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 March 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 1-35796

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tri pointe HOMES

Tri Pointe Homes, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**61-1763235**
(State or other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

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940 Southwood Blvd , Suite 200
Incline Village , Nevada 89451
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (775) 413-1030

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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	TPH	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, a 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 ☒

94,877,377 shares of the registrant's common stock were issued and outstanding as of April 16, 2024.

EXPLANATORY NOTE

As used in this quarterly report on Form 10-Q, references to “Tri Pointe”, “the Company”, “we”, “us”, or “our” (including in the consolidated financial statements and related notes thereto in this annual report on Form 10-Q) refer to Tri Pointe Homes, Inc., a Delaware corporation, and its consolidated subsidiaries.

TRI POINTE HOMES, INC.
QUARTERLY REPORT ON FORM 10-Q
INDEX
March 31, 2024

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TRI POINTE HOMES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

	March 31, 2024	December 31, 2023
	(unaudited)	
Assets		
Cash and cash equivalents	$ 943,998	$ 868,953
Receivables	125,133	224,636
Real estate inventories	3,422,883	3,337,483
Investments in unconsolidated entities	124,723	131,824
Goodwill and other intangible assets, net	156,603	156,603
Deferred tax assets, net	37,996	37,996
Other assets	158,639	157,093
Total assets	$ 4,969,975	$ 4,914,588
Liabilities		
Accounts payable	$ 51,736	$ 64,833
Accrued expenses and other liabilities	485,052	453,531
Loans payable	288,337	288,337
Senior notes, net	1,095,192	1,094,249
Total liabilities	1,920,317	1,900,950
Commitments and contingencies (Note 13)		
Equity		
Stockholders’ equity:		
Preferred stock, $ 0.01 par value, 50,000,000 shares authorized; no shares issued and outstanding as March 31, 2024 and December 31, 2023, respectively	—	—
Common stock, $ 0.01 par value, 500,000,000 shares authorized; 94,877,377 and 95,530,512 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	949	955
Additional paid-in capital	—	—
Retained earnings	3,048,697	3,010,003
Total stockholders’ equity	3,049,646	3,010,958
Noncontrolling interests	12	2,680
Total equity	3,049,658	3,013,638
Total liabilities and equity	$ 4,969,975	$ 4,914,588

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE HOMES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2024	**2023**
Homebuilding:		
Home sales revenue	$ 918,353	$ 768,405
Land and lot sales revenue	7,068	1,706
Other operations revenue	787	674
Total revenues	926,208	770,785
Cost of home sales	707,304	588,118
Cost of land and lot sales	5,757	1,443
Other operations expense	765	665
Sales and marketing	50,224	41,862
General and administrative	51,328	46,366
Homebuilding income from operations	110,830	92,331
Equity in income of unconsolidated entities	57	227
Other income, net	15,226	7,604
Homebuilding income before income taxes	126,113	100,162
Financial Services:		
Revenues	13,194	8,876
Expenses	8,727	5,831
Financial services income before income taxes	4,467	3,045
Income before income taxes	130,580	103,207
Provision for income taxes	(31,584)	(27,350)
Net income	98,996	75,857
Net income attributable to noncontrolling interests	59	(1,115)
Net income available to common stockholders	$ 99,055	$ 74,742
Earnings per share		
Basic	$ 1.04	$ 0.74
Diluted	$ 1.03	$ 0.73
Weighted average shares outstanding		
Basic	95,232,315	101,019,253
Diluted	95,846,756	101,706,438

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE HOMES, INC.
CONSOLIDATED STATEMENTS OF EQUITY
(unaudited)
(in thousands, except share amounts)

	Number of Shares of Common Stock (Note 1)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2023	95,530,512	$ 955	$ —	$ 3,010,003	$ 3,010,958	$ 2,680	$ 3,013,638
Net income		—	—	99,055	99,055	(59)	98,996
Shares issued under share-based awards	789,650	8	1,033	—	1,041	—	1,041
Tax withholding paid on behalf of employees for share-based awards	—	—	(16,572)	—	(16,572)	—	(16,572)
Stock-based compensation expense	—	—	6,679	—	6,679	—	6,679
Share repurchases, including excise tax	(1,442,785)	(14)	(50,233)	—	(50,247)	—	(50,247)
Distributions to noncontrolling interests, net	—	—	—	—	—	(2,609)	(2,609)
Acquisition of joint venture minority interest	—	—	(1,268)	—	(1,268)	—	(1,268)
Reclass the negative APIC to retained earnings	—	—	60,361	(60,361)	—	—	—
Balance at March 31, 2024	94,877,377	$ 949	$ —	$ 3,048,697	$ 3,049,646	$ 12	$ 3,049,658

	Number of Shares of Common Stock (Note 1)	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2022	101,017,708	$ 1,010	$ 3,685	$ 2,827,694	$ 2,832,389	$ 4,142	$ 2,836,531
Net income	—	—	—	74,742	74,742	1,115	75,857
Shares issued under share-based awards	729,094	7	225	—	232	—	232
Tax withholding paid on behalf of employees for share-based awards	—	—	(9,780)	—	(9,780)	—	(9,780)
Stock-based compensation expense	—	—	3,861		3,861		3,861
Share repurchases	(1,574,575)	(15)	(37,806)	—	(37,821)	—	(37,821)
Distributions to noncontrolling interests, net	—	—	—	—	—	(2,395)	(2,395)
Reclass the negative APIC to retained earnings	—	—	39,815	(39,815)	—	—	—
Balance at March 31, 2023	100,172,227	$ 1,002	$ —	$ 2,862,621	$ 2,863,623	$ 2,862	$ 2,866,485

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE HOMES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)
(in thousands)

	Three Months Ended March 31,	
	2024	**2023**
Cash flows from operating activities:		
Net income	$ 98,996	$ 75,857
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,327	7,054
Equity in income of unconsolidated entities, net	(57)	(227)
Amortization of stock-based compensation	6,679	3,861
Charges for impairments and lot option abandonments	402	717
Gain on increase in carrying amount of investment	3,495	—
Changes in assets and liabilities:		
Real estate inventories	(84,500)	31,965
Receivables	99,503	28,373
Other assets	(5,809)	(429)
Accounts payable	(13,097)	(4,780)
Accrued expenses and other liabilities	31,805	(6,752)
Net cash provided by operating activities	144,744	135,639
Cash flows from investing activities:		
Purchases of property and equipment	(6,417)	(6,501)
Proceeds from investment	717	—
Net investments in unconsolidated entities	(8,213)	(2,951)
Distributions from unconsolidated entities	13,650	—
Net cash used in investing activities	(263)	(9,452)
Cash flows from financing activities:		
Distributions to noncontrolling interests	(3,877)	(2,395)
Proceeds from issuance of common stock under share-based awards	1,041	232
Tax withholding paid on behalf of employees for share-based awards	(16,572)	(9,780)
Share repurchases, excluding excise tax	(50,028)	(37,610)
Net cash used in financing activities	(69,436)	(49,553)
Net increase in cash and cash equivalents	75,045	76,634
Cash and cash equivalents–beginning of period	868,953	889,664
Cash and cash equivalents–end of period	$ 943,998	$ 966,298

See accompanying condensed notes to the unaudited consolidated financial statements.

TRI POINTE HOMES, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Organization, Basis of Presentation and Summary of Significant Accounting Policies

Organization

Tri Pointe is engaged in the design, construction and sale of innovative single-family attached and detached homes across ten states, including Arizona, California, Colorado, Maryland, Nevada, North Carolina, South Carolina, Texas, Virginia, and Washington, and the District of Columbia. In September 2023, we announced our expansion into the greater Salt Lake City region with the launch of a new division in Utah. In April 2024, we announced further expansion into Orlando, Florida, and the Coastal Carolinas area of North and South Carolina. As of March 31, 2024, we had not yet commenced significant homebuilding operations in these new markets.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as contained within the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. They should be read in conjunction with our consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2023. In the opinion of management, all adjustments consisting of normal recurring adjustments, necessary for a fair presentation with respect to interim financial statements, have been included. The results for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for the full year ending December 31, 2024 due to seasonal variations and other factors.

The consolidated financial statements include the accounts of Tri Pointe Homes and its wholly owned subsidiaries, as well as other entities in which Tri Pointe Homes has a controlling interest and variable interest entities ("VIEs") in which Tri Pointe Homes is the primary beneficiary. The noncontrolling interests as of March 31, 2024 and December 31, 2023 represent the outside owners' interests in the Company's consolidated entities. All significant intercompany accounts have been eliminated upon consolidation.

Unless the context otherwise requires, the terms "Tri Pointe", "the Company", "we", "us", and "our" used herein refer to Tri Pointe Homes, Inc., a Delaware corporation, and its consolidated subsidiaries.

Use of Estimates

The preparation of these financial statements requires our management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from our estimates.

Cash and Cash Equivalents and Concentration of Credit Risk

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions, and short-term liquid investments with a maturity date of less than three months from the date of acquisition, including U.S. Treasury bills and government money-mark funds with maturities of 90 days or less when purchased. The Company's cash balances exceed federally insurable limits. The Company monitors the cash balances in its operating accounts and adjusts the cash balances as appropriate; however, these cash balances could be impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, the Company has experienced no loss or lack of access to cash in its operating accounts.

Revenue Recognition

We recognize revenue in accordance with Accounting Standards Topic 606 ("ASC 606"), *Revenue from Contracts with Customers*. Under ASC 606, we apply the following steps to determine the timing and amount of revenue to recognize: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

Home sales revenue

We generate the majority of our total revenues from home sales, which consists of our core business operation of building and delivering completed homes to homebuyers. Home sales revenue and related profit is generally recognized when title to and possession of the home are transferred to the homebuyer at the home closing date. Our performance obligation to deliver the agreed-upon home is generally satisfied in less than one year from the original contract date. Included in home sales revenue are forfeited deposits, which occur when homebuyers cancel home purchase contracts that include a nonrefundable deposit. Both revenue from forfeited deposits and deferred revenue resulting from uncompleted performance obligations existing at the time we deliver new homes to our homebuyers are immaterial.

Financial services revenues

Tri Pointe Solutions is a reportable segment and is comprised of our Tri Pointe Connect mortgage financing operations, Tri Pointe Assurance title and escrow services operations, and Tri Pointe Advantage property and casualty insurance agency operations.

Mortgage financing operations

For the year ended December 31, 2023, our Tri Pointe Connect mortgage operations were conducted through a joint venture with an established mortgage lender. Tri Pointe Connect acted as a preferred mortgage loan broker to our homebuyers in all of the markets in which we operate, generating income from fees paid by third party lenders for the successful funding and closing of loans for homebuyers that originated through Tri Pointe Connect. For the year ended December 31, 2023, Tri Pointe Connect was fully consolidated in accordance with Accounting Standards Topic 810 (“ASC 810”), *Consolidation,* under the Financial Services section of our consolidated statements of operations, with the noncontrolling interest recorded on the consolidated statements of operations as net income attributable to noncontrolling interests.

Effective February 1, 2024, we acquired the minority equity interest in the joint venture, upon which Tri Pointe Connect became a wholly owned subsidiary of the Company. In connection with this transaction, Tri Pointe Connect will transition to a mortgage lending entity that will act as a preferred mortgage lender to our homebuyers in all of the markets in which we operate and provide mortgage financing by utilizing its own funds and funds made available pursuant to a credit facility with third party lenders. We intend to sell all of the loans we originate in the secondary market within a short period of time after origination. Tri Pointe Connect will retain the ability to act as a mortgage loan broker for our homebuyers that originate loans with third party lenders.

Title and escrow services operations

Tri Pointe Assurance provides title examinations for our homebuyers in the Carolinas and Colorado and both title examinations and escrow services for our homebuyers in Arizona, the District of Columbia, Maryland, Nevada, Texas, Washington and Virginia. Tri Pointe Assurance is a wholly owned subsidiary of Tri Pointe and acts as a title agency for First American Title Insurance Company. Revenue from our title and escrow services operations is fully recognized at the time of the consummation of the home sales transaction, at which time no further performance obligations are left to be satisfied. Tri Pointe Assurance revenue is included in the Financial Services section of our consolidated statements of operations.

