REFINITIV

DELTA REPORT

10-Q

MTH - MERITAGE HOMES CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	988
CHANGES	200
DELETIONS	396
ADDITIONS	392

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 September 30, 2023 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 1-9977

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Meritage Homes Corporation

(Exact Name of Registrant as Specified in its Charter)

Maryland	**86-0611231**
(State or Other Jurisdiction of Incorporation or Organization)	**(IRS Employer Identification No.)**

18655 North Claret Drive, Suite 400, Scottsdale, Arizona 85255

(Address of Principal Executive Offices) (Zip Code)

(480) 515-8100

(Registrant's telephone number, including area code)

N/A

(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 $.01 par value	MTH	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 a checkmark whether the registrant has submitted electronically every Interactive Date 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	ý	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 a checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Common shares outstanding as of October 27, 2023 April 22, 2024: 36,449,906 36,319,014

MERITAGE HOMES CORPORATION

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2023 MARCH 31, 2024

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

MERITAGE HOMES CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Assets	**Assets**				
Cash and cash equivalents	Cash and cash equivalents	$ 1,048,755	$ 861,561		
Cash and cash equivalents					
Cash and cash equivalents					
Other receivables					
Other receivables					
Other receivables	Other receivables	228,852	215,019		
Real estate	Real estate	4,501,358	4,358,263		
Deposits on real estate under option or contract					
Deposits on real estate under option or contract					

Deposits on real estate under option or contract	Deposits on real estate under option or contract	93,501	76,729
Investments in unconsolidated entities	Investments in unconsolidated entities	15,062	11,753
Property and equipment, net	Property and equipment, net	50,822	38,635
Deferred tax assets, net	Deferred tax assets, net	45,932	45,452
Prepaids, other assets and goodwill	Prepaids, other assets and goodwill	197,588	164,689
Total assets	Total assets	$ 6,181,870	$ 5,772,101
Liabilities	**Liabilities**		
Accounts payable	Accounts payable	$ 294,183	$ 273,267
Accounts payable			
Accounts payable			
Accrued liabilities	Accrued liabilities	413,092	360,615
Home sale deposits	Home sale deposits	48,133	37,961
Loans payable and other borrowings	Loans payable and other borrowings	11,008	7,057
Loans payable and other borrowings			
Loans payable and other borrowings			
Senior notes, net	Senior notes, net	994,412	1,143,590
Total liabilities	Total liabilities	1,760,828	1,822,490
Stockholders' Equity	**Stockholders' Equity**		
Preferred stock, par value $0.01. Authorized 10,000,000 shares; none issued and outstanding at September 30, 2023 and December 31, 2022		—	—
Common stock, par value $0.01. Authorized 125,000,000 shares; 36,449,906 and 36,571,393 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively		364	366
Preferred stock, par value $0.01. Authorized 10,000,000 shares; none issued and outstanding at March 31, 2024 and December 31, 2023			
Preferred stock, par value $0.01. Authorized 10,000,000 shares; none issued and outstanding at March 31, 2024 and December 31, 2023			

Preferred stock, par value $0.01. Authorized 10,000,000 shares; none issued and outstanding at March 31, 2024 and December 31, 2023			
Common stock, par value $0.01. Authorized 125,000,000 shares; 36,319,014 and 36,425,037 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital	Additional paid-in capital	289,109	327,878
Retained earnings	Retained earnings	4,131,569	3,621,367
Total stockholders' equity	Total stockholders' equity	4,421,042	3,949,611
Total stockholders' equity			
Total stockholders' equity			
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	$ 6,181,870	$ 5,772,101

See accompanying notes to unaudited consolidated financial statements

MERITAGE HOMES CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED INCOME STATEMENTS
(in thousands, except per share amounts)

		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended September 30,		**Nine Months Ended September 30,**	
		2023	**2022**	**2023**	**2022**
Homebuilding:	**Homebuilding:**				
Homebuilding:					
Homebuilding:					
Home closing revenue					
Home closing revenue					
Home closing revenue	Home closing revenue	$ 1,610,317	$ 1,569,032	$ 4,415,261	$ 4,223,435
Land closing revenue	Land closing revenue	2,783	8,989	44,547	53,901
Land closing revenue					
Land closing revenue					
Total closing revenue					
Total closing revenue					
Total closing revenue	Total closing revenue	1,613,100	1,578,021	4,459,808	4,277,336

Cost of home closings	Cost of home closings	(1,180,742)	(1,118,394)	(3,326,245)	(2,950,409)
Cost of home closings					
Cost of home closings					
Cost of land closings					
Cost of land closings					
Cost of land closings	Cost of land closings	(2,535)	(8,577)	(42,682)	(42,046)
Total cost of closings	Total cost of closings	(1,183,277)	(1,126,971)	(3,368,927)	(2,992,455)
Total cost of closings					
Total cost of closings					
Home closing gross profit					
Home closing gross profit					
Home closing gross profit	Home closing gross profit	429,575	450,638	1,089,016	1,273,026
Land closing gross profit	Land closing gross profit	248	412	1,865	11,855
Land closing gross profit					
Land closing gross profit					
Total closing gross profit					
Total closing gross profit					
Total closing gross profit	Total closing gross profit	429,823	451,050	1,090,881	1,284,881
Financial Services:	**Financial Services:**				
Financial Services:					
Financial Services:					
Revenue					
Revenue					
Revenue	Revenue	6,109	6,308	18,050	16,119
Expense	Expense	(2,871)	(2,804)	(8,910)	(7,897)
Earnings/(loss) from financial services unconsolidated entities and other, net		2,462	1,338	(3,074)	4,033
Financial services profit		5,700	4,842	6,066	12,255
Expense					
Expense					
(Loss)/earnings from financial services unconsolidated entities and other, net					
(Loss)/earnings from financial services unconsolidated entities and other, net					
(Loss)/earnings from financial services unconsolidated entities and other, net					
Financial services (loss)/profit					
Financial services (loss)/profit					
Financial services (loss)/profit					
Commissions and other sales costs	Commissions and other sales costs	(99,122)	(77,884)	(277,766)	(212,807)
Commissions and other sales costs					
Commissions and other sales costs					
General and administrative expenses					
General and administrative expenses					

General and administrative expenses	General and administrative expenses	(63,091)	(48,443)	(162,750)	(136,370)
Interest expense	Interest expense	—	—	—	(41)
Other income/(expense), net		13,331	(74)	35,037	(849)
Loss on early extinguishment of debt		(907)	—	(907)	—
Interest expense					
Interest expense					
Other income, net					
Other income, net					
Other income, net					
Earnings before income taxes					
Earnings before income taxes					
Earnings before income taxes	Earnings before income taxes	285,734	329,491	690,561	947,069
Provision for income taxes	Provision for income taxes	(63,974)	(67,002)	(150,664)	(217,242)
Provision for income taxes					
Provision for income taxes					
Net earnings					
Net earnings					
Net earnings	Net earnings	$ 221,760	$ 262,489	$ 539,897	$ 729,827
Earnings per common share:	Earnings per common share:				
Earnings per common share:					
Earnings per common share:					
Basic					
Basic					
Basic	Basic	$ 6.06	$ 7.18	$ 14.72	$ 19.87
Diluted	Diluted	$ 5.98	$ 7.10	$ 14.55	$ 19.65
Diluted					
Diluted					
Weighted average number of shares:					
Weighted average number of shares:					
Weighted average number of shares:	Weighted average number of shares:				
Basic	Basic	36,603	36,569	36,677	36,736
Basic					
Basic					
Diluted	Diluted	37,078	36,946	37,109	37,136
Diluted					
Diluted					

See accompanying notes to unaudited consolidated financial statements

MERITAGE HOMES CORPORATION AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023

Cash flows from operating activities:	**Cash flows from operating activities:**		
Net earnings	Net earnings	$ 539,897	$ 729,827
Adjustments to reconcile net earnings to net cash provided by/(used in) operating activities:			
Net earnings			
Net earnings			
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization			
Depreciation and amortization			
Depreciation and amortization	Depreciation and amortization	17,576	17,545
Stock-based compensation	Stock-based compensation	16,557	16,897
Loss on early extinguishment of debt		907	—
Equity in earnings from unconsolidated entities			
Equity in earnings from unconsolidated entities			
Equity in earnings from unconsolidated entities	Equity in earnings from unconsolidated entities	(4,651)	(3,703)
Distributions of earnings from unconsolidated entities	Distributions of earnings from unconsolidated entities	5,158	3,785
Distributions of earnings from unconsolidated entities			
Distributions of earnings from unconsolidated entities			
Other	Other	1,408	11,154
Changes in assets and liabilities:	Changes in assets and liabilities:		
Increase in real estate		(137,543)	(990,106)
(Increase)/decrease in real estate			
(Increase)/decrease in real estate			
(Increase)/decrease in real estate			
(Increase)/decrease in deposits on real estate under option or contract	(Increase)/decrease in deposits on real estate under option or contract	(17,027)	176
Increase in other receivables, prepaids and other assets		(9,447)	(89,177)
Increase in accounts payable and accrued liabilities		37,085	118,636
Decrease/(increase) in other receivables, prepaids and other assets			
Increase/(decrease) in accounts payable and accrued liabilities			
Increase in home sale deposits	Increase in home sale deposits	10,172	15,157
Net cash provided by/(used in) operating activities		460,092	(169,809)
Net cash provided by operating activities			
Cash flows from investing activities:	**Cash flows from investing activities:**		

Investments in unconsolidated entities			
Investments in unconsolidated entities			
Investments in unconsolidated entities	Investments in unconsolidated entities	(3,859)	(5,674)
Distributions of capital from unconsolidated entities	Distributions of capital from unconsolidated entities	43	—
Purchases of property and equipment	Purchases of property and equipment	(31,221)	(19,537)
Proceeds from sales of property and equipment	Proceeds from sales of property and equipment	334	328
Maturities/sales of investments and securities		750	1,032
Payments to purchase investments and securities		(750)	(1,032)
Net cash used in investing activities			
Net cash used in investing activities			
Net cash used in investing activities	Net cash used in investing activities	(34,703)	(24,883)
Cash flows from financing activities:	**Cash flows from financing activities:**		
Repayment of loans payable and other borrowings	Repayment of loans payable and other borrowings	(2,616)	(14,953)
Repayment of senior notes		(150,884)	—
Repayment of loans payable and other borrowings			
Repayment of loans payable and other borrowings			
Dividends paid			
Dividends paid			
Dividends paid	Dividends paid	(29,695)	—
Repurchase of shares	Repurchase of shares	(55,000)	(109,303)
Net cash used in financing activities	Net cash used in financing activities	(238,195)	(124,256)
Net increase/(decrease) in cash and cash equivalents		187,194	(318,948)
Net cash used in financing activities			
Net cash used in financing activities			
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents, beginning of period	Cash and cash equivalents, beginning of period	861,561	618,335
Cash and cash equivalents, end of period	Cash and cash equivalents, end of period	$ 1,048,755	$ 299,387

See Supplemental Disclosure of Cash Flow Information in Note 13.

See accompanying notes to unaudited consolidated financial statements

MERITAGE HOMES CORPORATION AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND BASIS OF PRESENTATION

Organization. Meritage Homes Corporation ("Meritage Homes") is a leading designer and builder of single-family attached and detached homes. We primarily build in historically high-growth regions of the United States and offer a variety of entry-level and first move-up homes. We have operations in three regions: West, Central and East, which are comprised of ten states: Arizona, California, Colorado, Utah, Texas, Florida, Georgia, North Carolina, South Carolina, and Tennessee. We also operate a financial services reporting segment. In this segment, we offer title and escrow, mortgage, and insurance services. Carefree Title Agency, Inc. ("Carefree Title"), our wholly-owned title company, provides title insurance and closing/settlement services to our homebuyers in certain states. Managing our own title operations allows us greater control over the entire escrow and closing cycles in addition to generating additional revenue. Meritage Homes Insurance Agency, Inc. (“Meritage Insurance”Insurance”), our wholly-owned insurance broker, works in collaboration with insurance companies nationwide to offer homeowners insurance and other insurance products to our homebuyers. Our financial services operation also provides mortgage services to our homebuyers through an unconsolidated joint venture.

We commenced our homebuilding operations in 1985 through our predecessor company, Monterey Homes. Meritage Homes Corporation was incorporated in the state of Maryland in 1988 under the name of Emerald Mortgage Investments Corporation. We changed our name to Homeplex Mortgage Investments Corporation in 1990 and merged with Monterey Homes in 1996, at which time our name was changed to Monterey Homes Corporation and later ultimately to Meritage Homes Corporation. Since that time, we have engaged in homebuilding and related activities. Meritage Homes Corporation operates as a holding company and has no independent assets or operations. Its Our homebuilding construction, development and sales activities are conducted through its our subsidiaries. Our homebuilding activities are conducted under the name of Meritage Homes in each of our homebuilding markets. At September 30, 2023 March 31, 2024, we were actively selling homes in 272 275 communities, with base prices ranging from approximately $231,000 $203,000 to $1,054,000. $1,074,000.

Basis of Presentation. The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements should be read in conjunction with the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. The unaudited consolidated financial statements include the accounts of Meritage Homes and those of our consolidated subsidiaries, partnerships and other entities in which we have a controlling financial interest, and of variable interest entities (see Note 3) in which we are deemed the primary beneficiary (collectively, "us", "we", "our" and "the Company"). Intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, the accompanying unaudited consolidated financial statements include all normal and recurring adjustments that are considered necessary for the fair presentation of our results for the interim periods presented. Results for interim periods are not necessarily indicative of results to be expected for the full fiscal year.

Cash and Cash Equivalents. Liquid investments with an initial maturity of three months or less are classified as cash equivalents. Amounts in transit from title companies or closing agents for home closings of approximately $81.1 million $85.3 million and $161.5 million $95.7 million are included in Cash and cash equivalents at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Real Estate. Real estate inventory is stated at cost unless the community or land is determined to be impaired, at which point the inventory is written down to fair value as required by Accounting Standards Codification ("ASC") 360-10, *Property, Plant and Equipment* ("ASC 360-10"). Real estate inventory includes the costs of land acquisition, land development and home construction, capitalized interest, real estate taxes, and direct overhead costs incurred during development and home construction that benefit the entire community, less impairments, if any. Land and development costs are typically allocated and transferred to homes when home construction begins. Home construction costs are accumulated on a per-home basis, while selling commissions and marketing other sales costs are expensed as incurred. Cost of home closings includes the specific construction costs of the home and all related allocated land acquisition, land development and other common costs (both incurred and estimated to be incurred) that are allocated based upon the total number of homes expected to be closed in each community or phase. Any changes to the estimated total development costs of a community or phase are allocated to the remaining homes in that community or phase. When a home closes, we may have incurred costs for materials and services that have not yet been paid. We accrue a liability to capture such obligations in connection with the home closing which is charged directly to Cost of home closings.

We capitalize qualifying interest to inventory during the development and construction periods. Capitalized interest is included in Cost cost of closings when the related inventory is closed. Included within our Real real estate inventory is land held for development and land held for sale. Land held for development primarily represents land and land development costs related to land where development activity is not currently underway but is expected to begin in the future. For these parcels, we have chosen not to currently develop certain land holdings as they typically represent a portion or phases of a larger land parcel that we plan to build out over several years. We do not capitalize interest for these inactive assets, and all ongoing costs of land ownership (i.e. property taxes, homeowner association dues, etc.) are expensed as incurred.

We rely on certain estimates to determine our construction and land development costs. Construction and land costs are comprised of direct and allocated costs, including estimated future costs. In determining these costs, we compile project budgets that are based on a variety of assumptions, including future construction schedules and costs to be incurred. Actual results can differ from budgeted amounts for various reasons, including construction delays, labor or material shortages, sales orders absorptions that differ from our expectations, increases in costs that have not yet been contracted, changes in governmental requirements, or other unanticipated issues encountered during construction and development and other factors beyond our control, including weather. To address uncertainty in these budgets, we assess, update and revise project budgets on a regular basis, utilizing the most current information available to estimate home construction and land development costs.

Typically, a community's life cycle ranges from three to five years, commencing with the acquisition of the land, continuing through the land development phase, if applicable, and concluding with the construction, sale and closing of the homes. Actual community lives will vary based on the size of the community, the sales orders absorption rates and whether the land purchased was raw, partially-developed or in finished status. Master-planned communities encompassing several phases and super-block land parcels may have significantly longer lives and projects involving smaller finished lot purchases may be significantly shorter.

All of our land inventory and related real estate assets are periodically reviewed for recoverability when certain criteria are met, but at least annually, as our inventory is considered "long-lived" in accordance with GAAP. Community-level reviews are performed quarterly to determine if indicators of potential impairment exist. If indicators of potential impairment exist and the undiscounted cash flows expected to be generated by an asset are lower than its carrying amount, impairment charges are recorded to write down the asset to its estimated fair value. The impairment of a community is allocated to each remaining unstarted lot in the community on a straight-line basis and is recognized in Cost of home closings in the period in which the impairment is determined. Our determination of fair value is based on projections and estimates. Changes in these expectations may lead to a change in the outcome of our impairment analysis, and actual results may also differ from our assumptions, although if financial metrics improve, we do not reverse impairments once recorded. See Note 2 for additional information related to real estate.

