



# Investor Presentation

December 2015







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# GAAP Disclaimer



This presentation includes the use of both GAAP and non-GAAP financial measures. The non-GAAP financial measures are adjusted gross margin and adjusted EBITDA. 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. 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 excludes capitalized interest and purchase accounting adjustments, which have real economic effects and could impact LGI Homes' results, the utility of adjusted gross margin as a measure of LGI Homes' operating performance may be limited. In addition, other companies may not calculate adjusted gross margin information in the same manner that LGI Homes does. Accordingly, adjusted gross margin information should be considered only as a supplement to gross margin information as a measure of LGI Homes' performance.

Adjusted EBITDA is a non-GAAP financial measure used by management as a supplemental measure in evaluating LGI Homes' operating performance. LGI Homes defines adjusted EBITDA as net income before (i) interest expense, (ii) income taxes, (iii) depreciation and amortization, (iv) capitalized interest charged to cost of sales, (v) other income, net and (vi) adjustments resulting from the application of purchase accounting. Management believes that the presentation of adjusted EBITDA provides useful information to investors regarding LGI Homes' results of operations because it assists both investors and management in analyzing and benchmarking the performance and value of LGI Homes' business. Adjusted EBITDA provides an indicator of general economic performance that is not affected by fluctuations in interest rates or effective tax rates, levels of depreciation or amortization and items considered to be non-recurring. Accordingly, management believes that this measurement is useful for comparing general operating performance from period to period. Other companies may define adjusted EBITDA differently and, as a result, LGI Homes' adjusted EBITDA may not be directly comparable to adjusted EBITDA of other companies. Although LGI Homes uses adjusted EBITDA as a financial measure to assess the performance of its business, the use of adjusted EBITDA is limited because it does not include certain material costs, such as interest and taxes, necessary to operate its business. Adjusted EBITDA should be considered in addition to, and not as a substitute for, net income in accordance with GAAP as a measure of performance. LGI Homes' presentation of adjusted EBITDA should not be construed as an indication that its future results will be unaffected by unusual or nonrecurring items. Adjusted EBITDA is limited as an analytical tool, and should not be considered in isolation or as a substitute for analysis of results as reported under GAAP. Some of these limitations are: it does not reflect every cash expenditure, future requirements for capital expenditures or contractual commitments, including for the purchase of land; it does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on LGI Homes' debt; although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced or require improvements in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements or improvements; it is not adjusted for all non-cash income or expense items that are reflected in LGI Homes' statements of cash flows; it does not reflect the impact of earnings or charges resulting from matters LGI Homes considers not to be indicative of its ongoing operations; adjusted EBITDA may vary significantly from EBITDA calculations under the terms of LGI Homes' revolving credit facility and should not be used for assessing compliance or non-compliance with financial covenants under LGI Homes' revolving credit facility; and other companies in our industry may calculate it differently than LGI Homes does, limiting its usefulness as a comparative measure. Because of these limitations, adjusted EBITDA should not be considered as a measure of discretionary cash available to LGI Homes to invest in the growth of its business or as a measure of cash that will be available to LGI Homes to meet its obligations. Adjusted EBITDA is not intended as an alternative to net income as an indicator of LGI Homes' operating performance, as an alternative to any other measure of performance in conformity with GAAP or as an alternative to cash flows as a measure of liquidity.

# One of the Nation's Fastest Growing Homebuilders



Founded in 2003, LGI Homes (NASDAQ: LGIH) has delivered over 11,000 homes

Focus on entry level homebuyers

Profitable every year since inception

Never taken an inventory impairment

Proven ability to expand into new markets

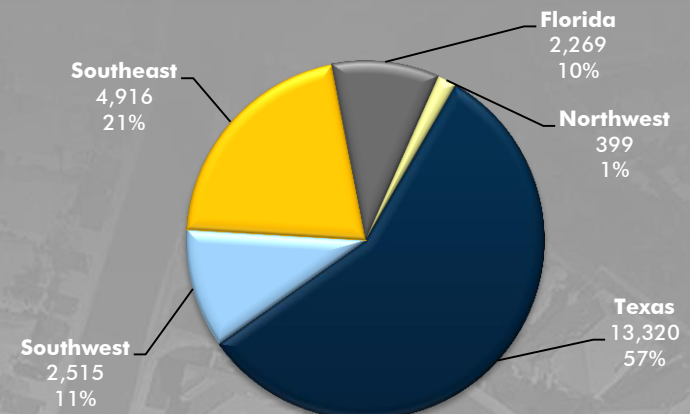
Focused on growth:

