



# INVESTOR PRESENTATION

September 2021



# 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, including the “Risk Factors” and “Cautionary Statement about Forward-Looking Statements” sections in such filings, 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. Reconciliations of Adjusted Gross Margin to Gross Margin, the GAAP financial measure that management believe to be most directly comparable, are included in the Appendix at the end of this presentation. References to LTM, or last 12 months, in this presentation are to the 12 months ended September 30, 2021.





## COMPANY HIGHLIGHTS

Founded in 2003, LGI Homes is one of the nation's fastest growing homebuilders. Currently recognized as the 10<sup>th</sup> largest residential builder in America based on units closed, LGI Homes' unique business model is focused on offering entry-level homebuyers quality homes at affordable prices through a well-established sales and marketing approach, a culture of customer service excellence, and a highly efficient construction process.

FOCUS ON PERFORMANCE

## LGI HOMES AT A GLANCE

LAST 12 MONTHS <sup>(5)</sup>

**\$3.1 BILLION** REVENUE

**11,324** HOME CLOSINGS

**8.8** AVERAGE MONTHLY ABSORPTIONS

**27.0%** GROSS MARGIN <sup>(1)</sup> <sup>(2)</sup>

**28.5%** ADJUSTED GROSS MARGIN <sup>(2)</sup> <sup>(3)</sup>

**38.7%** RETURN ON EQUITY <sup>(4)</sup>

**35** MARKETS IN **19** STATES <sup>(5)</sup>

**87,512** OWNED & CONTROLLED LOTS <sup>(5)</sup>

**50,000+** HOMES CLOSED SINCE FOUNDING

1) Gross Margin is defined as Home Sales Revenues less Cost of Sales

2) Calculated as a percentage of Home Sales Revenues

3) 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

4) Includes the impact of 45L tax credits

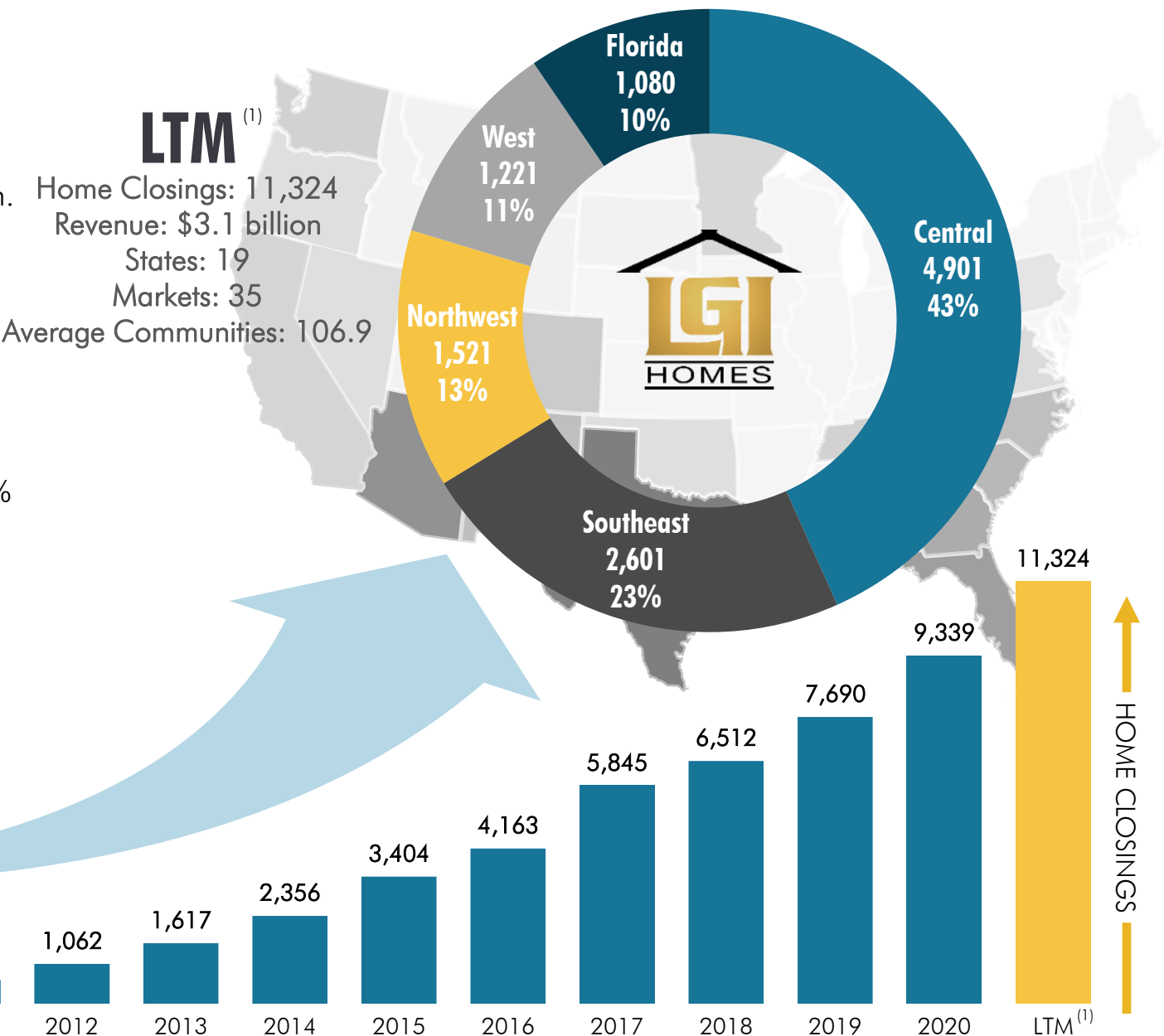
5) As of September 30, 2021

FOCUS ON GROWTH

# BUILDING OUR BUSINESS

LGI Homes’ unique operating model has driven rapid growth. Between 2013 and the twelve months ended September 30, 2021, the Company grew home closings 600% and revenue 1,206% (a compounded annual growth rate of 39%) while expanding from 5 to 19 states and 10 to 35 markets.

