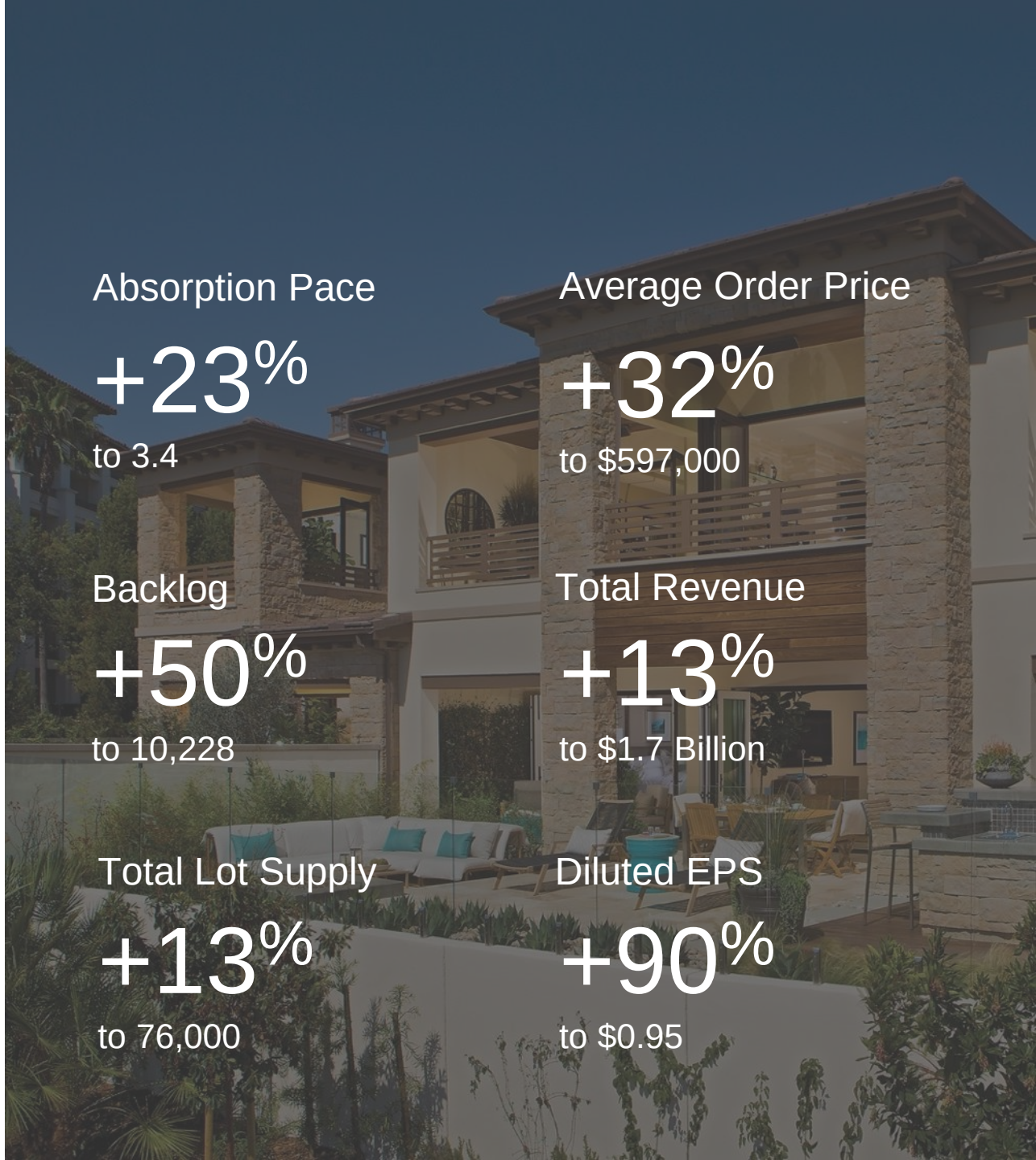

TaylorMorrison
Investor Presentation
Second Quarter 2021

# Q2 2021 Highlights

- Home closings gross margin improved 370 basis points to 19.1%, ahead of prior guidance due to strong pricing trends.
- Managed sales via pricing and limited releases to align with production capacity and maximize gross margin opportunity while delivering record backlog of sold homes amid supply constraints.
- Disciplined approach to managing sales, controlling costs and accelerating production is expected to drive significant growth in 2H21 home closing deliveries and gross margin.
- Based on strength of backlog and confidence in operational enhancements and synergies, home closings gross margin expected to improve to approximately 22 percent in 2022.
- Repurchased 3.8 million shares outstanding for $107 million, bringing 1H21 total to $145 million.
- Remain on track to reduce net debt-to-capital ratio to the low-30 percent range by year-end and lower in 2022.





Note: Comparisons to the prior-year quarter, unless noted.

# Management's Outlook for Select Financial Metrics

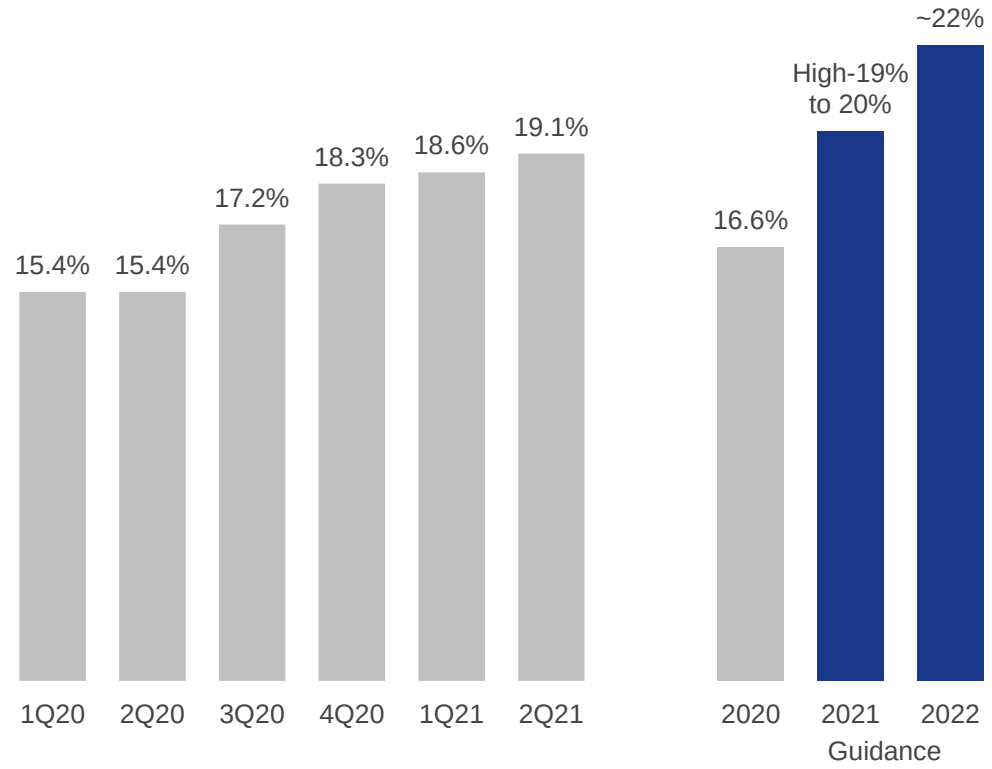
| | Third Quarter 2021 | Full Year 2021 |
|---|---|---|
| Average Active Community Count | 330 to 335 | 330 to 335 |
| Home Closings | 3,300 to 3,500 | 14,500 to 15,000 |
| GAAP Home Closings Gross Margin | About 20 Percent | High-19 to 20 Percent Range |
| SG&A % of Home Closings Revenue | Not Provided | Mid-9 Percent Range |
| Effective Tax Rate | ~23.5 Percent | ~23 Percent |
| Diluted Share Count | ~128 Million | ~129 Million |
| Land & Development Spend | Not Provided | ~$2 Billion |



