



## 2017 Fourth Quarter and Full Year Results

Maracay Homes® – Pardee Homes® – Quadrant Homes® – Trendmaker® Homes – TRI Pointe Homes® – Winchester® Homes

# Forward Looking Statement



Various statements contained in this presentation, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include, but are not limited to, statements regarding our strategy, projections and estimates concerning the timing and success of specific projects and our future production, land and lot sales, operational and financial results, including our estimates for growth, financial condition, sales prices, prospects, and capital spending. Forward-looking statements in this presentation are generally accompanied by words such as “estimate,” “project,” “predict,” “believe,” “expect,” “intend,” “anticipate,” “potential,” “plan,” “goal,” “target,” “guidance,” “outlook,” “will,” “future,” “strategy,” or other words that convey future events or outcomes. Forward-looking statements in this presentation speak only as of the date of this presentation, and we disclaim any obligation to update these statements unless required by law, and we caution you not to rely on them unduly. These forward-looking statements are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. The following factors, among others, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements: the effect of general economic conditions, including employment rates, housing starts, interest rate levels, availability of financing for home mortgages and strength of the U.S. dollar; market demand for our products, which is related to the strength of the various U.S. business segments and U.S. and international economic conditions; levels of competition; the successful execution of our internal performance plans, including any restructuring and cost reduction initiatives; global economic conditions; raw material prices; oil and other energy prices; the effect of weather, including the re-occurrence of drought conditions in California; the risk of loss from earthquakes, volcanoes, fires, floods, droughts, windstorms, hurricanes, pest infestations and other natural disasters, and the risk of delays, reduced consumer demand, and shortages and price increases in labor or materials associated with such natural disasters; transportation costs; federal and state tax policies; the effect of land use, environment and other governmental regulations; legal proceedings or disputes and the adequacy of reserves; risks relating to any unforeseen changes to or effects on liabilities, future capital expenditures, revenues, expenses, earnings, synergies, indebtedness, financial condition, losses and future prospects; changes in accounting principles; risks related to unauthorized access to our computer systems, theft of our customers’ confidential information or other forms of cyber-attack; and additional factors discussed under the sections captioned “Risk Factors” included in our annual and quarterly reports filed with the Securities and Exchange Commission. The foregoing list is not exhaustive. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business. This presentation includes certain non-GAAP financial metrics, including adjusted homebuilding gross margin, and net debt-to-net capital. These non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. Please refer to the Supplemental Data and Reconciliation section of this presentation for a reconciliation of the non-GAAP financial measures included in this presentation to the most directly comparable financial measures prepared in accordance with GAAP. Winchester is a registered trademark and is used with permission.

# Management Team



**Thomas Mitchell**

**President & COO**

- Over 30 years of real estate and homebuilding experience
- Former EVP and Southern California Regional President at William Lyon Homes



**Douglas Bauer**

**Chief Executive Officer**

- Over 30 years of real estate and homebuilding experience
- Former President and COO of William Lyon Homes



**Michael Grubbs**

**Chief Financial Officer**

- Over 30 years of real estate and homebuilding experience
- Former SVP / CFO of William Lyon Homes

**Working together for over 25 years, TRI Pointe senior management has significant experience running a large, geographically diverse, growth-oriented public homebuilder. Deep managerial talent at each operating division with key local relationships supports dynamic tailored growth strategies.**

# A Family of Regional Homebuilders

**TRI POINTE®**  
G R O U P



Market: Seattle Metro Area  
2017 Orders: 395  
2017 Deliveries: 352  
2017 HS Revenue: \$245,507  
2017 ASP: \$697  
Lots Owned or Controlled: 1,726



Markets: Los Angeles, Inland Empire, San Diego, Las Vegas  
2017 Orders: 1,580  
2017 Deliveries: 1,431  
2017 HS Revenue: \$756,433  
2017 ASP: \$529  
Lots Owned or Controlled: 15,144



Markets: Orange County, Los Angeles, San Diego, San Francisco Bay Area, Sacramento, Denver  
2017 Orders: 1,492  
2017 Deliveries: 1,313  
2017 HS Revenue: \$927,247  
2017 ASP: \$706  
Lots Owned or Controlled: 3,964

**Maracay Homes®**

Choices for the way you want to live.™

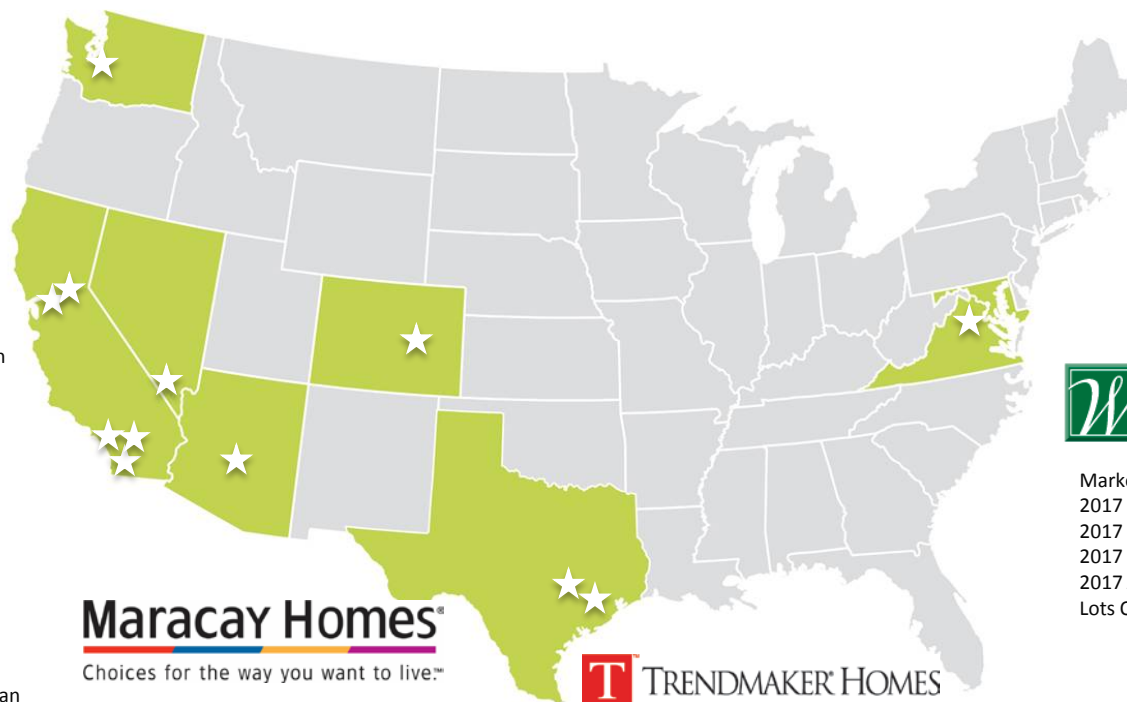
Markets: Phoenix, Tucson  
2017 Orders: 597  
2017 Deliveries: 628  
2017 HS Revenue: \$296,768  
2017 ASP: \$473  
Lots Owned or Controlled: 2,519



Markets: Houston, Austin  
2017 Orders: 516  
2017 Deliveries: 506  
2017 HS Revenue: \$250,033  
2017 ASP: \$494  
Lots Owned or Controlled: 1,855



Markets: Washington DC Metro Area  
2017 Orders: 495  
2017 Deliveries: 467  
2017 HS Revenue: \$256,311  
2017 ASP: \$549  
Lots Owned or Controlled: 2,104



Data as of December 31, 2017  
Note: Dollars in thousands

**2017 Orders: 5,075**

**2017 Home Sales ("HS") Revenue: \$2,732,299**

**Lots Owned or Controlled: 27,312**

**2017 Deliveries: 4,697**

**2017 Average Sales Price ("ASP"): \$582**



# 2017 Fourth Quarter and Full Year Highlights



# 2017 Fourth Quarter Highlights

- Absorption rate of 2.8 new home orders per community per month
- New home deliveries up 23% to 1,757 with an average sales price of \$639,000
- Backlog units <sup>(1)</sup> up 32% to 1,571 homes and backlog dollar value <sup>(1)</sup> up 56% to \$1.0 billion
- Home sales revenue up 46% to \$1.1 billion
- Homebuilding gross margin of 21.7%
- SG&A expense decreased 200 basis points to 7.2% of home sales revenue compared to 9.2%
- Net income available to common stockholders of \$74.0 million, or \$0.49 per diluted share vs. \$57.9 million, or \$0.36 per diluted share
- Adjusted net income available to common stockholders of \$107.4 million, or \$0.70 per diluted share <sup>(2)</sup>

Metric	4Q17	4Q16	%
Orders	1,063	909	17%
Deliveries	1,757	1,427	23%
ASP of Home Deliveries (\$000s)	\$639	\$540	18%
Backlog (units) <sup>(1)</sup>	1,571	1,193	32%
Backlog (dollar value) (\$000s) <sup>(1)</sup>	\$1,033	\$661	56%
Home Sales Revenue (\$mm)	\$1,123	\$771	46%
HB Gross Margin	21.7%	20.0%	+170 bps
Land and Lot Sales Revenue (\$mm)	\$4.6	\$2.1	123%
Land and Lot Sales Profit (\$mm)	\$3.0	\$1.7	80%
SG&A Expense <sup>(2)</sup> (% of sales)	7.2%	9.2%	-200 bps
EPS (Diluted)	\$0.49	\$0.36	36%
Adjusted EPS (Diluted) <sup>(2)</sup>	\$0.70	\$0.36	94%

(1) Backlog units and dollar value figures are as of December 31, 2017 and 2016, respectively

(2) See "Reconciliation of Non-GAAP Measures" in the appendix of this presentation

# 2017 Full Year Highlights

- Absorption rate of 3.3 new home orders per community per month
- New home deliveries up 12% to 4,697 with an average sales price of \$582,000
- Home sales revenue up 17% to \$2.7 billion
- Homebuilding gross margin of 20.5%
- Land and lot sales revenue of \$74.3 million generating \$59.4 million in profit
- SG&A expense decreased 70 basis points to 10.1% of home sales revenue compared to 10.8%
- Net income available to common stockholders of \$187.2 million, or \$1.21 per diluted share vs. \$195.2 million or \$1.21 per diluted share
- Adjusted net income available to common stockholders of \$220.6 million, or \$1.42 per diluted share <sup>(2)</sup>

Metric	2017	2016	%
Orders	5,075	4,248	19%
Deliveries	4,697	4,211	12%
ASP of Home Deliveries (\$000s)	\$582	\$553	5%
Backlog (units) <sup>(1)</sup>	1,571	1,193	32%
Backlog (dollar value) (\$000s) <sup>(1)</sup>	\$1,033	\$661	56%
Home Sales Revenue (\$mm)	\$2,732	\$2,329	17%
HB Gross Margin	20.5%	21.2%	-70 bps
Land and Lot Sales Revenue (\$mm)	\$74.3	\$72.3	3%
Land and Lot Sales Profit (\$mm)	\$59.4	\$54.9	8%
SG&A Expense <sup>(2)</sup> (% of sales)	10.1%	10.8%	-70 bps
EPS (Diluted)	\$1.21	\$1.21	0%
Adjusted EPS (Diluted) <sup>(2)</sup>	\$1.42	\$1.21	17%