Since its initial public offering in 2013, LGI has significantly diversified its business geographically. In 2013, the Central division represented 84% of home closings compared to 43% in the twelve months ended September 30, 2021.



Note: 2010 – 2013 Home Closings are pro forma figures and include Home Closings for the LGI/GTIS Joint Ventures not consolidated prior to LGI Homes’ IPO in 2013

1) LTM period as of September 30, 2021





## **Affordable Alternative to Renting**

Target Customer: Renters and First Time Homebuyers



## **Move-In Ready Inventory**

100% Spec Homes – All upgrades included

Attractive, outlying suburban communities that are conveniently located near retail districts and business centers



## **Professionally Trained Sales Representatives**

Information Centers are generally staffed by 2 to 5 trained sales professionals and are open approximately 12 hours per day, 359 days per year



## **Marketing Excellence**

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

Direct to consumer model limits reliance on realtors



## **Superior Homebuilding & Land Acquisitions Strategy**

Flexible land acquisition strategy of purchasing or optioning finished lots and raw land for development



FOCUS ON OUR UNIQUE MODEL

## **THE LGI DIFFERENCE**

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



## Standard Processes & Procedures

LGI Homes is a systems-based company with an “LGI Way” for everything 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 where we operate.

## Manuals

Manuals are the backbone to our systematic approach. Most roles at LGI Homes have a comprehensive manual, outlining the specific instructions and the “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 are focused on providing our people with world-class training and continuous development. Every employee experiences 100 days of training where they dive into our LGI Homes culture and learn the ins and outs of the “LGI Way”. Our rigorous training program provides the tools needed for our people to succeed.



FOCUS ON CONSISTENCY

# A SYSTEMS-BASED COMPANY

FOCUS ON THE FUTURE

# INVENTORY MANAGEMENT



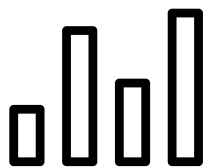
## Vertical Construction

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



## Raw Land, Land Under Development & Finished Lots

We target a 3 to 5 year forward supply of owned lots in various stages of development at any one time. Our supply of inventory on September 30, 2021 was 7.7 years based on LTM home closings of 11,324.



## Owned & Controlled

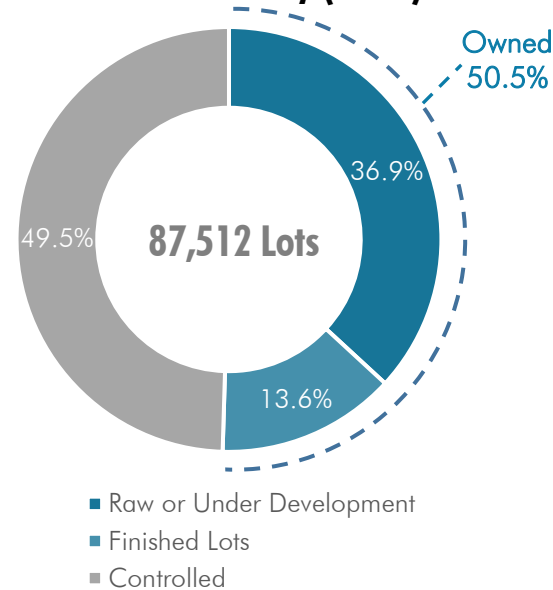
As of September 30, 2021, we had 87,512 owned and controlled lots. Approximately 50%, or 44,174 lots,<sup>(2)</sup> were owned and total investment in land and vertical construction was over \$1.9 billion.

Note: Some numbers may not foot due to rounding

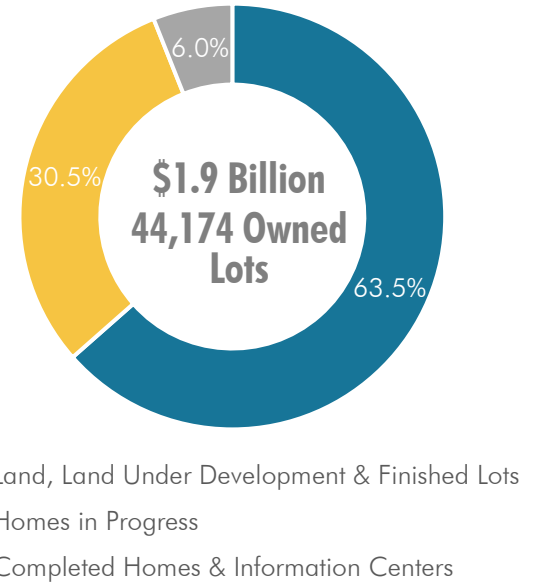
1) LTM period as of September 30, 2021

2) Of the 44,174 owned lots, 568 were complete, 4,014 were in progress, 7,342 were finished vacant lots and 32,250 were either raw land or under development

Total Lot Inventory (Units)



Real Estate Inventory (\$ Value)



Real Estate Inventory by Reportable Segment (September 30, 2021)

	LTM Home Closings <sup>(1)</sup>	Owned Lots	Controlled Lots	Total Lots
Central	4,901	19,034	17,506	36,540
Southeast	2,601	12,291	9,037	21,328
Northwest	1,221	4,055	5,626	9,681
West	1,080	5,634	5,958	11,592
Florida	1,521	3,160	5,211	8,371
Total	11,324	44,174	43,338	87,512



## Full-Time CM On Site

A highly trained, full-time Construction Manager on each site builds according to our manual and walks each home multiple times per day to ensure consistency and quality.

## Even Flow Production

Consistent and efficient year-round work that will increase as sales increase in each project.

## Set Building

By starting and building sets of 3 to 4 homes simultaneously on adjacent home sites, we optimize our pace of construction.

## We Pay On Time, Every Time

We highly value our Trade Partners and pay them by direct deposit every Friday.

## 4-6 Plans Per Community

4-6 plans per community allows for consistency and standard components in order to maintain an average home completion time of approximately 80 to 105 days.

## Clean Job Sites

A commitment to cleanliness promoting safety, efficiency, and higher quality construction.

