interests in VIEs (\$ amounts in thousands):

	Balance Sheet Classification	January 31, 2024	October 31, 2023
Number of Joint Venture VIEs that the Company is the primary beneficiary and consolidates		5	5
Carrying value of consolidated VIEs assets	Receivables, prepaid expenses and other assets and Investments in unconsolidated entities	\$ 93,000	\$ 89,600
Our partners' interests in consolidated VIEs	Noncontrolling interest	\$ 10,300	\$ 10,200

Our ownership interest in the above consolidated Joint Venture VIEs ranges from 82% to 98%.

As shown above, we are the primary beneficiary of certain VIEs due to our controlling financial interest in such ventures as we have the power to direct the activities that most significantly impact the joint ventures' performance and the obligation to absorb expected losses or receive benefits from the joint ventures. The assets of these VIEs can only be used to settle the obligations of the VIEs. In addition, in certain of the joint ventures, in the event additional contributions are required to be funded to the joint ventures prior to the admission of any additional investor at a future date, we will fund 100% of such contributions, including our partner's pro rata share, which we expect would be funded through an interest-bearing loan. For other VIEs, we are not the primary beneficiary because the power to direct the activities of such VIEs that most significantly impact their performance was either shared by us and such VIE's other partners or such activities were controlled by our partner. For VIEs where the power to direct significant activities is shared, business plans, budgets, and other major decisions are required to be unanimously approved by all partners. Management and other fees earned by us are nominal and believed to be at market rates, and there is no significant economic disproportionality between us and other partners.

Joint Venture Condensed Combined Financial Information

The Condensed Combined Balance Sheets, as of the dates indicated, and the Condensed Combined Statements of Operations, for the periods indicated, for the unconsolidated entities in which we have an investment are included below (in thousands):

Condensed Combined Balance Sheets:

	January 31, 2024	October 31, 2023
Cash and cash equivalents	\$ 158,875	\$ 161,274
Inventory	1,430,178	1,425,145
Loans receivable – net	16,567	17,024
Rental properties	2,234,035	1,907,604
Rental properties under development	1,714,685	1,804,664
Other assets	422,036	385,197
Total assets	<u>\$ 5,976,376</u>	<u>\$ 5,700,908</u>
Debt – net of deferred financing costs	\$ 2,903,724	\$ 2,711,986
Other liabilities	511,857	498,866
Partners' equity	2,560,795	2,490,056
Total liabilities and equity	<u>\$ 5,976,376</u>	<u>\$ 5,700,908</u>
Company's net investment in unconsolidated entities (1)	<u>\$ 995,811</u>	<u>\$ 959,041</u>

(1) Our underlying equity in the net assets of the unconsolidated entities was less than our net investment in unconsolidated entities by \$ 57.7 million and \$40.9 million as of January 31, 2024 and October 31, 2023, respectively, and these differences are primarily a result of interest capitalized on our investments; the estimated fair value of the guarantees provided to the joint ventures; distributions from entities in excess of the carrying amount of our net investment; unrealized gains on our retained joint venture interests; other than temporary impairments we have recognized; and gains recognized from the sale of our ownership interests.

Condensed Combined Statements of Operations:

	Three months ended January 31,	
	2024	2023
Revenues	\$ 157,195	\$ 109,270
Cost of revenues	85,282	59,353
Other expenses	67,323	63,074
Total expenses	152,605	122,427
Income (loss) from operations	4,590	(13,157)
Other loss	(1,961)	(1,356)
Income (loss) before income taxes	2,629	(14,513)
Income tax benefit	(280)	(18)
Net income (loss)	2,909	(14,495)
Company's loss from unconsolidated entities (2)	<u>\$ (9,172)</u>	<u>\$ (4,433)</u>

(2) Differences between our loss from unconsolidated entities and our percentage interest in the underlying net income (loss) of the entities are generally a result of distributions from entities in excess of the carrying amount of our investment; promote earned on the gains recognized by joint ventures and those promoted cash flows being distributed; other than temporary impairments we have recognized; recoveries of previously incurred charges; unrealized gains on our retained joint venture interests; gains recognized from the sale of our investment to our joint venture partner; our share of the entities' profits related to home sites purchased by us which reduces our cost basis of the home sites acquired; and amortization of other basis differences.

4. Receivables, Prepaid Expenses, and Other Assets

Receivables, prepaid expenses, and other assets at January 31, 2024 and October 31, 2023, consisted of the following (amounts in thousands):

	January 31, 2024	October 31, 2023
Expected recoveries from insurance carriers and others	\$ 96,504	\$ 94,987
Improvement cost receivable	42,492	40,992
Escrow cash held by our wholly owned captive title company	43,507	44,273
Properties held for rental apartment and commercial development	241,226	225,261
Prepaid expenses	37,561	43,763
Right-of-use asset	102,868	102,787
Derivative assets	27,061	41,612
Other	110,811	97,581
	<u>\$ 702,030</u>	<u>\$ 691,256</u>

5. Loans Payable, Senior Notes, and Mortgage Company Loan Facility

Loans Payable

At January 31, 2024 and October 31, 2023, loans payable consisted of the following (amounts in thousands):

	January 31, 2024	October 31, 2023
Senior unsecured term loan	\$ 650,000	\$ 650,000
Loans payable – other	417,038	517,378
Deferred issuance costs	(2,889)	(3,154)
	<u>\$ 1,064,149</u>	<u>\$ 1,164,224</u>

Senior Unsecured Term Loan

We are party to a \$650.0 million senior unsecured term loan facility (the "Term Loan Facility") with a syndicate of banks of which \$ 487.5 million matures February 14, 2028, \$60.9 million matures on November 1, 2026 and the remaining \$ 101.6 million matures on November 1, 2025. There are no payments required before these stated maturity dates. At January 31, 2024, the interest rate on the Term Loan Facility was 6.21% per annum. Toll Brothers, Inc. and substantially all of its 100%-owned home building subsidiaries are guarantors under the Term Loan Facility. The Term Loan Facility contains substantially the same financial covenants as the Revolving Credit Facility described below.

In November 2020, we entered into five interest rate swap transactions to hedge \$400.0 million of the Term Loan Facility. The interest rate swaps effectively fix the interest cost on the \$400.0 million at 0.369% plus the spread set forth in the pricing schedule in the Term Loan Facility through October 2025. The spread at January 31, 2024 was 0.90%. These interest rate swaps were designated as cash flow hedges.

Revolving Credit Facility

At January 31, 2024, we had a \$1.905 billion senior unsecured revolving credit facility (the "Revolving Credit Facility") with a syndicate of banks that is scheduled to mature on February 14, 2028. The Revolving Credit Facility provides us with a committed borrowing capacity of \$1.905 billion, which we have the ability to increase up to \$3.00 billion with the consent of lenders. Toll Brothers, Inc. and substantially all of its 100%-owned home building subsidiaries are guarantors of the borrower's obligations under the Revolving Credit Facility.

Under the terms of the Revolving Credit Facility, at January 31, 2024, our maximum leverage ratio, as defined, was not permitted to exceed 1.75 to 1.00, and we were required to maintain a minimum tangible net worth, as defined, of no less than approximately \$4.07 billion. Under the terms of the Revolving Credit Facility, at January 31, 2024, our leverage ratio was approximately 0.32 to 1.00, and our tangible net worth was approximately \$ 6.97 billion. Based upon the terms of the Revolving Credit Facility, our ability to repurchase our common stock was limited to approximately \$3.85 billion as of January 31, 2024. In addition, under the provisions of the Revolving Credit Facility, our ability to pay cash dividends was limited to approximately \$2.89 billion as of January 31, 2024.

At January 31, 2024, we had no outstanding borrowings under the Revolving Credit Facility and had approximately \$ 146.1 million of outstanding letters of credit that were issued under the Revolving Credit Facility. At January 31, 2024, the interest rate on outstanding borrowings under the Revolving Credit Facility would have been 6.51% per annum.

Loans Payable – Other

“Loans payable – other” primarily represents purchase money mortgages on properties we acquired that the seller had financed, project-level financing, and various revenue bonds that were issued by government entities on our behalf to finance community infrastructure and our manufacturing facilities. At January 31, 2024, the weighted-average interest rate on “Loans payable – other” was 5.38% per annum.

Senior Notes

At January 31, 2024, we had four issues of senior notes outstanding with an aggregate principal amount of \$ 1.60 billion.

Mortgage Company Loan Facilities

Toll Brothers Mortgage Company (“TBMC”), our wholly owned mortgage subsidiary, had a mortgage warehousing agreement (the “Warehousing Agreement”) with a bank, which was amended from time to time, to finance the origination of mortgage loans by TBMC. The Warehousing Agreement was accounted for as a secured borrowing under ASC 860, “Transfers and Servicing.” The Warehousing Agreement provided for loan purchases up to \$75.0 million, subject to certain sublimits. In addition, the Warehousing Agreement provided for an accordion feature under which TBMC could request that the aggregate commitments under the Warehousing Agreement be increased to an amount up to \$150.0 million for a short period of time. Borrowings under the Warehousing Agreement bore interest at BSBY plus 1.75% per annum (with a BSBY floor of 0.50%). The Warehousing Agreement was terminated in January 2024.

On December 5, 2023, TBMC executed a new Warehousing Agreement (“New Warehousing Agreement”) with a bank which provides for loan purchases up to \$75.0 million, subject to certain sublimits. In addition, the New Warehousing Agreement, provides for an accordion feature under which TBMC may request that the aggregate commitments under the New Warehousing Agreement be increased to an amount up to \$150.0 million for a short period of time. The New Warehousing Agreement was accounted for as a secured borrowing under ASC 860, “Transfers and Servicing.” TBMC is also subject to an under usage fee based on outstanding balances, as defined in the New Warehousing Agreement. The New Warehousing Agreement is set to expire on December 3, 2024 and bears interest at SOFR plus 1.75% per annum (with a SOFR floor of 2.50%). At January 31, 2024, the interest rate on the New Warehousing Agreement was 7.10% per annum.

6. Accrued Expenses

Accrued expenses at January 31, 2024 and October 31, 2023 consisted of the following (amounts in thousands):

	January 31, 2024	October 31, 2023
Land, land development, and construction	\$ 529,185	\$ 555,146
Compensation and employee benefits	159,617	212,684
Escrow liability associated with our wholly owned captive title company	41,905	42,451
Self-insurance	231,574	230,688
Warranty	202,920	206,171
Lease liabilities	123,414	123,866
Deferred income	54,776	52,907
Interest	31,302	30,044
Commitments to unconsolidated entities	32,099	29,212
Other	56,754	65,612
	<u>\$ 1,463,546</u>	<u>\$ 1,548,781</u>

The table below provides, for the periods indicated, a reconciliation of the changes in our warranty accrual (amounts in thousands):

	Three months ended January 31,	
	2024	2023
Balance, beginning of period	\$ 206,171	\$ 164,409
Additions – homes closed during the period	5,822	7,186
Change in accruals for homes closed in prior years – net	2,801	2,096
Charges incurred	(11,874)	(16,796)
Balance, end of period	<u>\$ 202,920</u>	<u>\$ 156,895</u>

Since fiscal 2014, we have received water intrusion claims from owners of homes built since 2002 in communities located in Pennsylvania and Delaware (which are in our North region). Our recorded estimated repair costs to resolve these claims were approximately \$40.7 million at January 31, 2024 and \$ 41.1 million at October 31, 2023. We continue to perform review procedures to assess, among other things, the number of affected homes, whether repairs are likely to be required, and the extent of such repairs.

