



# INVESTOR PRESENTATION

MAY 2020

# CAUTIONARY STATEMENT

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## Forward-Looking Statements

This presentation includes statements concerning our expectations, beliefs, plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements that are not historical facts. These statements are “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those expressed or implied by these statements. You can generally identify our forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “objective,” “plan,” “potential,” “predict,” “projection,” “should,” “will” or other similar words. The statements in this presentation that are not historical statements, including statements regarding LGI Homes, Inc.’s (“LGI Homes”) future expectations, beliefs, plans, objectives, financial conditions, assumptions or future events or performance, are forward-looking statements within the meaning of the federal securities laws. LGI Homes has based its forward-looking statements on its management’s beliefs and assumptions based on information available to its management at the time the statements are made. LGI Homes cautions you that assumptions, beliefs, expectations, intentions and projections about future events may and often do vary materially from actual results. Therefore, LGI Homes cannot assure you that actual results will not differ materially from those expressed or implied by its forward-looking statements. Please read LGI Homes’ most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q filed thereafter and other filings with the Securities and Exchange Commission for a discussion of some of the factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. LGI Homes expressly disclaims any intent, obligation or undertaking to update or revise any forward-looking statements to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

## Use of Non-GAAP Financial Measures

In addition to the financial statements presented in accordance with U.S. generally accepted accounting principles (“GAAP”), LGI Homes uses certain non-GAAP financial measures, including “adjusted gross margin.” Adjusted gross margin is a non-GAAP financial measure used by management as a supplemental measure in evaluating LGI Homes’ operating performance. LGI Homes 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. Other companies may not calculate adjusted gross margin or other non-GAAP financial measures in the same manner as LGI Homes and therefore such information may not be directly comparable to those measures of LGI Homes’ performance. A reconciliation of adjusted gross margin to gross margin, the GAAP financial measure that management believes to be most directly comparable, is included in the Appendix at the end of this presentation. References to TTM in this presentation are to the twelve months ended March 31, 2020.



## COMPANY HIGHLIGHTS

LGI Homes is one of the nation's fastest growing homebuilders in the United States. Recently recognized as the 10<sup>th</sup> largest residential builder in America, based on units closed, our business model is based on skillfully building and selling high quality homes with well-designed floor plans. We are focused on the entry-level homebuyer, offering homes at affordable prices in attractive locations while utilizing a well-established sales and marketing approach, a culture of customer service excellence, and a highly efficient construction process.

<sup>1</sup> Calculated as a percentage of home sales revenues

<sup>2</sup> Adjusted gross margin is defined as gross margin adjusted for capitalized interest and adjustments resulting from the application of purchase accounting included in cost of sales. See the Appendix for a reconciliation of adjusted gross margin to gross margin.

FOCUS ON PERFORMANCE

# LGI HOMES AT A GLANCE

TRAILING 12 MONTHS

**\$2.0 BILLION** REVENUE

**8,297** CLOSINGS

**6.8** AVERAGE ABSORPTIONS

**23.8%** GROSS MARGIN <sup>(1)</sup>

**25.9%** ADJUSTED GROSS MARGIN <sup>(1) (2)</sup>

**26.4%** RETURN ON EQUITY

**18** STATES IN **34** MARKETS

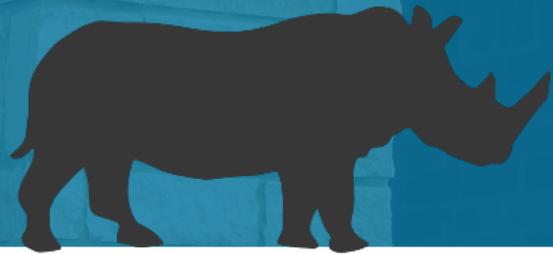
**50,273** OWNED & CONTROLLED LOTS AT 3/31/20

**35,000+** HOMES CLOSED TO DATE

# Year-Over-Year Growth

LGI Homes has experienced rapid growth. We grew our revenue from \$55.3 million in 2010 to \$1.8 billion in 2019. Since our IPO, we have achieved an annual revenue growth rate of 40.3%.