## Zero Options and No Changes

By standardizing and including all the features and finishes entry-level buyers desire, we eliminate customization and can build 100% to Spec.

## Advanced Scheduling System

Real-time updates and guaranteed schedules ensure efficient subcontractor progress.



FOCUS ON QUALITY AND EFFICIENCY

# HomeBUILDING EXCELLENCE

Building 100% spec homes eliminates options and potential changes, allowing for efficient build times of 80 to 105 calendar days. Our commitment to jobsite cleanliness promotes safety, efficiency, and results in higher quality, move-in ready homes for first time homebuyers. Beyond creating efficiencies, our efficient construction process generates significant loyalty from our trade partners who value our structure and the dependability of workflow it creates.





FOCUS ON CONTINUED GROWTH

## BECOME A TOP 5 BUILDER

Since 2018, LGI Homes has ranked 10<sup>th</sup> among the largest public and private homebuilders on *Builder Magazine's* Builder 100 list.

The Company plans to double the size of its business through a combination of deepening our positions in existing markets, growing wholesale operations in line with total closings and pursuing selected M&A opportunities where they match business objectives.



### Organic Growth

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

SINCE OUR IPO IN 2013:

**14**  
NEW  
STATES <sup>(1)</sup>

**25**  
NEW  
MARKETS <sup>(1)</sup>

**4.1x**  
MORE  
COMMUNITIES <sup>(1)</sup>

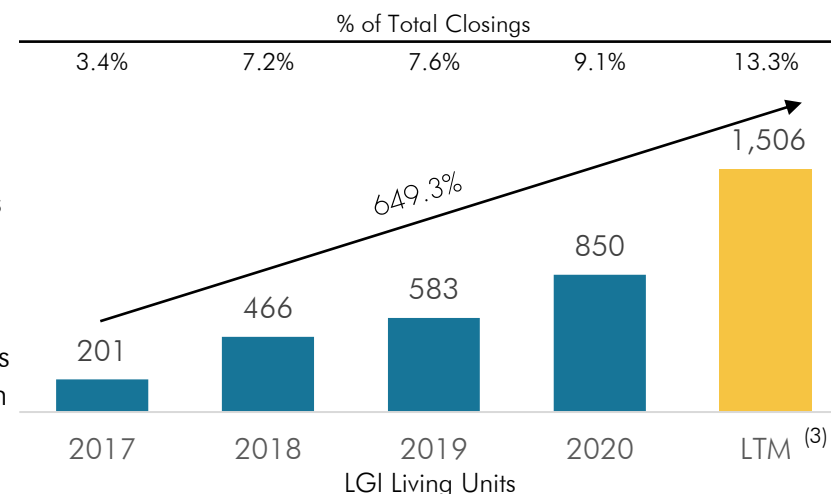
**600%**  
HOME CLOSINGS  
GROWTH <sup>(2)</sup>

**1,206%**  
REVENUE  
GROWTH <sup>(2)</sup>



**LGI LIVING**

LGI Homes' wholesale business, LGI Living, opportunistically sells units to single-family rental investors at similar operating margins. LGI Living closed 1,506 homes (13.3% of total closings) in the twelve months ended September 30, 2021.



### Highly Selective Acquisition Strategy

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

ACQUIRED IN 2014:



ACQUIRED IN 2018:



ACQUIRED IN 2021:



- 1) Based on the period ended September 30, 2021
- 2) Growth metrics are for informational purposes only and are based on LTM financial metrics and 2013 financial metrics pro forma for the GTIS Acquisition
- 3) LTM period as of September 30, 2021





# Financial Results

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# 2021 Financial Results

## Third Quarter 2021

- ▶ **Home Closings: 2,499, +19.5%**
- ▶ **Home Sales Revenues: \$751.6 Million, +40.7%**
- ▶ **Average Sales Price: \$300,764, +17.7%**
- ▶ **Ending Active Communities: 103**
- ▶ **Average Active Communities: 102.7**
- ▶ **Gross Margin: 26.9%, +160 basis points**
- ▶ **Adjusted Gross Margin <sup>(1)</sup>: 28.2%, +90 basis points**
- ▶ **Pre-Tax Net Income: \$127.0 Million, +63.2%**
- ▶ **Net Income: \$100.6 Million, +13.0%**
- ▶ **Basic EPS: \$4.10; Diluted EPS: \$4.05**

## Year To Date 2021

- ▶ **Home Closings: 7,916 +33.5%**
- ▶ **Home Sales Revenues: \$2.2 Billion, +52.9%**
- ▶ **Average Sales Price: \$284,117, +14.6%**
- ▶ **Ending Active Communities: 103**
- ▶ **Average Active Communities: 104.7**
- ▶ **Gross Margin: 27.0%, +250 basis points**
- ▶ **Adjusted Gross Margin <sup>(1)</sup>: 28.4%, +190 basis points**
- ▶ **Pre-Tax Net Income: \$399.4 Million, +98.4%**
- ▶ **Net Income: \$318.3 Million, +69.8%**
- ▶ **Basic EPS: \$12.85; Diluted EPS: \$12.72**

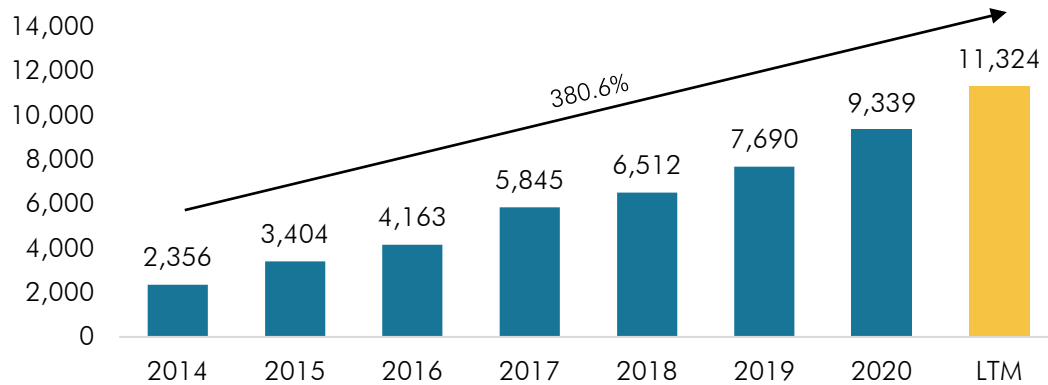
Note: Metrics compared to the second quarter and year-to-date results as of September 30, 2020; numbers may not foot due to rounding

