NEWS RELEASE

KB Home Reports 2024 First Quarter Results

3/20/2024

Revenues Grew 6% to $1.47 Billion; Diluted Earnings Per Share Increased 21% to $1.76

Net Orders Up 55%; Net Order Value Increased 58% to $1.58 Billion

Repurchased $50 Million of Common Stock

LOS ANGELES--(BUSINESS WIRE)-- KB Home (NYSE: KBH) today reported results for its first quarter ended February 29, 2024.

"Fiscal 2024 is off to a strong start, as we generated solid results in our first quarter that were either at or above the high end of our guidance ranges. Market conditions have improved since the end of our 2023 fiscal year, contributing to the significant year-over-year increase in our net orders for the quarter," said Jeffrey Mezger, Chairman and Chief Executive Officer. "This positive momentum in demand has continued in our 2024 second quarter to date, and we believe we are well-positioned to capitalize on it given our commitment to offering all homebuyers the ability to personalize their home, our well-designed products and attractive price points, as well as our expanding community count."

"With a healthy balance sheet and strong cash flow, we continue to prioritize investing in land acquisition and development, as well as returning capital to our stockholders. In the 2024 first quarter, we increased our investments in land and land development and continued to repurchase our common stock. While positioning the Company for growth, we also intend to make additional share repurchases in 2024, as we remain focused on creating long-term stockholder value," concluded Mezger.

Three Months Ended February 29, 2024 (comparisons on a year-over-year basis)

- Revenues up 6% to $1.47 billion.
- Homes delivered increased 9% to 3,037.
- Average selling price was $480,100, compared to $494,500.
- Homebuilding operating income totaled $157.7 million, up slightly from $156.5 million. The homebuilding operating income margin was 10.8%, compared to 11.4%. Excluding total inventory-related charges of $1.3 million for the current quarter and $5.3 million for the year-earlier quarter, the homebuilding operating income margin was 10.9%, compared to 11.7%.
    - The housing gross profit margin of 21.5% was even with the year-earlier quarter. Excluding the above-mentioned inventory-related charges, the housing gross profit margin was 21.6%, compared to 21.8%.
    - Selling, general and administrative expenses as a percentage of housing revenues were 10.8%, compared to 10.1%, mainly reflecting higher costs including marketing, advertising and other expenses associated with the planned increase in our community count during the year as we position our operations for growth.
- Financial services pretax income rose to $11.6 million from $6.0 million, primarily due to increased equity in income of the Company's mortgage banking joint venture. This was largely driven by a higher volume of both interest rate locks and loan originations, as more homes were delivered in the current period and 85% of the buyers financing their home purchases used the joint venture, up from 79%.
- Net income increased 10% to $138.7 million. Diluted earnings per share grew 21% to $1.76, reflecting the favorable impact of the Company's common stock repurchases over the past several quarters.
    - The effective tax rate was 20.6%, compared to 22.6%, largely due to an increase in tax benefits related to stock-based compensation in the current period.

Backlog and Net Orders (comparisons on a year-over-year basis, except as noted)

- Net orders grew 55% to 3,323 due to improved demand and a lower cancellation rate as compared to the year-earlier quarter. Net order value rose 58% to $1.58 billion, reflecting the growth in net orders and a higher average selling price of those orders.
    - Monthly net orders per community increased to 4.6 from 2.8.
    - Gross orders were up 15% to 3,873, and the cancellation rate as a percentage of gross orders improved to 14%, compared to 36%.
- The number of homes in the Company's ending backlog totaled 5,796, compared to 7,016. Ending backlog value was $2.79 billion, compared to $3.31 billion. Ending backlog homes and value each increased 5% from

the previous quarter.

- The Company's average community count was down 4% to 240, and ending community count decreased 7% to 238. On a sequential basis, the average community count expanded 2%.