We grew our closings from 439 homes in 2010 to 7,690 homes in 2019. Since our IPO, we have achieved an annual home closings growth rate of 29.7%.

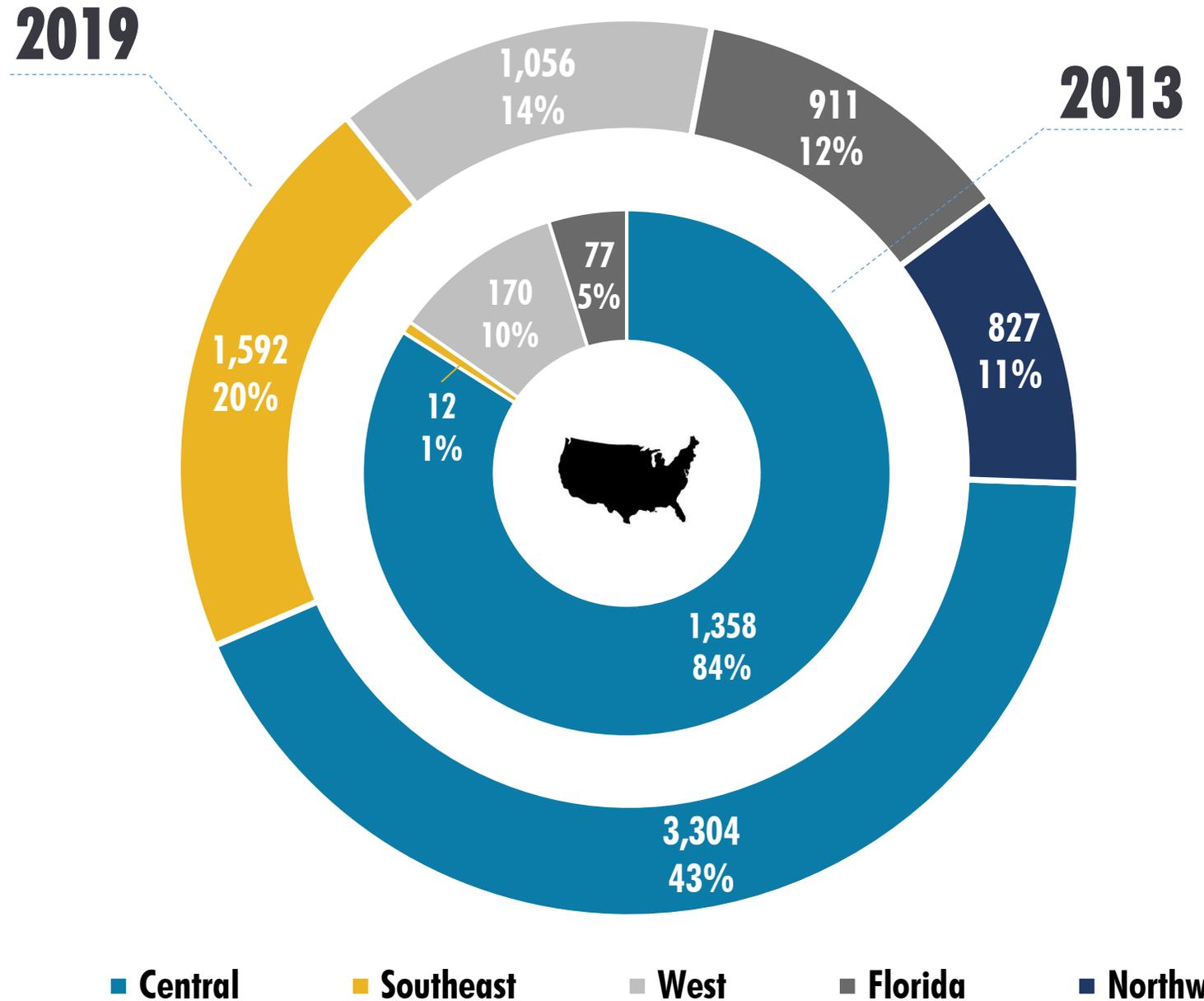


Note: 2013 and prior home closings are pro forma figures, includes home closings for the LGI/GTIS Joint Ventures not consolidated prior to LGI's IPO