Property and casualty insurance agency operations

Tri Pointe Advantage is a wholly owned subsidiary of Tri Pointe and provides property and casualty insurance agency services that help facilitate the closing process in all of the markets in which we operate. The total consideration for these services, including renewal options, is estimated upon the issuance of the initial insurance policy, subject to constraint. Tri Pointe Advantage revenue is included in the Financial Services section of our consolidated statements of operations.

Recently Issued Accounting Standards Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which requires expanded disclosure of significant segment expenses and other segment items on an annual and interim basis. ASU 2023-07 is effective for us for annual periods beginning after January 1, 2024 and interim periods beginning after January 1, 2025. We are currently evaluating the impact ASU 2023-07 will have on our financial statement disclosures.

In December 2023, 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 is effective for us for annual periods beginning after January 1, 2025. We are currently evaluating the impact ASU 2023-09 will have on our financial statement disclosures.

2. Segment Information

We operate two principal businesses: homebuilding and financial services.

In accordance with ASC Topic 280, *Segment Reporting*, in determining the most appropriate reportable segments within our homebuilding business, we have considered similar economic and other characteristics, including product types, average sales prices, gross profits, production processes, suppliers, subcontractors, regulatory environments, land acquisition results, and underlying demand and supply. Based upon these factors and in consideration of the geographical layout of our homebuilding markets, we have identified three homebuilding reporting segments and, as such, our homebuilding segments are reported under the following hierarchy:

West region: Arizona, California, Nevada and Washington
Central region: Colorado, Texas and Utah
East region: District of Columbia, Maryland, North Carolina, South Carolina and Virginia

In September 2023, we announced our expansion into the greater Salt Lake City region with the launch of a new division in Utah. As of March 31, 2024, we had not yet commenced significant operations in this new Central segment market, however we have controlled lots within this market. Subsequent to March 31, 2024, we announced further expansion into Orlando, Florida, and the Coastal Carolinas area of North and South Carolina. Our operations in Orlando and the Coastal Carolinas will be reported within our East segment.

Our Tri Pointe Solutions financial services operation is a reportable segment and is comprised of our Tri Pointe Connect mortgage financing operations, our Tri Pointe Assurance title and escrow services operations, and our Tri Pointe Advantage property and casualty insurance agency operations. For further details, see Note 1, *Organization, Basis of Presentation and Summary of Significant Accounting Policies.*

Corporate is a non-operating segment that develops and implements company-wide strategic initiatives and provides support to our homebuilding reporting segments by centralizing certain administrative functions, such as marketing, legal, accounting, treasury, insurance, internal audit, risk management, information technology and human resources, to benefit from economies of scale. Our Corporate non-operating segment also includes general and administrative expenses related to operating our corporate headquarters. All of the expenses incurred by Corporate are allocated to each of the homebuilding reporting segments based on their respective percentage of revenues.

The reportable segments follow the same accounting policies used for our consolidated financial statements, as described in Note 1, *Organization, Basis of Presentation and Summary of Significant Accounting Policies*. Operational results of each reportable segment are not necessarily indicative of the results that would have been achieved had the reportable segment been an independent, stand-alone entity during the periods presented.

Total revenues and income before income taxes for each of our reportable segments were as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Revenues		
West	$ 553,591	$ 480,941
Central	274,223	166,140
East	98,394	123,704
Total homebuilding revenues	926,208	770,785
Financial services	13,194	8,876
Total	$ 939,402	$ 779,661
Income before income taxes		
West	$ 72,859	$ 72,911
Central	43,293	13,939
East	9,961	13,312
Total homebuilding income before income taxes	126,113	100,162
Financial services	4,467	3,045
Total	$ 130,580	$ 103,207

Total real estate inventories and total assets for each of our reportable segments, as of the date indicated, were as follows (in thousands):

	March 31, 2024	December 31, 2023
Real estate inventories		
West	$ 2,235,876	$ 2,209,113
Central	772,857	762,051
East	414,150	366,319
Total	$ 3,422,883	$ 3,337,483
Total assets [(1)]		
West	$ 2,513,529	$ 2,557,608
Central	934,029	947,200
East	466,633	421,630
Corporate	998,385	941,824
Total homebuilding assets	4,912,576	4,868,262
Financial services	57,399	46,326
Total	$ 4,969,975	$ 4,914,588

(1) Total assets as of March 31, 2024 and December 31, 2023 includes $ 139.3 million of goodwill, with $ 125.4 million included in the West segment, $ 8.3 million included in the Central segment and $ 5.6 million included in the East segment. Total Corporate assets as of March 31, 2024 and December 31, 2023 includes our Tri Pointe Homes trade name. For further details on goodwill and our intangible assets, see Note 8, *Goodwill and Other Intangible Assets* .

3. Earnings Per Share

The following table sets forth the components used in the computation of basic and diluted earnings per share (in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net income available to common stockholders	$ 99,055	$ 74,742
Denominator:		
Basic weighted-average shares outstanding	95,232,315	101,019,253
Effect of dilutive shares:		
Stock options and unvested restricted stock units	614,441	687,185
Diluted weighted-average shares outstanding	95,846,756	101,706,438
Earnings per share		
Basic	$ 1.04	$ 0.74
Diluted	$ 1.03	$ 0.73
Antidilutive stock options and unvested restricted stock units not included in diluted earnings per share	2,510,864	2,671,754

4. Receivables

Receivables consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
Escrow proceeds and other accounts receivable, net	$ 59,120	$ 158,622
Warranty insurance receivable (Note 13)	66,013	66,014
Total receivables	$ 125,133	$ 224,636

Receivables are evaluated for collectability and allowances for potential losses are established or maintained on applicable receivables based on an expected credit loss approach. Receivables were net of allowances for doubtful accounts of $ 436,000 as of both March 31, 2024 and December 31, 2023.

5. Real Estate Inventories

Real estate inventories consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
Real estate inventories owned:		
Homes completed or under construction	$ 1,526,569	$ 1,402,762
Land under development	1,255,357	1,299,074
Land held for future development	154,279	153,615
Model homes	308,721	306,565
Total real estate inventories owned	3,244,926	3,162,016
Real estate inventories not owned:		
Land purchase and land option deposits	177,957	175,467
Total real estate inventories not owned	177,957	175,467
Total real estate inventories	$ 3,422,883	$ 3,337,483

Homes completed or under construction is comprised of costs associated with homes in various stages of construction and includes direct construction and related land acquisition and land development costs. Land under development primarily consists of land acquisition and land development costs, which include capitalized interest and real estate taxes, associated with land undergoing improvement activity. Land held for future development principally reflects land acquisition and land development costs related to land where development activity has not yet begun or has been suspended, but is expected to occur in the future.

Real estate inventories not owned represents deposits related to land purchase and land and lot option agreements. For further details, see Note 7, *Variable Interest Entities*.

Interest incurred, capitalized and expensed were as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Interest incurred	$ 36,156	$ 37,479
Interest capitalized	(36,156)	(37,479)
Interest expensed	$ —	$ —
Capitalized interest in beginning inventory	$ 221,647	$ 191,411
Interest capitalized as a cost of inventory	36,156	37,479
Interest previously capitalized as a cost of inventory, included in cost of sales	(30,846)	(20,251)
Capitalized interest in ending inventory	$ 226,957	$ 208,639

Interest is capitalized to real estate inventory during development and other qualifying activities. During all periods presented, we capitalized all interest incurred to real estate inventory in accordance with ASC Topic 835, *Interest,* as our qualified assets exceeded our debt. Interest that is capitalized to real estate inventory is included in cost of home sales or cost of land and lot sales as related units or lots are delivered. Interest that is expensed as incurred is included in other (expense) income, net.

Real Estate Inventory Impairments and Land Option Abandonments

Real estate inventory impairments and land and lot option abandonments and pre-acquisition charges consisted of the following (in thousands):

	Three Months Ended March 31,	
	2024	2023
Real estate inventory impairments	$ —	$ —
Land and lot option abandonments and pre-acquisition charges	402	717
Total	$ 402	$ 717

In addition to owning land and residential lots, we also have option agreements to purchase land and lots at a future date. We have option deposits and capitalized pre-acquisition costs associated with the optioned land and lots. When the economics of a project no longer support acquisition of the land or lots under option, we may elect not to move forward with the acquisition. Option deposits and capitalized pre-acquisition costs associated with the assets under option may be forfeited at that time.

Real estate inventory impairments and land option abandonments are recorded in cost of home sales in the consolidated statements of operations.

6. Investments in Unconsolidated Entities

As of March 31, 2024, we held equity investments in thirteen active homebuilding partnerships or limited liability companies. Our participation in these entities may be as a developer, a builder, or an investment partner. Our ownership percentage varies from 8 % to 50 %, depending on the investment, with no controlling interest held in any of these investments.

Aggregated assets, liabilities and equity of the entities we account for as equity-method investments are as follows (in thousands):

	March 31, 2024	December 31, 2023
Assets		
Cash	$ 37,061	$ 35,308
Receivables	76,125	38,839
Real estate inventories	439,920	450,097
Other assets	6,324	27,632
Total assets	$ 559,430	$ 551,876
Liabilities and equity		
Debt obligations and other liabilities	$ 172,221	$ 155,616
Company's equity	124,723	131,824
Outside interests' equity	262,486	264,436
Total liabilities and equity	$ 559,430	$ 551,876

Guarantees

The unconsolidated entities in which we hold an equity investment generally finance their activities with a combination of equity and secured project debt financing. We have, and in some cases our joint venture partner has, guaranteed portions of the loan obligations for some of the homebuilding partnerships or limited liability companies, which may include any or all of the following: (i) project completion; (ii) remargin obligations; and (iii) environmental indemnities.

In circumstances in which we have entered into 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 guaranteed obligations. In the event our joint venture partner does not have adequate financial resources to meet its obligations under such a reimbursement agreement, or otherwise fails to satisfy its obligations thereunder, we may be responsible for more than our proportionate share of any obligations under such guarantees.

As of March 31, 2024 and December 31, 2023, we have not recorded any liabilities for these obligations and guarantees, as the fair value of the related joint venture real estate assets exceeded the threshold where a remargin payment would be required and no other obligations under the guarantees existed as of such time. At March 31, 2024 and December 31, 2023, aggregate outstanding debt for unconsolidated entities, included in the "Debt obligations and other liabilities" line of the aggregated assets, liabilities and equity shown in the table above, was $ 148.0 million and $ 125.9 million, respectively.

Aggregated results of operations from unconsolidated entities (in thousands):

	Three Months Ended March 31,	
	2024	2023
Net sales	$ 29,898	$ 22,138
Other operating expense	(30,057)	(21,653)
Other income, net	(6)	(3)
Net income (loss)	$ (165)	$ 482
Company's equity in income (loss) of unconsolidated entities	$ 57	$ 227

7. Variable Interest Entities

Land and Lot Option Agreements

In the ordinary course of business, we enter into land and lot option agreements in order to procure land and residential lots for future development and the construction of homes. The use of such land and lot option agreements generally allows us to reduce the risks associated with direct land ownership and development, and reduces our capital and financial commitments. Pursuant to these land and lot option agreements, we generally provide a deposit to the seller as consideration for the right to purchase land at different times in the future, usually at predetermined prices. These deposits are recorded as land purchase and land option deposits under real estate inventories not owned on the accompanying consolidated balance sheets.

We analyze each of our land and lot option agreements and other similar contracts under the provisions of Accounting Standards Topic 810 ("ASC 810"), *Consolidation* to determine whether the land seller is a VIE and, if so, whether we are the primary beneficiary. Although we do not have legal title to the underlying land, if we are determined to be the primary beneficiary of the VIE, we will consolidate the VIE in our financial statements and reflect its assets as real estate inventory not owned included in our real estate inventories, its liabilities as debt (nonrecourse) held by VIEs in accrued expenses and other liabilities and the net equity of the VIE owners as noncontrolling interests on our consolidated balance sheets. In determining whether we are the primary beneficiary, we consider, among other things, whether we have the power to direct the activities of the VIE that most significantly impact the VIE's economic performance. Such activities would include, among other things, determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, or arranging financing for the VIE.