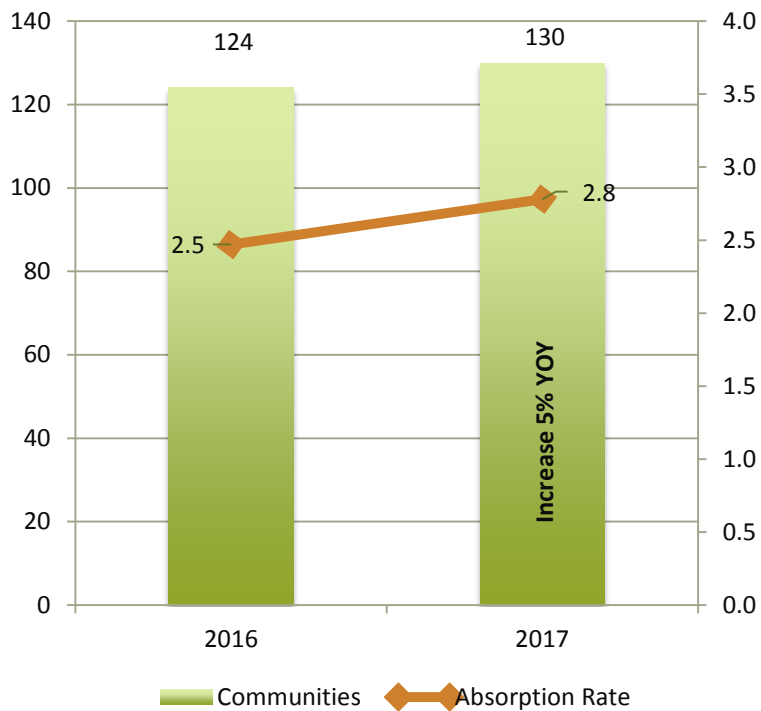
(1) Backlog units and dollar value figures are as of December 31, 2017 and 2016, respectively

(2) See "Reconciliation of Non-GAAP Measures" in the appendix of this presentation

# Active Selling Communities and Absorption Rate Q4 2017 Results

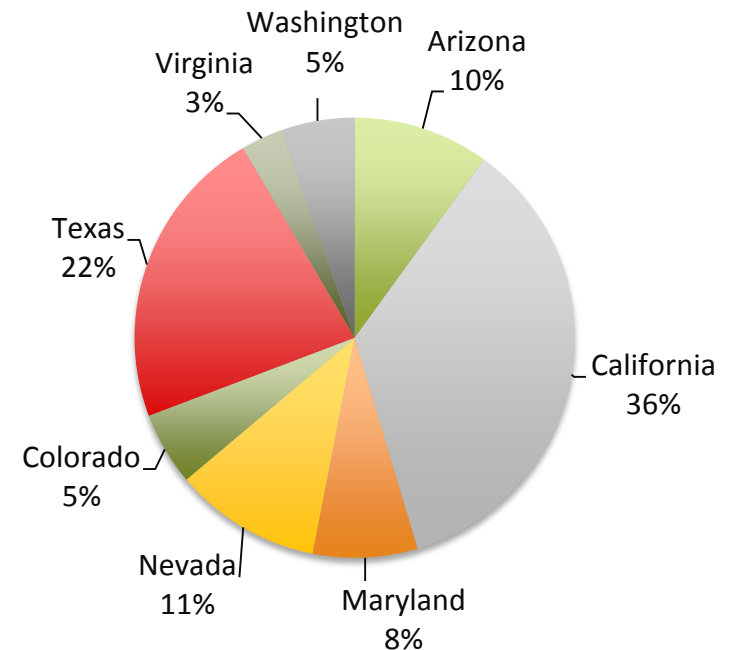
## Active Selling Communities and Absorption Rate

*As of and for the quarters ended December 31, 2016 and 2017*



## Active Selling Communities by State

*As of December 31, 2017*



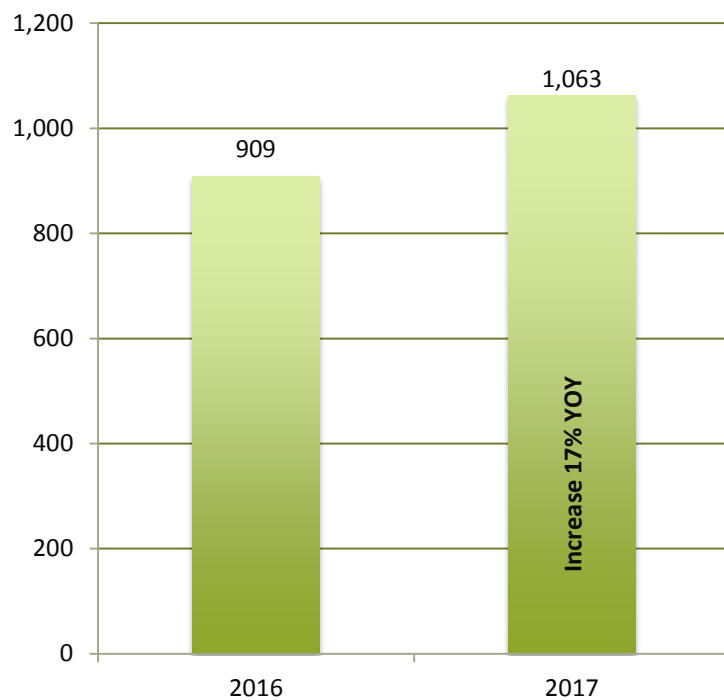
Opened 14 new communities and closed 11 in Q4 2017



# New Home Orders – Q4 2017 Results

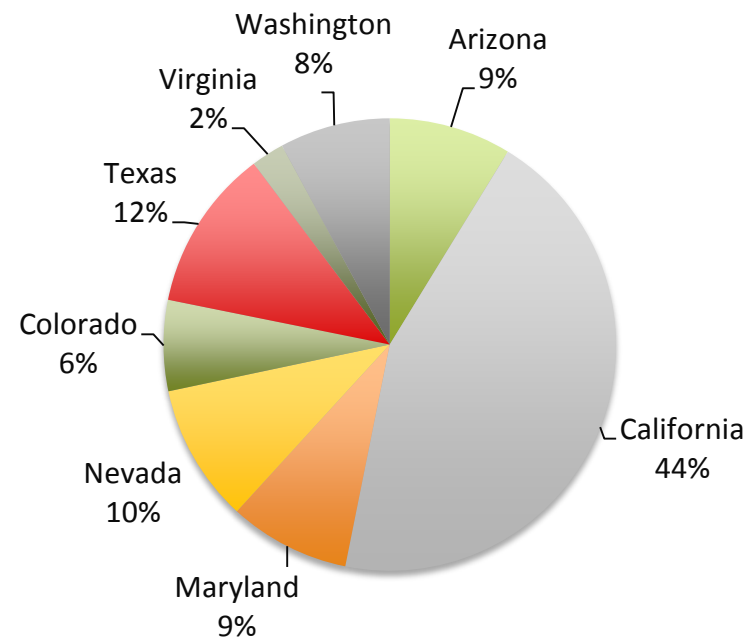
## New Home Orders

*For the quarters ended December 31, 2016 and 2017*



## New Home Orders by State

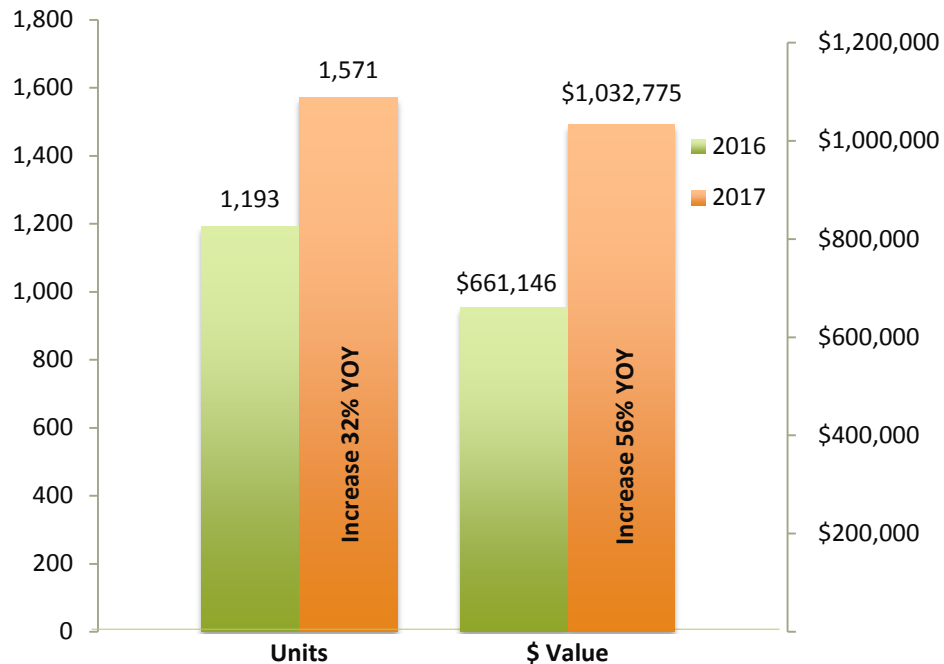
*For the quarter ended December 31, 2017*



# Backlog – Units and Dollar Value – Q4 2017 Results

## Backlog – Units and Dollar Value

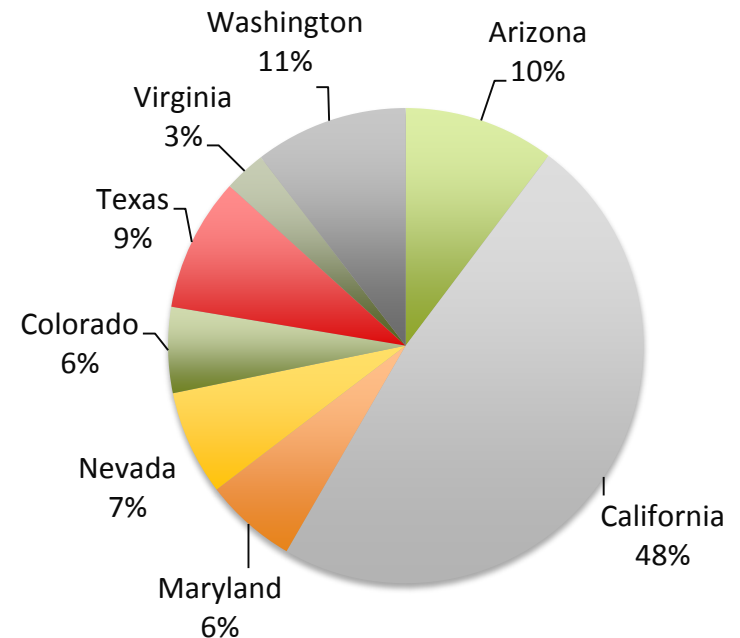
As of December 31, 2016 and 2017 (dollars in thousands)