Our review process, conducted quarterly, includes an analysis of many factors to determine whether a claim is likely to be received and the estimated costs to resolve any such claim, including: the closing dates of the homes; the number of claims received; our inspection of homes; an estimate of the number of homes we expect to repair; the type and cost of repairs that have been performed in each community; the estimated costs to remediate pending and future claims; the expected recovery from our insurance carriers and suppliers; and the previously recorded amounts related to these claims. We also monitor legal developments relating to these types of claims and review the volume, relative merits and adjudication of claims in litigation or arbitration. Our review process includes a number of estimates that are based on assumptions with uncertain outcomes. Due to the degree of judgment required in making these estimates and the inherent uncertainty in potential outcomes, it is reasonably possible that our actual costs and recoveries could differ from those recorded. However, based on the facts and circumstances currently known, we do not believe that any such differences would be material.

7. Income Taxes

We recorded income tax provisions of \$71.6 million and \$62.3 million for the three months ended January 31, 2024 and 2023, respectively. The effective tax rate was 23.0% for the three months ended January 31, 2024, compared to 24.5% for the three months ended January 31, 2023. The income tax provisions for all periods included the provision for state income taxes, interest accrued on anticipated tax assessments, excess tax benefits related to stock-based compensation, federal energy efficient home credits and other permanent differences.

We are subject to state tax in the jurisdictions in which we operate. We estimate our state tax liability based upon the individual taxing authorities' regulations, estimates of income by taxing jurisdiction, and our ability to utilize certain tax-saving strategies. Based on our estimate of the allocation of income or loss among the various taxing jurisdictions and changes in tax regulations

and their impact on our tax strategies, we estimate that our state income tax rate for the full fiscal year 2024 will be approximately 5.8%. Our state income tax rate for the full fiscal year 2023 was 6.2%.

At January 31, 2024, we had \$11.1 million of gross unrecognized tax benefits, including interest and penalties. If these unrecognized tax benefits were to reverse in the future, they would have a beneficial impact on our effective tax rate at that time. During the next 12 months, it is reasonably possible that our unrecognized tax benefits will change, but we are not able to provide a range of such change. The possible changes would be principally due to the expiration of tax statutes, settlements with taxing jurisdictions, increases due to new tax positions taken, and the accrual of estimated interest and penalties.

8. Stock-Based Benefit Plans

We grant various types of restricted stock units to our employees and our non-employee directors. We also granted stock options to certain of our employees and non-employee directors through fiscal year 2023. Additionally, we have an employee stock purchase plan that allows employees to purchase our stock at a discount. Information regarding the amount of total stock-based compensation expense and tax benefit recognized by us, for the periods indicated, is as follows (amounts in thousands):

	Three months ended January 31,	
	2024	2023
Total stock-based compensation expense recognized	\$ 18,250	\$ 14,384
Income tax benefit recognized	\$ 4,210	\$ 3,638

At January 31, 2024 and October 31, 2023, the aggregate unamortized value of unvested stock-based compensation awards was approximately \$ 33.5 million and \$23.2 million, respectively.

9. Stockholders' Equity

Stock Repurchase Program

From time to time since fiscal 2017, our Board of Directors has renewed its authorization to repurchase up to 20 million shares of our common stock in open market transactions, privately negotiated transactions (including accelerated share repurchases), issuer tender offers or other financial arrangements or transactions. On December 13, 2023, our Board of Directors renewed its authorization to repurchase 20 million shares of our common stock. Shares may be repurchased for general corporate purposes, including to obtain shares for the Company's equity awards and other employee benefit plans. This authorization terminated, effective December 13, 2023, the existing authorization that had been in effect since May 17, 2022. The Board of Directors did not fix any expiration date for this repurchase program.

The table below provides, for the periods indicated, information about our share repurchase programs:

	Three months ended January 31,	
	2024	2023
Number of shares purchased (in thousands)	1	187
Average price per share (1)	\$ 88.70	\$ 49.95
Remaining authorization at January 31 (in thousands)	20,000	14,389

(1) Average price per share includes costs associated with the purchases, including the excise tax accrued on our share repurchases as a result of the Inflation Reduction Act of 2022, as applicable.

Cash Dividends

During the three months ended January 31, 2024 and 2023, we declared and paid cash dividends of \$ 0.21 and \$0.20 per share, respectively, to our shareholders.

Accumulated Other Comprehensive Income

The changes in each component of accumulated other comprehensive income ("AOCI"), for the periods indicated, were as follows (amounts in thousands):

	Three months ended January 31,	
	2024	2023
Employee Retirement Plans		
Beginning balance	\$ 3,080	\$ 2,475
(Gains) losses reclassified from AOCI to net income (1)	(113)	23
Less: Tax expense (benefit) (2)	29	(6)
Net (gains) losses reclassified from AOCI to net income	(84)	17
Other comprehensive (loss) income – net of tax	(84)	17
Ending balance	\$ 2,996	\$ 2,492
Derivative Instruments		
Beginning balance	\$ 37,830	\$ 35,143
Losses on derivative instruments	(3,568)	(4,297)
Less: Tax benefit	905	1,086
Net losses on derivative instruments	(2,663)	(3,211)
Gains reclassified from AOCI to net income (3)	(1,543)	(362)
Less: Tax expense (2)	392	92
Net gains reclassified from AOCI to net income	(1,151)	(270)
Other comprehensive loss – net of tax	(3,814)	(3,481)
Ending balance	\$ 34,016	\$ 31,662
Total AOCI ending balance	\$ 37,012	\$ 34,154

(1) Reclassified to "Other income – net"

(2) Reclassified to "Income tax provision"

(3) Reclassified to "Cost of revenues – home sales"

10. Earnings per Share Information

The table below provides, for the periods indicated, information pertaining to the calculation of earnings per share, common stock equivalents, weighted-average number of antidilutive options, and shares issued (amounts in thousands):

	Three months ended January 31,	
	2024	2023
Numerator:		
Net income as reported	\$ 239,558	\$ 191,530
Denominator:		
Basic weighted-average shares	105,122	111,397
Common stock equivalents (1)	1,143	939
Diluted weighted-average shares	106,265	112,336
Other information:		
Weighted-average number of antidilutive options and restricted stock units (2)	137	501
Shares issued under stock incentive and employee stock purchase plans	520	1,334

(1) Common stock equivalents represent the dilutive effect of outstanding in-the-money stock options using the treasury stock method and shares expected to be issued upon the conversion of restricted stock units under our equity award programs.

(2) Weighted-average number of antidilutive options and restricted stock units are based upon the average closing price of our common stock on the New York Stock Exchange for the period.

11. Fair Value Disclosures

Financial Instruments

The table below provides, as of the dates indicated, a summary of assets/(liabilities) related to our financial instruments, measured at fair value on a recurring basis (amounts in thousands):

Financial Instrument	Fair value hierarchy	Fair value	
		January 31, 2024	October 31, 2023
Mortgage Loans Held for Sale	Level 2	\$ 73,270	\$ 110,555
Forward Loan Commitments — Mortgage Loans Held for Sale	Level 2	\$ (241)	\$ 2,234
Interest Rate Lock Commitments ("IRLCs")	Level 2	\$ 587	\$ (4,135)
Forward Loan Commitments — IRLCs	Level 2	\$ (587)	\$ 4,135
Interest Rate Swap Contracts	Level 2	\$ 26,474	\$ 35,243

At January 31, 2024 and October 31, 2023, the carrying value of cash and cash equivalents, escrow cash held by our wholly owned captive title company, and customer deposits held in escrow approximated fair value.

The fair values of the interest rate swap contracts are included in "Receivables, prepaid expenses and other assets" in our Condensed Consolidated Balance Sheets and are determined using widely accepted valuation techniques including discounted cash flow analysis based on the expected cash flows of each swap contract. Although the Company has determined that the significant inputs, such as interest yield curve and discount rate, used to value its interest rate swap contracts fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our counterparties and our own credit risk utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. However, as of January 31, 2024, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our interest rate swap contract positions and have determined that the credit valuation adjustments were not significant to the overall valuation of our interest rate swap contracts. As a result, we have determined that our interest rate swap contracts valuations in their entirety are classified in Level 2 of the fair value hierarchy.

Mortgage Loans Held for Sale

At the end of the reporting period, we determine the fair value of our mortgage loans held for sale and the forward loan commitments we have entered into as a hedge against the interest rate risk of our mortgage loans and commitments using the market approach to determine fair value.

The table below provides, as of the dates indicated, the aggregate unpaid principal and fair value of mortgage loans held for sale (amounts in thousands):

	Aggregate unpaid principal balance	Fair value	Fair value greater (less) than principal balance
At January 31, 2023	\$ 74,324	\$ 73,270	\$ (1,054)
At October 31, 2023	\$ 114,835	\$ 110,555	\$ (4,280)

Inventory

We recognize inventory impairment charges and land impairment charges based on the difference in the carrying value of the inventory and its fair value at the time of the evaluation. The fair value of the aforementioned inventory was determined using Level 3 criteria. Estimated fair value is primarily determined by discounting the estimated future cash flow of each community. In determining the fair value related to land impairments, we consider recent offers received, prices for land in recent comparable sales transactions, and other factors. We record land impairments related to land parcels we plan to sell to third parties within land sales and other cost of revenues. See Note 1, "Significant Accounting Policies – Inventory," in our 2023 Form 10-K for additional information regarding our methodology for determining fair value. Impairments of inventory were insignificant during the three-months ended January 31, 2024 and 2023 and, accordingly, we did not disclose the ranges of certain quantitative unobservable inputs utilized in determining the fair value of these impaired operating communities.

Debt

The table below provides, as of the dates indicated, the book value, excluding any bond discounts, premiums, and deferred issuance costs, and estimated fair value of our debt (amounts in thousands):

	Fair value hierarchy	January 31, 2024		October 31, 2023	
		Book value	Estimated fair value	Book value	Estimated fair value
Loans payable (1)	Level 2	\$ 1,067,038	\$ 1,051,792	\$ 1,167,378	\$ 1,150,704
Senior notes (2)	Level 1	1,600,000	1,558,345	1,600,000	1,481,220
Mortgage company loan facility (3)	Level 2	63,194	63,194	100,058	100,058
		<u>\$ 2,730,232</u>	<u>\$ 2,673,331</u>	<u>\$ 2,867,436</u>	<u>\$ 2,731,982</u>

(1) The estimated fair value of loans payable was based upon contractual cash flows discounted at interest rates that we believed were available to us for loans with similar terms and remaining maturities as of the applicable valuation date.

