



**LGI HOMES**

# 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 our 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.

WE ARE ONE OF THE NATION'S  
**FASTEST GROWING HOMEBUILDERS**

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### Price & Quality

Building homes with great value at affordable prices throughout the United States



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### Focus on Growth

Own and control over 50,000 lots for the continuation of our business



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### Stability

Profitable every year since inception delivering strong operating results. Reinvesting in the business has resulted in a strong balance sheet



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### Sales & Home Closings

Intense focus on sales and home closings and proven ability to expand geographically

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**#10** on **FORTUNE** 2018 List of 100 Fastest-Growing Companies

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LGI HOMES

# A HISTORY OF SUCCESS

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2003

## **BREAKING GROUND FOR BUILDING DREAMS**

LGI Homes was founded in Conroe, Texas in 2003. Our first community, Summerset Estates, built, sold and closed 337 homes in approximately 2 years.



2006 - 2008

## **RISING ABOVE THE DOWNTURN**

"LGI Homes... is the only builder among the top 200 that has reported closings and revenue growth from 2006 to 2008."

– *Builder Magazine*, May 2009



2010

## FORMED STRATEGIC PARTNERSHIPS

LGI Homes established Joint Venture relationship with GTIS to strategically acquire communities.



2011

## EXPANSION OUTSIDE OF TEXAS

LGI Homes expanded outside of Texas in 2011 with the hiring of our first employees in Arizona. We opened our first community in Phoenix in 2012.



2013

## INITIAL PUBLIC OFFERING

LGI Homes became a publicly traded company on November 7, 2013. We are a NASDAQ listed company and shares of our common stock trade under the ticker symbol "LGIH."



2016

## BUILDER OF THE YEAR

LGI Homes flipped industry convention through our mastery of turning renters into owners and building homes within reach of entry-level buyers. In recognition of this accomplishment, we were named the 2016 Builder of the Year by *Professional Builder Magazine* and were featured on the cover.

2018

## LARGEST ACQUISITION IN COMPANY HISTORY

LGI Homes purchased Wynn Homes for approximately \$80 million. Overnight, we shot from the 15th ranked builder to a top 5 position in the Raleigh-Durham market.