Creditors of the entities with which we have land and lot option agreements have no recourse against us. The maximum exposure to loss under our land and lot option agreements is generally limited to non-refundable option deposits and any capitalized pre-acquisition costs. In some cases, we have also contracted to complete development work at a fixed cost on behalf of the landowner and budget shortfalls and savings will be borne by us. Additionally, we have entered into land banking arrangements which require us to complete development work even if we terminate the option to procure land or lots.

The following provides a summary of our interests in land and lot option agreements (in thousands):

	March 31, 2024			December 31, 2023		
	Deposits	Remaining Purchase Price	Consolidated Inventory Held by VIEs	Deposits	Remaining Purchase Price	Consolidated Inventory Held by VIEs
Unconsolidated VIEs	$ 160,787	$ 1,300,115	N/A	$ 159,164	$ 1,017,791	N/A
Other land option agreements	17,170	210,703	N/A	16,303	189,007	N/A
Total	$ 177,957	$ 1,510,818	$ —	$ 175,467	$ 1,206,798	$ —

Unconsolidated VIEs represent land option agreements that were not consolidated because we were not the primary beneficiary. Other land option agreements were not with VIEs.

In addition to the deposits presented in the table above, our exposure to loss related to our land and lot option contracts consisted of capitalized pre-acquisition costs of $ 14.9 million and $ 9.5 million as of March 31, 2024 and December 31, 2023, respectively. These pre-acquisition costs are included in real estate inventories as land under development on our consolidated balance sheets.

8. Goodwill and Other Intangible Assets

As of March 31, 2024 and December 31, 2023, $ 139.3 million of goodwill is included in goodwill and other intangible assets, net on each of the consolidated balance sheets, which was recorded in connection with our merger with Weyerhaeuser Real Estate Company ("WRECO") in 2014. In addition, as of March 31, 2024 and December 31, 2023, we have one intangible asset with a carrying amount of $ 17.3 million comprised of a Tri Pointe Homes trade name, which has an indefinite useful life and is non-amortizing, resulting from the acquisition of WRECO in 2014.

Goodwill and other intangible assets are evaluated for impairment on an annual basis, or more frequently if indicators of impairment exist.

9. Other Assets

Other assets consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
Prepaid expenses	$ 10,030	$ 8,462
Refundable fees and other deposits	7,726	8,726
Development rights, held for future use or sale	1,192	1,192
Deferred loan costs—loans payable	4,716	5,089
Operating properties and equipment, net	65,338	66,284
Lease right-of-use assets	65,904	66,404
Other	3,733	936
Total	$ 158,639	$ 157,093

10. Accrued Expenses and Other Liabilities

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

	March 31, 2024	December 31, 2023
Accrued payroll and related costs	$ 24,081	$ 68,575
Warranty reserves (Note 13)	106,602	106,993
Estimated cost for completion of real estate inventories	124,550	108,175
Customer deposits	51,160	43,991
Accrued income taxes payable	54,705	23,138
Accrued interest	24,191	8,470
Other tax liability	3,451	2,976
Lease liabilities	78,049	78,782
Other	18,263	12,431
Total	$ 485,052	$ 453,531

11. Senior Notes and Loans Payable

Senior Notes

The Company's outstanding senior notes (together, the "Senior Notes") consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
5.875 % Senior Notes due June 15, 2024	$ 450,000	$ 450,000
5.250 % Senior Notes due June 1, 2027	300,000	300,000
5.700 % Senior Notes due June 15, 2028	350,000	350,000
Discount and deferred loan costs	(4,808)	(5,751)
Total	$ 1,095,192	$ 1,094,249

In June 2020, Tri Pointe issued $ 350 million aggregate principal amount of 5.700 % Senior Notes due 2028 (the "2028 Notes") a t 100.00 % of their aggregate principal amount. Net proceeds of this issuance were $ 345.2 million, after debt issuance costs and discounts. The 2028 Notes mature on June 15, 2028 and interest is paid semiannually in arrears on June 15 and December 15 of each year until maturity.

In June 2017, Tri Pointe issued $ 300 million aggregate principal amount of 5.250 % Senior Notes due 2027 (the "2027 Notes") at 100.00 % of their aggregate principal amount. Net proceeds of this issuance were $ 296.3 million, after debt issuance costs and discounts. The 2027 Notes mature on June 1, 2027 and interest is paid semiannually in arrears on June 1 and December 1 of each year until maturity.

Tri Pointe and its wholly owned subsidiary, Tri Pointe Homes Holdings, Inc., are co-issuers of the $ 450 million aggregate principal amount 5.875 % Senior Notes due 2024 (the "2024 Notes"). The 2024 Notes were issued at 98.15 % of their aggregate principal amount in June of 2014. The net proceeds from the offering of the 2024 Notes was $ 429.0 million, after debt issuance costs and discounts. The 2024 Notes mature on June 15, 2024, with interest payable semiannually in arrears on June 15 and December 15 of each year until maturity.

As of March 31, 2024, there were $ 4.6 million of capitalized debt financing costs, included in senior notes, net on our consolidated balance sheet, related to the Senior Notes that will amortize over the lives of the Senior Notes. Accrued interest related to the Senior Notes was $ 18.8 million and $ 3.2 million as of March 31, 2024 and December 31, 2023, respectively.

Loans Payable

The Company's outstanding loans payable consisted of the following (in thousands):

	March 31, 2024	December 31, 2023
Term loan facility	$ 250,000	$ 250,000
Seller financed loans	38,337	38,337
Total	$ 288,337	$ 288,337

On December 15, 2023, we entered into a Fourth Modification Agreement (the "Fourth Modification") to our Second Amended and Restated Credit Agreement dated as of March 29, 2019 (the "Credit Agreement"). The Fourth Modification, among other things, amends the Credit Agreement to exclude (i) certain indebtedness of the Company's financial services subsidiaries for purposes of calculating the Company's "Leverage Ratio" (as defined in the Credit Agreement), and (ii) the Company's financial services subsidiaries from the determination of "Consolidated EBITDA" (as defined in the Credit Agreement), as well as any interest obligations of the Company's financial services subsidiaries, for purposes of calculating the Company's "Interest Coverage Ratio" (as defined in the Credit Agreement). The Credit Facility (as defined below), consists of a $ 750 million revolving credit facility (the "Revolving Facility") and a $ 250 million term loan facility (the "Term Facility" and together with the Revolving Facility, the "Credit Facility"). Both the Revolving Facility and the Term Facility mature on June 29, 2027. We may increase the Credit Facility to not more than $ 1.2 billion in the aggregate, at our request, upon satisfaction of specified conditions. We may borrow under the Revolving Facility in the ordinary course of business to repay senior notes and fund our operations, including our land acquisition, land development and homebuilding activities. Borrowings under the Revolving Facility will be governed by, among other things, a borrowing base. Interest rates under the Revolving Facility will be based on the Secured Overnight Financing Rate ("SOFR"), plus a spread ranging from 1.25 % to 1.90 %, depending on the Company's leverage ratio. Interest rates under the Term Facility will be based on SOFR, plus a spread ranging from 1.10 % to 1.85 %, depending on the Company's leverage ratio.

As of March 31, 2024, we had no outstanding debt under the Revolving Facility and there was $ 703.2 million of availability after considering the borrowing base provisions and outstanding letters of credit. As of March 31, 2024, we had $ 250 million of outstanding debt under the Term Facility with an interest rate of 6.51 %. As of March 31, 2024, there were $ 4.7 million of capitalized debt financing costs, included in other assets on our consolidated balance sheet, related to the Credit Facility that will amortize over the remaining term of the Credit Facility. Accrued interest, including loan commitment fees, related to the Credit Facility was $ 1.8 million and $ 1.6 million as of March 31, 2024 and December 31, 2023, respectively.

At March 31, 2024 and December 31, 2023, we had outstanding letters of credit of $ 46.8 million and $ 52.3 million, respectively. These letters of credit were issued to secure various financial obligations. We believe it is not probable that any outstanding letters of credit will be drawn upon.

As of March 31, 2024 and December 31, 2023, we had $ 38.3 million outstanding related to two seller-financed loans. All seller-financed loans are to acquire lots for the construction of homes. Principal on these loans are expected to be fully paid by the end of fiscal year 2024, provided certain achievements are met. One of the seller-financed loans, representing $ 37.4 million of the total balance as of both March 31, 2024 and December 31, 2023, respectively, accrues interest at an imputed interest rate of 4.50 % per annum. The second seller-financed loan represented $ 910,000 of the total balance as of March 31, 2024 and December 31, 2023, respectively.

Interest Incurred

During the three months ended March 31, 2024 and 2023, the Company incurred interest of $ 36.2 million and $ 37.5 million, respectively, related to all debt and land banking arrangements. Included in interest incurred are amortization of deferred financing and Senior Note discount costs of $ 1.3 million and $ 1.2 million for the three months ended March 31, 2024 and 2023, respectively. Accrued interest related to all outstanding debt at March 31, 2024 and December 31, 2023 was $ 24.2 million and $ 8.5 million, respectively.

Covenant Requirements

The Senior Notes contain covenants that restrict our ability to, among other things, create liens or other encumbrances, enter into sale and leaseback transactions, or merge or sell all or substantially all of our assets. These limitations are subject to a number of qualifications and exceptions.

Under the Credit Facility, the Company is required to comply with certain financial covenants, including those relating to consolidated tangible net worth, leverage, liquidity or interest coverage, and a spec unit inventory test. The Credit Facility also requires that at least 95.0 % of consolidated tangible net worth must be attributable to the Company and its guarantor subsidiaries, subject to certain grace periods.

The Company was in compliance with all applicable financial covenants as of March 31, 2024 and December 31, 2023.

12. Fair Value Disclosures

Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines "fair value" as the price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date and requires assets and liabilities carried at fair value to be classified and disclosed in the following three categories:

- Level 1—Quoted prices for identical instruments in active markets
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are inactive; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets at measurement date
- Level 3—Valuations derived from techniques where one or more significant inputs or significant value drivers are unobservable in active markets at measurement date

Fair Value of Financial Instruments

A summary of assets and liabilities at March 31, 2024 and December 31, 2023, related to our financial instruments, measured at fair value on a recurring basis, is set forth below (in thousands):

		March 31, 2024		December 31, 2023	
	Hierarchy	Book Value	Fair Value	Book Value	Fair Value
Senior Notes[1]	Level 2	$ 1,099,766	$ 1,085,910	$ 1,099,489	$ 1,066,835
Term loan[2]	Level 2	$ 250,000	$ 250,000	$ 250,000	$ 250,000
Seller financed loans[3]	Level 2	$ 38,337	$ 38,337	$ 38,337	$ 38,337

(1) The book value of the Senior Notes is net of discounts, excluding deferred loan costs of $ 4.6 million and $ 5.2 million as of March 31, 2024 and December 31, 2023, respectively. The estimated fair value of the Senior Notes at March 31, 2024 and December 31, 2023 is based on quoted market prices.

(2) The estimated fair value of the Term Loan Facility as of March 31, 2024 and December 31, 2023 approximated book value due to the variable interest rate terms of this loan.

(3) The estimated fair value of our seller financed loans as of March 31, 2024 and December 31, 2023 approximated book value due to the short term nature of these loans.

At March 31, 2024 and December 31, 2023, the carrying value of cash and cash equivalents and receivables approximated fair value due to their short-term nature.

Fair Value of Nonfinancial Assets

Nonfinancial assets include items such as real estate inventories and long-lived assets that are measured at fair value on a nonrecurring basis when events and circumstances indicating the carrying value is not recoverable. The following table presents impairment charges and the remaining net fair value for nonfinancial assets that were measured during the periods presented (in thousands):

		Three Months Ended March 31, 2024		Year Ended December 31, 2023	
	Hierarchy	Impairment Charge	Fair Value Net of Impairment	Impairment Charge	Fair Value Net of Impairment
Real estate inventories (1)	Level 3	$ —	$ —	$ 11,500	$ 39,970

(1) Fair value of real estate inventories, net of impairment charges represents only those assets whose carrying values were adjusted to fair value in the respective periods presented. Fair Value Net of Impairment represents the fair value of the real estate inventories, net of the impairment charge, as of the date that the fair value measurements were made. The carrying value for these real estate inventories subsequently changed from the fair value reflected due to activity that occurred since the measurement date.