FOCUS ON GROWTH

# GEOGRAPHIC DIVERSIFICATION

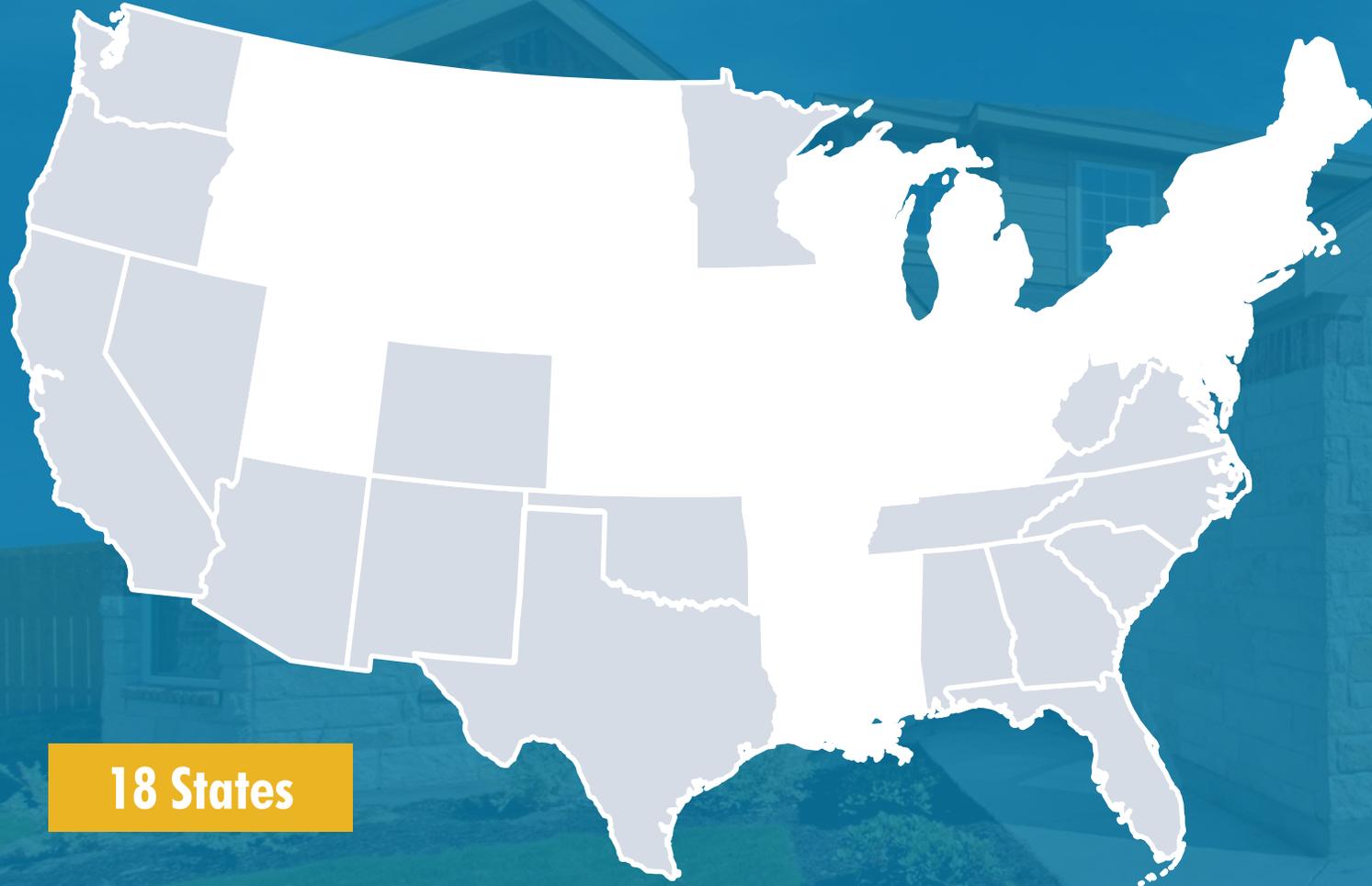
Since our initial public offering in 2013, we have significantly diversified our business geographically. In 2013, our Central division represented 84% of our home closings compared to 43% in 2019.