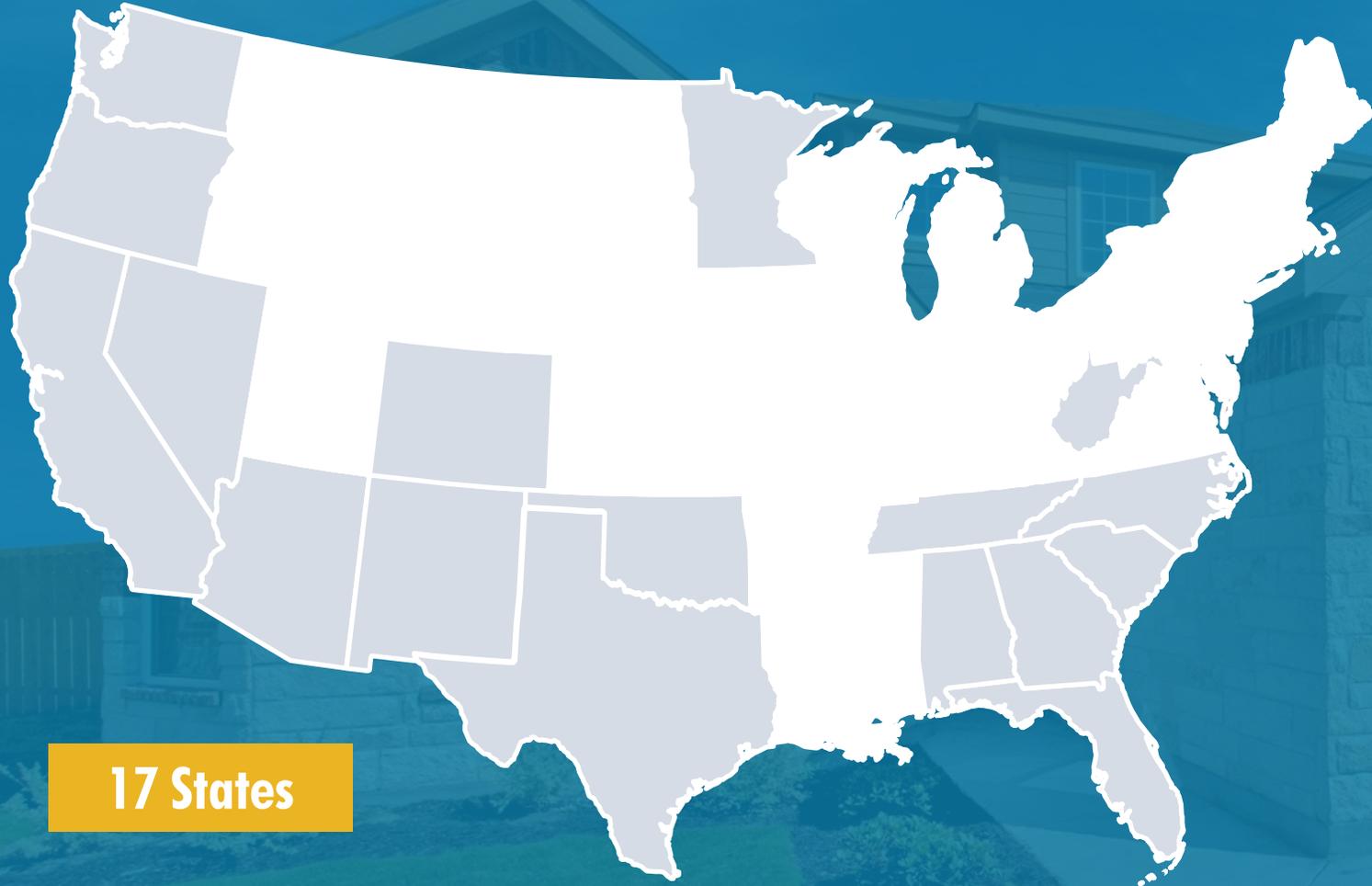
2019

## 10<sup>TH</sup> LARGEST BUILDER IN THE UNITED STATES

LGI Homes is recognized by *Builder Magazine* as #10 on the 2019 Builder 100.