\$554K    \$657K  
Average Sales Price  
in Backlog

## Backlog Dollar Value by State

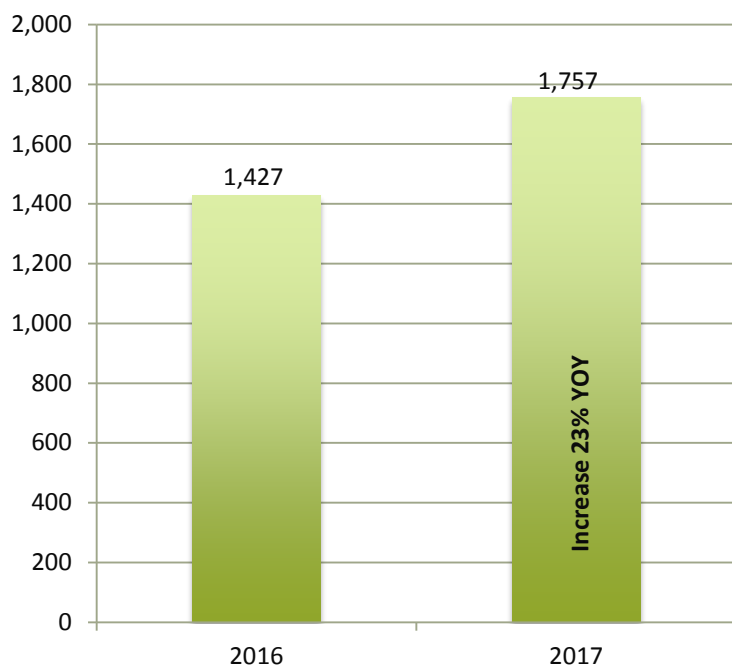
As of December 31, 2017



# New Home Deliveries – Q4 2017 Results

## New Home Deliveries

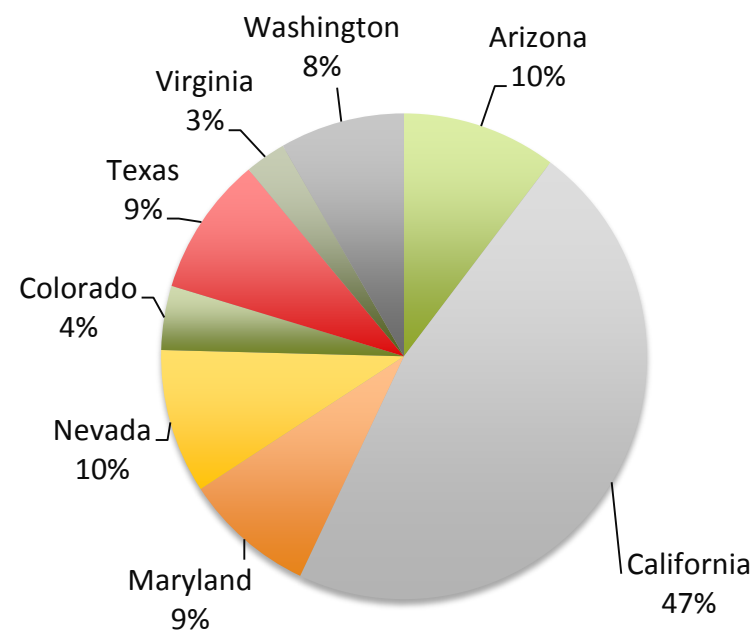
*As of and for the quarters ended December 31, 2016 and 2017*



83%      78%  
Backlog Conversion Ratio

## New Home Deliveries by State

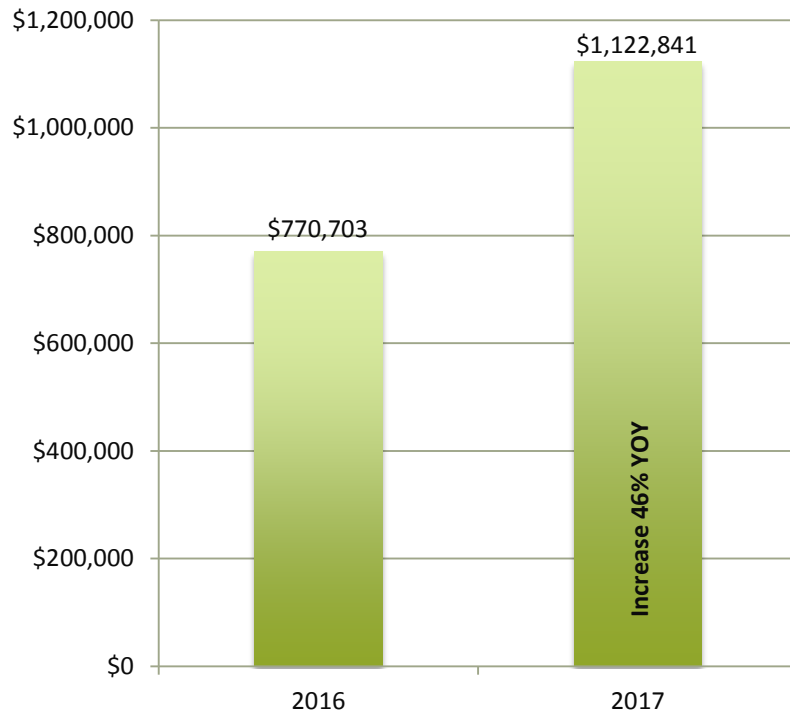
*For the quarter ended December 31, 2017*



# Home Sales Revenue – Q4 2017 Results

## Home Sales Revenue

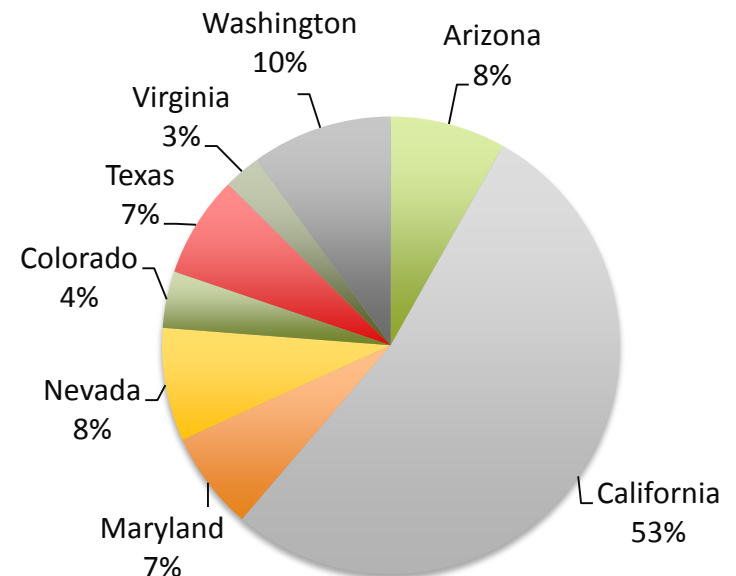
*For the quarters ended December 31, 2016 and 2017 (dollars in thousands)*



\$540K	\$639K
Average Sales Price of Deliveries	

## Home Sales Revenue by State

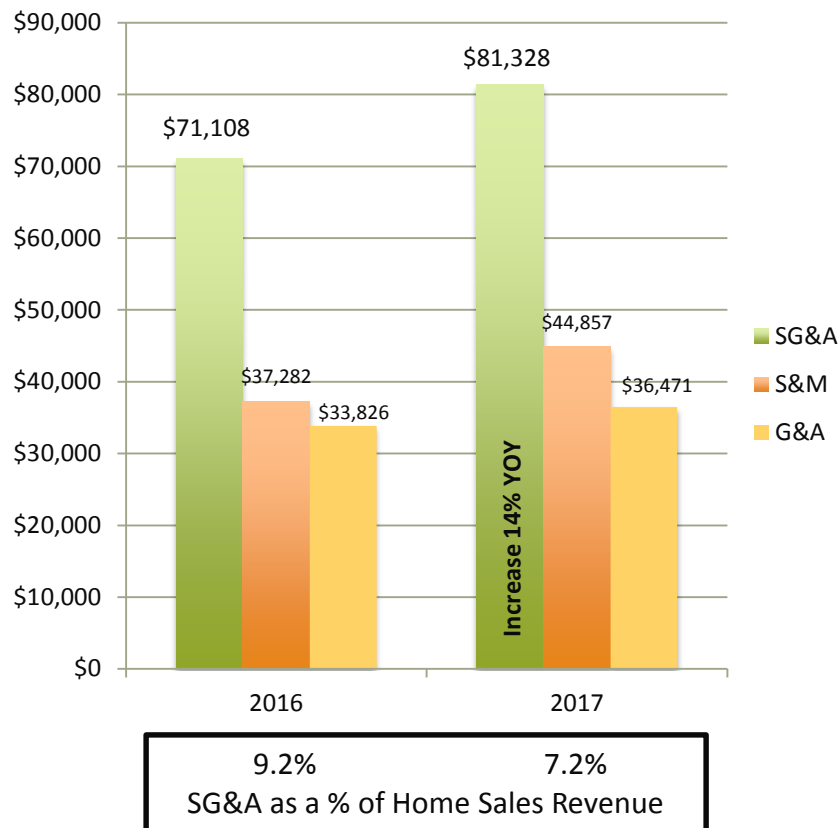
*For the quarter ended December 31, 2017*



# SG&A Expenses, Income before Taxes and Net Income – Q4 2017 Results

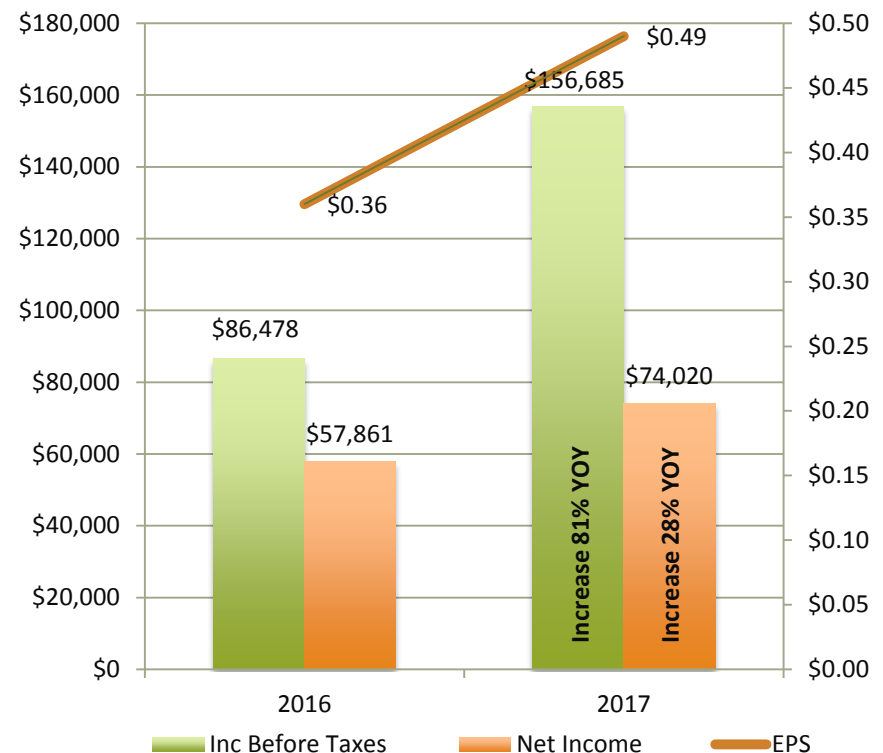
## Selling General and Administrative Expenses

For the quarters ended December 31, 2016 and 2017 (dollars in thousands)



## Income before Taxes, Net Income available to Common Stockholders and EPS (Diluted)

For the quarters ended December 31, 2016 and 2017 (dollars in thousands except EPS)



For the quarter ended December 31, 2017, adjusted net income available to common shareholders was \$107,403 or \$0.70 per diluted share (1)

(1) See "Reconciliation of Non-GAAP Measures" in the appendix of this presentation



## Orders, Deliveries and Absorption Rate year over year comparisons for the Fourth Quarter and Full Year 2017 by Segment

(Includes breakout by state for Pardee Homes and  
TRI Pointe Homes brands)

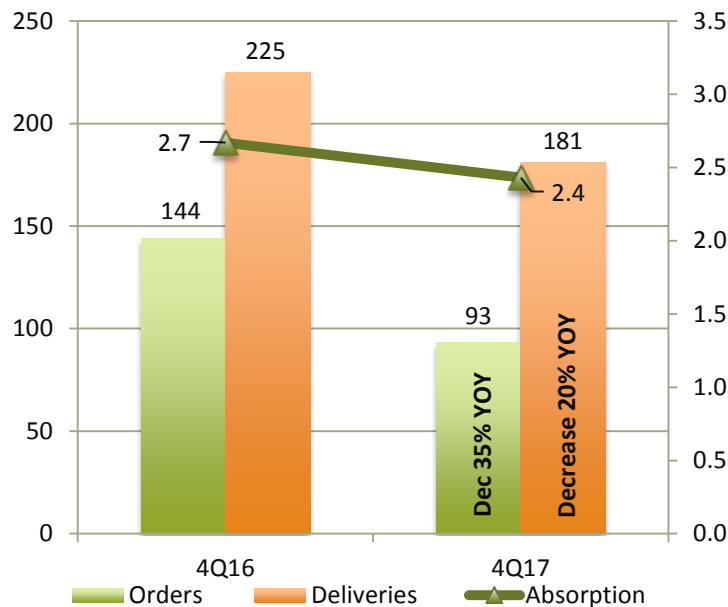


# Maracay Homes

Choices for the way you want to live.

