



LGI Homes, Inc. Reports Fourth Quarter and Full Year 2017 Results and Releases 2018 Guidance

February 27, 2018

THE WOODLANDS, Texas, Feb. 27, 2018 (GLOBE NEWSWIRE) -- LGI Homes, Inc. (Nasdaq:LGIH) today announced results for the fourth quarter and the twelve months ended December 31, 2017.

Fourth Quarter 2017 Results and Comparisons to Fourth Quarter 2016

- Net Income increased 53.6% to \$35.6 million, or \$1.65 Basic EPS and \$1.43 Diluted EPS
- Net Income Before Income Taxes increased 57.5% to \$55.0 million
- Home Sales Revenues increased 71.0% to \$405.0 million
- Home Closings increased 61.9% to 1,844 homes
- Average Home Sales Price increased 5.6% to \$219,618
- Gross Margin as a Percentage of Homes Sales Revenues was 24.4% as compared to 27.2%
- Adjusted Gross Margin (non-GAAP) as a Percentage of Home Sales Revenues was 25.8% as compared to 28.5%
- Active Selling Communities at December 31, 2017 increased to 78 from 63
- 39,709 Total Owned and Controlled Lots at December 31, 2017

Please see "Non-GAAP Measures" for a reconciliation of Adjusted Gross Margin (a non-GAAP measure) to Gross Margin, the most directly comparable GAAP measure.

Full Year 2017 Results and Comparisons to Full Year 2016

- Net Income increased 51.0% to \$113.3 million, or \$5.24 Basic EPS and \$4.73 Diluted EPS
- Net Income Before Income Taxes increased 50.8% to \$171.4 million
- Home Sales Revenues increased 50.1% to \$1.3 billion
- Home Closings increased 40.4% to 5,845 homes
- Average Home Sales Price increased 6.9% to \$215,220
- Gross Margin as a Percentage of Homes Sales Revenues was 25.5% as compared to 26.4%
- Adjusted Gross Margin (non-GAAP) as a Percentage of Home Sales Revenues was 26.9% as compared to 27.8%

Please see "Non-GAAP Measures" for a reconciliation of Adjusted Gross Margin (a non-GAAP measure) to Gross Margin, the most directly comparable GAAP measure.

Management Comments

"2017 was another year of outstanding performance for LGI Homes," said Eric Lipar, the Company's Chief Executive Officer and Chairman of the Board. "Our fourth quarter provided a solid finish with a record-breaking 5,845 homes closed for the year, achieving significant growth in revenues and active community count, and increasing basic earnings per share more than 45% over the prior year."

"As we turn our attention to 2018, we remain focused on delivering strong results. Ending January 2018 with home closings up 61% year-over-year, we believe we are poised to see continued growth in 2018 and believe we are well positioned to increase our revenues, community count and earnings per share, allowing LGI Homes to achieve our long-term goals and objectives of market leading returns for our stockholders. For the year, we expect to close between 6,000 and 7,000 homes and believe basic EPS will be in the range of \$6.00 to \$7.00 per share," Lipar concluded.

2017 Fourth Quarter Results

Home closings during the fourth quarter of 2017 increased 61.9% to 1,844 from 1,139 during the fourth quarter of 2016. Active selling communities increased to 78 at the end of the fourth quarter of 2017, up from 63 communities at the end of the fourth quarter of 2016.

Home sales revenues for the fourth quarter of 2017 were \$405.0 million, an increase of \$168.1 million, or 71.0% over the fourth quarter of 2016. The increase in home sales revenues is due to both the increase in the number of homes closed and an increase in the average home sales price.

The average home sales price was \$219,618 for the fourth quarter of 2017, an increase of 5.6% over the fourth quarter of 2016. This increase is largely attributable to changes in product mix, price points in new markets, and a favorable pricing environment.

Gross margin as a percentage of home sales revenues for the fourth quarter of 2017 was 24.4% as compared to 27.2% for the fourth quarter of 2016. Adjusted gross margin (non-GAAP) as a percentage of home sales revenues for the fourth quarter of 2017 was 25.8% as compared to 28.5% for the fourth quarter of 2016. This decrease is primarily due to a combination of increased home production and higher construction and lot costs partially offset by higher average home sales prices. Please see "Non-GAAP Measures" for a reconciliation of adjusted gross margin (non-GAAP) to gross margin, the most comparable GAAP measure.