The impairment charge recorded during the year ended December 31, 2023 related to one community in the West reporting segment where the carrying value exceeded the fair value based on a discounted cash flow analysis. For further details, see Note 5, *Real Estate Inventories* .

13. Commitments and Contingencies

Legal Matters

Lawsuits, claims and proceedings have been and may be instituted or asserted against us in the normal course of business, including actions brought on behalf of various classes of claimants. We are also subject to local, state and federal laws and regulations related to land development activities, house construction standards, sales practices, employment practices, environmental protection and financial services. As a result, we are subject to periodic examinations or inquiry by agencies administering these laws and regulations.

We record a reserve for potential legal claims and regulatory matters when they are probable of occurring and a potential loss is reasonably estimable. We accrue for these matters based on facts and circumstances specific to each matter and revise these estimates when necessary. In view of the inherent difficulty of predicting outcomes of legal claims and related contingencies, we generally cannot predict their ultimate resolution, related timing or eventual loss. Accordingly, it is possible that the ultimate outcome of any matter, if in excess of a related accrual or if no accrual was made, could be material to our financial statements. For matters as to which the Company believes a loss is probable and reasonably estimable, we had zero legal reserves as of March 31, 2024 and December 31, 2023, respectively.

Warranty

Warranty reserves are accrued as home deliveries occur. Our warranty reserves on homes delivered will vary based on product type and geographic area and also depending on state and local laws. The warranty reserve is included in accrued expenses and other liabilities on our consolidated balance sheets and represents expected future costs based on our historical experience over previous years. Estimated warranty costs are charged to cost of home sales in the period in which the related home sales revenue is recognized.

We maintain general liability insurance designed to protect us against a portion of our risk of loss from warranty and construction defect-related claims. We also generally require our subcontractors and design professionals to indemnify us for liabilities arising from their work, subject to various limitations. However, such indemnity is significantly limited with respect to certain subcontractors that are added to our general liability insurance policy.

Our warranty reserve and related estimated insurance recoveries are based on actuarial analysis that uses our historical claim and expense data, as well as industry data to estimate these overall costs and related recoveries. Key assumptions used in developing these estimates include claim frequencies, severities and resolution patterns, which can occur over an extended period of time. Our warranty reserve may also include an estimate of future fit and finish warranty claims to the extent not contemplated in the actuarial analysis. These estimates are subject to variability due to the length of time between the delivery of a home to a homebuyer and when a warranty or construction defect claim is made, and the ultimate resolution of such claim;

uncertainties regarding such claims relative to our markets and the types of product we build; and legal or regulatory actions and/or interpretations, among other factors. Due to the degree of judgment involved and the potential for variability in these underlying assumptions, our actual future costs could differ from those estimated. There can be no assurance that the terms and limitations of the limited warranty will be effective against claims made by homebuyers, that we will be able to renew our insurance coverage or renew it at reasonable rates, that we will not be liable for damages, cost of repairs, and/or the expense of litigation surrounding possible construction defects, soil subsidence or building related claims or that claims will not arise out of uninsurable events or circumstances not covered by insurance and not subject to effective indemnification agreements with certain subcontractors.

We also record expected recoveries from insurance carriers based on actual insurance claims made and actuarially determined amounts that depend on various factors, including the above-described reserve estimates, our insurance policy coverage limits for the applicable policy years and historical recovery rates. Because of the inherent uncertainty and variability in these assumptions, our actual insurance recoveries could differ significantly from amounts currently estimated. Outstanding warranty insurance receivables was $ 66.0 million as of both March 31, 2024 and December 31, 2023. Warranty insurance receivables are recorded in receivables on the accompanying consolidated balance sheets.

Warranty reserve activity consisted of the following (in thousands):

	Three Months Ended March 31,	
	2024	2023
Warranty reserves, beginning of period	$ 106,993	$ 104,375
Warranty reserves accrued	7,900	5,902
Warranty expenditures	(8,291)	(8,750)
Warranty reserves, end of period	$ 106,602	$ 101,527

Performance Bonds

We obtain surety bonds in the normal course of business to ensure completion of certain infrastructure improvements of our projects. The beneficiaries of the bonds are various municipalities. As of March 31, 2024 and December 31, 2023, the Company had outstanding surety bonds totaling $ 677.5 million and $ 697.2 million, respectively. As of March 31, 2024 and December 31, 2023, our estimated cost to complete obligations related to these surety bonds was $ 423.5 million and $ 435.9 million, respectively.

Lease Obligations

Under ASC 842 we recognize a right-of-use lease asset and a lease liability for contracts deemed to contain a lease at the inception of the contract. Our lease population is fully comprised of operating leases, which are now recorded at the net present value of future lease obligations existing at each balance sheet date. At the inception of a lease, or if a lease is subsequently modified, we determine whether the lease is an operating or financing lease. Key estimates involved with ASC 842 include the discount rate used to measure our future lease obligations and the lease term, where considerations include renewal options and intent to renew. Lease right-of-use assets are included in other assets and lease liabilities are included in accrued expenses and other liabilities on our consolidated balance sheet.

Operating Leases

We lease certain property and equipment under non-cancelable operating leases. Office leases are for terms of up to ten years and generally provide renewal options. In most cases, we expect that, in the normal course of business, leases that expire will be renewed or replaced by other leases. Equipment leases are typically for terms of three to four years .

Ground Leases

In 1987, we obtained two 55 -year ground leases of commercial property that provided for three renewal options of ten years each and one 45 -year renewal option. We exercised the three 10-year extensions on one of these ground leases to extend the lease through 2071. The commercial buildings on these properties have been sold and the ground leases have been sublet to the buyers.

For one of these leases, we are responsible for making lease payments to the landowner, and we collect sublease payments from the buyers of the buildings. This ground lease has been subleased through 2041 to the buyers of the commercial buildings. For the second lease, the buyers of the buildings are responsible for making lease payments directly to the landowner, however, we have guaranteed the performance of the buyers/lessees. See below for additional information on leases (dollars in thousands):

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Lease Cost		
Operating lease cost (included in SG&A expense)	$ 2,854	$ 2,845
Ground lease cost (included in other operations expense)	765	663
Sublease income, operating leases	—	—
Sublease income, ground leases (included in other operations revenue)	(776)	(673)
Net lease cost	$ 2,843	$ 2,835
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating lease cash flows (included in operating cash flows)	$ 2,502	$ 2,429
Ground lease cash flows (included in operating cash flows)	$ 846	$ 663
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 1,890	$ 1,927

	March 31, 2024	December 31, 2023
Weighted-average discount rate:		
Operating leases	4.9 %	4.9 %
Ground leases	10.2 %	10.2 %
Weighted-average remaining lease term (in years):		
Operating leases	6.0	6.3
Ground leases	44.1	44.4

The future minimum lease payments under our operating leases are as follows (in thousands):

	Property, Equipment and Other Leases	Ground Leases (1)
Remaining in 2024	$ 8,468	$ 2,428
2025	10,783	3,237
2026	9,574	3,237
2027	8,232	3,237
2028	7,857	3,237
Thereafter	13,667	75,403
Total lease payments	$ 58,581	$ 90,779
Less: Interest	8,463	62,848
Present value of operating lease liabilities	$ 50,118	$ 27,931

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(1) Ground leases are fully subleased through 2041, representing $ 56.9 million of the $ 90.8 million future ground lease obligations.

14. Stock-Based Compensation

2022 Long-Term Incentive Plan

On April 20, 2022, our stockholders approved the Tri Pointe Homes, Inc. 2022 Long-Term Incentive Plan (the “2022 Plan”), which had been previously approved by our board of directors. The 2022 Plan replaced the Company’s prior stock compensation plan, the TRI Pointe Group, Inc. Amended and Restated 2013 Long-Term Incentive Plan (the “2013 Plan”). The 2022 Plan provides for the grant of equity-based awards, including options to purchase shares of common stock, stock appreciation rights, restricted stock, restricted stock units, bonus stock and performance awards. The 2022 Plan will automatically expire on the tenth anniversary of its effective date. Our board of directors may terminate or amend the 2022 Plan at any time, subject to any requirement of stockholder approval required by applicable law, rule or regulation.

The number of shares of our common stock that may be issued under the 2022 Plan is 7,500,000 shares. No new awards have been or will be granted under the 2013 Plan from and after February 23, 2022. Any awards outstanding under the 2013 Plan will remain subject to and be paid under the 2013 Plan, and any shares subject to outstanding awards under the 2013 Plan that subsequently expire, terminate, or are surrendered or forfeited for any reason without issuance of shares will automatically become available for issuance under the 2022 Plan.

To the extent that shares of our common stock subject to an outstanding option, stock appreciation right, stock award or performance award granted under the 2022 Plan are not issued or delivered by reason of the expiration, termination, cancellation or forfeiture of such award or the settlement of such award in cash, then such shares of our common stock generally will again be available under the 2022 Plan. However, the 2022 Plan prohibits us from re-using shares that are tendered or surrendered to pay the exercise cost or tax obligation for stock options and SARs.

As of March 31, 2024, there were 5,337,358 shares available for future grant under the 2022 Plan.

The following table presents compensation expense recognized related to all stock-based awards (in thousands):

	Three Months Ended March 31,	
	2024	2023
Total stock-based compensation	$ 6,679	$ 3,861

Stock-based compensation is charged to general and administrative expense on the accompanying consolidated statements of operations. As of March 31, 2024, total unrecognized stock-based compensation expense related to all stock-based awards was $ 62.5 million and the weighted average term over which the expense was expected to be recognized was 1.7 years.

Summary of Stock Option Activity

The following table presents a summary of stock option awards for the three months ended March 31, 2024:

	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2023	66,043	$ 15.76	0.2	$ 1,297
Granted	—	—	—	—
Exercised	(66,043)	$ 15.76	—	—
Forfeited	—	$ —	—	—
Options outstanding at March 31, 2024	—	$ —	$ —	$ —
Options exercisable at March 31, 2024	—	$ —	$ —	$ —

The intrinsic value of each stock option award outstanding or exercisable is the difference between the fair market value of the Company’s common stock at the end of the period and the exercise price of each stock option award to the extent it is considered “in-the-money”. A stock option award is considered to be “in-the-money” if the fair market value of the Company’s stock is greater than the exercise price of the stock option award. The aggregate intrinsic value of options outstanding and options exercisable represents the value that would have been received by the holders of stock option awards had they exercised their stock option award on the last trading day of the period and sold the underlying shares at the closing price on that day.

Summary of Restricted Stock Unit Activity

The following table presents a summary of time-based and performance-based RSUs for the three months ended March 31, 2024:

	Restricted Stock Units	Weighted Average Grant Date Fair Value Per Share
Nonvested RSUs at December 31, 2023	3,889,380	$ 22.71
Granted	1,089,680	$ 35.51
Vested	(1,187,914)	$ 19.65
Forfeited	(225,326)	$ 19.05
Nonvested RSUs at March 31, 2024	3,565,820	$ 27.64

On February 21, 2024, the Company granted an aggregate of 430,887 time-based RSUs to certain employees and officers. The RSUs granted vest in equal installments annually on the anniversary of the grant date over a three-year period. The fair value of each RSU granted on February 21, 2024 was measured using a price of $ 35.51 per share, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

On February 21, 2024, the Company granted an aggregate of 656,844 performance-based RSUs to the Company's Chief Executive Officer, Chief Operating Officer and President, Chief Financial Officer, General Counsel, Chief Marketing Officer, Chief Human Resources Officer and division presidents. These performance-based RSUs are allocated to two separate performance metrics, as follows: (i) 50 % to homebuilding revenue of the applicable Company division, and (ii) 50 % to pre-tax earnings of the applicable Company division. The vesting, if at all, of these performance-based RSUs may range from 0 % to 100 % and will be based on the applicable Company division's percentage attainment of specified threshold, target and maximum performance goals. The performance period for these performance-based RSUs is January 1, 2024 to December 31, 2026. The fair value of these performance-based RSUs was measured using a price of $ 35.51 per share, which was the closing stock price on the date of grant. Each award will be expensed over the requisite service period.