- 50 active communities in 13 markets across 8 states
  - 47% increase YoY in active communities
  - 127% increase in active communities since September of 2013
- Own and control ~23,400 lots
- YTD revenue of \$454 million and closings of 2,458 homes
  - 65% increase YoY in quarterly home sales revenues
  - 44% increase YoY in quarterly home closings

Source: Company SEC filings as of 9/30/15



**Holdings by Division:**  
Owned and Controlled Lots as of September 30, 2015

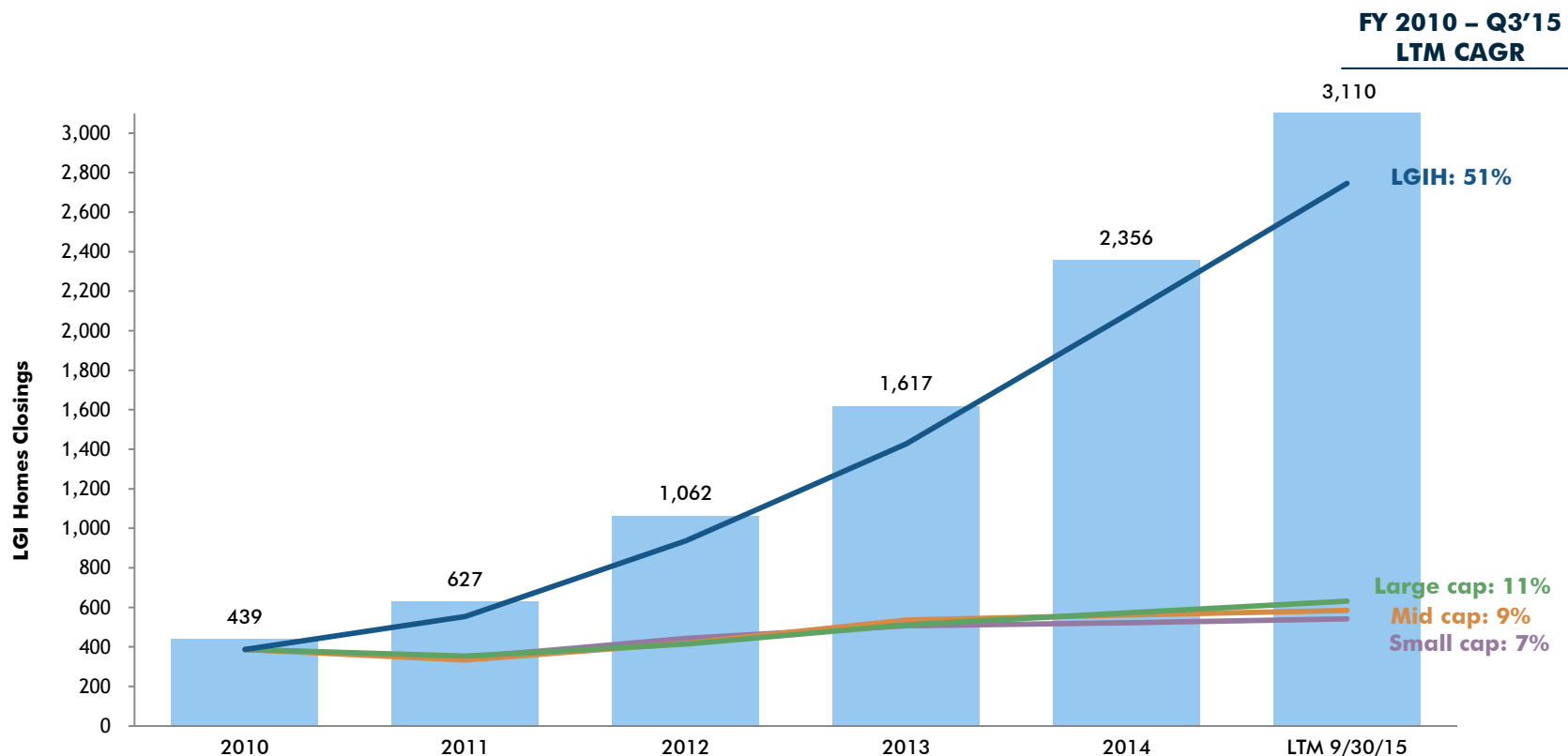




# Superior Growth...



## Home Closings 2010 – 2015 YTD



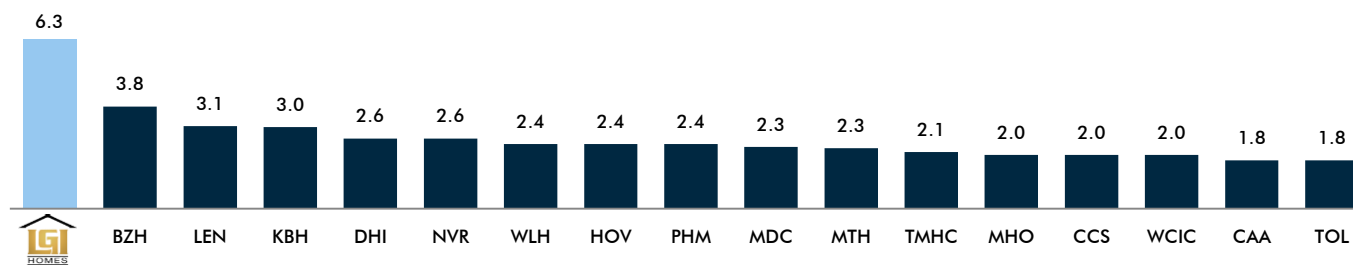
Note: Small cap peers include MHO, BZH, HOV, and WLH; Mid cap peers include MTH, CAA, KBH, and MDC; Large cap peers include TOL, DHI, LEN, NVR, PHM, and TMHC; Excludes CCS and WCIC due to lack of sufficient public disclosure to calculate the metric; LGIH home closings calculated using pro forma figures, adjusted for LGI/GTIS Joint Ventures not consolidated prior to the IPO

Source: Public SEC filings

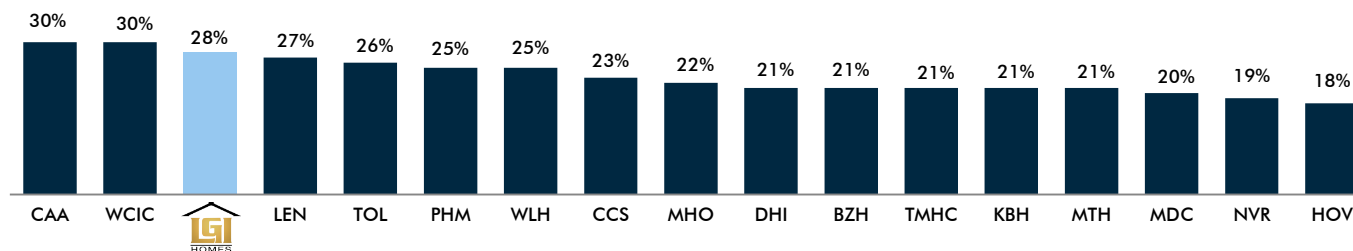
# ...While Maintaining Industry Leading Financial Performance



## MRQ Absorption (deliveries/community/month)<sup>1</sup>



## MRQ adjusted homebuilder gross margin



Source: Most recent public homebuilder peer SEC filings

<sup>1</sup> Based on reported active communities, may not be comparable

# Unique and Proven Operating Model...



We have demonstrated the ability to profitably take our model to new markets.





# Differentiated Sales & Marketing Approach



- Unique & highly successful marketing system proven to convert renters into new homeowners
- Weekly distribution of approximately 400,000 direct mailings to renters within a 25-mile radius of our active communities
- Minimal reliance on realtors
- 3-5 Sales Representatives and one Sales Manager at each office
- Open 360 days a year 8:30am - 8:00pm
- Onsite independent mortgage brokers assist customers with financing
- Move-in ready inventory



"I can't thank LGI Homes enough for giving me the opportunity to own my first home! I couldn't be happier with the home."



