

Investor Presentation

Third Quarter 2024

kb
HOME



Forward-Looking Statements

Items in this presentation, and statements by KB Home management in relation to this presentation or otherwise, may be “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on current (at the time made) expectations and projections about future events and are subject to risks, uncertainties, and assumptions about our operations, economic and market factors, and the homebuilding industry, among other things. These statements 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 the greater costs associated with achieving current and expected higher standards for ENERGY STAR certified homes, 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 Internal Revenue Service 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, through, among other things, our making substantial investments in land and land development, which, in some cases, involves putting significant capital over several years into large projects in one location, 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.

Built to Order Model Provides Competitive Advantages

Buyers Want Choice

Buyers select their floor plan, lot, square footage and personalized finishes in our Design Studios based on what they value and can afford. Approximately 65% to 70% of our business is Built to Order.

Choice Includes Finished Homes

An important complement to our “choice” model is the availability of quick move-in homes in each of our communities to serve the buyer who prioritizes a near-term move-in date over personalization.

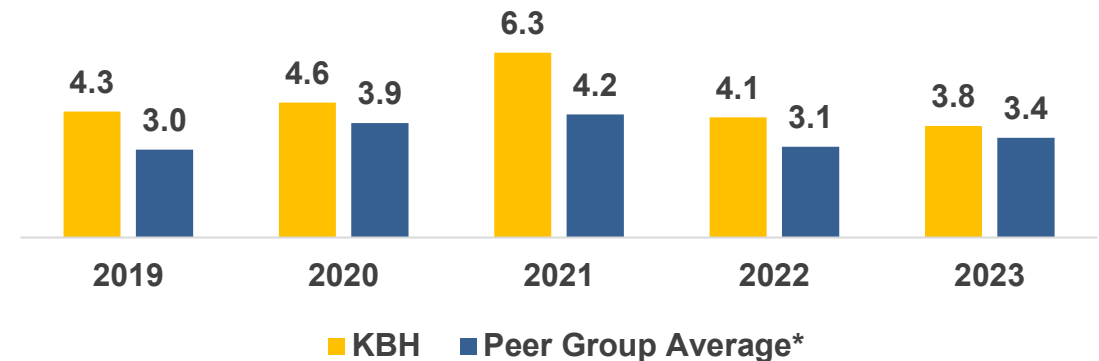
Choice Influences Affordability

Buyers are empowered to significantly influence their overall sales price based on their selections, including a non-premium or premium lot and standard finishes or upgrades. More than 70% of our communities offer plans with square footage below 1,600—smaller homes with similar room counts and livability, at lower starting base prices without compromising gross margin percentages.

Competitive Differentiator

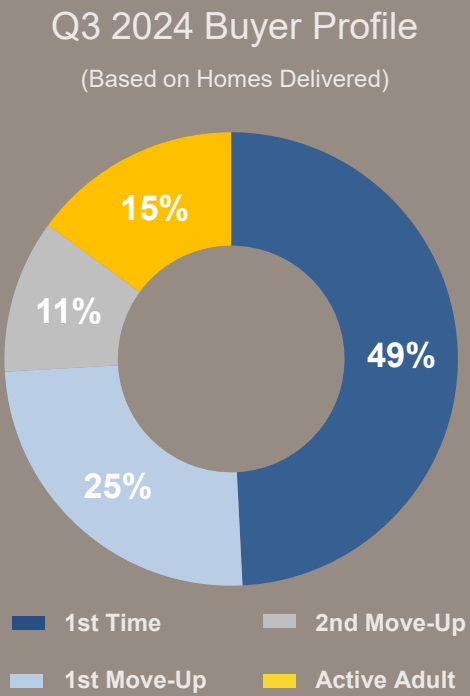
Resale homes are our largest competitor. Our affordable choice offering provides an important point of differentiation in attracting buyers.