Note: 2013 home closings are pro forma figures, includes home closings for the LGI/GTIS Joint Ventures not consolidated prior to LGI's IPO

TODAY

# OVER 35,000 FAMILIES MOVED-IN



**18 States**

**34 Markets**

- ALBUQUERQUE
- ATLANTA
- AUSTIN
- BIRMINGHAM
- CHARLOTTE
- COLORADO SPRINGS
- COLUMBIA
- DAYTONA BEACH
- DALLAS/FORT WORTH
- DENVER
- FORT MYERS
- FORT PIERCE
- GREENVILLE
- HOUSTON
- JACKSONVILLE
- LAS VEGAS
- MINNEAPOLIS
- NASHVILLE
- OKLAHOMA CITY
- ORLANDO
- PHOENIX
- PORTLAND
- RALEIGH
- RICHMOND
- SACRAMENTO
- SAN ANTONIO
- SARASOTA
- SEATTLE
- SOUTHERN CALIFORNIA
- TAMPA
- TUCSON
- WASHINGTON D.C.
- WILMINGTON
- WINSTON-SALEM

**115 Active Communities as of April 30, 2020**



## Affordable Alternative to Renting

Target Consumer: Renters and First Time Homebuyers



## Move-In Ready Inventory

100% Spec – All Upgrades Included



## 2 to 5 Professionally Trained Sales Representatives per Office



## Marketing Excellence

Unique and highly successful marketing system proven to convert renters into new homeowners



## Superior Homebuilding & Land Acquisitions Strategy



# THE LGI DIFFERENCE

We utilize a well-established sales and marketing approach, a culture of customer service excellence, and a highly efficient home construction process.

## Standard Processes & Procedures

...

LGI Homes is a systems-based company with an “LGI Way” for everything that we do. Our focus on systems and procedures provides employees with the tools they need to be successful, and allows for our processes to be replicated in every market.

## Manuals

...

Manuals are the backbone to our systematic approach. The majority of roles at LGI Homes have a comprehensive manual, outlining the specific instructions and LGI Way for the daily operations required. This allows for clear expectations, ongoing training, and duplicable roles that we can take to new markets.

## Comprehensive Training

...

We focus on attracting the best talent and providing them with world-class training and continuous development. Every employee experiences 100 days of training where we dive into the LGI Homes culture and learn the ins and outs of the LGI Way. We provide the tools needed for employee success.



# SYSTEMS-BASED COMPANY

THE LGI WAY

# INVENTORY MANAGEMENT



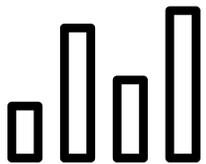
## Vertical Construction

We maintain a target of 4 to 6 months of expected home closings in vertical construction at any one time.



## Raw Land, Land Under Development & Finished Lots

We expect to maintain a 3-5 year forward supply of owned lots in various stages of development at any one time.