Net income of \$35.6 million, or \$1.65 per basic share and \$1.43 per diluted share, for the fourth quarter of 2017 increased \$12.4 million, or 53.6%, from \$23.2 million for the fourth quarter of 2016. This increase is primarily attributable to the 61.9% increase in homes closed, the 5.6% increase in average home sales price, and operating leverage realized related to selling, general, and administrative expenses.

2017 Full Year Results

Home closings for the twelve months ended December 31, 2017 increased 40.4% to 5,845 from 4,163 during the twelve months ended December 31, 2016.

Home sales revenues for the twelve months ended December 31, 2017 increased 50.1% to \$1.3 billion compared to the twelve months ended December 31, 2016. The increase in home sales revenues is primarily due to the increase in the number of homes closed and an increase in the average home sales price.

The average home sales price was \$215,220 for the twelve months ended December 31, 2017, an increase of \$13,846, or 6.9%, over the twelve months ended December 31, 2016. This increase is largely attributable to changes in product mix, higher price points in certain new markets, and a favorable pricing environment.

Gross margin as a percentage of home sales revenues for the twelve months ended December 31, 2017 was 25.5% as compared to 26.4% for the twelve months ended December 31, 2016. Adjusted gross margin (non-GAAP) as a percentage of home sales revenues for the twelve months ended December 31, 2017 was 26.9% as compared to 27.8% for the twelve months ended December 31, 2016. This decrease is primarily due to a combination of higher construction costs and lot costs partially offset by higher average home sales price, and to a lesser extent due to 201 wholesale home closings during the twelve months ended December 31, 2017. Please see "Non-GAAP Measures" for a reconciliation of adjusted gross margin (non-GAAP) to gross margin, the most comparable GAAP measure.

Net income of \$113.3 million, or \$5.24 per basic share and \$4.73 per diluted share, for the twelve months ended December 31, 2017 increased \$38.3 million, or 51.0%, from \$75.0 million for the twelve months ended December 31, 2016. This increase is primarily attributable to the 40.4% increase in homes closed, a higher average sales price and improved operating leverage realized in 2017 related to selling, general, and administrative expenses.

Outlook

Subject to the caveats in the Forward-Looking Statements section of this press release, the Company offers the following guidance for 2018. The Company believes it will have between 85 and 90 active selling communities at the end of 2018, close between 6,000 and 7,000 homes in 2018, and generate basic EPS between \$6.00 and \$7.00 per share during 2018. In addition, the Company believes 2018 gross margin as a percentage of home sales revenues will be in the range of 24.0% and 26.0% and 2018 adjusted gross margin (non-GAAP) as a percentage of home sales revenues will be in the range of 25.5% and 27.5% with capitalized interest accounting for substantially all of the difference between gross margin and adjusted gross margin. The Company also believes that the average home sales price in 2018 will be between \$220,000 and \$230,000. This outlook assumes that general economic conditions, including interest rates and mortgage availability, in the remainder of 2018 are similar to those in the first quarter of 2018 and that average home sales price, construction costs, availability of land, land development costs and overall absorption rates for 2018 are consistent with the Company's recent experience.

Earnings Conference Call

The Company will host a conference call via live webcast for investors and other interested parties beginning at 12:30 p.m. Eastern Time on Tuesday, February 27, 2018 (the "Earnings Call"). The Earnings Call will be hosted by Eric Lipar, Chief Executive Officer and Chairman of the Board, and Charles Merdian, Chief Financial Officer.

Participants may access the live webcast by visiting the Investor Relations section of the Company's website at www.LGIHomes.com. The Earnings Call can also be accessed by dialing (855) 433-0929, or (970) 315-0256 for international participants.

An archive of the webcast will be available on the Company's website for approximately 12 months. A replay of the Earnings Call will also be available later that day by calling (855) 859-2056, or (404) 537-3406, using conference id "8099895". This replay will be available until March 6, 2018.

About LGI Homes, Inc.

Headquartered in The Woodlands, Texas, LGI Homes, Inc. engages in the design, construction and sale of homes in Texas, Arizona, Florida, Georgia, New Mexico, Colorado, North Carolina, South Carolina, Washington, Tennessee and Minnesota. The Company has a notable legacy of more than 14 years of homebuilding operations, over which time it has closed over 22,000 homes. For more information about the Company and its new home developments please visit the Company's website at www.LGIHomes.com.