(2) The estimated fair value of our senior notes is based upon their market prices as of the applicable valuation date.

(3) We believe that the carrying value of our mortgage company loan borrowings approximates their fair value.

12. Other Income – Net

The table below provides the significant components of other income – net (amounts in thousands):

	Three months ended January 31,	
	2024	2023
Interest income	\$ 10,468	\$ 7,318
Income (loss) from ancillary businesses	840	(2,949)
Management fee income earned by home building operations	1,149	1,403
Gain on litigation settlements – net	—	27,683
Other	(539)	(540)
Total other income – net	<u>\$ 11,918</u>	<u>\$ 32,915</u>

Income (loss) from ancillary businesses is generated by our mortgage, title, landscaping, smart home technology, Gibraltar, apartment living, city living, and golf course and country club operations. The table below provides, for the periods indicated, revenues and expenses for our ancillary businesses (amounts in thousands):

	Three months ended January 31,	
	2024	2023
Revenues	\$ 32,300	\$ 27,907
Expenses	\$ 31,460	\$ 30,856

In the three months ended January 31, 2024 and 2023, income from ancillary businesses included management fees earned on our apartment rental development, high-rise urban luxury condominium, and Gibraltar unconsolidated entities and operations totaling \$7.6 million and \$8.6 million, respectively.

13. Commitments and Contingencies

Legal Proceedings

We are involved in various claims and litigation arising principally in the ordinary course of business. We believe that adequate provision for resolution of all current claims and pending litigation has been made and that the disposition of these matters will not have a material adverse effect on our results of operations and liquidity or on our financial condition.

Land Purchase Contracts

Generally, our agreements to acquire land parcels do not require us to purchase those land parcels, although we, in some cases, forfeit any deposit balance outstanding if and when we terminate an agreement. Information regarding our land purchase contracts, as of the dates indicated, is provided in the table below (amounts in thousands):

	January 31, 2024	October 31, 2023
Aggregate purchase price:		
Unrelated parties	\$ 4,483,327	\$ 4,191,160
Unconsolidated entities that the Company has investments in	31,040	31,477
Total	<u>\$ 4,514,367</u>	<u>\$ 4,222,637</u>
Deposits against aggregate purchase price	\$ 445,819	\$ 449,925
Additional cash required to acquire land	4,068,548	3,772,712
Total	<u>\$ 4,514,367</u>	<u>\$ 4,222,637</u>
Amount of additional cash required to acquire land included in accrued expenses	<u>\$ 241,376</u>	<u>\$ 254,030</u>

In addition, we expect to purchase approximately 8,600 additional home sites over a number of years from several joint ventures in which we have interests; the purchase prices of these home sites will be determined at a future date.

At January 31, 2024, we also had purchase contracts to acquire land for apartment developments of approximately \$ 267.0 million, of which we had outstanding deposits in the amount of \$13.3 million. We intend to acquire and develop these projects in joint ventures with unrelated parties in the future.

We have additional land parcels under option that have been excluded from the aggregate purchase price since we do not believe that we will complete the purchase of these land parcels and no additional funds will be required from us to terminate these contracts.

Investments in Unconsolidated Entities

At January 31, 2024, we had investments in a number of unconsolidated entities, were committed to invest or advance additional funds, and had guaranteed a portion of the indebtedness and/or loan commitments of these entities. See Note 3, "Investments in Unconsolidated Entities," for more information regarding our commitments to these entities.

Surety Bonds and Letters of Credit

At January 31, 2024, we had outstanding surety bonds amounting to \$ 891.2 million, primarily related to our obligations to governmental entities to construct improvements in our communities. We estimate that approximately \$340.6 million of work remains on these improvements. We have an additional \$ 315.7 million of surety bonds outstanding that guarantee other obligations. We do not believe that it is probable that any outstanding bonds will be drawn upon.

At January 31, 2024, we had outstanding letters of credit of \$ 146.1 million under our Revolving Credit Facility. These letters of credit were issued to secure various financial obligations, including insurance policy deductibles and other claims, land deposits, and security to complete improvements in communities in which we are operating. We do not believe that it is probable that any outstanding letters of credit will be drawn upon.

At January 31, 2024, we had provided financial guarantees of \$ 25.7 million related to fronted letters of credit to secure obligations related to certain of our insurance policy deductibles and other claims.

Backlog

At January 31, 2024, we had agreements of sale outstanding to deliver 6,693 homes with an aggregate sales value of \$7.08 billion.

Mortgage Commitments

Our mortgage subsidiary provides mortgage financing for a portion of our home closings. For those home buyers to whom our mortgage subsidiary provides mortgages, we determine whether the home buyer qualifies for the mortgage based upon information provided by the home buyer and other sources. For those home buyers who qualify, our mortgage subsidiary provides the home buyer with a mortgage commitment that specifies the terms and conditions of a proposed mortgage loan based upon then-current market conditions. Prior to the actual closing of the home and funding of the mortgage, the home buyer will lock in an interest rate based upon the terms of the commitment. At the time of rate lock, our mortgage subsidiary agrees to sell the proposed mortgage loan to one of several outside recognized mortgage financing institutions ("investors") that is willing to honor the terms and conditions, including interest rate, committed to the home buyer. We believe that these investors have adequate financial resources to honor their commitments to our mortgage subsidiary.

Mortgage loans are sold to investors with limited recourse provisions derived from industry-standard representations and warranties in the relevant agreements. These representations and warranties primarily involve the absence of misrepresentations by the borrower or other parties, the appropriate underwriting of the loan and in some cases, a required minimum number of payments to be made by the borrower. The Company generally does not retain any other continuing interest related to mortgage loans sold in the secondary market.

Information regarding our mortgage commitments, as of the dates indicated, is provided in the table below (amounts in thousands):

	January 31, 2024	October 31, 2023
Aggregate mortgage loan commitments:		
IRLCs	\$ 296,301	\$ 354,716
Non-IRLCs	1,811,464	1,818,486
Total	<u>\$ 2,107,765</u>	<u>\$ 2,173,202</u>
Investor commitments to purchase:		
IRLCs	\$ 296,301	\$ 354,716
Mortgage loans held for sale	64,424	104,703
Total	<u>\$ 360,725</u>	<u>\$ 459,419</u>

14. Information on Segments

We operate in the following five geographic segments, with current operations generally located in the states listed below:

Eastern Region:

- The **North** region: Connecticut, Delaware, Illinois, Massachusetts, Michigan, New Jersey, New York and Pennsylvania;
- The **Mid-Atlantic** region: Georgia, Maryland, North Carolina, Tennessee and Virginia;
- The **South** region: Florida, South Carolina and Texas;

Western Region:

- The **Mountain** region: Arizona, Colorado, Idaho, Nevada and Utah;
- The **Pacific** region: California, Oregon and Washington.

Our geographic reporting segments are consistent with how our chief operating decision makers are assessing operating performance and allocating capital.

Revenues and income (loss) before income taxes for each of our segments, for the periods indicated, were as follows (amounts in thousands):

	Three months ended January 31,	
	2024	2023
Revenues:		
North	\$ 272,657	\$ 322,794
Mid-Atlantic	264,154	189,117
South	532,886	392,881
Mountain	453,381	480,212
Pacific	408,991	364,768
Total home building	1,932,069	1,749,772
Corporate and other	(233)	(350)
	1,931,836	1,749,422
Land sales and other revenues	16,012	30,747
Total consolidated	\$ 1,947,848	\$ 1,780,169
Income (loss) before income taxes:		
North	\$ 33,021	\$ 36,634
Mid-Atlantic	49,518	22,923
South	98,430	52,446
Mountain	80,164	87,304
Pacific	103,653	78,978
Total home building	364,786	278,285
Corporate and other	(53,625)	(24,489)
Total consolidated	\$ 311,161	\$ 253,796

“Corporate and other” is comprised principally of general corporate expenses such as our executive offices; the corporate finance, accounting, audit, tax, human resources, risk management, information technology, marketing, and legal groups; interest income; income from certain of our ancillary businesses, including our apartment rental development business and our high-rise urban luxury condominium operations, and income from our Rental Property Joint Ventures and Gibraltar Joint Ventures.

Total assets for each of our segments, as of the dates indicated, are shown in the table below (amounts in thousands):

	January 31, 2024	October 31, 2023
North	\$ 1,292,864	\$ 1,281,479
Mid-Atlantic	1,381,599	1,323,381
South	2,526,180	2,399,055
Mountain	2,869,825	2,666,874
Pacific	2,309,586	2,175,776
Total home building	10,380,054	9,846,565
Corporate and other	2,141,901	2,680,453
Total consolidated	\$ 12,521,955	\$ 12,527,018

“Corporate and other” is comprised principally of cash and cash equivalents, restricted cash, investments in our Rental Property Joint Ventures, expected recoveries from insurance carriers and suppliers, our Gibraltar investments and operations, manufacturing facilities, our apartment rental development and high-rise urban luxury condominium operations, and our mortgage and title subsidiaries.

The amounts we have provided for inventory impairment charges and the expensing of costs that we believe not to be recoverable, for the periods indicated, which are included in home sales cost of revenues, were as follows (amounts in thousands):

	Three months ended January 31,	
	2024	2023
North	\$ 495	\$ 141
Mid-Atlantic	192	1,240
South	80	451
Mountain	674	131
Pacific	30	6,041
Total consolidated	\$ 1,471	\$ 8,004

We also recognized \$13.0 million of land impairment charges included in land sales and other cost of revenues during the three-month period ended January 31, 2023, of which \$2.7 million and \$10.3 million were in our North and Mid-Atlantic segments, respectively. No similar charges were recognized during the three-month period ended January 31, 2024.

15. Supplemental Disclosure to Condensed Consolidated Statements of Cash Flows

The following are supplemental disclosures to the Condensed Consolidated Statements of Cash Flows, for the periods indicated (amounts in thousands):

	Three months ended January 31,	
	2024	2023
Cash flow information:		
Income tax paid – net	\$ 81,636	\$ 223,424
Noncash activity:		
Cost of inventory acquired through seller financing, municipal bonds, or included in accrued expenses - net	\$ 26,759	\$ 33,086
Transfer of other assets to property, construction and office equipment - net	\$ —	\$ 10,518
Unrealized loss on derivatives	\$ (8,769)	\$ (8,103)
	At January 31,	
	2024	2023
Cash, cash equivalents, and restricted cash		
Cash and cash equivalents	\$ 754,793	\$ 791,609
Restricted cash included in receivables, prepaid expenses, and other assets	45,157	47,274
Total cash, cash equivalents, and restricted cash shown on the Condensed Consolidated Statements of Cash Flows	\$ 799,950	\$ 838,883

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ("MD&A")

This discussion and analysis is based on, should be read together with, and is qualified in its entirety by, the accompanying unaudited condensed consolidated financial statements and related notes, as well as our consolidated financial statements, notes thereto, and the related MD&A contained in our Annual Report on Form 10-K for the fiscal year ended October 31, 2023 ("2023 Form 10-K"). It also should be read in conjunction with the disclosure under "Statement on Forward-Looking Information" and "Risk Factors" in this report and in our 2023 Form 10-K.