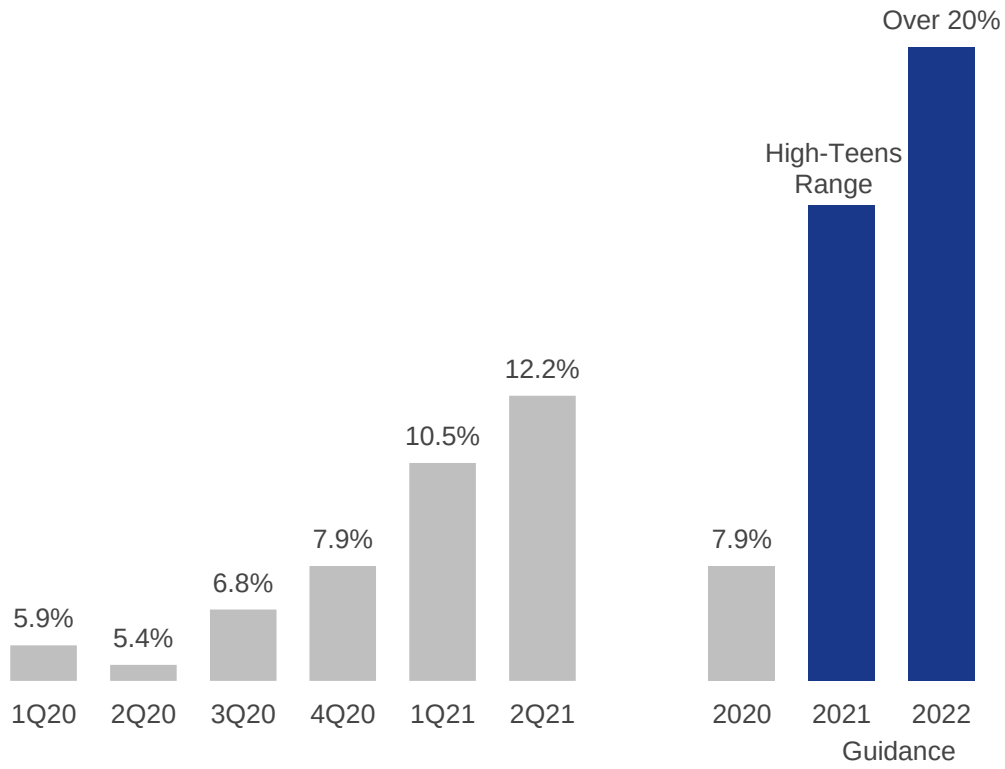
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# Strong Gross Margin and ROE Accretion Expected in 2022

## Home Closings Gross Margin

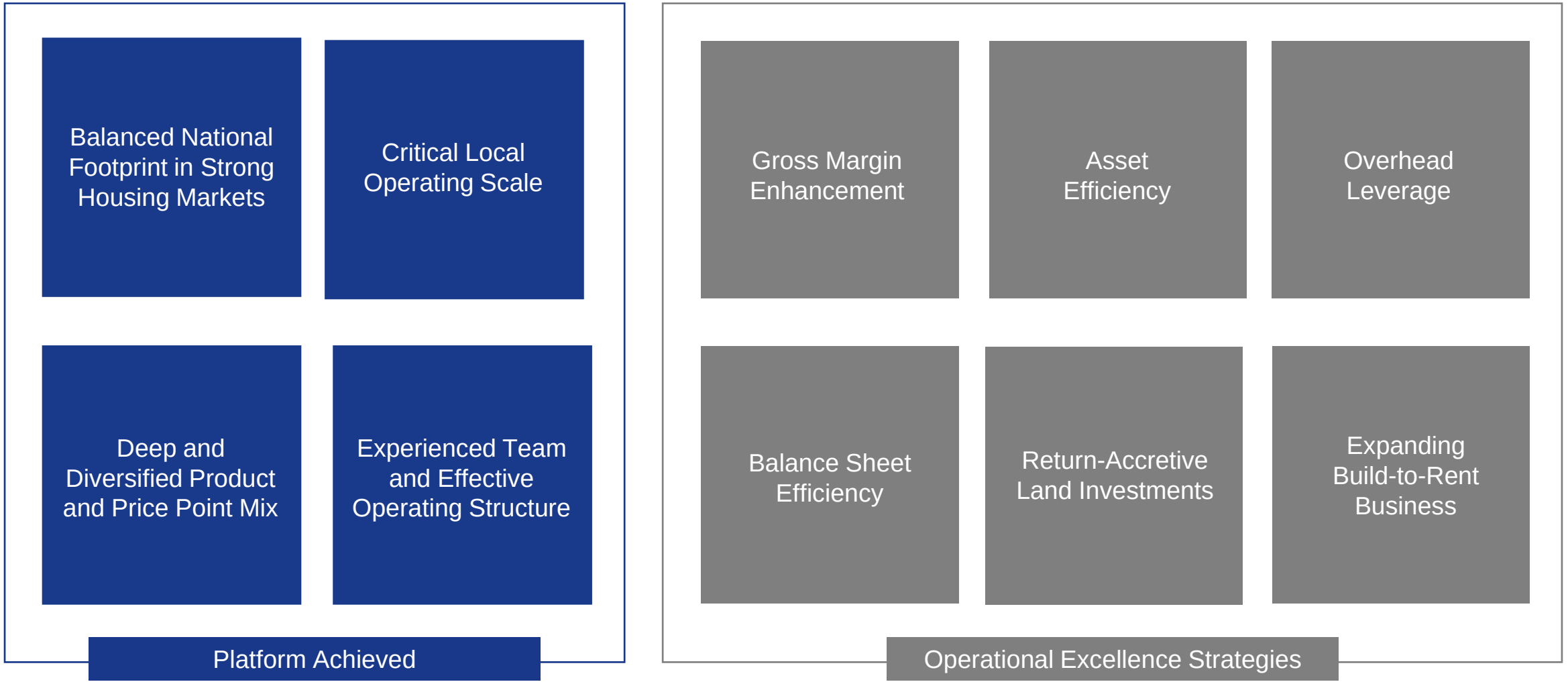



## Return on Equity




Note: (1) 2020 includes impact from acquisition of William Lyon Homes; (2) ROE calculated as trailing twelve-month net income divided by average stockholder's equity in the current and prior-year period.