## Orders, Deliveries and Absorption Rate

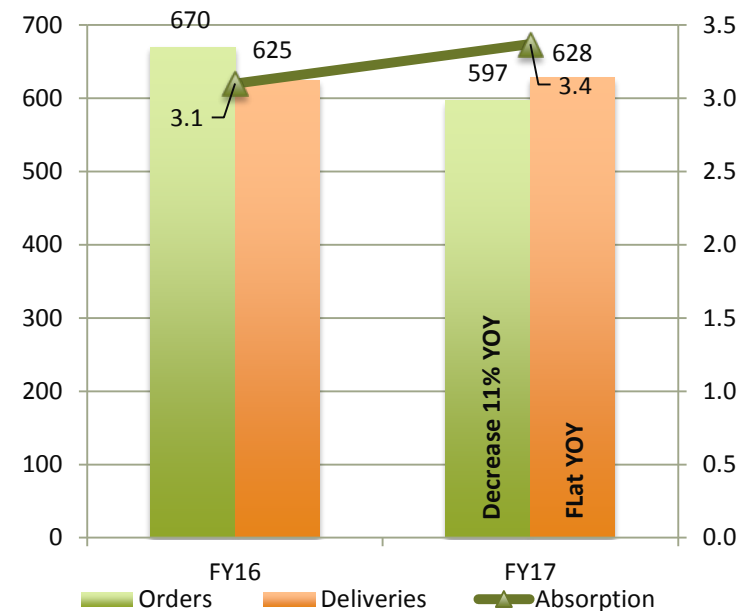
For the quarters ended December 31, 2016 and 2017



4Q16	4Q17
\$417K	\$507K
Average Sales Price of Deliveries	

## Orders, Deliveries and Absorption Rate

For the years ended December 31, 2016 and 2017



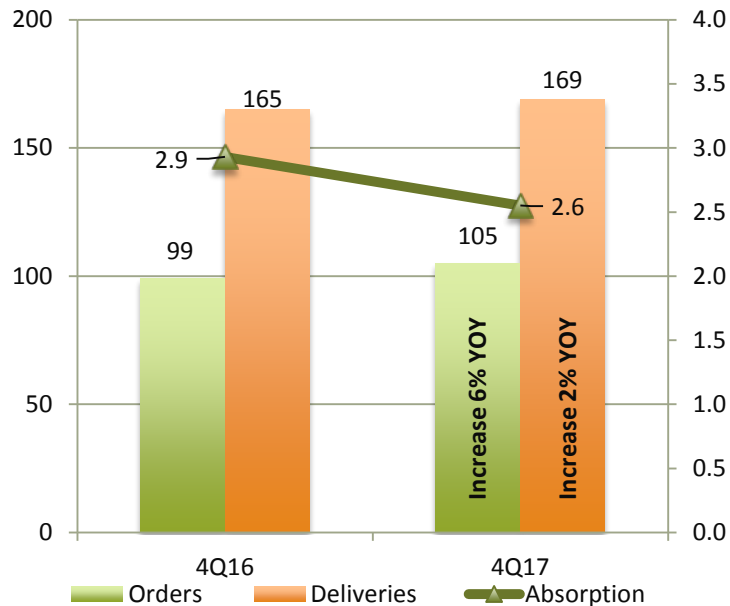
FY16	FY17
\$408K	\$473K
Average Sales Price of Deliveries	



## Nevada

### Orders, Deliveries and Absorption Rate

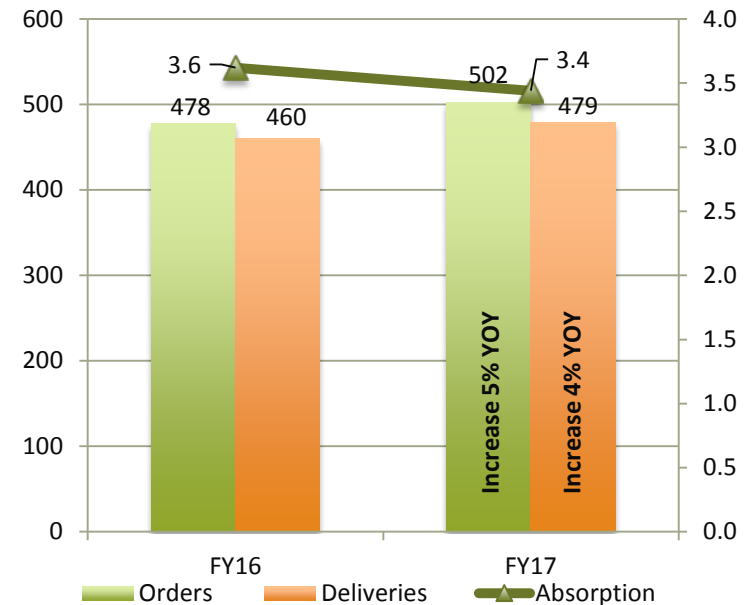
For the quarters ended December 31, 2016 and 2017



<b>4Q16</b>	<b>4Q17</b>
\$433K	\$531K
Average Sales Price of Deliveries	

### Orders, Deliveries and Absorption Rate

For the years ended December 31, 2016 and 2017



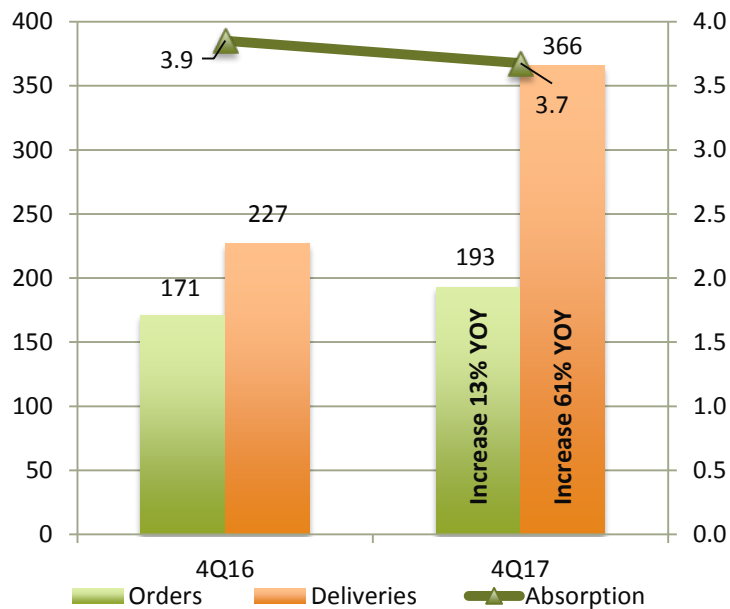
<b>FY16</b>	<b>FY17</b>
\$386K	\$456K
Average Sales Price of Deliveries	



## California

### Orders, Deliveries and Absorption Rate

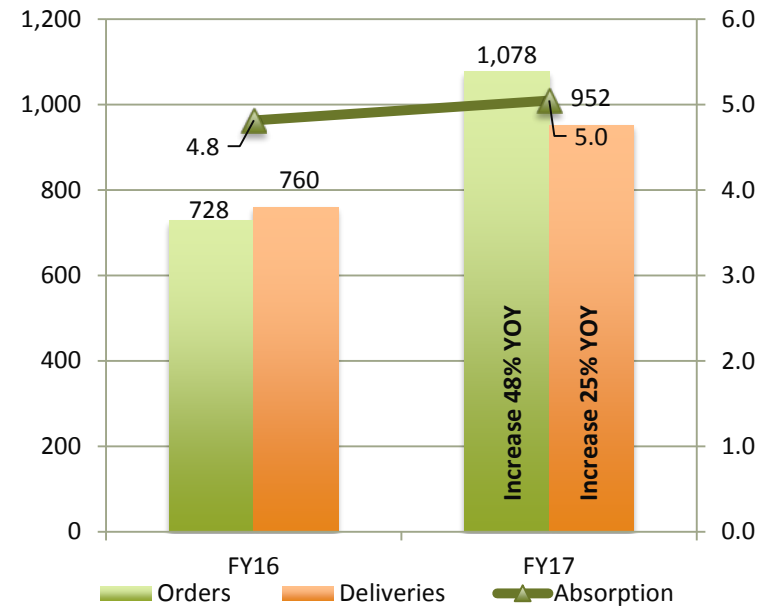
For the quarters ended December 31, 2016 and 2017



<b>4Q16</b>	<b>4Q17</b>
\$492K	\$650K
Average Sales Price of Deliveries	

### Orders, Deliveries and Absorption Rate

For the years ended December 31, 2016 and 2017

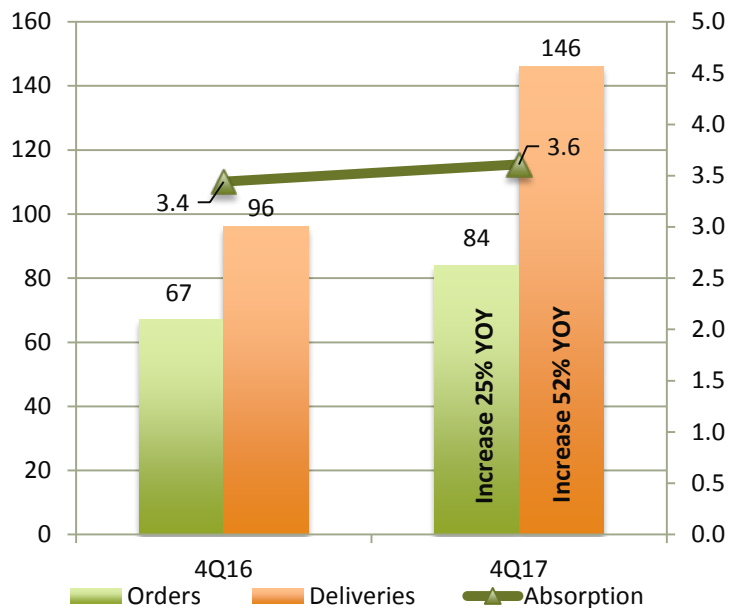


<b>FY16</b>	<b>FY17</b>
\$646K	\$565K
Average Sales Price of Deliveries	



## Orders, Deliveries and Absorption Rate

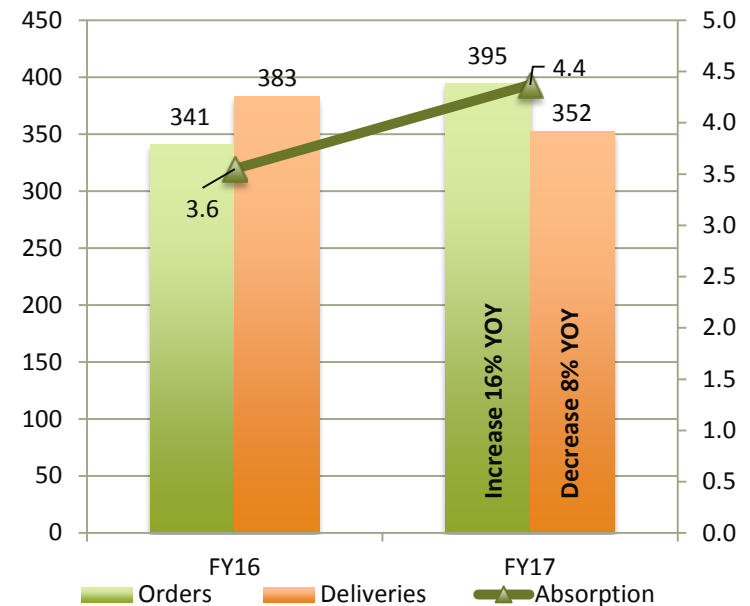
For the quarters ended December 31, 2016 and 2017