TODAY

# OVER 30,000 FAMILIES MOVED-IN



17 States

28 Markets

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

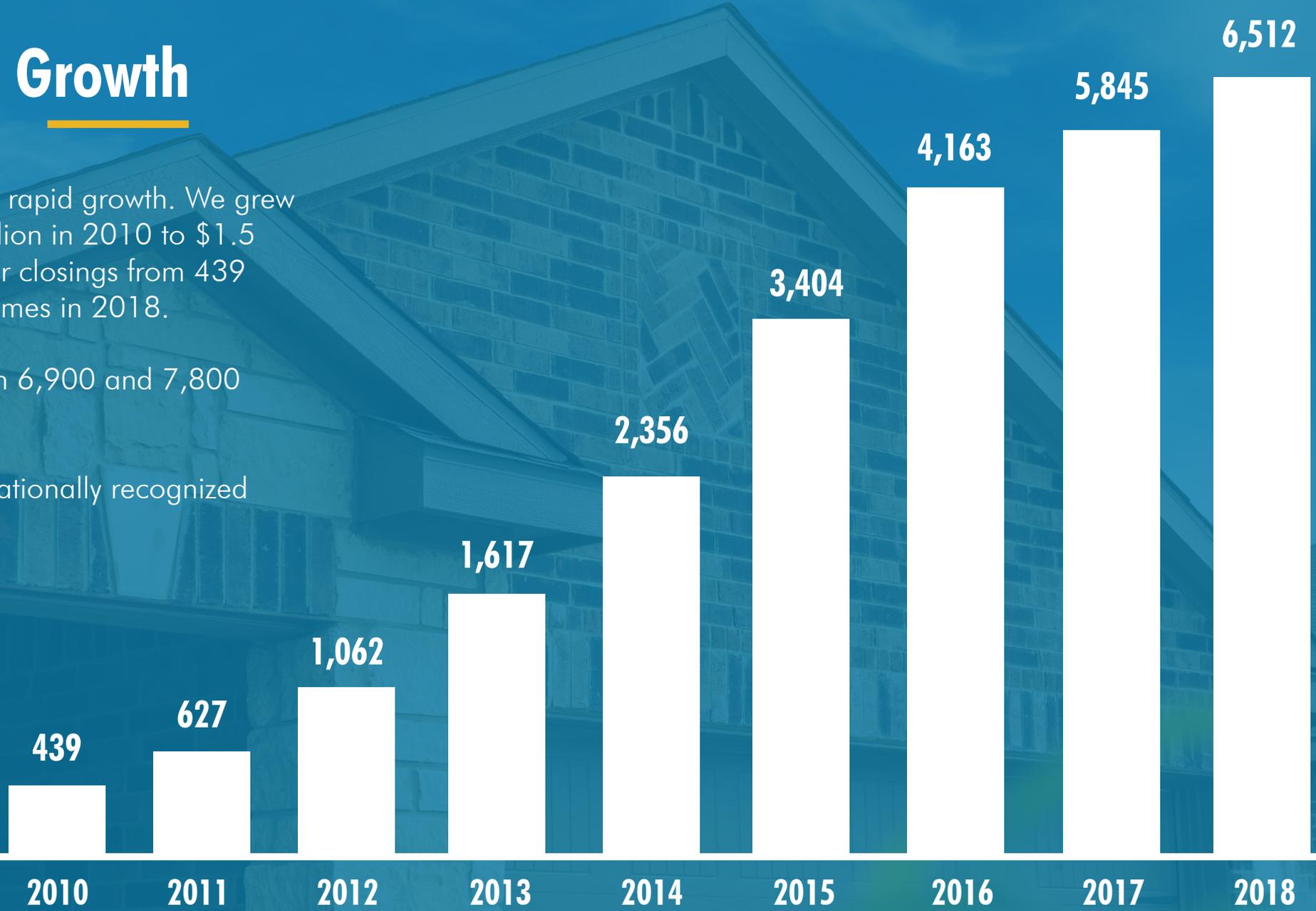
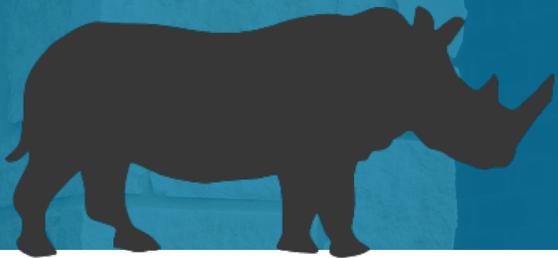
92 Active Communities as of April 2019

# Year-Over-Year Growth

LGI Homes has experienced rapid growth. We grew our revenue from \$55.3 million in 2010 to \$1.5 billion in 2018. We grew our closings from 439 homes in 2010 to 6,512 homes in 2018.

Our goal is to close between 6,900 and 7,800 homes in 2019.

Our vision is to become a nationally recognized Top 5 Builder.