# Focused on Leveraging Enhanced Scale to Create Value



# Strategic Priorities Aligned to Enhance Results

## Operational Excellence

Gross Margin Enhancement

- Maximize Procurement with Natl. and Local Purchasing Capabilities
- Streamline Operations with Plan and Option Rationalization
- Expand New Design Package Program (“Canvas”)
- Optimize Strategic Selling Practices to Balance Price and Pace

Asset Efficiency

- Streamline Production Processes
- Cycle Time Reduction and Controls
- Spec Home Inventory Management

Overhead Leverage

- Scale Benefits
- Consumer-Centric Technological Innovation
- Updated Realtor Program
- Centralization of Key Functions

## Capital Efficiency

Return-Accretive Land Investments

- Expand Controlled Lot Share to at Least 40% by the End of 2021
- New Land Financing Vehicles Improve Efficiency and Reduce Risk
- Maintain Disciplined Underwriting
- Enhance Existing Local Market Share

Balance Sheet Efficiency

- Reduce Leverage Assumed in M&A
- Pursue Asset-Light Investment Strategies
- Opportunistic Share Repurchases

Strong Cash Flow Generation

- Expect $600M+ Annual Operating Cash Flow, Driven by Earnings
- Top Priority is Organic Reinvestment
- Allocate Capital to Drive Long-Term Value Creation



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# Our Unique Design Package Approach

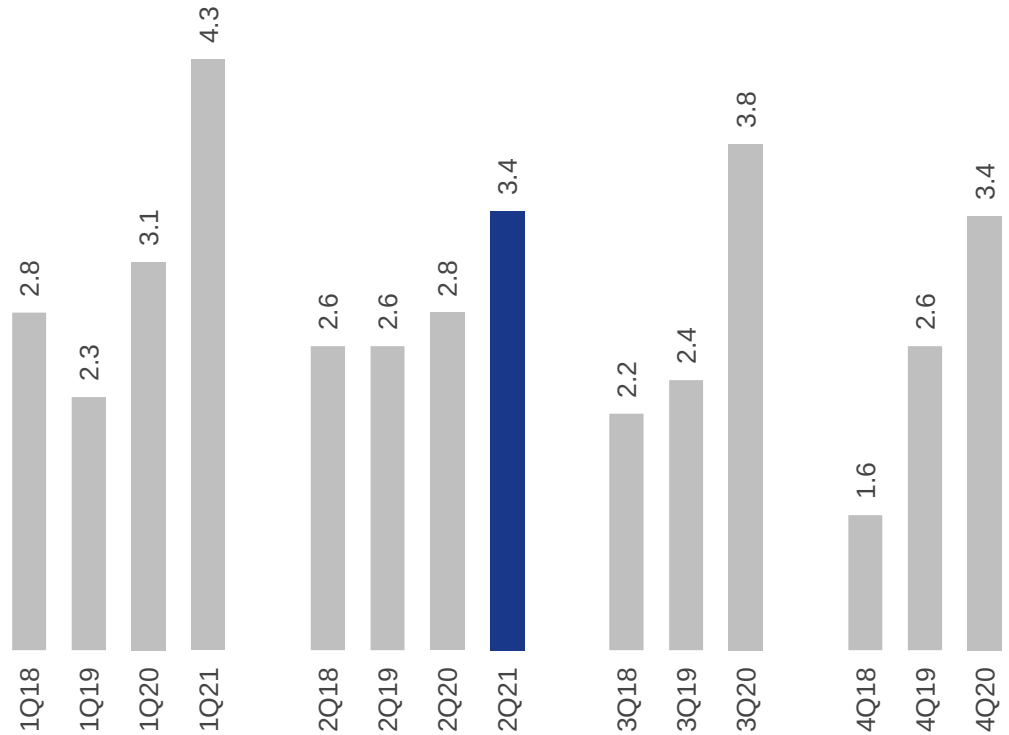
- Canvas packages are thoughtfully curated to offer homebuyers an improved, easier design experience than the traditional design center approach
- Package collections—which are available at five budget levels—include features with the highest design appeal at a compelling value
- By streamlining option offerings, Taylor Morrison is better able to manage supplier relationships to ensure timely product availability and cost leverage—driving expected gross margin and cycle time improvement
- Now available in all markets, Canvas has recently become the template for all spec homes and most model homes going forward, and is expected to expand to our to-be-built homes, especially among entry-level and first move-up buyers



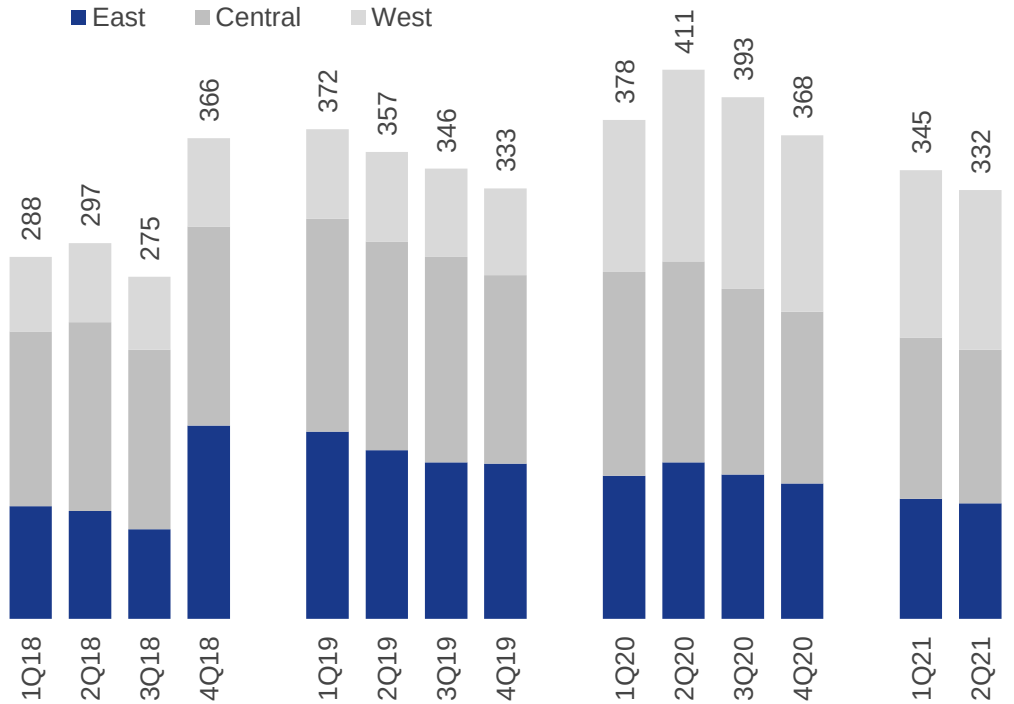

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# Healthy Demand Trends Driving Strong Pace and Price