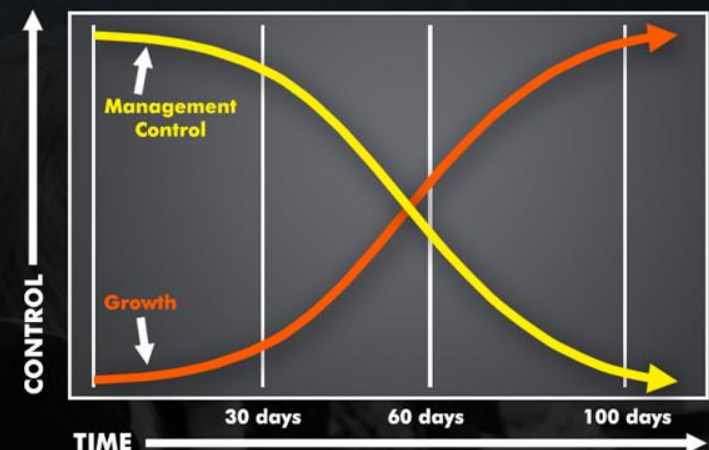
# Commitment to Effective Training



- Comprehensive 100-day introductory training program
  - 30 days of in-depth, in-house education about our time-proven selling strategies
  - 70 days of hands-on training
- Weekly national sales call and training sessions held in each sales office
- Monthly regional training events for sales and construction
- Quarterly corporate training events for sales managers, construction managers and the executive team
- Annual company-wide conference that leverages best practices across the organization



Overview of 100 Day Training Process





# Multiple Avenues for Continued Growth

## Organic growth

- Expansion in existing markets
  - Favorable demographic and economic trends
  - Value oriented land acquisitions with proximity to major thoroughfares, retail and business centers
- Selectively expand into new markets
  - Target markets with favorable supply and demand dynamics
  - Markets with large and growing rental populations



## Product expansion

- Increase product offerings with home deliveries at various price points to cater to local demand
- Customize sales and marketing efforts and allow expansion of target buyer group



## Corporate acquisitions

- Ability to add scale through the acquisition of appropriately positioned homebuilders
- Immediate growth opportunity
- Acquired builder adopts LGI's proven operating model and shares best practices





# Flexible & Value-Oriented Land Acquisition Strategy



- We pursue a flexible land acquisition strategy of purchasing or optioning finished lots, at attractive prices, or purchasing raw land for residential development
  - Experienced in converting raw land into residential communities given our history as a successful land developer
- We target land that is away from city centers, but still close to major thoroughfares, retail districts and centers of business
  - Less competition when acquiring land leads to more attractive cost basis
  - Allows us to provide our potential homebuyers with homes at more affordable prices in locations with access to retail and employment centers
- Prior to land acquisition, we employ a comprehensive test marketing strategy to ensure consumer demand meets our requirements
- Ability to adapt to changing market conditions
  - We leverage our land development expertise where finished lots are scarce or expensive