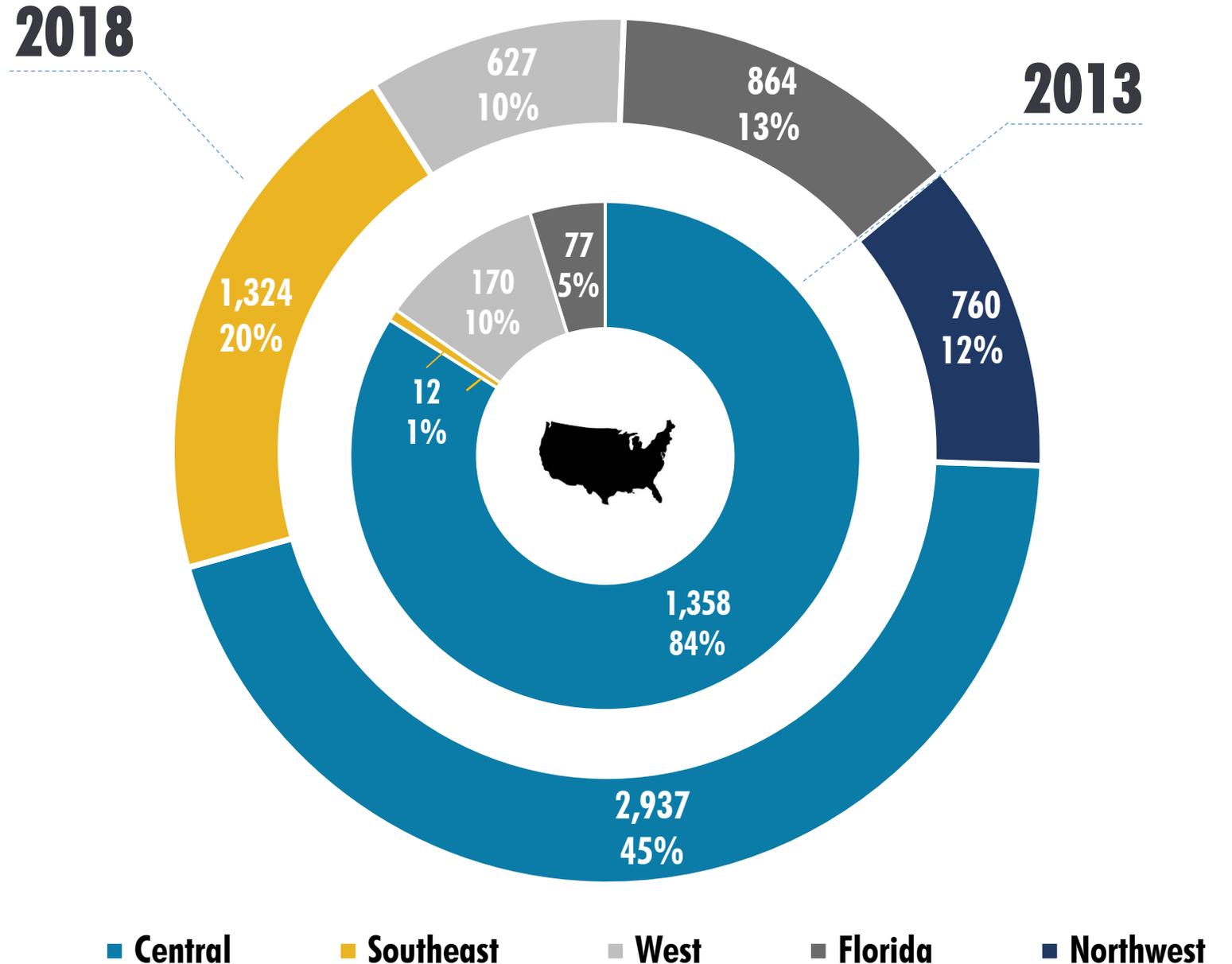
Note: 2013 and prior home closings are pro forma figures, includes home closings for the LGI/GTIS Joint Ventures not consolidated prior to LGI's IPO