Buyers Value Choice;
As a Result, Our BTO Model Drives
High Monthly Absorption per Community



Built to Order Also Attracts Largest Demand Segments of Market

A Leader in the 1st Time Buyer Segment While Drawing a Mix of Buyers to Our Communities



Invest in
land positions
within
prime growth
submarkets

Position
our product
to target the
median
household
income
in each submarket

BTO **enhances**
value and
affordability
through **choice** of
lot, square footage,
floor plan and
elevation,
and the ability to
personalize in
our Design Studios

While we primarily target the 1st time and affordable 1st move-up buyers, our BTO business model also appeals to 2nd move-up buyers and empty nesters who can make a different set of choices in the same community

Dedicated to Providing World Class Customer Service

- KB Home’s personalized, customer-centric Built-to-Order business model enables us to develop long-term relationships with our customers
- Our community teams partner with customers through each major step of their purchase of a KB home: sale – mortgage – studio – construction – closing – post closing
- Customers recognize the value of our partnership. Recent customer surveys conducted by an independent, third-party source such as TrustBuilder® has given KB Home exceptional customer satisfaction ratings.





KB Home

has 4.5 out of 5 stars Overall



9852 Reviews in All Areas

Ratings by Category

Overall		4.5
Quality		4.3
Trustworthiness		4.5
Value		4.5
Responsiveness		4.4

Star Rating Breakdown

5 ★		6975
4 ★		1401
3 ★		736
2 ★		395
1 ★		345

Third Quarter 2024



Growth-Oriented Geographic Footprint

Principal Markets	West Coast	Southwest	Central	Southeast
	California, Idaho, Washington	Arizona, Nevada	Colorado, Texas	Florida, North Carolina
Q3 2024 Mix	West Coast	Southwest	Central	Southeast
Homebuilding Revenues	44%	18%	21%	17%
Deliveries	32%	19%	29%	20%
Average Selling Price	\$661K	\$459K	\$348K	\$412K
Net Order Value	44%	19%	20%	17%
Backlog Value	42%	22%	19%	17%

Third Quarter 2024 Highlights

(all comparisons on a year-over-year basis)