Deposits. ***Deposits***. Deposits paid related to land option and purchase contracts are recorded and classified as Deposits on real estate under option or contract until the related land is purchased. Deposits are reclassified as a component of Real estate at the time the deposit is used to offset the acquisition price of the land based on the terms of the underlying agreements. To the extent they are non-refundable, deposits are expensed to Cost of home closings if the land acquisition is terminated or no longer considered probable. Since our acquisition contracts typically do not require specific performance, we do not consider such contracts to be contractual obligations to purchase the land and our total exposure under such contracts is limited to the loss of any non-refundable deposits and any related capitalized costs. Our Deposits on real estate under option or contract were

$93.5 million $122.8 million and $76.7 million $111.4 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. See Note 3 for additional information related to Deposits on real estate under option or contract.

Goodwill. In accordance with ASC 350, *Intangibles, Goodwill and Other* ("ASC 350"), we analyze goodwill on an annual basis (or whenever indication of impairment exists) through a qualitative assessment to determine whether it is necessary to perform a goodwill impairment test. ASC 350 states that an entity may first assess qualitative factors to determine whether it is necessary to perform a goodwill impairment test. Such qualitative factors include: (1) macroeconomic conditions, such as a deterioration in general economic conditions; (2) industry and market considerations such as deterioration in the environment in which the entity operates; (3) cost factors such as increases in raw materials, labor costs, etc.; and (4) overall financial performance such as negative or declining cash flows or a decline in actual or planned revenue or earnings. If the qualitative analysis determines that additional impairment testing is required, a two-step impairment test in accordance with ASC 350 would be initiated. We continually evaluate our qualitative inputs to assess whether events and circumstances have occurred that indicate the goodwill balance may not be recoverable. See Note 9 for additional information on our goodwill assets.

Leases. We lease certain office space and equipment for use in our operations. We assess each of these contracts to determine whether the arrangement contains a lease as defined by ASC 842, *Leases* ("ASC 842"). In order to meet the definition of a lease under ASC 842, the contractual arrangement must convey to us the right to control the use of an identifiable asset for a period of time in exchange for consideration. Leases that meet the criteria of ASC 842 are recorded on

our balance sheets as right-of-use ("ROU") assets and lease liabilities. ROU assets are classified within Prepaids, other assets and goodwill on the accompanying unaudited consolidated balance sheets, while lease liabilities are classified within Accrued liabilities on the accompanying unaudited consolidated balance sheets.

The table below outlines our ROU assets and lease liabilities (in thousands):

		As of			As of	
		September 30, 2023	December 31, 2022			
		As of March 31, 2024			March 31, 2024	December 31, 2023
ROU assets	ROU assets	$ 49,619	$ 19,129			
Lease liabilities	Lease liabilities	52,340	22,782			

Off-Balance Sheet Arrangements - Joint Ventures. We may participate in land development joint ventures as a means of accessing larger parcels of land, expanding our market opportunities, managing our risk profile, optimizing deal structure for the impacted parties and leveraging our capital, although our participation in such ventures is currently limited. See Note 4 for additional discussion of our investments in unconsolidated entities***.***

Off-Balance Sheet Arrangements - Other. In the normal course of business, we may acquire lots from various development entities pursuant to purchase and option agreements. The purchase price generally approximates the market price at the date the contract is executed (with possible future escalators) and the acquisition of the land is typically staggered. See Note 3 for additional information on these off-balance sheet arrangements.

Surety Bonds and Letters of Credit. We provide surety bonds and letters of credit in support of our obligations relating to the development of our projects and other corporate purposes in lieu of cash deposits. The amount of these obligations outstanding at any time varies depending on the stage and level of our development activities. Surety bonds are generally not wholly released until all development activities under the bond are complete. In the event a bond or letter of credit is drawn upon, we would be obligated to reimburse the issuer for any amounts advanced under the bond or letter of credit. We believe it is unlikely that any significant amounts of these bonds or letters of credit will be drawn upon.

The table below outlines our surety bond and letter of credit obligations (in thousands):

		As of					
		As of					
		September 30, 2023		December 31, 2022		March 31, 2024	
		Outstanding	Estimated work remaining to complete	Outstanding	Estimated work remaining to complete	Outstanding	Estimated work remaining to complete
Sureties:	Sureties:						
Sureties related to owned projects and lots under contract							
Sureties related to owned projects and lots under contract							

Sureties related to owned projects and lots under contract	Sureties related to owned projects and lots under contract	$ 1,005,561	$ 738,545	$ 926,928	$ 616,028			
Total Sureties	Total Sureties	$ 1,005,561	$ 738,545	$ 926,928	$ 616,028			
Letters of Credit ("LOCs"):	Letters of Credit ("LOCs"):							
LOCs for land development	LOCs for land development	35,554	N/A	49,442	N/A			
LOCs for land development								
LOCs for land development							64,701	N/A
LOCs for general corporate operations	LOCs for general corporate operations	5,000	N/A	5,000	N/A	LOCs for general corporate operations	5,000	N/A
Total LOCs	Total LOCs	$ 40,554	N/A	$ 54,442	N/A	Total LOCs	$ 69,701	N/A

Accrued Liabilities. Accrued liabilities at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 consisted of the following (in thousands):

		As of		As of	
		As of			
		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Accruals related to real estate development and construction activities	Accruals related to real estate development and construction activities	$ 145,467	$ 139,447		
Payroll and other benefits	Payroll and other benefits	107,413	110,338		
Accrued interest	Accrued interest	18,257	7,026		
Accrued taxes	Accrued taxes	28,674	25,182		
Warranty reserves	Warranty reserves	39,145	35,575		
Lease liabilities	Lease liabilities	52,340	22,782		
Other accruals	Other accruals	21,796	20,265		
Total	Total	$ 413,092	$ 360,615		

Warranty Reserves. We provide home purchasers with limited warranties against certain building defects and we have certain obligations related to those post-construction warranties for closed homes. The specific terms and conditions of these limited warranties vary by state, but overall the nature of the warranties include a complete workmanship and materials warranty for the first year after the close of the home, a major mechanical warranty for two years after the close of the home and a structural warranty that typically extends up to 10 years after the close of the home. With the assistance of an actuary, we have estimated these reserves for the structural warranty based on the number of homes still under warranty and historical data and trends for our geographies. We may use industry data with respect to similar product types and geographic areas in markets where our experience is incomplete to draw a meaningful conclusion. We regularly review our warranty reserves and adjust them, as necessary, to reflect changes in trends as information becomes available. Based on such reviews of warranty costs incurred, we did not adjust the warranty reserve balance in the three or nine months ended September 30, 2023 March 31, 2024 or 2022. 2023. Included in the warranty reserve balances at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are case-specific reserves for warranty matters, as discussed in Note 15.

A summary of changes in our warranty reserves follows (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,		
		2023	2022	2023	2022	
Balance, beginning of period	Balance, beginning of period	$ 36,215	$ 31,437	$ 35,575	$ 26,264	
Balance, beginning of period						
Balance, beginning of period						
Additions to reserve from new home deliveries	Additions to reserve from new home deliveries	6,444	5,583	16,832	15,419	
Warranty claims and recoveries		(3,514)	(5,305)	(13,262)	(9,968)	(1)
Additions to reserve from new home deliveries						
Additions to reserve from new home deliveries						
Warranty claims						
Warranty claims						
Warranty claims						
Adjustments to pre-existing reserves						
Adjustments to pre-existing reserves						
Adjustments to pre-existing reserves	Adjustments to pre-existing reserves	—	—	—	—	
Balance, end of period	Balance, end of period	$ 39,145	$ 31,715	$ 39,145	$ 31,715	
Balance, end of period						
Balance, end of period						

(1) Includes recoveries for costs incurred over several years on a foundation design and performance matter that affected a single community in Texas.

Warranty reserves are included in Accrued liabilities on the accompanying unaudited consolidated balance sheets, and additions and adjustments to the reserves are included in Cost of home closings within on the accompanying unaudited consolidated income statements. These reserves are intended to cover costs associated with our contractual and statutory warranty obligations, which include, among other items, claims involving defective workmanship and materials. We believe that our total reserves, coupled with our contractual relationships and rights with our trades and the insurance we and our trades maintain, are sufficient to cover our general warranty obligations. However, unanticipated changes in regulatory, legislative, weather, environmental or other conditions could have an impact on our actual warranty costs, and future costs could differ significantly from our estimates.

Revenue Recognition. In accordance with ASC 606, *Revenue from Contracts with Customers,* we apply the following steps in determining the timing and amount of revenue to recognize: (1) identify the contract with our customer; (2) identify the performance obligation(s) in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, if applicable; and (5) recognize revenue when (or as) we satisfy the performance obligations. The performance obligations and subsequent revenue recognition for our three sources of revenue are outlined below:

- Revenue from home closings is recognized when closings have occurred, the risks and rewards of ownership are transferred to the buyer, and we have no continuing involvement with the property, which is generally upon the close of escrow. Revenue is reported net of any discounts and incentives.
- Revenue from land closings is recognized when a significant down payment is received, title passes, and collectability of the receivable, if any, is reasonably assured, and we have no continuing involvement with the property, which is generally upon the close of escrow.
- Revenue from financial services is recognized when closings have occurred and all financial services have been rendered, which is generally upon the close of escrow.

Home closing and land closing revenue expected to be recognized in any future year related to remaining performance obligations (if any) and the associated contract liabilities expected to be recognized as revenue, excluding revenue pertaining to contracts that have an original expected duration of one year or less, is not material. Revenue from financial services includes estimated future insurance policy renewal commissions as our performance obligations are satisfied upon issuance of the initial policy with a third party broker. The related contract assets for these estimated future renewal commissions are not material at

September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. Our three sources of revenue are disaggregated by type in on the accompanying unaudited consolidated income statements.

Recent Accounting Pronouncements.

There In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which aligns interim segment disclosure requirements with existing annual requirements and includes updates to segment reporting, most notably through enhanced disclosures about significant segment expenses and various Chief Operating Decision Maker ("CODM")-related disclosures. ASU 2023-07 is effective for our annual report covering the fiscal year beginning January 1, 2024, and for our interim reports beginning January 1, 2025. ASU 2023-07 is required to be applied retrospectively to all prior periods presented in the financial statements. We are no recent accounting pronouncements that are expected to currently evaluating the impact adopting this guidance will have a material impact on our financial statements statement disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"), which modifies the disclosure requirements primarily related to the effective tax rate reconciliation and income taxes paid by requiring consistent categories and greater disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for us beginning January 1, 2025 and may be applied either retrospectively or prospectively. We are currently evaluating the impact adopting this guidance will have on our financial statement disclosures.

NOTE 2 — REAL ESTATE AND CAPITALIZED INTEREST

Real estate consists of the following (in thousands):

		As of			
		September 30, 2023	**December 31, 2022**		
		As of		**As of**	
		March 31, 2024		**March 31, 2024**	**December 31, 2023**
Homes under contract under construction (1)	Homes under contract under construction (1)	$ 931,820	$ 822,428		
Unsold homes, completed and under construction (1)	Unsold homes, completed and under construction (1)	1,027,352	1,155,543		
Model homes (1)	Model homes (1)	112,306	97,198		
Finished home sites and home sites under development (2) (3)		2,429,880	2,283,094		
Finished home sites and home sites under development (2)					
Total	Total	$ 4,501,358	$ 4,358,263		

(1) Includes the allocated land and land development costs associated with each lot for these homes.

(2) Includes raw land, land held for development and land held for sale, less impairments, if any. We do not capitalize interest for inactive assets, and all ongoing costs of land ownership (i.e. property taxes, homeowner association dues, etc.) are expensed as incurred.

(3) Includes land held for sale of $7.1 million and $66.8 million as of September 30, 2023 and December 31, 2022, respectively.

Subject to sufficient qualifying assets, we capitalize our development period interest costs incurred to applicable qualifying assets in connection with our real estate development and construction activities. Capitalized interest is allocated to active real estate when incurred and charged to Cost of closings when the related property is delivered. A summary of our capitalized interest is as follows (in thousands):

		Three Months Ended September 30,				Nine Months Ended September 30,			
		2023		2022		2023		2022	
Capitalized interest, beginning of period	Capitalized interest, beginning of period	$	61,078	$	61,459	$	60,169	$	56,253
Capitalized interest, beginning of period									
Capitalized interest, beginning of period									
Interest incurred									
Interest incurred									
Interest incurred	Interest incurred		14,740		15,179		44,914		45,563
Interest expensed	Interest expensed		—		—		—		(41)
Interest expensed									
Interest expensed									
Interest amortized to cost of home and land closings									
Interest amortized to cost of home and land closings									
Interest amortized to cost of home and land closings	Interest amortized to cost of home and land closings		(17,342)		(14,548)		(46,607)		(39,685)
Capitalized interest, end of period	Capitalized interest, end of period	$	58,476	$	62,090	$	58,476	$	62,090
Capitalized interest, end of period									
Capitalized interest, end of period									

NOTE 3 — VARIABLE INTEREST ENTITIES AND CONSOLIDATED REAL ESTATE NOT OWNED

We enter into purchase and option agreements for land or lots as part of the normal course of business. These purchase and option agreements enable us to acquire properties at one or multiple future dates at pre-determined prices. We believe these acquisition structures allow us to better leverage our balance sheet and reduce our financial risk associated with land acquisitions. In accordance with ASC 810, *Consolidation*, we evaluate all purchase and option agreements for land to determine whether they are a variable interest entity ("VIE"), and if so, whether we are the primary beneficiary. Although we do not have legal title to the underlying land, if we are the primary beneficiary we are required to consolidate the VIE in our financial statements and reflect its assets and liabilities as Real estate not owned and Liabilities related to real estate not owned, respectively. As a result of our analyses, we We determined that as of September 30, 2023 March 31, 2024 and December 31, 2022, December 31, 2023 we were not the primary beneficiary of any VIEs from which we have acquired rights to land or lots under option contracts.

The table below presents a summary of our lots under option at September 30, 2023 March 31, 2024 (dollars in thousands):

	Projected Number of Lots	Purchase Price	Option/ Earnest Money Deposits– Cash
	Projected Number of Lots		
	Projected Number of Lots		
	Projected Number of Lots		
Purchase and option contracts recorded on balance sheet as Real estate not owned			

Purchase and option contracts recorded on balance sheet as Real estate not owned				
Purchase and option contracts recorded on balance sheet as Real estate not owned	Purchase and option contracts recorded on balance sheet as Real estate not owned	—	$ —	$ —
Option contracts — non-refundable deposits, committed (1)	Option contracts — non-refundable deposits, committed (1)	7,498	399,674	41,794
Option contracts — non-refundable deposits, committed (1)				
Option contracts — non-refundable deposits, committed (1)				
Purchase contracts — non-refundable deposits, committed (1)				
Purchase contracts — non-refundable deposits, committed (1)				
Purchase contracts — non-refundable deposits, committed (1)	Purchase contracts — non-refundable deposits, committed (1)	7,554	248,934	31,360
Purchase and option contracts — refundable deposits, committed	Purchase and option contracts — refundable deposits, committed	996	72,759	4,891
Purchase and option contracts —refundable deposits, committed				
Purchase and option contracts —refundable deposits, committed				
Total committed				
Total committed				
Total committed	Total committed	16,048	721,367	78,045
Purchase and option contracts — refundable deposits, uncommitted (2)	Purchase and option contracts — refundable deposits, uncommitted (2)	28,416	901,198	15,456

Purchase and option contracts — refundable deposits, uncommitted (2)					
Purchase and option contracts — refundable deposits, uncommitted (2)					
Total lots under contract or option					
Total lots under contract or option					
Total lots under contract or option	Total lots under contract or option	44,464	$1,622,565	$93,501	
Total purchase and option contracts not recorded on balance sheet (3)	Total purchase and option contracts not recorded on balance sheet (3)	44,464	$1,622,565	$93,501	(4)
Total purchase and option contracts not recorded on balance sheet (3)					
Total purchase and option contracts not recorded on balance sheet (3)		55,375	$ 2,556,156	$ 122,813	(4)

(1) Deposits are non-refundable except if certain contractual conditions are not performed by the selling party.

(2) Deposits are refundable at our sole discretion. We have not completed our acquisition evaluation process and we have not internally committed to purchase these lots.

(3) Except for our specific performance contracts recorded on the accompanying unaudited consolidated balance sheets as Real estate not owned (if any), none of our purchase or option contracts require us to purchase lots.

(4) Amount is reflected on the accompanying unaudited consolidated balance sheets in Deposits on real estate under option or contract as of September 30, 2023 March 31, 2024.

Generally, our options to purchase lots remain effective so long as we purchase a pre-established minimum number of lots on a pre-determined schedule in accordance with each respective agreement. Although the pre-established number is typically structured to approximate our expected rate of home construction starts, during a weakened homebuilding market, we may purchase lots at an absorption level that exceeds our expected orders and home starts pace to meet the pre-established minimum number of lots or restructure our original contract to terms that more accurately reflect our revised orders pace expectations. During a strong homebuilding market, we may accelerate our pre-established minimum purchases if allowed by the contract.