## Monthly Absorption Pace per Community




## Average Community Count




Average Order Price
+32% to $597,000

Absorption Pace
+23% to 3.4

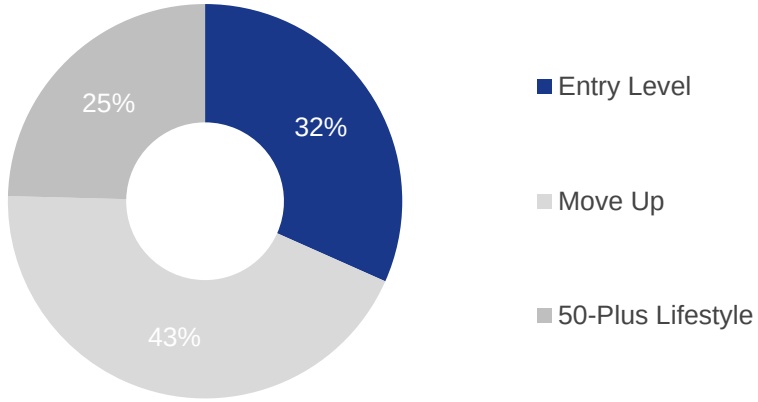
Sold Homes in Backlog
+50% to 10,228



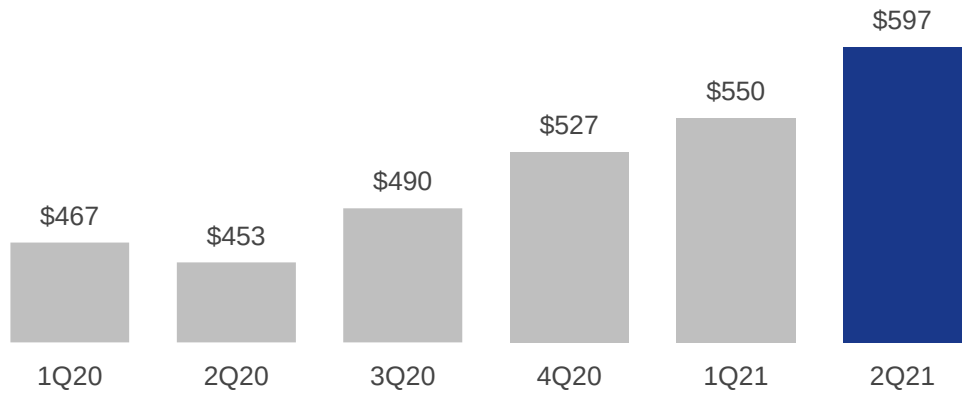
Note: Comparisons to the prior-year quarter.

# Diverse Product Portfolio Serves All Major Buyer Groups

Net Sales Orders by Consumer Type in 2Q 2021




Average Net Sales Order Price (in Thousands)














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# Balanced Market Footprint Across 11 States

| Mix as of Q2 2021 | West | Central | East |
|---|---|---|---|
| Closings | 38% | 24% | 38% |
| Closings Revenue | 43% | 23% | 34% |
| Average Closing Price | $567,000 | $484,000 | $452,000 |
| Lot Supply | 36% | 32% | 32% |



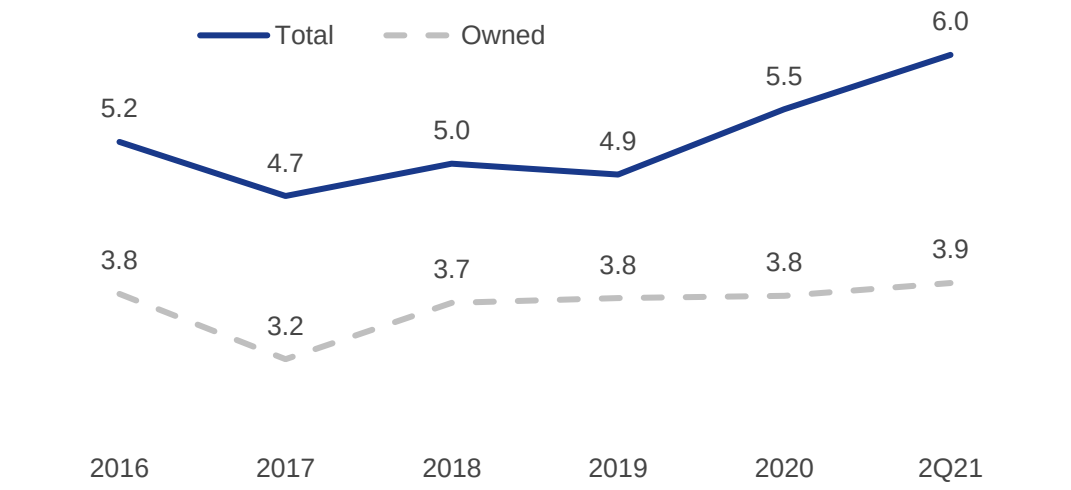
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# Disciplined Approach to Land Portfolio Management

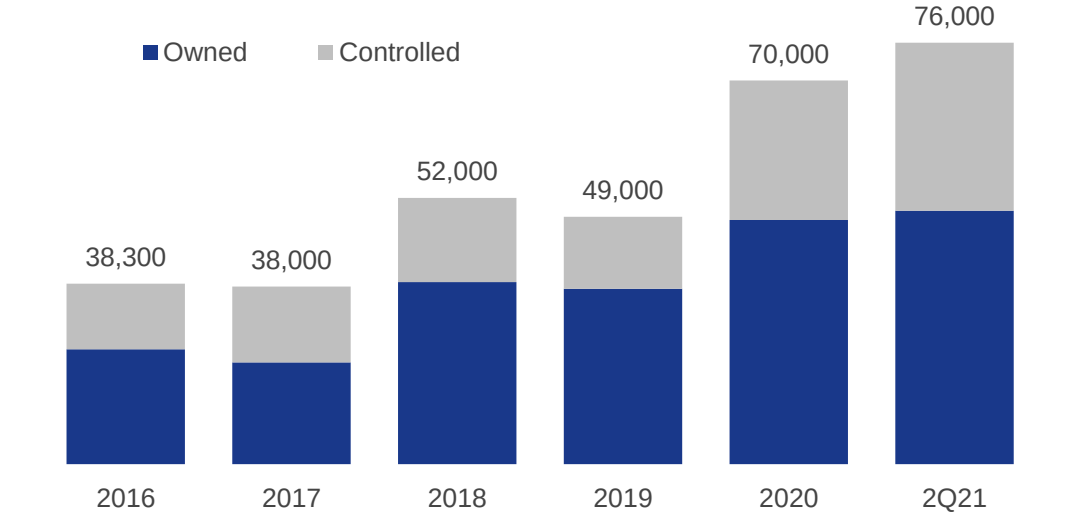
## Q2 2021 Highlights

- Recently finalized new land financing vehicles that will improve capital efficiency of land portfolio and help achieve targeted controlled share of at least 40 percent in 2022
- Invested $451 million in land acquisition and development in 2Q; $1.0 billion in 1H21
  - Targeting $2.0 billion in 2021
- Approximately 76,000 total lots owned and controlled
  - 6.0 years of total supply
  - 3.9 years of owned supply
- 35 percent of total lots controlled
  - Up from 28 percent a year ago

Years of Homebuilding Lots Based on Trailing Twelve-Month Closings




Homebuilding Lots Owned and Controlled (Units in Thousands)