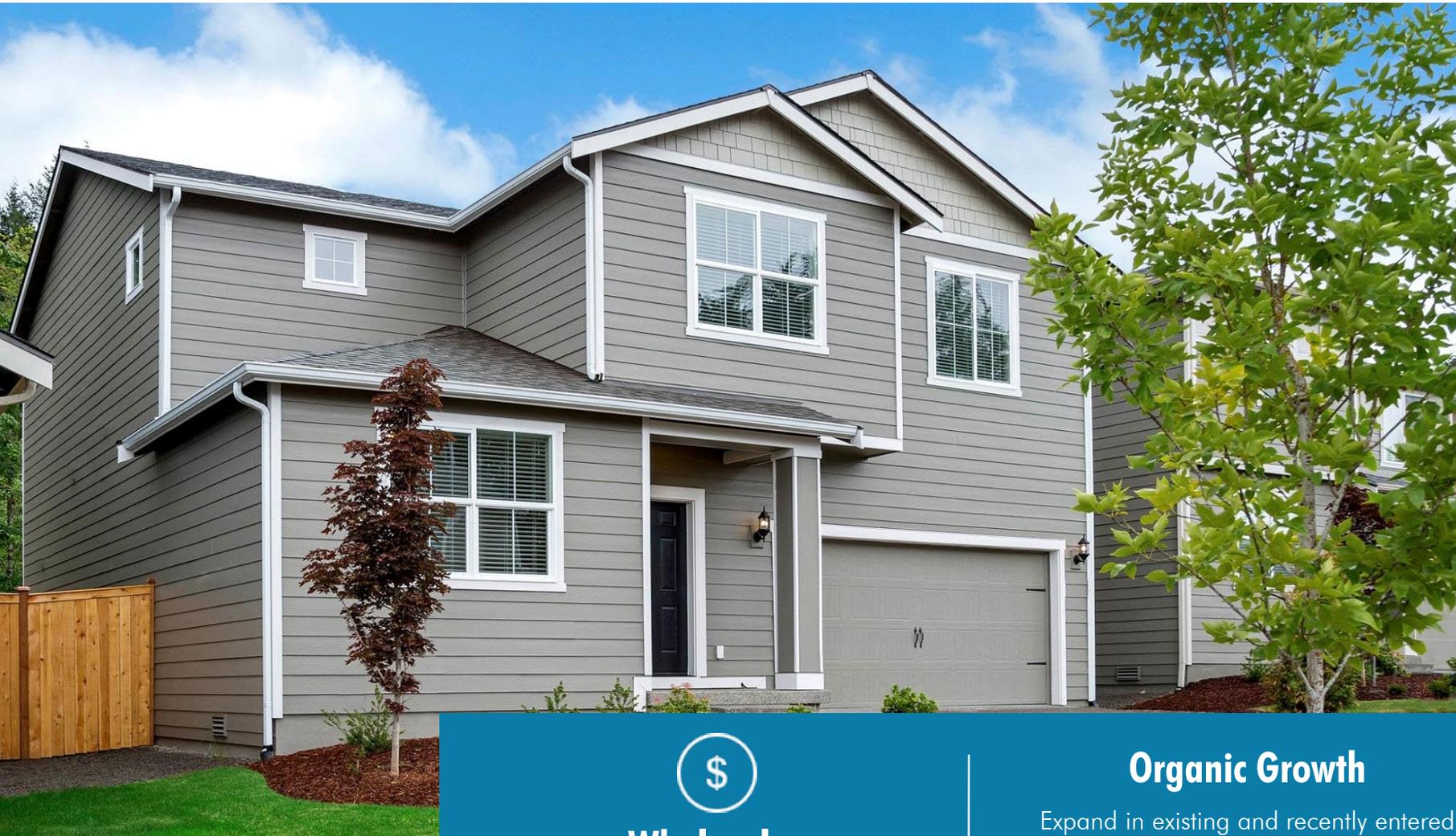
## Owned & Controlled

As of 3/31/2020, we had 50,273 owned and controlled lots. 62% or 31,418 lots were owned.