Balance Sheet as of February 29, 2024 (comparisons to November 30, 2023, except as noted)

- The Company had total liquidity of $1.75 billion, including $668.1 million of cash and cash equivalents and $1.08 billion of available capacity under its unsecured revolving credit facility, with no cash borrowings outstanding.
- Inventories totaled $5.24 billion, up 2%.
  - The Company's total investments in land and land development of $587.1 million increased 60% from the year-earlier quarter.
  - The Company's lots owned or under contract totaled 55,509, of which approximately 72% were owned and 28% were under contract.
- Notes payable of $1.69 billion were essentially unchanged. The Company's debt to capital ratio improved 30 basis points to 30.4%, compared to 30.7%. On a year-over-year basis, the debt to capital ratio improved 220 basis points from 32.6%.
- Stockholders' equity increased to $3.88 billion, compared to $3.81 billion, mainly reflecting net income, partly offset by common stock repurchases and cash dividends.
  - In the 2024 first quarter, the Company repurchased 826,663 shares of its outstanding common stock at a total cost of $50.0 million. As of February 29, 2024, the Company had $113.6 million remaining under its current common stock repurchase authorization.
  - Based on the Company's 75.9 million outstanding shares as of February 29, 2024, book value per share of $51.14 increased 14% year over year.

Guidance

The Company is providing the following guidance for its 2024 full year:

- Housing revenues in the range of $6.50 billion to $6.90 billion.
- Average selling price in the range of $480,000 to $490,000.
- Homebuilding operating income as a percentage of revenues in the range of 10.9% to 11.3%, assuming no inventory-related charges.
  - Housing gross profit margin in the range of 21.0% to 21.4%, assuming no inventory-related charges.
  - Selling, general and administrative expenses as a percentage of housing revenues of approximately 10.2%.
- Effective tax rate of approximately 23.0%.

- Ending community count of about 260, up 7% year over year.

The Company plans to also provide guidance for its 2024 second quarter on its conference call today.

Conference Call

The conference call to discuss the Company's 2024 first quarter earnings will be broadcast live TODAY at 2:00 p.m. Pacific Time, 5:00 p.m. Eastern Time. To listen, please go to the Investor Relations section of the Company's website at **kbhome.com**.

About KB Home

KB Home is one of the largest and most trusted homebuilders in the United States. We operate in 47 markets, have built over 680,000 quality homes in our more than 65-year history, and are honored to be the #1 customer-ranked national homebuilder based on third-party buyer surveys. What sets KB Home apart is building strong, personal relationships with every customer and creating an exceptional homebuying experience that offers our homebuyers the ability to personalize their home based on what they value at a price they can afford. As the industry leader in sustainability, KB Home has achieved one of the highest residential energy-efficiency ratings and delivered more ENERGY STAR® certified homes than any other builder, helping to lower the total cost of homeownership. For more information, visit **kbhome.com**.