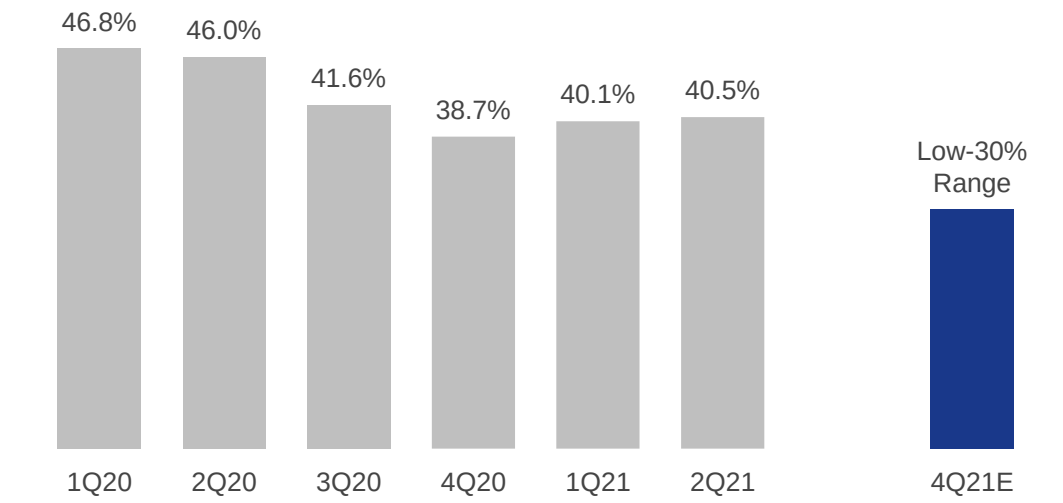


# Strong Cash Flow Expected to Drive Further Deleveraging

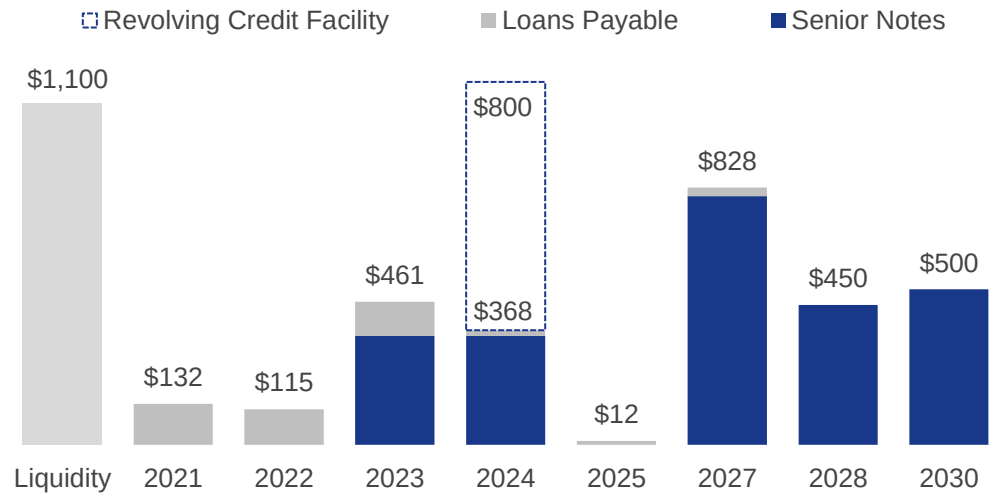
## Q2 2021 Highlights

- Net debt-to-capital ratio expected to decline to the low-30 percent range by the end of 2021
  - Further reduction anticipated in 2022
- 5.8% average interest rate on $2.5 billion of senior notes
- $1.1 billion total available liquidity
  - $366 million unrestricted cash
  - $755 million undrawn credit facility
- Repurchased 3.8 million of shares outstanding for $107 million in Q2, bringing 1H21 total to $145 million

Net Debt-to-Capital Ratio Expected to Fall to Low-30% Range in 4Q21




Liquidity Summary as of June 30, 2021 (in Millions)



# Guided by a Balanced Capital Allocation Philosophy



## Allocate Capital for Long-Term Value Creation

We aim to enhance the long-term value of our company by allocating capital with a balanced and disciplined approach



## Balance Sheet Stewardship

Manage balance sheet to maintain strong liquidity and reduce leverage to targeted range



## Reinvest in the Business

Disciplined due diligence for investments in core homebuilding operations and growing build-to-rent business to drive profitable growth through a housing cycle



## Return Excess Cash to Shareholders

Since 2015, spent nearly $795M to opportunistically repurchase 33% of shares outstanding at an average price of approximately $20.50



## Evaluate Growth Opportunities

Increase scale and diversification through accretive transactions and organic growth



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# A Snapshot of Capital Deployment Over the Last Three Years

**$1.7B**

generated through
operating cash flow



**$3.7B**

invested
in land and development

**$1.4B**

cash and equity invested
in M&A

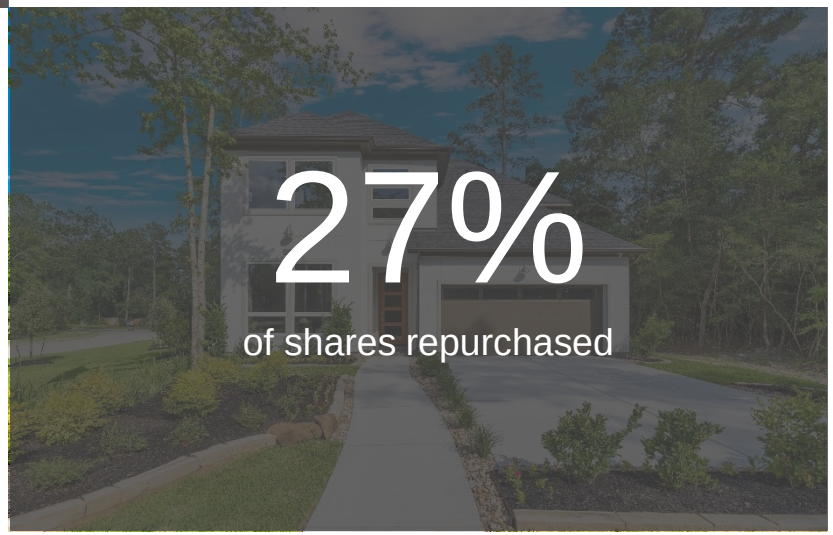


**$600M**

reduction in senior notes and
revolving credit facility

**$600M**

spent on share repurchases



**27%**

of shares repurchased

Note: Data reflects aggregate annual totals from 2018, 2019 and 2020.

# Financial Services

## Q2 2021 Highlights

### Borrower Snapshot

- 750 Average FICO Score
- 80% Average LTV Ratio
- $390,000 Loan Amount
- 39% First-Time Homebuyers

### Unit Product Mix

- 80% Conventional
- 19% Government
- 1% Jumbo

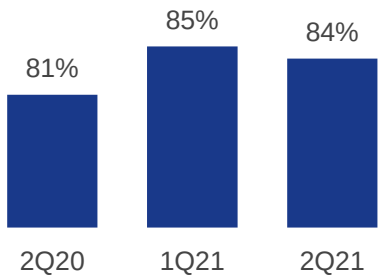
### Suite of Services

- Mortgage Lending
- Title Insurance
- Homeowners' Insurance
- Joint Venture Platform

### Benefits

- Pre-Qualification of Nearly All Buyers
- Valuable Backlog Management
- Enhanced Customer Experience
- Servicing Platform Flexibility
- Positive Financial Contribution

### Capture Rate




### Financial Performance

- $37 Million Revenue
- $11 Million Gross Profit
- 30.6% Gross Margin

Dorothy

Integrated digital technology simplifies the mortgage process for borrowers and streamlines operations

ARQ
ABLE. READY. OWN.