1) Adjusted Gross Margin is a non-GAAP measure 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

# STRONG OPERATING RESULTS

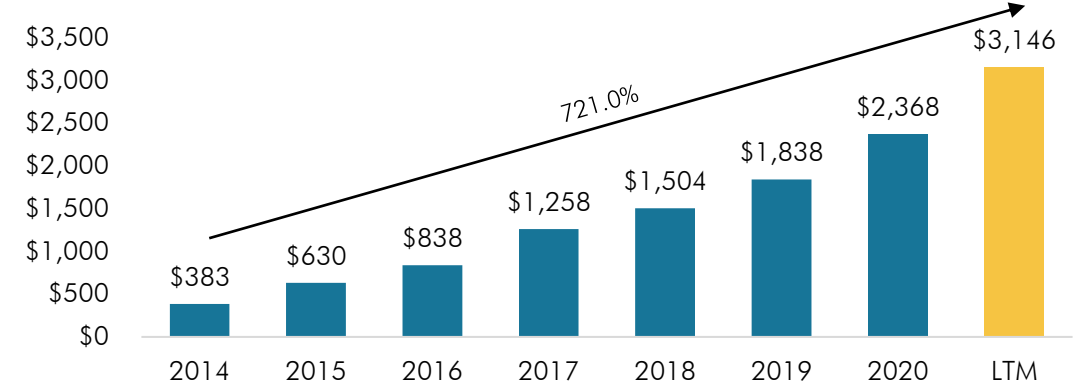
LGI HOMES HAS GENERATED STRONG RESULTS THROUGHOUT ITS HISTORY

## Home Closings (Units)



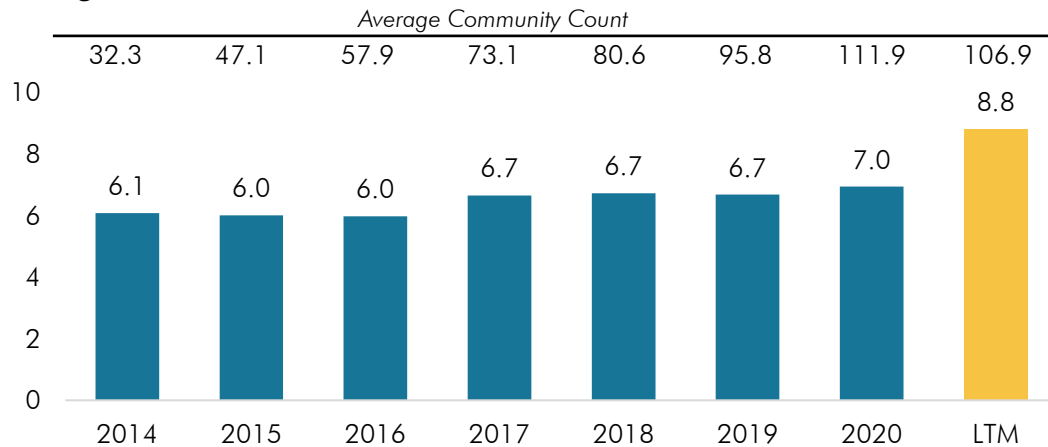
Since 2014, LGI has grown Home Closings at a compound annual growth rate of 26.2%...

## Revenue (\$ millions)

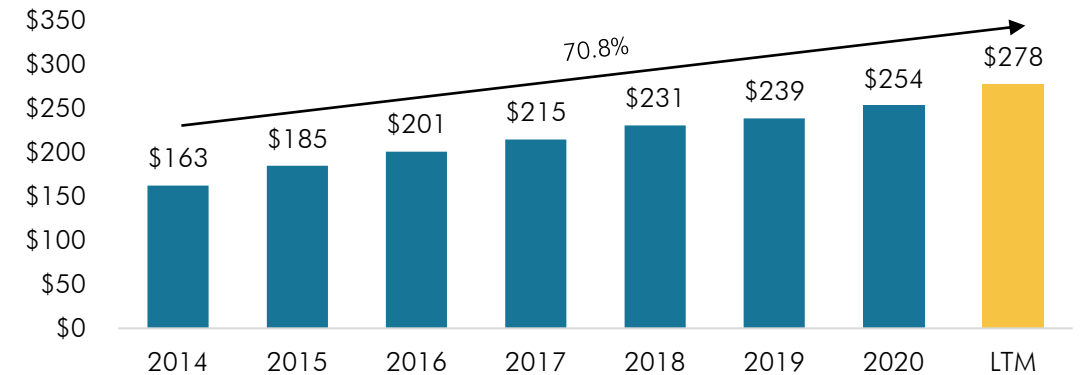


...and increased Revenue at a compound annual growth rate of 36.6%

## Average Absorptions and Communities<sup>(1)</sup>



## Average Sales Price (\$ thousands)



Note: LTM as of September 30, 2021

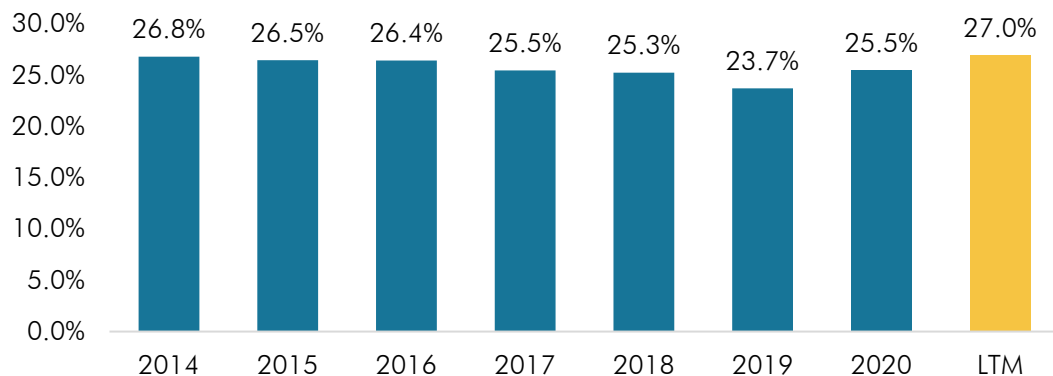
1) Absorptions per Community per Month; includes wholesale closings