Forward-Looking Statements

Any statements made in this press release or on the Earnings Call that are not statements of historical fact, including statements about the Company's beliefs and expectations, are forward-looking statements within the meaning of the federal securities laws, and should be evaluated as such. Forward-looking statements include information concerning projected 2018 home closings, year-end selling communities, basic earnings per share, gross margins as a percentage of home sales revenues, adjusted gross margins as a percentage of home sales revenue and average home sales price, as well as market conditions and possible or assumed future results of operations, including descriptions of the Company's business plan and strategies. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "goal," "intend," "may," "objective," "plan," "potential," "predict," "projection," "should," "will" or, in each case, their negative, or other variations or comparable terminology. For more information concerning factors that could cause actual results to differ materially from those contained in the forward-looking statements please refer to the "Risk Factors" section in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, including the "Cautionary Statement about Forward-Looking Statements" subsection within the "Risk Factors" section, and subsequent filings by the Company with the Securities and Exchange Commission. The Company bases these forward-looking statements or projections on its current expectations, plans and assumptions that it has made in light of its experience in the industry, as well as its perceptions of historical trends, current conditions, expected future developments and other factors it believes are appropriate under the circumstances and at such time. As you read and consider this press release or listen to the Earnings Call, you should understand that these statements are not guarantees of future performance or results. The forward-looking statements and projections are subject to and involve risks, uncertainties and assumptions and you should not place undue reliance on these forward-looking statements or projections. Although the Company believes that these forward-looking statements and projections are based on reasonable assumptions at the time they are made, you should be aware that many factors could affect the Company's actual results to differ materially from those expressed in the forward-looking statements and projections. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. If the Company does update one or more forward-looking statements, there should be no inference that it will make additional updates with respect to those or other forward-looking statements.

LGI HOMES, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

| | December 31, 2017 | 2016 |
|--|------------------------------|-------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 67,571 | \$ 49,518 |
| Accounts receivable | 44,706 | 17,055 |
| Real estate inventory | 918,933 | 717,681 |
| Pre-acquisition costs and deposits | 18,866 | 10,651 |
| Property and equipment, net | 1,674 | 1,960 |
| Other assets | 14,196 | 5,631 |
| Deferred tax assets, net | 1,928 | — |
| Goodwill | 12,018 | 12,018 |
| Total assets | \$ 1,079,892 | \$ 814,514 |
| LIABILITIES AND EQUITY | | |
| Accounts payable | \$ 12,020 | \$ 12,277 |
| Accrued expenses and other liabilities | 102,831 | 46,389 |
| Deferred tax liabilities, net | — | 164 |
| Notes payable | 475,195 | 400,483 |
| Total liabilities | 590,046 | 459,313 |
| COMMITMENTS AND CONTINGENCIES | | |
| EQUITY | | |
| Common stock, par value \$0.01, 250,000,000 shares authorized, 22,845,580 shares issued and 21,845,580 shares outstanding as of December 31, 2017 and 22,311,310 shares issued and 21,311,310 shares outstanding as of December 31, 2016 | 228 | 223 |
| Additional paid-in capital | 229,680 | 208,346 |
| Retained earnings | 276,488 | 163,182 |
| Treasury stock, at cost, 1,000,000 shares | (16,550) | (16,550) |
| Total equity | 489,846 | 355,201 |
| Total liabilities and equity | \$ 1,079,892 | \$ 814,514 |

LGI HOMES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)

| | Three Months Ended December 31, | | Year Ended December 31, | |
|--------------------------------------|--|-------------|--------------------------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (unaudited) | | | |
| Home sales revenues | \$ 404,975 | \$ 236,830 | \$ 1,257,960 | \$ 838,320 |
| Cost of sales | 306,298 | 172,502 | 937,540 | 616,707 |
| Selling expenses | 28,639 | 18,019 | 94,957 | 66,984 |
| General and administrative | 15,286 | 12,003 | 55,662 | 43,158 |
| Operating income | 54,752 | 34,306 | 169,801 | 111,471 |
| Other income, net | (289) | (641) | (1,601) | (2,201) |
| Net income before income taxes | 55,041 | 34,947 | 171,402 | 113,672 |
| Income tax provision | 19,401 | 11,742 | 58,096 | 38,641 |
| Net income | \$ 35,640 | \$ 23,205 | \$ 113,306 | \$ 75,031 |
| Earnings per share: | | | | |
| Basic | \$ 1.65 | \$ 1.09 | \$ 5.24 | \$ 3.61 |
| Diluted | \$ 1.43 | \$ 1.01 | \$ 4.73 | \$ 3.41 |
| Weighted average shares outstanding: | | | | |
| Basic | 21,783,604 | 21,290,257 | 21,604,932 | 20,798,333 |
| Diluted | 24,992,512 | 22,878,789 | 23,933,122 | 22,024,091 |

Non-GAAP Measures

In addition to the results reported in accordance with U.S. GAAP, the Company has provided information in this press release relating to Adjusted Gross Margin.