Unless otherwise stated in this report, net contracts signed represents a number or value equal to the gross number or value of contracts for the sale of homes signed during the relevant period, less the number or value of contracts canceled during the relevant period (irrespective of whether the contract was signed during the relevant period or in a prior period). Backlog consists of homes under contract but not yet delivered to our home buyers ("backlog"). Backlog conversion represents the percentage of homes delivered in the period from backlog at the beginning of the period ("backlog conversion").

OVERVIEW

Our Business Environment and Current Outlook

Since January 2023, we have experienced solid demand for our homes as the housing market adjusted to a new environment following the steep and rapid rise in mortgage rates that occurred over the course of calendar year 2022. In recent months, the market for new homes has continued to benefit from a healthy job market, improving consumer sentiment and continued low levels of resale inventory. In the three months ended January 31, 2024, we signed 2,042 net contracts with an aggregate value of \$2.06 billion as compared to 1,461 net contracts with an aggregate value of \$1.45 billion in the three months ended January 31, 2023. Year-over-year, net signed contracts increased 39.8% in units and 42.0% in dollars in the first quarter of fiscal 2024. This increase in the number and value of net signed contracts reflects the improved demand environment for new homes that has existed since the last month of our 2023 fiscal first quarter. While the near-term direction of interest and mortgage rates, consumer sentiment and the overall economy is difficult to predict, over the longer term we continue to believe that the market for new homes will benefit from strong housing market fundamentals, including favorable demographic trends, the aging of the existing housing stock, and the supply-demand imbalance that has resulted from the persistent underproduction of homes relative to household formations.

In the three months ended January 31, 2024, home sales revenue increased 10% as compared to the three months ended January 31, 2023. In this quarter, we delivered 1,927 homes with an average delivered price of \$1,002,500, as compared to 1,826 delivered homes at an average price of \$958,100 in the first quarter of fiscal 2023. The increase in the number of homes delivered was partially a result of improvements in our cycle times, as pandemic-induced supply chain and labor disruptions have largely subsided, a year-over-year increase in the number of communities we were operating from during the first quarter of fiscal 2024, and a higher backlog conversion ratio. While most of our homes are sold on a built-to-order basis where we do not begin construction of the home until we have a signed contract with a customer, in recent quarters, we have increased the number of quick move-in homes (or "spec" homes) in our inventory, which are homes started without a signed agreement with a customer. These homes allow us to compete more effectively with existing homes available in the market, especially for homebuyers that require a home within a short time frame. We sell our spec homes at various stages of construction and determine how many such homes to offer within each community based on local market factors, our current and planned sales pace and construction cadence for the community.

Financial and Operational Highlights

In the three-month period ended January 31, 2024, we recognized \$1.95 billion of revenues, consisting of \$1.93 billion of home sales revenue and \$16.0 million of land sales and other revenue, and net income of \$239.6 million, as compared to \$1.78 billion of revenues, consisting of \$1.75 billion of home sales revenue and \$30.7 million of land sales and other revenue, and net income of \$191.5 million in the three-month period ended January 31, 2023.

In the three-month periods ended January 31, 2024 and 2023, the value of net contracts signed was \$2.06 billion (2,042 homes) and \$1.45 billion (1,461 homes), respectively.

The value of our backlog at January 31, 2024 was \$7.08 billion (6,693 homes), as compared to our backlog at January 31, 2023 of \$8.58 billion (7,733 homes). Our backlog at October 31, 2023 was \$6.95 billion (6,578 homes), as compared to backlog of \$8.87 billion (8,098 homes) at October 31, 2022.

At January 31, 2024, we had \$754.8 million of cash and cash equivalents on hand and approximately \$1.76 billion available under our \$1.905 billion senior unsecured revolving credit facility (the "Revolving Credit Facility"). At January 31, 2024, we

had no borrowings and we had approximately \$146.1 million of outstanding letters of credit under our \$1.905 billion Revolving Credit Facility.

At January 31, 2024, we owned or controlled through options approximately 70,400 home sites, as compared to approximately 70,700 at October 31, 2023; and approximately 76,000 at October 31, 2022. Of the approximately 70,400 total home sites that we owned or controlled through options at January 31, 2024, we owned approximately 36,000 and controlled approximately 34,400 through options. Of the 36,000 home sites owned, approximately 18,400 were substantially improved. In addition, as of January 31, 2024, we expect to purchase approximately 8,600 additional home sites over several years from certain of the joint ventures in which we have interests, at prices to be determined.

At January 31, 2024, we were selling from 377 communities, compared to 370 at October 31, 2023 and 328 at January 31, 2023.

At January 31, 2024, our total stockholders' equity and our debt to total capitalization ratio were \$7.02 billion and 0.28 to 1.00, respectively.

RESULTS OF OPERATIONS – OVERVIEW

The following table compares certain items in our Condensed Consolidated Statements of Operations and Comprehensive Income and other supplemental information for the three months ended January 31, 2024 and 2023 (\$ amounts in millions, unless otherwise stated). For more information regarding results of operations by segment, see “Segments” in this MD&A.

	Three months ended January 31,		
	2024	2023	% Change
Revenues:			
Home sales	\$ 1,931.8	\$ 1,749.4	10 %
Land sales and other	16.0	30.7	(48) %
	<u>1,947.8</u>	<u>1,780.2</u>	<u>9 %</u>
Cost of revenues:			
Home sales	1,399.2	1,300.9	8 %
Land sales and other	10.2	42.4	(76) %
	<u>1,409.4</u>	<u>1,343.4</u>	<u>5 %</u>
Selling, general and administrative	230.0	211.5	9 %
Income from operations	308.4	225.3	37 %
Other			
Loss from unconsolidated entities	(9.2)	(4.4)	109 %
Other income – net	11.9	32.9	(64) %
Income before income taxes	311.2	253.8	23 %
Income tax provision	71.6	62.3	15 %
Net income	<u>\$ 239.6</u>	<u>\$ 191.5</u>	<u>25 %</u>
Supplemental information:			
Home sales cost of revenues as a percentage of home sales revenues	72.4 %	74.4 %	
Land sales and other cost of revenues as a percentage of land sales and other revenues	63.5 %	138.0 %	
SG&A as a percentage of home sale revenues	11.9 %	12.1 %	
Effective tax rate	23.0 %	24.5 %	
Deliveries – units	1,927	1,826	6 %
Deliveries – average delivered price (in '000s)	\$ 1,002.5	\$ 958.1	5 %
Net contracts signed – value	\$ 2,064.8	\$ 1,454.3	42 %
Net contracts signed – units	2,042	1,461	40 %
Net contracts signed – average contracted price (in '000s)	\$ 1,011.2	\$ 995.4	2 %
At January 31,			
	2024	2023	% Change
Backlog – value	\$ 7,081.1	\$ 8,584.8	(18) %
Backlog – units	6,693	7,733	(13) %
Backlog – average contracted price (in '000s)	\$ 1,058.0	\$ 1,110.2	(5) %

Note: Due to rounding, amounts may not add. Net contracts signed information presented above is net of all cancellations that occurred in the period. “Net contracts signed - value” includes the value of each binding agreement of sale that was signed in the period, plus the value of all options that were selected during the period, regardless of when the initial agreement of sale related to such options was signed.

Home Sales Revenues and Home Sales Cost of Revenues

The increase in home sale revenues for the three months ended January 31, 2024, as compared to the three months ended January 31, 2023, was primarily attributable to a 6% increase in the number of homes delivered and a 5% increase in the average price of homes delivered. The increase in the number of homes delivered in the three months ended January 31, 2024 was primarily due to more deliveries of spec homes coupled with higher backlog conversion as compared to the three months ended January 31, 2023. These factors are offset, in part, by a decrease in the number of homes in backlog at October 31, 2023, as compared to the number of homes in backlog at October 31, 2022, most notably in the Mountain and Pacific regions. The increase in the average delivered home price was mainly due to sales price increases, as well as an increase in homes delivered in more expensive geographic regions, most notably in the Pacific region.

The decrease in home sales cost of revenues, as a percentage of home sales revenues, for the three months ended January 31, 2024, as compared to the three months ended January 31, 2023, was principally due to a shift in the mix of revenues to higher margin products/areas, sales price increases outpacing cost increases for homes delivered in the quarter, lower inventory impairment charges, and lower interest expense as a percentage of home sales revenues in the fiscal 2024 period. In the three months ended January 31, 2024 and 2023, interest expense, as a percentage of home sales revenues, was 1.2% and 1.4%, respectively, and inventory impairments included in homes sales cost of revenues were \$1.5 million and \$8.0 million, respectively.

Land Sales and Other Revenues and Land Sales and Other Cost of Revenues

Our revenues from land sales and other generally consist of the following: (1) land sales to joint ventures in which we retain an interest; (2) lot sales to third-party builders within our master-planned communities; (3) bulk lot sales to third parties of land we have decided no longer meets our development criteria; (4) sales of land parcels to third parties (typically because there is a superior economic use of the property); and (5) sales of commercial and retail properties generally located at our urban luxury condominium communities. Land sales to joint ventures in which we retain an interest are generally sold at our land basis and therefore little to no gross margin is earned on these sales. The decrease in land sales and other cost of revenues as a percentage of land sales and other revenues was primarily due to \$13.0 million of impairment charges recognized in the three months ended January 31, 2023 in connection with planned land sales. No similar impairment charges were recognized in the three months ended January 31, 2024.

In February 2024, we sold a parcel of land to a commercial developer for net cash proceeds of \$180.7 million which is expected to result in a pre-tax gain of approximately \$175.0 million during the three months ended April 30, 2024.

Selling, General and Administrative Expenses ("SG&A")

SG&A spending increased by \$18.5 million in the fiscal 2024 three-month period, as compared to the fiscal 2023 three-month period. As a percentage of home sales revenues, SG&A was 11.9% in the fiscal 2024 period, as compared to 12.1% in the fiscal 2023 period. The dollar increase in SG&A was primarily due to higher commissions on increased home sales revenues. The decrease in SG&A as a percentage of revenues was due to revenues increasing 10% year-over-year in the fiscal 2024 period, while SG&A spending increased 9%.