FOCUS ON GROWTH

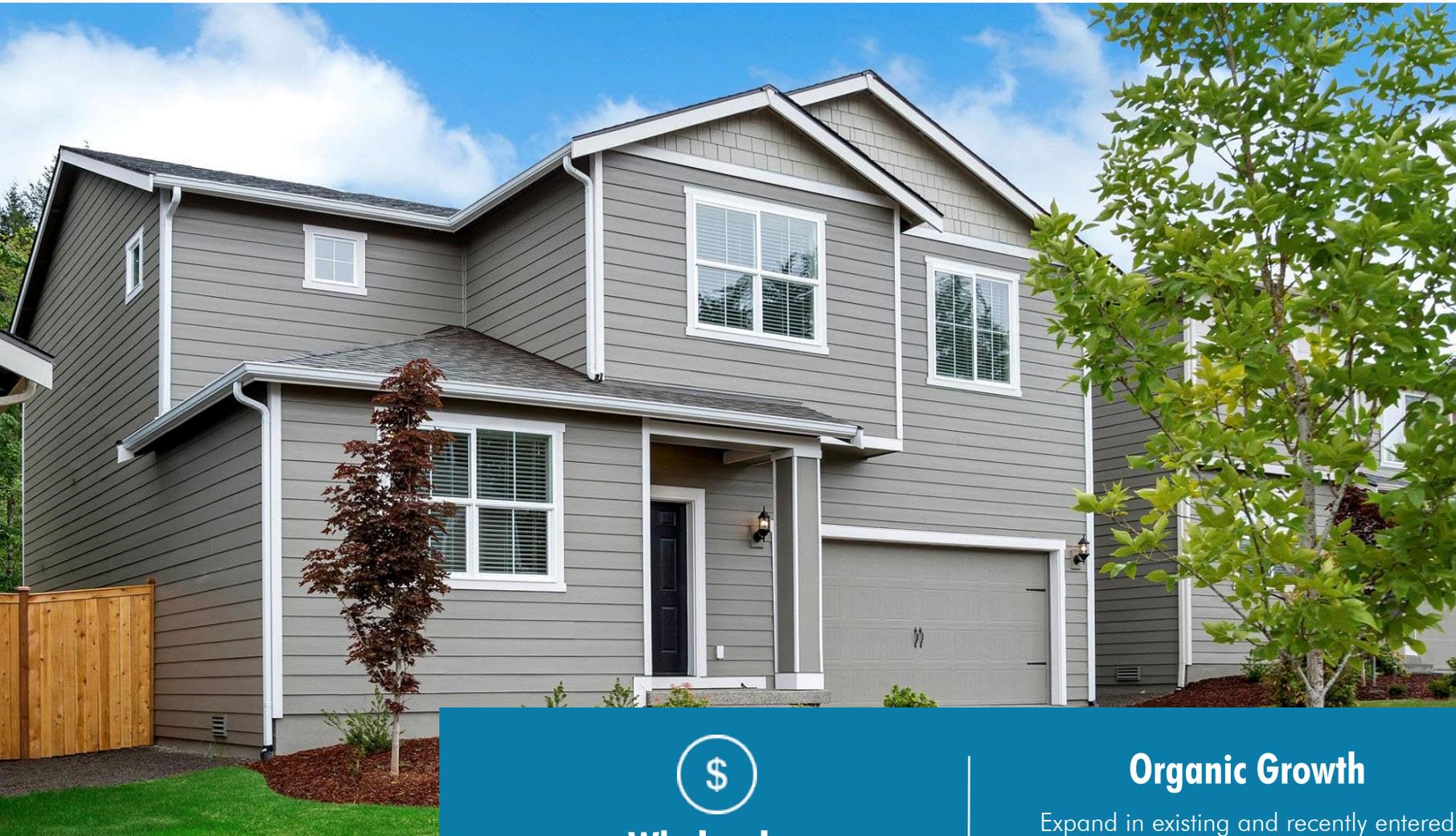
# GEOGRAPHIC DIVERSIFICATION

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 45% in 2018.

In 2019, we anticipate continued expansion outside of our Central division.



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



OUR GOAL IS TO BECOME A  
**TOP 5 BUILDER**

IN TERMS OF ANNUAL HOME CLOSINGS



### Wholesale

Opportunistically sell units on a wholesale basis at similar operating margins. We closed 466 units on a wholesale basis in 2018.

### Organic Growth

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



### Corporate Acquisitions

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



## **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

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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 allow 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

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## Full-Time CM On Site

A full-time Construction Manager on each site walking homes before, during, and after trades to ensure quality.

## We Pay On Time, Every Time

Trade Partners are paid by direct deposit every Friday.

## Set Building

By building in sets on adjacent home sites, we are able to optimize the timing of our home starts.

## Clean Job Sites

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

## 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 60-85 days.

## Zero Options and No Changes

We build plans 100% to Spec. There are no customizations.

## Even Flow Production

Consistent, year round work that will increase as sales increase in each project.

## Advanced Scheduling System

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



# HomeBUILDING EXCELLENCE

Supervise homebuilding construction to deliver homes that meet company and customer quality expectations on time and on budget.

SUPERIOR

# LAND ACQUISITION STRATEGY

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## Target Acquisitions

Our target is land located away from city centers, but still close to major thoroughfares, retail districts and business centers allowing for less competition when acquiring land and a more attractive cost basis.



## Flexibility

We pursue a flexible land acquisition strategy of purchasing or optioning finished lots, at attractive prices, or purchasing raw land for residential development.



## Due Diligence

Each prospective project must meet extensive due diligence requirements and meet company underwriting criteria.

# 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 3/31/2019, we had 50,700 lots owned and controlled. 59% or 29,978 were owned.