NOTE 4 - INVESTMENTS IN UNCONSOLIDATED ENTITIES

We may enter into joint ventures as a means of accessing larger parcels of land, expanding our market opportunities, managing our risk profile, optimizing deal structure for the impacted parties and leveraging our capital. While purchasing land through a joint venture can be beneficial, currently we do not view joint ventures as critical to the success of our homebuilding operations. Our joint venture partners generally are other homebuilders, land sellers or other real estate investors. We generally do not have a controlling interest in these ventures, which means our joint venture partners could cause the venture to take actions we disagree with or fail to take actions we believe should be undertaken, including the sale of the underlying property to repay debt or recoup all or part of the partners' investments. Based on the structure of these joint ventures, they may or may not be consolidated into our results. As of September 30, 2023 March 31, 2024, we had two active equity-method land joint ventures and one mortgage joint venture, which is engaged in mortgage activities and primarily provides mortgage services to our homebuyers.

Summarized condensed combined financial information related to unconsolidated joint ventures that are accounted for using the equity method was as follows (in thousands):

	As of			
	September 30, 2023	December 31, 2022		
	As of		As of	
	March 31, 2024		March 31, 2024	December 31, 2023
Assets:	**Assets:**			
Cash				

Cash					
Cash	Cash	$	3,855	$	3,389
Real estate	Real estate		24,743		17,965
Other assets	Other assets		5,971		11,653
Total assets	Total assets	$	34,569	$	33,007
Liabilities and equity:	**Liabilities and equity:**				
Accounts payable and other liabilities	Accounts payable and other liabilities	$	6,352	$	11,397
Accounts payable and other liabilities					
Accounts payable and other liabilities					
Equity of:	Equity of:				
Equity of:					
Equity of:					
Meritage (1)					
Meritage (1)					
Meritage (1)	Meritage (1)		14,157		10,356
Other	Other		14,060		11,254
Total liabilities and equity	Total liabilities and equity	$	34,569	$	33,007

		Three Months Ended September 30,				Nine Months Ended September 30,			
		2023		2022		2023		2022	
Revenue	Revenue	$	12,715	$	12,083	$	33,941	$	31,161
Revenue									
Revenue									
Costs and expenses	Costs and expenses		(9,937)		(9,535)		(27,387)		(25,743)
Net earnings of unconsolidated entities		$	2,778	$	2,548	$	6,554	$	5,418
Costs and expenses									
Costs and expenses									
Pre-tax earnings of unconsolidated entities									
Pre-tax earnings of unconsolidated entities									
Pre-tax earnings of unconsolidated entities									
Meritage's share of pre-tax earnings (1) (2)	Meritage's share of pre-tax earnings (1) (2)	$	1,770	$	1,558	$	4,652	$	3,750
Meritage's share of pre-tax earnings (1) (2)									
Meritage's share of pre-tax earnings (1) (2)									

(1) Balance represents Meritage's interest, as reflected in the financial records of the respective joint ventures. This balance may differ from the balance reported in the accompanying unaudited consolidated financial statements due to the following reconciling items: (i) timing differences for revenue and distributions recognition; recognition, (ii) step-up basis and corresponding amortization; amortization, (iii) capitalization of interest on qualified assets; assets, (iv) income deferrals as discussed in Note (2) below; below and (v) the cessation of allocation of losses from joint ventures in which we have previously written down our investment balance to zero and where we have no commitment to fund additional losses.

(2) Our share of pre-tax earnings/(loss) from our mortgage joint venture is recorded in Earnings/(loss) (Loss)/earnings from financial services unconsolidated entities and other, net on the accompanying unaudited consolidated income statements. Our share of pre-tax earnings/(loss) from all other joint ventures is recorded in Other income/(expense), income, net on the accompanying unaudited consolidated income statements and excludes joint venture profit related to lots we purchased from the joint ventures, if any. Such profit is deferred until homes are delivered by us and title passes to a homebuyer.

NOTE 5 — LOANS PAYABLE AND OTHER BORROWINGS

Loans payable and other borrowings consist of the following (in thousands):

	As of			
	September 30, 2023		December 31, 2022	
Other borrowings, real estate notes payable (1)	$	11,008	$	7,057

	As of	As of	
	March 31, 2024	March 31, 2024	December 31, 2023
Other borrowings, secured real estate notes payable (1)			

$835.0 million unsecured revolving credit facility	$835.0 million unsecured revolving credit facility		—		—
Total	Total	$	11,008	$	7,057

(1) Reflects balance of non-recourse notes payable in connection with land purchases.

The Company entered into an amended and restated unsecured revolving credit facility agreement ("Credit Facility") in 2014 that has been amended from time to time. In June 2023, the Credit Facility was amended to increase the facility size to $835.0

$835.0 million, extend the maturity date to June 2, 2028, amend the accordion feature to permit the facility to increase by up to fifty percent of the facility size, increase the letter of credit sublimit up to the maximum size of the facility, eliminate the liquidity and interest coverage covenant and adjust certain covenant basket amounts. The Credit Facility's aggregate commitment is $835.0 million with an accordion feature permitting the size of the facility to increase to a maximum of $1.3 billion, subject to certain conditions, including the availability of additional bank commitments. Borrowings under the Credit Facility bear interest at the Company's option, at either (1) term SOFR (based on 1, 3, or 6 month interest periods, as selected by the Company) plus a 10 basis point adjustment plus an applicable margin (ranging from 125 basis points to 175 basis points (the "applicable margin")) based on the Company's leverage ratio as determined in accordance with a pricing grid, (2) the higher of (i) the prime lending rate ("Prime"), (ii) an overnight bank rate plus 50 basis points and (iii) term SOFR (based on a 1 month interest period) plus a 10 basis point adjustment plus 1%, in each case plus a margin ranging from 25 basis points to 75 basis points based on the Company's leverage in accordance with a pricing grid, or (3) daily simple SOFR plus a 10 basis point adjustment plus the applicable margin. At September 30, 2023 March 31, 2024, the interest rate on outstanding borrowings under the Credit Facility would have been 6.670% 6.68% per annum, calculated in accordance with option (1) noted above and using the 1-month term SOFR. We are obligated to pay a fee on the undrawn portion of the Credit Facility at a rate determined by a tiered fee matrix based on our leverage ratio.

The Credit Facility also contains certain financial covenants, including (a) a minimum tangible net worth requirement of $2.8 billion (which amount is subject to increase over time based on subsequent earnings and proceeds from equity offerings), and (b) a maximum leverage covenant that prohibits the leverage ratio (as defined therein) from exceeding 60%. We were in compliance with all Credit Facility covenants as of September 30, 2023 March 31, 2024.

We had no outstanding borrowings under the Credit Facility as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. We had There were no borrowings or repayments under the Credit Facility during the three and nine months ended September 30, 2023, March 31, 2024 and $40.0 million in borrowings and repayments during the three and nine months ended September 30, 2022. 2023. As of September 30, 2023 March 31, 2024, we had outstanding letters of credit issued under the Credit Facility totaling $40.6 million $69.7 million, leaving $794.4 million $765.3 million available under the Credit Facility to be drawn.

NOTE 6 — SENIOR NOTES, NET

Senior notes, net consist of the following (in thousands):

		As of			
		September 30, 2023	December 31, 2022		
6.00% senior notes due 2025. At September 30, 2023 and December 31, 2022 there was approximately $1,169 and $1,977 in net unamortized premium, respectively.		251,169	401,977		
		As of			As of
		March 31, 2024		March 31, 2024	December 31, 2023
6.00% senior notes due 2025. At March 31, 2024 and December 31, 2023 there was approximately $818 and $994 in net unamortized premium, respectively.					
5.125% senior notes due 2027	5.125% senior notes due 2027	300,000	300,000		
3.875% senior notes due 2029	3.875% senior notes due 2029	450,000	450,000		
Net debt issuance costs	Net debt issuance costs	(6,757)	(8,387)		
Total	Total	$ 994,412	$ 1,143,590		

The indentures for all of our senior notes contain non-financial covenants including, among others, limitations on the amount of secured debt we may incur, and limitations on sale and leaseback transactions and mergers. We were in compliance with all such covenants as of September 30, 2023 March 31, 2024.

Obligations to pay principal and interest on the senior notes are guaranteed by substantially all of our wholly-owned subsidiaries (each a “Guarantor” and, collectively, the “Guarantor Subsidiaries”), each of which is directly or indirectly 100% owned by Meritage Homes Corporation. Such guarantees are full and unconditional, and joint and several. In the event of a sale or other disposition of all of the assets of any Guarantor, by way of merger, consolidation or otherwise, or a sale or other disposition of all of the equity interests of any Guarantor then held by Meritage and its subsidiaries, then that Guarantor may be released and relieved of any obligations under its note guarantee. There are no significant restrictions on our ability or the ability of any Guarantor to obtain funds from their respective subsidiaries, as applicable, by dividend or loan. We do not provide separate financial statements of the Guarantor Subsidiaries because Meritage (the parent company) has no independent assets or operations and the guarantees are full and unconditional and joint and several. Subsidiaries of Meritage Homes Corporation that are non-guarantor subsidiaries are, individually and in the aggregate, minor.

In September 2023, we partially redeemed $150.0 million of our 6.00% Senior Notes due 2025 (the "2025 Notes"), incurring $0.9 million in early debt extinguishment charges in the three and nine months ended September 30, 2023, reflected as Loss on early extinguishment of debt in the accompanying unaudited consolidated income statements. After the partial redemption, the 2025 Notes have $250.0 million in remaining principal outstanding.

NOTE 7 — FAIR VALUE DISCLOSURES

ASC 820-10, *Fair Value Measurement* ("ASC 820"), defines fair value, establishes a framework for measuring fair value and addresses required disclosures about fair value measurements. This standard establishes a three-level hierarchy for fair value measurements based upon the significant inputs used to determine fair value. Observable inputs are those which are obtained from market participants external to the Company while unobservable inputs are generally developed internally, utilizing management's estimates, assumptions and specific knowledge of the assets/liabilities and related markets. The three levels are defined as follows:

- Level 1 — Valuation is based on quoted prices in active markets for identical assets and liabilities.

- Level 2 — Valuation is determined from quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active, or by model-based techniques in which all significant inputs are observable in the market.
- Level 3 — Valuation is derived from model-based techniques in which at least one significant input is unobservable and based on the company's Company's own estimates about the assumptions that market participants would use to value the asset or liability.

If the only observable inputs are from inactive markets or for transactions which the Company evaluates as "distressed", the use of Level 1 inputs should be modified by the Company to properly address these factors, or the reliance of such inputs may be limited, with a greater weight attributed to Level 3 inputs.

Financial Instruments: The fair value of our fixed-rate debt is derived from quoted market prices by independent dealers (Level 2 inputs as per the discussion above) and is as follows (in thousands):

		As of							
		As of						As of	
		September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
		Aggregate Principal	Estimated Fair Value	Aggregate Principal	Estimated Fair Value	Aggregate Principal	Estimated Fair Value	Aggregate Principal	Estimated Fair Value
6.00% senior notes due 2025	6.00% senior notes due 2025	$ 250,000	$ 245,625	$ 400,000	$ 397,520				
5.125% senior notes due 2027	5.125% senior notes due 2027	$ 300,000	$ 283,140	$ 300,000	$ 283,500				
3.875% senior notes due 2029	3.875% senior notes due 2029	$ 450,000	$ 387,090	$ 450,000	$ 380,610				

Due to the short-term nature of other Other financial assets and liabilities, including our Loans payable and other borrowings, are generally shorter term in nature and the longer term balances are not material to our consolidated balance sheet. Therefore, we consider the carrying amounts of our other short-term financial instruments assets and liabilities to approximate fair value.

Non-Financial Instruments: Our Real estate assets are Level 3 instruments that are required to be recorded at fair value on non-recurring basis when events and circumstances indicate that the carrying value may not be recoverable. Refer to Note 1 for information regarding the valuation of these assets.

NOTE 8 — EARNINGS PER SHARE

Basic and diluted earnings per common share were calculated as follows (in thousands, except per share amounts):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
Basic weighted average number of shares outstanding	Basic weighted average number of shares outstanding	36,603	36,569	36,677	36,736
Basic weighted average number of shares outstanding					
Basic weighted average number of shares outstanding					
Effect of dilutive securities:					
Effect of dilutive securities:					
Effect of dilutive securities:	Effect of dilutive securities:				

Unvested restricted stock	Unvested restricted stock	475	377	432	400
Unvested restricted stock					
Unvested restricted stock					
Diluted average shares outstanding	Diluted average shares outstanding	37,078	36,946	37,109	37,136
Diluted average shares outstanding					
Diluted average shares outstanding					
Net earnings					
Net earnings					
Net earnings	Net earnings	$ 221,760	$ 262,489	$ 539,897	$ 729,827
Basic earnings per share	Basic earnings per share	$ 6.06	$ 7.18	$ 14.72	$ 19.87
Basic earnings per share					
Basic earnings per share					
Diluted earnings per share					
Diluted earnings per share					
Diluted earnings per share	Diluted earnings per share	$ 5.98	$ 7.10	$ 14.55	$ 19.65

NOTE 9 — ACQUISITIONS AND GOODWILL

Goodwill. In prior years, we have entered new markets through the acquisition of the homebuilding assets and operations of local/regional homebuilders in Georgia, South Carolina and Tennessee. As a result of these transactions, we recorded approximately $33.0 million of goodwill. Goodwill represents the excess purchase price of our acquisitions over the fair value of the net assets acquired. Our acquisitions were recorded in accordance with ASC 805, *Business Combinations*, and ASC 820, using the acquisition method of accounting. The purchase price for acquisitions was allocated based on estimated fair value of the assets and liabilities at the date of the acquisition. The combined excess purchase price of our acquisitions over the fair value of the net assets is classified as goodwill and is included in on our unaudited consolidated balance sheets in Prepaids, other assets and goodwill. In accordance with ASC 350, we assess the recoverability of goodwill annually, or more frequently, if impairment indicators are present.

A summary of the carrying amount of goodwill follows (in thousands):

	West	Central	East	Financial Services	Corporate	Total
Balance at December 31, 2022	$ —	$ —	$ 32,962	$ —	$ —	$ 32,962
Additions	—	—	—	—	—	—
Balance at September 30, 2023	$ —	$ —	$ 32,962	$ —	$ —	$ 32,962

	West	Central	East	Financial Services	Corporate	Total
Balance at December 31, 2023	$ —	$ —	$ 32,962	$ —	$ —	$ 32,962
Additions	—	—	—	—	—	—
Balance at March 31, 2024	$ —	$ —	$ 32,962	$ —	$ —	$ 32,962

NOTE 10 — STOCKHOLDERS' EQUITY

A summary of changes in stockholders' equity is presented below (in thousands):

	Three Months Ended March 31, 2024				
	Number of Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Total

Balance at December 31, 2023
Net earnings
Stock-based compensation expense
Issuance of stock
Dividends declared
Repurchase of shares
Balance at March 31, 2024

	Nine Months Ended September 30, 2023				
	(In thousands)				
	Number of Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance at December 31, 2022	36,571	$ 366	$327,878	$3,621,367	$3,949,611
Net earnings	—	—	—	131,301	131,301
Stock-based compensation expense	—	—	6,225	—	6,225
Issuance of stock	287	3	(3)	—	—
Dividends declared	—	—	—	(9,927)	(9,927)
Share repurchases	(93)	(1)	(9,999)	—	(10,000)
Balance at March 31, 2023	36,765	$ 368	$324,101	$3,742,741	$4,067,210
Net earnings	—	—	—	186,836	186,836
Stock-based compensation expense	—	—	4,176	—	4,176
Dividends declared	—	—	—	(9,927)	(9,927)
Balance at June 30, 2023	36,765	$ 368	$328,277	$3,919,650	$4,248,295
Net earnings	—	—	—	221,760	221,760
Stock-based compensation expense	—	—	6,156	—	6,156
Dividends declared	—	—	—	(9,841)	(9,841)
Issuance of stock	4	—	—	—	—
Share repurchases	(319)	(4)	(45,324)	—	(45,328)

Balance at September 30, 2023	36,450	$ 364	$289,109	$4,131,569	$4,421,042

	Three Months Ended March 31, 2023				
	Number of Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance at December 31, 2022					
Net earnings					
Stock-based compensation expense					
Issuance of stock					
Dividends declared					
Repurchase of shares					
Balance at March 31, 2023					

	Nine Months Ended September 30, 2022 (In thousands)				
	Number of Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
Balance at December 31, 2021	37,341	$ 373	$414,841	$2,629,175	$3,044,389
Net earnings	—	—	—	217,254	217,254
Stock-based compensation expense	—	—	5,975	—	5,975
Issuance of stock	392	4	(4)	—	—
Share repurchases	(1,038)	(10)	(99,293)	—	(99,303)
Balance at March 31, 2022	36,695	$ 367	$321,519	$2,846,429	$3,168,315
Net earnings	—	—	—	250,084	250,084
Stock-based compensation expense	—	—	4,070	—	4,070
Share repurchases	(128)	(1)	(9,999)	—	(10,000)
Balance at June 30, 2022	36,567	$ 366	$315,590	$3,096,513	$3,412,469
Net earnings	—	—	—	262,489	262,489
Stock-based compensation expense	—	—	6,852	—	6,852

Issuance of stock	4	—	—	—	—
Balance at September 30, 2022	36,571	$ 366	$322,442	$3,359,002	$3,681,810

During the three months ended September 30, 2023, March 31, 2024 and 2023, our Board of Directors approved, and we paid, a quarterly cash dividend on common stock of $0.75 and $0.27 per share. Quarterly dividends declared and paid during the nine months ended September 30, 2023 totaled $0.81 per share. There were no such transactions in the three and nine months ended September 30, 2022. The Inflation Reduction Act of 2022 ("IRA"), which was enacted into law on August 16, 2022, imposed a nondeductible 1% excise tax on the net value of certain stock repurchases made after December 31, 2022. share, respectively. During the three and nine months ended September 30, 2023, March 31, 2024 and 2023, we reflected the applicable excise tax on share repurchases in Additional paid-in capital as part of the cost basis of the stock repurchased and recorded a corresponding liability for the excise taxes payable in Accrued liabilities on the accompanying unaudited consolidated balance sheets.