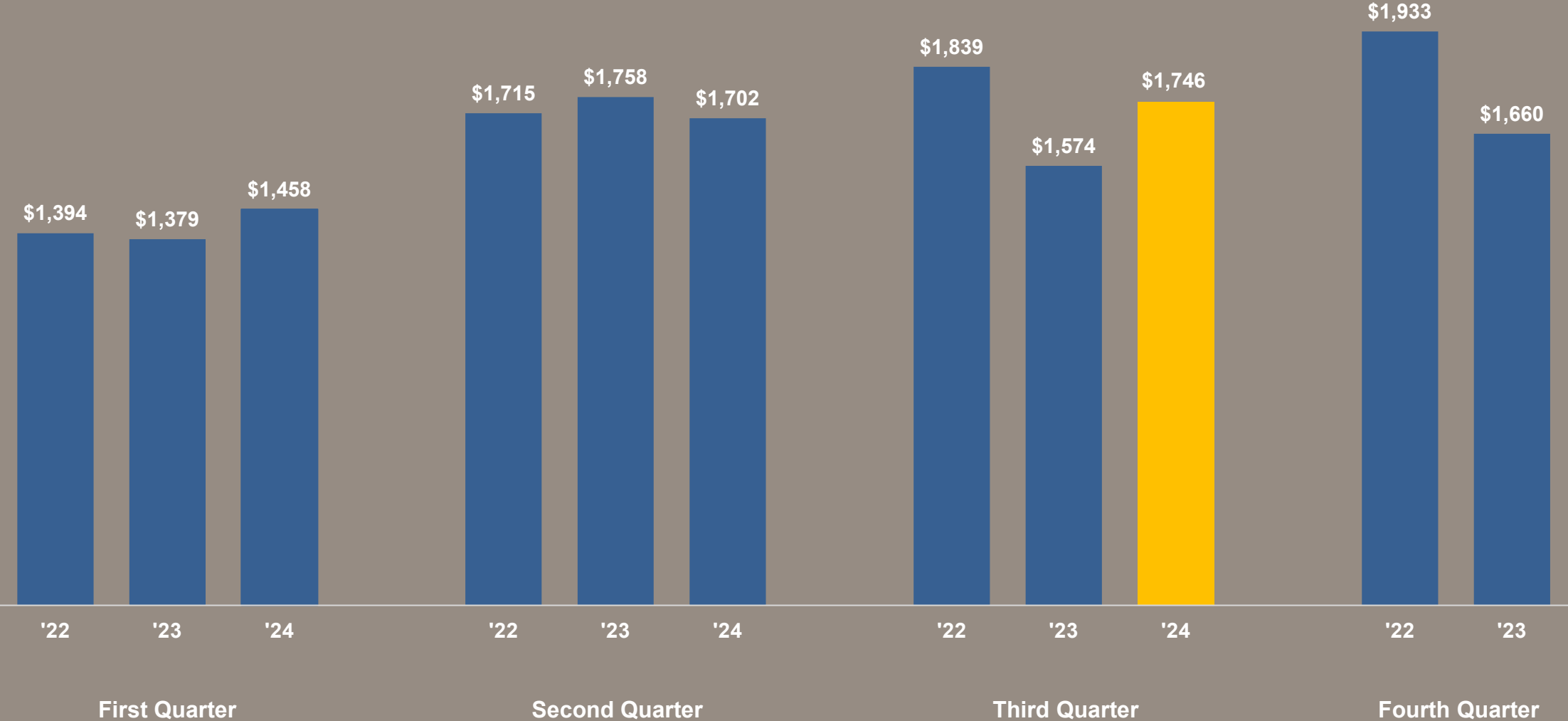
- Revenues increased 10% to \$1.75 billion
- Homebuilding operating income was \$189.0 million, compared to \$179.2 million
 - Homebuilding operating income margin was 10.8%, compared to 11.3%. Excluding inventory-related charges, homebuilding operating income margin was 10.9%, compared to 11.4%.
 - Housing gross profit margin was 20.6%, compared to 21.5%. Excluding inventory-related charges, housing gross profit margin was 20.7%, compared to 21.5%.
 - Selling, general and administrative expenses as a percentage of housing revenues were 9.8%, compared to 10.2%
- Pretax income increased 7% to \$207.4 million. Financial services pretax income grew 11% to \$11.0 million.
- Net income rose 5% to \$157.3 million and diluted earnings per share grew 13% to \$2.04
- Total liquidity was \$1.46 billion, which included \$374.9 million of cash and cash equivalents and \$1.08 billion of available capacity under the Company's unsecured revolving credit facility, with no cash borrowings outstanding
- During the quarter, the Company repurchased 1,869,292 shares of its outstanding common stock at a total cost of \$150.0 million
- Stockholders' equity increased to \$3.99 billion, and book value per share increased 13% to \$54.37

	Q3 2024	Q3 2023	% Change
Housing Revenues	\$1.75 billion	\$1.57 billion	11%
Deliveries	3,631	3,375	8%
Average Selling Price	\$480,900	\$466,300	3%
Net Orders	3,085	3,097	-
Net Order Value	\$1.54 billion	\$1.51 billion	2%
Backlog Homes	5,724	7,008	-18%
Backlog Value	\$2.92 billion	\$3.40 billion	-14%
Ending Community Count	254	230	10%
Average Community Count	251	240	5%
Absorption (net orders per community, per month)	4.1	4.3	-5%