Borrower qualification-improvement program provides meaningful improvement in credit worthiness and homebuyer education



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# Appendix

# Who We Are

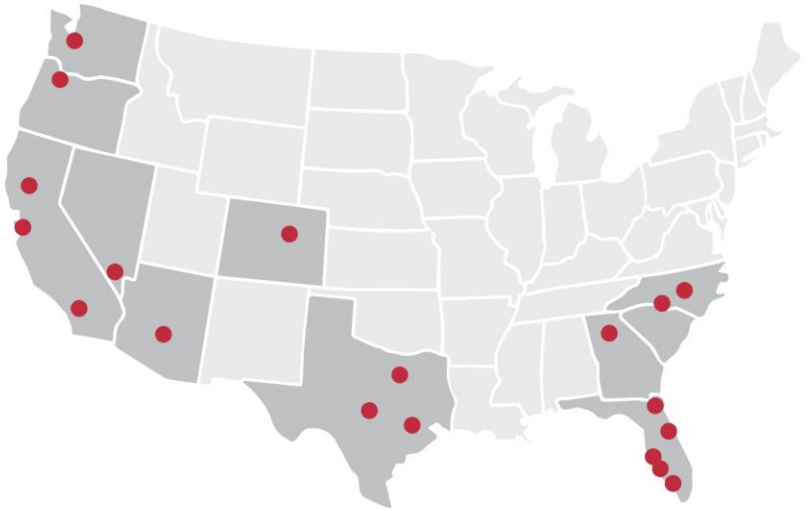
Headquartered in Scottsdale, Arizona, Taylor Morrison is the nation's fifth largest homebuilder and developer with operations in many of the highest-growth housing markets across 11 states.

We serve a wide array of homebuyers with our diverse product portfolio, including first-time, move-up, luxury and 50-plus active lifestyle consumers.

Our Financial Services segment provides mortgage financing, title services and homeowners' insurance. We also operate a growing Build-to-Rent business in partnership with Christopher Todd Communities to develop innovative, luxury rental communities.

From 2016-2021, Taylor Morrison has been recognized as America's Most Trusted® Builder by Lifestory Research.

Our strong commitment to sustainability, our communities and our team is highlighted in our latest annual Environmental, Social and Governance (ESG) Report.



**West**
Bay Area
Las Vegas
Phoenix
Portland
Sacramento
Seattle
Southern California

**Central**
Denver
Austin
Dallas-Fort Worth
Houston

**East**
Atlanta
Charlotte
Fort Myers-Naples
Jacksonville
Orlando
Raleigh
Sarasota
Tampa

taylor morrison.
Darling HOMES
ESPLANADE.
taylor morrison. HOME FUNDING
INSPIRED TITLE SERVICES
Christopher Todd COMMUNITIES
Built by Taylor Morrison

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# Committed to Environmental, Social and Governance Values







## People First

**2,700+**
team members

**7 of 8**
of team members are enthusiastic about working for Taylor Morrison

**46 percent**
women team members

**44 percent**
women Board of Directors

## Building for the Future

**100 percent**
homes now offer TM LiveWell® upgraded products

**3,700+**
acres of protected wildlife habitat certified by the National Wildlife Federation to date

**30,400+**
ENERGY STAR® certified appliances installed

**63**
Average HERS® energy efficiency index score

## Transparency and Accountability

**6 years**
America's Most Trusted® Homebuilder award

**100 percent**
of employees certified to our health and safety standards

**31,700+**
hours of employee training

**10**
U.N. Sustainable Development Goals that align with our impact



Note: Data as of 2020.

# A Strategic Journey to Become a Leading Homebuilder

## 2013
$722mm IPO was the largest in NYSE history in homebuilding (**NYSE: TMHC**)

Acquired Darling Homes (Houston and Dallas)

## 2015
Sold Canadian operations

Acquired JEH Homes (Atlanta) and three divisions of Orleans Homes (Charlotte, Raleigh and Chicago)

## 2016
Acquired Acadia Homes (Atlanta)

## 2017
Increased public float to 70% from 25% through private equity sponsors' divestiture of 51.1mm shares

Sheryl Palmer named Chairman of the Board

## 2018
Became a fully floated public company following the exit of our former private equity owners

Acquired AV Homes (**NASDAQ: AVHI**), adding scale to AZ, TX and Carolinas markets and entrance into Jacksonville

## 2019
Entered exclusive partnership with Christopher Todd Communities—marking our entrance into the build-to-rent market

Published inaugural Annual ESG Report and formed partnership with the National Wildlife Federation

## 2020
Acquired William Lyon Homes (**NYSE: WLH**) in February, creating fifth largest national homebuilder with entrance into WA, OR and NV

Named Builder Magazine's 2020 Builder of the Year by Hanley Wood | Meyers Research

Sold Chicago operations

Added to the S&P MidCap 400 Index

## 2021
Awarded America's Most Trust Builder by Lifestory Research for sixth consecutive year









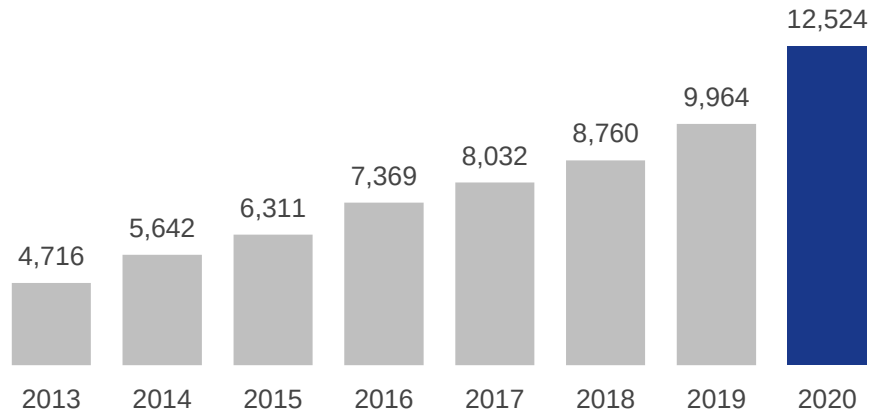




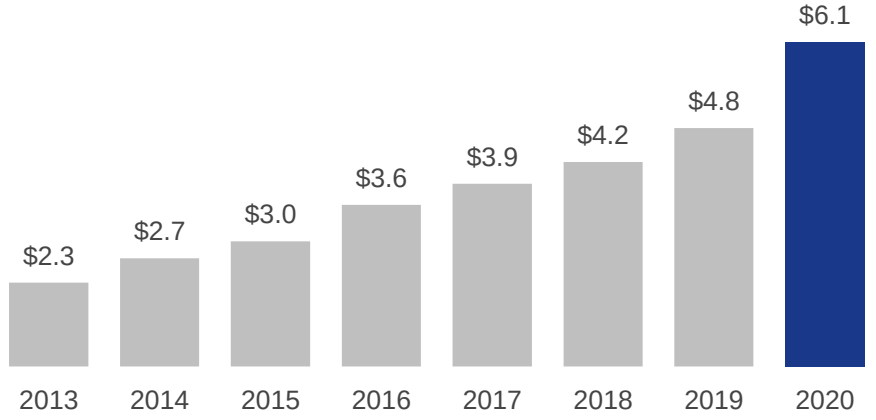

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# Significant Growth Evident Across Key Metrics