Forward-Looking and Cautionary Statements

Certain matters discussed in this press release, including any statements that are predictive in nature or concern future market and economic conditions, business and prospects, our future financial and operational performance, or our future actions and their expected results are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current expectations and projections about future events and are not guarantees of future performance. We do not have a specific policy or intent of updating or revising forward-looking statements. If we update or revise any such statement(s), no assumption should be made that we will further update or revise that statement(s) or update or revise any other such statement(s). Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The most important risk factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to the following: general economic, employment and business conditions; population growth, household formations and demographic trends; conditions in the capital, credit and financial markets; our ability to access external financing sources and raise capital through the issuance of common stock, debt or other securities, and/or project financing, on favorable terms; the execution of any securities repurchases pursuant to our board of directors' authorization; material and trade costs and availability, including building materials and appliances, and delays related to state and municipal construction, permitting, inspection and utility processes, which have been disrupted by key equipment shortages; consumer and producer price inflation; changes in interest rates, including those set by the Federal Reserve, which the Federal Reserve has increased sharply over the past two years and may further increase to moderate inflation, and those available in the capital markets or from financial institutions and other lenders, and applicable to mortgage loans; our debt level, including our ratio of debt to capital, and our ability to adjust our debt level and maturity schedule; our compliance with the terms of our revolving credit facility and our senior unsecured term loan; the ability and willingness of the applicable lenders and financial institutions, or any substitute or additional lenders and financial institutions, to meet their commitments or fund borrowings, extend credit or provide payment guarantees to or for us under our revolving credit facility or unsecured letter of credit facility; volatility in the market price of our common stock; home selling prices, including our homes' selling prices, being unaffordable relative to consumer incomes; weak or declining consumer confidence, either generally or specifically with respect to purchasing homes; competition from other sellers of new and resale homes; weather events, significant natural disasters and other climate and environmental factors, such as a lack of adequate water supply to permit new home communities in certain areas; any failure of lawmakers to agree on a budget or appropriation legislation to fund the federal government's operations (also known as a government shutdown), and financial markets' and businesses' reactions to any such failure; government actions, policies, programs and regulations directed at or affecting the housing market (including the tax benefits associated with purchasing and owning a home, and the standards, fees and size limits applicable to the purchase or insuring of mortgage loans by government-sponsored enterprises and government agencies), the homebuilding industry, or construction activities; changes in existing tax laws or enacted corporate income tax rates, including those resulting from regulatory guidance and interpretations issued with respect thereto, such as the Internal Revenue Service's recent guidance regarding heightened qualification requirements for federal tax credits for building energy-efficient homes; changes in U.S. trade policies, including the imposition of tariffs and duties on homebuilding materials and products, and related trade disputes with and retaliatory measures taken by other countries; disruptions in world and regional trade flows, economic activity and supply chains due to the military conflict and other attacks in the Middle East region and military conflict in Ukraine, including those stemming from wide-ranging sanctions the U.S. and other countries have imposed or may further impose on Russian business sectors, financial organizations, individuals and raw materials, the impact of which may, among other things, increase our operational costs, exacerbate building materials and appliance shortages and/or reduce our revenues and earnings; the adoption of new or amended financial accounting standards and the guidance and/or interpretations with respect thereto; the availability and cost of land in desirable areas and our ability to timely and efficiently develop acquired land parcels and open new home communities; impairment, land option contract abandonment or other inventory-related charges, including any stemming from decreases in the value of our land assets; our warranty claims experience with respect to homes previously delivered and actual warranty costs incurred; costs and/or charges arising from regulatory compliance requirements, including the costs to implement recent federal and state climate-related disclosure rules, or from legal, arbitral or regulatory proceedings, investigations, claims or settlements, including unfavorable outcomes in any such matters resulting in actual or potential monetary damage awards, penalties, fines or other direct or indirect payments, or injunctions, consent decrees or other voluntary or involuntary restrictions or adjustments to our business operations or practices that are beyond our current expectations and/or accruals; our ability to use/realize the net deferred tax assets we have generated; our ability to successfully implement our current and planned strategies and initiatives related to our product, geographic and market positioning, gaining share and scale in our served markets and in entering into new markets; our operational and investment concentration in markets in California; consumer interest in our new home communities and products, particularly from first-time homebuyers and higher-income consumers; our ability to generate orders and convert our backlog of orders to home deliveries and revenues, particularly in key markets in California; our ability to successfully implement our business strategies and achieve any associated financial and operational targets and objectives, including those discussed in this release or in any of our other public filings, presentations or disclosures; income tax expense volatility associated with stock-based compensation; the ability of our homebuyers to obtain homeowners and flood insurance policies, and/or typical or lender-required policies for other hazards or events, for their homes, which may depend on the ability and willingness of insurers or government-funded or -sponsored programs to offer coverage at an affordable price or at all; the ability of our homebuyers to obtain residential mortgage loans and mortgage banking services, which may depend on the ability and willingness of lenders and financial institutions to offer such loans and services to our homebuyers; the performance of mortgage lenders to our homebuyers; the performance of KBHS Home Loans, LLC (“KBHS”); the ability and willingness of lenders and financial institutions to extend credit facilities to KBHS to fund its originated mortgage loans; information technology failures and data security breaches; an epidemic, pandemic or significant seasonal or other disease outbreak, and the control response measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities implement to address it, which may precipitate or exacerbate one or more of the above-mentioned and/or other risks, and significantly disrupt or prevent us from operating our business in the ordinary course for an extended period; widespread protests and/or civil unrest, whether due to political events, social movements or other reasons; and other events outside of our control. Please see our periodic reports and other filings with the Securities and Exchange Commission for a further discussion of these and other risks and uncertainties applicable to our business.