The Company granted an aggregate of 1,949 time-based RSUs to certain employees in March, 2024. The RSUs granted vest in equal installments annually beginning on anniversary of the grant date over a three-year period. The fair value of the RSUs granted were measured using prices of $ 35.04 and $ 36.59 per share, respectively, which were the closing stock prices on the applicable date of each grant. Each award will be expensed on a straight-line basis over the vesting period.

On February 22, 2023, the Company granted an aggregate of 504,551 time-based RSUs to certain employees and officers. The RSUs granted vest in equal installments annually on the anniversary of the grant date over a three-year period. The fair value of each RSU granted on February 22, 2023 was measured using a price of $ 23.21 per share, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

On February 22, 2023, the Company granted an aggregate of 704,408 performance-based RSUs to the Company's Chief Executive Officer, Chief Operating Officer and President, Chief Financial Officer, General Counsel, Chief Marketing Officer, Chief Human Resources Officer and division presidents. These performance-based RSUs are allocated to two separate performance metrics, as follows: (i) 50 % to homebuilding revenue of the applicable Company division, and (ii) 50 % to pre-tax earnings of the applicable Company division. The vesting, if at all, of these performance-based RSUs may range from 0 % to 100 % and will be based on the applicable Company division's percentage attainment of specified threshold, target and maximum performance goals. The performance period for these performance-based RSUs is January 1, 2023 to December 31, 2025. The fair value of these performance-based RSUs was measured using a price of $ 23.21 per share, which was the closing stock price on the date of grant. Each award will be expensed over the requisite service period.

On May 1, 2023, the Company granted an aggregate of 29,150 time-based RSUs to the non-employee members of its board of directors. The RSUs granted to the non-employee directors vest in their entirety on the day immediately prior to the Company's 2024 annual meeting of stockholders. The fair value of each RSU granted on May 1, 2023 was measured using a price of $ 28.30 per share, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

On December 26, 2023, the Company granted an aggregate of 364,215 time-based RSUs to the Company's Chief Executive Officer, Chief Operating Officer and President, Chief Financial Officer, General Counsel, Chief Marketing Officer, and Chief Human Resources Officer. The RSUs granted vest in equal installments annually on the anniversary of the grant date over a three-year period. The fair value of each RSU granted on December 26, 2023 was measured using a price of $ 35.83 per share, which was the closing stock price on the date of grant. Each award will be expensed on a straight-line basis over the vesting period.

For the twelve months ended December 31, 2023, the Company granted an aggregate of 6,787 time-based RSUs to certain employees not described above. The RSUs granted vest in equal installments annually beginning on anniversary of the grant date over a three-year period. The fair value of the RSUs granted were measured using the closing stock prices on the applicable date of each grant. Each award will be expensed on a straight-line basis over the vesting period.

As RSUs vest for employees, a portion of the shares awarded is generally withheld to cover employee tax withholdings. As a result, the number of RSUs vested and the number of shares of Tri Pointe common stock issued will differ.

15. Income Taxes

We account for income taxes in accordance with ASC Topic 740, *Income Taxes* (“ASC 740”), which requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statements and tax bases of assets and liabilities using enacted tax rates for the years in which taxes are expected to be paid or recovered. Each quarter we assess our deferred tax asset to determine whether all or any portion of the asset is more likely than not unrealizable under ASC 740. We are required to establish a valuation allowance for any portion of the asset we conclude is more likely than not to be unrealizable. Our assessment considers, among other things, the nature, frequency and severity of our current and cumulative losses, forecasts of our future taxable income, the duration of statutory carryforward periods and tax planning alternatives.

We had net deferred tax assets of $ 38.0 million as of both March 31, 2024 and December 31, 2023. We had a valuation allowance related to those net deferred tax assets of $ 3.4 million as of both March 31, 2024 and December 31, 2023. The Company will continue to evaluate both positive and negative evidence in determining the need for a valuation allowance against its deferred tax assets. Changes in positive and negative evidence, including differences between the Company’s future operating results and the estimates utilized in the determination of the valuation allowance, could result in changes in the Company’s estimate of the valuation allowance against its deferred tax assets. The accounting for deferred taxes is based upon estimates of future results. Differences between the anticipated and actual outcomes of these future results could have a material impact on the Company’s consolidated results of operations or financial position. Also, changes in existing federal and state tax laws and tax rates could affect future tax results and the valuation allowance against the Company’s deferred tax assets.

Our provision for income taxes totaled $ 31.6 million and $ 27.4 million for the three months ended March 31, 2024 and 2023, respectively. The Company classifies any interest and penalties related to income taxes assessed by jurisdiction as part of income tax expense. The Company did not have any uncertain tax positions recorded as of March 31, 2024 and December 31, 2023. The Company has not been assessed interest or penalties by any major tax jurisdictions related to prior years.

The Company files income tax returns in the U.S., including federal and multiple state and local jurisdictions. We are currently under examination by California for the 2020 and 2021 tax years. The outcome of this examination is not yet determinable.

16. Related Party Transactions

We had no related party transactions for the three months ended March 31, 2024 and 2023.

17. Supplemental Disclosure to Consolidated Statements of Cash Flows

The following are supplemental disclosures to the consolidated statements of cash flows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Supplemental disclosure of cash flow information:		
Interest paid (capitalized), net	$ (17,024)	$ (15,866)
Income taxes paid, net	$ —	$ 329
Supplemental disclosures of noncash activities:		
Increase in share repurchase excise tax accrual	$ 217	$ 211
Amortization of senior note discount capitalized to real estate inventory	$ 277	$ 259
Amortization of deferred loan costs capitalized to real estate inventory	$ 1,026	$ 986

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “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”). These forward-looking statements are based on our current intentions, beliefs, expectations and predictions for the future, and you should not place undue reliance on these statements. These statements use forward-looking terminology, are based on various assumptions made by us, and may not be accurate because of risks and uncertainties surrounding the assumptions that are made.

Factors listed in this section—as well as other factors not included—may cause actual results to differ significantly from the forward-looking statements included in this Quarterly Report on Form 10-Q. There is no guarantee that any of the events anticipated by the forward-looking statements in this Quarterly Report on Form 10-Q will occur, or if any of the events occurs, there is no guarantee what effect it will have on our operations, financial condition, or share price.

We undertake no, and hereby disclaim any, obligation to update or revise any forward-looking statements, unless required by law. However, we reserve the right to make such updates or revisions from time to time by press release, periodic report, or other method of public disclosure without the need for specific reference to this Quarterly Report on Form 10-Q. No such update or revision shall be deemed to indicate that other statements not addressed by such update or revision remain correct or create an obligation to provide any other updates or revisions.

Forward-Looking Statements

Forward-looking statements that are included in this Quarterly Report on Form 10-Q are generally accompanied by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “future,” “goal,” “intend,” “likely,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would,” or other words that convey the uncertainty of future events or outcomes. These forward-looking statements may include, but are not limited to, statements regarding our strategy, projections and estimates concerning the timing and success of specific projects and our future production, land and lot sales, the outcome of legal proceedings, the anticipated impact of natural disasters or contagious diseases on our operations, operational and financial results, including our estimates for growth, financial condition, sales prices, prospects and capital spending.

Risks, Uncertainties and Assumptions

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 effects of general economic conditions, including employment rates, housing starts, interest rate levels, 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 parcels;
- access to adequate capital on acceptable terms;
- geographic concentration of our operations;
- levels of competition;
- the successful execution of our internal performance plans, including restructuring and cost reduction initiatives;
- the prices and availability of supply chain inputs, including raw materials, labor and home components;
- oil and other energy prices;
- the effects of U.S. trade policies, including the imposition of tariffs and duties on homebuilding products and retaliatory measures taken by other countries;
- the effects of weather, including the occurrence of drought conditions in parts of the western United States;
- 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, and shortages and price increases in labor or materials associated with such natural disasters;
- the risk of loss from acts of war, terrorism, civil unrest or public health emergencies, including outbreaks of contagious disease, such as COVID-19;

- transportation costs;
- federal and state tax policies;
- the effects of land use, environment 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, synergies, indebtedness, financial condition, losses and future prospects;
- changes in accounting principles;
- risks related to unauthorized access to our computer systems, theft of our homebuyers' confidential information or other forms of cyber-attack; and
- other factors described in "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2023 and in other filings we make with the Securities and Exchange Commission ("SEC").

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related condensed notes thereto contained elsewhere in this Quarterly Report on Form 10-Q. The information contained in this Quarterly Report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our securities. We urge investors to review and consider carefully the various disclosures made by us in this report and in our other reports filed with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2023 and subsequent reports on Form 8-K, which discuss our business in greater detail. The section entitled "Risk Factors" set forth in Item 1A of our Annual Report on Form 10-K, and similar disclosures in our other SEC filings, discuss some of the important risk factors that may affect our business, results of operations and financial condition. Investors should carefully consider those risks, in addition to the information in this report and in our other filings with the SEC, before deciding to invest in, or maintain an investment in, our common stock.

Overview and Outlook

We maintain a positive outlook on several key aspects of our business fundamentals, including the encouraging trends of positive household formations, heightened demand from both Millennial and Gen-Z buyers, and a more stable production environment. Furthermore, buyer demand has shown steady strength and incremental improvement, allowing for a reduction in incentive activity. The ongoing supply and demand dynamics continue to bolster our confidence, as new home demand appears to be structurally supported by the prevailing lack of supply. While sales of existing homes remain depressed compared to historical levels, the percentage of new home sales by homebuilders relative to aggregate sales continues to grow. Despite a higher interest rate environment, consumers have exhibited remarkable resilience, which extends to the momentum experienced within the homebuilding market.

While numerous macroeconomic factors continue to provide support to our industry, inflation remains a pivotal determinant of the sustainability of such favorable conditions, and its impact on consumer strength remains unknown. As significant unmet demand for housing persists, we believe continued diligence and strategic planning will be required to effectively navigate the evolving landscape, overcome any hurdles posed by inflation and elevated interest rates, and capitalize on the opportunities that are presented by this unique housing environment and the undersupply of existing homes in the resale market.

Highlights of the quarter include 1,814 net new home orders at a monthly absorption rate of 3.9 orders per average selling community. This activity represents a 12% increase in net new home orders compared to the prior-year period, as market conditions continued to normalize, with additional support from the lack of resale supply. During the quarter, we opened 20 new communities across the nation, and expanded our active community count to 156. Our home sales revenue was $918.4 million, as we delivered 1,393 new homes at an average sales price of $659,000. Our homebuilding gross margin percentage for the quarter was 23.0% and our sales and marketing and general and administrative ("SG&A") expense as a percentage of home sales revenue was 11.1%. These factors led to net income available to common stockholders of $99.1 million, or diluted earnings per share of $1.03. In addition, we ended the quarter with total liquidity of $1.6 billion, including cash and cash equivalents of $944.0 million and $703.2 million of availability under our Credit Facility, as described below. Further, our ratio of debt-to-capital was 31.2% as of March 31, 2024, a record for the Company. We believe our strong balance sheet and favorable outlook for earnings and cash flow generation will continue to support strategic initiatives.