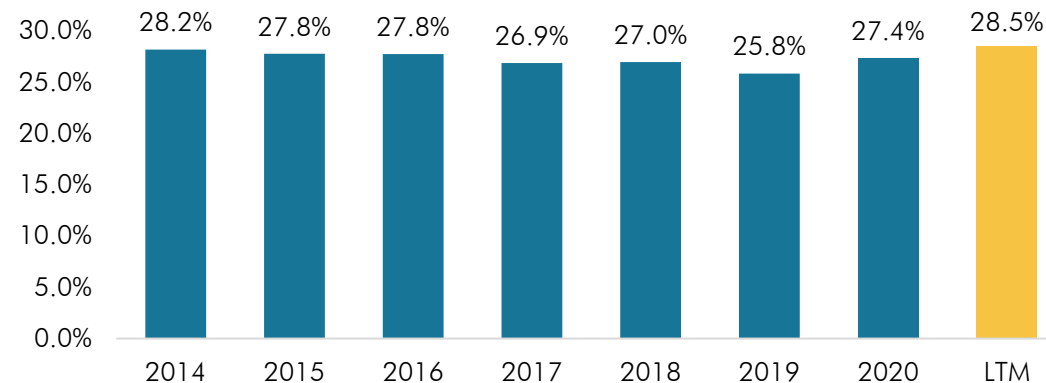
# LEADING MARGINS & PROFITABILITY

ALONG WITH RAPID GROWTH, LGI HOMES HAS CONSISTENTLY GENERATED INDUSTRY-LEADING MARGINS & PROFITABILITY

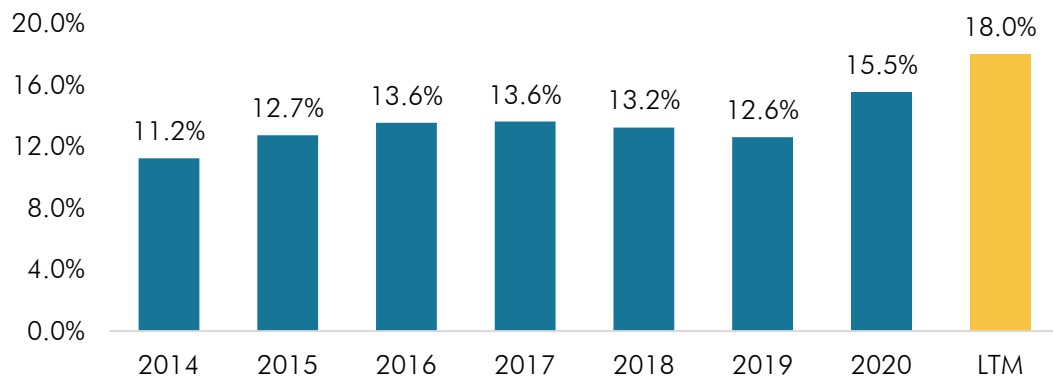
## Gross Margin Percentage <sup>(1) (2)</sup>



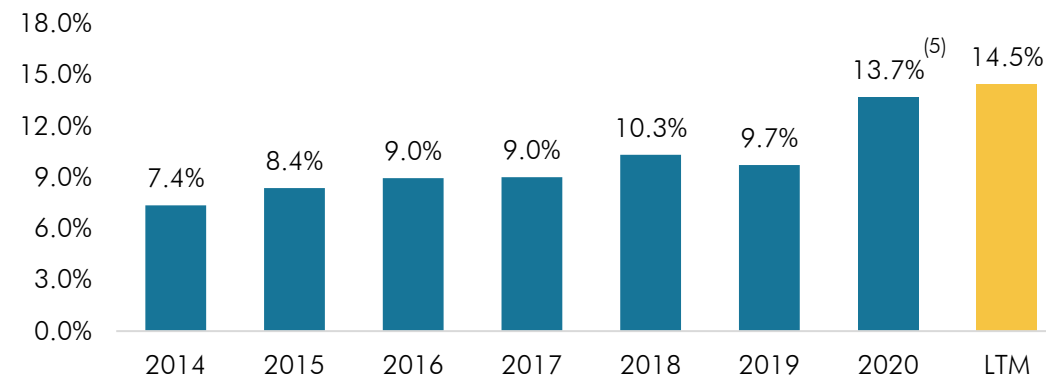
## Adjusted Gross Margin Percentage <sup>(2) (3)</sup>



## Pre-Tax Net Income Percentage <sup>(2)</sup>



## Net Income Percentage <sup>(2) (4)</sup>



Note: LTM as of September 30, 2021

1) Gross Margin is defined as Home Sales Revenues less Cost of Sales

2) Calculated as a percentage of Home Sales Revenues

3) Adjusted Gross Margin is a non-GAAP measure 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