4Q16	4Q17
\$616K	\$765K
Average Sales Price of Deliveries	

## Orders, Deliveries and Absorption Rate

For the years ended December 31, 2016 and 2017



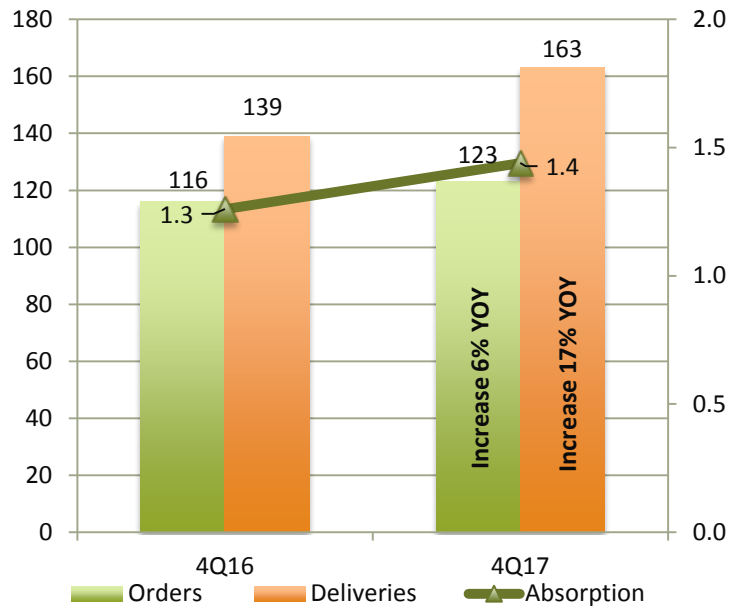
FY16	FY17
\$541K	\$697K
Average Sales Price of Deliveries	





## Orders, Deliveries and Absorption Rate

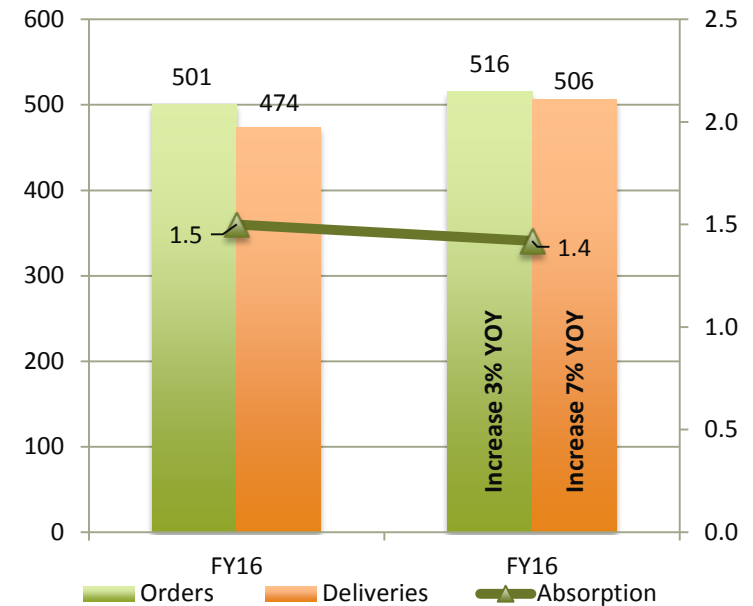
For the quarters ended December 31, 2016 and 2017



4Q16	4Q17
\$506K	\$496K
Average Sales Price of Deliveries	

## Orders, Deliveries and Absorption Rate

For the years ended December 31, 2016 and 2017



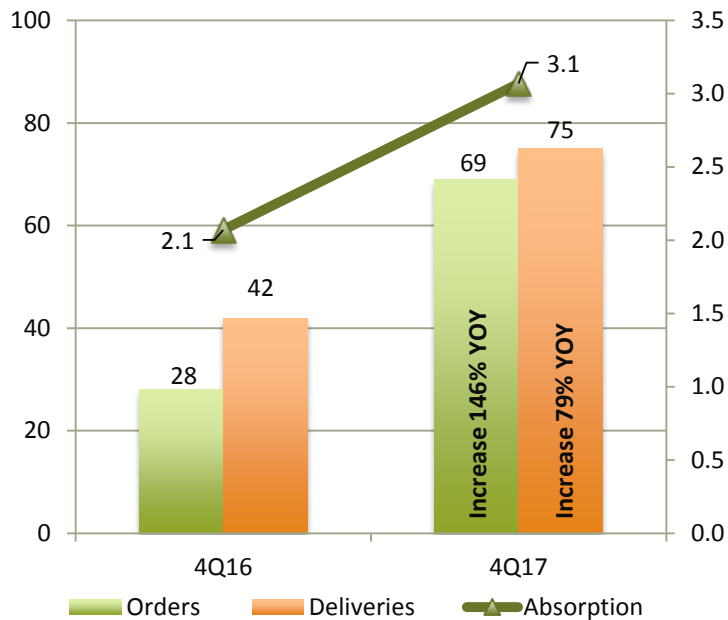
FY16	FY17
\$506K	\$494K
Average Sales Price of Deliveries	



## Colorado

### Orders, Deliveries and Absorption Rate

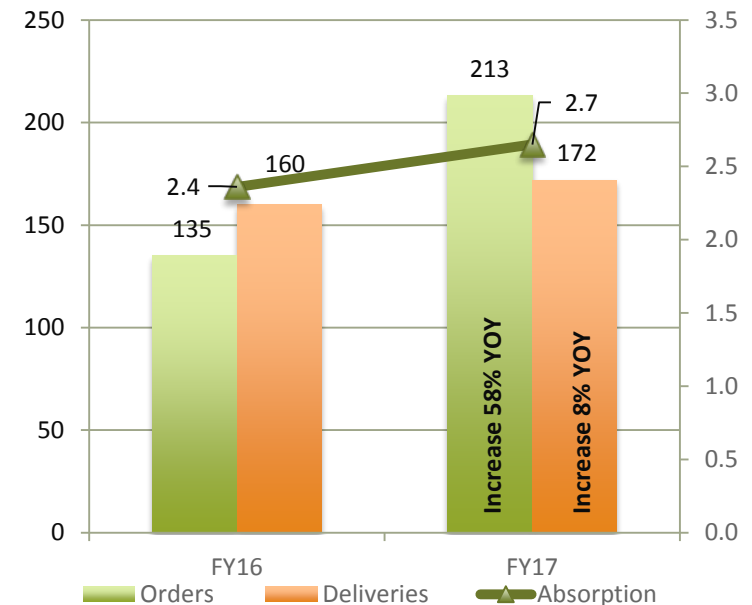
For the quarters ended December 31, 2016 and 2017



4Q16	4Q17
\$579K	\$600K
Average Sales Price of Deliveries	

### Orders, Deliveries and Absorption Rate

For the years ended December 31, 2016 and 2017



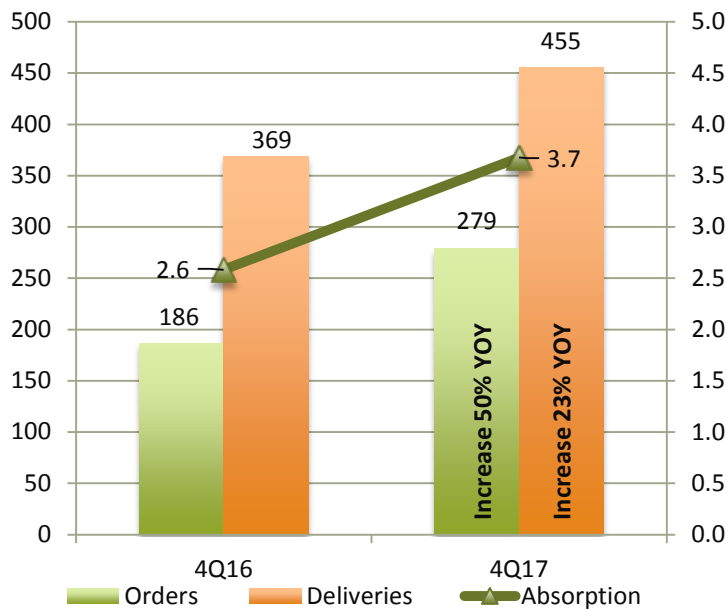
FY16	FY17
\$524K	\$596K
Average Sales Price of Deliveries	



## California

### Orders, Deliveries and Absorption Rate

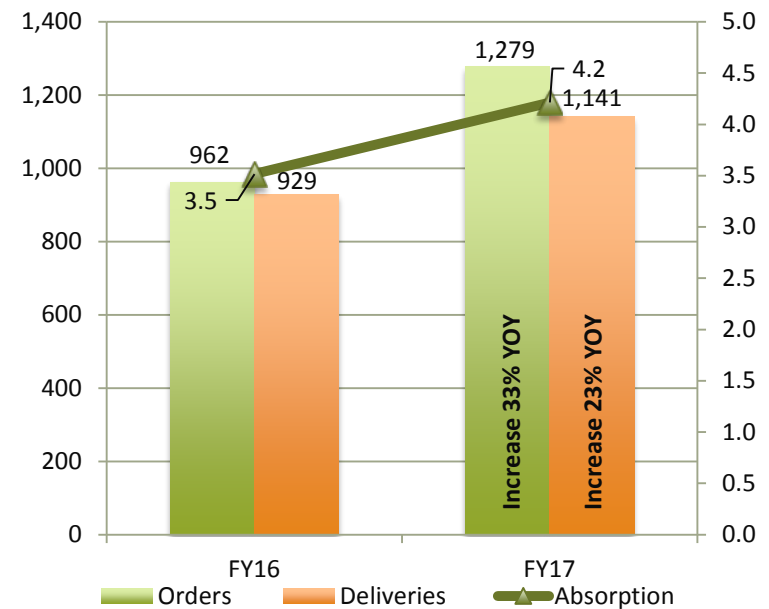
For the quarters ended December 31, 2016 and 2017



4Q16	4Q17
\$668K	\$787K
Average Sales Price of Deliveries	

### Orders, Deliveries and Absorption Rate

For the years ended December 31, 2016 and 2017

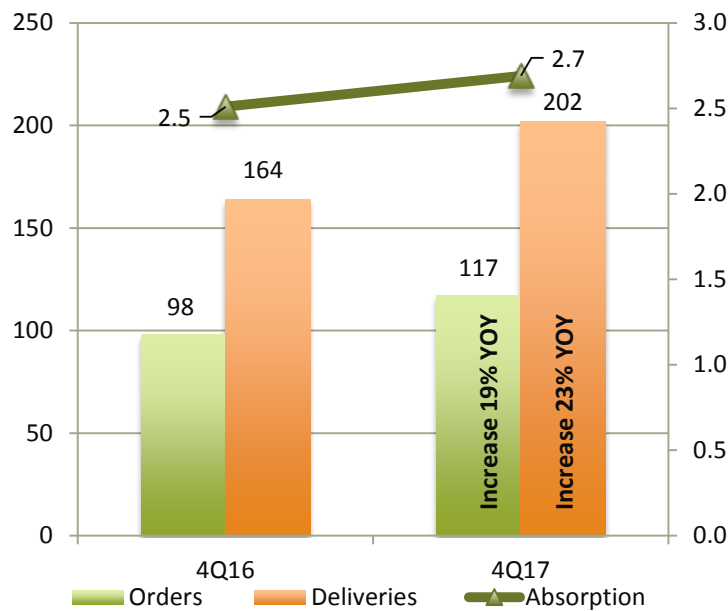


FY16	FY17
\$688K	\$723K
Average Sales Price of Deliveries	



## Orders, Deliveries and Absorption Rate

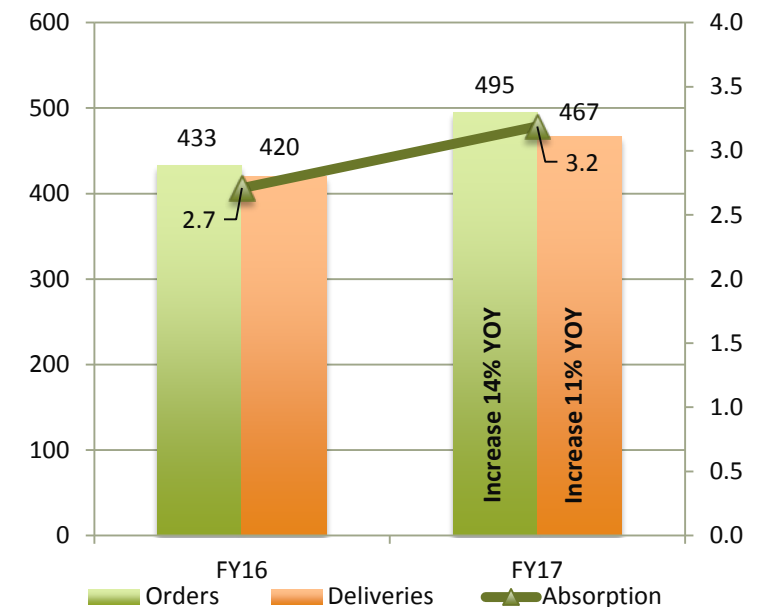
For the quarters ended December 31, 2016 and 2017