Housing Revenues

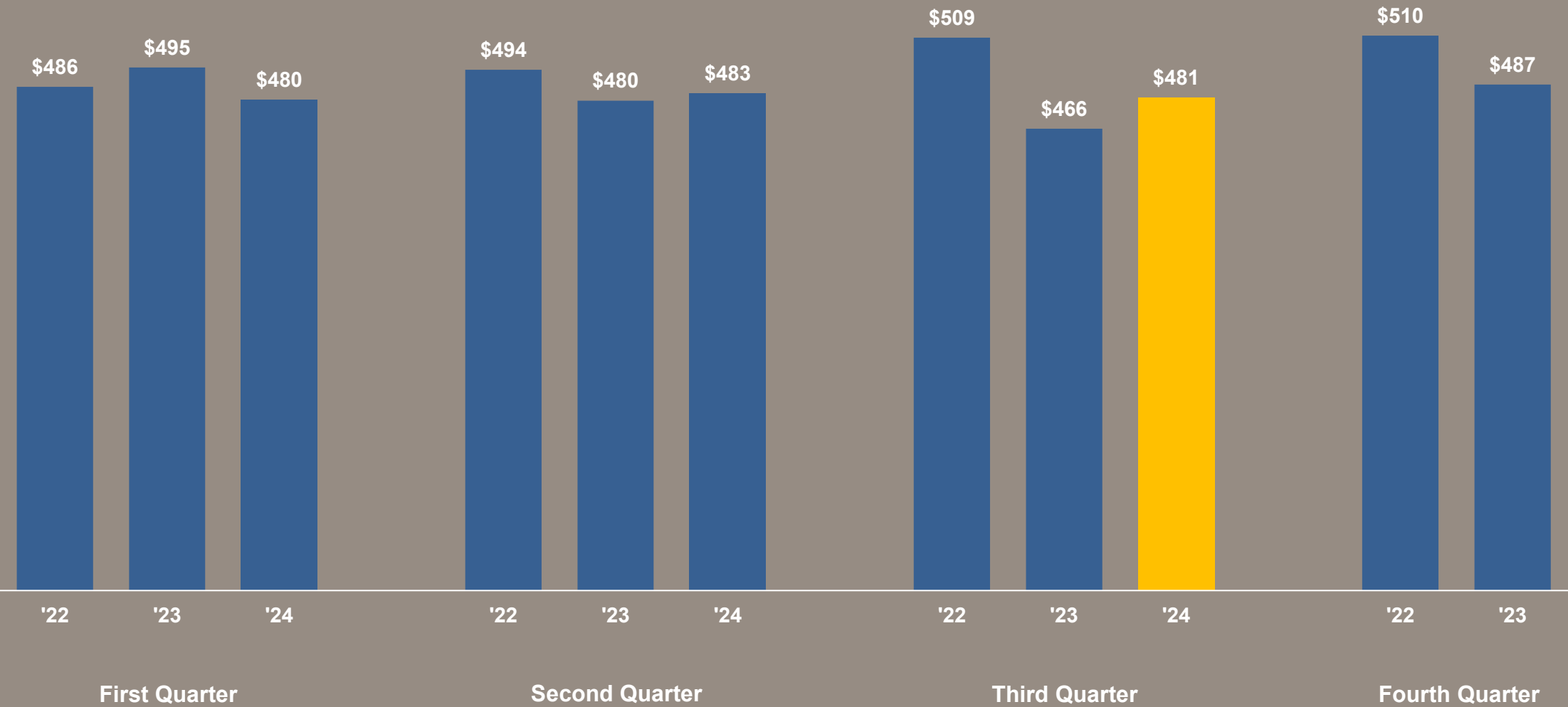
(\$ in millions)