Consolidated Financial Data (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2024	2023
Homebuilding:		
Home sales revenue	$ 918,353	$ 768,405
Land and lot sales revenue	7,068	1,706
Other operations revenue	787	674
Total revenues	926,208	770,785
Cost of home sales	707,304	588,118
Cost of land and lot sales	5,757	1,443
Other operations expense	765	665
Sales and marketing	50,224	41,862
General and administrative	51,328	46,366
Homebuilding income from operations	110,830	92,331
Equity in income of unconsolidated entities	57	227
Other income, net	15,226	7,604
Homebuilding income before income taxes	126,113	100,162
Financial Services:		
Revenues	13,194	8,876
Expenses	8,727	5,831
Financial services income before income taxes	4,467	3,045
Income before income taxes	130,580	103,207
Provision for income taxes	(31,584)	(27,350)
Net income	98,996	75,857
Net income attributable to noncontrolling interests	59	(1,115)
Net income available to common stockholders	$ 99,055	$ 74,742
Earnings per share		
Basic	$ 1.04	$ 0.74
Diluted	$ 1.03	$ 0.73

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Net New Home Orders, Average Selling Communities and Monthly Absorption Rates by Segment

	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023			Percentage Change		
	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates	Net New Home Orders	Average Selling Communities	Monthly Absorption Rates
West	1,030	73.5	4.7	954	78.2	4.1	8 %	(6) %	15 %
Central	530	63.5	2.8	355	39.8	3.0	49 %	60 %	(6) %
East	254	16.8	5.0	310	18.0	5.7	(18) %	(7) %	(12) %
Total	1,814	153.8	3.9	1,619	136.0	4.0	12 %	13 %	(1) %

Net new home orders for the three months ended March 31, 2024 increased by 195, or 12%, to 1,814, compared to 1,619 during the prior-year period. The increase in net new home orders was due to a 13% increase in average selling communities, offset by a 1% decrease in monthly absorption rate. The current-year period experienced strong demand, with the resale market still operating below normal levels, which has increased the market share of homebuilders, while also helping to drive strong absorption rates across most of our markets.

Our West segment reported an 8% increase in net new home orders due to a 15% increase in monthly absorption rates. This positive trend was partially offset by a 6% decrease in average selling communities. The increase in monthly absorption rates to 4.7 demonstrates strong demand in excess of normal seasonal levels, with particularly strong absorption rates in our Washington, Nevada, and Inland Empire markets. The 6% decrease in average selling communities reflects a lower starting point to begin the current-year period. Notably, current-year community openings of 13 outpaced the prior-year period, during which we opened 7 new communities. Our Central segment reported a 49% increase in net new home orders due to a 60% increase in average selling communities, offset by a 6% decrease in monthly absorption rates. The 60% increase in average selling communities was due to significant growth in each of our Austin, Dallas-Fort Worth, Houston and Colorado markets. While the monthly absorption rate dipped slightly by 6% year-over-year, demand remained healthy in Texas, with softer market conditions observed in Colorado. Our East segment reported an 18% decrease in net new home orders due to a 12% decrease in monthly absorption rates and a 7% decrease in average selling communities. Despite the lower absorption rate compared to the previous year, demand in the East remains strong, exceeding seasonal expectations with a 5.0 absorption rate. The decrease in average selling communities was due entirely to a decrease in Charlotte, where strong sales activity has resulted in selling through communities faster than we are bringing new communities onto the market.

Backlog Units, Dollar Value and Average Sales Price by Segment (dollars in thousands)

	As of March 31, 2024			As of March 31, 2023			Percentage Change		
	Backlog Units	Backlog Dollar Value	Average Sales Price	Backlog Units	Backlog Dollar Value	Average Sales Price	Backlog Units	Backlog Dollar Value	Average Sales Price
West	1,488	$ 1,154,130	$ 776	1,200	$ 963,560	$ 803	24 %	20 %	(3) %
Central	802	478,974	597	433	271,897	628	85 %	76 %	(5) %
East	451	317,486	704	393	267,925	682	15 %	18 %	3 %
Total	2,741	$ 1,950,590	$ 712	2,026	$ 1,503,382	$ 742	35 %	30 %	(4) %

Backlog units reflect the number of homes, net of actual cancellations experienced during the period, for which we have entered into a sales contract with a homebuyer but for which we have not yet delivered the home. Homes in backlog are generally delivered within seven to ten months from the time the sales contract is entered into, although we may experience cancellations of sales contracts prior to delivery. Our cancellation rate of homebuyers who contracted to buy a home but cancelled prior to delivery of the home (as a percentage of overall orders) was 7% and 10% during the three months ended March 31, 2024 and 2023, respectively. The dollar value of backlog was $2.0 billion as of March 31, 2024 compared to $1.5 billion as of March 31, 2023. The average sales price in backlog decreased 4% to $712,000 as of March 31, 2024, compared to $742,000 at March 31, 2023. This decline in average sales price can be attributed to a combination of factors, including variations in the geographical market mix. Despite the continuation of a higher mortgage interest rate environment, we have experienced some relative strength in pricing and have been able to more efficiently utilize incentives as mortgage rates continue to normalize at higher levels and while consumer strength persists.

Backlog dollar value in our West segment increased 20% due to a 24% increase in backlog units, offset by a 3% decrease in average sales price. The increase in backlog units was largely due to a higher backlog balance leading into the current-year period, in addition to stronger order growth in the current-year period. Backlog dollar value in our Central segment increased by 76% due to an 85% increase in backlog units, offset by a 5% decrease in average sales price. The increase in backlog units is due largely to the higher backlog leading into the current-year period. Backlog dollar value in our East segment increased by 18% due to a 15% increase in backlog units and a 3% increase in average sales price. Similar to our West and Central segments, the increase in backlog units is due largely to the higher backlog leading into the current-year period.

New Homes Delivered, Homes Sales Revenue and Average Sales Price by Segment (dollars in thousands)

	Three Months Ended March 31, 2024			Three Months Ended March 31, 2023			Percentage Change		
	New Homes Delivered	Home Sales Revenue	Average Sales Price	New Homes Delivered	Home Sales Revenue	Average Sales Price	New Homes Delivered	Home Sales Revenue	Average Sales Price
West	720	$ 547,422	$ 760	590	$ 478,733	$ 811	22 %	14 %	(6) %
Central	482	272,538	565	254	165,968	653	90 %	64 %	(13) %
East	191	98,393	515	221	123,704	560	(14) %	(20) %	(8) %
Total	1,393	$ 918,353	$ 659	1,065	$ 768,405	$ 722	31 %	20 %	(9) %

Home sales revenue increased $149.9 million to $918.4 million for the three months ended March 31, 2024 compared to the prior-year period. The increase was comprised of $236.7 million related to a 328-unit increase in new homes delivered in the three months ended March 31, 2024, offset by an $86.7 million decrease related to a $62,000 decrease in average sales price for the three months ended March 31, 2024. We experienced significantly stronger order demand in the second half of 2023 compared to 2022, which helped propel our backlog units and dollar value by 58% and 38%, respectively, heading into the current-year period compared to the prior-year period. This increased backlog elevated our delivery potential in the current-year period, and our seasonally strong backlog conversion ratio of 60% helped drive our delivery and home sales revenue growth.

Home sales revenue in our West segment increased 14% due to a 22% increase in new homes delivered, offset by a 6% decrease in average sales price during the current-year period. The increase in new homes delivered was due to an increase in backlog units to start the current-year period compared to the prior-year period. The decrease in average sales price was due to market and product mix factors, most notably in our San Diego market where the prior-year activity was positively impacted by some higher end communities in which the last unit closed late in 2023. Home sales revenue in our Central segment increased 64% due to a 90% increase in new homes delivered, offset by a 13% decrease in average sales price. The increase in new homes delivered was due to a significant increase in backlog units to start the current-year period compared to the prior-year period. The average sales price of homes delivered decreased due primarily to a change in our product mix within our Houston market. Home sales revenue in our East segment decreased by 20% due to a 14% decrease in new homes delivered and an 8% decrease in average sales price. Although the units in backlog within our East segment were up entering the current-year period compared the prior-year period, our conversion of backlog declined in the current-year period. The composition of our deliveries was the primary driver of the 8% decrease in average sales price, as a smaller percentage of deliveries in the current-year period came from our DC Metro market.

Homebuilding Gross Margins (dollars in thousands)

	Three Months Ended March 31,			
	2024	%	2023	%
Home sales revenue	$ 918,353	100.0 %	$ 768,405	100.0 %
Cost of home sales	707,304	77.0 %	588,118	76.5 %
Homebuilding gross margin	211,049	23.0 %	180,287	23.5 %
Add: interest in cost of home sales	30,649	3.3 %	20,226	2.6 %
Add: impairments and lot option abandonments	402	0.0 %	717	0.1 %
Adjusted homebuilding gross margin [(1)]	$ 242,100	26.4 %	$ 201,230	26.2 %
Homebuilding gross margin percentage	23.0 %		23.5 %	
Adjusted homebuilding gross margin percentage [(1)]	26.4 %		26.2 %	

(1) Non-GAAP financial measure (as discussed below).

Our homebuilding gross margin percentage decreased to 23.0% for the three months ended March 31, 2024 compared to 23.5% for the prior-year period. This decline is primarily due to a combination of market and community mix. As mortgage rates have remained higher over a longer period, we have observed a gradual decrease in the need for incentives over the past several months, which positively impacts gross margins. Further, despite facing higher rates and lower affordability in the prior-year period, our delivery mix included a number of homes sold prior to the surge in mortgage rates, which supported the prior-year margin. Excluding interest, impairments and lot option abandonments in cost of home sales, adjusted homebuilding gross margin percentage was 26.4% for the three months ended March 31, 2024 compared to 26.2% for the prior-year period.

Adjusted homebuilding gross margin is a non-GAAP financial measure. We believe this information is meaningful as it isolates the impact that leverage and noncash charges have on homebuilding gross margin and permits investors to make better comparisons with our competitors, who adjust gross margins in a similar fashion. Because adjusted homebuilding gross margin is not calculated in accordance with GAAP, it may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as a substitute for, or superior to, financial measures prepared in accordance with GAAP. See the table above reconciling this non-GAAP financial measure to homebuilding gross margin, the most directly comparable GAAP measure.

Sales and Marketing, General and Administrative Expense (dollars in thousands)

	Three Months Ended March 31,		As a Percentage of Home Sales Revenue	
	2024	**2023**	**2024**	**2023**
Sales and marketing	$ 50,224	$ 41,862	5.5 %	5.4 %
General and administrative (G&A)	51,328	46,366	5.6 %	6.0 %
Total sales and marketing and G&A	$ 101,552	$ 88,228	11.1 %	11.5 %

Total SG&A expense as a percentage of home sales revenue decreased to 11.1% for the three months ended March 31, 2024, compared to 11.5% in the prior-year period. Total SG&A expense increased $13.3 million to $101.6 million for the three months ended March 31, 2024 from $88.2 million in the prior-year period.

Sales and marketing expense as a percentage of home sales revenue increased to 5.5% for the three months ended March 31, 2024, compared to 5.4% for the prior-year period. This increase was largely due to higher broker expense as a percentage of home sales revenue in the current-year period, as broker participation has recently trended higher as the resale market continues to demonstrate low supply. Sales and marketing expense increased to $50.2 million for the three months ended March 31, 2024 compared to $41.9 million for the prior-year period, largely driven by an increase in broker commissions, along with internal commissions and advertising expense. Given that many components of sales and marketing expense bear a variable relationship to home sales revenue, which increased by 20% compared to the prior-year period, such increase in absolute dollars is expected.

General and administrative ("G&A") expense as a percentage of home sales revenue decreased to 5.6% of home sales revenue for the three months ended March 31, 2024 compared to 6.0% for the prior-year period. This decrease was due primarily to higher leverage on our fixed components of G&A expenses, which is directly associated with the higher home sales revenue in the current-year period. G&A expense increased to $51.3 million for the three months ended March 31, 2024 compared to $46.4 million for the prior-year period, largely driven by an increase in incentive compensation-related costs.

Interest

Interest, which we incurred principally to finance land acquisitions, land development and home construction, totaled $36.2 million and $37.5 million for the three months ended March 31, 2024 and 2023, respectively. All interest incurred in both periods was capitalized.

Other Income, Net

Other income, net for the three months ended March 31, 2024 and 2023 was income of $15.2 million and $7.6 million, respectively. The increase was primarily due to higher interest income stemming from the higher interest rates realized on our existing cash balances

Income Tax

For the three months ended March 31, 2024, we recorded a tax provision of $31.6 million based on an effective tax rate of 24.2%. For the three months ended March 31, 2023, we recorded a tax provision of $27.4 million based on an effective tax rate of 26.5%. The decrease in our effective tax rate was primarily due to an increase in excess tax benefits related to stock-based compensation.

Financial Services Segment

Income before income taxes from our financial services operations increased to $4.5 million for the three months ended March 31, 2024 compared to $3.0 million for the prior-year period.