<b>4Q16</b>	<b>4Q17</b>
\$570K	\$532K
Average Sales Price of Deliveries	

## Orders, Deliveries and Absorption Rate

For the years ended December 31, 2016 and 2017



<b>FY16</b>	<b>FY17</b>
\$560K	\$549K
Average Sales Price of Deliveries	

# 2014–2017 Historical Results with 2018 Guidance Ranges

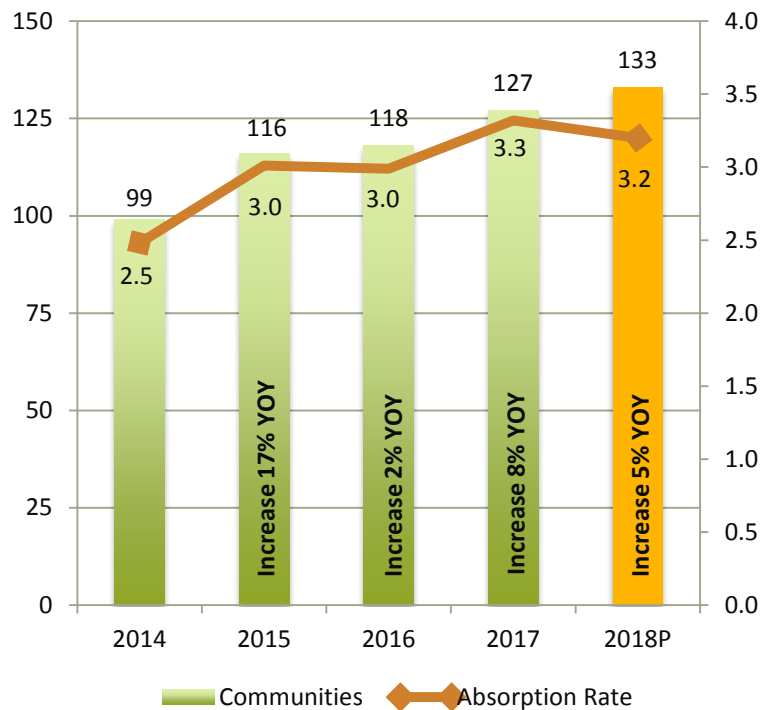




# Average Selling Communities and Absorption Rate **TRI POINTE®** G R O U P

## Average Selling Communities and Absorption Rate

As of and for the years ended December 31, 2014 through 2017 and 2018 projections

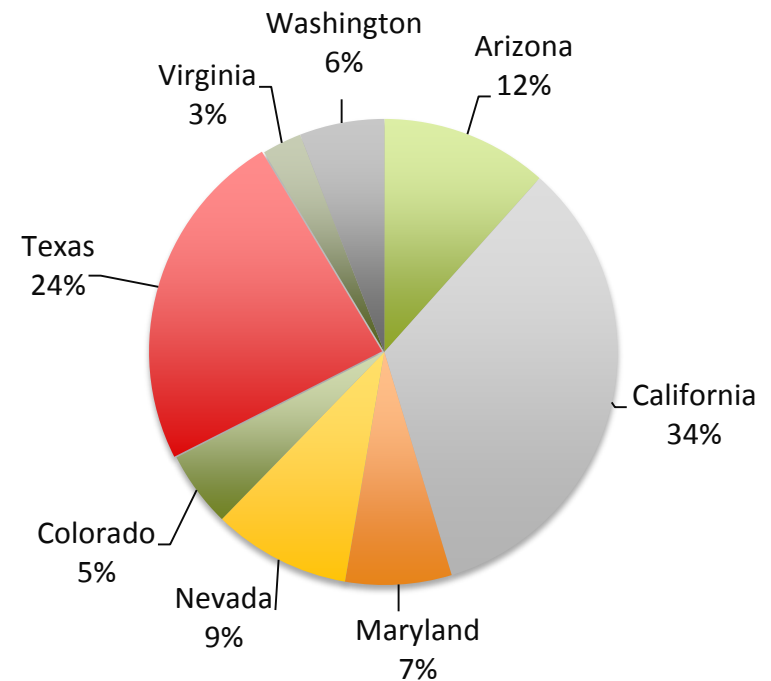


Opened 58 new communities and closed 52 in 2017  
Expect to open over 60 new communities in 2018

See Forward Looking Statement disclosure on page 2 of the presentation

## Average Selling Communities by State

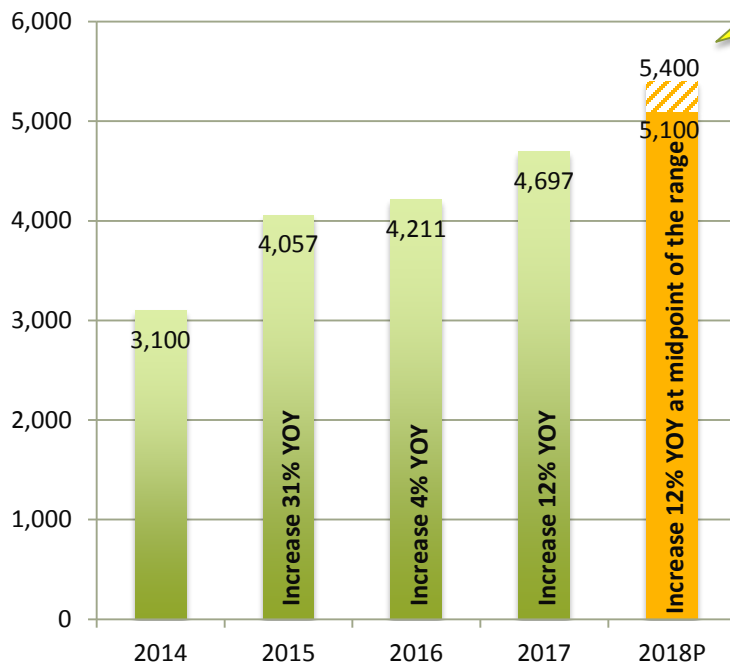
For the year ended December 31, 2017



# New Home Deliveries – FY 2014 through FY 2017

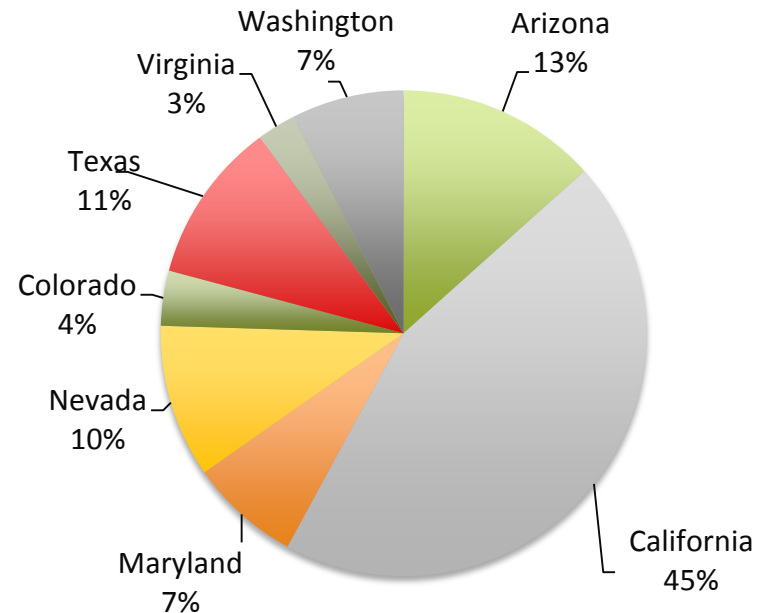
## New Home Deliveries

For the years ended December 31, 2014 through 2017 and 2018 projections



## New Home Deliveries by State

For the year ended December 31, 2017

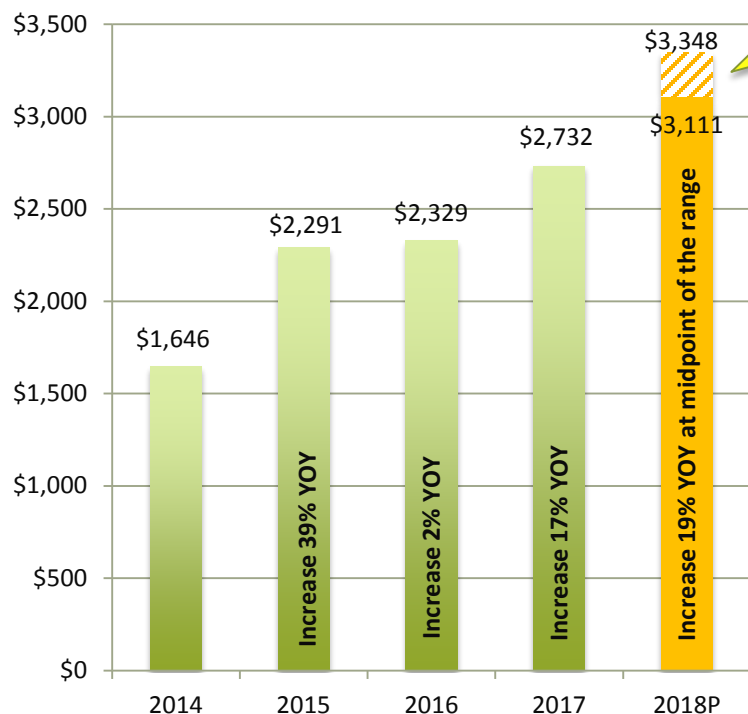


See Forward Looking Statement disclosure on page 2 of the presentation

# Home Sales Revenue – FY 2014 through FY 2017

## Home Sales Revenue

For the years ended December 31, 2014 through 2017 and 2018 projections  
(dollars in millions)