3,291 Completed Homes, Homes In Progress and Information Centers

8,600 Finished Lots  
(Excluding finished lots in numbers above)

18,087 Raw Land &  
Land Under Development

20,722 Controlled Lots

INVENTORY MIX

# ANNUAL OPERATING RESULTS

	2014	2015	2016	2017	2018	2019 Guidance
<b>Home Closings</b>	2,356	3,404	4,163	5,845	6,512	6,900 – 7,800
<b>Average Active Communities</b>	32.3	47.1	57.9	73.1	80.6	105 – 115 <sup>(1)</sup>
<b>Average Monthly Absorption Rate</b>	6.1	6.0	6.0	6.7	6.7	N/A <sup>(2)</sup>
<b>Average Sales Price</b>	\$162,677	\$185,146	\$201,374	\$215,220	\$231,020	\$235,000 – \$245,000
<b>Revenues (millions)</b>	\$383.3	\$630.2	\$838.3	\$1,258.0	\$1,504.4	N/A <sup>(2)</sup>
<b>Gross Margin %</b>	26.8%	26.5%	26.4%	25.5%	25.3%	23.5% - 25.5%
<b>Adjusted Gross Margin %</b>	28.2%	27.8%	27.8%	26.9%	27.0%	25.5% - 27.5%
<b>SGA %</b>	15.8%	13.8%	13.1%	12.0%	12.0%	N/A <sup>(2)</sup>
<b>Pre-Tax Net Income %</b>	11.2%	12.7%	13.6%	13.6%	13.2%	N/A <sup>(2)</sup>
<b>Basic Earnings per Share</b>	\$1.37	\$2.65	\$3.61	\$5.24	\$6.89	\$7.00 - \$8.00
<b>Diluted Earnings per Share</b>	\$1.33	\$2.44	\$3.41	\$4.73	\$6.24	N/A <sup>(2)</sup>

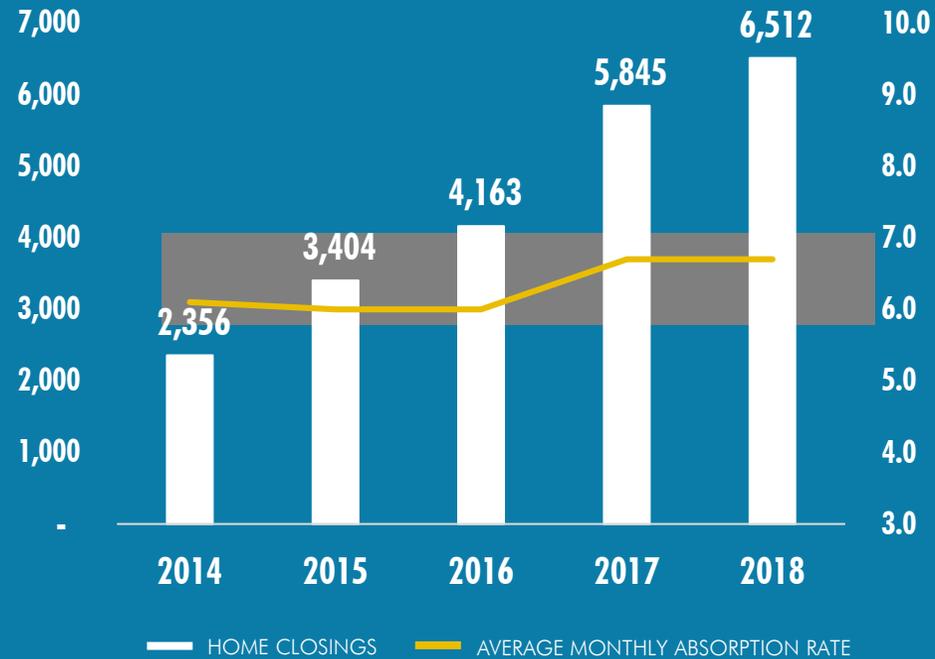
<sup>1</sup> Active community count for 2019 Guidance represents range of active communities anticipated at year end and is not shown as an average.

<sup>2</sup> Not provide by management.

