

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended September 30, 2024

OR

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number 001-36126

**LGI HOMES, INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or organization)

46-3088013  
(I.R.S. Employer Identification No.)

1450 Lake Robbins Drive, Suite 430,      The Woodlands, Texas  
(Address of principal executive offices)

77380  
(Zip code)

(281) 362-8998

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	LGIH	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of November 1, 2024, there were 23,513,488 shares of the registrant's common stock, par value \$0.01 per share, outstanding.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**LGI HOMES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(Unaudited)**  
**(In thousands, except share data)**

	September 30, 2024	December 31, 2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 60,903	\$ 48,978
Accounts receivable	49,022	41,319
Real estate inventory	3,439,668	3,107,648
Pre-acquisition costs and deposits	33,676	30,354
Property and equipment, net	62,001	45,522
Other assets	159,399	113,849
Deferred tax assets, net	9,146	8,163
Goodwill	12,018	12,018
Total assets	<u>\$ 3,825,833</u>	<u>\$ 3,407,851</u>
<b>LIABILITIES AND EQUITY</b>		
Accounts payable	\$ 53,314	\$ 31,616
Accrued expenses and other liabilities	229,097	271,872
Notes payable	1,546,459	1,248,332
Total liabilities	<u>1,828,870</u>	<u>1,551,820</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
Common stock, par value \$0.01, 250,000,000 shares authorized, 27,625,950 shares issued and 23,513,488 shares outstanding as of September 30, 2024 and 27,521,120 shares issued and 23,581,648 shares outstanding as of December 31, 2023	276	275
Additional paid-in capital	334,792	321,062
Retained earnings	2,034,917	1,889,716
Treasury stock, at cost, 4,112,462 shares as of September 30, 2024 and 3,939,472 shares as of December 31, 2023	(373,022)	(355,022)
Total equity	<u>1,996,963</u>	<u>1,856,031</u>
Total liabilities and equity	<u>\$ 3,825,833</u>	<u>\$ 3,407,851</u>

See accompanying notes to the consolidated financial statements.

**LGI HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Home sales revenues	\$ 651,854	\$ 617,539	\$ 1,645,202	\$ 1,750,166
Cost of sales	488,362	458,734	1,239,425	1,350,608
Selling expenses	55,196	49,781	149,196	141,811
General and administrative	27,991	26,748	90,022	84,334
Operating income	80,305	82,276	166,559	173,413
Other income, net	(11,547)	(7,173)	(25,270)	(19,793)
Net income before income taxes	91,852	89,449	191,829	193,206
Income tax provision	22,277	22,407	46,628	46,068
Net income	\$ 69,575	\$ 67,042	\$ 145,201	\$ 147,138
Earnings per share:				
Basic	\$ 2.96	\$ 2.85	\$ 6.17	\$ 6.24
Diluted	\$ 2.95	\$ 2.84	\$ 6.15	\$ 6.21
Weighted average shares outstanding:				
Basic	23,500,349	23,546,061	23,540,620	23,562,374
Diluted	23,579,592	23,640,686	23,611,906	23,696,095

See accompanying notes to the consolidated financial statements.

**LGI HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(Unaudited)  
(In thousands, except share data)

	Common Stock		Additional Paid- In Capital	Retained Earnings	Treasury Stock	Total Equity
	Shares	Amount				
<b>BALANCE—December 31, 2023</b>	<b>27,521,120</b>	<b>\$ 275</b>	<b>\$ 321,062</b>	<b>\$ 1,889,716</b>	<b>\$ (355,022)</b>	<b>\$ 1,856,031</b>
Net income	—	—	—	17,053	—	17,053
Restricted stock units granted for accrued annual bonuses	—	—	786	—	—	786
Stock repurchase	—	—	—	—	(10,002)	(10,002)
Compensation expense for equity awards	—	—	3,829	—	—	3,829
Stock issued under employee incentive plans	75,020	1	1,505	—	—	1,506
<b>BALANCE— March 31, 2024</b>	<b>27,596,140</b>	<b>\$ 276</b>	<b>\$ 327,182</b>	<b>\$ 1,906,769</b>	<b>\$ (365,024)</b>	<b>\$ 1,869,203</b>
Net income	—	—	—	58,573	—	58,573
Stock repurchase	—	—	—	—	(7,998)	(7,998)
Compensation expense for equity awards	—	—	2,841	—	—	2,841
Stock issued under employee incentive plans	16,602	—	1,223	—	—	1,223
<b>BALANCE— June 30, 2024</b>	<b>27,612,742</b>	<b>\$ 276</b>	<b>\$ 331,246</b>	<b>\$ 1,965,342</b>	<b>\$ (373,022)</b>	<b>\$ 1,923,842</b>
Net income	—	—	—	69,575	—	69,575
Compensation expense for equity awards	—	—	2,256	—	—	2,256
Stock issued under employee incentive plans	13,208	—	1,290	—	—	1,290
<b>BALANCE— September 30, 2024</b>	<b>27,625,950</b>	<b>\$ 276</b>	<b>\$ 334,792</b>	<b>\$ 2,034,917</b>	<b>\$ (373,022)</b>	<b>\$ 1,996,963</b>

See accompanying notes to the consolidated financial statements.

**LGI HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(Unaudited)  
(In thousands, except share data)

	Common Stock		Additional Paid- In Capital	Retained Earnings	Treasury Stock	Total Equity
	Shares	Amount				
<b>BALANCE—December 31, 2022</b>	<b>27,245,278</b>	<b>\$ 272</b>	<b>\$ 306,673</b>	<b>\$ 1,690,489</b>	<b>\$ (355,022)</b>	<b>\$ 1,642,412</b>
Net income	—	—	—	26,962	—	26,962
Restricted stock units granted for accrued annual bonuses	—	—	206	—	—	206
Compensation expense for equity awards	—	—	3,103	—	—	3,103
Stock issued under employee incentive plans	226,928	3	1,543	—	—	1,546
<b>BALANCE— March 31, 2023</b>	<b>27,472,206</b>	<b>\$ 275</b>	<b>\$ 311,525</b>	<b>\$ 1,717,451</b>	<b>\$ (355,022)</b>	<b>\$ 1,674,229</b>
Net income	—	—	—	53,134	—	53,134
Compensation expense for equity awards	—	—	2,360	—	—	2,360
Stock issued under employee incentive plans	13,307	—	1,289	—	—	1,289
<b>BALANCE— June 30, 2023</b>	<b>27,485,513</b>	<b>\$ 275</b>	<b>\$ 315,174</b>	<b>\$ 1,770,585</b>	<b>\$ (355,022)</b>	<b>\$ 1,731,012</b>
Net income	—	—	—	67,042	—	67,042
Compensation expense for equity awards	—	—	3,123	—	—	3,123
Stock issued under employee incentive plans	17,827	—	1,498	—	—	1,498
<b>BALANCE— September 30, 2023</b>	<b>27,503,340</b>	<b>\$ 275</b>	<b>\$ 319,795</b>	<b>\$ 1,837,627</b>	<b>\$ (355,022)</b>	<b>\$ 1,802,675</b>

See accompanying notes to the consolidated financial statements.

**LGI HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

	<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 145,201	\$ 147,138
Adjustments to reconcile net income to net cash used in operating activities:		
Equity in income of unconsolidated entities	(9,612)	(8,493)
Distributions of earnings from unconsolidated entities	10,737	9,989
Depreciation and amortization	2,280	1,780
Gain on disposal of assets	—	(1,634)
Compensation expense for equity awards	8,926	8,586
Deferred income taxes	(983)	(3,438)
Changes in assets and liabilities:		
Accounts receivable	(7,703)	(10,508)
Real estate inventory	(390,896)	(194,360)
Pre-acquisition costs and deposits	(3,322)	(9,630)
Other assets	(670)	30,873
Accounts payable	21,698	42,002
Accrued expenses and other liabilities	23,597	(34,980)
Net cash used in operating activities	<u>(200,747)</u>	<u>(22,675)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(1,345)	(848)
Investment in unconsolidated entities	(5,296)	(11,619)
Return of capital from unconsolidated entities	—	4,871
Net cash used in investing activities	<u>(6,641)</u>	<u>(7,596)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from notes payable	507,666	335,864
Payments on notes payable	(214,000)	(260,000)
Proceeds from financing arrangements	—	50,402
Payments on financing arrangements	(60,274)	(79,784)
Loan issuance costs	(97)	(5,561)
Proceeds from sale of stock, net of offering expenses	4,018	4,333
Stock repurchase	(18,000)	—
Net cash provided by financing activities	<u>219,313</u>	<u>45,254</u>
Net increase in cash and cash equivalents	11,925	14,983
Cash and cash equivalents, beginning of period	48,978	31,998
Cash and cash equivalents, end of period	<u>\$ 60,903</u>	<u>\$ 46,981</u>

See accompanying notes to the consolidated financial statements.



**LGI HOMES, INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

## **1. ORGANIZATION AND BASIS OF PRESENTATION**

### **Organization and Description of the Business**

LGI Homes, Inc., a Delaware corporation (the “Company”, “we,” “us,” or “our”), is headquartered in The Woodlands, Texas. We engage in the development of communities and the design, construction and sale of new homes in markets in Texas, Arizona, Florida, Georgia, New Mexico, Colorado, North Carolina, South Carolina, Washington, Tennessee, Minnesota, Oklahoma, Alabama, California, Oregon, Nevada, West Virginia, Virginia, Pennsylvania, Maryland and Utah.

### **Basis of Presentation**

The unaudited consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. These financial statements should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments that are of a normal recurring nature and necessary for the fair presentation of our results for the interim periods presented. Results for interim periods are not necessarily indicative of results to be expected for the full year.

The accompanying unaudited financial statements as of September 30, 2024, and for the three and nine months ended September 30, 2024 and 2023, include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates, and these differences could have a significant impact on the financial statements.

### **Recently Issued Accounting Pronouncements**

In December 2023, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures” (“ASU 2023-09”), which is intended to enhance the transparency and decision usefulness of income tax disclosures. This amendment modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation and additional information for reconciling items that meet a quantitative threshold, (2) the amount of income taxes paid (net of refunds received) (disaggregated by federal, state, and foreign taxes) as well as individual jurisdictions in which income taxes paid is equal to or greater than 5 percent of total income taxes paid net of refunds, (3) the income or loss from continuing operations before income tax expense or benefit (disaggregated between domestic and foreign) and (4) income tax expense or benefit from continuing operations (disaggregated by federal, state and foreign). The guidance is effective for annual periods beginning after December 15, 2024, with early adoption permitted for annual financial statements that have not yet been issued or made available for issuance. ASU 2023-09 should be applied on a prospective basis, while retrospective application is permitted. We are currently evaluating the impact that this standard will have on our financial statements.

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures” (“ASU 2023-07”), which is intended to improve reportable segment disclosure requirements, primarily through additional and more detailed information about a reportable segment’s expenses. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The guidance is to be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. We are currently evaluating the impact that this standard will have on our financial statements.

## 2. REAL ESTATE INVENTORY

Our real estate inventory consists of the following (in thousands):

	September 30, 2024	December 31, 2023
Land, land under development and finished lots	\$ 2,244,256	\$ 2,099,133
Information centers	55,446	47,936
Homes in progress	469,280	313,124
Completed homes	624,951	542,996
Total owned inventory	3,393,933	3,003,189
Real estate not owned	45,735	104,459
Total real estate inventory	\$ 3,439,668	\$ 3,107,648

We have land banking financing arrangements with a third-party land banker to repurchase land that we sold to the land banker as a method of acquiring finished lots in staged takedowns, while limiting risk and minimizing the use of funds from our available cash or other financing sources. In consideration for this repurchase option, we paid a non-refundable commitment fee. Based on our right to control the ultimate economic outcome of these finished lots, these assets will continue to be held as real estate not owned within our inventory and a corresponding obligation was established within our accrued liabilities as discussed in [Note 3](#) to recognize this relationship. While we are not legally obligated to repurchase the balance of the lots, we will be subject to certain performance obligations, financial and other penalties if the lots are not purchased. We do not have any ownership interest or title to the assets that we have sold to the land banker and we do not guarantee any of the land banker's liabilities.

We build and lease a number of single-family homes in select, existing communities. During the nine months ended September 30, 2024, we transferred \$17.4 million of home assets from real estate inventory to rental properties within property and equipment, net. We are lessors of the homes representing these home assets.