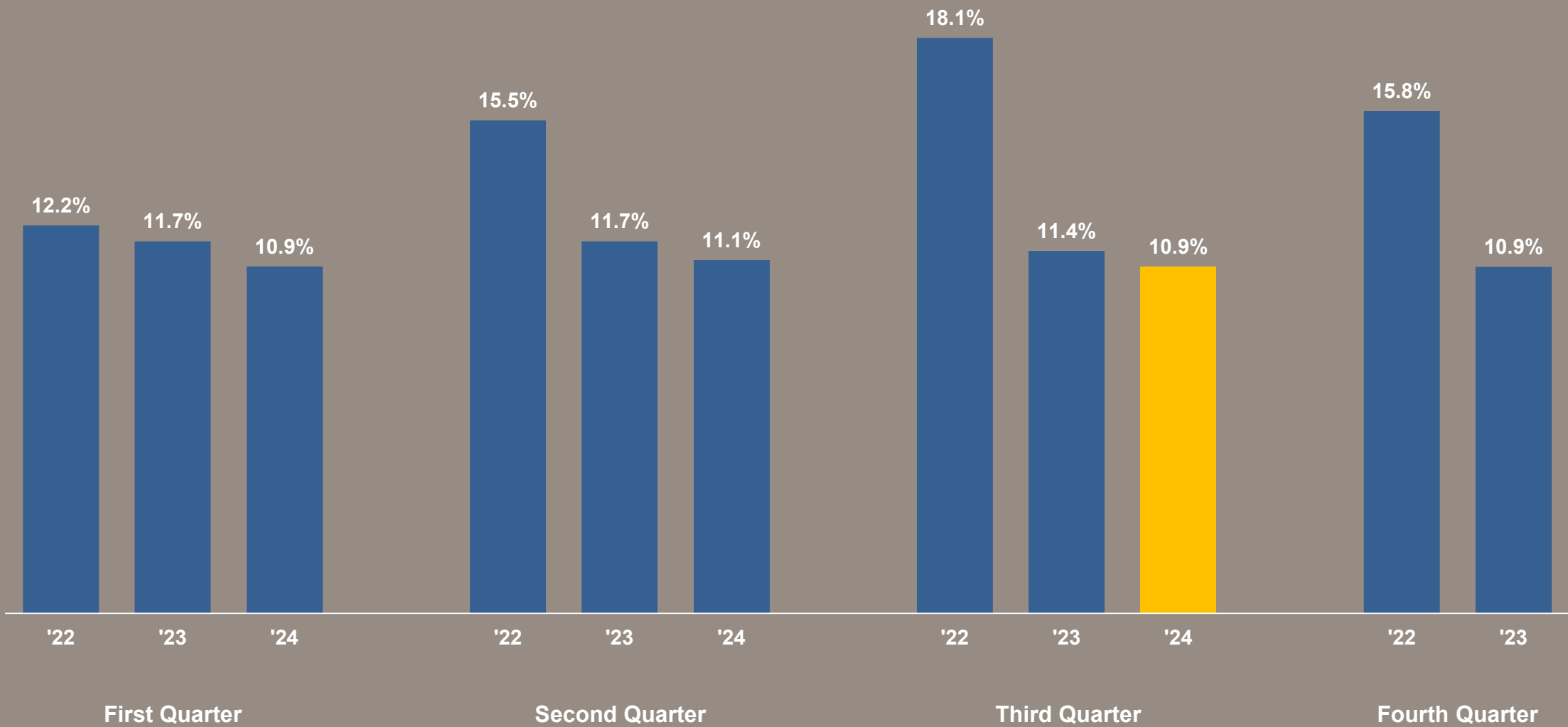
Average Selling Price

(\$ in thousands)