Income from Unconsolidated Entities

We have investments in joint ventures to (i) develop land for the joint venture participants and for sale to outside builders ("Land Development Joint Ventures"); (ii) develop for-sale homes ("Home Building Joint Ventures"); (iii) develop luxury for-rent residential apartments and single family homes, commercial space, and a hotel ("Rental Property Joint Ventures"); and (iv) invest in distressed loans and real estate and provide financing and land banking to residential builders and developers for the acquisition and development of land and home sites ("Gibraltar Joint Ventures").

We recognize our proportionate share of the earnings and losses from these unconsolidated entities. Many of our unconsolidated entities are land development projects, high-rise/mid-rise condominium construction projects, or for-rent apartment and for-rent single-family home projects, which do not generate revenues and earnings for a number of years during the development of the properties. Once development is complete for high-rise/mid-rise condominium construction projects, these unconsolidated entities will generally, over a relatively short period of time, generate revenues and earnings until all of the assets of the entity are sold. Further, once for-rent apartments and for-rent single-family home projects are complete and stabilized, we may monetize a portion of these projects through a recapitalization or a sale of all or a portion of our ownership interest in the joint venture, generally resulting in an income-producing event. Because of the long development periods associated with these entities, the earnings recognized from these entities may vary significantly from quarter to quarter and year to year.

In the three-month period ended January 31, 2024, we recognized a loss from unconsolidated entities of \$9.2 million, as compared to a loss of \$4.4 million in the prior year period. The increase in losses was primarily due to a higher losses by various Rental Property Joint Ventures that are currently in the development or lease-up phases, higher losses by two Home Building Joint Ventures, and lower earnings from a Land Development Joint Venture due to reduced lot sales in the fiscal 2024 period.

Other Income – Net

The table below provides, for the periods indicated, the components of “Other income – net” (amounts in thousands):

	Three months ended January 31,	
	2024	2023
Interest income	\$ 10,468	\$ 7,318
Income (loss) from ancillary businesses	840	(2,949)
Management fee income earned by home building operations	1,149	1,403
Gain on litigation settlements – net	—	27,683
Other	(539)	(540)
Total other income – net	\$ 11,918	\$ 32,915

The increase in interest income in the three month periods ended January 31, 2024 was primarily due to higher interest rates.

The increase in income from ancillary businesses in the three months ended January 31, 2024 was mainly due to the fiscal 2024 period benefiting from higher income from our mortgage and title operations due to higher volume.

The decrease in management fee income earned by our home building operations in the three month periods ended January 31, 2024 were primarily related to a decrease in fees from certain of our Rental Property Joint Ventures.

The gain on litigation settlements - net in the fiscal 2023 period primarily relates to the settlement of an open insurance claim. No similar gains occurred in the fiscal 2024 period.

Income Before Income Taxes

For the three-month period ended January 31, 2024, we reported income before income taxes of \$311.2 million, as compared to \$253.8 million in the three-month period ended January 31, 2023.

Income Tax Provision

We recognized income tax provisions of \$71.6 million and \$62.3 million in the three-month periods ended January 31, 2024 and January 31, 2023, respectively. Based upon the federal statutory rate of 21.0% for the fiscal 2024 and 2023 periods, our federal tax provisions would have been \$65.3 million and \$53.3 million, in the three-month periods ended January 31, 2024 and January 31, 2023, respectively. The difference between the tax provisions recognized and the tax provision based on the federal statutory rate was mainly due to the provision for state income taxes, offset, in part, by excess tax benefits related to stock-based compensation.

Contracts

In the three-month periods ended January 31, 2024 and 2023, the value of net contracts signed was \$2.06 billion (2,042 homes) and \$1.45 billion (1,461 homes), respectively. The aggregate value of net contracts signed increased \$610.5 million, or 42.0%, in the three-month period ended January 31, 2024, as compared to the three-month period ended January 31, 2023. The increase in the aggregate value of net contracts signed was due to a 39.8% increase in the number of net contracts signed and a 1.6% increase in the average value attributed to each signed contract. The increase in the average value attributed to each signed contract is principally due to a shift in the number of contracts signed to more expensive areas and/or products and higher sales prices.

Backlog

The value of our backlog at January 31, 2024 decreased 18% to \$7.08 billion (6,693 homes), as compared to \$8.58 billion (7,733 homes) at January 31, 2023. Our backlog at October 31, 2023 and 2022 was \$6.95 billion (6,578 homes) and \$8.87 billion (8,098 homes), respectively.

For more information regarding results of operations by segment, see “Segments” in this MD&A.

CAPITAL RESOURCES AND LIQUIDITY

Funding for our business has been, and continues to be, provided principally by cash flow from operating activities before inventory additions, credit arrangements with third parties, and the public capital markets.

Our cash flows from operations generally provide us with a significant source of liquidity. Our cash flows provided by operating activities, supplemented with our short-term borrowings and long-term debt, have been sufficient to fund our operations while allowing us to invest in activities that support the long-term growth of our Company. Our primary uses of cash include inventory additions in the form of land acquisitions and deposits to obtain control of land, land development, working capital to fund day-to-day operations, and investments in existing and future unconsolidated joint ventures. We may also use cash to fund capital expenditures such as investments in our information technology systems. From time to time we use some or all of the remaining available cash flow to repay debt and to fund share repurchases and dividends on our common stock. We believe our sources of cash and liquidity will continue to be adequate to fund operations, finance our strategic operating initiatives, repay debt, fund our share repurchases and pay dividends for the foreseeable future.

At January 31, 2024, we had \$754.8 million of cash and cash equivalents on hand and approximately \$1.76 billion available for borrowing under our Revolving Credit Facility. The Revolving Credit Facility provides us with a committed borrowing capacity of \$1.905 billion, which we have the ability to increase up to \$3.0 billion with the consent of lenders, and is scheduled to mature on February 14, 2028. Toll Brothers, Inc. and substantially all of its 100%-owned home building subsidiaries are guarantors of the borrower's obligations under the Revolving Credit Facility. We are also a party to a \$650.0 million unsecured Term Loan Facility of which \$487.5 million matures on February 14, 2028, \$60.9 million matures on November 1, 2026 and the remaining \$101.6 million matures on November 1, 2025.

Short-term Liquidity and Capital Resources

For at least the next twelve months, we expect our principal demand for funds will be for inventory additions (in the form of land acquisition, land development, home construction costs, and deposits to control land), operating expenses, including our general and administrative expenses, investments and funding of capital improvements, investments in existing and future unconsolidated joint ventures, repayment of community-level borrowings, common stock repurchases, and dividend payments. Demand for funds include interest and principal payments on current and future debt financing. We expect to meet our short-term liquidity requirements primarily through our cash and cash equivalents on hand and net cash flows provided by operations. Additional sources of funds include distributions from our unconsolidated joint ventures, borrowing capacity under our Revolving Credit Facility, and other borrowings from banks and other lenders. In addition, cash flow from operating activities in the second quarter of fiscal 2024 will include approximately \$181 million related to the sale of a parcel of land to a commercial developer.

We believe we will have sufficient liquidity available to fund our business needs, commitments and contractual obligations in a timely manner for the next twelve months. We may, however, seek additional financing to fund future growth or refinance our existing indebtedness through the debt capital markets, but we cannot be assured that such financing will be available on favorable terms, or at all.

Long-term Liquidity and Capital Resources

Beyond the next twelve months, our principal demands for funds will be for the payments of the principal amount of our long-term debt as it becomes due or matures, land purchases and inventory additions needed to grow our business, long-term capital investments and investments in unconsolidated joint ventures, common stock repurchases, and dividend payments.

Over the longer term, to the extent the sources of capital described above are insufficient to meet our needs, we may also conduct additional public offerings of our securities, refinance debt or dispose of certain assets to fund our operating activities and debt service. We expect these resources will be adequate to fund our ongoing operating activities as well as provide capital for investment in future land purchases and related development activities and future joint ventures.

Material Cash Requirements

We are a party to many agreements that include contractual obligations and commitments to make payments to third parties. These obligations impact our short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on the Condensed Consolidated Balance Sheet as of January 31, 2024, while others are considered future commitments. Our contractual obligations primarily consist of long-term debt and related interest payments, payments due on our mortgage company loan facility, purchase obligations related to expected acquisition of land under purchase agreements and land development agreements (many of which are secured by letters of credit or surety bonds), operating leases, obligations under our deferred compensation plan, and obligations under our supplemental executive retirement plans. We also enter into certain short-term lease commitments, commitments to fund our existing or future unconsolidated joint ventures, letters of

credit and other purchase obligations in the normal course of business. For more information regarding our primary obligations, refer to Note 5, "Loans Payable, Senior Notes, and Mortgage Company Loan Facility," and Note 13, "Commitments and Contingencies," to the Condensed Consolidated Financial Statements for amounts outstanding as of January 31, 2024, related to debt and commitments and contingencies, respectively.

We also operate through a number of joint ventures and have undertaken various commitments as a result of those arrangements. At January 31, 2024, we had investments in these entities of \$995.8 million and were committed to invest or advance up to an additional \$340.2 million to these entities if they require additional funding. At January 31, 2024, we had agreed to terms for the acquisition of 360 home sites from five joint ventures for an estimated aggregate purchase price of \$31.0 million. In addition, we expect to purchase approximately 8,600 additional home sites over a number of years from several joint ventures in which we have interests. The purchase price of these home sites will be determined at a future date.

The unconsolidated joint ventures in which we have investments generally finance their activities with a combination of partner equity and debt financing. In some instances, we and our joint venture partner have guaranteed debt of unconsolidated entities. These guarantees may include any or all of the following: (i) project completion guarantees, including any cost overruns; (ii) repayment guarantees, generally covering a percentage of the outstanding loan; (iii) carry cost guarantees, which cover costs such as interest, real estate taxes, and insurance; (iv) an environmental indemnity provided to the lender that holds the lender harmless from and against losses arising from the discharge of hazardous materials from the property and non-compliance with applicable environmental laws; and (v) indemnification of the lender from "bad boy acts" of the unconsolidated entity.

In these situations where we have joint and several guarantees with our joint venture partner, we generally seek to implement a reimbursement agreement with our partner that provides that neither party is responsible for more than its proportionate share or agreed-upon share of the guarantee; however, we are not always successful. In addition, if the joint venture partner does not have adequate financial resources to meet its obligations under such a reimbursement agreement, we may be liable for more than our proportionate share. We believe that, as of January 31, 2024, in the event we become legally obligated to perform under a guarantee of the obligation of an unconsolidated entity due to a triggering event, the collateral in such entity should be sufficient to repay all or a significant portion of the obligation. If it is not, we and our partners would need to contribute additional capital to the entity. At January 31, 2024, we had guaranteed the debt of certain unconsolidated entities that have loan commitments aggregating \$3.34 billion, of which, if the full amount of the debt obligations were borrowed, we estimate \$688.0 million to be our maximum exposure related to repayment and carry cost guarantees. At January 31, 2024, the unconsolidated entities had borrowed an aggregate of \$1.87 billion, of which we estimate \$571.7 million to be our maximum exposure related to repayment and carry cost guarantees. The terms of these guarantees generally range from 2 months to 3.8 years. These maximum exposure estimates do not take into account any recoveries from the underlying collateral or any reimbursement from our partners, nor do they include any potential exposures related to project completion guarantees or the indemnities noted above, which are not estimable.