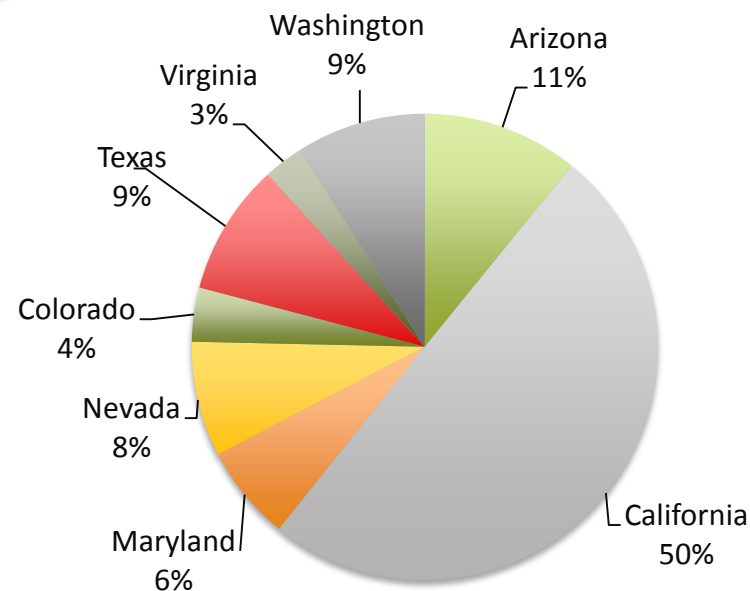


Guidance  
Range of  
Home Sales  
Revenue

\$531K   \$565K   \$553K   \$582K   \$610-620K  
Average Sales Price of Deliveries

## Home Sales Revenue by State

For the year ended December 31, 2017

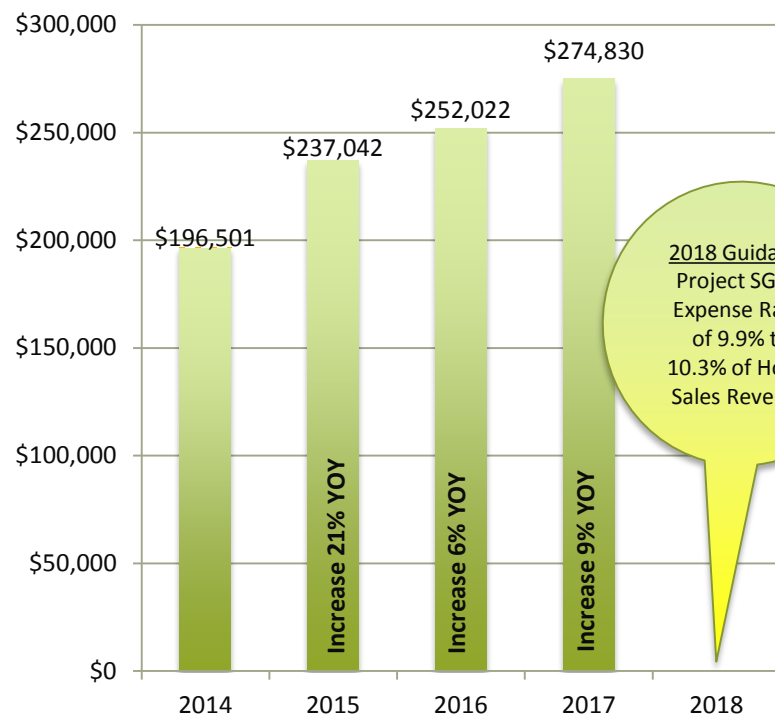


See Forward Looking Statement disclosure on page 2 of the presentation

# SG&A Expenses, Income before Taxes and Net Income – FY 2014 through FY 2017

## Selling, General and Administrative Expenses

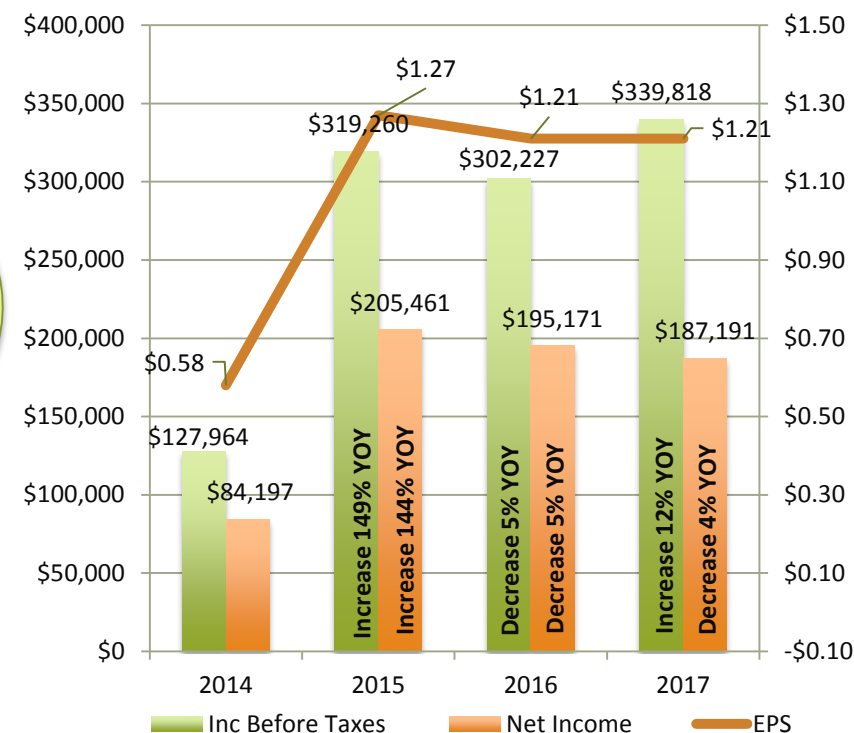
For the years ended December 31, 2014 through 2017 (dollars in thousands)



Year	2014	2015	2016	2017	2018 Guidance
SG&A as a % of Home Sales Revenue	11.9%	10.3%	10.8%	10.1%	9.9%-10.3%

## Income before Taxes, Net Income available to Common Stockholders and EPS (Diluted)

For the full years ended December 31, 2014 through 2017 (dollars in thousands except EPS)



For the year ended December 31, 2017, adjusted net income available to common shareholders was \$220.6 million or \$1.42 per diluted share (1)

(1) See "Reconciliation of Non-GAAP Measures" in the appendix of this presentation  
See Forward Looking Statement disclosure on page 2 of the presentation

## 2018 Outlook





## Full Year 2018 Outlook

- Expect to grow average selling communities by 5% for the full year
- Anticipate delivering between 5,100 and 5,400 homes at an average sales price of approximately \$610,000
- Anticipate homebuilding gross margin for the full year in a range of 20.5% to 21.5%
- Anticipate SG&A expense ratio for the full year to be in a range of 9.9% to 10.3% of home sales revenue
- Anticipate effective tax rate to be in a range of 25% to 26%

## First Quarter 2018 Outlook

- Expect to open 8 new communities and close out of 11, resulting in 127 active selling communities as of March 31, 2018
- Anticipate delivering approximately 55% of the 1,571 homes in backlog as of December 31, 2017 at an average sales price range of \$630,000 to \$640,000
- Anticipate homebuilding gross margin for the first quarter in a range of 21.5% to 22.5%
- Anticipate SG&A expense ratio for the first quarter to be in a range of 13.0% to 13.5% of home sales revenue

Land Supply

Orders by Month

Debt



# Significant Land Supply to Fuel Growth

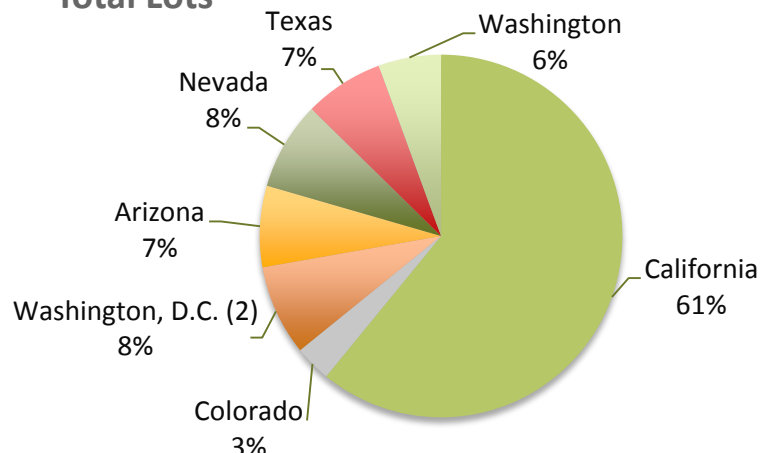
## Combined Lot Position

As of December 31, 2017

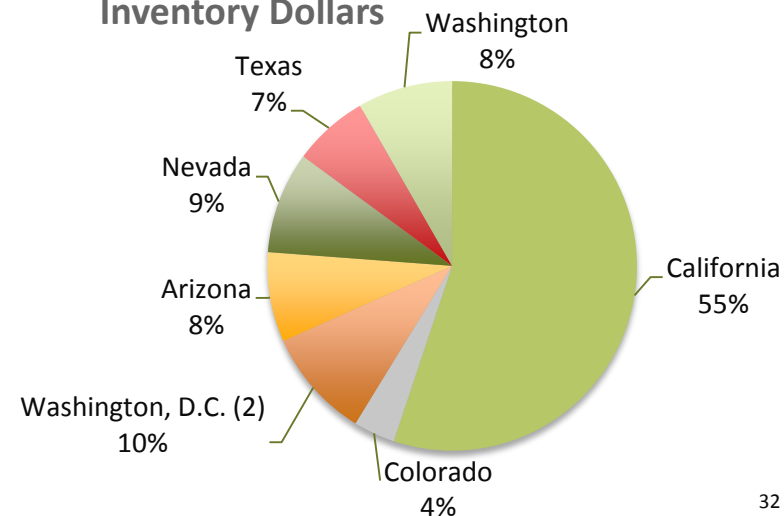
Note: Dollars in thousands

Market	Owned	Controlled (3)	Total Lots	% Owned	Inventory Dollars	LTM Deliveries	Implied Years of Supply <sup>(1)</sup>
California	15,316	976	16,292	94%	\$1,711,806	2,093	7.8
Colorado	644	98	742	87%	\$112,936	172	4.3
Washington, D.C. <sup>(2)</sup>	1,597	507	2,104	76%	\$297,471	467	4.5
Arizona	1,950	569	2,519	77%	\$243,882	628	4.0
Nevada	1,855	219	2,074	89%	\$276,643	479	4.3
Texas	1,508	347	1,855	81%	\$204,926	506	3.7
Washington	1,070	656	1,726	62%	\$257,887	352	4.9
<b>Total</b>	<b>23,940</b>	<b>3,372</b>	<b>27,312</b>	<b>88%</b>	<b>\$3,105,553</b>	<b>4,697</b>	<b>5.8</b>