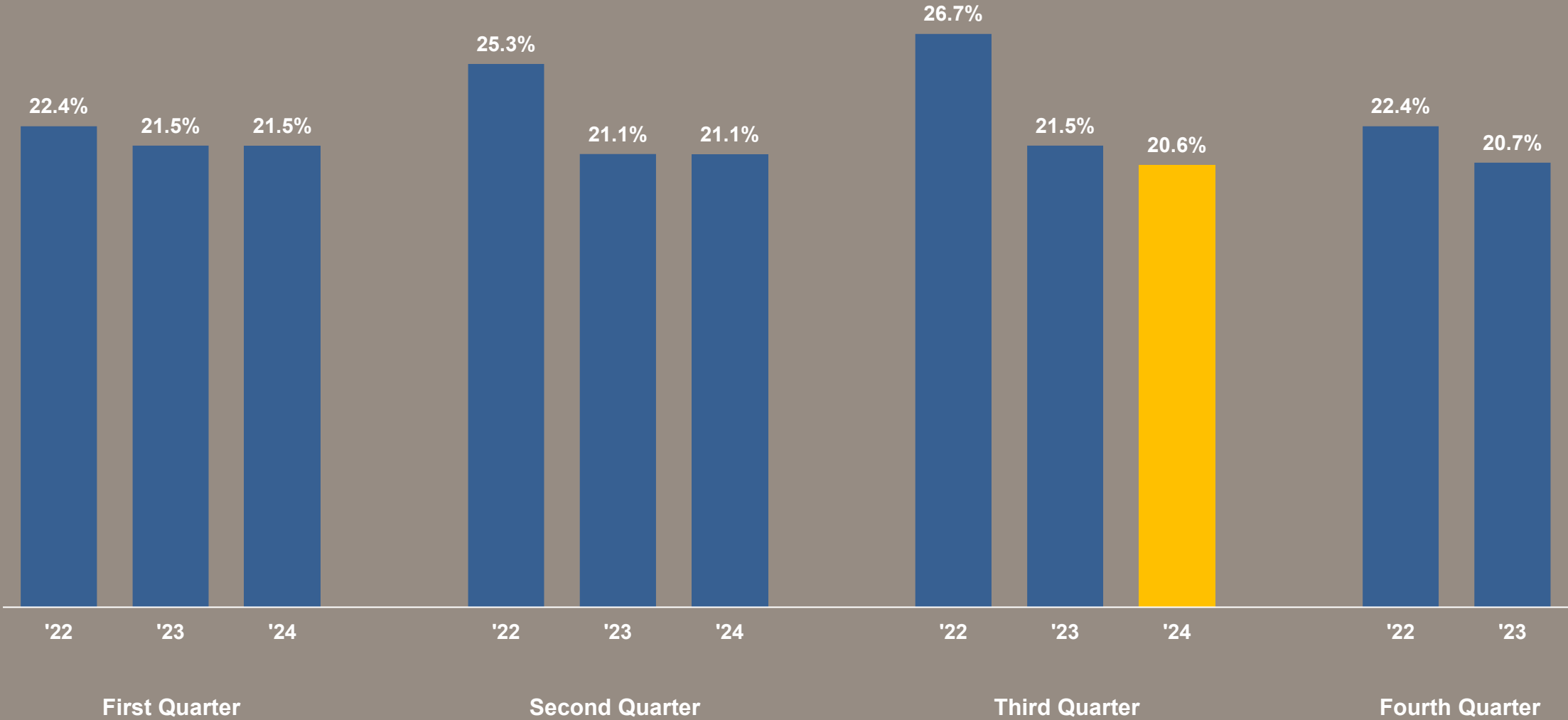




Homebuilding Operating Income Margin*

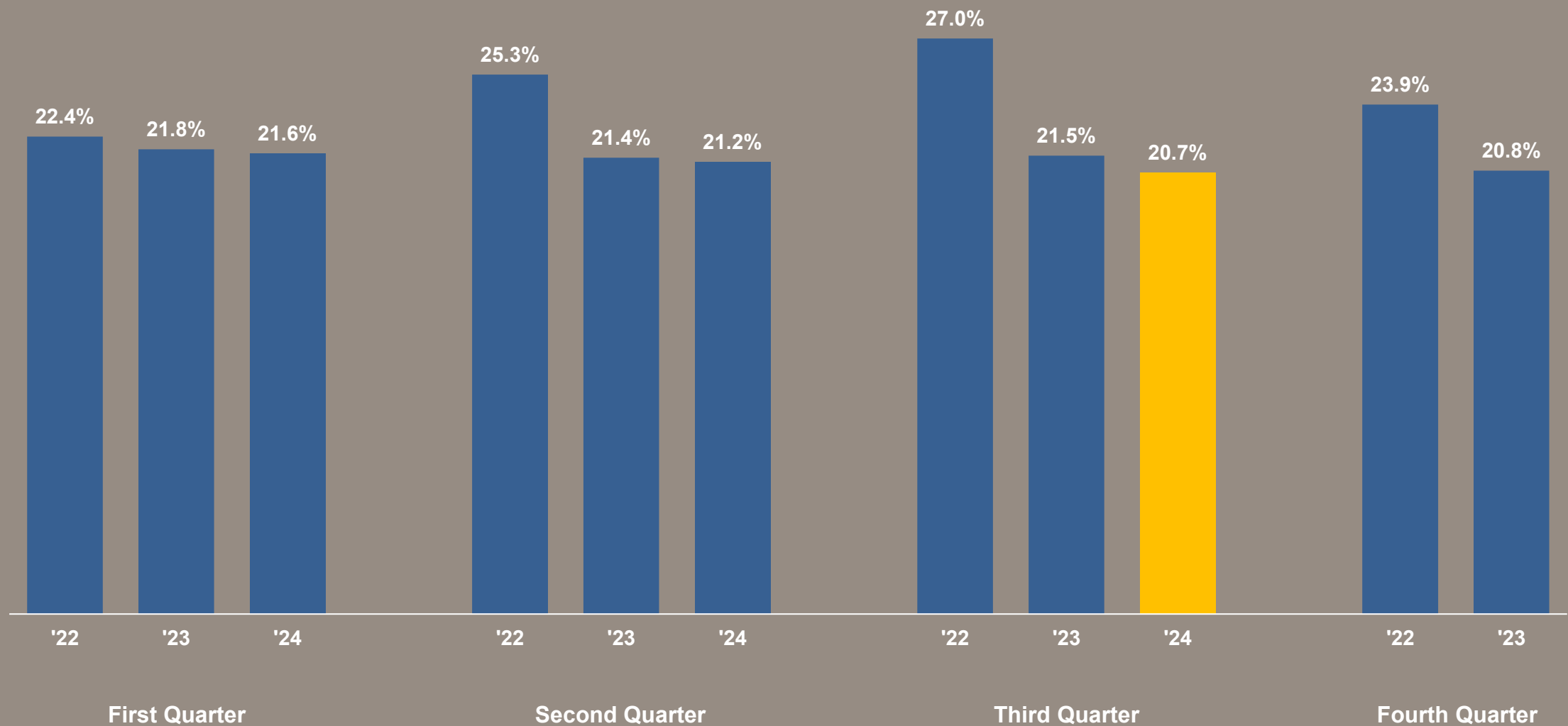