For more information regarding these joint ventures, see Note 3, "Investments in Unconsolidated Entities" in the Notes to Condensed Consolidated Financial Statements.

Debt Service Requirements

Our financing strategy is to ensure liquidity and access to capital markets, to maintain a balanced profile of debt maturities, and to manage our exposure to floating interest rate volatility.

Outside of the normal course of operations, one of our principal liquidity needs is the payment of principal and interest on outstanding indebtedness. We are required by the terms of certain loan documents to meet certain covenants, such as financial ratios and reporting requirements. As of January 31, 2024, we were in compliance with all such covenants and requirements on our term loan, credit facility and other loans payable. Refer to Note 5, "Loans Payable, Senior Notes, and Mortgage Company Loan Facility" in the Notes to the Condensed Consolidated Financial Statements.

Operating Activities

At January 31, 2024 and October 31, 2023, we had \$754.8 million and \$1.30 billion, respectively, of cash and cash equivalents. Cash used in operating activities during the three-month period ended January 31, 2024 was \$307.0 million. Cash used in operating activities during the fiscal 2024 period was primarily related to an increase in inventory; decreases in accounts payable and accrued expenses, current income taxes – net, and customer deposits – net; and an increase in receivables, prepaid expenses, and other assets. This activity was offset, in part, by net income (adjusted for stock-based compensation, depreciation and amortization, income and distributions of earnings from unconsolidated entities, deferred taxes and impairments); and mortgage loans sold, net of mortgage loans originated.

At January 31, 2023 and October 31, 2022, we had \$791.6 million and \$1.35 billion, respectively, of cash and cash equivalents. Cash used in operating activities during the three-month period ended January 31, 2023 was \$357.8 million. Cash used in operating activities during the fiscal 2023 period was primarily related to an increase in inventory, a decrease in accounts payable and accrued expenses, a decrease in current income taxes - net and a decrease in customer deposits – net. This activity was offset, in part, by net income (adjusted for stock-based compensation, impairments, depreciation and amortization, income and distributions of earnings from unconsolidated entities and deferred taxes); mortgage loans sold, net of mortgage loans originated; and a decrease in receivables, prepaid expenses, and other assets.

Investing Activities

In the three-month period ended January 31, 2024, cash used in investing activities was \$59.4 million, which was primarily related to \$58.9 million used to fund our investments in unconsolidated entities and \$13.6 million used for the purchase of property and equipment. This activity was offset, in part, by \$13.1 million of cash received as returns from our investments in unconsolidated entities.

In the three-month period ended January 31, 2023, cash used in investing activities was \$69.4 million, which was primarily related to \$74.6 million used to fund our investments in unconsolidated entities and \$19.7 million used for the purchase of property and equipment. This activity was offset, in part, by \$15.9 million of cash received as returns from our investments in unconsolidated entities and \$9.0 million of cash proceeds from the sale of assets.

Financing Activities

We used \$178.0 million of cash in financing activities in the three-month period ended January 31, 2024, primarily for the payments of \$145.6 million of loans payable, net of borrowings, the payment of dividends on our common stock of \$23.3 million, and \$9.3 million of payments related to stock-based benefit plans - net.

We used \$132.5 million of cash in financing activities in the three-month period ended January 31, 2023, primarily for payments of \$125.1 million of loans payable, net of borrowings, the payment of dividends on our common stock of \$22.9 million, and the repurchase of \$9.4 million of our common stock. This activity was offset, in part, by \$24.9 million of proceeds related to stock-based benefit plans - net.

CRITICAL ACCOUNTING ESTIMATES

As disclosed in our 2023 Form 10-K, our most critical accounting estimates relate to inventory, cost of revenue recognition, warranty and self-insurance, and investments in unconsolidated entities. Since October 31, 2023, there have been no material changes to those critical accounting estimates.

SUPPLEMENTAL GUARANTOR INFORMATION

At January 31, 2024, our 100%-owned subsidiary, Toll Brothers Finance Corp. (the "Subsidiary Issuer"), had issued and outstanding \$1.60 billion aggregate principal amount of senior notes maturing on various dates between November 15, 2025 and November 1, 2029 (the "Senior Notes"). For further information regarding the Senior Notes, see Note 5 to our Consolidated Condensed Financial Statements under the caption "Senior Notes."

The obligations of the Subsidiary Issuer to pay principal, premiums, if any, and interest are guaranteed jointly and severally on a senior basis by Toll Brothers, Inc. and substantially all of its 100%-owned home building subsidiaries (the "Guarantor Subsidiaries" and, together with us, the "Guarantors"). The guarantees are full and unconditional, and the Subsidiary Issuer and each of the Guarantor Subsidiaries are consolidated subsidiaries of Toll Brothers, Inc. Our non-home building subsidiaries and several of our home building subsidiaries (together, the "Non-Guarantor Subsidiaries") do not guarantee the Senior Notes. The Subsidiary Issuer generates no operating revenues and does not have any independent operations other than the financing of our other subsidiaries by lending the proceeds of its public debt offerings, including the Senior Notes. Our home building operations are conducted almost entirely through the Guarantor Subsidiaries. Accordingly, the Subsidiary Issuer's cash flow and ability to service the Senior Notes is dependent upon the earnings of the Company's subsidiaries and the distribution of those earnings to the Subsidiary Issuer, whether by dividends, loans or otherwise. Holders of the Senior Notes have a direct claim only against the Subsidiary Issuer and the Guarantors. The obligations of the Guarantors under their guarantees will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference or similar laws affecting the rights of creditors generally) under applicable law.

The indentures under which the Senior Notes were issued provide that any of our subsidiaries that provide a guarantee of our obligations under the Revolving Credit Facility will guarantee the Senior Notes. The indentures further provide that any Guarantor Subsidiary may be released from its guarantee so long as (i) no default or event of default exists or would result from release of such guarantee; (ii) the Guarantor Subsidiary being released has consolidated net worth of less than 5% of the Company's consolidated net worth as of the end of our most recent fiscal quarter; (iii) the Guarantor Subsidiaries released from

their guarantees in any fiscal year comprise in the aggregate less than 10% (or 15% if and to the extent necessary to permit the cure of a default) of our consolidated net worth as of the end of our most recent fiscal quarter; (iv) such release would not have a material adverse effect on ours and our subsidiaries' home building business; and (v) the Guarantor Subsidiary is released from its guaranty under the Revolving Credit Facility. If there are no guarantors under the Revolving Credit Facility, all Guarantor Subsidiaries under the indentures will be released from their guarantees.

The following summarized financial information is presented for Toll Brothers, Inc., the Subsidiary Issuer, and the Guarantor Subsidiaries on a combined basis after intercompany transactions and balances have been eliminated among Toll Brothers, Inc., the Subsidiary Issuer and the Guarantor Subsidiaries, as well as their investment in, and equity in earnings from the Non-Guarantor Subsidiaries.

Summarized Balance Sheet Data (amounts in millions):

	January 31, 2024
Assets	
Cash	\$ 592.9
Inventory	\$ 9,445.5
Amount due from Non-Guarantor Subsidiaries	\$ 781.1
Total assets	\$ 11,577.9
Liabilities & Stockholders' Equity	
Loans payable	\$ 978.1
Senior notes	\$ 1,596.4
Total liabilities	\$ 4,916.9
Stockholders' equity	\$ 6,661.0

Summarized Statement of Operations Data (amounts in millions):

	For the three months ended January 31, 2024
Revenues	\$ 1,904.0
Cost of revenues	\$ 1,376.3
Selling, general and administrative	\$ 227.1
Income before income taxes	\$ 305.0
Net income	\$ 234.8

SEGMENTS

We operate in the following five geographic segments, with current operations generally located in the states listed below:

- The **North** region: Connecticut, Delaware, Illinois, Massachusetts, Michigan, New Jersey, New York and Pennsylvania;
- The **Mid-Atlantic** region: Georgia, Maryland, North Carolina, Tennessee and Virginia;
- The **South** region: Florida, South Carolina and Texas;
- The **Mountain** region: Arizona, Colorado, Idaho, Nevada and Utah; and
- The **Pacific** region: California, Oregon and Washington.

The tables below summarize information related to units delivered and revenues, net contracts signed, and income (loss) before income taxes, by segment, for the periods indicated, and information related to backlog, by segment, as of the dates indicated.

Units Delivered and Revenues:

	Three months ended January 31,								
	Revenues (\$ in millions)			Units Delivered			Average Delivered Price (\$ in thousands)		
	2024	2023	% Change	2024	2023	% Change	2024	2023	% Change
North	\$ 272.6	\$ 322.8	(16) %	289	357	(19) %	\$ 943.5	\$ 904.2	4 %
Mid-Atlantic	264.1	189.1	40 %	277	166	67 %	\$ 953.6	\$ 1,139.1	(16) %
South	532.9	392.9	36 %	631	489	29 %	\$ 844.5	\$ 803.5	5 %
Mountain	453.4	480.2	(6) %	485	548	(11) %	\$ 934.8	\$ 876.3	7 %
Pacific	409.0	364.8	12 %	245	266	(8) %	\$ 1,669.4	\$ 1,371.3	22 %
Total home building	1,932.0	1,749.8	10 %	1,927	1,826	6 %	\$ 1,002.6	\$ 958.3	5 %
Other	(0.2)	(0.4)							
Total home sales revenue	1,931.8	1,749.4	10 %	1,927	1,826	6 %	\$ 1,002.5	\$ 958.0	5 %
Land sales and other revenue	16.0	30.7							
Total revenue	\$ 1,947.8	\$ 1,780.1							

Net Contracts Signed:

	Three months ended January 31,								
	Net Contract Value (\$ in millions)			Net Contracted Units			Average Contracted Price (\$ in thousands)		
	2024	2023	% Change	2024	2023	% Change	2024	2023	% Change
North	\$ 328.8	\$ 315.2	4 %	325	328	(1) %	\$ 1,011.7	\$ 961.0	5 %
Mid-Atlantic	238.6	264.1	(10) %	246	251	(2) %	\$ 970.0	\$ 1,052.2	(8) %
South	469.9	328.5	43 %	575	415	39 %	\$ 817.2	\$ 791.6	3 %
Mountain	498.9	263.9	89 %	541	299	81 %	\$ 922.2	\$ 882.6	4 %
Pacific	528.6	282.6	87 %	355	168	111 %	\$ 1,488.9	\$ 1,681.8	(11) %
Total consolidated	\$ 2,064.8	\$ 1,454.3	42 %	2,042	1,461	40 %	\$ 1,011.2	\$ 995.4	2 %