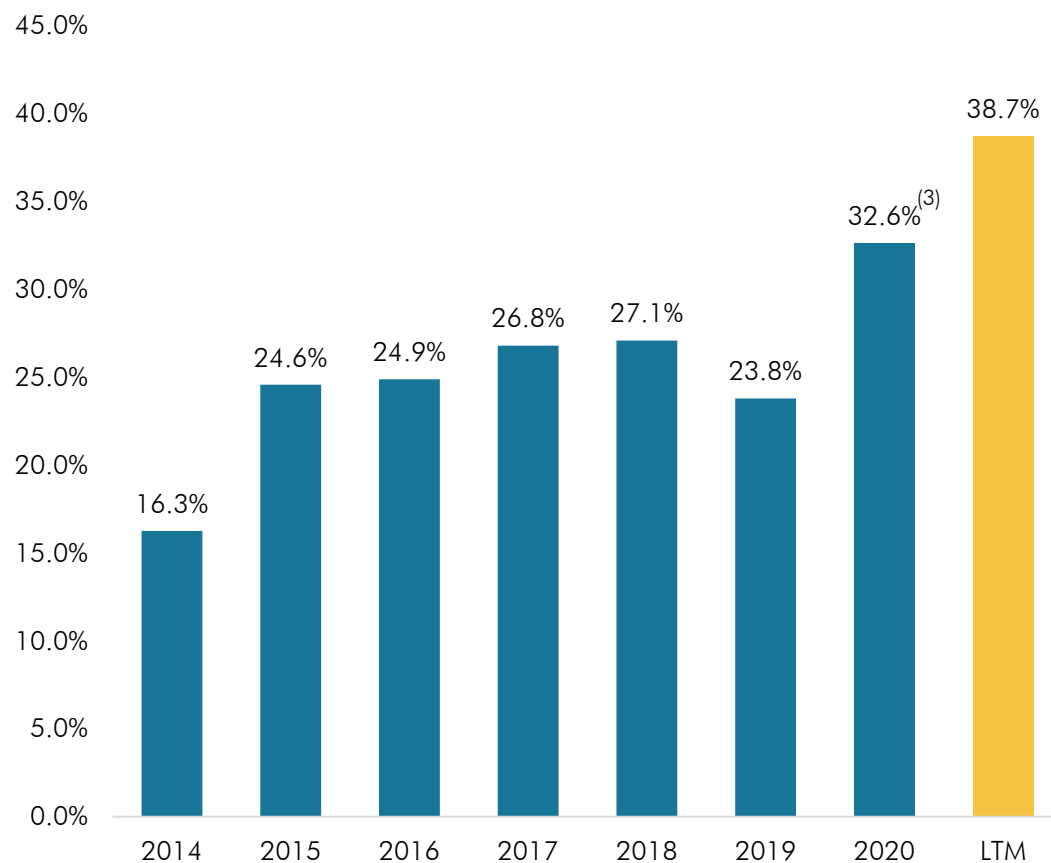
4) FY 2020 and LTM results include the impact of 45L tax credits

5) 2020 Net Income Percentage of 11.9% excluding the impact of 45L tax credits of approximately \$41.2 million

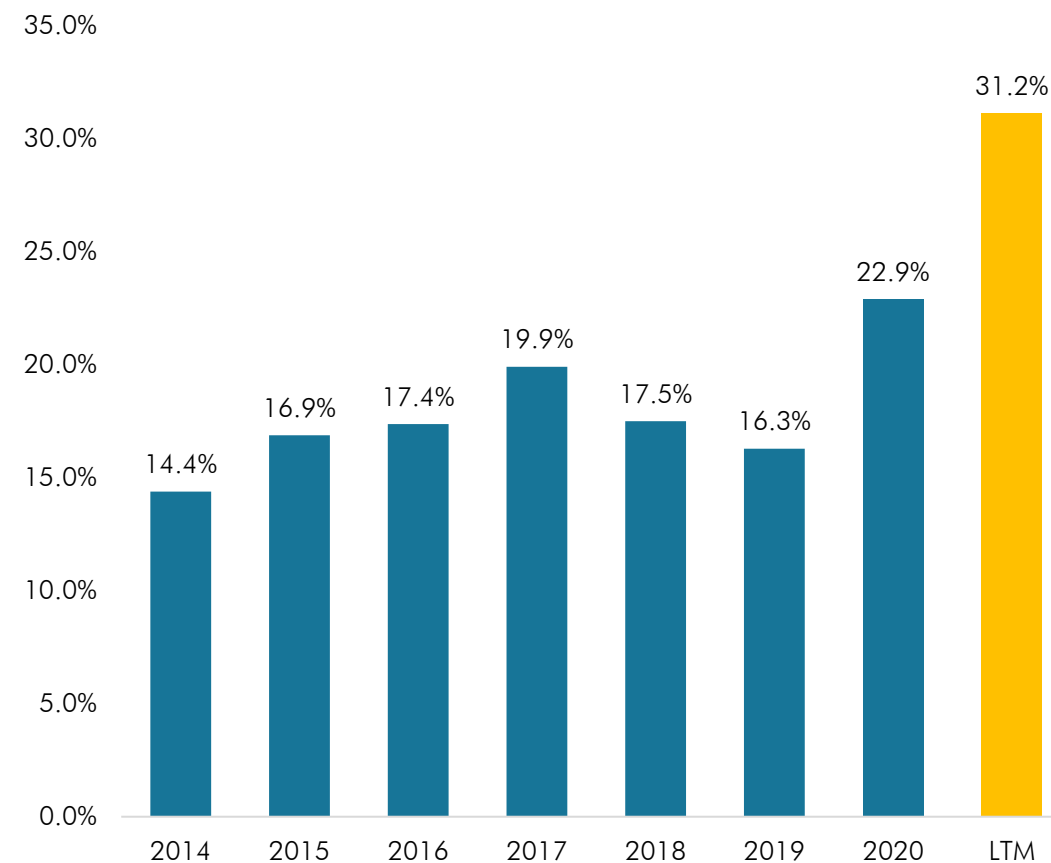
# SUPERIOR RETURNS ON CAPITAL

LGI HOMES' FOCUS ON PROFITABILITY AND CONSERVATIVE CAPITAL STRUCTURE HAS DRIVEN STRONG RETURNS FOR INVESTORS

**Return on Equity (1) (2)**



**Return on Total Capital (2) (4)**



Note: LTM as of September 30, 2021

1) Calculated as the last twelve months of Net Income as a percentage of the average book value of Total Equity over the same period

2) FY 2020 and LTM results include the impact of 45L tax credits

3) 29.1% excluding the impact of 45L tax credits of approximately \$41.2 million

4) Calculated as the last twelve months of Net Income before taxes as a percentage of the average book values of Debt and Total Equity over the same period