Lots Owned or Controlled by Segment

Lots owned or controlled include our share of lots controlled by our unconsolidated land development joint ventures. Investments in joint ventures are described in Note 6, *Investments in Unconsolidated Entities*, of the notes to our unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q. The table below summarizes our lots owned or controlled by segment as of the dates presented:

	March 31,		Increase (Decrease)	
	2024	2023	Amount	%
Lots Owned				
West	10,991	12,131	(1,140)	(9)%
Central	5,872	4,824	1,048	22 %
East	1,617	1,304	313	24 %
Total	18,480	18,259	221	1 %
Lots Controlled(1)				
West	4,543	4,036	507	13 %
Central	7,027	6,432	595	9 %
East	4,103	3,328	775	23 %
Total	15,673	13,796	1,877	14 %
Total Lots Owned or Controlled(1)	34,153	32,055	2,098	7 %

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(1) As of March 31, 2024 and 2023, lots controlled represented lots that were under land or lot option contracts or purchase contracts. As of March 31, 2024 and 2023, lots controlled for Central include 3,566 and 3,210 lots, respectively, and East include 58 and 124 lots, respectively, which represent our expected share of lots owned by our unconsolidated land development joint ventures.

Liquidity and Capital Resources

Overview

Our principal uses of capital for the three months ended March 31, 2024 were operating expenses, land purchases, land development, home construction and repurchases of our common stock. We used funds generated by our operations to meet our short-term working capital requirements. We monitor financing requirements to evaluate potential financing sources, including bank credit facilities and note offerings. We also continue to monitor the credit markets as we remain focused on generating positive margins in our homebuilding operations and acquiring desirable land positions in order to maintain a strong balance sheet and keep us poised for growth. As of March 31, 2024, we had total liquidity of $1.6 billion, including cash and cash equivalents of $944.0 million and $703.2 million of availability under our Credit Facility, as described below, after considering the borrowing base provisions and outstanding letters of credit.

Our board of directors will consider a number of factors when evaluating our level of indebtedness and when making decisions regarding the incurrence of new indebtedness, including the purchase price of assets to be acquired with debt financing, the estimated market value of our assets and the availability of particular assets, and our Company as a whole, to generate cash flow to cover the expected debt service.

Senior Notes

In June 2020, Tri Pointe issued $350 million aggregate principal amount of 5.700% Senior Notes due 2028 (the “2028 Notes”) at 100.00% of their aggregate principal amount. Net proceeds of this issuance were $345.2 million, after debt issuance costs and discounts. The 2028 Notes mature on June 15, 2028 and interest is paid semiannually in arrears on June 15 and December 15.

In June 2017, Tri Pointe issued $300 million aggregate principal amount of 5.250% Senior Notes due 2027 (the “2027 Notes”) at 100.00% of their aggregate principal amount. Net proceeds of this issuance were $296.3 million, after debt issuance costs and discounts. The 2027 Notes mature on June 1, 2027 and interest is paid semiannually in arrears on June 1 and December 1.

Tri Pointe and its wholly owned subsidiary, Tri Pointe Homes Holdings, Inc., are co-issuers of the $450 million aggregate principal amount 5.875% Senior Notes due 2024 (the "2024 Notes"). The 2024 Notes were issued at 98.15% of their aggregate principal amount in June of 2014. The net proceeds from the offering of the 2024 Notes was $429.0 million, after debt issuance costs and discounts. The 2024 Notes mature on June 15, 2024, with interest payable semiannually in arrears on June 15 and December 15 of each year until maturity.

Our outstanding senior notes (the "Senior Notes") contain covenants that restrict our ability to, among other things, create liens or other encumbrances, enter into sale and leaseback transactions, or merge or sell all or substantially all of our assets. These limitations are subject to a number of qualifications and exceptions. As of March 31, 2024, we were in compliance with the covenants required by our Senior Notes.

Loans Payable

On December 15, 2023, we entered into a Fourth Modification Agreement (the "Fourth Modification") to our Second Amended and Restated Credit Agreement dated as of March 29, 2019 (the "Credit Agreement"). The Fourth Modification, among other things, amends the Credit Agreement to exclude (i) certain indebtedness of the Company's financial services subsidiaries for purposes of calculating the Company's "Leverage Ratio" (as defined in the Credit Agreement), and (ii) the Company's financial services subsidiaries from the determination of "Consolidated EBITDA" (as defined in the Credit Agreement), as well as any interest obligations of the Company's financial services subsidiaries, for purposes of calculating the Company's "Interest Coverage Ratio" (as defined in the Credit Agreement). The Credit Facility (as defined below), consists of a $750 million revolving credit facility (the "Revolving Facility") and a $250 million term loan facility (the "Term Facility" and together with the Revolving Facility, the "Credit Facility"). Both the Revolving Facility and the Term Facility mature on June 29, 2027. We may increase the Credit Facility to not more than $1.2 billion in the aggregate, at our request, upon satisfaction of specified conditions. We may borrow under the Revolving Facility in the ordinary course of business to repay senior notes and fund our operations, including our land acquisition, land development and homebuilding activities. Borrowings under the Revolving Facility will be governed by, among other things, a borrowing base. Interest rates under the Revolving Facility will be based on the Secured Overnight Financing Rate ("SOFR"), plus a spread ranging from 1.25% to 1.90%, depending on the Company's leverage ratio. Interest rates under the Term Facility will be based on SOFR, plus a spread ranging from 1.10% to 1.85%, depending on the Company's leverage ratio.

As of March 31, 2024, we had no outstanding debt under the Revolving Facility and there was $703.2 million of availability after considering the borrowing base provisions and outstanding letters of credit. As of March 31, 2024, we had $250 million of outstanding debt under the Term Facility with an interest rate of 6.51%. As of March 31, 2024, there were $4.7 million of capitalized debt financing costs, included in other assets on our consolidated balance sheet, related to the Credit Facility that will amortize over the remaining term of the Credit Facility. Accrued interest, including loan commitment fees, related to the Term Facility was $1.8 million and $1.6 million as of March 31, 2024 and December 31, 2023, respectively.

At March 31, 2024 and December 31, 2023, we had outstanding letters of credit of $46.8 million and $52.3 million, respectively. These letters of credit were issued to secure various financial obligations. We believe it is not probable that any outstanding letters of credit will be drawn upon.

As of March 31, 2024 and December 31, 2023, we had $38.3 million outstanding related to two seller-financed loans. All seller-financed loans are to acquire lots for the construction of homes. Principal on these loans are expected to be fully paid by the end of fiscal year 2024, provided certain achievements are met. One of the seller-financed loans, representing $37.4 million of the total balance as of both March 31, 2024 and December 31, 2023, respectively, accrues interest at an imputed interest rate of 4.50% per annum. The second seller-financed loan represented $910,000 of the total balance as of March 31, 2024 and December 31, 2023, respectively.

Under the Credit Facility, we are required to comply with certain financial covenants, including, but not limited to, those set forth in the table below (dollars in thousands):

Financial Covenants	Actual at March 31, 2024	Covenant Requirement at March 31, 2024
Consolidated Tangible Net Worth	$ 2,888,658	$ 2,045,670
(Not less than $1.58 billion plus 50% of net income and 50% of the net proceeds from equity offerings after March 31, 2022)		
Leverage Test	14.5 %	≤60%
(Not to exceed 60%)		
Interest Coverage Test	4.6	≥1.5
(Not less than 1.5:1.0)		

In addition, the Credit Facility limits the aggregate number of single family dwellings (where construction has commenced) owned by the Company or any guarantor that are not presold or model units to no more than the greater of (i) 50% of the number of housing unit closings (as defined) during the preceding 12 months; or (ii) 100% of the number of housing unit closings during the preceding 6 months. However, a failure to comply with this "Spec Unit Inventory Test" will not be an event of default or default, but will be excluded from the borrowing base as of the last day of the quarter in which the non-compliance occurs. The Credit Facility further requires that at least 95.0% of consolidated tangible net worth must be attributable to the Company and its guarantor subsidiaries, subject to certain grace periods.

As of March 31, 2024, we were in compliance with all of these financial covenants.

Stock Repurchase Program

On December 21, 2023, our board of directors approved a share repurchase program (the "2024 Repurchase Program"), authorizing the repurchase of shares of common stock with an aggregate value of up to $250 million through December 31, 2024. Purchases of common stock pursuant to the 2024 Repurchase Program may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, or by other means in accordance with federal securities laws, including pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 under the Exchange Act. We are not obligated under the 2024 Repurchase Program to repurchase any specific number or amount of shares of common stock, and we may modify, suspend or discontinue the program at any time. Company management will determine the timing and amount of any repurchases in its discretion based on a variety of factors, such as the market price of our common stock, corporate requirements, general market economic conditions, legal requirements and applicable tax effects. During the three months ended March 31, 2024, we repurchased and retired an aggregate of 1,442,785 shares of our common stock under the Repurchase Program for $50.0 million, excluding commissions.

Leverage Ratios

We believe that our leverage ratios provide useful information to the users of our financial statements regarding our financial position and cash and debt management. The ratio of debt-to-capital and the ratio of net debt-to-net capital are calculated as follows (dollars in thousands):

	March 31, 2024	December 31, 2023
Loans Payable	$ 288,337	$ 288,337
Senior Notes	1,095,192	1,094,249
Total debt	1,383,529	1,382,586
Stockholders' equity	3,049,646	3,010,958
Total capital	$ 4,433,175	$ 4,393,544
Ratio of debt-to-capital (1)	31.2 %	31.5 %
Total debt	$ 1,383,529	$ 1,382,586
Less: Cash and cash equivalents	(943,998)	(868,953)
Net debt	439,531	513,633
Stockholders' equity	3,049,646	3,010,958
Net capital	$ 3,489,177	$ 3,524,591
Ratio of net debt-to-net capital (2)	12.6 %	14.6 %

(1) The ratio of debt-to-capital is computed as the quotient obtained by dividing total debt by the sum of total debt plus stockholders' equity.

(2) The ratio of net debt-to-net capital is a non-GAAP financial measure and is computed as the quotient obtained by dividing net debt (which is total debt less cash and cash equivalents) by the sum of net debt plus stockholders' equity. The most directly comparable GAAP financial measure is the ratio of debt-to-capital. We believe the ratio of net debt-to-net capital is a relevant financial measure for investors to understand the leverage employed in our operations and as an indicator of our ability to obtain financing. See the table above reconciling this non-GAAP financial measure to the ratio of debt-to-capital. Because the ratio of net debt-to-net capital is not calculated in accordance with GAAP, it may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as a substitute for, or superior to, financial measures prepared in accordance with GAAP.

Cash Flows—Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

For the three months ended March 31, 2024 as compared to the three months ended March 31, 2023:

- Net cash provided by operating activities increased by $9.1 million to net cash provided of $144.7 million for the three months ended March 31, 2024 compared to net cash provided of $135.6 million for the prior-year period. The change was comprised primarily of a $71.1 million increase in cash provided by receivables, along with a $23.1 million increase in net income. Further, cash provided by operating activities was positively impacted by changes in other assets, accrued expenses and other liabilities. Net cash provided by operating activities was offset by a $116.5 million use of cash related to real estate inventory purchases.
- Net cash used in investing activities was $263,000 for the three months ended March 31, 2024, compared to cash used of $9.5 million for the prior-year period. The decrease in cash used in investing activities was due to an increase in net cash distributions from unconsolidated entities.
- Net cash used in financing activities was $69.4 million for the three months ended March 31, 2024, compared to net cash used in financing activities of $49.6 million for the prior-year period. Net cash used in financing activities in the current-year period was primarily comprised of $50.0 million of cash used for share repurchases, compared to $37.6 million during the prior-year period.