NOTE 11 — STOCK BASED AND DEFERRED COMPENSATION

We have a stock compensation plan, the Meritage Homes Corporation 2018 Stock Incentive Plan (the “2018 Plan"), that was approved by our Board of Directors and our stockholders and adopted in May 2018. In May 2023, the Board of Directors and stockholders approved an amendment to the 2018 Plan to increase the number of shares available for issuance by 800,000. The 2018 Plan is administered by our Board of Directors and allows for the grant of stock appreciation rights, restricted stock awards, restricted stock units, performance share awards and performance-based awards in addition to non-qualified and incentive stock options. All available shares from expired, terminated, or forfeited awards that remained under prior plans were merged into and became available for grant under the 2018 Plan. The 2018 Plan authorizes awards to officers, key employees, non-employee directors and consultants. The 2018 Plan authorizes 7,400,000 shares of stock to be awarded, of which 1,340,233 1,146,248 shares remain available for grant at September 30, 2023 March 31, 2024. We believe that such awards provide a means of long-term compensation to attract and retain qualified employees and better align the interests of our employees with those of our stockholders. Non-vested stock awards are usually granted with a five-year ratable vesting period for employees, a three-year cliff vesting for both restricted stock and performance-based awards granted to senior executive officers and either a three-year cliff vesting or one-year vesting for non-employee directors, dependent on their start date.

Compensation cost related to time-based restricted stock awards is measured as of the closing price on the date of grant and is expensed, less forfeitures, on a straight-line basis over the vesting period of the award. Compensation cost related to performance-based restricted stock awards is also measured as of the closing price on the date of grant but is expensed in accordance with ASC 718-10-25-20, *Compensation – Stock Compensation* ("ASC 718"), which requires an assessment of probability of attainment of the performance target. As our performance targets are dependent on performance over a specified measurement period, once we determine that the performance target outcome is probable, the cumulative expense is recorded immediately with the remaining expense recorded on a straight-line basis through the end of the award vesting period. A portion of the performance-based restricted stock awards granted to our executive officers contain market conditions as defined by ASC 718. ASC 718 requires that compensation expense for stock awards with market conditions be expensed based on a

derived grant date fair value and expensed over the service period. We engage a third party to perform a valuation analysis on the awards containing market conditions and our associated expense with those awards is based on the derived fair value from that analysis and is expensed straight-line over the service period of the awards. Below is a summary of stock-based compensation expense and stock award activity (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock-based compensation expense	$ 6,156	$ 6,852	$ 16,557	$ 16,897
Non-vested shares granted	4,151	13,478	184,563	278,340
Performance-based non-vested shares granted	—	3,322	42,964	43,326
Performance-based shares issued in excess of target shares granted (1)	—	—	26,167	37,146
Restricted stock awards vested (includes performance-based awards)	4,355	4,418	291,526	396,578

	Three Months Ended March 31,	
	2024	2023
Stock-based compensation expense	$ 6,114	$ 6,225
Non-vested shares granted	140,665	178,312
Performance-based non-vested shares granted	37,698	42,964
Performance-based shares issued in excess of target shares granted (1)	15,978	26,167
Restricted stock awards vested (includes performance-based awards)	240,418	287,171

(1) Performance-based shares that vested and were issued as a result of performance achievement exceeding the originally established targeted number of shares related to respective performance metrics.

The following table includes additional information regarding our stock compensation plan (dollars in thousands):

As of		As of

		September 30, 2023	December 31, 2022		March 31, 2024	December 31, 2023
Unrecognized stock-based compensation cost	Unrecognized stock-based compensation cost	$ 32,844	$ 29,187			
Weighted average years expense recognition period	Weighted average years expense recognition period	1.97	1.98	Weighted average years expense recognition period	2.25	1.94
Total equity awards outstanding (1)	Total equity awards outstanding (1)	703,415	803,769			

(1) Includes unvested restricted stock awards, restricted stock units and performance-based awards (assuming 100% / target payout).

We also offer a non-qualified deferred compensation plan ("deferred compensation plan") to highly compensated employees in order to allow them additional pre-tax income deferrals above and beyond the limits that qualified plans, such as 401(k) plans, impose on highly compensated employees. We do not currently offer a contribution match on the deferred compensation plan. All contributions to the plan to date have been funded by the employees and, therefore, we have no associated expense related to the deferred compensation plan for the three and nine months ended September 30, 2023 March 31, 2024 or 2022, 2023, other than minor administrative costs.

NOTE 12 — INCOME TAXES

Components of the provision for income tax provision taxes are as follows (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Federal	Federal	$ 52,845	$ 54,114	$ 121,116	$ 177,577
Federal					
Federal					
State					
State					
State	State	11,129	12,888	29,548	39,665
Total	Total	$ 63,974	$ 67,002	$ 150,664	$ 217,242
Total					
Total					

The effective tax rate for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was 22.4% 20.5% and 21.8%, and for the three and nine months ended September 30, 2022 was 20.3% and 22.9% 20.6%, respectively. The higher lower tax rate for the three months ended September 30, 2023 compared to March 31, 2024 reflects the 2022 period is due to the retroactive extension of the increased §45L energy-efficient homes federal tax credit on qualifying homes under the Internal Revenue Code ("IRC") enacted in the IRA Inflation Reduction Act ("IRA") in third quarter of 2022, which includes a nine-month catch up in the third quarter of August 2022. The lower effective tax rate for the nine months ended September 30, 2023 compared to the 2022 period reflects the increased per-home energy-efficiency credit amount starting in 2023.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, we have no unrecognized tax benefits. We believe our current income tax filing positions and deductions will be sustained on audit and do not anticipate any adjustments that will result in a material change. Our policy is to accrue interest and penalties on unrecognized tax benefits and include them in the provision for income taxes.

We determine our deferred tax assets and liabilities in accordance with ASC 740, *Income Taxes*. We evaluate our deferred tax assets, including the benefit from net operating losses ("NOLs"), by jurisdiction to determine if a valuation allowance is required. This evaluation considers, among other matters, the nature, frequency and severity of cumulative losses, forecasts of future profitability, the length of statutory carry forward periods, experiences with operating losses and experiences of utilizing tax credit carry forwards and tax planning alternatives. We have no NOLs or credit carryovers, and determined that no valuation allowance on our deferred tax assets is necessary at September 30, 2023 March 31, 2024.

At September 30, 2023 March 31, 2024, we have $16.1 $58.9 million in income taxes payable and no income taxes receivable. The income taxes payable primarily consists of current federal and state tax accruals, net of current energy tax credits and estimated tax payments and is recorded in Accrued liabilities on the accompanying unaudited consolidated balance sheets at September 30, 2023 March 31, 2024. We conduct business and are subject to tax in the U.S. both federally and in several states. With few exceptions, we are no longer subject to U.S. federal, state, or local income tax examinations by taxing authorities for years prior to 2018. 2019. We have one no state income tax examination covering various years pending resolution examinations being conducted at this time.

NOTE 13 — SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The following table presents certain supplemental cash flow information (in thousands):

			Nine Months Ended September 30,				
			2023		2022		
		Three Months Ended March 31,				Three Months Ended March 31,	
		2024				2024	2023
Cash paid during the year for:	Cash paid during the year for:						
Interest, net of interest capitalized							
Interest, net of interest capitalized							
Interest, net of interest capitalized	Interest, net of interest capitalized	$	(12,900)	$	(16,119)		
Income taxes paid	Income taxes paid	$	145,020	$	242,994		
Non-cash operating activities:	Non-cash operating activities:						
Real estate acquired through notes payable	Real estate acquired through notes payable	$	6,567	$	9,861		
ROU assets obtained in exchange for new operating lease obligations		$	36,266	$	4,011		
Real estate acquired through notes payable							
Real estate acquired through notes payable							

NOTE 14 — OPERATING AND REPORTING SEGMENTS

We operate with two principal business segments: homebuilding and financial services. As defined in ASC 280-10, *Segment Reporting*, we have ten homebuilding operating segments. The homebuilding segments are engaged in the business of acquiring and developing land, constructing homes, marketing and selling those homes and providing warranty and customer services. We aggregate our homebuilding operating segments into reporting segments based on similar long-term economic

characteristics and geographical proximity. Our three reportable homebuilding segments are as follows:

West:	Arizona, California, Colorado and Utah
Central:	Texas
East:	Florida, Georgia, North Carolina, South Carolina and Tennessee

Management's evaluation of segment performance is based on homebuilding segment operating income, which we define as home and land closing revenue less cost of home and land closings, including land development and other land sales costs, commissions and other sales costs, and other general and administrative costs incurred by or allocated to each segment, including impairments. Each reportable segment follows the same accounting policies described in Note 1, "Organization and Basis of Presentation." Operating results for each segment may not be indicative of the results for such segment had it been an independent, stand-alone entity for the periods presented.

The following segment information is in thousands:

	Three Months Ended September 30,	Nine Months Ended September 30,

		2023	2022	2023	2022
Homebuilding revenue (1):	Homebuilding revenue (1):				
Homebuilding revenue (1):					
Homebuilding revenue (1):					
West					
West					
West	West	$ 606,833	$ 598,147	$ 1,569,947	$ 1,580,456
Central	Central	454,228	500,582	1,338,387	1,280,242
Central					
Central					
East					
East					
East	East	552,039	479,292	1,551,474	1,416,638
Consolidated total	Consolidated total	$ 1,613,100	$ 1,578,021	$ 4,459,808	$ 4,277,336
Consolidated total					
Consolidated total					
Homebuilding segment operating income:					
Homebuilding segment operating income:					
Homebuilding segment operating income:	Homebuilding segment operating income:				
West	West	$ 94,885	$ 121,060	$ 185,977	$ 357,319
West					
West					
Central					
Central					
Central	Central	84,575	112,141	233,357	287,604
East	East	109,318	104,872	273,711	317,815
East					
East					
Total homebuilding segment operating income	Total homebuilding segment operating income	288,778	338,073	693,045	962,738
Financial services segment profit		5,700	4,842	6,066	12,255
Total homebuilding segment operating income					
Total homebuilding segment operating income					
Financial services segment (loss)/profit					
Financial services segment (loss)/profit					
Financial services segment (loss)/profit					
Corporate and unallocated costs (2)					
Corporate and unallocated costs (2)					
Corporate and unallocated costs (2)	Corporate and unallocated costs (2)	(21,168)	(13,350)	(42,680)	(27,034)
Interest expense	Interest expense	—	—	—	(41)
Other income/(expense), net		13,331	(74)	35,037	(849)
Loss on early extinguishment of debt		(907)	—	(907)	—
Interest expense					
Interest expense					
Other income, net					
Other income, net					
Other income, net					
Earnings before income taxes	Earnings before income taxes	$ 285,734	$ 329,491	$ 690,561	$ 947,069

Earnings before income taxes

Earnings before income taxes

(1) Homebuilding revenue includes the following land closing revenue, by segment:

Three Months Ended March 31,

Three Months Ended March 31,
Three Months Ended March 31,

2024

2024
2024

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Land closing revenue:				
West	$ —	$ 8,120	$ 26,575	$ 40,927
Central	1,541	869	4,019	10,374
East	1,242	—	13,953	2,600
Total	$ 2,783	$ 8,989	$ 44,547	$ 53,901

(2) Balance consists primarily of corporate costs and shared service functions such as finance and treasury that are not allocated to the homebuilding or financial services reporting segments.

	At September 30, 2023					
	West	Central	East	Financial Services	Corporate and Unallocated	Total
Deposits on real estate under option or contract	$ 17,655	$ 12,853	$ 62,993	$ —	$ —	$ 93,501
Real estate	1,664,257	1,231,251	1,605,850	—	—	4,501,358
Investments in unconsolidated entities	73	2,833	11,278	—	878	15,062
Other assets	62,498 (1)	259,753 (2)	104,404 (3)	1,320	1,143,974 (4)	1,571,949
Total assets	$1,744,483	$1,506,690	$1,784,525	$1,320	$1,144,852	$6,181,870

At March 31, 2024					
West	Central	East	Financial Services	Corporate and Unallocated	Total

(1) Balance consists primarily of cash and cash equivalents, prepaids and other receivables assets and property and equipment, net.

(2) Balance consists primarily of cash and cash equivalents, development reimbursements from local municipalities and prepaids and other assets.

(3) Balance consists primarily of cash and cash equivalents, goodwill (see Note 9), prepaids and other assets and property and equipment, net.

(4) Balance consists primarily of cash and cash equivalents, deferred tax assets, net and prepaids and other assets.

At December 31, 2022	At December 31, 2023

		West	Central	East	Financial Services	Corporate and Unallocated	Total	West	Central	East	Financial Services	Corporate and Unallocated	Total
Deposits on real estate under option or contract	Deposits on real estate under option or contract	$ 21,599	$ 8,992	$ 46,138	$ —	$ —	$ 76,729						
Real estate	Real estate	1,775,879	1,298,455	1,283,929	—	—	4,358,263						
Investments in unconsolidated entities	Investments in unconsolidated entities	110	2,866	7,503	—	1,274	11,753						
Other assets	Other assets	99,267 (1)	241,470 (2)	132,181 (3)	1,536	850,902 (4)	1,325,356						
Total assets	Total assets	$1,896,855	$1,551,783	$1,469,751	$1,536	$852,176	$5,772,101						

(1) Balance consists primarily of cash and cash equivalents, development reimbursements receivables from local municipalities title companies or closing agents and property and equipment, net.

(2) Balance consists primarily of cash and cash equivalents, development reimbursements from local municipalities and prepaids and other assets.

(3) Balance consists primarily of cash and cash equivalents, goodwill (see Note 9), prepaids and other assets and property and equipment, net.

(4) Balance consists primarily of cash and cash equivalents, deferred tax assets, net and prepaids and other assets.

NOTE 15 — COMMITMENTS AND CONTINGENCIES

We are involved in various routine legal and regulatory proceedings, including, without limitation, claims and litigation alleging construction defects. In general, the proceedings are incidental to our business, and most exposure is subject to and should be covered by warranty and indemnity obligations of our consultants and subcontractors. Additionally, some such claims are also covered by insurance. With respect to the majority of pending litigation matters, our ultimate legal and financial responsibility, if any, cannot be estimated with certainty and, in most cases, any potential material losses related to these matters are not considered probable. Historically, most disputes regarding warranty claims are resolved prior to litigation. We believe there are no pending legal or warranty matters as of September 30, 2023 March 31, 2024 that could have a material adverse impact upon our consolidated financial condition, results of operations or cash flows that have not been sufficiently reserved.

As discussed in Note 1 under the heading “Warranty Reserves”, we have case specific reserves within our $39.1 million$36.4 million of total warranty reserves related to alleged stucco defects in certain homes we constructed predominantly between 2006 and 2017 and HVAC condensation issues in limited geographies for homes constructed and delivered in 2021 and the first half of 2022. Our review and management of these matters is ongoing and our estimate of and reserves for resolving them is based on internal data, historical experience, our judgment and various assumptions and estimates. Due to the degree of judgment and the potential for variability in our underlying assumptions and data, as we obtain additional information, we may revise our estimate and thus our related reserves. As of September 30, 2023 March 31, 2024, after considering potential recoveries from the consultants and contractors involved and their insurers and the potential recovery under our general liability insurance policies, we believe our reserves are sufficient to cover the above mentioned matter. See Note 1 for information related to our warranty obligations.

Special Note of Caution Regarding Forward-Looking Statements Statement

In passing the Private Securities Litigation Reform Act of 1995 (“PSLRA”), Congress encouraged public companies to make “forward-looking statements” by creating a safe-harbor to protect companies from securities law liability in connection with forward-looking statements. We intend to qualify both our written and oral forward-looking statements for protection under the PSLRA.