## 3. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued and other liabilities consist of the following (in thousands):

	September 30, 2024	December 31, 2023
Real estate inventory development and construction payable	\$ 66,060	\$ 71,193
Land banking financing arrangements	45,735	104,459
Taxes payable	28,904	14,694
Accrued compensation, bonuses and benefits	16,927	22,550
Warranty reserve	15,650	13,600
Accrued interest	18,238	13,522
Inventory related obligations	11,540	11,924
Lease liability	6,149	4,947
Contract deposits	4,994	2,909
Other	14,900	12,074
Total accrued expenses and other liabilities	\$ 229,097	\$ 271,872

### Land Banking Financing Arrangements

We have land banking financing arrangements with a third-party land banker to repurchase land that we sold to the land banker as a method of acquiring finished lots in staged takedowns. Principal payments on these financing arrangements will generally coincide with the repurchase of lot takedowns from the land banker. We expect to complete the repurchase of all lots via takedowns associated with these transactions over the course of approximately one to two years.

### Inventory Related Obligations

We own lots in certain communities in Florida and Texas that have Community Development Districts or similar utility and infrastructure development special assessment programs that allocate a fixed amount of debt service associated with development activities to each lot. This obligation for infrastructure development is attached to the land, which is typically

payable over a 30-year period and is ultimately assumed by the homebuyer when home sales are closed. The obligations assumed by the homebuyer represent a non-cash cost of the lots.

### Estimated Warranty Reserve

We generally provide homebuyers with a one-year warranty on the house and a limited warranty for major defects in structural elements, such as framing components and foundation systems, typically ranging from six to ten years depending on the applicable state.

Changes to our warranty accrual are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Warranty reserves, beginning of period	\$ 14,700	\$ 12,150	\$ 13,600	\$ 10,750
Warranty provision	2,020	2,220	5,977	6,450
Warranty expenditures	(1,070)	(1,370)	(3,927)	(4,200)
Warranty reserves, end of period	\$ 15,650	\$ 13,000	\$ 15,650	\$ 13,000

## 4. NOTES PAYABLE

### Revolving Credit Agreement

On December 5, 2023, we entered into an amendment to the Fifth Amended and Restated Credit Agreement, dated as of April 28, 2021, with several financial institutions, and Wells Fargo Bank, National Association, as administrative agent (as amended by amendments thereto dated as of February 22, 2022, April 29, 2022, April 28, 2023 and December 5, 2023, the "2023 Credit Agreement"). The 2023 Credit Agreement provides for a \$1.205 billion revolving credit facility, which can be increased at the request of the Company by up to \$95.0 million, subject to the terms and conditions of the 2023 Credit Agreement. The 2023 Credit Agreement matures on April 28, 2028 with respect to \$960.0 million, or 79.7%, of the \$1.205 billion of commitments thereunder and on April 28, 2025 with respect to 20.3% of the commitments thereunder.

Before each anniversary of the 2023 Credit Agreement, we may request a one-year extension of its maturity date. The 2023 Credit Agreement is guaranteed by, among others, each of our subsidiaries that have gross assets of at least \$0.5 million, other than subsidiaries whose sole purpose is to own and operate single-family rental homes.

The borrowings and letters of credit outstanding under the 2023 Credit Agreement, together with the outstanding principal balance of our 4.000% Senior Notes due 2029 (the "2029 Senior Notes") and our 8.750% Senior Notes due 2028 (the "2028 Senior Notes"), may not exceed the borrowing base under the 2023 Credit Agreement. The borrowing base primarily consists of a percentage of commercial land, land held for development, lots under development and finished lots held by the Company and its subsidiaries that guarantee the obligations under the 2023 Credit Agreement. As of September 30, 2024, the borrowing base under the 2023 Credit Agreement was \$2.0 billion, of which the maximum available to borrow is \$1.9 billion. As of September 30, 2024, borrowings under the 2023 Credit Agreement and the outstanding principal amount of the 2029 Senior Notes and the 2028 Senior Notes totaled approximately \$1.6 billion, \$26.1 million of letters of credit were outstanding and \$314.5 million was available to borrow under the 2023 Credit Agreement.

Borrowings under the 2023 Credit Agreement bear interest, payable monthly in arrears, at the Company's option, at either (1) the Adjusted Term SOFR (defined as a term SOFR that is based on a fixed 1, 3 or 6 month interest period, as selected by the Company, plus a 10, 15 or 25 basis point adjustment, respectively), which rate is subject to a 50 basis point floor, plus an applicable margin ranging from 145 basis points to 210 basis points (the "Applicable Margin") based on the Company's leverage ratio as determined in accordance with a pricing grid, or (2) the Base Rate (defined as a term SOFR that is based on a daily variable 1 month interest period plus a 10 basis point adjustment), subject to a 50 basis point floor, plus the Applicable Margin. At September 30, 2024, the Applicable Margin was 1.85%, and SOFR was 4.85%, subject to the 0.50% SOFR floor as included in the 2023 Credit Agreement.

The 2023 Credit Agreement contains various financial covenants, including a minimum tangible net worth, a leverage ratio, a minimum liquidity amount and an EBITDA to interest expense ratio. The 2023 Credit Agreement contains various covenants that, among other restrictions, limit the amount of our additional debt and our ability to make certain investments. At September 30, 2024, we were in compliance with all of the covenants contained in the 2023 Credit Agreement.

On October 9, 2024, we entered into a Fifth Amendment to Fifth Amended and Restated Credit Agreement with several financial institutions, and Wells Fargo Bank, National Association, as administrative agent (the "Fifth Amendment"), which amended the 2023 Credit Agreement (as so amended by the Fifth Amendment, the "Credit Agreement"). The Fifth

Amendment, among other things, (a) amended the negative covenant in Section 10.1(g) of the Credit Agreement relating to housing inventory and (b) extended the maturity of the commitments of certain lenders under the Credit Agreement to April 28, 2028. The Credit Agreement matures on April 28, 2028 with respect to \$1.085 billion, or 90.0%, of the \$1.205 billion of commitments thereunder and on April 28, 2025 with respect to 10.0% of the commitments thereunder. The Credit Agreement otherwise has substantially similar terms and provisions to the 2023 Credit Agreement.

### Senior Notes Offering

On November 21, 2023, we issued \$400.0 million aggregate principal amount of the 2028 Senior Notes in an offering to persons reasonably believed to be qualified institutional buyers in the United States pursuant to Rule 144A (“Rule 144A”) under the Securities Act of 1933, as amended (the “Securities Act”), and to certain non-U.S. persons in transactions outside the United States pursuant to Regulation S (“Regulation S”) under the Securities Act. Interest on the 2028 Senior Notes accrues at a rate of 8.750% per annum, payable semi-annually in arrears on June 15 and December 15 of each year. The 2028 Senior Notes mature on December 15, 2028. The terms of the 2028 Senior Notes are governed by an Indenture, dated as of July 6, 2018, and Fourth Supplemental Indenture thereto, dated as of November 21, 2023, as may be supplemented from time to time, among us, our subsidiaries that guarantee our obligations under the Credit Agreement and Regions Bank, as trustee.

On June 28, 2021, we issued \$300.0 million aggregate principal amount of the 2029 Senior Notes in an offering to persons reasonably believed to be qualified institutional buyers in the United States pursuant to Rule 144A and to certain non-U.S. persons in transactions outside the United States pursuant to Regulation S. Interest on the 2029 Senior Notes accrues at a rate of 4.000% per annum, payable semi-annually in arrears on January 15 and July 15 of each year. The 2029 Senior Notes mature on July 15, 2029. The terms of the 2029 Senior Notes are governed by an Indenture, dated as of July 6, 2018, and Third Supplemental Indenture thereto, dated as of June 28, 2021, as may be supplemented from time to time, among us, our subsidiaries that guarantee our obligations under the Credit Agreement and Wilmington Trust, National Association, as trustee.

Notes payable consist of the following (in thousands):

	September 30, 2024	December 31, 2023
Notes payable under the 2023 Credit Agreement (\$1.205 billion revolving credit facility at September 30, 2024) maturing in part on April 28, 2025 and in part on April 28, 2028; interest paid monthly at SOFR plus 1.85%	\$ 863,299	\$ 569,633
4.000% Senior Notes due July 15, 2029; interest paid semi-annually at 4.000%	300,000	300,000
8.750% Senior Notes due December 15, 2028; interest paid semi-annually at 8.750%	400,000	400,000
Net debt issuance costs	(16,840)	(21,301)
<b>Total notes payable</b>	<b>\$ 1,546,459</b>	<b>\$ 1,248,332</b>

### Capitalized Interest

Interest activity, including other financing costs, for notes payable and financing arrangements for the periods presented is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest incurred	\$ 30,544	\$ 21,578	\$ 89,130	\$ 62,865
Less: Amounts capitalized	(30,544)	(21,578)	(89,130)	(62,865)
Interest expense	\$ —	\$ —	\$ —	\$ —
Cash paid for interest	\$ 23,110	\$ 23,358	\$ 79,925	\$ 63,114

Included in interest incurred was amortization of deferred financing costs and applicable discounts for notes payable and financing arrangements of \$3.1 million and \$2.4 million for the three months ended September 30, 2024 and 2023, respectively, and \$11.5 million and \$10.6 million for the nine months ended September 30, 2024 and 2023, respectively.

## 5. INCOME TAXES

We file U.S. and state income tax returns in jurisdictions with varying statutes of limitations. The statute of limitations with regards to our federal income tax filings is three years. The statute of limitations for our state tax jurisdictions is three to

four years depending on the jurisdiction. In the normal course of business, we are subject to tax audits in various jurisdictions, and such jurisdictions may assess additional income taxes. We do not expect the outcome of any audit to have a material effect on our consolidated financial statements; however, audit outcomes and the timing of audit adjustments are subject to significant uncertainty.

For the three months ended September 30, 2024, our effective tax rate of 24.3% is higher than the Federal statutory rate primarily as a result of an increase in the rate for state income taxes, net of the federal benefit, the compensation cost in excess of deductions for share-based payments, and the compensation limitation under Section 162(m) of the Internal Revenue Code, as amended.

For the nine months ended September 30, 2024, our effective tax rate of 24.3% is higher than the Federal statutory rate primarily as a result of an increase in the rate for state income taxes, net of the federal benefit, and the compensation cost in excess of deductions for share-based payments, offset by a decrease in the rate for the federal energy efficient homes tax credits.

Income taxes paid were \$5.2 million and \$20.2 million for the three months ended September 30, 2024 and 2023, respectively. Income taxes paid were \$33.5 million and \$80.0 million for the nine months ended September 30, 2024 and 2023, respectively.

## 6. EQUITY

### Stock Repurchase Program

In February 2022, our Board of Directors (the “Board”) approved a \$200.0 million increase to our previously authorized stock repurchase program, pursuant to which we may purchase up to \$550.0 million of shares of our common stock through open market transactions, privately negotiated transactions or otherwise in accordance with applicable laws. During the three months ended September 30, 2024, we did not repurchase any shares of our common stock. During the nine months ended September 30, 2024, we repurchased 172,990 shares of our common stock for \$18.0 million to be held as treasury stock. During the three and nine months ended September 30, 2023, we did not repurchase any shares of our common stock. A total of 3,112,462 shares of our common stock has been repurchased since our stock repurchase program commenced. As of September 30, 2024, we may purchase up to \$193.5 million of shares of our common stock under our stock repurchase program. The timing, amount and other terms and conditions of any repurchases of shares of our common stock under our stock repurchase program will be determined by our management at its discretion based on a variety of factors, including the market price of our common stock, corporate considerations, general market and economic conditions and legal requirements. Our stock repurchase program may be modified, discontinued or suspended at any time.