Backlog:

	At January 31,								
	Backlog Value (\$ in millions)			Backlog Units			Average Backlog Price (\$ in thousands)		
	2024	2023	% Change	2024	2023	% Change	2024	2023	% Change
North	\$ 1,020.5	\$ 1,112.5	(8) %	992	1,093	(9) %	\$ 1,028.7	\$ 1,017.9	1 %
Mid-Atlantic	928.1	1,035.9	(10) %	914	927	(1) %	\$ 1,015.4	\$ 1,117.5	(9) %
South	2,030.8	2,289.7	(11) %	2,256	2,449	(8) %	\$ 900.2	\$ 934.9	(4) %
Mountain	1,624.2	2,383.7	(32) %	1,633	2,275	(28) %	\$ 994.6	\$ 1,047.8	(5) %
Pacific	1,477.5	1,763.0	(16) %	898	989	(9) %	\$ 1,645.3	\$ 1,782.6	(8) %
Total consolidated	<u>\$ 7,081.1</u>	<u>\$ 8,584.8</u>	(18) %	<u>6,693</u>	<u>7,733</u>	(13) %	<u>\$ 1,058.0</u>	<u>\$ 1,110.2</u>	(5) %

	At October 31,								
	Backlog Value (\$ in millions)			Backlog Units			Average Backlog Price (\$ in thousands)		
	2023	2022	% Change	2023	2022	% Change	2023	2022	% Change
North	\$ 964.1	\$ 1,119.5	(14) %	956	1,122	(15) %	\$ 1,008.5	\$ 997.8	1 %
Mid-Atlantic	953.0	960.5	(1) %	945	842	12 %	\$ 1,008.4	\$ 1,140.7	(12) %
South	2,093.4	2,352.5	(11) %	2,312	2,523	(8) %	\$ 905.5	\$ 932.4	(3) %
Mountain	1,577.7	2,597.3	(39) %	1,577	2,524	(38) %	\$ 1,000.5	\$ 1,029.0	(3) %
Pacific	1,357.1	1,844.3	(26) %	788	1,087	(28) %	\$ 1,722.2	\$ 1,696.7	2 %
Total consolidated	<u>\$ 6,945.3</u>	<u>\$ 8,874.1</u>	(22) %	<u>6,578</u>	<u>8,098</u>	(19) %	<u>\$ 1,055.8</u>	<u>\$ 1,095.8</u>	(4) %

Income (Loss) Before Income Taxes (\$ amounts in millions):

	Three months ended January 31,		
	2024	2023	% Change
North	\$ 33.0	\$ 36.6	(10) %
Mid-Atlantic	49.5	22.9	116 %
South	98.4	52.4	88 %
Mountain	80.2	87.3	(8) %
Pacific	103.7	79.1	31 %
Total home building	364.8	278.3	31 %
Corporate and other	(53.6)	(24.5)	(119) %
Total consolidated	<u>\$ 311.2</u>	<u>\$ 253.8</u>	23 %

“Corporate and other” is comprised principally of general corporate expenses such as our executive offices; the corporate finance, accounting, audit, tax, human resources, risk management, information technology, marketing, and legal groups; interest income; income from certain of our ancillary businesses, including our apartment rental development business and our high-rise urban luxury condominium operations; and income from our Rental Property Joint Ventures and Gibraltar Joint Ventures.

FISCAL 2024 COMPARED TO FISCAL 2023

North

	Three months ended January 31,		
	2024	2023	Change
Units Delivered and Revenues:			
Home sales revenues (\$ in millions)	\$ 272.6	\$ 322.8	(16) %
Units delivered	289	357	(19) %
Average delivered price (\$ in thousands)	\$ 943.5	\$ 904.2	4 %
Net Contracts Signed:			
Net contract value (\$ in millions)	\$ 328.8	\$ 315.2	4 %
Net contracted units	325	328	(1) %
Average contracted price (\$ in thousands)	\$ 1,011.7	\$ 961.0	5 %
Home sales cost of revenues as a percentage of home sale revenues	78.0 %	78.4 %	
Income before income taxes (\$ in millions)	\$ 33.0	\$ 36.6	(10) %
Number of selling communities at January 31,	40	49	(18) %

The decrease in the number of homes delivered in the fiscal 2024 period was mainly due to a decrease in the number of homes in backlog at October 31, 2023, as compared to the number of homes in backlog at October 31, 2022 and lower backlog conversion, offset, in part, by an increase in spec homes delivered. The increase in the average prices of homes delivered in the fiscal 2024 period was primarily due to sales price increases and a shift in the number of homes delivered to more expensive areas and/or products.

The number of net contracts signed in the fiscal 2024 period was essentially flat compared to the prior year period, with increased demand being offset by a decrease in the average number of selling communities. The increase in the average value of each contract signed in the fiscal 2024 period was mainly due to a shift in the number of contracts signed to more expensive areas and/or products and a decrease in sales incentives.

The decrease in income before income taxes in the fiscal 2024 period was attributable to lower earnings from decreased revenue, offset, in part, by lower home sales cost of revenues, as a percentage of home sale revenues, and lower SG&A costs. The decrease in home sales cost of revenues, as a percentage of home sales revenues, in the three-month fiscal 2024 period was primarily due to a shift in product mix/areas to higher-margin areas and lower interest expense as a percentage of home sales revenues. In addition, we recognized \$2.7 million of land impairment charges during the fiscal 2023 period in connection with a planned land sale. No similar charge was recognized in the 2024 period.

Mid-Atlantic

	Three months ended January 31,		
	2024	2023	Change
Units Delivered and Revenues:			
Home sales revenues (\$ in millions)	\$ 264.1	\$ 189.1	40 %
Units delivered	277	166	67 %
Average delivered price (\$ in thousands)	\$ 953.6	\$ 1,139.1	(16) %
Net Contracts Signed:			
Net contract value (\$ in millions)	\$ 238.6	\$ 264.1	(10) %
Net contracted units	246	251	(2) %
Average contracted price (\$ in thousands)	\$ 970.0	\$ 1,052.2	(8) %
Home sales cost of revenues as a percentage of home sale revenues	72.8 %	72.9 %	
Income before income taxes (\$ in millions)	\$ 49.5	\$ 22.9	116 %
Number of selling communities at January 31,	40	39	3 %

The increase in the number of homes delivered in the three-month fiscal 2024 period was mainly due to an increase in the number of homes in backlog at October 31, 2023, as compared to the number of homes in backlog at October 31, 2022, higher backlog conversion, and an increase in spec homes delivered. The decreases in the average price of homes delivered in the fiscal 2024 period was primarily due to a shift in the number of homes delivered to less expensive areas and/or products.

The number of net contracts signed in the fiscal 2024 period was essentially flat compared to the prior year period. The decrease in the average value of each contract signed in the fiscal 2024 period was mainly due to a shift in the number of contracts signed to less expensive areas and/or products.

The increase in income before income taxes in the three-month fiscal 2024 period was mainly due to higher earnings from increased revenue, lower home sales cost of revenues, as a percentage of home sales revenues, offset, in part, by higher SG&A costs. The decrease in home sales cost of revenues, as a percentage of home sales revenues, in the fiscal 2024 period was primarily due to a shift in product mix/areas to higher-margin areas. In addition, we recognized a \$10.3 million land impairment charge, included in land sales and other cost of revenues, during the fiscal 2023 period in connection with a planned land sale. No similar charge was recognized in the fiscal 2024 period.

South

	Three months ended January 31,		
	2024	2023	Change
Units Delivered and Revenues:			
Home sales revenues (\$ in millions)	\$ 532.9	\$ 392.9	36 %
Units delivered	631	489	29 %
Average delivered price (\$ in thousands)	\$ 844.5	\$ 803.5	5 %
Net Contracts Signed:			
Net contract value (\$ in millions)	\$ 469.9	\$ 328.5	43 %
Net contracted units	575	415	39 %
Average contracted price (\$ in thousands)	\$ 817.2	\$ 791.6	3 %
Home sales cost of revenues as a percentage of home sale revenues	72.3 %	76.9 %	
Income before income taxes (\$ in millions)	\$ 98.4	\$ 52.4	88 %
Number of selling communities at January 31,	127	98	30 %

The increase in the number of homes delivered in the fiscal 2024 period was mainly due to an increase in spec homes delivered and higher backlog conversion, offset, in part, by a decrease in the number of homes in backlog at October 31, 2023, as compared to the number of homes in backlog at October 31, 2022. The increase in the average price of homes delivered in the

fiscal 2024 period was primarily due to sales price increases and a shift in the number of homes delivered to more expensive areas.

The increase in the number of net contracts signed in the fiscal 2024 period was due principally to improved demand and an increase in the number of selling communities. The increase in the average value of each contract signed in the fiscal 2024 period was primarily due to a shift in the number of contracts signed to more expensive areas or product types and decreased sales incentives.

The increase in income before income taxes in the fiscal 2024 period was principally due to higher earnings from increased revenues and lower home sales cost of revenues, as a percentage of home sale revenues, offset, in part, by higher SG&A costs. The decrease in home sales cost of revenues, as a percentage of home sales revenues, in the fiscal 2024 period was primarily due to a shift in product mix/areas to higher-margin areas, sales price increases and lower interest expense as a percentage of home sales revenues.

Mountain

	Three months ended January 31,		
	2024	2023	Change
Units Delivered and Revenues:			
Home sales revenues (\$ in millions)	\$ 453.4	\$ 480.2	(6) %
Units delivered	485	548	(11) %
Average delivered price (\$ in thousands)	\$ 934.8	\$ 876.3	7 %
Net Contracts Signed:			
Net contract value (\$ in millions)	\$ 498.9	\$ 263.9	89 %
Net contracted units	541	299	81 %
Average contracted price (\$ in thousands)	\$ 922.2	\$ 882.6	4 %
Home sales cost of revenues as a percentage of home sale revenues	74.3 %	73.2 %	
Income before income taxes (\$ in millions)	\$ 80.2	\$ 87.3	(8) %
Number of selling communities at January 31,	124	103	20 %

The decrease in the number of homes delivered in the fiscal 2024 period was mainly due to a decrease in the number of homes in backlog at October 31, 2023, as compared to the number of homes in backlog at October 31, 2022, partially offset by higher backlog conversion and an increase in spec homes delivered in the fiscal 2024 period. The increase in the average price of homes delivered in the fiscal 2024 period was primarily due to a shift in the number of contracts signed to more expensive areas or product types and decreased sales incentives.