KB HOME
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended February 29, 2024 and February 28, 2023
(In Thousands, Except Per Share Amounts – Unaudited)

	Three Months Ended	
	February 29, 2024	February 28, 2023

Total revenues	$ 1,467,766	$ 1,384,314
Homebuilding:		
Revenues	$ 1,461,698	$ 1,378,537
Costs and expenses	(1,304,022)	(1,222,048)
Operating income	157,676	156,489
Interest income	5,857	467
Equity in loss of unconsolidated joint ventures	(445)	(757)
Homebuilding pretax income	163,088	156,199
Financial services:		
Revenues	6,068	5,777
Expenses	(1,546)	(1,358)
Equity in income of unconsolidated joint ventures	7,055	1,582
Financial services pretax income	11,577	6,001
Total pretax income	174,665	162,200
Income tax expense	(36,000)	(36,700)
Net income	$ 138,665	$ 125,500
Earnings per share:		
Basic	$ 1.81	$ 1.49
Diluted	$ 1.76	$ 1.45
Weighted average shares outstanding:		
Basic	75,894	83,468
Diluted	78,264	85,995

KB HOME
CONSOLIDATED BALANCE SHEETS
(In Thousands – Unaudited)

	February 29, 2024	November 30, 2023
Assets		
Homebuilding:		
Cash and cash equivalents	$ 668,084	$ 727,076
Receivables	354,728	366,862
Inventories	5,243,581	5,133,646
Investments in unconsolidated joint ventures	59,674	59,128
Property and equipment, net	88,433	88,309
Deferred tax assets, net	117,175	119,475
Other assets	93,411	96,987
	6,625,086	6,591,483
Financial services	58,406	56,879
Total assets	$ 6,683,492	$ 6,648,362
Liabilities and stockholders' equity		
Homebuilding:		
Accounts payable	$ 378,906	$ 388,452
Accrued expenses and other liabilities	728,328	758,227
Notes payable	1,692,729	1,689,898
	2,799,963	2,836,577
Financial services	859	1,645
Stockholders' equity	3,882,670	3,810,140
Total liabilities and stockholders' equity	$ 6,683,492	$ 6,648,362

KB HOME
SUPPLEMENTAL INFORMATION
For the Three Months Ended February 29, 2024 and February 28, 2023
(In Thousands, Except Average Selling Price – Unaudited)

	Three Months Ended	
	February 29, 2024	February 28, 2023
Homebuilding revenues:		
Housing	$ 1,458,126	$ 1,378,537
Land	3,572	—
Total	$ 1,461,698	$ 1,378,537
Homebuilding costs and expenses:		
Construction and land costs		
Housing	$ 1,144,427	$ 1,082,821
Land	2,101	—
Subtotal	1,146,528	1,082,821
Selling, general and administrative expenses	157,494	139,227
Total	$ 1,304,022	$ 1,222,048
Interest expense:		
Interest incurred	$ 26,505	$ 27,804
Interest capitalized	(26,505)	(27,804)
Total	$ —	$ —
Other information:		
Amortization of previously capitalized interest	$ 26,503	$ 26,136
Depreciation and amortization	10,195	9,547
Average selling price:		
West Coast	$ 673,800	$ 687,000
Southwest	450,700	447,000
Central	364,700	417,100
Southeast	417,700	393,600
Total	$ 480,100	$ 494,500