## 7. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator (in thousands):				
Net income (Numerator for basic and dilutive earnings per share)	\$ 69,575	\$ 67,042	\$ 145,201	\$ 147,138
Denominator:				
Basic weighted average shares outstanding	23,500,349	23,546,061	23,540,620	23,562,374
Effect of dilutive securities:				
Stock-based compensation units	79,243	94,625	71,286	133,721
Diluted weighted average shares outstanding	23,579,592	23,640,686	23,611,906	23,696,095
Basic earnings per share	\$ 2.96	\$ 2.85	\$ 6.17	\$ 6.24
Diluted earnings per share	\$ 2.95	\$ 2.84	\$ 6.15	\$ 6.21
Antidilutive non-vested restricted stock units excluded from calculation of diluted earnings per share	3,069	1,749	10,025	4,735

## 8. STOCK-BASED COMPENSATION

### Non-performance Based Restricted Stock Units

The following table summarizes the activity of our time-vested restricted stock units (“RSUs”):

	Nine Months Ended September 30,			
	2024		2023	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Beginning balance	133,359	\$ 114.98	146,239	\$ 100.93
Granted	58,731	\$ 108.42	40,435	\$ 105.78
Vested	(20,294)	\$ 141.62	(44,303)	\$ 64.82
Forfeited	(9,041)	\$ 108.79	(6,802)	\$ 114.23
Ending balance	162,755	\$ 109.64	135,569	\$ 113.52

We recognized \$1.3 million and \$1.2 million of stock-based compensation expense related to outstanding RSUs for the three months ended September 30, 2024 and 2023, respectively. We recognized \$4.1 million and \$3.6 million of stock-based compensation expense related to outstanding RSUs for the nine months ended September 30, 2024 and 2023, respectively. Generally, the RSUs cliff vest on the third anniversary of the grant date and can only be settled in shares of our common stock. At September 30, 2024, we had unrecognized compensation cost of \$8.2 million related to unvested RSUs, which is expected to be recognized over a weighted average period of 1.9 years.

### Performance-Based Restricted Stock Units

The Compensation Committee of the Board has granted awards of performance-based RSUs (“PSUs”) under the Amended and Restated LGI Homes, Inc. 2013 Equity Incentive Plan to certain members of senior management based on three-year performance cycles. The PSUs provide for shares of our common stock to be issued based on the attainment of certain performance metrics over the applicable three-year periods. The number of shares of our common stock that may be issued to the recipients for the PSUs range from 0% to 200% of the target amount depending on actual results as compared to the target performance metrics. The terms of the PSUs provide that the payouts will be capped at 100% of the target number of PSUs granted if absolute total stockholder return is negative during the performance period, regardless of EPS performance; this market condition applies for amounts recorded above target. The compensation expense associated with the PSU grants is determined using the derived grant date fair value, based on a third-party valuation analysis, and expensed over the applicable period. The PSUs vest upon the determination date for the actual results at the end of the three-year period and require that the recipients continue to be employed by us through the determination date. The PSUs can only be settled in shares of our common stock.

The following table summarizes the activity of our PSUs for the nine months ended September 30, 2024:

Period Granted	Performance Period	Target PSUs Outstanding at December 31, 2023	Target PSUs Granted	Target PSUs Forfeited	Target PSUs Vested	Target PSUs Outstanding at September 30, 2024	Weighted Average Grant Date Fair Value
2021	2021 - 2023	43,159	—	—	(43,159)	—	\$ 141.00
2022	2022 - 2024	63,304	—	(1,516)	—	61,788	\$ 118.80
2023	2023 - 2025	72,443	—	(1,630)	—	70,813	\$ 104.36
2024	2024 - 2026	—	70,947	(1,768)	—	69,179	\$ 111.94
Total		178,906	70,947	(4,914)	(43,159)	201,780	

At September 30, 2024, management estimates that the recipients will receive approximately 100.0%, 86.5% and 0.0% of the 2024, 2023 and 2022 target number of PSUs, respectively, at the end of the applicable three-year performance cycle based on projected performance compared to the target performance metrics. We recognized \$0.8 million and \$1.7 million of total stock-based compensation expense related to outstanding PSUs for the three months ended September 30, 2024 and 2023,

respectively. We recognized \$4.0 million of total stock-based compensation expense related to outstanding PSUs for each of the nine months ended September 30, 2024 and 2023. The 2021 - 2023 performance period PSUs vested and issued on March 8, 2024, at 93.6% of the target number. At September 30, 2024, we had unrecognized compensation cost of \$7.5 million, based on the probable amount, related to unvested PSUs, which is expected to be recognized over a weighted average period of 2.2 years. PSUs granted in 2022, 2023 and 2024 are excluded from the calculation of diluted EPS as they are subject to unsatisfied performance conditions.

## 9. FAIR VALUE DISCLOSURES

Accounting Standards Codification (“ASC”) Topic 820, *Fair Value Measurements* (“ASC 820”), defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” within an entity’s principal market, if any. The principal market is the market in which the reporting entity would sell the asset or transfer the liability with the most significant volume and level of activity, regardless of whether it is the market in which the entity will ultimately transact for a particular asset or liability or if a different market is potentially more advantageous. Accordingly, this exit price concept may result in a fair value that differs from the transaction price or market price of the asset or liability.

ASC 820 provides a framework for measuring fair value under GAAP, expands disclosures about fair value measurements and establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of the fair value hierarchy are summarized as follows:

*Level 1* - Fair value is based on quoted prices in active markets for identical assets or liabilities.

*Level 2* - Fair value is determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities, or quoted prices in markets that are not active.

*Level 3* - Fair value is determined using one or more significant inputs that are unobservable in active markets at the measurement date, such as a pricing model, discounted cash flow or similar technique.

We utilize fair value measurements to account for certain items and account balances within our consolidated financial statements. Fair value measurements may also be utilized on a nonrecurring basis, such as for the impairment of long-lived assets. The fair value of financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and certain accrued liabilities approximate their carrying amounts due to the short-term nature of these instruments. As of September 30, 2024, the 2023 Credit Agreement’s carrying value approximates market value since it has a floating interest rate, which increases or decreases with market interest rates and our leverage ratio.

In order to determine the fair value of each of the 2029 Senior Notes and the 2028 Senior Notes, the future contractual cash flows are discounted at our estimate of current market rates of interest, which were determined based upon the average interest rates of similar senior notes within the homebuilding industry (Level 2 measurement).

The following table below shows the level and measurement of liabilities at September 30, 2024 and December 31, 2023 (in thousands):

	Fair Value Hierarchy	September 30, 2024		December 31, 2023	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
2029 Senior Notes <sup>(1)</sup>	Level 2	\$ 300,000	\$ 298,259	\$ 300,000	\$ 296,381
2028 Senior Notes <sup>(1)</sup>	Level 2	\$ 400,000	\$ 450,546	\$ 400,000	\$ 486,306

(1) See [Note 4](#) for more details regarding the offerings of the 2029 Senior Notes and the 2028 Senior Notes.

## 10. COMMITMENTS AND CONTINGENCIES

### Contingencies

In the ordinary course of doing business, we are subject to claims or proceedings from time to time relating to the purchase, development and sale of real estate and homes and other aspects of our operations. Management believes that these claims include usual obligations incurred by real estate developers and residential home builders in the normal course of business. In the opinion of management, these matters will not have a material effect on our consolidated financial position, results of operations or cash flows.

We have provided unsecured environmental indemnities to certain lenders and other counterparties. In each case, we have performed due diligence on the potential environmental risks including obtaining an independent environmental review from outside environmental consultants. These indemnities obligate us to reimburse the guaranteed parties for damages related to environmental matters. There is no term or damage limitation on these indemnities; however, if an environmental matter arises, we may have recourse against other previous owners. In the ordinary course of doing business, we are subject to regulatory proceedings from time to time related to environmental and other matters. In the opinion of management, these matters will not have a material effect on our consolidated financial position, results of operations or cash flows.

### Land Deposits

We have land purchase contracts, generally through cash deposits, for the right to purchase land or lots at a future point in time with predetermined terms. We do not have title to the property, and obligations with respect to the land purchase contracts are generally limited to the forfeiture of the related nonrefundable cash deposits. The following is a summary of our land purchase deposits included in pre-acquisition costs and deposits (in thousands, except for lot count):

	<b>September 30, 2024</b>	<b>December 31, 2023</b>
Land deposits and option payments <sup>(1)</sup>	\$ 29,290	\$ 26,955
Commitments under the land purchase contracts if the purchases are consummated <sup>(1)</sup>	\$ 587,325	\$ 513,941
Lots under land purchase contracts <sup>(1)</sup>	14,535	15,750

(1) Includes land banking financing arrangements, see [Note 2](#) and [Note 3](#) for more details regarding real estate not owned.

As of September 30, 2024 and December 31, 2023, approximately \$11.9 million and \$11.4 million, respectively, of the land deposits are related to purchase contracts to deliver finished lots that are refundable under certain circumstances, such as feasibility or specific performance, and secured by mortgages or letters of credit or guaranteed by the seller or its affiliates.

### Lease Obligations

We recognize lease obligations and associated right-of-use (“ROU”) assets for our existing non-cancelable leases. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants. We have non-cancelable operating leases primarily associated with our corporate and regional office facilities. Operating lease expense is recognized on a straight-line basis over the lease term, subject to any changes in the lease or expectations regarding the terms. Variable lease costs such as common area costs and property taxes are expensed as incurred. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. ROU assets, as included in other assets on the consolidated balance sheets, were \$5.7 million and \$4.6 million as of September 30, 2024 and December 31, 2023, respectively. Lease obligations, as included in accrued expenses and other liabilities on the consolidated balance sheets, were \$6.1 million and \$4.9 million as of September 30, 2024 and December 31, 2023, respectively.

Operating lease cost, as included in general and administrative expense in our consolidated statements of operations, was \$0.6 million and \$0.7 million for the three months ended September 30, 2024 and 2023, respectively. Operating lease cost, as included in general and administrative expense in our consolidated statements of operations, was \$1.8 million and \$1.9 million for the nine months ended September 30, 2024 and 2023, respectively. Cash paid for amounts included in the measurement of lease liabilities for operating leases was \$1.4 million for each of the nine months ended September 30, 2024 and 2023. As of September 30, 2024, the weighted-average discount rate was 5.9% and our weighted-average remaining life was 2.2 years. We do not have any significant lease contracts that have not yet commenced at September 30, 2024.



The table below shows the future minimum payments under non-cancelable operating leases at September 30, 2024 (in thousands):

<b>Year Ending December 31,</b>	<b>Operating leases</b>
2024	\$ 462
2025	1,829
2026	1,602
2027	1,389
2028	970
Thereafter	709
<b>Total</b>	<b>6,961</b>
Lease amount representing interest	(812)
<b>Present value of lease liabilities</b>	<b>\$ 6,149</b>

### Bonding and Letters of Credit

We have outstanding letters of credit and performance and surety bonds totaling \$376.3 million (including \$26.1 million of letters of credit issued under the 2023 Credit Agreement) and \$357.0 million (including \$28.1 million of letters of credit issued under the 2023 Credit Agreement) at September 30, 2024 and December 31, 2023, respectively, related to our obligations for site improvements at various projects. Management does not believe that draws upon the letters of credit, surety bonds or financial guarantees if any, will have a material effect on our consolidated financial position, results of operations or cash flows.

### Investment in Unconsolidated Entities

As of September 30, 2024, we had two equity-method real estate joint ventures and two additional joint ventures engaged in mortgage and insurance activities that primarily provide services to our homebuyers. As of September 30, 2024 and December 31, 2023, we have a total of \$25.5 million and \$21.5 million, respectively, within other assets on the balance sheet relating to our investment in joint ventures associated with our operations. Contributions into the unconsolidated entities are for the use of investing in certain real estate transactions and residential mortgage services, respectively. Income associated with our investment in unconsolidated entities during the three and nine months ended September 30, 2024 was \$4.6 million and \$9.6 million, respectively. Income associated with our investment in unconsolidated entities during the three and nine months ended September 30, 2023 was \$3.2 million and \$8.5 million, respectively.

## 11. REVENUES

### Home Sales Revenues

We generate revenues primarily by delivering move-in ready entry-level and move-up spec homes sold under our LGI Homes brand and our move-up and luxury series spec homes sold under our Terrata Homes brand.

The following table presents our home sales revenues disaggregated by revenue stream (in thousands):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Retail home sales revenues	\$ 602,398	\$ 574,246	\$ 1,531,459	\$ 1,633,826
Wholesale home sales revenues	49,456	43,293	113,743	116,340
<b>Total home sales revenues</b>	<b>\$ 651,854</b>	<b>\$ 617,539</b>	<b>\$ 1,645,202</b>	<b>\$ 1,750,166</b>

Our home sales revenues are disaggregated by geography, based on our determined reportable segments. See [Note 12](#) for tabular presentation of this information.