# HomeBUILDING EXCELLENCE

We offer zero options and no changes. Building 100% spec means there is no customization, which allows for efficient build times of 75 to 100 calendar days. Our commitment to jobsite cleanliness promotes safety, efficiency, and results in better quality construction. This allows us to keep a large supply of move-in ready homes available to serve the needs of first time homebuyers.



OUR VISION IS TO BECOME  
A NATIONALLY RECOGNIZED  
**TOP 5 BUILDER**

IN TERMS OF ANNUAL HOME CLOSINGS



## Wholesale

Opportunistically sell units on a wholesale basis at similar operating margins. We closed 583 homes (7.6%) on a wholesale basis in 2019.

## Organic Growth

Expand in existing and recently entered markets, as well as selective expansion into new markets.



## Company Acquisitions

Acquisition targets are builders primarily focused on entry-level homes and land acquisitions that will add accretive value.

# ANNUAL OPERATING RESULTS

	2015	2016	2017	2018	2019	TTM
Home Closings	3,404	4,163	5,845	6,512	<b>7,690</b>	8,297
Average Active Communities	47.1	57.9	73.1	80.6	<b>95.7</b>	101.8
Average Monthly Absorption Rate	6.0	6.0	6.7	6.7	<b>6.7</b>	6.8
Average Sales Price	\$185,146	\$201,374	\$215,220	\$231,020	<b>\$239,032</b>	\$241,688
Home Sales Revenues (millions)	\$630.2	\$838.3	\$1,258.0	\$1,504.4	<b>\$1,838.2</b>	\$2,005.3
Gross Margin %	<b>26.5%</b>	26.4%	25.5%	25.3%	23.7%	23.8%
Adjusted Gross Margin %	27.8%	<b>27.8%</b>	26.9%	27.0%	25.8%	25.9%
SGA %	13.8%	13.1%	12.0%	12.0%	<b>11.4%</b>	10.8%
Net Income \$ (millions)	\$52.8	\$75.0	\$113.3	\$155.3	<b>\$178.6</b>	\$203.1
Pre-Tax Net Income %	12.7%	13.6%	<b>13.6%</b>	13.2%	12.6%	13.2%
Basic Earnings per Share	\$2.65	\$3.61	\$5.24	\$6.89	<b>\$7.70</b>	\$8.54 <sup>(1)</sup>
Diluted Earnings per Share	\$2.44	\$3.41	\$4.73	\$6.24	<b>\$7.02</b>	\$7.94 <sup>(1)</sup>

Note: Bold values represent highest for periods shown  
<sup>1</sup> Calculated as sum of the prior four quarters as reported

# CONDENSED BALANCE SHEET

LGI HOMES HAS SIGNIFICANT LIQUIDITY AND ACCESS TO CAPITAL MARKETS TO OPPORTUNISTICALLY FUND OUR GROWTH INITIATIVES

(dollars in thousands)	December 31, 2017	December 31, 2018	December 31, 2019	March 31, 2020
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 67,571	\$ 46,624	\$ 38,345	\$ 118,232
Accounts Receivable	44,706	42,836	56,390	45,006
Real Estate Inventory	918,933	1,228,256	1,499,624	1,481,833
Goodwill and Other Intangible Assets	12,018	12,018	12,018	12,018
Other Assets	36,664	65,739	59,738	61,955
Total Assets	<u>\$ 1,079,892</u>	<u>\$ 1,395,473</u>	<u>\$ 1,666,115</u>	<u>\$ 1,719,044</u>
<b>LIABILITIES</b>				
Accounts Payable and Other Liabilities	\$ 114,851	\$ 85,796	\$ 130,363	\$ 115,046
Notes Payable	475,195	653,734	690,559	744,393
Total Liabilities	<u>590,046</u>	<u>739,530</u>	<u>820,922</u>	<u>859,439</u>
<b>EQUITY</b>				
Common Stock	228	237	264	266
Additional Paid-In Capital	229,680	241,988	252,603	255,509
Retained Earnings	276,488	431,774	610,382	653,221
Treasury Stock, at Cost	(16,550)	(18,056)	(18,056)	(49,391)
Total Equity	<u>489,846</u>	<u>655,943</u>	<u>845,193</u>	<u>859,605</u>
Total Liabilities and Equity	<u>\$ 1,079,892</u>	<u>\$ 1,395,473</u>	<u>\$ 1,666,115</u>	<u>\$ 1,719,044</u>
Gross Debt to Capitalization <sup>(1)</sup>	49.9%	50.4%	45.3%	46.8%
Net Debt to Capitalization <sup>(2)</sup>	45.4%	48.1%	43.6%	42.1%