Housing Gross Profit Margin – Reported

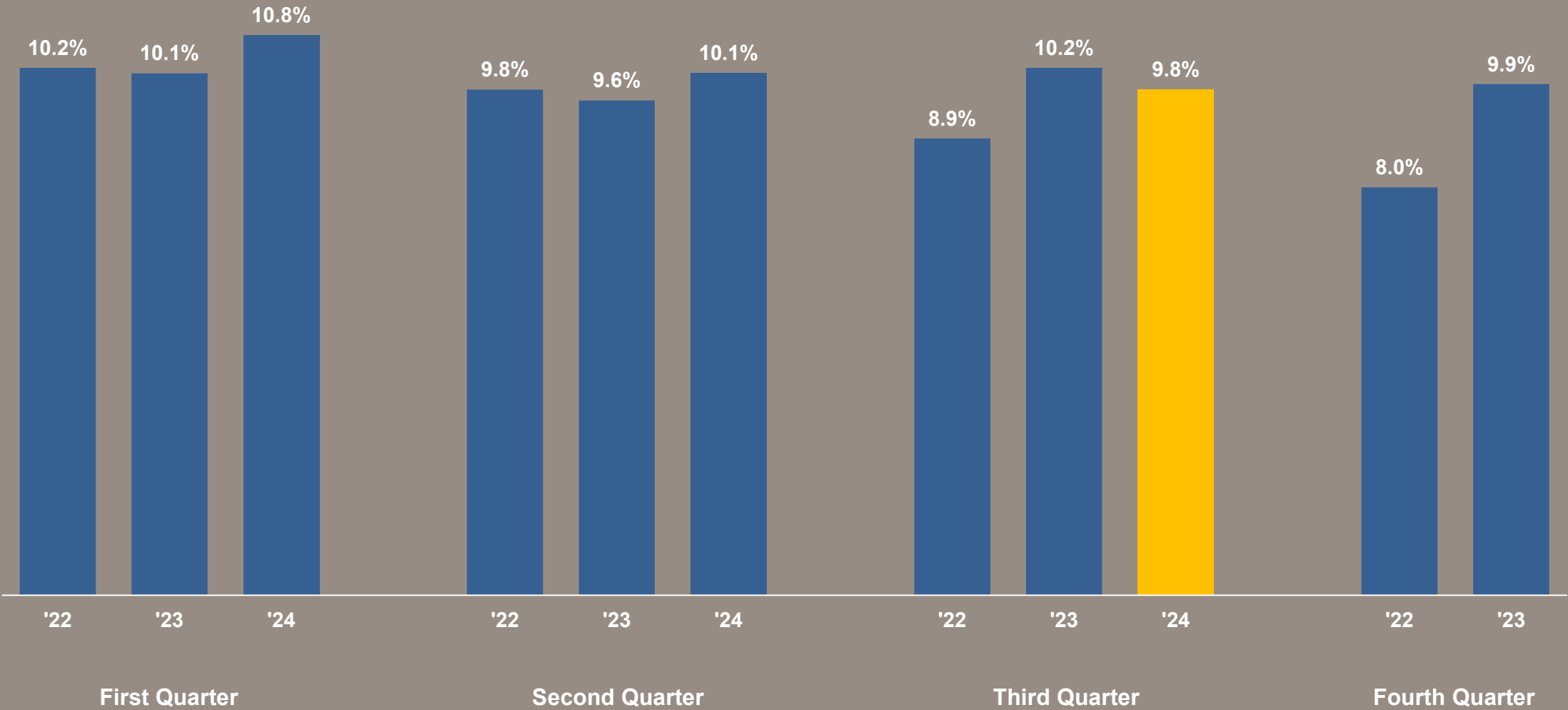




Housing Gross Profit