## 12. SEGMENT INFORMATION

We operate one principal homebuilding business that is organized and reports by division. We have seven operating segments (our Central, Midwest, Southeast, Mid-Atlantic, Northwest, West, and Florida divisions) that we aggregate into five qualifying reportable segments at September 30, 2024: our Central, Southeast, Northwest, West, and Florida divisions. These segments reflect the way we evaluate our business performance and manage our operations.

In accordance with ASC 280, *Segment Reporting*, operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision-makers (“CODMs”) in deciding how to allocate resources and in assessing performance. The CODMs primarily evaluate performance based on the number of homes closed, gross margin and average sales price per home closed.

In determining the most appropriate reportable segments, we consider operating segments’ economic and other characteristics, including home floor plans, average selling prices, gross margin percentage, geographical proximity, production construction processes, suppliers, subcontractors, regulatory environments, customer type and underlying demand and supply. Each operating segment follows the same accounting policies and is managed by our management team. We have no inter-segment sales, as all sales are to external customers. Operating results for each segment may not be indicative of the results for such segment had it been an independent, stand-alone entity for the periods presented.

Financial information relating to our reportable segments is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<b>Revenues:</b>				
Central	\$ 164,439	\$ 183,615	\$ 441,609	\$ 564,580
Southeast	155,205	149,593	407,068	397,618
Northwest	83,061	67,666	187,253	212,885
West	150,646	94,950	351,880	256,575
Florida	98,503	121,715	257,392	318,508
<b>Total home sales revenues</b>	<b>\$ 651,854</b>	<b>\$ 617,539</b>	<b>\$ 1,645,202</b>	<b>\$ 1,750,166</b>
<b>Net income (loss) before income taxes:</b>				
Central	\$ 21,828	\$ 32,172	\$ 46,985	\$ 69,521
Southeast	27,565	26,786	67,552	54,166
Northwest	12,338	9,432	19,606	23,194
West	20,966	9,368	40,882	15,162
Florida	9,738	15,579	19,588	37,077
Corporate <sup>(1)</sup>	(583)	(3,888)	(2,784)	(5,914)
<b>Total net income before income taxes</b>	<b>\$ 91,852</b>	<b>\$ 89,449</b>	<b>\$ 191,829</b>	<b>\$ 193,206</b>

- (1) The Corporate balance consists of general and administration unallocated costs for various shared service functions offset by non-strategic other income, as well as our warranty reserve. Actual warranty expenses are reflected within the reportable segments.

	September 30, 2024	December 31, 2023
<b>Assets:</b>		
Central	\$ 1,110,352	\$ 1,026,303
Southeast	735,104	664,877
Northwest	577,968	528,319
West	769,167	671,558
Florida	508,058	420,286
Corporate <sup>(1)</sup>	125,184	96,508
<b>Total assets</b>	<b>\$ 3,825,833</b>	<b>\$ 3,407,851</b>

- (1) The Corporate balance consists primarily of forward commitments and investments in unconsolidated entities.

**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

For purposes of this Management’s Discussion and Analysis of Financial Condition and Results of Operation, references to “we,” “our,” “us” or similar terms refer to LGI Homes, Inc. and its subsidiaries.

**Business Overview**

Our management team has been in the residential land development business since the mid-1990s. Since commencing home building operations in 2003, we have constructed and closed over 70,000 homes.

We are engaged in the design, construction and sale of new homes in the following markets:

West	Northwest	Central	Midwest	Florida	Southeast	Mid-Atlantic
Phoenix, AZ	Seattle, WA	Houston, TX	Minneapolis, MN	Tampa, FL	Atlanta, GA	Washington, D.C.
Tucson, AZ	Portland, OR	Dallas Ft. Worth, TX		Orlando, FL	Charlotte, NC	Norfolk, VA
Albuquerque, NM	Denver, CO	San Antonio, TX		Fort Myers, FL	Raleigh, NC	Richmond, VA
Las Vegas, NV		Austin, TX		Jacksonville, FL	Wilmington, NC	Baltimore, MD
Northern CA		Oklahoma City, OK		Fort Pierce, FL	Winston-Salem, NC	
Southern CA				Daytona Beach, FL	Columbia, SC	
Salt Lake City, UT				Sarasota, FL	Greenville, SC	
					Birmingham, AL	
					Nashville, TN	

The housing market remains healthy, with overall demand supported by strong fundamentals, including household formation and migration trends, the ongoing impact of years of underproduction, and a lock-in effect limiting the supply of existing homes available for sale. On top of these dynamics are a resilient employment market and our customers’ positive outlook on the stability of their jobs. On the other side of the demand equation is constrained affordability, which remains the main challenge for our customers. During the nine months ended September 30, 2024, we had 4,495 home closings, compared to 4,971 home closings during the nine months ended September 30, 2023.

We sell homes under the LGI Homes and Terrata Homes brands. Our 138 active communities at September 30, 2024 included 18 Terrata Homes communities. At September 30, 2023, we had 106 active communities, including 11 Terrata Homes communities.

**Recent Developments**

On October 9, 2024, we entered into the Fifth Amendment, which amended the 2023 Credit Agreement. The Fifth Amendment, among other things, (a) amended the negative covenant in the Credit Agreement relating to housing inventory and (b) extended the maturity of the commitments of certain lenders under the Credit Agreement to April 28, 2028. For additional information on the Credit Agreement (including defined terms used in this paragraph), see [Note 4](#), “Notes Payable” to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

For additional discussion regarding our business and operations, see Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023. For additional discussion regarding risks associated with our business and operations, see Item 1A. Risk Factors in Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

**Key Results**

Key financial results as of and for the three months ended September 30, 2024, as compared to the three months ended September 30, 2023, were as follows:

- Home sales revenues increased 5.6% to \$651.9 million from \$617.5 million.
- Homes closed increased 0.3% to 1,757 homes from 1,751 homes.
- Average sales price per home closed increased 5.2% to \$371,004 from \$352,678.
- Gross margin as a percentage of home sales revenues decreased to 25.1% from 25.7%.

- Adjusted gross margin (non-GAAP) as a percentage of home sales revenues was 27.2% in both comparable periods.
- Net income before income taxes increased 2.7% to \$91.9 million from \$89.4 million.
- Net income increased 3.8% to \$69.6 million from \$67.0 million.
- EBITDA (non-GAAP) as a percentage of home sales revenues increased to 16.2% from 16.0%.

For reconciliations of the non-GAAP financial measures of adjusted gross margin and EBITDA to the most directly comparable GAAP financial measures, please see “—Non-GAAP Measures.”

Key financial results as of and for the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023, were as follows:

- Home sales revenues decreased 6.0% to \$1.6 billion from \$1.8 billion.
- Homes closed decreased 9.6% to 4,495 homes from 4,971 homes.
- Average sales price per home closed increased 4.0% to \$366,007 from \$352,075.
- Gross margin as a percentage of home sales revenues increased to 24.7% from 22.8%.
- Adjusted gross margin (non-GAAP) as a percentage of home sales revenues increased to 26.7% from 24.5%.
- Net income before income taxes decreased 0.7% to \$191.8 million from \$193.2 million.
- Net income decreased 1.3% to \$145.2 million from \$147.1 million.
- EBITDA (non-GAAP) as a percentage of home sales revenues increased to 13.6% from 12.5%.

For reconciliations of the non-GAAP financial measures of adjusted gross margin and EBITDA to the most directly comparable GAAP financial measures, please see “—[Non-GAAP Measures](#).”

We owned and controlled 68,564 lots at September 30, 2024 as compared to 69,904 lots at June 30, 2024 and 71,081 lots at December 31, 2023.

## Results of Operations

The following table sets forth our results of operations for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
(dollars in thousands, except per share data and average home sales price)				
<b>Statement of Income Data:</b>				
Home sales revenues	\$ 651,854	\$ 617,539	\$ 1,645,202	\$ 1,750,166
Expenses:				
Cost of sales	488,362	458,734	1,239,425	1,350,601
Selling expenses	55,196	49,781	149,196	141,811
General and administrative	27,991	26,748	90,022	84,331
Operating income	80,305	82,276	166,559	173,411
Other income, net	(11,547)	(7,173)	(25,270)	(19,791)
Net income before income taxes	91,852	89,449	191,829	193,201
Income tax provision	22,277	22,407	46,628	46,061
Net income	\$ 69,575	\$ 67,042	\$ 145,201	\$ 147,131
Basic earnings per share	\$ 2.96	\$ 2.85	\$ 6.17	\$ 6.22
Diluted earnings per share	\$ 2.95	\$ 2.84	\$ 6.15	\$ 6.22
<b>Other Financial and Operating Data:</b>				
Average community count	133.3	103.7	126.1	101.1
Community count at end of period	138	106	138	10
Home closings	1,757	1,751	4,495	4,971
Average sales price per home closed	\$ 371,004	\$ 352,678	\$ 366,007	\$ 352,071
Gross margin <sup>(1)</sup>	\$ 163,492	\$ 158,805	\$ 405,777	\$ 399,551
Gross margin % <sup>(2)</sup>	25.1 %	25.7 %	24.7 %	22.1
Adjusted gross margin <sup>(3)</sup>	\$ 177,603	\$ 168,152	\$ 439,098	\$ 429,541
Adjusted gross margin % <sup>(2)(3)</sup>	27.2 %	27.2 %	26.7 %	24.1
EBITDA <sup>(4)</sup>	\$ 105,636	\$ 98,822	\$ 224,296	\$ 219,461
EBITDA margin % <sup>(2)(4)</sup>	16.2 %	16.0 %	13.6 %	12.1

(1) Gross margin is home sales revenues less cost of sales.

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

(3) Adjusted gross margin is a non-GAAP financial measure used by management as a supplemental measure in evaluating operating performance. We define adjusted gross margin as gross margin less capitalized interest and adjustments resulting from the application of purchase accounting included in the cost of sales. Our 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 our results, the utility of adjusted gross margin information as a measure of our operating performance may be limited. In addition, other companies may not calculate adjusted gross margin information in the same manner that we do. Accordingly, adjusted gross margin information should be considered only as a supplement to gross margin information as a measure of our performance. Please see "[Non-GAAP Measures](#)" for a reconciliation of adjusted gross margin to gross margin, which is the GAAP financial measure that our management believes to be most directly comparable.

(4) EBITDA is a non-GAAP financial measure used by management as a supplemental measure in evaluating operating performance. We define EBITDA as net income before (i) interest expense, (ii) income taxes, (iii) depreciation and amortization and (iv) capitalized interest charged to the cost of sales. Our management believes that the presentation of EBITDA provides useful information to investors regarding our results of operations because it assists both investors and management in analyzing and benchmarking the performance and value of our business. 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

unusual or non-recurring. Accordingly, our management believes that this measure is useful for comparing general operating performance from period to period. Other companies may define this measure differently and, as a result, our measure of EBITDA may not be directly comparable to the measures of other companies. Although we use EBITDA as a financial measure to assess the performance of our business, the use of this measure is limited because it does not include certain material costs, such as interest and taxes, necessary to operate our business. EBITDA should be considered in addition to, and not as a substitute for, net income in accordance with GAAP as a measure of performance. Our presentation of EBITDA should not be construed as an indication that our future results will be unaffected by unusual or non-recurring items. Our use of EBITDA is limited as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our results as reported under GAAP. Please see “[—Non-GAAP Measures](#)” for reconciliations of EBITDA to net income, which is the GAAP financial measure that our management believes to be most directly comparable.

### Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

*Homes Sales.* Our home sales revenues, home closings, average sales price per home closed (ASP), average community count and average monthly absorption rate by reportable segment for the three months ended September 30, 2024 and 2023, and our community count by reportable segment as of September 30, 2024 and 2023, were as follows (revenues in thousands):

	Three Months Ended September 30, 2024					As of September 30, 2024
	Revenues	Home Closings	ASP	Average Community Count	Average Monthly Absorption Rate	Community Count at End of Period
Central	\$ 164,439	509	\$ 323,063	45.7	3.7	47
Southeast	155,205	466	333,058	27.3	5.7	29
Northwest	83,061	150	553,740	14.3	3.5	15
West	150,646	361	417,302	23.0	5.2	24
Florida	98,503	271	363,480	23.0	3.9	23
Total	\$ 651,854	1,757	\$ 371,004	133.3	4.4	138

	Three Months Ended September 30, 2023					As of September 30, 2023
	Revenues	Home Closings	ASP	Average Community Count	Average Monthly Absorption Rate	Community Count at End of Period
Central	\$ 183,615	561	\$ 327,299	34.7	5.4	34
Southeast	149,593	452	330,958	23.7	6.4	24
Northwest	67,666	131	516,534	11.0	4.0	11
West	94,950	249	381,325	14.3	5.8	15
Florida	121,715	358	339,986	20.0	6.0	22
Total	\$ 617,539	1,751	\$ 352,678	103.7	5.6	106

Home sales revenues for the three months ended September 30, 2024 were \$651.9 million, an increase of \$34.3 million, or 5.6%, from \$617.5 million for the three months ended September 30, 2023. The increase in home sales revenues was primarily due to an increase in the average sales price per home closed and a slight increase in homes closed during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. The average sales price per home closed during the three months ended September 30, 2024 was \$371,004, an increase of \$18,326, or 5.2%, from the average sales price per home closed of \$352,678 for the three months ended September 30, 2023. The increase in the average sales price per home closed was primarily due to geographic mix, largely in our Northwest and West segments, and a favorable pricing environment. The overall increase in home closings was a result of a higher average community count during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. The overall increase in average community count relates to timing associated with new community openings, offset by the close out of some communities and transition between certain active communities during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. The overall decrease in absorption rate generally relates to the impact of ongoing affordability constraints, new community openings, and the overall increase in community count.

Included within our home sales revenues for the three months ended September 30, 2024 was \$49.5 million in wholesale revenues resulting from 160 home closings, representing 9.1% of the 1,757 total homes closed during the three months ended September 30, 2024. Included within our home sales revenues for the three months ended September 30, 2023 was \$43.3 million in wholesale revenues resulting from 139 home closings, representing 7.9% of the 1,751 total homes closed during the three months ended September 30, 2023.

- Home sales revenues in our Central reportable segment decreased by \$19.2 million, or 10.4%, during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023, due to a 9.3% decrease in the number of homes closed and a 1.3% decrease in the average sales price per home closed. The decrease in home closings was the result of a lower absorption rate, partially offset by an increase in the average community count.
- Home sales revenues in our Southeast reportable segment increased by \$5.6 million, or 3.8%, during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023, due to a 3.1% increase in the number of homes closed and a 0.6% increase in the average sales price per home closed. The increase in home closings was the result of an increase in the average community count, partially offset by a lower absorption rate.
- Home sales revenues in our Northwest reportable segment increased by \$15.4 million, or 22.8%, during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023, due to a 14.5% increase in the number of homes closed and a 7.2% increase in the average sales price per home closed. The increase in home closings was the result of an increase in the average community count, partially offset by a lower absorption rate.
- Home sales revenues in our West reportable segment increased by \$55.7 million, or 58.7%, during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023, due to a 45.0% increase in the number of homes closed and a 9.4% increase in the average sales price per home closed. The increase in home closings was the result of an increase in the average community count, partially offset by a lower absorption rate.
- Home sales revenues in our Florida reportable segment decreased by \$23.2 million, or 19.1%, during the three months ended September 30, 2024, as compared to the three months ended September 30, 2023, primarily due to a 24.3% decrease in the number of homes closed, partially offset by a 6.9% increase in the average sales price per home closed. The decrease in home closings was the result of a lower absorption rate, partially offset by a higher average community count.

*Cost of Sales and Gross Margin (home sales revenues less cost of sales).* Cost of sales increased for the three months ended September 30, 2024 to \$488.4 million, an increase of \$29.6 million, or 6.5%, from \$458.7 million for the three months ended September 30, 2023, primarily due to an increase in lot costs and higher capitalized interest. Gross margin for the three months ended September 30, 2024 was \$163.5 million, an increase of \$4.7 million, or 3.0%, from \$158.8 million for the three months ended September 30, 2023. Gross margin as a percentage of home sales revenues was 25.1% for the three months ended September 30, 2024 and 25.7% for the three months ended September 30, 2023. This decrease in gross margin as a percentage of home sales revenues was primarily due to the impact of increased sales incentives offered and a combination of an increase in lot costs and higher capitalized interest during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023.

*Selling Expenses.* Selling expenses for the three months ended September 30, 2024 were \$55.2 million, an increase of \$5.4 million, or 10.9%, from \$49.8 million for the three months ended September 30, 2023. The increase in selling expenses was primarily due to an increase in advertising expense and an increase in personnel costs as a result of an increase in communities for the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. Sales commissions decreased to \$27.6 million for the three months ended September 30, 2024 from \$27.9 million for the three months ended September 30, 2023, primarily due to a decrease in outside commissions, partially offset by an increase in our in-house commissions due to an overall increase in revenues during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. Selling expenses as a percentage of home sales revenues were 8.5% and 8.1% for the three months ended September 30, 2024 and 2023, respectively. The increase in selling expenses as a percentage of home sales revenues was primarily due to higher advertising and other personnel expenses incurred during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023.

*General and Administrative.* General and administrative expenses for the three months ended September 30, 2024 were \$28.0 million, an increase of \$1.2 million, or 4.6%, from \$26.7 million for the three months ended September 30, 2023. The increase in general and administrative expenses was primarily a result of increased indirect overhead expenses and professional fees, partially offset by a decrease in payroll related costs during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. General and administrative expenses as a percentage of home sales revenues were 4.3% during each of the three months ended September 30, 2024 and 2023.



*Other Income, Net.* Other income, net of other expenses was \$11.5 million for the three months ended September 30, 2024, an increase of \$4.4 million from \$7.2 million for the three months ended September 30, 2023. The increase in other income, net of other expenses, primarily reflects gains realized from the sale of residential lots and the increase in income associated with our investment in unconsolidated entities during the three months ended September 30, 2024.

*Operating Income and Net Income before Income Taxes.* Operating income for the three months ended September 30, 2024 was \$80.3 million, a decrease of \$2.0 million, or 2.4%, from \$82.3 million for the three months ended September 30, 2023. The decrease in operating income was primarily attributed to lower gross margin and higher advertising and other costs associated with the increase in average community count. Net income before income taxes for the three months ended September 30, 2024 was \$91.9 million, an increase of \$2.4 million, or 2.7%, from \$89.4 million for the three months ended September 30, 2023. The increase in net income before income taxes was primarily attributed to gains realized from the sale of residential lots during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023. Our reportable segments contributed to net income before income taxes during the three months ended September 30, 2024 as follows: Central - \$21.8 million, or 23.8%; Southeast - \$27.6 million, or 30.0%; Northwest - \$12.3 million, or 13.4%; West - \$21.0 million, or 22.8%; and Florida - \$9.7 million, or 10.6%.

*Income Taxes.* Income tax provision for the three months ended September 30, 2024 was \$22.3 million, a decrease of \$0.1 million, or 0.6%, from income tax provision of \$22.4 million for the three months ended September 30, 2023. The decrease in our effective tax rate to 24.3% for the three months ended September 30, 2024 from 25.1% for the three months ended September 30, 2023 was primarily a result of a decrease in the rate for the compensation limitation under Section 162(m) of the Internal Revenue Code, as amended.

*Net Income.* Net income for the three months ended September 30, 2024 was \$69.6 million, an increase of \$2.5 million, or 3.8%, from \$67.0 million for the three months ended September 30, 2023. The increase in net income was primarily attributed to a higher average sales price per home closed and gains realized from the sale of residential lots during the three months ended September 30, 2024 as compared to the three months ended September 30, 2023.

### Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

*Homes Sales.* Our home sales revenues, home closings, average sales price per home closed (ASP), average community count and average monthly absorption rate by reportable segment for the nine months ended September 30, 2024 and 2023 were as follows (revenues in thousands):

<b>Nine Months Ended September 30, 2024</b>					
	<b>Revenues</b>	<b>Home Closings</b>	<b>ASP</b>	<b>Average Community Count</b>	<b>Average Monthly Absorption Rate</b>
Central	\$ 441,609	1,363	\$ 323,998	43.8	3.5
Southeast	407,068	1,231	330,681	26.2	5.2
Northwest	187,253	344	544,340	13.6	2.8
West	351,880	848	414,953	20.7	4.6
Florida	257,392	709	363,035	21.8	3.6
<b>Total</b>	<b>\$ 1,645,202</b>	<b>4,495</b>	<b>\$ 366,007</b>	<b>126.1</b>	<b>4.0</b>

  

<b>Nine Months Ended September 30, 2023</b>					
	<b>Revenues</b>	<b>Home Closings</b>	<b>ASP</b>	<b>Average Community Count</b>	<b>Average Monthly Absorption Rate</b>
Central	\$ 564,580	1,724	\$ 327,483	35.3	5.4
Southeast	397,618	1,216	326,988	24.1	5.6
Northwest	212,885	433	491,651	10.1	4.8
West	256,575	672	381,808	13.3	5.6
Florida	318,508	926	343,961	18.3	5.6
<b>Total</b>	<b>\$ 1,750,166</b>	<b>4,971</b>	<b>\$ 352,075</b>	<b>101.1</b>	<b>5.5</b>

Home sales revenues for the nine months ended September 30, 2024 were \$1.6 billion, a decrease of \$105.0 million, or 6.0%, from \$1.8 billion for the nine months ended September 30, 2023. The decrease in home sales revenues was primarily due to a 9.6% decrease in homes closed, offset by an increase in the average sales price per home closed during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. The overall decrease in home closings was a result of a lower absorption rate, partially offset by a higher average community count, during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. The overall increase in average community count relates to timing associated with new community openings, offset by the close out of some communities and transition between certain active communities during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. The average sales price per home closed during the nine months ended September 30, 2024 was \$366,007, an increase of \$13,932, or 4.0%, from the average sales price per home closed of \$352,075 for the nine months ended September 30, 2023. The increase in the average sales price per home closed was primarily due to geographic mix and a favorable pricing environment. The overall decrease in absorption rate generally relates to the impact of ongoing affordability constraints, new community openings, and the overall increase in community count.

Included within our home sales revenues for the nine months ended September 30, 2024 was \$113.7 million in wholesale revenues resulting from 379 home closings, representing 8.4% of the 4,495 total homes closed during the nine months ended September 30, 2024. Included within our home sales revenues for the nine months ended September 30, 2023 was \$116.3 million in wholesale revenues resulting from 381 home closings, representing 7.7% of the 4,971 total homes closed during the nine months ended September 30, 2023. The increase in home closings as a percentage of revenues through our wholesale channel was primarily related to fewer retail home closings during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023.

- Home sales revenues in our Central reportable segment decreased by \$123.0 million, or 21.8%, during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, primarily due to a 20.9% decrease in the number of homes closed as well as a slight decrease in the average sales price per home closed. The decrease in home closings was primarily the result of a lower absorption rate, partially offset by an increase in the average community count.
- Home sales revenues in our Southeast reportable segment increased by \$9.5 million, or 2.4%, during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, primarily due to a 1.2% increase in the number of homes closed and a 1.1% increase in the average sales price per home closed. The increase in home closings was the result of an increase in the average community count, partially offset by a lower absorption rate.
- Home sales revenues in our Northwest reportable segment decreased by \$25.6 million, or 12.0%, during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, primarily due to a 20.6% decrease in the number of homes closed, offset by a 10.7% increase in the average sales price per home closed. The decrease in home closings was the result of a lower absorption rate, partially offset by an increase in the average community count.
- Home sales revenues in our West reportable segment increased by \$95.3 million, or 37.1%, during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023, primarily due to a 26.2% increase in the number of homes closed and an 8.7% increase in the average sales price per home closed. The increase in home closings was the result of an increase in the average community count, partially offset by a lower absorption rate.
- Home sales revenues in our Florida reportable segment decreased by \$61.1 million, or 19.2%, during the nine months ended September 30, 2024, as compared to the nine months ended September 30, 2023, primarily due to a 23.4% decrease in the number of homes closed, partially offset by a 5.5% increase in the average sales price per home closed. The decrease in home closings was the result of a lower absorption rate, partially offset by an increase in the average community count.