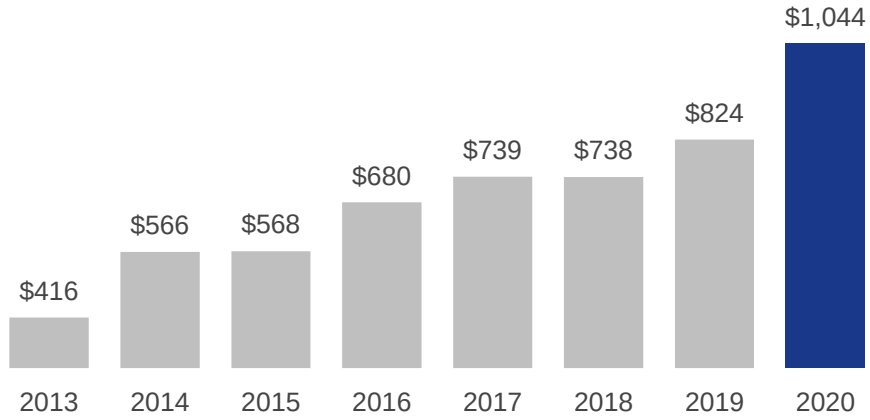
## Home Closings



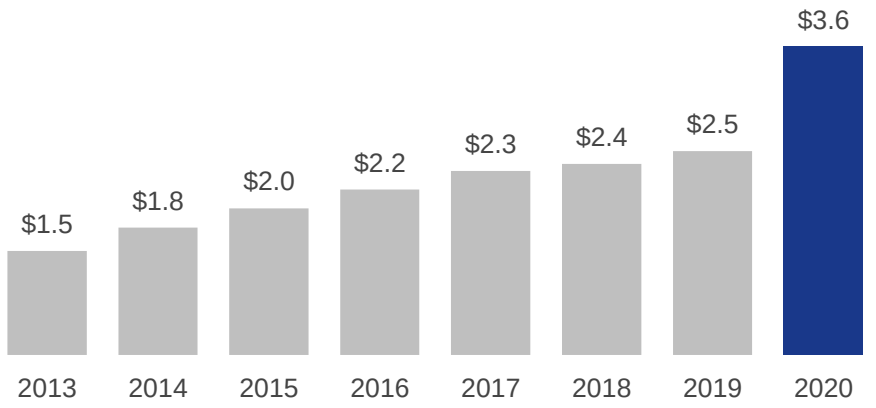

## Total Revenue ($ in Billions)




## Gross Profit ($ in Millions)




## Stockholders' Equity ($ in Billions)




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# Historical Operating Data by Region

| | FY 2018 | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | FY 2019 | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | FY 2020 | Q1 2021 | Q2 2021 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Average Active Selling Communities | | | | | | | | | | | | | |
| East | 134 | 173 | 161 | 153 | 152 | 159 | 144 | 153 | 145 | 139 | 145 | 129 | 126 |
| Central | 121 | 140 | 137 | 135 | 124 | 134 | 134 | 132 | 122 | 113 | 124 | 106 | 101 |
| West | 52 | 59 | 59 | 58 | 57 | 58 | 100 | 126 | 126 | 116 | 117 | 110 | 105 |
| TMHC | 307 | 372 | 357 | 346 | 333 | 351 | 378 | 411 | 393 | 368 | 386 | 345 | 332 |
| Net Sales Orders | | | | | | | | | | | | | |
| East | 3,471 | 1,135 | 1,315 | 1,161 | 1,282 | 4,893 | 1,361 | 1,176 | 1,548 | 1,384 | 5,469 | 1,777 | 1,302 |
| Central | 2,697 | 801 | 820 | 759 | 639 | 3,019 | 906 | 1,003 | 1,133 | 824 | 3,866 | 1,072 | 850 |
| West | 2,232 | 679 | 675 | 620 | 631 | 2,605 | 1,199 | 1,274 | 1,744 | 1,516 | 5,733 | 1,643 | 1,270 |
| TMHC | 8,400 | 2,615 | 2,810 | 2,540 | 2,552 | 10,517 | 3,466 | 3,453 | 4,425 | 3,724 | 15,068 | 4,492 | 3,422 |
| Homes Closed | | | | | | | | | | | | | |
| East | 4,061 | 854 | 1,180 | 1,029 | 1,652 | 4,715 | 985 | 1,097 | 1,216 | 1,152 | 4,450 | 1,052 | 1,245 |
| Central | 2,380 | 545 | 746 | 653 | 840 | 2,784 | 819 | 1,059 | 913 | 757 | 3,548 | 691 | 791 |
| West | 2,319 | 539 | 668 | 614 | 644 | 2,465 | 957 | 1,056 | 1,340 | 1,173 | 4,526 | 1,078 | 1,232 |
| TMHC | 8,760 | 1,938 | 2,594 | 2,296 | 3,136 | 9,964 | 2,761 | 3,212 | 3,469 | 3,082 | 12,524 | 2,821 | 3,268 |
| Home Closings Revenue (in Millions) | | | | | | | | | | | | | |
| East | $1,643 | $348 | $476 | $434 | $653 | $1,912 | $396 | $467 | $499 | $494 | $1,857 | $446 | $563 |
| Central | $1,126 | $253 | $362 | $310 | $403 | $1,327 | $373 | $474 | $424 | $349 | $1,619 | $320 | $383 |
| West | $1,346 | $299 | $394 | $329 | $362 | $1,384 | $496 | $530 | $718 | $644 | $2,388 | $597 | $698 |
| TMHC | $4,115 | $900 | $1,232 | $1,073 | $1,418 | $4,623 | $1,265 | $1,471 | $1,641 | $1,487 | $5,864 | $1,363 | $1,644 |
| Home Closings Gross Margin | | | | | | | | | | | | | |
| East | 17.0% | 17.1% | 16.0% | 17.1% | 16.0% | 16.5% | 15.6% | 16.7% | 17.8% | 18.3% | 17.2% | 18.8% | 20.6% |
| Central | 14.0% | 16.4% | 17.1% | 18.2% | 6.4% | 14.0% | 17.1% | 17.6% | 20.4% | 20.6% | 18.9% | 20.2% | 18.5% |
| West | 19.9% | 21.1% | 21.4% | 20.8% | 19.6% | 20.7% | 13.9% | 12.3% | 14.9% | 17.1% | 14.7% | 17.5% | 18.1% |
| TMHC | 17.1% | 18.2% | 18.0% | 18.5% | 14.2% | 17.0% | 15.4% | 15.4% | 17.2% | 18.3% | 16.6% | 18.6% | 19.1% |
| Sales Order Backlog | | | | | | | | | | | | | |
| East | 1,638 | 1,919 | 2,054 | 2,186 | 1,816 | 1,816 | 2,193 | 2,271 | 2,603 | 2,835 | 2,835 | 3,560 | 3,617 |
| Central | 1,420 | 1,676 | 1,750 | 1,856 | 1,655 | 1,655 | 2,167 | 2,111 | 2,331 | 2,398 | 2,398 | 2,779 | 2,838 |
| West | 1,100 | 1,240 | 1,247 | 1,253 | 1,240 | 1,240 | 2,205 | 2,423 | 2,827 | 3,170 | 3,170 | 3,735 | 3,773 |
| TMHC | 4,158 | 4,835 | 5,051 | 5,295 | 4,711 | 4,711 | 6,565 | 6,805 | 7,761 | 8,403 | 8,403 | 10,074 | 10,228 |
| Backlog Value (in Millions) | | | | | | | | | | | | | |
| East | $725 | $849 | $907 | $935 | $791 | $791 | $957 | $975 | $1,158 | $1,320 | $1,320 | $1,753 | $1,903 |
| Central | $732 | $850 | $886 | $937 | $839 | $839 | $1,042 | $1,006 | $1,120 | $1,200 | $1,200 | $1,463 | $1,582 |
| West | $623 | $694 | $660 | $662 | $644 | $644 | $1,132 | $1,245 | $1,474 | $1,707 | $1,707 | $2,120 | $2,251 |
| TMHC | $2,080 | $2,392 | $2,453 | $2,535 | $2,275 | $2,275 | $3,132 | $3,226 | $3,752 | $4,227 | $4,227 | $5,337 | $5,736 |