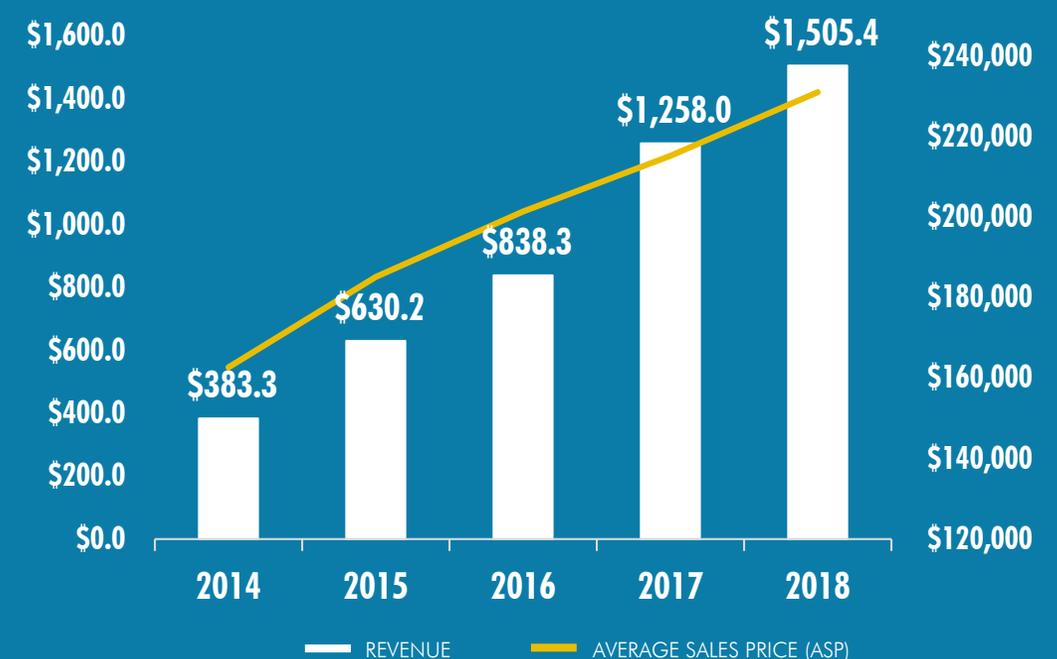
# STRONG OPERATING RESULTS

LGI HOMES HAS GENERATED STRONG RESULTS OVER THE PAST 5 YEARS

## Home Closings & Average Monthly Absorption Rate



## Revenue & Average Sales Price (ASP)

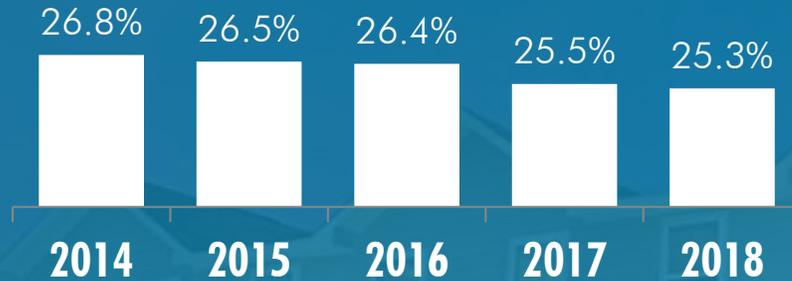


- Average Monthly Absorption Rate averaging 6.0 to 6.7 since 2014
- Revenues up 19.6% in 2018 from 2017
- ASP up 42% since 2014