*Cost of Sales and Gross Margin (home sales revenues less cost of sales).* Cost of sales for the nine months ended September 30, 2024 was \$1.2 billion, a decrease of \$111.2 million, or 8.2%, from \$1.4 billion for the nine months ended September 30, 2023. This decrease was primarily due to an increase in lot costs and higher capitalized interest. Gross margin for the nine months ended September 30, 2024 was \$405.8 million, an increase of \$6.2 million, or 1.6%, from \$399.6 million for the nine months ended September 30, 2023. Gross margin as a percentage of home sales revenues was 24.7% for the nine months ended September 30, 2024 and 22.8% for the nine months ended September 30, 2023. The increase in gross margin as a percentage of home sales revenues during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023 was primarily due to a higher average sales price per home closed, partially offset by a combination of higher lot costs and higher capitalized interest as a percentage of revenue as well as the impact of sales incentives offered during the nine months ended September 30, 2024.

*Selling Expenses.* Selling expenses for the nine months ended September 30, 2024 were \$149.2 million, an increase of \$7.4 million, or 5.2%, from \$141.8 million for the nine months ended September 30, 2023. The increase in selling expenses was primarily due to an increase in advertising expense and an increase in personnel costs as a result of an increase in communities for the nine months ended September 30, 2024 as compared to the three months ended September 30, 2023. Sales commissions decreased to \$72.2 million during the nine months ended September 30, 2024 from \$77.1 million for the nine months ended September 30, 2023, primarily due to a decrease in outside commissions and our in-house commissions. Selling expenses as a percentage of home sales revenues were 9.1% and 8.1% for the nine months ended September 30, 2024 and 2023, respectively. The increase in selling expenses as a percentage of home sales revenues was primarily due to higher advertising and other personnel expenses during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023.

*General and Administrative.* General and administrative expenses for the nine months ended September 30, 2024 were \$90.0 million, an increase of \$5.7 million, or 6.7%, from \$84.3 million for the nine months ended September 30, 2023. The increase in general and administrative expenses was primarily a result of increased indirect overhead expenses and professional fees, partially offset by a decrease in payroll related costs during the nine months ended September 30, 2024. General and administrative expenses as a percentage of home sales revenues were 5.5% and 4.8% for the nine months ended September 30, 2024 and 2023, respectively. The increase in general and administrative expenses as a percentage of home sales revenues was primarily due to leverage from community count growth during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023.

*Other Income, Net.* Other income, net of other expenses was \$25.3 million for the nine months ended September 30, 2024, an increase of \$5.5 million from \$19.8 million for the nine months ended September 30, 2023. The increase in other income, net

of other expenses, primarily reflects gains realized from the sale of residential lots and the increase in income associated with our investment in unconsolidated entities.

*Operating Income and Net Income before Income Taxes.* Operating income for the nine months ended September 30, 2024 was \$166.6 million, a decrease of \$6.9 million, or 4.0%, from \$173.4 million for the nine months ended September 30, 2023. The overall decreases in operating income and net income before income taxes were primarily due to overall lower home closings at a lower absorption rate and higher advertising and other costs associated with the increase in average community count during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023. Net income before income taxes for the nine months ended September 30, 2024 was \$191.8 million, a decrease of \$1.4 million, or 0.7%, from \$193.2 million for the nine months ended September 30, 2023. Our reportable segments contributed to net income before income taxes during the nine months ended September 30, 2024 as follows: Central - \$47.0 million, or 24.5%; Southeast - \$67.6 million, or 35.2%; Northwest - \$19.6 million, or 10.2%; West - \$40.9 million, or 21.3%; and Florida - \$19.6 million, or 10.2%.

*Income Taxes.* Income tax provision for the nine months ended September 30, 2024 was \$46.6 million, an increase of \$0.6 million, or 1.2%, from income tax provision of \$46.1 million for the nine months ended September 30, 2023. The increase in our effective tax rate to 24.3% for the nine months ended September 30, 2024 from 23.8% for the nine months ended September 30, 2023 was primarily a result of an increase in the compensation cost in excess of deductions for share-based payments, partially offset by the compensation limitation under Section 162(m) of the Internal Revenue Code, as amended.

*Net Income.* Net income for the nine months ended September 30, 2024 was \$145.2 million, a decrease of \$1.9 million, or 1.3%, from \$147.1 million for the nine months ended September 30, 2023. The decrease in net income was primarily attributed to overall lower homes closed and lower home sales revenues, partially offset by a higher gross margin during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023.

#### **Non-GAAP Measures**

In addition to the results reported in accordance with accounting principles generally accepted in the United States (“GAAP”), we have provided information in this Quarterly Report on Form 10-Q relating to adjusted gross margin and EBITDA.

#### **Adjusted Gross Margin**

Adjusted gross margin is a non-GAAP financial measure used by management as a supplemental measure in evaluating operating performance. We define adjusted gross margin as gross margin less capitalized interest and adjustments resulting from the application of purchase accounting included in the cost of sales. Our 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 our results, the utility of adjusted gross margin information as a measure of our operating performance may be limited. In addition, other companies may not calculate adjusted gross margin information in the same manner that we do. Accordingly, adjusted gross margin information should be considered only as a supplement to gross margin information as a measure of our performance.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Home sales revenues	\$ 651,854	\$ 617,539	\$ 1,645,202	\$ 1,750,166
Cost of sales	488,362	458,734	1,239,425	1,350,608
Gross margin	163,492	158,805	405,777	399,558
Capitalized interest charged to cost of sales	12,954	8,580	30,187	24,475
Purchase accounting adjustments <sup>(1)</sup>	1,157	767	3,134	5,511
Adjusted gross margin	\$ 177,603	\$ 168,152	\$ 439,098	\$ 429,544
Gross margin % <sup>(2)</sup>	25.1 %	25.7 %	24.7 %	22.8 %
Adjusted gross margin % <sup>(2)</sup>	27.2 %	27.2 %	26.7 %	24.5 %

(1) 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.

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

## EBITDA

EBITDA is a non-GAAP financial measure used by management as a supplemental measure in evaluating operating performance. We define EBITDA as net income before (i) interest expense, (ii) income taxes, (iii) depreciation and amortization and (iv) capitalized interest charged to the cost of sales. Our management believes that the presentation of EBITDA provides useful information to investors regarding our results of operations because it assists both investors and management in analyzing and benchmarking the performance and value of our business. 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 unusual or non-recurring. Accordingly, our management believes that this measure is useful for comparing general operating performance from period to period. Other companies may define this measure differently and, as a result, our measure of EBITDA may not be directly comparable to the measures of other companies. Although we use EBITDA as a financial measure to assess the performance of our business, the use of this measure is limited because it does not include certain material costs, such as interest and taxes, necessary to operate our business. EBITDA should be considered in addition to, and not as a substitute for, net income in accordance with GAAP as a measure of performance. Our presentation of EBITDA should not be construed as an indication that our future results will be unaffected by unusual or non-recurring items. Our use of EBITDA is limited as an analytical tool, and you should not consider this measure in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- (i) it does not reflect every cash expenditure, future requirements for capital expenditures or contractual commitments, including for purchase of land;
- (ii) it does not reflect the interest expense or the cash requirements necessary to service interest or principal payments on our debt;
- (iii) 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 EBITDA does not reflect any cash requirements for such replacements or improvements;
- (iv) it does not adjust for all non-cash income or expense items that are reflected in our statements of cash flows;
- (v) it does not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations; and
- (vi) other companies in our industry may calculate it differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, our EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business or as a measure of cash that will be available to us to meet our obligations. We compensate for these limitations by using our EBITDA along with other comparative tools, together with GAAP measures, to assist in the evaluation of operating performance. These GAAP measures include operating income, net income and cash flow data. We have significant uses of cash flows, including capital expenditures, interest payments and other non-recurring charges, which are not reflected in our EBITDA. EBITDA is not intended as an alternative to net income as an indicator of our 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. You should therefore not place undue reliance on our EBITDA calculated using these measures.

The following table reconciles EBITDA to net income, which is the GAAP financial measure that our management believes to be most directly comparable (dollars in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income	\$ 69,575	\$ 67,042	\$ 145,201	\$ 147,138
Income tax provision (benefit)	22,277	22,407	46,628	46,068
Depreciation and amortization	830	793	2,280	1,780
Capitalized interest charged to cost of sales	12,954	8,580	30,187	24,478
EBITDA	\$ 105,636	\$ 98,822	\$ 224,296	\$ 219,464
EBITDA margin % <sup>(1)</sup>	16.2 %	16.0 %	13.6 %	12.5 %

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

## Backlog

We sell our homes under standard purchase contracts, which generally require a homebuyer to pay a deposit at the time of signing the purchase contract. The amount of the required deposit is minimal (typically \$1,000 to \$10,000). We permit our retail homebuyers to cancel the purchase contract and obtain a refund of their deposit in the event mortgage financing cannot be obtained within a certain period of time, as specified in their purchase contract. Typically, our retail homebuyers provide documentation regarding their ability to obtain mortgage financing within 14 days after the purchase contract is signed. If we determine that the homebuyer is not qualified to obtain mortgage financing or is not otherwise financially able to purchase the home, we will terminate the purchase contract. If a purchase contract has not been cancelled or terminated within 14 days after the purchase contract has been signed, then the homebuyer has met the preliminary criteria to obtain mortgage financing. Only purchase contracts that are signed by homebuyers who have met the preliminary criteria to obtain mortgage financing are included in new (gross) orders.

Our “backlog” consists of homes that are under a purchase contract that has been signed by homebuyers who have met the preliminary criteria to obtain mortgage financing but have not yet closed and wholesale contracts with varying terms. Since our business model is generally based on building move-in ready homes before a purchase contract is signed, the majority of our homes in backlog are currently under construction or complete. Ending backlog represents the number of homes in backlog from the previous period plus the number of net orders (new orders for homes less cancellations) generated during the current period minus the number of homes closed during the current period. Our backlog at any given time will be affected by cancellations, the number of our active communities and the timing of home closings. Homes in backlog are generally closed within one to two months, although home closings have been, and may continue to be, delayed. In addition, we may experience cancellations of purchase contracts at any time prior to closing. It is important to note that net orders, backlog and cancellation metrics are operational, rather than accounting data, and should be used only as a general gauge to evaluate performance. Backlog may be impacted by customer cancellations for various reasons that are beyond our control, and in light of our minimal required deposit, there is little negative impact to the potential homebuyer from the cancellation of the purchase contract.

Our net orders decreased for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. The number of homes in our backlog at September 30, 2024 decreased 21.0% compared to September 30, 2023. The decreases generally relate to the impact of ongoing affordability constraints and our decision to limit the use of incentives to the level required to achieve predetermined closing targets during the nine months ended September 30, 2024 as compared to the nine months ended September 30, 2023.

As of the dates set forth below, our net orders, cancellation rate and ending backlog homes and value were as follows (dollars in thousands):

<b>Backlog Data</b>	<b>Nine Months Ended September 30,</b>	
	<b>2024</b> <sup>(4)</sup>	<b>2023</b> <sup>(5)</sup>
Net orders <sup>(1)</sup>	4,993	5,646
Cancellation rate <sup>(2)</sup>	21.6 %	22.8 %
Ending backlog – homes <sup>(3)</sup>	1,088	1,377
Ending backlog – value <sup>(3)</sup>	\$ 417,798	\$ 509,932

- (1) Net orders are new (gross) orders for the purchase of homes during the period, less cancellations of existing purchase contracts during the period.
- (2) Cancellation rate for a period is the total number of purchase contracts cancelled during the period divided by the total new (gross) orders for the purchase of homes during the period.
- (3) Ending backlog consists of retail homes at the end of the period that are under a purchase contract that has been signed by homebuyers who have met our preliminary financing criteria but have not yet closed and wholesale contracts with varying terms. Ending backlog is valued at the contract amount.
- (4) As of September 30, 2024, we had 212 units related to bulk sales agreements associated with our wholesale business.
- (5) As of September 30, 2023, we had 273 units related to bulk sales agreements associated with our wholesale business.

### Land Acquisition Policies and Development

We had 138 and 117 active communities as of September 30, 2024 and December 31, 2023, respectively. Generally, it takes us two to three years to turn raw or undeveloped land into an active community. To mitigate our exposure to real estate inventory risks, we have utilized, on a limited and strategic basis, land banking financing arrangements.

Our lot inventory decreased to 68,564 owned or controlled lots as of September 30, 2024 from 71,081 owned or controlled lots as of December 31, 2023, primarily related to our discipline in the evaluation and selective approval of new land deals.