The increase in the number of net contracts signed in the fiscal 2024 period was primarily due to improved demand and an increase in the number of selling communities. The increase in the average value of each contract signed in the fiscal 2024 period was mainly due to a shift in the number of contracts signed to more expensive areas or product types and decreased sales incentives.

The decrease in income before income taxes in the fiscal 2024 period was due mainly to lower earnings from decreased revenues in the fiscal 2024 period and higher home sales cost of revenues, as a percentage of home sale revenues. The increase in home sales cost of revenues, as a percentage of home sales revenues, in the fiscal 2024 period was primarily due to a shift in product mix/areas to lower-margin areas.

Pacific

	Three months ended January 31,		
	2024	2023	Change
Units Delivered and Revenues:			
Home sales revenues (\$ in millions)	\$ 409.0	\$ 364.8	12 %
Units delivered	245	266	(8) %
Average delivered price (\$ in thousands)	\$ 1,669.4	\$ 1,371.3	22 %
Net Contracts Signed:			
Net contract value (\$ in millions)	\$ 528.6	\$ 282.6	87 %
Net contracted units	355	168	111 %
Average contracted price (\$ in thousands)	\$ 1,488.9	\$ 1,681.8	(11) %
Home sales cost of revenues as a percentage of home sale revenues	66.2 %	70.0 %	
Income before income taxes (\$ in millions)	\$ 103.7	\$ 79.1	31 %
Number of selling communities at January 31,	46	39	18 %

The decrease in the number of homes delivered in the fiscal 2024 period was mainly due to a lower number of homes in backlog at October 31, 2023, as compared to the number of homes in backlog at October 31, 2022, offset, in part, by a higher backlog conversion and an increase in spec homes delivered. The increase in the average price of homes delivered in the fiscal 2024 period was primarily due to a shift in the number of homes delivered to more expensive areas and/or products and sales price increases.

The increase in the number of net contracts signed in the three-month fiscal 2024 period was due principally to improved demand and an increase in the number of selling communities. The decrease in the average value of each contract signed in the three-month fiscal 2024 period was primarily due to a shift in the number of contracts signed to less expensive areas and/or product types.

The increase in income before income taxes in the three-month fiscal 2024 period was mainly due to higher earnings from increased revenues in the fiscal 2024 period, lower home sales cost of revenues, as a percentage of home sales revenues, offset, in part, by higher SG&A costs. The decrease in home sales cost of revenues, as a percentage of home sales revenues, in the fiscal 2024 period was primarily due to a shift in product mix/areas to higher-margin areas and sales price increases.

Corporate and Other

In the three months ended January 31, 2024 and 2023, loss before income taxes was \$53.6 million and \$24.5 million, respectively. The increase in the loss before income taxes in the fiscal 2024 period was principally due to \$27.7 million of gains from litigation settlements - net, recognized in the fiscal 2023 period, which did not recur in the 2024 period, and higher SG&A costs, offset, in part, by increased interest income. The increase in SG&A costs in the fiscal 2024 period was primarily due to compensation and benefits increases.

AVAILABLE INFORMATION

Our principal Internet address is www.tollbrothers.com, and our Investor Relations website is located at investors.tollbrothers.com. We make our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act available through our Investor Relations website, free of charge, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

We provide information about our business and financial performance, including our company overview, on our Investor Relations website. Additionally, we webcast our earnings calls and certain events we participate in with members of the investment community on our Investor Relations website. Corporate governance information, including our codes of ethics, corporate governance guidelines, and board committee charters, is also available on our Investor Relations website. The content of our websites is not incorporated by reference into this Quarterly Report on Form 10-Q or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk primarily due to fluctuations in interest rates. We utilize both fixed-rate and variable-rate debt. For fixed-rate debt, changes in interest rates generally affect the fair market value of the debt instrument, but not our earnings or cash flow. Conversely, for variable-rate debt, changes in interest rates generally do not impact the fair value of the debt instrument, but do affect our earnings and cash flow. We generally do not have the obligation to prepay fixed-rate debt before maturity, and, as a result, interest rate risk and changes in fair value should not have a significant impact on our fixed-rate debt until we are required or elect to refinance it.

The table below sets forth, at January 31, 2024, our debt obligations by scheduled maturity, weighted-average interest rates, and estimated fair value (amounts in thousands):

Fiscal year of maturity	Fixed-rate debt		Variable-rate debt (a),(b)	
	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate
2024	\$ 104,978	5.34%	\$ 63,194	7.10%
2025	128,718	5.52%	—	
2026	442,124	5.21%	101,562	6.20%
2027	470,572	4.84%	60,938	6.20%
2028	408,033	4.30%	—	
Thereafter	462,612	3.75%	487,500	6.20%
Bond discounts, premiums and deferred issuance costs - net	(6,474)		—	
Total	\$ 2,010,563	4.66%	\$ 713,194	6.28%
Fair value at January 31, 2024	\$ 1,960,137		\$ 713,194	

- (a) Based upon the amount of variable-rate debt outstanding at January 31, 2024, and holding the variable-rate debt balance constant, each 1% increase in interest rates would increase the interest incurred by us by approximately \$7.1 million per year, without consideration of the Company's interest rate swap transactions.
- (b) In November 2020, we entered into five interest rate swap transactions to hedge \$400.0 million of the \$650.0 million Term Loan Facility, which is included in the variable-rate debt column in the table above. The interest rate swaps effectively fix the interest cost on the \$400.0 million at 0.369% plus the spread set forth in the pricing schedule in the Term Loan Facility through October 2025. The spread was 0.90% as of January 31, 2024. These interest rate swaps were designated as cash flow hedges.

ITEM 4. CONTROLS AND PROCEDURES

Any controls and procedures, 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 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, within the Company have been detected. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected; however, our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives.

Our Chief Executive Officer and Chief Financial Officer, with the assistance of management, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report (the "Evaluation Date"). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has not been any change in our internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our quarter ended January 31, 2024, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in various claims and litigation arising principally in the ordinary course of business. We believe that adequate provision for resolution of all current claims and pending litigation has been made and that the disposition of these matters will not have a material adverse effect on our results of operations and liquidity or on our financial condition.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors as previously disclosed in Part I, Item 1A., "Risk Factors" in our 2023 Form 10-K.

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

Issuer Purchases of Equity Securities

During the three-month period ended January 31, 2024, we repurchased the following shares of our common stock:

Period	Total number of shares purchased (a)	Average price paid per share (b)	Total number of shares purchased as part of publicly announced plans or programs (c)	Maximum number of shares that may yet be purchased under the plans or programs (c) (in thousands)
November 1, 2023 to November 30, 2023	103	\$ 70.23	103	6,716
December 1, 2023 to December 31, 2023	411	\$ 89.32	411	20,000
January 1, 2024 to January 31, 2024	114	\$ 103.12	114	20,000
Total	<u>628</u>		<u>628</u>	

(a) Our stock incentive plans permit us to withhold from the total number of shares that otherwise would be issued to a performance based restricted stock unit recipient or a restricted stock unit recipient upon distribution that number of shares having a fair value at the time of distribution equal to the applicable income tax withholdings due and remit the remaining shares to the recipient. During the three months ended January 31, 2024, we withheld 165,113 of the shares subject to performance based restricted stock units and/or restricted stock units to cover approximately \$15.0 million of income tax withholdings and we issued the remaining 335,983 shares to the recipients. The shares withheld are not included in the total number of shares purchased in the table above.

Our stock incentive plans also permit participants to exercise non-qualified stock options using a "net exercise" method. In a net exercise, we generally withhold from the total number of shares that otherwise would be issued to the participant upon exercise of the stock option that number of shares having a fair market value at the time of exercise equal to the option exercise price and applicable income tax withholdings, and remit the remaining shares to the participant. During the three-month period ended January 31, 2024, the net exercise method was not employed to exercise options.

(b) Average price paid per share includes costs associated with the purchases, but excludes any excise tax that we accrue on our share repurchases as a result of the Inflation Reduction Act of 2022.

(c) On December 13, 2023, our Board of Directors authorized the repurchase of 20 million shares of our common stock in open market transactions, privately negotiated transactions (including accelerated share repurchases), issuer tender offers or other financial arrangements or transactions for general corporate purposes, including to obtain shares for the Company's equity award and other employee benefit plans. This authorization terminated, effective December 13, 2023, the existing authorization that had been in effect since May 17, 2022. Our Board of Directors did not fix any expiration date for the current share repurchase program.

Except as set forth above, we have not repurchased any of our equity securities during the three-month period ended January 31, 2024.

Dividends

During the three months ended January 31, 2024, we paid cash dividends of \$0.21 per share to our shareholders. The payment of dividends is within the discretion of our Board of Directors and any decision to pay dividends in the future will depend upon an evaluation of a number of factors, including our results of operations, our capital requirements, our operating and financial condition, and any contractual limitations then in effect. Our revolving credit agreement and term loan agreement each require us to maintain a minimum tangible net worth (as defined in the applicable agreement), which restricts the amount of dividends we may pay. At January 31, 2024, under our bank credit agreements, we could have paid up to approximately \$2.89 billion of cash dividends.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During the period covered by this Quarterly Report on Form 10-Q, no director or officer 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.

ITEM 6. EXHIBITS

31.1*	Certification of Douglas C. Yearley, Jr. pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Martin P. Connor pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Douglas C. Yearley, Jr. pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Martin P. Connor pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from Toll Brothers, Inc. Quarterly Report on Form 10-Q for the quarter ended January 31, 2024, filed on March 1, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Income, (iii) Condensed Consolidated Statements of Changes in Equity, (iv) Condensed Consolidated Statements of Cash Flows, and (v) the Notes to Condensed Consolidated Financial Statements
101.INS	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

* Filed electronically herewith.

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.

TOLL BROTHERS, INC.

(Registrant)

Date: March 1, 2024

By: /s/ Martin P. Connor

Martin P. Connor
Senior Vice President and Chief Financial
Officer (Principal Financial Officer)

Date: March 1, 2024

By: /s/ Michael J. Grubb

Michael J. Grubb
Senior Vice President and Chief Accounting
Officer (Principal Accounting Officer)

CERTIFICATION

I, Douglas C. Yearley Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Toll Brothers, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this 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.

Signed: /s/ Douglas C. Yearley, Jr.

Name: Douglas C. Yearley, Jr.

Title: Chief Executive Officer

Date: March 1, 2024

CERTIFICATION

I, Martin P. Connor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Toll Brothers, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this 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.

Signed: /s/ Martin P. Connor

Name: Martin P. Connor

Title: Chief Financial Officer

Date: March 1, 2024

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Title: Chief Executive Officer

Date: March 1, 2024

**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 on Form 10-Q of Toll Brothers, Inc. (the "Company") for the quarter ended January 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Martin P. Connor, 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:

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

By: /s/ Martin P. Connor

Name: Martin P. Connor

Title: Chief Financial Officer

Date: March 1, 2024