Moody's Upgrades Taylor Morrison to Ba3; Outlook Stable

June 27, 2017

Approximately $1.25 billion of debt securities affected

New York, June 27, 2017 -- Moody's Investors Service upgraded the ratings of Taylor Morrison Communities, Inc. ("Taylor Morrison"), including its Corporate Family Rating to Ba3 from B1, Probability of Default to Ba3-PD from B1-PD, and the ratings on the company's senior unsecured notes to B1 from B2. The SGL-2 rating was affirmed, and the outlook is stable.

The upgrades reflect the company's ability to delever even as it invests heavily in land and M&A activity. The upgrades also incorporate Moody's growing comfort with the company's PE ownership, which has been steadily reduced in stock sales to the public since the company first went public in 2013.

The following ratings were impacted:

Corporate Family Rating, upgraded to Ba3 from B1

Probability of Default, upgraded to Ba3-PD from B1-PD

Ratings on three issues of senior unsecured notes maturing from 2021 to 2024, upgraded to B1 from B2

Speculative Grade Liquidity rating, affirmed at SGL-2

Outlook changed to Stable, from Positive

RATINGS RATIONALE

Taylor Morrison's Ba3 Corporate Family Rating reflects the company's relatively strong credit metrics for a Ba3 homebuilder, including adjusted debt leverage of 39.8% and interest coverage of 4.4x, both as of March 31, 2017, which we expect to improve further during the rest of 2017. In addition, the company has made great strides in increasing its size and scale since Moody's first rated the company in 2012. Moreover, the company is showing strong order growth which portends healthy revenue and earnings performance into 2018.

However, the company's current 39.5% (voting power) ownership by two private equity firms, while no longer a major obstacle to an upgrade, is something to still keep an eye on because of the event risk. In addition, Taylor Morrison has an active acquisition policy in an industry that seems to have warmed up to takeover transactions, which could present integration challenges and pressure on debt leverage.

The company's liquidity is good, with $301 million of unrestricted cash and $477 million of availability on an undrawn $500 million revolver that matures in 2019, both as of March 31, 2017. In addition, a Moody's projected positive cash flow generation in 2017, substantial headroom in covenants that "spring," and a largely unencumbered asset base add to Taylor Morrison's liquidity strength.

The stable outlook reflects Moody's expectation that the company's key credit metrics will continue to improve in 2017 and become even more reflective of a Ba3 rating. Additionally, the stable outlook assumes that the company's private equity owners will not engage in actions that negatively impact the company's key credit metrics.

Moody's would consider an additional upgrade if Taylor Morrison preserves its good liquidity, attains adjusted gross margin above 20%, achieves interest coverage above 5.5x, and maintains Moody's-adjusted homebuilding debt to book capitalization below 45%, all the while the company's private equity ownership percentage would continue to decline.

Factors that could lead to a downgrade include the company's adjusted homebuilding debt to total capitalization increasing above 50%, interest coverage dropping below 4x, and adjusted gross margins declining below 18%, all on a sustained basis.

The one notch difference between the company's Corporate Family Rating of Ba3 and the rating on the senior unsecured notes of B1 results from the sizable proportion of secured debt in the capital structure.

The principal methodology used in these ratings was Homebuilding And Property Development Industry published in April 2015. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Headquartered in Scottsdale, Arizona, Taylor Morrison Home Corporation, the indirect parent company of Taylor Morrison Communities, Inc., operates in the U.S. under the Taylor Morrison and Darling Homes brand names. The company is a builder and developer of single-family detached and attached homes, serving a wide array of customers including first-time, move-up, luxury, and age 55+. The company's Taylor Morrison divisions operate in Arizona, California, Colorado, Florida, Texas, Georgia, North Carolina and Illinois, while Darling Homes serves move-up and luxury homebuyers in Texas. For the trailing 12 months ended March 31, 2017, total revenues were $3.7 billion and net income before allocation to non-controlling interests was $215 million.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating

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