We have land banking financing arrangements with a third-party land banker to repurchase land that we sold to the land banker as a method of acquiring finished lots in staged takedowns, while limiting risk and minimizing the use of funds from our available cash or other financing sources. In consideration for this repurchase option, we paid a non-refundable commitment fee. Based on our right to control the ultimate economic outcome of these finished lots, these assets will continue to be held as real estate not owned within our inventory and a corresponding obligation was established within our accrued liabilities, as discussed in [Note 3](#), “Accrued Expenses and Other Liabilities” to our consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, to recognize this relationship. While we are not legally obligated to repurchase the balance of the lots, we will be subject to certain performance obligations, financial and other penalties if the lots are not purchased. We do not have any ownership interest or title to the assets that we have sold to the land banker and we do not guarantee any of the land banker’s liabilities.

The table below shows (i) home closings by reportable segment for the nine months ended September 30, 2024 and (ii) our owned or controlled lots by reportable segment as of September 30, 2024.

<b>Reportable Segment</b>	<b>Nine Months Ended September 30, 2024</b>	<b>As of September 30, 2024</b>		
	<b>Home Closings</b>	<b>Owned</b> <sup>(1)</sup>	<b>Controlled</b>	<b>Total</b>
Central	1,363	20,283	1,842	22,125
Southeast	1,231	14,072	4,239	18,311
Northwest	344	5,478	2,286	7,764
West	848	9,023	3,754	12,777
Florida	709	5,173	2,414	7,587
Total	4,495	54,029	14,535	68,564

- (1) Of the 54,029 owned lots as of September 30, 2024, 38,734 were raw/under development lots and 15,295 were finished lots.

## **Homes in Inventory**

When entering a new community, we intend to build a sufficient number of move-in ready homes to meet our budgets. We base future home starts on home closings. As homes are closed, we start more homes to maintain our inventory. As of September 30, 2024, we had a total of 2,491 completed homes, including information centers, and 1,977 homes in progress.

## **Raw Materials and Labor**

When constructing homes, we use various materials and components. We generally contract for our materials and labor at a fixed price for the anticipated construction period of our homes. This allows us to mitigate the risks associated with increases in building materials and labor costs between the time construction begins on a home and the time it is closed. Typically, the raw materials and most of the components used in our business are readily available in the United States. We purchase some components and materials centrally to achieve volume discounts, a practice that often reduces costs and ensures timely deliveries. We typically do not store significant inventories of construction materials, except for work in progress materials for homes under construction. In addition, the majority of our raw materials are supplied to us by our subcontractors and are included in the price of our contract with such subcontractors. Most of the raw materials necessary for our subcontractors are standard items carried by major suppliers. Our construction work is substantially completed by third-party subcontractors, most of whom are non-unionized. We continue to monitor the supply markets to achieve the best prices available. Typically, the price changes that most significantly influence our operations are price increases in labor, commodities and lumber. In future quarters, we could see various cost pressures associated with inflation similar to the cost pressures experienced in the last few years. Generally, we have successfully increased the sales prices of our homes to absorb these increased costs or have successfully made cost-effective changes as we endeavor to keep our homes affordable.

## **Seasonality**

In all of our reportable segments, we have historically experienced similar variability in our results of operations and in capital requirements from quarter to quarter due to the seasonal nature of the homebuilding industry. We generally close more homes in our second, third and fourth quarters. Thus, our revenues may fluctuate on a quarterly basis and we may have higher capital requirements in our second, third and fourth quarters in order to maintain our inventory levels. Our revenues and capital requirements are generally similar across our second, third and fourth quarters.

As a result of seasonal activity, our quarterly results of operations and financial position at the end of a particular quarter, especially the first quarter, are not necessarily representative of the results we expect at year end. We expect this seasonal pattern to continue in the long term.

## **Liquidity and Capital Resources**

### *Overview*

As of September 30, 2024, we had \$60.9 million of cash and cash equivalents. Cash flows for each of our active communities depend on the status of the development cycle and can differ substantially from reported earnings.

Our principal uses of capital are operating expenses, land and lot purchases, lot development, home construction, interest costs on our indebtedness and the payment of various liabilities. In addition, we may purchase land, lots, homes under construction or other assets as part of an acquisition and repurchase shares of our common stock. Early stages of development or expansion require significant cash outlays for land acquisitions, land development, plats, vertical development, construction of information centers, general landscaping and other amenities. Because these costs are a component of our inventory and are not recognized in our statement of operations until a home closes, we incur significant cash outflows prior to recognition of home sales revenues. In the later stages of an active community, cash inflows may exceed home sales revenues reported for financial statement purposes, as the costs associated with home and land construction were previously incurred.

### *Short-term Liquidity and Capital Resources*

We generally rely on our ability to finance our operations by generating operating cash flows and borrowing under the Credit Agreement to adequately fund our short-term working capital obligations and to purchase land and other assets, develop lots and homes and repurchase shares of our common stock. As needed, we will consider accessing the debt and equity capital markets as part of our ongoing financing strategy. We rely on our ability to obtain performance, payment and completion surety bonds as well as letters of credit to finance our projects. Furthermore, we utilize, on a limited and strategic basis, land banking financing arrangements to access short-term liquidity.

As of the date of this Quarterly Report on Form 10-Q, we believe that we will be able to fund our current and foreseeable liquidity needs for at least the next twelve months with our cash on hand, cash generated from operations and cash expected to be available from the Credit Agreement or through accessing debt or equity capital, as needed. However, our ability to engage in the transactions described above may be constrained by volatile or tight economic, capital, credit and financial market



conditions, as well as moderated investor or lender interest or capacity and our liquidity, leverage and net worth, and we can provide no assurance as to successfully completing, the costs of, or the operational limitations arising from any one or series of such transactions.

#### *Long-term Liquidity and Capital Resources*

We believe that our long-term principal uses of liquidity and capital resources will be inventory related purchases concerning land, lot development, repurchases of shares of our common stock, other capital expenditures, and principal and interest payments on our debt obligations maturing between 2025 and 2029. We believe that we will be able to fund our long-term liquidity needs with cash generated from operations and cash expected to be available to borrow under the Credit Agreement or through accessing debt or equity capital, as needed, although no assurance can be provided that such additional debt or equity capital will be available when needed or on terms that we find attractive. Additionally, we plan to further utilize, on a limited and strategic basis, land banking financing arrangements to maximize long-term liquidity for lot development projects where we have sufficient finished lot availability in certain markets. To the extent these sources of capital are insufficient to meet our needs, we may also conduct additional public or private offerings of our securities, refinance our indebtedness, or dispose of certain assets to fund our operating activities and capital needs.

#### *Revolving Credit Facility*

On October 9, 2024, we entered into a Fifth Amendment to Fifth Amended and Restated Credit Agreement with several financial institutions, and Wells Fargo Bank, National Association, as administrative agent (the “Fifth Amendment”), which amended the 2023 Credit Agreement (as so amended by the Fifth Amendment, the “Credit Agreement”). The Credit Agreement provides for a \$1.205 billion revolving credit facility, which can be increased at the request of the Company by up to \$95.0 million, subject to the terms and conditions of the Credit Agreement. The Credit Agreement matures on April 28, 2028 with respect to \$1.085 billion, or 90.0%, of the \$1.205 billion of commitments thereunder and on April 28, 2025 with respect to 10.0% of the commitments thereunder.

Before each anniversary of the Credit Agreement, we may request a one-year extension of its maturity date. The Credit Agreement is guaranteed by, among others, each of our subsidiaries that have gross assets of at least \$0.5 million, other than subsidiaries whose sole purpose is to own and operate single-family rental homes.

The borrowings and letters of credit outstanding under the Credit Agreement, together with the outstanding principal balance of our 4.000% Senior Notes due 2029 (the “2029 Senior Notes”) and our 8.750% Senior Notes due 2028 (the “2028 Senior Notes”), may not exceed the borrowing base under the Credit Agreement. The borrowing base primarily consists of a percentage of commercial land, land held for development, lots under development and finished lots held by the Company and its subsidiaries that guarantee the obligations under the Credit Agreement. As of September 30, 2024, the borrowing base under the 2023 Credit Agreement was \$2.0 billion, of which the maximum available to borrow is \$1.9 billion. As of September 30, 2024, borrowings under the 2023 Credit Agreement and the outstanding principal amount of the 2029 Senior Notes and the 2028 Senior Notes totaled approximately \$1.6 billion, \$26.1 million of letters of credit were outstanding and \$314.5 million was available to borrow under the 2023 Credit Agreement.

Borrowings under the Credit Agreement bear interest, payable monthly in arrears, at the Company’s option, at either (1) the Adjusted Term SOFR (defined as a term SOFR that is based on a fixed 1, 3 or 6 month interest period, as selected by the Company, plus a 10, 15 or 25 basis point adjustment, respectively), which rate is subject to a 50 basis point floor, plus an applicable margin ranging from 145 basis points to 210 basis points (the “Applicable Margin”) based on the Company’s leverage ratio as determined in accordance with a pricing grid, or (2) the Base Rate (defined as a term SOFR that is based on a daily variable 1 month interest period plus a 10 basis point adjustment), subject to a 50 basis point floor, plus the Applicable Margin. At September 30, 2024, the Applicable Margin was 1.85%, and SOFR was 4.85%, subject to the 0.50% SOFR floor as included in the 2023 Credit Agreement.

The Credit Agreement contains various financial covenants, including a minimum tangible net worth, a leverage ratio, a minimum liquidity amount and an EBITDA to interest expense ratio. The Credit Agreement contains various covenants that, among other restrictions, limit the amount of our additional debt and our ability to make certain investments. At September 30, 2024, we were in compliance with all of the covenants contained in the 2023 Credit Agreement.

#### *Senior Notes Offering*

On November 21, 2023, we issued \$400.0 million aggregate principal amount of the 2028 Senior Notes in an offering to persons reasonably believed to be qualified institutional buyers in the United States pursuant to Rule 144A (“Rule 144A”) under the Securities Act of 1933, as amended (the “Securities Act”), and to certain non-U.S. persons in transactions outside the United States pursuant to Regulation S (“Regulation S”) under the Securities Act. Interest on the 2028 Senior Notes accrues at a rate of 8.750% per annum, payable semi-annually in arrears on June 15 and December 15 of each year. The 2028 Senior Notes mature on December 15, 2028. The terms of the 2028 Senior Notes are governed by an Indenture, dated as of July 6, 2018, and

Fourth Supplemental Indenture thereto, dated as of November 21, 2023, as may be supplemented from time to time, among us, our subsidiaries that guarantee our obligations under the Credit Agreement and Regions Bank, as trustee.

On June 28, 2021, we issued \$300.0 million aggregate principal amount of the 2029 Senior Notes in an offering to persons reasonably believed to be qualified institutional buyers in the United States pursuant to Rule 144A and to certain non-U.S. persons in transactions outside the United States pursuant to Regulation S. Interest on the 2029 Senior Notes accrues at a rate of 4.000% per annum, payable semi-annually in arrears on January 15 and July 15 of each year. The 2029 Senior Notes mature on July 15, 2029. The terms of the 2029 Senior Notes are governed by an Indenture, dated as of July 6, 2018, and Third Supplemental Indenture thereto, dated as of June 28, 2021, as may be supplemented from time to time, among us, our subsidiaries that guarantee our obligations under the Credit Agreement and Wilmington Trust, National Association, as trustee.

#### *Letters of Credit, Surety Bonds and Financial Guarantees*

We are often required to provide letters of credit and surety bonds to secure our performance under construction contracts, development agreements and other arrangements. The amount of such obligations outstanding at any time varies in accordance with our pending development activities. In the event any such bonds or letters of credit are drawn upon, we would be obligated to reimburse the issuer of such bonds or letters of credit.

Under these letters of credit, surety bonds and financial guarantees, we are committed to perform certain development and construction activities and provide certain guarantees in the normal course of business. Outstanding letters of credit, surety bonds and financial guarantees under these arrangements totaled \$376.3 million as of September 30, 2024. Although significant development and construction activities have been completed related to the improvements at these sites, the letters of credit and surety bonds are not generally released until all development and construction activities are completed. We do not believe that it is probable that any outstanding letters of credit, surety bonds or financial guarantees as of September 30, 2024 will be drawn upon.