# Reconciliation of Non-GAAP Measures

Net Homebuilding Debt to Capitalization Ratio Reconciliation

| ($ in thousands) | As of June 30, 2021 | March 31, 2021 | December 31, 2020 | September 30, 2020 | June 30, 2020 | March 31, 2020 |
|---|---|---|---|---|---|---|
| Total Debt | $ 3,082,648 | $ 3,025,587 | $ 2,928,395 | $ 3,180,072 | $ 3,769,740 | $ 3,700,368 |
| Less amortized debt issuance premiums, net | 2,344 | 2,354 | 2,365 | 2,526 | 23,832 | 25,187 |
| Less mortgage warehouse borrowings | 215,230 | 180,833 | 127,289 | 109,593 | 149,784 | 154,109 |
| Total homebuilding debt | $ 2,865,074 | $ 2,842,400 | $ 2,798,741 | $ 3,067,953 | $ 3,596,124 | $ 3,521,072 |
| Less cash and cash equivalents | 366,267 | 392,500 | 532,843 | 547,916 | 674,685 | 507,761 |
| Net homebuilding debt | $ 2,498,807 | $ 2,449,900 | $ 2,265,898 | $ 2,520,037 | $ 2,921,439 | $ 3,013,311 |
| Total equity | 3,668,849 | 3,655,564 | 3,593,750 | 3,542,135 | 3,424,740 | 3,423,041 |
| Total capitalization | $ 6,167,656 | $ 6,105,464 | $ 5,859,648 | $ 6,062,172 | $ 6,346,179 | $ 6,436,352 |
| Net homebuilding debt to capitalization ratio | 40.5% | 40.1% | 38.7% | 41.6% | 46.0% | 46.8% |

In addition to the results reported in accordance with accounting principles generally accepted in the United States ("GAAP"), we have provided information in this Investor Presentation relating to net homebuilding debt to capitalization ratio. Net homebuilding debt to capitalization ratio is a non-GAAP financial measure we calculate by dividing (i) total debt, less unamortized debt issuance costs/premiums and mortgage warehouse borrowings, net of unrestricted cash and cash equivalents, by (ii) total capitalization (the sum of net homebuilding debt and total stockholders' equity).

Management uses non-GAAP financial measures to evaluate our performance on a consolidated basis, as well as the performance of our regions, and to set targets for performance-based compensation. We also use the ratio of net homebuilding debt to total capitalization as an indicator of overall leverage and to evaluate our performance against other companies in the homebuilding industry. A reconciliation of our forward-looking net homebuilding debt to capitalization ratio to the most directly comparable GAAP financial measure cannot be provided without unreasonable effort because of the inherent difficulty of accurately forecasting the occurrence and financial impact of the adjusting items necessary for such reconciliation that have not yet occurred, are out of our control, or cannot be reasonably predicted. In the future, we may include additional adjustments in the above-described non-GAAP financial measures to the extent we deem them appropriate and useful to management and investors.

Because we use the ratio of net homebuilding debt to total capitalization to evaluate our performance against other companies in the homebuilding industry, we believe this measure is also relevant and useful to investors for that reason. These non-GAAP financial measures should be considered in addition to, rather than as a substitute for, the comparable U.S. GAAP financial measures of our operating performance or liquidity. Although other companies in the homebuilding industry may report similar information, their definitions may differ. We urge investors to understand the methods used by other companies to calculate similarly-titled non-GAAP financial measures before comparing their measures to ours.



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# Forward-Looking Statements

This earnings summary includes “forward-looking statements.” These statements are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities, as well as those of the markets we serve or intend to serve, to differ materially from those expressed in, or implied by, these statements. You can identify these statements by the fact that they do not relate to matters of a strictly factual or historical nature and generally discuss or relate to forecasts, estimates or other expectations regarding future events. Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “may,” “can,” “could,” “might,” “will” and similar expressions identify forward-looking statements, including statements related to expected financial, operating and performance results, planned transactions, planned objectives of management, future developments or conditions in the industries in which we participate and other trends, developments and uncertainties that may affect our business in the future.

Such risks, uncertainties and other factors include, among other things: the scale and scope of the recent COVID-19 (coronavirus) outbreak and resulting pandemic; changes in general and local economic conditions; slowdowns or severe downturns in the housing market; homebuyers’ ability to obtain suitable financing; increases in interest rates, taxes or government fees; shortages in, disruptions of and cost of labor; higher cancellation rates of existing agreements of sale; competition in our industry; any increase in unemployment or underemployment; inflation or deflation; the seasonality of our business; our ability to obtain additional performance, payment and completion surety bonds and letters of credit; significant home warranty and construction defect claims; our reliance on subcontractors; failure to manage land acquisitions, inventory and development and construction processes; availability of land and lots at competitive prices; decreases in the market value of our land inventory; new or changing government regulations and legal challenges; our compliance with environmental laws and regulations regarding climate change; our ability to sell mortgages we originate and claims on loans sold to third parties; governmental regulation applicable to our financial services and title services business; the loss of any of our important commercial lender relationships; our ability to use deferred tax assets; raw materials and building supply shortages and price fluctuations; our concentration of significant operations in certain geographic areas; risks associated with our unconsolidated joint venture arrangements; information technology failures and data security breaches; costs to engage in and the success of future growth or expansion of our operations or acquisitions or disposals of businesses; costs associated with our defined benefit and defined contribution pension schemes; damages associated with any major health and safety incident; our ownership, leasing or occupation of land and the use of hazardous materials; existing or future litigation, arbitration or other claims; negative publicity or poor relations with the residents of our communities; failure to recruit, retain and develop highly skilled, competent people; utility and resource shortages or rate fluctuations; constriction of the capital markets; risks related to our substantial debt and the agreements governing such debt, including restrictive covenants contained in such agreements; our ability to access the capital markets; the risks associated with maintaining effective internal controls over financial reporting; provisions in our charter and bylaws that may delay or prevent an acquisition by a third party; and our ability to effectively manage our expanded operations.

In addition, other such risks and uncertainties may be found in our most recent annual report on Form 10-K and our quarterly reports on Form 10-Q filed with the Securities and Exchange Commission (SEC) as such factors may be updated from time to time in our periodic filings with the SEC. We undertake no duty to update any forward-looking statement, whether as a result of new information, future events or changes in our expectations, except as required by applicable law.



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