The words “believe,” “expect,” “anticipate,” “forecast,” “plan,” “intend,” “may,” “will,” “should,” “could,” “estimate,” "target," and “project” and similar expressions identify forward-looking statements, which speak only as of the date the statement was made. All statements we make other than statements of historical fact are forward-looking statements within the meaning of that term in Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act"). Forward-looking statements in this Annual Report include statements concerning our belief that we have ample liquidity; our goals, strategies and strategic initiatives including our all-spec strategy and the anticipated benefits relating thereto; our intentions and the expected benefits and advantages of our product and land positioning strategies, including with respect to our focus on the first-time and first move-up home buyer and housing demand for affordable homes; the benefits of and our intentions to use options to acquire land; our positions and our expected outcome relating to litigation and regulatory proceedings in general; our intentions to pay quarterly dividends; the sustainability of our tax positions; that we may repurchase our debt and equity securities; our non-use of derivative financial instruments; expectations regarding our industry and our business for the remainder of 2023 2024 and beyond; the demand for and the pricing of our homes; our land and lot acquisition strategy (including that we will redeploy cash to acquire well-positioned finished lots and that we may participate in joint ventures or opportunities outside of our existing markets if opportunities arise and the benefits relating thereto); that we may expand into new markets; the availability of labor and materials for our operations; that we may seek additional debt or equity capital; our expectation that existing guarantees, letters of credit and performance and surety bonds will not be drawn on; the sufficiency of our insurance coverage and legal and warranty reserves; the outcome of pending litigation; the sources and sufficiency of our capital resources to support our business strategy; the sufficiency of our land pipeline; the impact of new accounting standards and changes in accounting estimates; trends and expectations concerning future demand for homes, home construction cycle times, sales prices, sales orders, cancellations, construction and materials costs and availability, general and administrative costs, gross margins, land costs, inflation, community counts and profitability and future home supply and inventories; our future cash needs and sources, and the impact of seasonality.

Important factors that could cause actual results to differ materially from those in forward-looking statements, and that could negatively affect our business include, but are not limited to, the following: increases in mortgage interest rates or decreases in mortgage availability, and the availability cost and pricing use of residential mortgages; rate locks and buy-downs; inflation in the cost of materials used to develop communities and construct homes; cancellation rates; supply chain and labor constraints; the ability of our potential buyers to sell their existing homes; our ability to acquire and develop lots may be negatively impacted if we are unable to obtain performance and surety bonds; the adverse effect of slow absorption rates; legislation related to tariffs; impairments of our real estate inventory; competition; home warranty and construction defect claims; failures in health and safety performance; fluctuations in quarterly operating results; our level of indebtedness; our ability to obtain financing if our credit ratings are downgraded; our potential exposure to and impacts from natural disasters or severe weather conditions; the availability and cost of finished lots and undeveloped land; the success of our strategy to offer and market entry-level and first move-up homes; a change to the feasibility of projects under option or contract that could result in the write-down or write-off of earnest money or option deposits; our limited geographic diversification; shortages in the availability and cost of subcontract labor; the replication of our energy-efficient technologies by our competitors; shortages in the availability and cost of subcontract labor; our exposure to information technology failures and security breaches and the impact thereof; the loss of key personnel; changes in tax laws that adversely impact us or our homebuyers; our inability to prevail on contested tax positions; failure of our employees and representatives to comply with laws and regulations; our compliance with government regulations; liabilities or restrictions resulting from regulations related applicable to our financial services operations; negative publicity that affects our reputation; potential disruptions to our business by an epidemic or pandemic, (such as COVID-19), and measures that federal, state and local governments and/or health authorities implement to address it; and other factors identified in documents filed by the Company with the Securities and Exchange Commission, including those set forth in our Form 10-K for the year ended December 31, 2022 December 31, 2023 under the caption "Risk Factors."

Forward-looking statements express expectations of future events. All forward-looking statements are inherently uncertain, as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties that could cause actual events or results to differ materially from those projected. Due to these inherent uncertainties, the investment community is urged not to place undue reliance on forward-looking statements. In addition, we disclaim and undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to projections over time, except as required by law.

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

Overview and Outlook

Demand for new homes was strong in the third first quarter of 2023 held steady with that experienced in first half of 2024, as the year, despite the persistence of elevated interest rates Millennial, Gen Z and high inflation. This environment has homebuyers looking for assistance with monthly mortgage affordability, requiring greater use of financing incentives, including interest rate locks and buy-downs. Millennial and baby boomer move-down Baby Boomer generations are seeking affordable, experiencing life events that necessitate a dwelling change while there continues to be a shortage of existing housing supply. Our spec building strategy and streamlined operations provide us with appropriate levels of available inventory to capitalize on this strong housing demand by providing a quick move-in ready homes that meet their changing lifestyle needs, which has created elevated demand opportunity, the most desirable characteristic for new inventory, as existing homeowners our potential customers. Combined with lower mortgage rates are not listing their homes, resulting financing and other incentives offered in a short supply of total inventory. We believe our all-spec strategy with a commitment to affordability, will meet we believe our homes provide an attractive opportunity for homeownership.

We believe that the persisting demographic demand, providing us with ample opportunity to capture and grow our market share.

While we have experienced some limited relief in material costs, primarily due to the retraction in lumber commodities, most other home costs have held relatively steady at their elevated levels. Our cost savings year over year were primarily generated by improvements in our construction cycle time. During the third quarter of 2023, we further reduced our construction cycle time by over two weeks as supply chain and labor constraints have continuously lessened throughout the year. We continue to rebid all execution of our construction inputs and expect costs to begin to trend down to historical levels as the economy resets into stabilizing inflation rates. Higher land development costs have also begun to impact margins for newer communities strategy has, and will continue to, do so drive strong performance of the key financial measures of home closing volume, home closing gross margin, selling, general and administrative cost control, balance sheet management and long-term community count growth. Supply chain disruptions that impacted production costs and cycle times in the near-to-mid term. homebuilding industry as a whole over the last several years began to ease in 2023, and while both are still elevated, we have experienced significant year-over-year improvements in the first quarter of 2024 as compared to 2023.

Summary Company Results

We achieved record third quarter home Home closing revenue and units volume of 3,638 homes valued at $1.6 billion $1.5 billion on 3,507 home closings in the third quarter of 2023, improving 4.3% and 2.6%, respectively, year over year. three months ended March 31, 2024 was up from $1.3 billion on 2,897 homes in the three months ended March 31, 2023. The 16.2% increase in home closing revenue year-over-year was driven by the 21.1% higher volume, as the offset by average sales price ("ASP") on closings decreased 1.6% which was down 4.0% due to higher incentives. Third quarter home product mix shift. Home closing gross margin of 26.7% in the three months ended March 31, 2024 improved 340 basis points to 25.8%, for home closing gross profit of $429.6 million $378.0 million compared to 28.7% home closing gross margin and $450.6 million profit of 22.4% and $282.5 million, respectively, in the third quarter of 2022. three months ended March 31, 2023. The 200 basis point margin deterioration improvement is due primarily to increased lower direct costs and shorter construction cycle times, reduced utilization of interest rate lock incentives and leverage of higher land development home closing revenue on overhead costs, while direct costs held relatively steady. which were partially offset by higher lot costs. Financial services loss of $0.7 million in the three months ended March 31, 2024, as compared to profit of $2.9 million in 2023, reflects $5.8 million of charges taken for unused prepaid interest rate forward commitments that expired during the period, compared to $1.9 million of similar charges in the three months ended March 31, 2023. Commissions and other sales costs of $99.1 million $101.6 million increased $18.7 million due to higher commissions resulting from higher home closing revenue combined with higher commission rates paid to external brokers. General and administrative expenses of $50.7 million in the three months ended September 30, 2023 March 31, 2024 increased $21.2 million due to the combined effect of higher home closing volume and increased commissions offered in response to the current sales environment. General and administrative expenses of $63.1 million were 3.9% of home closing revenue for the three months ended September 30, 2023, compared to $48.4 million, or 3.1% of home closing revenue, for the same period in 2022. The increase in General and administrative expenses is $3.2 million due to higher compensation, inclusive of newer market operations headcount and competitive market adjustments. Other income, net of $13.3 million operating lease costs for new office spaces, as well as increased from a net other expense of $0.1 million investment in the prior year primarily due to higher interest rates earned on a larger cash balance. In September 2023 we partially redeemed $150.0 million of our 2025 Notes, resulting in charges of $0.9 million reflected in Loss on early extinguishment of debt, with no similar charges in 2022. technology. Earnings before income taxes for the third quarter three months ended March 31, 2024 of 2023 of $285.7 million decreased $43.8 million $234.0

million increased $68.7 million year over year from $329.5 million $165.3 million in 2022. 2023. The effective income tax rate for was 20.5% in the third quarter of 2023 was 22.4% three months ended March 31, 2024, compared to 20.3% consistent with 20.6% in 2022. The 2022 effective tax rate reflects 2023. Both periods reflect the catch-up of benefit from earned eligible energy tax credits for energy efficient on qualifying homes closed in under the first nine months of 2022 for the extension of the §45L energy-efficient homes federal tax credit enacted by the IRA in third quarter of 2022. Inflation Reduction Act ("IRA"). The decrease increase in year-over-year profitability and a higher tax rate, resulted in net earnings of $221.8 million $186.0 million in the third quarter of 2023 three months ended March 31, 2024 versus $262.5 million $131.3 million in the third quarter of 2022. three months ended March 31, 2023.

For We had our highest quarterly home orders in Company history of 3,991 in the nine three months ended September 30, 2023 March 31, 2024, home closing volume of 10,025 units increased 4.8% from 2022, leading to a 4.5% increase in home closing revenue to $4.4 billion. Home closing gross margin of 24.7% decreased 540 basis points, resulting in a $184.0 million decrease in home closing gross profit. Lower gross margin and profitability, partially offset by a lower effective tax rate of 21.8%, led to net income of $539.9 million for the nine months ended September 30, 2023, compared to $729.8 million for the 2022 period.

Home orders of 3,474 for the quarter ended September 30, 2023 were 50.4% 14.5% higher than the third quarter of 2022, as market conditions stabilized over the last twelve months, increasing consumer confidence and buyer demand, and our cancellation rate same period in the third quarter of 2023 of 11% improved significantly from the elevated 30% in the third quarter of 2022. Our despite a relatively flat average active community count, decrease of 2.6% for the third quarter of 2023 was overshadowed by as strong demand led to a 51.9% 16.7% increase in orders pace to 4.1 4.9 per month compared to 2.7 4.2 per month in 2023. Our cancellation rate of 8% improved significantly from 15% in the 2022 third quarter. three months ended March 31, 2023 and is well below our historical average, indicating strong buyer sentiment and a faster order-to-close timeline. Home order value increased 53.5% 8.2% year-over-year, to $1.5 billion during $1.6 billion in the three months ended September 30, 2023 March 31, 2024, versus $1.0 billion $1.5 billion in the same period of 2022, 2023, due to the higher order volume and which was offset by a 2.1% increase 5.4% decrease in ASP on orders. The higher ASP on orders year over year is due to geographic mix, with a greater proportion of orders in higher ASP markets in the third quarter of 2023 as compared to 2022.

For the nine months ended September 30, 2023, home orders increased 3.5% and home order value decreased 1.6% over the prior year, with a cancellation rate of 13% compared to 16% for the prior year period. We ended the third first quarter of 2023 2024 with 3,608 3,033 homes in backlog valued at $1.6 billion $1.2 billion, decreases of 40.5% down 22.7% and 44.9% 29.5%, respectively, from September 30, 2022 March 31, 2023. The decrease in backlog units is due to a 96.4% higher a backlog conversion rate during in the third first quarter of 2024 of 138%, compared to 87% in the first quarter of 2023. A higher percentage of spec homes sold later in the construction cycle contributed to the higher backlog conversion rate and resulted in an increased percentage of home orders that converted to closings within the same quarter.

We ended the third first quarter of 2023 2024 with 272 275 active communities, down slightly from 275 278 at September 30, 2022 as our accelerated orders pace resulted in early community close outs. March 31, 2023 and up sequentially from 270 at December 31, 2023. We purchased approximately 9,100 2,900 lots for $486.0 million $162.2 million, spent $769.7 million $268.2 million on land development and started construction on 10,547 4,142 homes during the nine three months ended September 30, 2023 March 31, 2024.

Company Positioning

We believe that the investments in our new communities designed for the first-time and first move-up homebuyer, our commitment to being primarily an all-spec builder, and industry-leading innovation our offerings of energy-efficient products and automation in energy-efficient product offerings and automation, our entry-level homes create a differentiated strategy that has aided us in our growth in the highly competitive new home market.

Our focus on growing our community count and market share includes the following strategic initiatives:

- Achieving or maintaining a position of at least 5% market share in all of our markets;
- Delivering affordable homes on a shorter timeline through simplification of production processes and maintaining market-appropriate levels of spec inventory; inventory that are aligned with our strategy;
- Continuously improving the overall home buying experience through simplification and innovation;
- Maintaining our home closing gross profit by growing closing volume, allowing us to better leverage our overhead;
- Leveraging and expanding on technological solutions through digital offerings to our customers, such as our virtual home tours, interactive maps, digital financial services offerings and online warranty portal; and
- Increasing homeowner satisfaction by offering healthier, energy-efficient homes that come equipped with a suite of home automation standard features.

In addition to these strategic initiatives, we also remain committed to the following:

- Achieving or maintaining a top 5 market position in all of our markets;
- Maintaining and where possible, expanding, our home closing gross profit by growing closing volume, allowing us to better leverage our direct overhead;
- Carefully managing our liquidity and a strong balance sheet, including a $150.0 million early redemption of debt this quarter; we sheet. We ended the third first quarter of 2024 with an 18.5% a 17.5% debt-to-capital ratio and a (1.0)% 2.0% net debt-to-capital ratio;
- Maximizing returns Balancing return of capital to our shareholders through improved financial performance, with internal growth goals, utilizing both share repurchases and dividend payments and share repurchases; payments;
- Managing construction efficiencies and costs through national and regional vendor relationships with a focus on timely, quality construction and warranty management;
- Promoting a positive environment for our employees through our commitment to foster diversity, equity and inclusion ("DE&I") and providing market-competitive benefits in order to develop and motivate our employees, and to minimize turnover and to maximize recruitment efforts; and

- Targeting a strong yet sustainable orders pace through the use of our consumer and market research to ensure that we build homes that offer our buyers their desired features and amenities; and
- Continuing to innovate and promote our energy efficiency program and our M.Connected® Automation Suite to create differentiation from existing available inventory. amenities.

Critical Accounting Estimates

The critical accounting estimates that we deem to involve the most difficult, subjective or complex judgments include valuation of real estate valuation and cost of home closings, warranty reserves and valuation of deferred tax assets. There have been no significant changes to our critical accounting estimates during the nine three months ended September 30, 2023 March 31, 2024 compared to those disclosed in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, included in our 2022 2023 Annual Report on Form 10-K.

Home Closing Revenue, Home Orders and Order Backlog

The composition of our closings, home orders and backlog is constantly changing and is based on a changing mix of communities with various price points between periods as new projects open and existing projects wind down and close-out. Further, individual homes within a community can range significantly in price due to differing square footage, option selections, lot sizes and quality and location of lots (e.g. cul-de-sac, view lots, greenbelt lots). These variations result in a lack of meaningful comparability between our home orders, closings and backlog due to the changing mix between periods. The tables on the following pages present operating and financial data that we consider most critical to managing our operations (dollars in thousands):

Home Closing Revenue	Three Months Ended September 30,		Quarter over Quarter	
	2023	2022	Change $	Change %
Total				
Dollars	$ 1,610,317	$ 1,569,032	$ 41,285	2.6 %
Homes closed	3,638	3,487	151	4.3 %
Average sales price	$ 442.6	$ 450.0	$ (7.4)	(1.6)%
West Region				
Dollars	$ 606,833	$ 590,027	$ 16,806	2.8 %
Homes closed	1,172	1,086	86	7.9 %
Average sales price	$ 517.8	$ 543.3	$ (25.5)	(4.7)%
Central Region				
Dollars	$ 452,687	$ 499,713	$ (47,026)	(9.4)%
Homes closed	1,102	1,218	(116)	(9.5)%
Average sales price	$ 410.8	$ 410.3	$ 0.5	0.1 %
East Region				
Dollars	$ 550,797	$ 479,292	$ 71,505	14.9 %
Homes closed	1,364	1,183	181	15.3 %
Average sales price	$ 403.8	$ 405.1	$ (1.3)	(0.3)%

	Nine Months Ended September 30,		Quarter over Quarter	
	2023	2022	Change $	Change %
Total				
Dollars	$ 4,415,261	$ 4,223,435	$ 191,826	4.5 %
Homes closed	10,025	9,566	459	4.8 %
Average sales price	$ 440.4	$ 441.5	$ (1.1)	(0.2)%
West Region				
Dollars	$ 1,543,372	$ 1,539,529	$ 3,843	0.2 %
Homes closed	2,954	2,875	79	2.7 %
Average sales price	$ 522.5	$ 535.5	$ (13.0)	(2.4)%
Central Region				
Dollars	$ 1,334,368	$ 1,269,868	$ 64,500	5.1 %
Homes closed	3,244	3,139	105	3.3 %
Average sales price	$ 411.3	$ 404.5	$ 6.8	1.7 %
East Region				
Dollars	$ 1,537,521	$ 1,414,038	$ 123,483	8.7 %

Homes closed	3,827	3,552	275	7.7 %
Average sales price	$ 401.8	$ 398.1	$ 3.7	0.9 %