# CONDENSED BALANCE SHEET

FINANCIAL OUTPERFORMANCE COMBINED WITH HIGH YIELD REFINANCING HAVE PERMANENTLY STRENGTHENED CAPITAL STRUCTURE

(\$ in thousands)	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020	September 30, 2021
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 67,571	\$ 46,624	\$ 38,345	\$ 35,942	\$ 46,717
Accounts Receivable	44,706	42,836	56,390	115,939	49,171
Real Estate Inventory	918,933	1,228,256	1,499,624	1,569,489	1,908,135
Goodwill	12,018	12,018	12,018	12,018	12,018
Other Assets	36,664	65,739	59,738	92,699	137,516
Total Assets	<u>\$ 1,079,892</u>	<u>\$ 1,395,473</u>	<u>\$ 1,666,115</u>	<u>\$ 1,826,087</u>	<u>\$ 2,153,557</u>
<b>LIABILITIES</b>					
Accounts Payable and Other Liabilities	\$ 114,851	\$ 85,796	\$ 130,363	\$ 148,684	\$ 151,689
Notes Payable	475,195	653,734	690,559	538,398	666,094
Total Liabilities	<u>590,046</u>	<u>739,530</u>	<u>820,922</u>	<u>687,082</u>	<u>817,783</u>
<b>EQUITY</b>					
Common Stock	228	237	264	267	269
Additional Paid-In Capital	229,680	241,988	252,603	270,598	286,709
Retained Earnings	276,488	431,774	610,382	934,277	1,252,619
Treasury Stock, at Cost	(16,550)	(18,056)	(18,056)	(66,137)	(203,823)
Total Equity	<u>489,846</u>	<u>655,943</u>	<u>845,193</u>	<u>1,139,005</u>	<u>1,335,774</u>
Total Liabilities and Equity	<u>\$ 1,079,892</u>	<u>\$ 1,395,473</u>	<u>\$ 1,666,115</u>	<u>\$ 1,826,087</u>	<u>\$ 2,153,557</u>
Gross Debt to Capitalization <sup>(1)</sup>	49.2%	49.9%	45.0%	32.1%	33.3%
Net Debt to Capitalization <sup>(2)</sup>	45.4%	48.1%	43.6%	30.6%	31.7%

As of September 30, 2021:

**\$46.7M in Cash**

**\$1.9B in Inventory**

**Net debt to cap of  
31.7%**

**Over \$1.2B in  
earnings since IPO**

**1.7 Million Shares  
Repurchased Since  
2018**

1) Calculated as Notes Payable as a percentage of the sum of Notes Payable and Total Equity

2) Calculated as Notes Payable less Cash and Cash Equivalents ("Net Debt") as a percentage of the sum of Net Debt and Total Equity





# Appendix

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# HISTORICAL THIRD QUARTER OPERATING RESULTS

THIRD QUARTER RESULTS THROUGHOUT HISTORY

	Q3 2014	Q3 2015	Q3 2016	Q3 2017	Q3 2018	Q3 2019	Q3 2020	Q3 2021
Home Closings	557	934	1,052	1,729	1,601	2,003	2,091	2,499
Average Active Communities	33.7	49.3	58.7	76.3	82.0	101.3	109.3	102.7
Avg. Monthly Absorption Rate	5.5	6.3	6.0	7.6	6.5	6.6	6.4	8.1
Average Sales Price	\$166,097	\$186,248	\$205,613	\$211,623	\$237,582	\$241,179	\$255,477	\$300,764
Home Sales Revenues (\$M)	\$92.5	\$174.0	\$216.3	\$365.9	\$380.4	\$483.1	\$534.2	\$751.6
Gross Margin %	27.3%	26.4%	26.3%	25.1%	25.6%	24.1%	25.3%	26.9%
Adjusted Gross Margin % <sup>(1)</sup>	28.3%	27.5%	27.7%	26.5%	27.4%	26.3%	27.3%	28.2%
SG&A %	16.6%	13.2%	12.8%	11.3%	12.0%	10.9%	10.8%	8.6%
Pre-Tax Net Income (\$M)	\$10.5	\$23.2	\$29.5	\$50.9	\$49.0	\$64.7	\$77.8	\$127.0
Pre-Tax Net Income %	11.4%	13.3%	13.6%	13.9%	12.9%	13.4%	14.6%	16.9%
Effective Tax Rate %	33.1%	33.6%	34.0%	33.8%	23.0%	23.8%	(14.4%)	20.8%
Net Income (\$M)	\$7.0	\$15.4	\$19.5	\$33.7	\$37.7	\$49.3	\$89.0	\$100.6
Net Income %	7.6%	8.9%	9.0%	9.2%	9.9%	10.2%	16.7%	13.4%
Basic Earnings per Share	\$0.34	\$0.77	\$0.92	\$1.55	\$1.66	\$2.15	\$3.55	\$4.10
Diluted Earnings per Share	\$0.34	\$0.76	\$0.86	\$1.40	\$1.52	\$1.93	\$3.52	\$4.05

Note: Highlighted bold values represent most favorable metrics for periods shown

1) Adjusted Gross Margin is a non-GAAP measure defined as Gross Margin adjusted for Capitalized Interest and adjustments resulting from the application of purchase accounting included in Cost of Sales