# Market Expansion

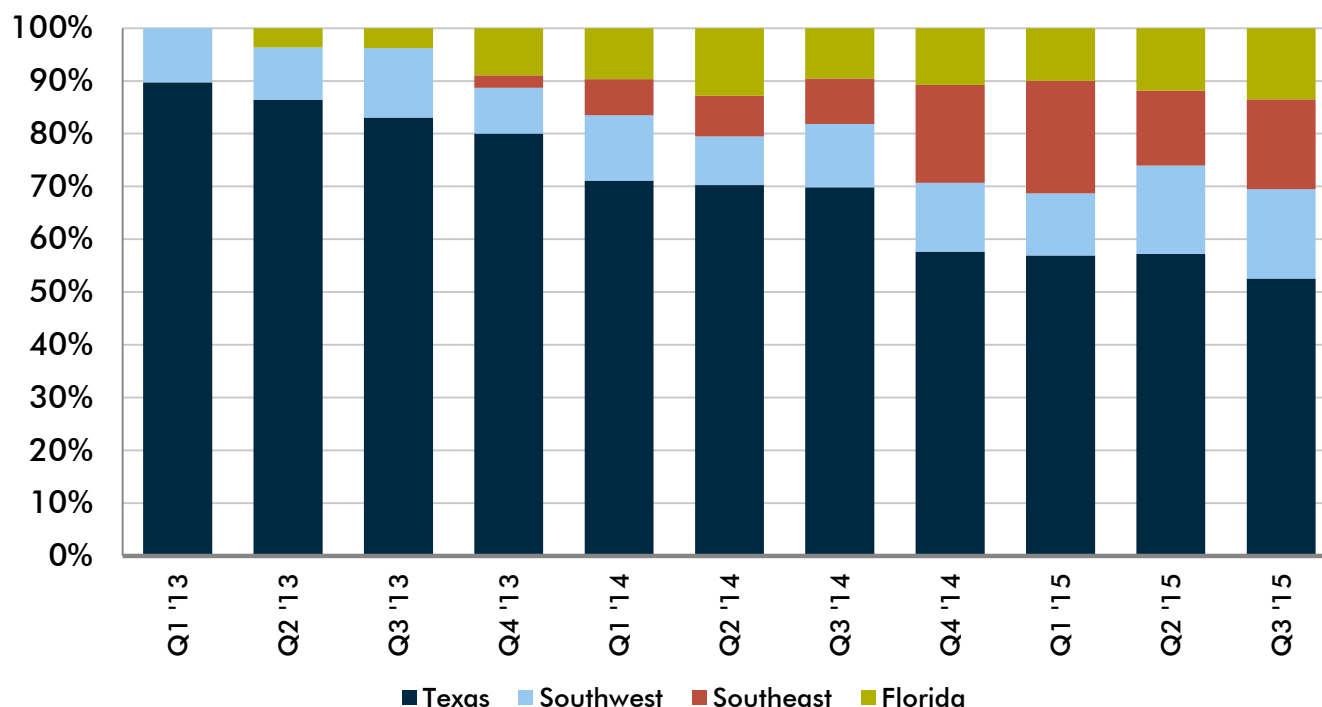


- Expansion Since IPO
- Established Markets Prior to IPO





# Organic Growth: Quarterly Closings by Division



- Texas represents approximately 53% of closings in Q3 2015 compared to 90% in Q1 2013
- Each division outside of Texas represents between 13% and 17% of closings in Q3 2015

Note: All 2013 metrics are pro forma figures, adjusted for the LGI/GTIS Joint Ventures not consolidated prior to the IPO; see appendix for a reconciliation of non-GAAP measures



# How Has LGI Created Value Since It's IPO?



LGI's revenue has been at top of peer group

- \$454 million YTD 2015 compared to \$164 million YTD 2013, an increase of 177%



LGI has entered 5 new markets since its IPO, continuing to take our proven and unique business model to new markets, and we plan to continue to enter into additional new markets



LGI has expanded its product and price point offering, now offering higher priced homes resulting in an average price of \$186,000 in Q3 2015 up from \$152,000 in Q3 2013



We have grown our talented employee base from 214 to approximately 500 and we are extremely proud of our excellent workforce



This has all resulted in **stock price appreciation of 223% since our IPO**, the best performance in our homebuilding peer group<sup>1</sup>

Note: All 2013 metrics are pro forma figures, adjusted for the LGI/GTIS Joint Ventures not consolidated prior to the IPO; see appendix for a reconciliation of non-GAAP measures; Peers include MHO, BZH, HOV, WLH, MTH, CAA, KBH, MDC, TOL, DHI, LEN, NVR, PHM, TMHC, CCS and WCIC

<sup>1</sup> Comparison as of closing stock price on 12/1/2015 and IPO price of \$11.00 per share