#### *Stock Repurchase Program*

In February 2022, our Board of Directors (the “Board”) approved a \$200.0 million increase to our previously authorized stock repurchase program, pursuant to which we may purchase up to \$550.0 million of shares of our common stock through open market transactions, privately negotiated transactions or otherwise in accordance with applicable laws. During the three months ended September 30, 2024, we did not repurchase any shares of our common stock. During the nine months ended September 30, 2024, we repurchased 172,990 shares of our common stock for \$18.0 million to be held as treasury stock. During the three and nine months ended September 30, 2023, we did not repurchase any shares of our common stock. A total of 3,112,462 shares of our common stock has been repurchased since our stock repurchase program commenced. As of September 30, 2024, we may purchase up to \$193.5 million of shares of our common stock under our stock repurchase program. The timing, amount and other terms and conditions of any repurchases of shares of our common stock under our stock repurchase program will be determined by our management at its discretion based on a variety of factors, including the market price of our common stock, corporate considerations, general market and economic conditions and legal requirements. Our stock repurchase program may be modified, discontinued or suspended at any time.

### **Cash Flows**

#### *Operating Activities*

Net cash used in operating activities was \$200.7 million during the nine months ended September 30, 2024. The primary drivers of operating cash flows are typically cash earnings and changes in inventory levels, including land acquisition and development. Net cash used in operating activities during the nine months ended September 30, 2024 was primarily driven by cash outflow from the \$390.9 million decrease in the net change in real estate inventory, which was primarily related to our homes under construction and land acquisitions and development level of activity and partially offset by net income of 145.2 million.

Net cash used in operating activities was \$22.7 million during the nine months ended September 30, 2023. The primary drivers of operating cash flows are typically cash earnings and changes in inventory levels, including land acquisition and development. Net cash used in operating activities during the nine months ended September 30, 2023 was primarily driven by cash outflow from the \$194.4 million increase in the net change in real estate inventory, which was primarily related to our homes under construction and land acquisitions and development level of activity and partially offset by net income of \$147.1 million.

### *Investing Activities*

Net cash used in investing activities was \$6.6 million during the nine months ended September 30, 2024, primarily due to additional investment in unconsolidated entities.

Net cash used in investing activities was \$7.6 million during the nine months ended September 30, 2023, primarily due to additional investment in unconsolidated entities.

### *Financing Activities*

Net cash provided by financing activities was \$219.3 million during the nine months ended September 30, 2024, primarily driven by \$507.7 million of borrowings under our 2023 Credit Agreement, offset by \$214.0 million of repayments on our 2023 Credit Agreement and payments of \$60.3 million related to a financing arrangement with a third-party land banker. In addition, during the nine months ended September 30, 2024, we repurchased \$18.0 million of shares of our common stock under our stock repurchase program to be held as treasury stock.

Net cash provided by financing activities was \$45.3 million during the nine months ended September 30, 2023, primarily driven by net borrowings of \$75.9 million on our credit agreement then in effect, partially offset by net payments of \$29.4 million related to a financing arrangement with a third-party land banker.

### **Inflation**

Our business can be adversely impacted by inflation, primarily from higher land, financing, labor, material and construction costs. In addition, inflation can lead to higher mortgage rates, which can significantly affect the affordability of mortgage financing to homebuyers. See “Industry and Economic Risks—Inflation could adversely affect our business and financial results” in Item 1A. Risk Factors in Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

### **Material Cash Requirements**

As of September 30, 2024, there have been no material changes to our known contractual and other obligations appearing in the “Material Cash Requirements” section of *Management’s Discussion and Analysis of Financial Condition and Results of Operations* included in our [Annual Report on Form 10-K](#) for the fiscal year ended December 31, 2023.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. On an ongoing basis, management evaluates such estimates and judgments and makes adjustments as deemed necessary. Actual results could differ from these estimates using different estimates and assumptions, or if conditions are significantly different in the future.

We believe that there have been no significant changes to our critical accounting policies and estimates during the nine months ended September 30, 2024 as compared to those disclosed in *Management’s Discussion and Analysis of Financial Condition and Results of Operations* included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

### **Cautionary Statement about Forward-Looking Statements**

From time to time we make 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.

We have based our forward-looking statements on our management’s beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that assumptions, beliefs, expectations, intentions and projections about future events may, and often do, vary materially from actual results. Therefore, we cannot assure you that actual results will not differ materially from those expressed or implied by our forward-looking statements.

The following are some of the factors that could cause actual results to differ materially from those expressed or implied in forward-looking statements:

- adverse economic changes either nationally or in the markets in which we operate, including, among other things, potential impacts from political uncertainty, civil unrest, increases in unemployment, volatility of mortgage rates, supply chain disruptions (including due to the conflict between Russia and Ukraine and the wide-ranging sanctions the United States and other countries have imposed or may further impose on Russian business sectors, financial organizations, individuals and raw materials and the conflict in the Middle East), inflation, the possibility of recession and decreases in housing prices;
- a slowdown in the homebuilding industry or changes in population growth rates in our markets;
- volatility and uncertainty in the credit markets and broader financial markets;
- disruption in the terms or availability of mortgage financing or increase in the number of foreclosures in our markets;
- the cyclical and seasonal nature of our business;
- our future operating results and financial condition;
- our business operations;
- changes in our business and investment strategy;
- the success of our operations in recently opened new markets and our ability to expand into additional new markets;
- our ability to successfully extend our business model to building homes with higher price points, developing larger communities and producing and selling multi-unit products, townhouses, wholesale products, and acreage home sites;
- our ability to develop our projects successfully or within expected timeframes;
- our ability to identify potential acquisition targets, close such acquisitions and realize the benefits of such acquisitions;
- increases in taxes or government fees;
- decline in the market value of our land portfolio;
- our ability to successfully integrate any acquisitions with our existing operations;
- availability of land to acquire and our ability to acquire such land on favorable terms or at all;
- availability, terms and deployment of capital and ability to meet our ongoing liquidity needs;
- decisions of the Credit Agreement lender group;
- the cost and availability of insurance and surety bonds;
- shortages of or increased prices for labor, land, or raw materials used in land development and housing construction, including due to changes in trade policies;
- delays in land development or home construction resulting from natural disasters, adverse weather conditions or other events outside our control;
- uninsured losses in excess of insurance limits;
- our leverage and future debt service obligations;
- changes in, liabilities under, or the failure or inability to comply with, governmental laws and regulations, including environmental laws and regulations;
- the timing of receipt of regulatory approvals and the opening of projects;
- the degree and nature of our competition;
- information system failures, cyber incidents or breaches in security;
- our continued ability to qualify for additional federal energy efficient homes tax credits and the extension of the availability of such tax credits beyond 2032;
- our ability to retain our key personnel;
- the impact of an epidemic or pandemic and its effect on us, our business, customers, subcontractors and suppliers (including associated supply chain disruptions);
- negative publicity or poor relations with the residents of our projects;
- existing and future litigation, arbitration or other claims;
- availability of qualified personnel and third-party contractors and subcontractors;
- the impact on our business of any future government shutdown;
- other risks and uncertainties inherent in our business;
- other factors we discuss under the section entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”; and
- the risk factors set forth in our [Annual Report on Form 10-K](#) for the fiscal year ended December 31, 2023.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. We expressly disclaim 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. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained in this Quarterly Report on Form 10-Q.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our operations are interest rate sensitive. As overall housing demand is adversely affected by increases in interest rates, a significant increase in mortgage rates may negatively affect the ability of homebuyers to secure adequate financing. Higher interest rates could adversely affect our revenues, gross margin and net income.

#### **Quantitative and Qualitative Disclosures About Interest Rate Risk**

We utilize both fixed-rate debt (\$300.0 million aggregate principal amount of the 2029 Senior Notes, \$400.0 million aggregate principal amount of the 2028 Senior Notes and certain inventory related obligations) and variable-rate debt (our \$1.205 billion Credit Agreement) as part of financing our operations. We do not have the obligation to prepay the 2029 Senior Notes, the 2028 Senior Notes or our fixed-rate inventory related obligations prior to maturity, and, as a result, interest rate risk and changes in fair market value should not have a significant impact on our fixed-rate debt.

We are exposed to market risks related to fluctuations in interest rates on our outstanding variable rate indebtedness. We currently do not hold derivatives for trading or speculative purposes, but we may do so in the future. Many of the statements contained in this section are forward looking and should be read in conjunction with our disclosures under the heading "[Cautionary Statement about Forward-Looking Statements](#)" above.

As of September 30, 2024, we had \$863.3 million of variable rate indebtedness outstanding under the 2023 Credit Agreement. All of the outstanding borrowings under the Credit Agreement are (and, as of September 30, 2024, all of the outstanding borrowings under the 2023 Credit Agreement were) at variable rates based on SOFR. The interest rate for our variable rate indebtedness as of September 30, 2024 was SOFR plus 1.85%. At September 30, 2024, SOFR was 4.85%, subject to the 0.50% SOFR floor as included in the 2023 Credit Agreement. A hypothetical 100 basis point increase in the average interest rate above the SOFR floor on our variable rate indebtedness would increase our annual interest cost by approximately \$8.6 million.

Based on the current interest rate management policies we have in place with respect to our outstanding indebtedness, we do not believe that the future interest rate risks related to our existing indebtedness will have a material adverse impact on our financial position, results of operations or liquidity.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Disclosure Controls and Procedures**

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, management has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2024. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure information is recorded, processed, summarized and reported within the periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error and mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management's override of controls.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Over time, a control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

**Changes in Internal Controls**

No change in our internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f) occurred during the three months ended September 30, 2024 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II. OTHER INFORMATION****ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors we previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

**ITEM 5. OTHER INFORMATION**

On August 2, 2024, Michael Snider, Chief Operating Officer of the Company, adopted a “Rule 10b5-1 trading arrangement,” as defined in Item 408(a) of Regulation S-K, that is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act. Subject to meeting the stock price conditions set forth therein and pursuant to the terms thereof, Mr. Snider’s Rule 10b5-1 trading arrangement provides for the sale, between November 21, 2024 and November 21, 2025, of a maximum number of shares of the Company’s common stock that would generate proceeds of up to \$3.0 million. Mr. Snider’s Rule 10b5-1 trading arrangement will be in effect until the earlier of (i) November 21, 2025 and (ii) the completion of all sales contemplated thereunder.

Except as set forth above, during the three months ended September 30, 2024, no director or officer (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

**ITEM 6. EXHIBITS**

<u>Exhibit No.</u>	<u>Description</u>
3.1**	<a href="#">Certificate of Incorporation of LGI Homes, Inc. (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 (File No. 33-190853) of LGI Homes, Inc. filed with the SEC on August 28, 2013).</a>
3.2**	<a href="#">Certificate of Amendment of Certificate of Incorporation of LGI Homes, Inc. (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K (File No. 001-36126) of LGI Homes, Inc. filed with the SEC on May 1, 2023).</a>
3.3**	<a href="#">Bylaws of LGI Homes, Inc. (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 (File No. 333-190853) of LGI Homes, Inc. filed with the SEC on August 28, 2013).</a>
10.1**	<a href="#">Fifth Amendment to Fifth Amended and Restated Credit Agreement, dated as of October 9, 2024, by and among LGI Homes, Inc., each of the financial institutions initially a signatory thereto, and Wells Fargo Bank, National Association, as administrative agent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K (File No. 001-36126) of LGI Homes, Inc. filed with the SEC on October 11, 2024).</a>
31.1*	<a href="#">CEO Certification, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">CFO Certification, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1*	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2*	<a href="#">Certification Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS†	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH†	Inline XBRL Taxonomy Extension Schema Document.
101.CAL†	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF†	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB†	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE†	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104†	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* Filed herewith.

\*\* Previously filed.

† XBRL information is deemed not filed or a part of a registration statement or Annual Report for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under such sections.



**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LGI Homes, Inc.

Date: November 5, 2024

/s/ Eric Lipar

Eric Lipar

Chief Executive Officer and Chairman of the Board

November 5, 2024

/s/ Charles Merdian

Charles Merdian

Chief Financial Officer and Treasurer





**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of LGI Homes, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric Lipar, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 5, 2024

/s/ Eric Lipar

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Eric Lipar  
Chief Executive Officer and Chairman of the Board  
LGI Homes, Inc.

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of LGI Homes, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles Merdian, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 5, 2024

/s/ Charles Merdian

Charles Merdian  
Chief Financial Officer and Treasurer  
LGI Homes, Inc.