### Total Lots



### Inventory Dollars

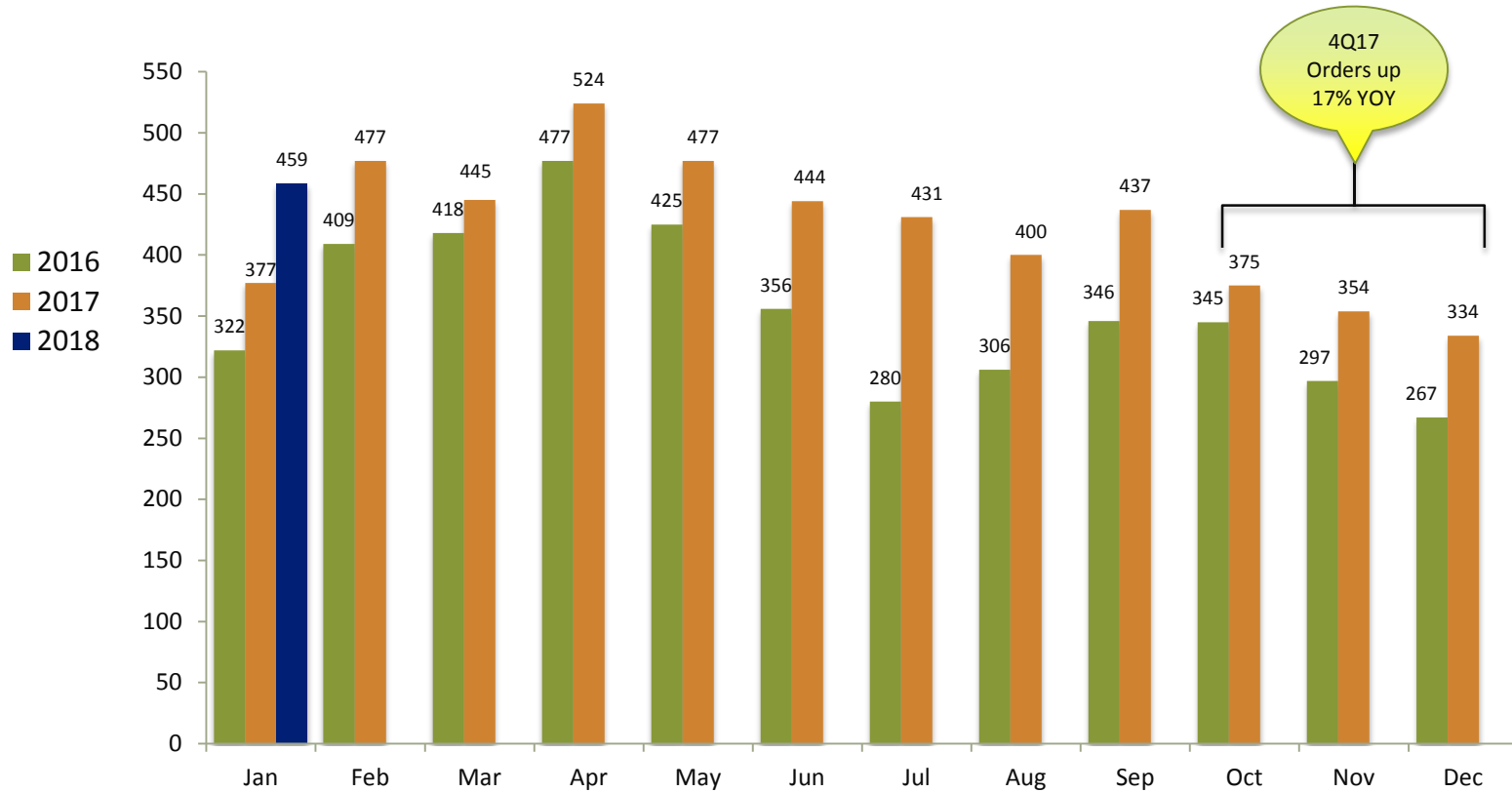


(1) Based on last twelve months' deliveries as of December 31, 2017

(2) Includes lots in the greater Washington D.C. area.

(3) Lots controlled include lots that are under land option contracts or purchase contracts

# New Home Orders – Historical by Month



2018 - 3.54

2017 - 3.03    3.74    3.53    4.26    3.77    3.40    3.29    3.07    3.40    2.95    2.80    2.61

2016 - 2.98    3.57    3.45    3.89    3.60    3.06    2.41    2.59    2.84    2.83    2.43    2.16

Absorption Rate = Orders per Month per Community

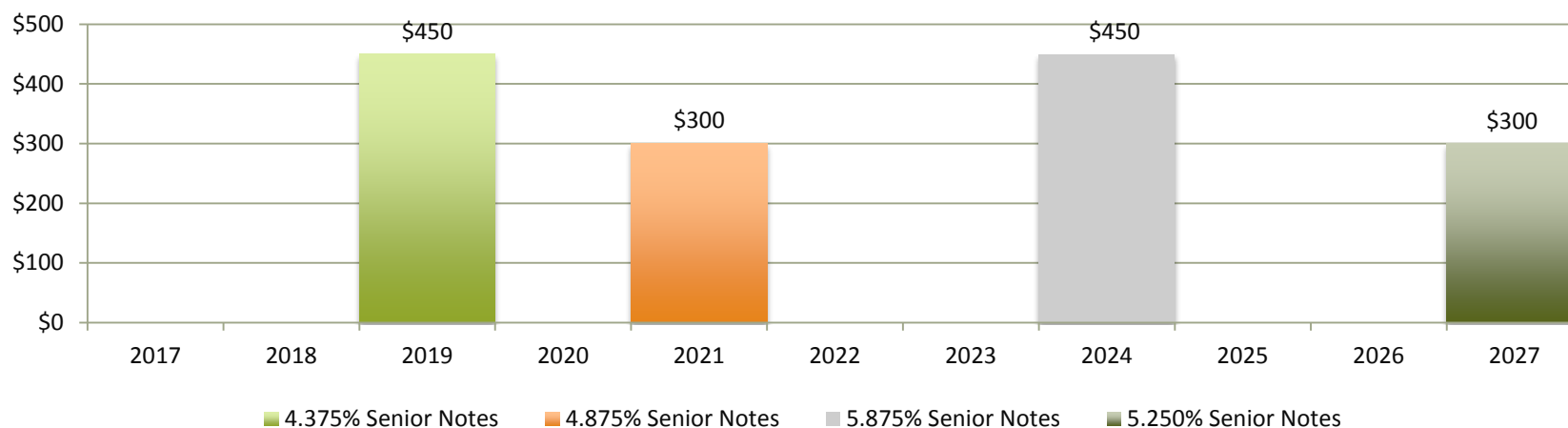
# Selected Balance Sheet Metrics

## Selected Balance Sheet Metrics

\$ in thousands	12/31/2017	12/31/2016
Cash and cash equivalents	\$ 282,914	\$ 208,657
Real estate inventories	\$ 3,105,553	\$ 2,910,627
Total Debt	\$ 1,471,302	\$ 1,382,033
Total Stockholders' equity	\$ 1,929,722	\$ 1,829,447
Debt-to-capital	43.3%	43.0%
Net debt-to-net capital <sup>(1)</sup>	38.1%	39.1%

- During the quarter, the Company paid down its unsecured revolving credit facility to \$0.

## Senior Note Debt Maturities (in millions)



<sup>(1)</sup> See "Reconciliation of Non-GAAP Measures" in the appendix of this presentation



## Supplemental Data and Reconciliation





# Reconciliation of Non-GAAP Financial Measures (unaudited)



In this presentation, we utilize certain financial measures that are non-GAAP financial measures as defined by the Securities and Exchange Commission. We present these measures because we believe they and similar measures are useful to management and investors in evaluating the Company's operating performance and financing structure. We also believe these measures facilitate the comparison of our operating performance and financing structure with other companies in our industry. Because these measures are not calculated in accordance with Generally Accepted Accounting Principles ("GAAP"), they may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as a substitute for, or superior to, financial measures prepared in accordance with GAAP.

The following tables reconcile homebuilding gross margin percentage, as reported and prepared in accordance with GAAP, to the non-GAAP measure adjusted homebuilding gross margin percentage. We believe this information is meaningful as it isolates the impact that leverage has on homebuilding gross margin and permits investors to make better comparisons with our competitors, who adjust gross margins in a similar fashion.

	Three Months Ended December 31,			
	2017	%	2016	%
	(dollars in thousands)			
Home sales revenue	\$ 1,122,841	100.0%	\$ 770,703	100.0%
Cost of home sales	878,688	78.3%	616,767	80.0%
Homebuilding gross margin	244,153	21.7%	153,936	20.0%
Add: interest in cost of home sales	26,387	2.4%	16,458	2.1%
Add: impairments and lot option abandonments	851	0.1%	792	0.1%
Adjusted homebuilding gross margin	\$ 271,391	24.2%	\$ 171,186	22.2%
Homebuilding gross margin percentage	21.7%		20.0%	
Adjusted homebuilding gross margin percentage	24.2%		22.2%	

# Reconciliation of Non-GAAP Financial Measures (cont'd)(unaudited)

	Year Ended December 31,			
	2017	%	2016	%
	(dollars in thousands)			
Home sales revenue	\$ 2,732,299	100.0%	\$ 2,329,336	100.0%
Cost of home sales	2,173,251	79.5%	1,836,327	78.8%
Homebuilding gross margin	559,048	20.5%	493,009	21.2%
Add: interest in cost of home sales	64,835	2.4%	51,111	2.2%
Add: impairments and lot option abandonments	2,020	0.1%	1,470	0.1%
Adjusted homebuilding gross margin	\$ 625,903	22.9%	\$ 545,590	23.4%
Homebuilding gross margin percentage	20.5%		21.2%	
Adjusted homebuilding gross margin percentage	22.9%		23.4%	

# Reconciliation of Non-GAAP Financial Measures (cont'd)(unaudited)

The following table reconciles the Company's ratio of debt-to-capital to the ratio of net debt-to-net capital. We believe that the ratio of net debt-to-net capital is a relevant financial measure for management and investors to understand the leverage employed in our operations and as an indicator of the Company's ability to obtain financing.

	December 31, 2017	December 31, 2016
Unsecured revolving credit facility	\$ —	\$ 200,000
Seller financed loans	—	13,726
Senior notes	1,471,302	1,168,307
Total debt	1,471,302	1,382,033
Stockholders' equity	1,929,722	1,829,447
Total capital	\$ 3,401,024	\$ 3,211,480
Ratio of debt-to-capital <sup>(1)</sup>	43.3%	43.0%
Total debt	\$ 1,471,302	\$ 1,382,033
Less: Cash and cash equivalents	(282,914)	(208,657)
Net debt	1,188,388	1,173,376
Stockholders' equity	1,929,722	1,829,447
Net capital	\$ 3,118,110	\$ 3,002,823
Ratio of net debt-to-net capital <sup>(2)</sup>	38.1%	39.1%

<sup>(1)</sup> The ratio of debt-to-capital is computed as the quotient obtained by dividing debt by the sum of debt plus equity.

<sup>(2)</sup> The ratio of net debt-to-net capital is computed as the quotient obtained by dividing net debt (which is debt less cash and cash equivalents) by the sum of net debt plus equity.

# Reconciliation of Non-GAAP Financial Measures (cont'd)(unaudited)

The following table contains information about our operating results reflecting certain adjustments to income before income taxes, (provision) benefit for income taxes, net income, net income available to common stockholders and earnings per share (diluted). We believe reflecting these adjustments is useful to investors in understanding our recurring operations by eliminating the varying effects of certain non-routine events, and may be helpful in comparing the Company to other homebuilders to the extent they provide similar information.

	Three Months Ended December 31, 2017			Year Ended December 31, 2017		
	As Reported	Adjustments	Adjusted	As Reported	Adjustments	Adjusted
	(in thousands)					
<b>Income before income taxes</b>	156,685	13,182 <sup>(1)</sup>	169,867	339,818	13,182 <sup>(1)</sup>	353,000
(Provision) benefit for income taxes	(82,443)	20,201 <sup>(2)</sup>	(62,242)	(152,267)	20,201 <sup>(2)</sup>	(132,066)
Net income	74,242	33,383	107,625	187,551	33,383	220,934
Net income attributable to noncontrolling	(222)	—	(222)	(360)	—	(360)
Net income available to common stockholders	<u>\$ 74,020</u>	<u>\$ 33,383</u>	<u>\$ 107,403</u>	<u>\$ 187,191</u>	<u>\$ 33,383</u>	<u>\$ 220,574</u>
Earnings per share						
Diluted	\$ 0.49		\$ 0.70	\$ 1.21		\$ 1.42
Weighted average shares outstanding						
Diluted	152,568		152,568	155,085		155,085
Effective tax rate	52.6%		36.6%	44.8%		37.4%

<sup>(1)</sup> Includes a charge related to the impairment of an investment in an unconsolidated entity.

<sup>(2)</sup> Includes a tax charge related to the re-measurement of the Company's net deferred tax assets as a result of the Tax Cuts and Jobs Act enacted in the fourth quarter of 2017, net of the impact of the charge related to the impairment of an investment in an unconsolidated entity.