Off-Balance Sheet Arrangements and Contractual Obligations

In the ordinary course of business, we enter into purchase contracts in order to procure lots for the construction of our homes. We are subject to customary obligations associated with entering into contracts for the purchase of land and improved lots. These purchase contracts typically require a cash deposit and the purchase of properties under these contracts is generally contingent upon satisfaction of certain requirements by the sellers, including obtaining applicable property and development entitlements. We also utilize option contracts with land sellers and land banking arrangements as a method of acquiring land in staged takedowns, to help us manage the financial and market risk associated with land holdings, and to reduce the use of funds from our corporate financing sources. These option contracts and land banking arrangements generally require a non-refundable deposit for the right to acquire land and lots over a specified period of time at pre-determined prices. We generally have the right, at our discretion, to terminate our obligations under both purchase contracts and option contracts by forfeiting our cash deposit with no further financial responsibility to the land seller. In some cases, however, we may be contractually obligated to complete development work even if we terminate the option to procure land or lots. As of March 31, 2024, we had $178.0 million of cash deposits, the majority of which are non-refundable, pertaining to land and lot option contracts and purchase contracts with an aggregate remaining purchase price of $1.5 billion (net of deposits). See Note 7, *Variable Interest Entities*, to the accompanying condensed notes to unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q.

Our utilization of land and lot option contracts and land banking arrangements is dependent on, among other things, the availability of land sellers or land banking firms willing to enter into such arrangements, the availability of capital to finance the development of optioned land and lots, general housing market conditions, and local market dynamics. Options may be more difficult to procure from land sellers in strong housing markets and are more prevalent in certain geographic regions.

As of March 31, 2024, we held equity investments in thirteen active homebuilding partnerships or limited liability companies. Our participation in these entities may be as a developer, a builder, or an investment partner. See Note 6, *Investments in Unconsolidated Entities,* to the accompanying condensed notes to unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q.

Supplemental Guarantor Financial Information

2027 Notes and 2028 Notes

On June 5, 2017, Tri Pointe issued the 2027 Notes and on June 10, 2020, Tri Pointe issued the 2028 Notes. All of Tri Pointe's 100% owned subsidiaries that are guarantors (each a "Guarantor" and, collectively, the "Guarantors") of the Credit Facility, including Tri Pointe Homes Holdings, are party to supplemental indentures pursuant to which they jointly and severally guarantee Tri Pointe's obligations with respect to these Notes. Each Guarantor of the 2027 Notes and the 2028 Notes is 100% owned by Tri Pointe, and all guarantees are full and unconditional, subject to customary exceptions pursuant to the indentures governing the 2027 Notes and the 2028 Notes, as described in the following paragraph. All of our non-Guarantor subsidiaries have nominal assets and operations and are considered minor, as defined in Rule 3-10(h) of Regulation S-X. In addition, Tri Pointe has no independent assets or operations, as defined in Rule 3-10(h) of Regulation S-X. There are no significant restrictions upon the ability of Tri Pointe or any Guarantor to obtain funds from any of their respective wholly owned subsidiaries by dividend or loan. None of the assets of our subsidiaries represent restricted net assets pursuant to Rule 4-08(e)(3) of Regulation S-X.

A Guarantor of the 2027 Notes and the 2028 Notes shall be released from all of its obligations under its guarantee if (i) all of the assets of the Guarantor have been sold; (ii) all of the equity interests of the Guarantor held by Tri Pointe or a subsidiary thereof have been sold; (iii) the Guarantor merges with and into Tri Pointe or another Guarantor, with Tri Pointe or such other Guarantor surviving the merger; (iv) the Guarantor is designated "unrestricted" for covenant purposes; (v) the Guarantor ceases to guarantee any indebtedness of Tri Pointe or any other Guarantor which gave rise to such Guarantor guaranteeing the 2027 Notes or the 2028 Notes; (vi) Tri Pointe exercises its legal defeasance or covenant defeasance options; or (vii) all obligations under the applicable supplemental indenture are discharged.

2024 Notes

Tri Pointe and Tri Pointe Homes Holdings are co-issuers of the 2024 Notes. All of the Guarantors (other than Tri Pointe Homes Holdings) have entered into supplemental indentures pursuant to which they jointly and severally guarantee the obligations of Tri Pointe and Tri Pointe Homes Holdings with respect to the 2024 Notes. Each Guarantor of the 2024 Notes is 100% owned by Tri Pointe and Tri Pointe Homes Holdings, and all guarantees are full and unconditional, subject to customary exceptions pursuant to the indentures governing the 2024 Notes, as described below.

A Guarantor of the 2024 Notes shall be released from all of its obligations under its guarantee if (i) all of the assets of the Guarantor have been sold; (ii) all of the equity interests of the Guarantor held by Tri Pointe or a subsidiary thereof have been sold; (iii) the Guarantor merges with and into Tri Pointe or another Guarantor, with Tri Pointe or such other Guarantor surviving the merger; (iv) the Guarantor is designated "unrestricted" for covenant purposes; (v) the Guarantor ceases to guarantee any indebtedness of Tri Pointe or any other Guarantor which gave rise to such Guarantor guaranteeing the 2024 Notes; (vi) Tri Pointe exercises its legal defeasance or covenant defeasance options; or (vii) all obligations under the applicable indenture are discharged.

Tri Pointe's non-Guarantor subsidiaries are considered minor, as defined in Rule 3-10(h) of Regulation S-X, therefore the consolidated financial statements represent the full issuer and guarantor subsidiary results.

Inflation

Inflation in the United States persisted at a moderate level for the first quarter of 2024, although it significantly improved from its peak in 2022. While the Federal Reserve's interest rate hikes have helped curb inflation, prevailing inflation rates remain elevated as compared to their desired target, and the future path of Federal Reserve policy is uncertain. Our operations can be adversely impacted by inflation, primarily from higher land, financing, labor, material and construction costs. In addition, inflation can lead to higher and more volatile mortgage rates, which can significantly affect the affordability of mortgage financing to homebuyers, as well as the confidence of our consumer base. While we attempt to pass on cost increases to customers through increased prices, when weak housing market conditions exist, we are often unable to offset cost increases with higher selling prices.

Seasonality

We have experienced seasonal variations in our quarterly operating results and capital requirements. We typically take orders for more homes in the first half of the fiscal year than in the second half, which creates additional working capital requirements in the second and third quarters to build our inventories to satisfy the deliveries in the second half of the year. We expect this seasonal pattern to continue over the long-term, although it may be affected by volatility in the homebuilding industry (including developments and volatility resulting from the war in Ukraine). In addition to the overall volume of orders and deliveries, our operating results in a given quarter are significantly affected by the number and characteristics of our active selling communities; timing of new community openings; the timing of land and lot sales; and the mix of product types, geographic locations and average sales prices of the homes delivered during the quarter. Therefore, our operating results in any given quarter will fluctuate compared to prior periods based on these factors.

Critical Accounting Estimates

The preparation of our consolidated financial statements requires the use of judgment in the application of accounting policies and estimates of uncertain matters. There have been no significant changes to our critical accounting policies and estimates during the three months ended March 31, 2024 from those disclosed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our Annual Report on Form 10-K for the year ended December 31, 2023.

Recently Issued Accounting Standards

See Note 1, *Organization, Basis of Presentation and Summary of Significant Accounting Policies* , to the accompanying condensed notes to unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks related to fluctuations in interest rates on our outstanding debt. We did not utilize swaps, forward or option contracts on interest rates or commodities, or other types of derivative financial instruments as of or during the three months ended March 31, 2024. We did not enter into during the three months ended March 31, 2024, and currently do not hold, derivatives for trading or speculative purposes.

Item 4. Controls and Procedures

We have established disclosure controls and procedures to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and accumulated and communicated to management, including the Chief Executive Officer (the "Principal Executive Officer") and Chief Financial Officer (the "Principal Financial Officer"), as appropriate, to allow timely decisions regarding required disclosure. Under the supervision and with the participation of senior management, including our Principal Executive Officer and Principal Financial Officer, we evaluated our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act. Based on this evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2024.

Our management, including our Principal Executive Officer and Principal Financial Officer, has evaluated our internal control over financial reporting to determine whether any change occurred during the three months ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, there has been no such change during the three months ended March 31, 2024.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The information required with respect to this item can be found under Note 13, *Commitments and Contingencies—Legal Matters*, to the accompanying condensed notes to unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q and is incorporated by reference into this Item 1.

Item 1A. Risk Factors

There have been no material changes to the risk factors in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023. If any of the risks discussed in our Annual Report on Form 10-K occur, our business, prospects, liquidity, financial condition and results of operations could be materially and adversely affected, in which case the trading price of our common stock could decline significantly and you could lose all or a part of your investment. Some statements in this Quarterly Report on Form 10-Q constitute forward-looking statements. Please refer to Part I, Item 2 of this Quarterly Report on Form 10-Q entitled "Cautionary Note Concerning Forward-Looking Statements."

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

On December 21, 2023, our board of directors approved the 2024 Repurchase Program, authorizing the repurchase of shares of common stock with an aggregate value of up to $250 million through December 31, 2024. Purchases of common stock pursuant to the 2024 Repurchase Program may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, or by other means in accordance with federal securities laws, including pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 under the Exchange Act. We are not obligated under the 2024 Repurchase Program to repurchase any specific number or amount of shares of common stock, and we may modify, suspend or discontinue the program at any time. Company management will determine the timing and amount of any repurchases in its discretion based on a variety of factors, such as the market price of our common stock, corporate requirements, general market economic conditions, legal requirements and applicable tax effects. During the three months ended March 31, 2024, we repurchased and retired an aggregate of 1,442,785 shares of our common stock under the Repurchase Program for $50.0 million, excluding commissions.

During the three months ended March 31, 2024, we repurchased and retired the following shares pursuant to our repurchase programs:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Approximate dollar value of shares that may yet be purchased under the program
January 1, 2024 to January 31, 2024	189,769	$ 33.96	189,769	$ 243,555,450
February 1, 2024 to February 29, 2024	367,856	$ 34.71	367,856	$ 230,788,772
March 1, 2024 to March 31, 2024	885,160	$ 34.78	885,160	$ 200,000,011
Total	1,442,785	$ 34.66	1,442,785	

Item 5. Other Information

(c) During the quarter ended March 31, 2024, no director or officer subject to Section 16 of the Exchange Act adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

Exhibit Number	*Exhibit Description*
3.1	Amended and Restated Certificate of Incorporation of Tri Pointe Homes, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (filed July 7, 2015))
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Tri Pointe Homes, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (filed January 21, 2021))
3.3	Amended and Restated Bylaws of Tri Pointe Homes, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (filed October 19, 2023))
22.1	List of guarantor subsidiaries of Tri Pointe Homes, Inc. (incorporated by reference to Exhibit 22.1 to the Company's Annual Report on Form 10-K (filed February 22, 2024))
31.1	Chief Executive Officer Section 302 Certification of the Sarbanes-Oxley Act of 2002
31.2	Chief Financial Officer Section 302 Certification of the Sarbanes-Oxley Act of 2002
32.1	Chief Executive Officer Section 906 Certification of the Sarbanes-Oxley Act of 2002
32.2	Chief Financial Officer Section 906 Certification of the Sarbanes-Oxley Act of 2002
101	The following materials from Tri Pointe Homes, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline eXtensible Business Reporting Language (iXBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statement of Cash Flows, and (iv) Condensed Notes to Consolidated Financial Statement.
104	Cover page from Tri Pointe Homes, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL (and contained in Exhibit 101).

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.

		Tri Pointe Homes, Inc.
Date: April 25, 2024	By:	/s/ Douglas F. Bauer
		Douglas F. Bauer
		Chief Executive Officer
		(Principal Executive Officer)
Date: April 25, 2024	By:	/s/ Glenn J. Keeler
		Glenn J. Keeler
		Chief Financial Officer
		(Principal Financial Officer)

Exhibit 31.1

SECTION 302 CERTIFICATION

I, Douglas F. Bauer, certify that:

1. I have reviewed this report on Form 10-Q of Tri Pointe Homes, 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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 25, 2024

/s/ Douglas F. Bauer

Douglas F. Bauer

Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Glenn J. Keeler, certify that:

1. I have reviewed this report on Form 10-Q of Tri Pointe Homes, 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(s) 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 25, 2024

/s/ Glenn J. Keeler

Glenn J. Keeler

Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Tri Pointe Homes, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Douglas F. Bauer, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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.

Date: April 25, 2024

/s/ Douglas F. Bauer

Douglas F. Bauer
Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report of Tri Pointe Homes, Inc. (the “Company”) on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Glenn J. Keeler, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 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.

Date: April 25, 2024

/s/ Glenn J. Keeler

Glenn J. Keeler

Chief Financial Officer (Principal Financial Officer)