Home Closing Revenue	Three Months Ended March 31,		Quarter over Quarter	
	2024	2023	Change $	Change %
Total				
Dollars	$ 1,466,096	$ 1,261,923	$ 204,173	16.2 %
Homes closed	3,507	2,897	610	21.1 %
Average sales price	$ 418.0	$ 435.6	$ (17.6)	(4.0)%
West Region				
Dollars	$ 515,632	$ 417,322	$ 98,310	23.6 %
Homes closed	1,014	785	229	29.2 %
Average sales price	$ 508.5	$ 531.6	$ (23.1)	(4.3)%
Central Region - Texas				
Dollars	$ 427,565	$ 424,880	$ 2,685	0.6 %
Homes closed	1,167	1,048	119	11.4 %
Average sales price	$ 366.4	$ 405.4	$ (39.0)	(9.6)%
East Region				
Dollars	$ 522,899	$ 419,721	$ 103,178	24.6 %
Homes closed	1,326	1,064	262	24.6 %
Average sales price	$ 394.3	$ 394.5	$ (0.2)	(0.1)%

Home Orders (1)	Three Months Ended September 30,		Quarter over Quarter	
	2023	2022	Change $	Change %
Total				
Dollars	$ 1,495,542	$ 974,314	$ 521,228	53.5 %
Homes ordered	3,474	2,310	1,164	50.4 %
Average sales price	$ 430.5	$ 421.8	$ 8.7	2.1 %
West Region				
Dollars	$ 521,049	$ 241,098	$ 279,951	116.1 %
Homes ordered	985	456	529	116.0 %
Average sales price	$ 529.0	$ 528.7	$ 0.3	0.1 %
Central Region				
Dollars	$ 425,165	$ 253,321	$ 171,844	67.8 %
Homes ordered	1,099	635	464	73.1 %
Average sales price	$ 386.9	$ 398.9	$ (12.0)	(3.0)%
East Region				
Dollars	$ 549,328	$ 479,895	$ 69,433	14.5 %
Homes ordered	1,390	1,219	171	14.0 %
Average sales price	$ 395.2	$ 393.7	$ 1.5	0.4 %

Home Orders (1)	*Home Orders (1)*	Three Months Ended March 31,		Quarter over Quarter	
		2024	2023	Change $	Chan

	Nine Months Ended September 30,		Quarter over Quarter	
	2023	2022	Change $	Change %
Total				

Total

Total

Total

Dollars

Dollars

Dollars	Dollars	$4,477,148	$4,551,894	$ (74,746)	(1.6) %		$1,631,195	$	$1,506,893	$	$124,302	8.2	8.2
Homes ordered	Homes ordered	10,301	9,951	350	3.5 %	Homes ordered	3,991	3,487	3,487	504	504	14.5	
Average sales price	Average sales price	$ 434.6	$ 457.4	$ (22.8)	(5.0) %	Average sales price	$ 408.7	$	$ 432.1	$	$ (23.4)	(5.4)	
West Region	**West Region**												
Dollars	Dollars	$1,672,310	$1,486,674	$ 185,636	12.5 %								
Dollars													
Dollars							$580,805		$635,936		$ (55,131)		(8
Homes ordered	Homes ordered	3,261	2,636	625	23.7 %	Homes ordered	1,170	1,286	1,286	(116)	(116)	(9.0)	
Average sales price	Average sales price	$ 512.8	$ 564.0	$ (51.2)	(9.1) %	Average sales price	$ 496.4	$	$ 494.5	$	$ 1.9	0.4	
Central Region													
Central Region - Texas													
Dollars													
Dollars													
Dollars	Dollars	$1,286,063	$1,293,282	$ (7,219)	(0.6) %		$ 482,183	$	$ 420,521	$	$ 61,662	14.7	14.7
Homes ordered	Homes ordered	3,237	3,027	210	6.9 %	Homes ordered	1,310	1,073	1,073	237	237	22.1	
Average sales price	Average sales price	$ 397.3	$ 427.2	$ (29.9)	(7.0) %	Average sales price	$ 368.1	$	$ 391.9	$	$ (23.8)	(6.1)	
East Region	**East Region**												
Dollars	Dollars	$1,518,775	$1,771,938	$(253,163)	(14.3) %								
Dollars													
Dollars							$568,207		$450,436		$117,771		26
Homes ordered	Homes ordered	3,803	4,288	(485)	(11.3) %	Homes ordered	1,511	1,128	1,128	383	383	34.0	
Average sales price	Average sales price	$ 399.4	$ 413.2	$ (13.8)	(3.3) %	Average sales price	$ 376.0	$	$ 399.3	$	$ (23.3)	(5.8)	

(1) Home orders for any period represent the aggregate sales price of all homes ordered, net of cancellations. We do not include orders contingent upon the sale of a customer's existing home or a mortgage pre-approval as a sales contract until the contingency is removed.

Order Backlog *(1)*	***Order Backlog*** *(1)*	**At September 30,**		**Quarter over Quarter**		***Order Backlog (1)***	**At March 31,**				**Quarter over Quarter**		
		2023	**2022**	**Change $**	**Change %**		**2024**		**2023**		**Change $**		**Chang**
Total	**Total**												
Total													
Total													
Dollars													
Dollars													
Dollars	Dollars	$1,558,637	$2,826,759	$(1,268,122)	(44.9) %		$1,244,257	$	$1,763,832	$	$(519,575)	(29.5)	(29.5)
Homes in backlog	Homes in backlog	3,608	6,064	(2,456)	(40.5) %	Homes in backlog	3,033	3,922	3,922	(889)	(889)	(22.7)	

Average sales price	Average sales price	$ 432.0	$ 466.2	$ (34.2)	(7.3) %	Average sales price	$410.2	$		$449.7	$		$(39.5)	(8.8)		(
West Region																
West Region Totals																
West Region Totals																
West Region Totals																
Dollars																
Dollars																
Dollars	Dollars	$ 579,787	$ 905,080	$ (325,293)	(35.9) %		$ 439,957	$		$ 676,135	$		$(236,178)	(34.9)		(34.9)
Homes in backlog	Homes in backlog	1,179	1,627	(448)	(27.5) %	Homes in backlog	902	1,373		1,373	(471)			(471)	(34.3)	
Average sales price	Average sales price	$ 491.8	$ 556.3	$ (64.5)	(11.6) %	Average sales price	$487.8	$		$492.5	$		$ (4.7)	(1.0)		(
Central Region																
Central Region Totals																
Central Region Totals																
Central Region Totals																
Dollars																
Dollars																
Dollars	Dollars	$ 370,279	$ 790,227	$ (419,948)	(53.1) %		$ 341,691	$		$ 419,822	$		$ (78,131)	(18.6)		(18.6)
Homes in backlog	Homes in backlog	956	1,766	(810)	(45.9) %	Homes in backlog	911	988		988	(77)			(77)	(7.8)	
Average sales price	Average sales price	$ 387.3	$ 447.5	$ (60.2)	(13.5) %	Average sales price	$375.1	$		$424.9	$		$(49.8)	(11.7)		(1
East Region																
East Region Totals																
East Region Totals																
East Region Totals																
Dollars																
Dollars																
Dollars	Dollars	$ 608,571	$1,131,452	$ (522,881)	(46.2) %		$ 462,609	$		$ 667,875	$		$(205,266)	(30.7)		(30.7)
Homes in backlog	Homes in backlog	1,473	2,671	(1,198)	(44.9) %	Homes in backlog	1,220	1,561		1,561	(341)			(341)	(21.8)	
Average sales price	Average sales price	$ 413.2	$ 423.6	$ (10.4)	(2.5) %	Average sales price	$379.2	$		$427.9	$		$(48.7)	(11.4)		(1

(1) Our backlog represents net home orders that have not closed.

Active Communities and Cancellation Rates

Active Communities	*Active Communities*	Three Months Ended September 30,				Nine Months Ended September 30,				*Active Communities*	Three Months Ended March 31,			
		2023		2022		2023		2022			2024		2023	
	Ending										Ending	Average	Ending	Average
		Ending	Average	Ending	Average	Ending	Average	Ending	Average					
Total														
Total														
Total	**Total**	272	281.5	275	289.0	272	278.4	275	276.7	275	272.5	278	274.5	274.5

West Region	West Region	84	91.0	102	104.5	84	93.1	102	92.1					
West Region														
West Region										83	80.5	96		95.0
Central Region														
Central Region														
Central Region	Central Region	82	82.0	74	77.0	82	81.8	74	75.6	80	84.0	82	81.5	81.5
East Region	East Region	106	108.5	99	107.5	106	103.5	99	109.0					
East Region														
East Region										112	108.0	100		98.0

Cancellation Rates (2)		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Cancellation Rates (1)					
Cancellation Rates (1)					
Cancellation Rates (1)					
		2024			
		2024			
		2024			
Total					
Total					
Total	**Total**	11 %	30 %	13 %	16 %
West Region	West Region	14 %	43 %	14 %	21 %
West Region					
West Region					
Central Region					
Central Region					
Central Region	Central Region	13 %	37 %	14 %	20 %
East Region	East Region	8 %	18 %	11 %	10 %
East Region					
East Region					

(2) (1) Cancellation rates are computed as the number of canceled units for the period divided by the gross sales units for the same period.

Operating Results

Companywide. We had our highest third quarter home closing revenue and volume in Company history, improving 2.6% and 4.3%, respectively, over prior year, with 3,638 closings valued at $1.6 billion for In the three months ended September 30, 2023 March 31, 2024, we closed 3,507 closings valued at $1.5 billion, compared to 3,487 2,897 closings valued at $1.6 billion in 2022. Despite entering the 2023 third quarter with lower backlog than prior year, home closing volume increased over the third quarter of 2022 due to a backlog conversion rate of 96.4% versus 48.2% $1.3 billion in the prior year. The improvement in backlog conversion was bolstered by reduced cycle times combined with 31.6% of our third quarter 2023 home closings also being sold within the same quarter. Order cancellations of 11% for the third quarter of 2023 improved greatly from 30% in the third quarter of 2022, resulting in a 50.4% 21.1% increase in home order closing volume, driven by a record backlog conversion rate of 3,474 138%, led to a 16.2% improvement in home closing revenue. We had a partial offset to the volume growth from a 4.0% decrease in ASP on closings resulting primarily from product mix shift to more entry-level homes, compared to 2,310 homes which represented 88% of home closings in the third three months ended March 31, 2024 versus 84% in the prior year period. Home orders of 3,991, our highest quarterly orders in Company history, were up 14.5% over 3,487 homes ordered in the three months ended March 31, 2023. Strong housing demand coupled with having the right amount of available inventory drove the orders growth even as our average active communities decreased slightly. The first quarter 2024 orders pace of 4.9 per month increased from 4.2 per month in the same period of 2023, benefiting from a historically low cancellation rate of 8% in the first quarter of 2022, and our orders pace improved 51.9% to 4.1 per month from 2.7 per month. 2024, a significant improvement over 15% in the same period of 2023. ASP on orders increased 2.1% declined 5.4% due to geographic mix and a higher mix of entry-level homes, which combined with constituted 91% of total orders in the three months ended March 31, 2024 compared to 87% in 2023. The lower ASP on orders was fully offset by higher order volume, for a 53.5% resulting in an 8.2% increase in home order value of $1.5 billion.

For $1.6 billion for the nine months quarter ended September 30, 2023, home closing revenue of $4.4 billion increased 4.5% from $4.2 billion, due to a 4.8% increase in home closing volume to 10,025, up from 9,566 homes in the prior year period, as ASP on closings was relatively flat. Home order volume of 10,301 increased 3.5% from prior year due primarily to a 2.5% increase in orders pace of 4.1 homes per month, up from 4.0 in 2022, on a relatively consistent average active community count. Despite the increase in order volume, home order value decreased 1.6% from prior year due to increased incentives that caused ASP on orders to decline 5.0% March 31, 2024. We ended the third quarter of 2023 with 272 actively selling communities, down from 275 at September 30, 2022. At September 30, 2023, we had 3,608 3,033 homes in backlog valued at $1.6 billion $1.2 billion, down from 6,064 compared to 3,922 units valued at $2.8 billion $1.8 billion at September 30, 2022 March 31, 2023, due to a higher the improved backlog conversion rate and improved in the first quarter of 2024 resulting from a higher percentage of spec homes being sold later in the construction cycle times. which resulted in an increased percentage of home orders that converted to closings within the same quarter.

West. The West Region generated $606.8 million $515.6 million in home closing revenue on 1,172 1,014 homes in the third quarter of 2023, up three months ended March 31, 2024, increasing from $590.0 million on 1,086 $417.3 million and 785 homes in the prior year period. The 7.9% 29.2% increase in volume resulted and 4.3% decrease in ASP on closings due to a 2.8% higher percentage of entry-level homes led to a 23.6% increase in home closing revenue as ASP on closings decreased 4.7% due to higher incentives. year over year. Home orders in of 1,170 during the third quarter of 2023 of 985 were up 116.0% ended March 31, 2024 decreased 9.0% from 456 in the prior year as the buyer hesitancy and elevated cancellations due entirely to a 15.3% decrease in the third quarter of 2022 have dramatically lessened as the economy stabilizes coupled with increased incentives average actively selling communities that was partially offset by a 6.7% increase in orders pace to alleviate affordability concerns. 4.8 homes per month. The West Region cancellation rate of 14% entered the year with a lower community count but made progress replenishing it in the third first quarter of 2023 improved from 43% in the prior year, resulting in a 140.0% higher orders pace of 3.6 homes per month in the third quarter of 2023 compared 1.5 per month in 2022. This accelerated orders pace contributed to a 12.9% decrease in average active communities due to early close outs. 2024 by opening 15 new communities. Home order value of $521.0 million for $580.8 million in the third first quarter of 2024 decreased 8.7% from $635.9 million in 2023 increased proportionately with order due to the lower volume as ASP on orders remained consistent.

For the nine months ended September 30, 2023, home closing revenue of $1.5 billion was consistent with prior year, as a 2.7% increase in home closing volume was offset by a 2.4% decrease in ASP on closings. Order volume in the held relatively steady. The West Region increased 23.7% year-to-date driven by a return to more normalized demand. With just a 1.1% increase in average active communities, year-to-date orders pace of 3.9 homes per month improved 21.9% compared to 2022, although last year's orders pace was negatively impacted by elevated cancellations. Home order value of $1.7 billion was up 12.5% from 2022 due to higher volume, offset by a 9.1% decrease in ASP on orders caused by increased buyer financing incentives. The year-to-date Region's cancellation rate of 14% was down 9% in the three months ended March 31, 2024 improved from 21% 13% in the prior year period. year. The West Region ended the third first quarter of 2023 2024 with 1,179 902 homes in backlog valued at $579.8 million $440.0 million, compared to 1,627 units down from 1,373 homes in backlog valued at $905.1 million $676.1 million at September 30, 2022 March 31, 2023, decreases of 27.5% due to lower order volume and 35.9%, respectively. a 136% backlog conversion rate, up from 90% in the prior year.

Central. The Central Region, made up of our Texas markets, closed 1,102 1,167 homes during the three months ended March 31, 2024, up 11.4% from 1,048 homes in 2023. Home closing revenue of $427.6 million in the three months ended September 30, 2023, down 9.5% from 1,218 home closings March 31, 2024 held relatively steady as the increase in 2022, which volume was the Region's highest quarterly home closings offset by a corresponding decrease in its history. Home closing revenue of $452.7 million decreased 9.4% due to lower home closing volume as ASP on closings was flat. The Central Region cancellation rate of 13% in the third quarter of 2023 was down from 37% in the third quarter of 2022, resulting in significant improvement in home order volume and orders pace. Home order volume increased 73.1% to 1,099 homes in the third quarter of 2023 due caused by a shift to a 6.5% higher mix of entry-level product. A 3.1% increase in average active actively selling communities coupled with a 66.7% an 18.2% increase in orders pace to 4.5 homes of 5.2 per month from 2.7 led to a 22.1% increase in 2022. Order value home orders of $425.2 million 1,310 in the three months ended September 30, 2023 increased 67.8% March 31, 2024, up from $253.3 million 1,073 in 2023. Home order value of $482.2 million in the third quarter of 2022 due to entirely to three months ended March 31, 2024 was up 14.7% from the higher order volume, prior year, as the Region experienced increase in volume more than offset a 3.0% 6.1% decrease in ASP on orders resulting from higher incentives year over year.

Year-to-date, due to product mix shift. The Central Region home closing revenue of $1.3 billion on 3,244 home closings increased 5.1% and 3.3%, respectively, from the nine months ended September 30, 2022, and ASP on home closings increased 1.7%, buoyed by favorable results in the first half of 2023 which more than offset the difficult third quarter comparisons. Home order volume of 3,237 for the nine months ended September 30, 2023 increased 6.9% because of a higher average active community count, as orders pace of 4.4 homes per month was consistent with the same period in 2022. ASP on orders declined 7.0% year-over-year, resulting in a 0.6% decrease in order value of $1.3 billion. The year-to-date Region's cancellation rate of 14% 9% was the Company's greatest improvement, down from 20% 17% in the prior year. 2023. The Central Region ended the quarter with 956 units 911 homes in backlog valued at $370.3 million $341.7 million, down 45.9% 7.8% and 53.1% 18.6%, respectively, largely due to a backlog conversion rate of 152% in the first quarter of 2024, compared to September 30, 2022.