KB HOME
SUPPLEMENTAL INFORMATION
For the Three Months Ended February 29, 2024 and February 28, 2023
(Dollars in Thousands – Unaudited)

	Three Months Ended	
	February 29, 2024	February 28, 2023
Homes delivered:		
West Coast	828	786
Southwest	717	536
Central	870	935
Southeast	622	531
Total	3,037	2,788
Net orders:		
West Coast	950	857
Southwest	698	470
Central	1,017	411
Southeast	658	404
Total	3,323	2,142
Net order value:		
West Coast	$ 633,400	$ 535,539
Southwest	314,863	177,392
Central	363,923	139,468

Southeast	270,005	149,469
Total	$ 1,582,191	$ 1,001,868

	February 29, 2024		February 28, 2023	
	Homes	Value	Homes	Value
Backlog data:				
West Coast	1,667	$ 1,100,889	1,358	$ 918,535
Southwest	1,360	608,455	1,626	686,101
Central	1,414	505,194	2,465	1,069,380
Southeast	1,355	577,206	1,567	640,874
Total	5,796	$ 2,791,744	7,016	$ 3,314,890

KB HOME
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(In Thousands, Except Percentages – Unaudited)

This press release contains, and Company management's discussion of the results presented in this press release may include, information about the Company's adjusted housing gross profit margin, which is not calculated in accordance with generally accepted accounting principles ("GAAP"). The Company believes this non-GAAP financial measure is relevant and useful to investors in understanding its operations, and may be helpful in comparing the Company with other companies in the homebuilding industry to the extent they provide similar information. However, because it is not calculated in accordance with GAAP, this non-GAAP financial measure may not be completely comparable to other companies in the homebuilding industry and, thus, should not be considered in isolation or as an alternative to operating performance and/or financial measures prescribed by GAAP. Rather, this non-GAAP financial measure should be used to supplement the most directly comparable GAAP financial measure in order to provide a greater understanding of the factors and trends affecting the Company's operations.

Adjusted Housing Gross Profit Margin

The following table reconciles the Company's housing gross profit margin calculated in accordance with GAAP to the non-GAAP financial measure of the Company's adjusted housing gross profit margin:

	Three Months Ended	
	February 29, 2024	February 28, 2023
Housing revenues	$ 1,458,126	$ 1,378,537
Housing construction and land costs	(1,144,427)	(1,082,821)
Housing gross profits	313,699	295,716
Add: Inventory-related charges (a)	1,298	5,289
Adjusted housing gross profits	$ 314,997	$ 301,005
Housing gross profit margin	21.5%	21.5%
Adjusted housing gross profit margin	21.6%	21.8%

(a) Represents inventory impairment and land option contract abandonment charges associated with housing operations.

Adjusted housing gross profit margin is a non-GAAP financial measure, which the Company calculates by dividing housing revenues less housing construction and land costs excluding housing inventory impairment and land option contract abandonment charges (as applicable) recorded during a given period, by housing revenues. The most directly comparable GAAP financial measure is housing gross profit margin. The Company believes adjusted housing gross profit margin is a relevant and useful financial measure to investors in evaluating the Company's performance as it measures the gross profits the Company generated specifically on the homes delivered during a given period. This non-GAAP financial measure isolates the impact that housing inventory impairment and land option contract abandonment charges have on housing gross profit margins, and allows investors to make comparisons with the Company's competitors that adjust housing gross profit margins in a similar manner. The Company also believes investors will find adjusted housing gross profit margin relevant and useful because it represents a profitability measure that may be compared to a prior period without regard to variability of housing inventory impairment and land option contract abandonment charges. This financial measure assists management in making strategic decisions regarding community location and product mix, product pricing and construction pace.

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Source: KB Home