Adjusted gross margin is a non-GAAP financial measure used by management as a supplemental measure in evaluating operating performance. The Company defines adjusted gross margin as gross margin less capitalized interest and adjustments resulting from the application of purchase accounting included in the cost of sales. Management believes this information is useful because it isolates the impact that capitalized interest and purchase accounting adjustments have on gross margin. However, because adjusted gross margin information excludes capitalized interest and purchase accounting adjustments, which have real economic effects and could impact the Company's results, the utility of adjusted gross margin information as a measure of the Company's operating performance may be limited. In addition, other companies may not calculate adjusted gross margin information in the same manner that the Company does. Accordingly, adjusted gross

margin information should be considered only as a supplement to gross margin information as a measure of the Company's performance.

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

| | Three Months Ended December 31, | | | Year Ended December 31, | | | |
|--|---------------------------------|---|------------|-------------------------|---|------------|---|
| | 2017 | | 2016 | 2017 | | 2016 | |
| Home sales revenues | \$ 404,975 | | \$ 236,830 | \$ 1,257,960 | | \$ 838,320 | |
| Cost of sales | 306,298 | | 172,502 | 937,540 | | 616,707 | |
| Gross margin | 98,677 | | 64,328 | 320,420 | | 221,613 | |
| Capitalized interest charged to cost of sales | 5,852 | | 3,249 | 17,400 | | 10,680 | |
| Purchase accounting adjustments ^(a) | 20 | | 31 | 246 | | 485 | |
| Adjusted gross margin | \$ 104,549 | | \$ 67,608 | \$ 338,066 | | \$ 232,778 | |
| Gross margin % ^(b) | 24.4 | % | 27.2 | 25.5 | % | 26.4 | % |
| Adjusted gross margin % ^(b) | 25.8 | % | 28.5 | 26.9 | % | 27.8 | % |

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

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

Home Sales Revenues and Closings by Division

(Revenues in thousands)

| | Three Months Ended December 31, | | | 2016 | | |
|--------------------------|---------------------------------|-------|------------|------------|----------|------------|
| | 2017 | | ASP | Revenues | Closings | ASP |
| Central | \$ 161,897 | 789 | \$ 205,193 | \$ 120,180 | 595 | \$ 201,983 |
| Southwest | 80,651 | 307 | 262,707 | 46,645 | 192 | 242,943 |
| Southeast | 49,757 | 263 | 189,190 | 28,342 | 157 | 180,522 |
| Florida | 70,388 | 358 | 196,615 | 34,364 | 173 | 198,636 |
| Northwest | 41,475 | 124 | 334,476 | 7,299 | 22 | 331,773 |
| Midwest | 807 | 3 | 269,000 | — | — | — |
| Total home sales revenue | \$ 404,975 | 1,844 | \$ 219,618 | \$ 236,830 | 1,139 | \$ 207,928 |

| | Year Ended December 31, | | | 2016 | | |
|--------------------------|-------------------------|-------|------------|------------|----------|------------|
| | 2017 | | ASP | Revenues | Closings | ASP |
| Central | \$ 532,447 | 2,613 | \$ 203,768 | \$ 429,505 | 2,143 | \$ 200,422 |
| Southwest | 243,037 | 942 | 258,001 | 165,017 | 737 | 223,904 |
| Southeast | 183,422 | 973 | 188,512 | 111,651 | 635 | 175,828 |
| Florida | 199,733 | 1,014 | 196,975 | 115,276 | 595 | 193,741 |
| Northwest | 98,514 | 300 | 328,380 | 16,871 | 53 | 318,321 |
| Midwest | 807 | 3 | 269,000 | — | — | — |
| Total home sales revenue | \$ 1,257,960 | 5,845 | \$ 215,220 | \$ 838,320 | 4,163 | \$ 201,374 |

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Source: LGI Homes

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