**\$118M in Cash <sup>(3)</sup>**

**\$255M in Liquidity <sup>(3)</sup>**

**Net debt to cap of  
42.1% <sup>(3)</sup>**

**\$300M Senior Notes  
mature in 2026**

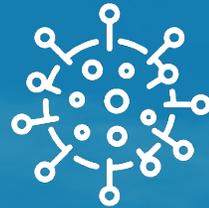
<sup>1</sup> Calculated as a percentage of notes payable to total equity less goodwill and other intangible assets and notes payable.

<sup>2</sup> Calculated as a percentage of notes payable less cash and cash equivalents ("net debt") to total equity and net debt.

<sup>3</sup> As of March 31, 2020

FOCUS ON PROTECTING OUR EMPLOYEES, CUSTOMERS AND STOCKHOLDERS

# RESPONSE TO COVID-19



## Prioritize Health & Safety

- Enhanced office procedures for employee protection
- Increased frequency of cleaning
- Decreased office hours in the field
- Adjusted staffing in the field
- Corporate personnel working remotely
- Following all state and CDC guidelines



## Cash Management

- Delayed or cancelled land acquisitions
- Deferred April starts to reduce overall inventory
- Significantly reduced marketing spend
- Suspended new development contracts
- Eliminated business travel
- Cancelled group meetings, including April training class, quarterly meetings, etc.
- Delayed major expenditures



# Appendix

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# RECONCILIATION OF ADJUSTED GROSS MARGIN (NON-GAAP)

12 MONTHS ENDED DECEMBER 31 & TRAILING TWELVE MONTHS AS OF MARCH 31, 2020

(dollars in thousands)	2015	2016	2017	2018	2019	TTM
<b>Home Sales Revenues</b>	\$630,236	\$838,320	\$1,257,960	\$1,504,400	\$1,838,154	\$2,005,288
<b>Cost of Home Sales</b>	463,304	616,707	937,540	1,124,484	\$1,401,675	\$1,528,549
<b>Gross Margin</b>	<b>\$166,932</b>	<b>\$221,613</b>	<b>\$320,420</b>	<b>\$379,916</b>	<b>\$436,479</b>	<b>\$476,738</b>
<b>Capitalized Interest Charged to Cost of Sales</b>	6,057	10,680	17,400	24,311	35,230	38,764
<b>Purchase Accounting Adjustment <sup>(1)</sup></b>	2,131	485	246	1,408	3,324	3,318
<b>Adjusted Gross Margin (Non-GAAP)</b>	<b>\$175,120</b>	<b>\$232,778</b>	<b>\$338,066</b>	<b>\$405,635</b>	<b>\$475,033</b>	<b>\$518,820</b>
<b>Gross Margin % <sup>(2)</sup></b>	26.5%	26.4%	25.5%	25.3%	23.7%	23.8%
<b>Adjusted Gross Margin % <sup>(2)</sup></b>	27.8%	27.8%	26.9%	27.0%	25.8%	25.9%

<sup>1</sup> Adjustments result from the application of purchase accounting related to prior acquisitions and represent the amount of the fair value step-up adjustments for real estate inventory included in cost of sales

<sup>2</sup> Calculated as a percentage of home sales revenues



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