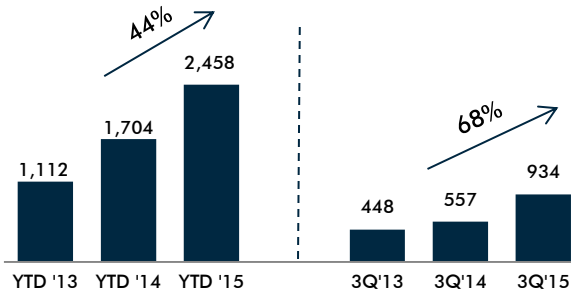
## Financial Highlights



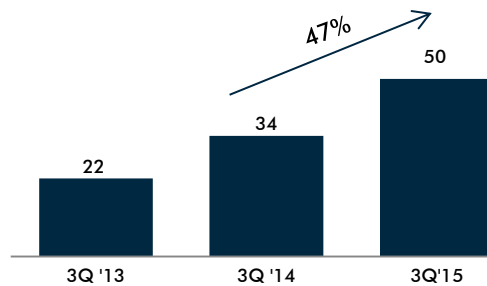


# Significant Operating Momentum

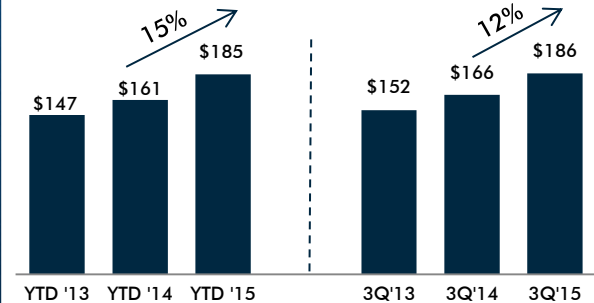
## Home Closings



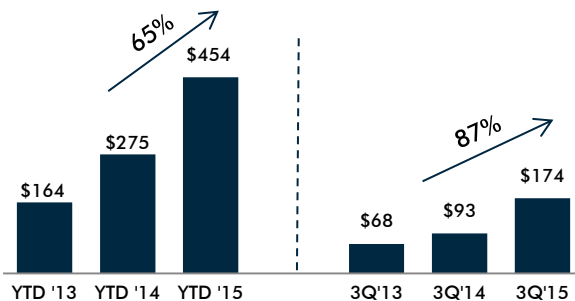
## Active Selling Communities



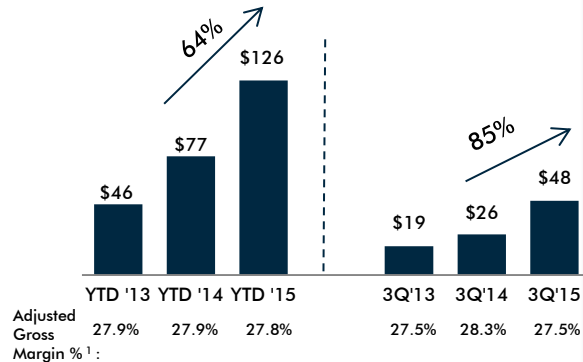
## Average Home Sales Price (\$000s)



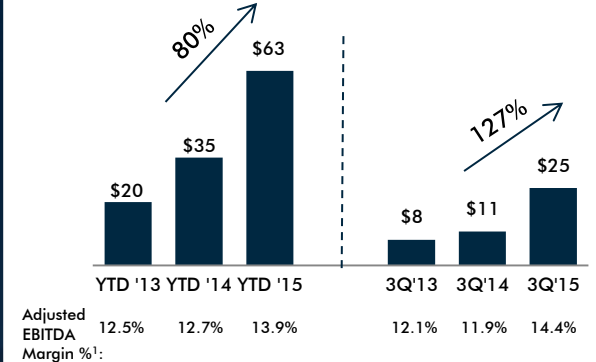
## Total Revenue (\$ millions)



## Adjusted Gross Margin (\$ millions)



## Adjusted EBITDA (\$ millions)



Note: 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. YTD results are represented through Q3 of each applicable year. All 2013 metrics are pro forma figures, adjusted for the LGI/GTIS Joint Ventures not consolidated prior to the IPO; see appendix for a reconciliation of non-GAAP measures.