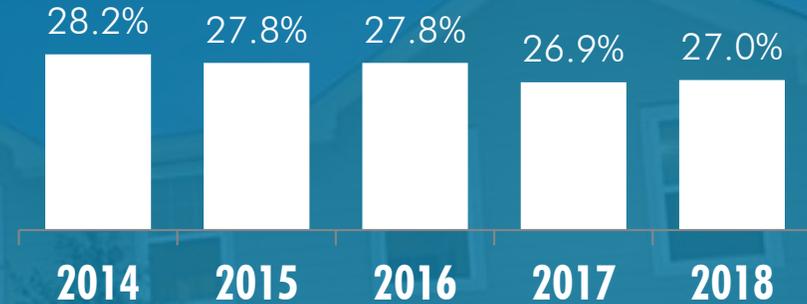
# SUPERIOR MARGINS & PROFITABILITY

DESPITE RAPID GROWTH, LGI HOMES HAS GENERATED SIGNIFICANT OPERATING LEVERAGE AND DELIVERED CONSISTENT OPERATING MARGINS

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



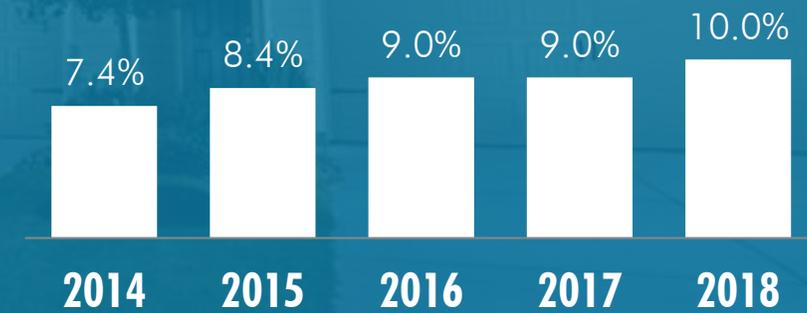
## Adjusted Gross Margin Percentage<sup>(1)(2)</sup>



## Pre-Tax Net Income Percentage<sup>(1)</sup>



## Net Income Percentage<sup>(1)</sup>



<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 appendix for a reconciliation of adjusted gross margin

# GROWTH-ORIENTED CAPITAL STRUCTURE

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

(\$ in thousands)	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	March 31, 2019
<b>ASSETS</b>						
Cash and cash equivalents	\$ 31,370	\$ 37,568	\$ 49,518	\$ 67,571	\$ 46,624	\$ 35,084
Accounts receivable	7,365	17,325	17,055	44,706	42,836	31,987
Real estate inventory	367,908	531,228	717,681	918,933	1,228,256	1,290,855
Goodwill and other intangible assets	12,481	12,234	12,018	12,018	12,018	12,018
Other assets	15,165	20,347	18,242	36,664	65,739	66,259
Total assets	\$ 434,289	\$ 618,702	\$ 814,514	\$ 1,079,892	\$ 1,395,473	\$ 1,436,203
<b>LIABILITIES</b>						
Accounts payable and other liabilities	\$ 39,529	\$ 66,752	\$ 58,830	\$ 114,851	\$ 85,796	\$ 83,202
Notes payable	212,261	304,561	400,483	475,195	653,734	676,075
Total liabilities	251,790	371,313	459,313	590,046	739,530	759,277
<b>EQUITY</b>						
Common stock	208	213	223	228	237	239
Additional paid-in capital	163,520	175,575	208,346	229,680	241,988	244,635
Retained earnings	35,321	88,151	163,182	276,488	431,774	450,108
Treasury stock, at cost	(16,550)	(16,550)	(16,550)	(16,550)	(18,056)	(18,056)
Total equity	182,499	247,389	355,201	489,846	655,943	676,926
Total liabilities and equity	\$ 434,289	\$ 618,702	\$ 814,514	\$ 1,079,892	\$ 1,395,473	\$ 1,436,203
Gross Debt to Capitalization <sup>(1)</sup>	55.5%	56.4%	53.9%	49.9%	50.4%	50.4%
Net Debt to Capitalization <sup>(2)</sup>	49.8%	51.9%	49.7%	45.4%	48.1%	48.6%

**\$500M revolving credit facility - \$315M outstanding at 3/31/2019 - Renewed in May 2019 at \$550M**

**\$300M 6.875% Senior Notes due 2026 and \$70M 4.25% Convertible Notes due Nov 2019 outstanding at 3/31/2019**

<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.

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



# Appendix

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# RECONCILIATION OF ADJUSTED GROSS MARGIN (NON-GAAP)

12 MONTHS ENDED DECEMBER 31

(\$ in thousands)	2014	2015	2016	2017	2018
<b>Home sales revenues</b>	\$383,268	\$630,236	\$838,320	\$1,257,960	\$1,504,400
<b>Cost of home sales</b>	280,481	463,304	616,707	937,540	1,124,484
<b>Gross margin</b>	\$102,787	\$166,932	\$221,613	\$320,420	\$379,916
<b>Capitalized interest charged to cost of sales</b>	1,704	6,057	10,680	17,400	24,311
<b>Purchase accounting adjustment<sup>(1)</sup></b>	3,620	2,131	485	246	1,408
<b>Adjusted gross margin (Non-GAAP)</b>	\$108,111	\$175,120	\$232,778	\$338,066	\$405,635
<b>Gross margin %<sup>(2)</sup></b>	26.8%	26.5%	26.4%	25.5%	25.3%
<b>Adjusted gross margin %<sup>(2)</sup></b>	28.2%	27.8%	27.8%	26.9%	27.0%

<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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