# HISTORICAL ANNUAL OPERATING RESULTS

DEMONSTRATED HISTORY OF RECORD-BREAKING ANNUAL PERFORMANCE YEAR AFTER YEAR

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	LTM <sup>(1)</sup>
Home Closings	2,356	3,404	4,163	5,845	6,512	7,690	<b>9,339</b>	11,324
Average Active Communities	32.3	47.1	57.9	73.1	80.6	95.8	<b>111.9</b>	106.9
Avg. Monthly Absorption Rate	6.1	6.0	6.0	6.7	6.7	6.7	<b>7.0</b>	8.8
Average Sales Price	\$162,677	\$185,146	\$201,374	\$215,220	\$231,020	\$239,032	<b>\$253,553</b>	\$277,859
Home Sales Revenues (\$M)	\$383.3	\$630.2	\$838.3	\$1,258.0	\$1,504.4	\$1,838.2	<b>\$2,367.9</b>	\$3,146.5
Gross Margin %	<b>26.8%</b>	26.5%	26.4%	25.5%	25.3%	23.7%	25.5%	27.0%
Adjusted Gross Margin % <sup>(2)</sup>	<b>28.2%</b>	27.8%	27.8%	26.9%	27.0%	25.8%	27.4%	28.5%
SG&A %	15.8%	13.8%	13.1%	12.0%	12.0%	11.4%	<b>10.1%</b>	8.8%
Pre-Tax Net Income (\$M)	\$43.1	\$80.3	\$113.7	\$171.4	\$199.1	\$231.8	<b>\$367.8</b>	\$565.9
Pre-Tax Net Income %	11.2%	12.7%	13.6%	13.6%	13.2%	12.6%	<b>15.5%</b>	18.0%
Effective Tax Rate %	34.5%	34.2%	34.0%	33.9%	22.0%	23.0%	<b>11.9%</b>	19.6%
Net Income (\$M)	\$28.2	\$52.8	\$75.0	\$113.3	\$155.3	\$178.6	<b>\$323.9</b>	\$454.8
Net Income %	7.4%	8.4%	9.0%	9.0%	10.3%	9.7%	<b>13.7%</b>	14.5%
Basic Earnings per Share	\$1.37	\$2.65	\$3.61	\$5.24	\$6.89	\$7.70	<b>\$12.89</b>	\$18.29 <sup>(3)</sup>
Diluted Earnings per Share	\$1.33	\$2.44	\$3.41	\$4.73	\$6.24	\$7.02	<b>\$12.76</b>	\$18.05 <sup>(3)</sup>

Note: Highlighted bold values represent most favorable metrics for periods shown excluding the LTM period

1) LTM as of September 30, 2021

2) Adjusted Gross Margin is a non-GAAP measure defined as Gross Margin adjusted for Capitalized Interest and adjustments resulting from the application of purchase accounting included in Cost of Sales

3) Calculated as the sum of the prior four quarters



# RECONCILIATION OF ADJUSTED GROSS MARGIN (NON-GAAP)

FOR THE QUARTERS ENDED SEPTEMBER 30<sup>th</sup>

(\$ in thousands)	Q3 2014	Q3 2015	Q3 2016	Q3 2017	Q3 2018	Q3 2019	Q3 2020	Q3 2021
<b>Home Sales Revenues</b>	\$92,516	\$173,956	\$216,304	\$365,896	\$380,369	\$483,081	\$534,202	\$751,608
<b>Cost of Home Sales</b>	\$67,256	\$127,949	\$159,483	\$274,000	\$283,035	\$366,431	\$398,971	\$549,319
<b>Gross Margin</b>	<b>\$25,260</b>	<b>\$46,007</b>	<b>\$56,821</b>	<b>\$91,896</b>	<b>\$97,334</b>	<b>\$116,650</b>	<b>\$135,231</b>	<b>\$202,289</b>
<b>Capitalized Interest Charged to Cost of Sales</b>	\$473	\$1,824	\$2,980	\$5,135	\$6,185	\$9,511	\$9,164	\$8,603
<b>Purchase Accounting Adjustment <sup>(1)</sup></b>	\$434	\$39	\$73	\$54	\$850	\$671	\$1,396	\$952
<b>Adjusted Gross Margin (Non-GAAP)</b>	<b>\$26,167</b>	<b>\$47,870</b>	<b>\$59,874</b>	<b>\$97,085</b>	<b>\$104,369</b>	<b>\$126,832</b>	<b>\$145,791</b>	<b>\$211,844</b>
<b>Gross Margin % <sup>(2)</sup></b>	27.3%	26.4%	26.3%	25.1%	25.6%	24.1%	25.3%	26.9%
<b>Adjusted Gross Margin % <sup>(2)</sup></b>	28.3%	27.5%	27.7%	26.5%	27.4%	26.3%	27.3%	28.2%

1) 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

2) Calculated as a percentage of Home Sales Revenues

# RECONCILIATION OF ADJUSTED GROSS MARGIN (NON-GAAP)

FOR THE 12 MONTHS ENDED DECEMBER 31<sup>ST</sup> & LAST TWELVE MONTHS ENDED SEPTEMBER 30, 2021

(\$ in thousands)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	LTM <sup>(1)</sup>
<b>Home Sales Revenues</b>	\$383,268	\$630,236	\$838,320	\$1,257,960	\$1,504,400	\$1,838,154	\$2,367,929	\$3,146,471
<b>Cost of Home Sales</b>	\$280,481	\$463,304	\$616,707	\$937,540	\$1,124,484	\$1,401,675	\$1,764,832	\$2,296,825
<b>Gross Margin</b>	<b>\$102,787</b>	<b>\$166,932</b>	<b>\$221,613</b>	<b>\$320,420</b>	<b>\$379,916</b>	<b>\$436,479</b>	<b>\$603,097</b>	<b>\$849,646</b>
<b>Capitalized Interest Charged to Cost of Sales</b>	\$1,704	\$6,057	\$10,680	\$17,400	\$24,311	\$35,230	\$40,381	\$43,320
<b>Purchase Accounting Adjustment <sup>(2)</sup></b>	\$3,620	\$2,131	\$485	\$246	\$1,408	\$3,324	\$4,872	\$4,811
<b>Adjusted Gross Margin (Non-GAAP)</b>	<b>\$108,111</b>	<b>\$175,120</b>	<b>\$232,778</b>	<b>\$338,066</b>	<b>\$405,635</b>	<b>\$475,033</b>	<b>\$648,350</b>	<b>\$897,777</b>
<b>Gross Margin % <sup>(3)</sup></b>	26.8%	26.5%	26.4%	25.5%	25.3%	23.7%	25.5%	27.0%
<b>Adjusted Gross Margin % <sup>(3)</sup></b>	28.2%	27.8%	27.8%	26.9%	27.0%	25.8%	27.4%	28.5%

1) LTM as of September 30, 2021

2) 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

3) Calculated as a percentage of Home Sales Revenues





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