109% in 2023.

East. During the three months quarter ended September 30, 2023 March 31, 2024, the East Region closed 1,364 1,326 homes for $550.8 million $522.9 million, compared to 1,064 closings and $419.7 million in home closing revenue compared to 1,183 closings and $479.3 million in the comparable prior year period. The 15.3% increase in home closing volume resulted in a 14.9% 24.6% improvement in home closing revenue while was attributable entirely to the 24.6% increase in volume, as ASP on closings held steady. Home orders of 1,390 valued at $549.3 million for the third quarter of 2023 increased 14.0% and 14.5%, respectively, due to was consistent year over year. With 10.2% more average active communities combined with a 13.2% 23.7% increase in orders pace of 4.3 homes to 4.7 per month, coupled with a relatively flat average active community count. home orders increased 34.0% to 1,511 in the three months ended March 31, 2024 from 1,128 in the prior year period. A 5.8% lower ASP on orders was up just slightly from 2022 due to geographic mix. a higher mix of entry-level homes, combined with the higher order volume, translated to a 26.1% increase in home order value of $568.2 million in the three months ended March 31, 2024, up from $450.4 million in the comparable prior year period. The East Region had a cancellation rate of 8% in the third three months ended March 31, 2024, down from 15% in the first quarter of 2023 improved from 18% in 2022.

For the nine months ended September 30, 2023, the East Region delivered 3,827 home closings for $1.5 billion in home closing revenue, up 7.7% and 8.7%, respectively, compared to the 2022 period, with a 0.9% improvement in ASP on closings. Order volume decreased 11.3% due to the combined impact of a 5.0% decrease in average active communities and a 6.8% decrease in orders pace for the nine months ended September 30, 2023. Order value of $1.5 billion decreased 14.3% year over year due to decreased volume and a 3.3% decrease in ASP on orders. Year-to-date, the East Region's cancellation rate of 11% is up slightly from 10% in the prior year, although still in line with historically normal rates. 2023. The East Region ended the third first quarter of 2023 2024 with 1,473 1,220 homes in backlog valued at $608.6 million $462.6 million, down 44.9% 21.8% and

46.2% 30.7%, respectively, from 2,671 1,561 homes valued at $1.1 billion $667.9 million at September 30, 2022 March 31, 2023. The decrease in backlog units is due to a 128% backlog conversion rate in 2024, compared to 71% during the first quarter of 2023.

Land Closing Revenue and Gross Profit

From time to time, we may sell certain lots or land parcels to other homebuilders, developers or investors if we feel the sale will provide a greater economic benefit to us than continuing home construction or where we are looking to diversify our land positions in a specific geography or divest of assets that no longer align with our strategy. As a result of such sales, we recognized land closing revenue of $2.8 million $2.3 million and $9.0 million and gross profit of $0.2 million and $0.4 million $17.4 million for the three months ending September 30, 2023 ended March 31, 2024 and 2022, respectively. Year-to-date land sales resulted in profits 2023, respectively, and profit of $1.9 million $7,000 and $11.9 million $1.4 million for 2023 the three months ended March 31, 2024 and 2022, 2023, respectively.

Other Operating Information (dollars in thousands)

		Three Months Ended September 30,								Nine Months Ended September 30,							
		2023				2022				2023				2022			
			Dollars	Percent of Home Closing Revenue			Dollars	Percent of Home Closing Revenue			Dollars	Percent of Home Closing Revenue			Dollars	Perc Home Clo Revenu	
Home Closing Gross Profit (1)	**Home Closing Gross Profit (1)**																
Home Closing Gross Profit (1)																	
Home Closing Gross Profit (1)																	
Total	**Total**	$	429,575	26.7	%	$	450,638	28.7	%	$	1,089,016	24.7	%	$	1,273,026	30.1	
Total																	
Total																	
West																	
West																	
West	**West**	$	141,632	23.3	%	$	156,999	26.6	%	$	311,267	20.2	%	$	449,632	29.2	
Central	**Central**	$	128,387	28.4	%	$	150,337	30.1	%	$	360,529	27.0	%	$	390,281	30.7	
Central																	
Central																	
East	**East**	$	159,556	29.0	%	$	143,302	29.9	%	$	417,220	27.1	%	$	433,113	30.6	
East																	
East																	

(1) Home closing gross profit represents home closing revenue less cost of home closings, including impairments, if any. Cost of home closings includes land and associated development costs, direct home construction costs, an allocation of common community costs (such as architectural, legal and zoning costs), interest, sales tax, impact fees, warranty, construction overhead and closing costs.

Companywide. Home closing gross Gross profit for the third quarter of 2023 three months ended March 31, 2024 was $429.6 million $378.0 million with a home closing gross margin of 26.7% 25.8%, down 200 a 340 basis points point improvement from 28.7% 22.4% in the third quarter of 2022, three months ended March 31, 2023. The margin improvement was due to increased buyer financing lower direct costs, reduced utilization of interest rate lock incentives, and leverage of higher land development home closing revenue on overhead costs partially offset by costs savings from and shorter construction cycle times, as direct costs all of which were relatively flat year over year. Home closing gross margin in the third quarter of 2022 included $8.8 million in charges associated with the termination of land purchase agreements, while only $0.2 million of such charges were recorded in third quarter of 2023. For the nine months ended September 30, 2023, gross profit of $1.1 billion and gross margin of 24.7% decreased from $1.3 billion and 30.1% in 2022 due to the combined impact of partially offset by higher direct costs and increased sales incentives. lot cost.

West. The West Region delivered a 450 basis point improvement in home closing gross margin of 23.3% 22.3% for the third quarter of 2023 declined 330 basis points three months ended March 31, 2024, up from 26.6% 17.8% in the third quarter of 2022. three months ended March 31, 2023. The West Region contains some Region's home closing gross margin benefited from lower direct costs, reduced utilization of our most expensive markets that interest rate lock incentives, which were most impacted by

heavily utilized in early 2023 to address the volatile economic challenging market conditions, that began in the latter half and improved leverage of 2022, both in terms of ASP as well as land costs, and has led us to offering significant incentives to assist homebuyers with monthly affordability. higher home closing revenue on overhead costs. The West Region's home closing gross margin for the third quarter of 2023 three months ended March 31, 2024 was negatively impacted by these higher incentives and land development lot costs. For

Central. In the nine months quarter ended September 30, 2023 March 31, 2024, the West Region Central Region's home closing gross margin of 20.2% declined 27.3% improved 240 basis points from 29.2% in the 2022 period due to higher incentives and elevated cost of production and land development.

Central. The Central Region's third quarter 2023 home closing gross margin of 28.4% decreased from 30.1% 24.9% in the prior year quarter, due largely to elevated incentives and increased land development costs. Year-to-date, the Central Region improvements in direct costs while higher lot costs year-over-year negatively impacted home closing gross margin of 27.0% in 2023 is down from 30.7%, mostly as a result of elevated sales incentives. margin.

East. The East Region had the Company's highest home closing gross margin of 28.0% in the Company, at 29.0% in the third quarter of 2023, a 90 three months ended March 31, 2024, up 350 basis point decline points from 29.9% 24.5% for the comparable 2022 2023 period. With relatively consistent The East Region had the greatest reduction of interest rate lock incentive utilization in the three months ended March 31, 2024, which combined with lower direct costs the East Region margin decline is due almost entirely to increased financing incentives. The East Region's year-to-date and greater leverage of home closing gross margin of 27.1% is down from 30.6% in 2022 as a result of revenue on overhead costs to offset the higher sales incentives. lot costs.

Financial Services (Loss)/Profit (in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Financial services profit	$ 5,700	$ 4,842	$ 6,066	$ 12,255

	Three Months Ended March 31,	
	2024	2023
Financial services (loss)/profit	$ (690)	$ 2,923

Financial services (loss)/profit represents the net (loss)/profit of our financial services operations, including the operating profit generated by our wholly-owned title and insurance companies, Carefree Title Agency, Inc. and Meritage Homes Insurance Agency, respectively, as well as our portion of earnings from a mortgage joint venture. Financial services profit loss of $5.7 million in $0.7 million for the three months ended September 30, 2023 increased from $4.8 million March 31, 2024 included $5.8 million in the comparable prior year period due to higher home closing volume. Financial services profit for the nine months ended September 30, 2023 decreased $6.2 million year over year, due primarily to $7.9 million in charges in the second quarter of 2023 related to unused prepaid interest rate locks forward commitments that expired. Financial services profit of $2.9 million for the three months ended March 31, 2023 included $1.9 million in charges related to unused prepaid interest rate forward commitments that expired. The increase in charges related to unused prepaid interest rate forward commitments was partially offset by increases in both title and insurance company profits resulting from higher home closing revenue.

Selling, General and Administrative Expenses and Other Expenses (dollars in thousands)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Commissions and other sales costs	**Commissions and other sales costs**	$ (99,122)	$ (77,884)	$ (277,766)	$ (212,807)
Commissions and other sales costs					
Commissions and other sales costs					
Percent of home closing revenue					
Percent of home closing revenue					
Percent of home closing revenue	Percent of home closing revenue	6.2 %	5.0 %	6.3 %	5.0 %
General and administrative expenses	**General and administrative expenses**	$ (63,091)	$ (48,443)	$ (162,750)	$ (136,370)
General and administrative expenses					
General and administrative expenses					
Percent of home closing revenue					
Percent of home closing revenue					

Percent of home closing revenue	Percent of home closing revenue		3.9	%		3.1	%		3.7	%		3.2	%
Interest expense	**Interest expense**	$	—		$	—		$	—		$	(41)	
Other income/(expense), net		$	13,331		$	(74)		$	35,037		$	(849)	
Loss on early extinguishment of debt		$	(907)		$	—		$	(907)		$	—	
Interest expense													
Interest expense													
Other income, net													
Other income, net													
Other income, net													
Provision for income taxes	**Provision for income taxes**	$	(63,974)		$	(67,002)		$	(150,664)		$	(217,242)	
Provision for income taxes													
Provision for income taxes													

Commissions and Other Sales Costs. Commissions and other sales costs are comprised of internal and external commissions and related sales and marketing expenses such as advertising and sales office costs. These costs increased $21.2 million $18.7 million to $99.1 million $101.6 million in the three months ended September 30, 2023 March 31, 2024, due to higher home closing revenue and increased broker commissions. As as a percentage of home closing revenue Commissions increased 30 basis points. The year-over-year increase in both dollars and other sales costs were up 120 basis points to 6.2% as a percentage of home closing revenue in the third quarter of 2023 was due primarily to higher commissions resulting from 5.0% in 2022, due to increased commission rates reflective of the current sales environment as well as a higher external broker participation rate. For the nine months ended September 30, 2023, Commissions and other sales costs of $277.8 million were 6.3% of home closing revenue increasing $65.0 million and 130 basis points, respectively, due combined with higher commission rates paid to increased commissions and advertising spend. external brokers.

General and Administrative Expenses. General and administrative expenses represent corporate and divisional overhead expenses such as salaries and bonuses, occupancy, insurance and travel expenses. For the three months ended September 30, 2023 March 31, 2024, General general and administrative expenses of $63.1 million were $50.7 million, $3.2 million higher than the 2023 period, due to higher employee headcount, increased $14.6 million from $48.4 million operating lease costs for new corporate and division office spaces, and increased investments in 2022, and as technology. As a percentage of home closing revenue, increased 80 general and administrative expenses improved 30 basis points to 3.9% 3.5% in the first quarter of 2024, down from 3.1%. The increase 3.8% in both dollars and as a percentage of the three months ended March 31, 2023, due to improved leverage from higher home closing revenue is largely due to higher compensation costs, including increases as part of new and growing market operations, some of which are not yet producing offsetting earnings, as well as competitive pay adjustments to reflect current market conditions in many of our geographies. For the nine months ended September 30, 2023, General and revenue.

administrative expenses were $162.8 million, up $26.4 million and 50 basis points from $136.4 million in the 2022 period, due primarily to higher compensation costs and increased spending on technology and insurance.

Interest Expense. Interest expense is comprised of interest incurred, but not capitalized, on our senior notes, other borrowings, and our Credit Facility. We recognized no interest expense for the three and nine months ended September 30, 2023 as all interest was capitalized to qualifying assets. We recognized no interest expense in the three months ended September 30, 2022, March 31, 2024 and 2023, respectively, as all interest expense of $41,000 for the nine months ended September 30, 2022. was capitalized.

Other Income/(Expense), Income, Net. Other income, net, primarily consists of (i) sublease income, (ii) interest earned on our cash and cash equivalents, (ii) sublease income, (iii) payments and awards related to legal settlements and (iv) our portion of pre-tax income or loss from non-financial services joint ventures. For the three and nine months ended September 30, 2023, Other income, net was $13.3 million $9.0 million and $35.0 million, respectively, compared to net other expense of $0.1 million and $0.8 million in the 2022 comparable periods. The increase in both quarter and year-to-date is due to higher interest earned on larger cash and cash equivalents balances.

Loss on Early Extinguishment of Debt. Loss on early extinguishment of debt of $0.9 million $8.8 million for the three and nine months ended September 30, 2023 is related to the $150.0 million partial redemption March 31, 2024 and 2023, respectively, and consists primarily of our 2025 Notes. There were no similar charges for the three and nine months ended September 30, 2022. See Note 6 to the unaudited consolidated financial statements included interest income in this report for more information related to the partial redemption of our 2025 Notes. both periods.

Income Taxes. Our effective tax rate was 22.4% 20.5% and 20.3% 20.6% for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and 21.8% and 22.9% for the nine months ended September 30, 2023 and 2022, 2023, respectively. The higher effective tax rate for the three months ended September 30, 2023 is due to the catch-up of Both periods reflect energy-efficient homes tax credits on qualifying homes under the IRC Internal Revenue Code ("IRC") §45L energy-efficient homes federal tax credit from the IRA that was enacted in the third quarter of 2022. The lower effective tax rate for the nine months ended September 30, 2023 reflects the increased per-home energy-efficiency credit amount starting in 2023. credit.

Liquidity and Capital Resources

Overview

We have historically generated cash and funded our operations primarily from cash flows from operating activities. Additional sources of funds may include additional debt or equity financing and borrowing capacity under our Credit Facility. We exercise strict controls and believe we have a prudent strategy for Company-wide cash management, including those related to cash outlays for land acquisition and development and spec home construction. Our principal uses of cash include acquisition and development of land and lots, home construction, operating expenses, share repurchases and the payment of interest, routine liabilities and dividends. We also opportunistically repurchase our senior notes, as we did this quarter in 2023 with a $150.0 million partial redemption of $150.0 million of aggregate principal amount of our 2025 Notes.

Cash flows for each of our communities depend on their stage of the development cycle, and can differ substantially from reported earnings. Early stages of development or expansion require significant cash outlays for land acquisitions, zoning plat and other approvals, community and lot development, and construction of model homes, roads, utilities, landscape and other amenities. Because these costs are a component of our inventory and are not recognized in our income statement until a home closes, we incur significant cash outlays prior to recognition of earnings. In the later stages of a community, cash inflows may significantly exceed earnings reported for financial statement purposes, as the cash outflow associated with home and land construction was previously incurred. Similarly, in times of community count growth, we incur significant outlays of cash through the land purchase, development and community opening stages whereas in in times of community count stability, these cash outlays are incurred in a more even-flow cadence with cash inflows from actively selling communities that are contributing closing volume and home closing revenue. Conversely, in a down turn environment, cash outlays for land and community count growth may be scaled back to preserve liquidity and we may curtail community count.

Short-term Liquidity and Capital Resources

Over the course of the next twelve months, we expect that our primary demand for funds will be for the construction of homes, as well as acquisition and development of both new and existing lots, operating expenses, including general and administrative expenses, interest and dividend payments and common stock share repurchases. In addition, we may opportunistically retire or redeem a portion of our senior notes. We expect to meet these short-term liquidity requirements primarily through our cash and cash equivalents on hand and the net cash flows provided by our operations.

Between our cash and cash equivalents on hand combined with the availability of liquidity from our Credit Facility, we believe that we currently have sufficient liquidity. Nevertheless, we may seek additional capital to strengthen our liquidity position, enable us to acquire additional land inventory in anticipation of improving market conditions, and/or strengthen our long-term capital structure.

Long-term Liquidity and Capital Resources

Beyond the next twelve months, our principal demands for funds will be for the construction of homes, land acquisition and development activities needed to maintain our lot supply and active community count, payments of principal and interest on our senior notes as they become due or mature, common stock share repurchases and payments of dividends. dividend payments. We expect our existing and future generated cash will be adequate to fund our ongoing operating activities as well as provide capital for investment in future land purchases and related development activities. To the extent the sources of capital described above are insufficient to meet our long-term cash needs, we may also conduct additional public offerings of our securities, refinance or secure new debt or dispose of certain assets to fund our operating activities. There can be no assurances that we would be able to obtain such additional capital on terms acceptable to us, if at all, and such additional equity or debt financing could dilute the interests of our existing stockholders or increase our interest costs.