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





# Growth-Oriented Capital Structure

**The Company has significant liquidity and access to capital markets to opportunistically fund its growth initiatives.**

- \$225mm revolving credit facility recently upsized to \$255mm with an optional additional \$45mm accordion
  - \$170mm outstanding and \$51.6mm available to borrow at 9/30/2015
- \$85mm convertible notes issued November 2014 due November 2019
- \$30 mm "At the Market" equity issuance initiated in September 2015
- \$72.4mm earned since IPO

## Condensed Balance Sheet

(\$ in millions)	September 30, 2015	December 31, 2014
<b>ASSETS</b>		
Cash and cash equivalents	\$ 36.5	\$ 31.4
Accounts receivable	15.8	7.4
Real estate inventory	460.5	367.9
Other assets	34.2	31.4
Total assets	<u>\$ 547.0</u>	<u>\$ 438.1</u>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable and other liabilities	\$ 74.9	\$ 39.5
Notes payable	247.8	216.1
Total liabilities	<u>322.7</u>	<u>255.6</u>
<b>EQUITY</b>		
Common stock	0.2	0.2
Additional paid-in capital	168.1	163.5
Retained earnings	72.4	35.3
Treasury stock, at cost	(16.5)	(16.5)
Total equity	<u>224.2</u>	<u>182.5</u>
Total liabilities and equity	<u>\$ 547.0</u>	<u>\$ 438.1</u>
Gross Debt to Capitalization	0.52	0.54
Net Debt to Capitalization	0.49	0.50



## Appendix







# Adjusted Gross Margin Reconciliation

(\$ in thousands)	3 months ended September 30,			9 months ended September 30,		
	2013	2014	2015	2013	2014	2015
Home sales revenue	\$67,997	\$92,516	\$173,956	\$163,966	\$274,848	\$453,472
Cost of home sales	49,429	67,256	127,949	118,856	201,661	333,340
<b>Gross margin</b>	<b>\$18,568</b>	<b>\$25,260</b>	<b>\$46,007</b>	<b>\$45,110</b>	<b>\$73,187</b>	<b>\$120,042</b>
Capitalized interest charged to cost of sales	114	473	1,824	700	1,147	4,376
Purchase accounting adjustment <sup>1</sup>	-	434	39	-	2,448	1,859
<b>Adjusted gross margin</b>	<b>\$18,682</b>	<b>\$26,167</b>	<b>\$47,870</b>	<b>\$45,810</b>	<b>\$76,782</b>	<b>\$126,277</b>
Gross margin% <sup>2</sup>	27.3%	27.3%	26.4%	27.5%	26.6%	26.5%
Adjusted gross margin % <sup>2</sup>	27.5%	28.3%	27.5%	27.9%	27.9%	27.8%

Note: All 2013 metrics are pro forma figures, adjusted for the LGI/CTIS Joint Ventures not consolidated prior to the IPO; see appendix for a reconciliation of non-GAAP measures

<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 revenue



# Adjusted EBITDA Margin Reconciliation

(\$ in thousands)	3 months ended September 30			9 months ended September 30,		
	2013	2014	2015	2013	2014	2015
Net income	\$7,787	\$7,046	\$15,420	\$19,010	\$20,677	\$37,099
Interest expense	41	-	-	47	-	-
Income taxes	209	3,488	7,801	440	10,828	19,089
Depreciation and amortization <sup>1</sup>	129	171	225	384	471	647
Capitalized interest charges to cost of sales	114	473	1,824	700	1,147	4,376
Purchase accounting adjustment <sup>3</sup>	-	434	39	-	2,448	1,859
Other income, net	(49)	(628)	(173)	(98)	(663)	(227)
<b>Adjusted EBITDA</b>	<b>\$8,231</b>	<b>\$10,984</b>	<b>\$25,136</b>	<b>\$20,483</b>	<b>\$34,908</b>	<b>\$62,843</b>
Adjusted EBITDA margin % <sup>2</sup>	12.1%	11.9%	14.4%	12.5%	12.7%	13.9%

Note: All 2013 metrics are pro forma figures, adjusted for the LGI/GTIS Joint Ventures not consolidated prior to the IPO; see appendix for a reconciliation of non-GAAP measures

<sup>1</sup> Depreciation and amortization expenses include amortization related to the marketing intangible asset

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

<sup>3</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.





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