Material Cash Requirements

We are a party to many contractual obligations involving commitments to make payments to third parties. These obligations impact both short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on our unaudited consolidated balance sheets as of September 30, 2023 March 31, 2024, while others are considered future commitments for materials or services not yet provided. Our contractual obligations primarily consist of principal and interest payments on our senior notes, loans payable and other borrowings, including our Credit Facility, letters of credit and surety bonds and operating leases. We have no debt maturities until 2025. We also have requirements for certain short-term lease commitments, funding working capital needs of our existing unconsolidated joint ventures and other purchase obligations in the normal course of business. Other material cash requirements include land acquisition and development costs, home construction costs and operating expenses, including our selling, general and administrative expenses, as previously discussed. We plan to fund these commitments primarily with cash flows generated by operations, but may also utilize additional debt or equity financing and borrowing capacity under our Credit Facility. Our maximum exposure to loss on our purchase and option agreements is generally limited to non-refundable deposits and capitalized or committed pre-acquisition costs.

For information about our loans payable and other borrowings, including our Credit Facility, and senior notes, reference is made to Notes 5 and 6 in the notes to our unaudited consolidated financial statements included in this report and are incorporated by reference herein. For information about our lease obligations, reference is made to Note 4 in the consolidated financial statements included in the our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Reference is made to Notes 1, 3, 4, and 15 in the notes to our unaudited consolidated financial statements included in this report and are incorporated by reference herein. These Notes discuss our off-balance sheet arrangements with respect to land acquisition contracts and option agreements, and land development joint ventures, including the nature and amounts of financial obligations relating to these items. In addition, these Notes discuss the nature and amounts of certain types of commitments that arise in connection with the ordinary course of our land development and homebuilding operations, including commitments of land development joint ventures for which we might be obligated. obligated, if any.

We do not engage in commodity trading or other similar activities. We had no derivative financial instruments at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

Operating Cash Flow Activities

During the nine three months ended September 30, 2023, March 31, 2024 and 2023, net cash provided by operating activities totaled $460.1 million $81.9 million and $124.5 million, compared to net cash used in operations of $169.8 million during the nine months ended September 30, 2022. respectively. Operating cash flows in the first nine months quarter of 2023 2024 benefited from cash generated from by net earnings of $539.9 million $186.0 million and were partially timing of other receivables, prepaids and other assets, offset by a $137.5 million $193.4 million increase in real estate. Operating cash flows in the first nine months quarter of 2022 benefited from 2023 was primarily comprised of cash generated from by net earnings of $729.8 million and an increase in accounts payable and accrued liabilities of $118.6 million due to timing of payments for routine transactions, offset by a $990.1 million increase in real estate and an $89.2 million increase in other receivables, prepaids and other assets. The increase in real estate in both periods was due to construction activities on a greater number of homes under construction, land acquisition and development activities. The increase in other receivables, prepaids and other assets for the first nine months of 2022 was largely due to receivables from municipalities for land development reimbursements and the purchase of fixed rate interest locks for eligible buyers in our backlog. $131.3 million.

Investing Cash Flow Activities

During the nine three months ended September 30, 2023 and 2022, March 31, 2024, net cash used in investing activities totaled $34.7 million $7.8 million and $24.9 million, respectively. Cash used in investing activities in both periods was mainly attributable to the consisted primarily of purchases of property and equipment and investments in unconsolidated entities. Cash used in investing activities totaled $8.7 million for the quarter ended March 31, 2023 and was mainly attributable to purchases of property and equipment.

Financing Cash Flow Activities

During the nine three months ended September 30, 2023 March 31, 2024 and 2022, 2023, net cash used in financing activities totaled $238.2 million $90.1 million and $124.3 million $20.1 million, respectively. The net cash used in financing activities in 2023 2024 includes $150.0 million for the partial redemption $27.2 million of our 2025 Notes dividends paid and associated early tender fees of $0.9 million, $55.0 million $55.9 million in share repurchases and $29.7 million of dividends paid. repurchases. The net cash used in financing activities in 2022 primarily reflects $109.3 million 2023 includes $9.9 million of dividends paid and $10.0 million in share repurchases. See 'Part "Part II, Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchases of Equity Securities' Proceeds" for more information about our authorized share repurchase program.

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. Debt-to-capital and net debt-to-capital are calculated as follows (dollars in thousands):

		As of September 30, 2023	As of December 31, 2022		As of March 31, 2024	As of December 31, 2023
Senior notes, net, loans payable and other borrowings	Senior notes, net, loans payable and other borrowings	$ 1,005,420	$ 1,150,647			
Stockholders' equity	Stockholders' equity	4,421,042	3,949,611			
Total capital	Total capital	$ 5,426,462	$ 5,100,258			
Debt-to-capital (1)	Debt-to-capital (1)	18.5 %	22.6 %	Debt-to-capital (1)	17.5 %	17.9 %
Senior notes, net, loans payable and other borrowings	Senior notes, net, loans payable and other borrowings	$ 1,005,420	$ 1,150,647			
Less: cash and cash equivalents	Less: cash and cash equivalents	(1,048,755)	(861,561)			
Net debt	Net debt	(43,335)	289,086			
Stockholders' equity	Stockholders' equity	4,421,042	3,949,611			
Total net capital	Total net capital	$ 4,377,707	$ 4,238,697			
Net debt-to-capital (2)	Net debt-to-capital (2)	(1.0) %	6.8 %	Net debt-to-capital (2)	2.0 %	1.9 %

(1) Debt-to-capital is computed as senior notes, net and loans payable and other borrowings divided by the aggregate of total senior notes, net, loans payable and other borrowings and stockholders' equity.

(2) Net debt-to-capital is considered a non-GAAP financial measure, and is computed as net debt divided by the aggregate of net debt and stockholders' equity. Net debt is comprised of total senior notes, net and loans payable and other borrowings, less cash and cash equivalents. The most directly comparable GAAP financial measure is the ratio of debt-to-capital. We believe the ratio of net debt-to-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.

Dividends

During the three months ended September 30, 2023, March 31, 2024 and 2023, our Board of Directors approved, and we paid, a quarterly cash dividend on common stock of $0.75 and $0.27 per share. Quarterly dividends declared and paid during the nine months ended September 30, 2023 totaled $0.81 per share. There were no such transactions in the three and nine months ended September 30, 2022. share, respectively.

Credit Facility Covenants

Borrowings under the Credit Facility are unsecured, but availability is subject to, among other things, a borrowing base. The Credit Facility also contains certain financial covenants, including (a) a minimum tangible net worth requirement of $2.8 billion (which amount is subject to increase over time based on subsequent earnings and proceeds from equity offerings), and (b) a maximum leverage covenant that prohibits the leverage ratio (as defined therein) from exceeding 60%. We were in compliance with all Credit Facility covenants as of September 30, 2023 March 31, 2024. Our actual financial covenant calculations as of September 30, 2023 March 31, 2024 are reflected in the table below.

Financial Covenant (dollars in thousands):	Covenant Requirement	Actual
Minimum Tangible Net Worth	> $3,021,938 $3,214,372	$4,376,362 4,674,448
Leverage Ratio	< 60%	(0.8)% 1.7%
Investments other than defined permitted investments	< $1,337,909 $1,427,334	$15,062 18,743

Seasonality

Historically, we have experienced seasonal variations in our quarterly operating results and capital requirements. We typically sell take orders for more homes in the first half of the fiscal year than in the second half, which creates has created additional working capital requirements in the second and third quarters to build our inventories to satisfy the deliveries seasonally higher closings in the second half of the year. We typically benefit from the cash generated from home closings more in the third and fourth quarters than in the first and second quarters. Historical cycles were impacted in 2020 by unprecedented demand that continued through the middle of 2022, and were further impacted by supply chain and labor constraints and rising interest rates. Historical seasonality returned in the back half of 2022 and While we expect it the seasonal orders pattern to continue over the long term, although it our higher backlog conversion rate and all-spec strategy may shift the timing of home closings and capital requirements to build our inventories to earlier in the year. Additionally, seasonality may, from time to time, be affected by short-term volatility in the homebuilding industry and in the overall economy.

Recent Issued Accounting Pronouncements

See Note 1 to our unaudited consolidated financial statements included in this report for discussion of recently issued accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our fixed rate debt is made up primarily of $1.0 billion in aggregate principal amount of our senior notes. Except in limited circumstances, we do not have an obligation to prepay our fixed-rate debt prior to maturity and, as a result, interest rate risk and changes in fair value should not have a significant impact on our fixed rate borrowings until we would be required to repay such debt and access the capital markets to issue new debt. Our Credit Facility is subject to interest rate changes as the borrowing rates are based on SOFR or Prime (see Note 5 to our unaudited consolidated financial statements included in this report).

Our operations are interest rate sensitive. As overall housing demand is adversely affected by increases in interest rates, a significant increase in mortgage interest rates may negatively affect the ability of homebuyers to secure adequate financing or cause potential homebuyers with existing mortgages to choose to stay in their lower interest rate homes. Higher interest rates and/or rapidly increasing interest rates could adversely affect our revenue, gross margins, earnings, and cancellation rates and would also increase our variable rate borrowing costs on our Credit Facility, if any. We have not entered into, and do not enter into, or intend to enter into, derivative interest rate swap financial instruments for trading or speculative purposes.

Item 4. Controls and Procedures

In order to ensure that the information we must disclose in our filings with the Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported on a timely basis, we have developed and implemented disclosure controls and procedures. Our management, with the participation of our CEO chief executive officer ("CEO") and CFO, chief financial officer ("CFO"), has reviewed and evaluated the effectiveness of our disclosure controls and procedures, as defined in Exchange Act Rules 13a-15(e) and 15d-15(e), as of September 30, 2023 March 31, 2024 (the “Evaluation Date”). Based on such evaluation, our management has concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective at a reasonable assurance level in ensuring that information that is required to be disclosed by us 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 that information required to be disclosed by us in our the reports filed we file or submitted submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

During the fiscal quarter covered by this Form 10-Q, there has not been any change in our internal control over financial reporting that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

See Note 15 to our unaudited consolidated financial statements in this report for a discussion of our legal proceedings.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item IA "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may eventually prove to materially adversely affect our business, financial condition and/or operating results. There have been no material changes in our risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

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

Issuer Purchases of Equity Securities

On February 13, 2019, our Board of Directors authorized a new stock repurchase program, authorizing the expenditure of up to $100.0 million to repurchase shares of our common stock. On November 13, 2020, the Board of Directors authorized the expenditure of an additional $100.0 million to repurchase shares of our common stock under this program. On August 12, 2021, the Board of Directors authorized the expenditure of an additional $100.0 million to repurchase shares of our common stock under this program, which was announced on August 17, 2021. On May 19, 2022, the Board of Directors authorized the expenditure of an additional $200.0 million to repurchase shares of our common stock under this program, which was announced on May 25, 2022. There is no stated expiration for this program. The repurchases of the Company's shares may be made in the open market, in privately negotiated transactions, or otherwise. The timing and amount of repurchases, if any, will be determined by the Company's management at its discretion and be based on a variety of factors such as the market price of the Company's common stock, corporate and contractual requirements, prevailing market and economic conditions and legal requirements. The share repurchase program may be modified, suspended or discontinued at any time. As of September 30, 2023 March 31, 2024 there was $189.1 million $129.1 million available under this program to repurchase shares. We purchased 319,716 362,419 shares under the program during the three months ended September 30, 2023 March 31, 2024.

Period	Total Number of Shares Purchased		Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs		Approximate dollar value of shares that may yet be purchased under the plans or programs
July 1, 2023 - July 31, 2023	—	$	—	—	$	234,077,454
August 1, 2023 - August 31, 2023	319,716	$	140.75	319,716	$	189,077,636
September 1, 2023 - September 30, 2023	—	$	—	—	$	189,077,636
Total	319,716			319,716		

Period	Total Number of Shares Purchased		Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs		Approximate dollar value of shares that may yet be purchased under the plans or programs
January 1, 2024 - January 31, 2024	35,250	$	168.30	35,250	$	179,077,648
February 1, 2024 - February 29, 2024	327,169	$	152.83	327,169	$	129,077,746
March 1, 2024 - March 31, 2024	—	$	—	—	$	129,077,746
Total	362,419			362,419		

Item 5. Other Information

Insider Trading Arrangements

During the fiscal quarter ended September 30, 2023 March 31, 2024, no director or officer adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) 408 of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Description	Page or Method of Filing
3.1	Restated Articles of Incorporation of Meritage Homes Corporation	Incorporated by reference to Exhibit 3 of Form 8-K dated June 20, 2002
3.1.1	Amendment to Articles of Incorporation of Meritage Homes Corporation	Incorporated by reference to Exhibit 3.1 of Form 10-Q for the quarter ended September 30, 1998
3.1.2	Amendment to Articles of Incorporation of Meritage Homes Corporation	Incorporated by reference to Exhibit 3.1 of Form 8-K dated September 15, 2004
3.1.3	Amendment to Articles of Incorporation of Meritage Homes Corporation	Incorporated by reference to Appendix A of the Definitive Proxy Statement for the 2006 Annual Meeting of Stockholders filed on April 10, 2006
3.1.4	Amendment to Articles of Incorporation of Meritage Homes Corporation	Incorporated by reference to Appendix B of the Definitive Proxy Statement for the 2008 Annual Meeting of Stockholders filed on April 1, 2008
3.1.5	Amendment to Articles of Incorporation of Meritage Homes Corporation	Incorporated by reference to Appendix A of the Definitive Proxy Statement filed on January 9, 2009
3.2	Meritage Homes Corporation Amended and Restated Bylaws	Incorporated by reference to Exhibit 3.1 of Form 8-K dated June 14, 2023
22	List of Guarantor Subsidiaries	Incorporated by reference to Exhibit 22 of Form 10-K for the year ended December 31, 2022
31.1	Rule 13a-14(a)/15d-14(a) Certification of Phillippe Lord, Chief Executive Officer	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification of Hilla Sferruzza, Chief Financial Officer	Filed herewith
32.1	Section 1350 Certification of Chief Executive Officer and Chief Financial Officer	Furnished herewith
101.0	The following information financial statements from the Meritage Homes Corporation Quarterly Report on Form 10-Q as of and for the three months and nine months ended September 30, 2023 March 31, 2024 were formatted in Inline XBRL (Extensible Business Reporting Language): ; (i) Unaudited Consolidated Balance Sheets, (ii) Unaudited Consolidated Income Statements, (iii) Unaudited Consolidated Statements of Cash Flows, and (iv) Notes to Unaudited Consolidated Financial Statements.	
104.0	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 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.

MERITAGE HOMES CORPORATION,
a Maryland corporation

By: /s/ HILLA SFERRUZZA

Hilla Sferruzza
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial Officer)

Date: November 1, 2023 April 26, 2024

INDEX OF EXHIBITS

3.1 Restated Articles of Incorporation of Meritage Homes Corporation

3.1.1 Amendment to Articles of Incorporation of Meritage Homes Corporation

3.1.2 Amendment to Articles of Incorporation of Meritage Homes Corporation

3.1.3 Amendment to Articles of Incorporation of Meritage Homes Corporation

3.1.4 Amendment to Articles of Incorporation of Meritage Homes Corporation

3.1.5 Amendment to Articles of Incorporation of Meritage Homes Corporation

3.2 Meritage Homes Corporation Amended and Restated Bylaws

22 List of Guarantor Subsidiaries

31.1 Rule 13a-14(a)/15d-14(a) Certification of Phillippe Lord, Chief Executive Officer

31.2 Rule 13a-14(a)/15d-14(a) Certification of Hilla Sferruzza, Chief Financial Officer

32.1 Section 1350 Certification of Chief Executive Officer and Chief Financial Officer

101.0 The following information financial statements from the Meritage Homes Corporation Quarterly Report on Form 10-Q as of and for the three months and nine months ended September 30, 2023 March 31, 2024 were formatted in Inline XBRL (Extensible Business Reporting Language): ; (i) Unaudited Consolidated Balance Sheets, (ii) Unaudited Consolidated Income Statements, (iii) Unaudited Consolidated Statements of Cash Flows, and (iv) Notes to Unaudited Consolidated Financial Statements.

104.0 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 March 31, 2024, formatted in Inline XBRL and contained in exhibit 101.

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EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Phillippe Lord, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Meritage Homes Corporation;

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: November 1, 2023 April 26, 2024

/s/ Phillippe Lord

Phillippe Lord
Chief Executive Officer
(Principal Executive Officer)

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EXHIBIT 31.2

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Hilla Sferruzza, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Meritage Homes Corporation;

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: November 1, 2023 April 26, 2024

/s/ Hilla Sferruzza

Hilla Sferruzza
Executive Vice President and 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 on Form 10-Q of Meritage Homes Corporation (the "Company") for the period ending September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, the undersigned, certify, to the best of our knowledge, 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.

MERITAGE HOMES CORPORATION,
a Maryland Corporation

By: /s/ Phillippe Lord

Phillippe Lord
Chief Executive Officer
(Principal Executive Officer)

November 1, 2023 April 26, 2024

By: /s/ Hilla Sferruzza

Hilla Sferruzza
Executive Vice President and Chief Financial Officer (Principal Financial Officer)

November 1, 2023 April 26, 2024

DISCLAIMER