Margin – As Adjusted*



SG&A Expense Ratio

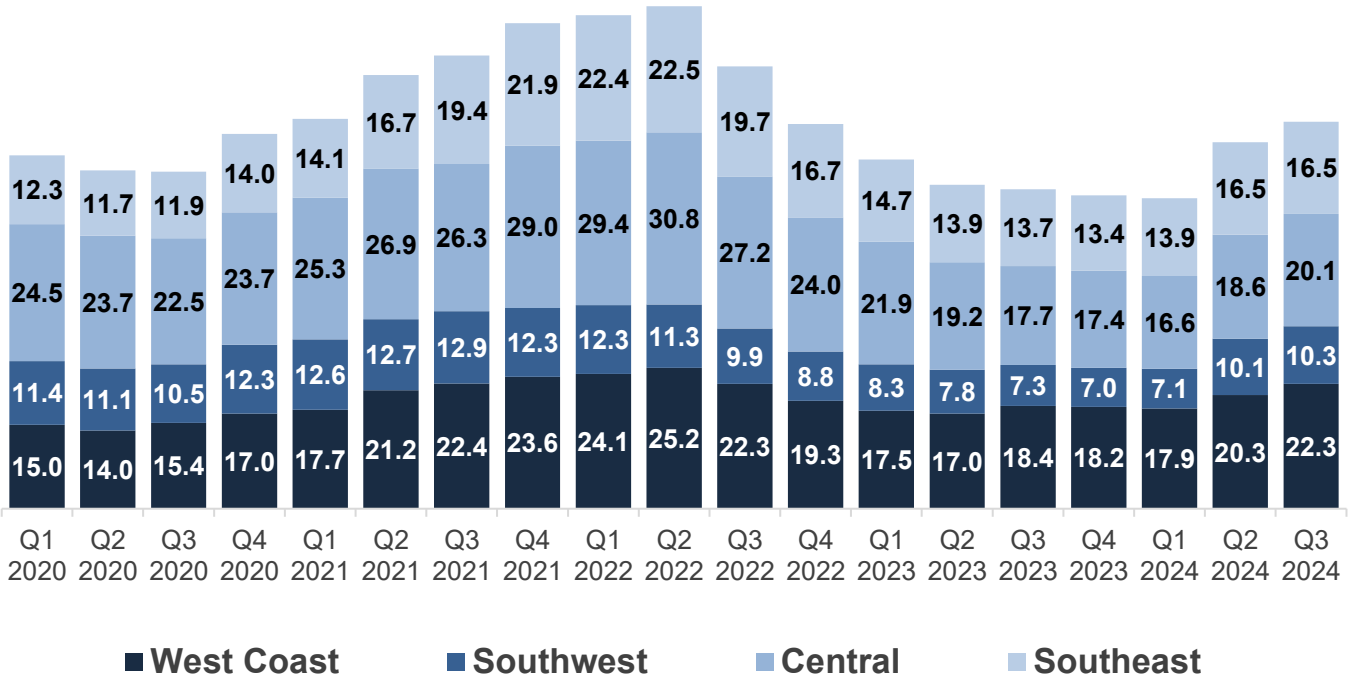


Balanced Land Portfolio

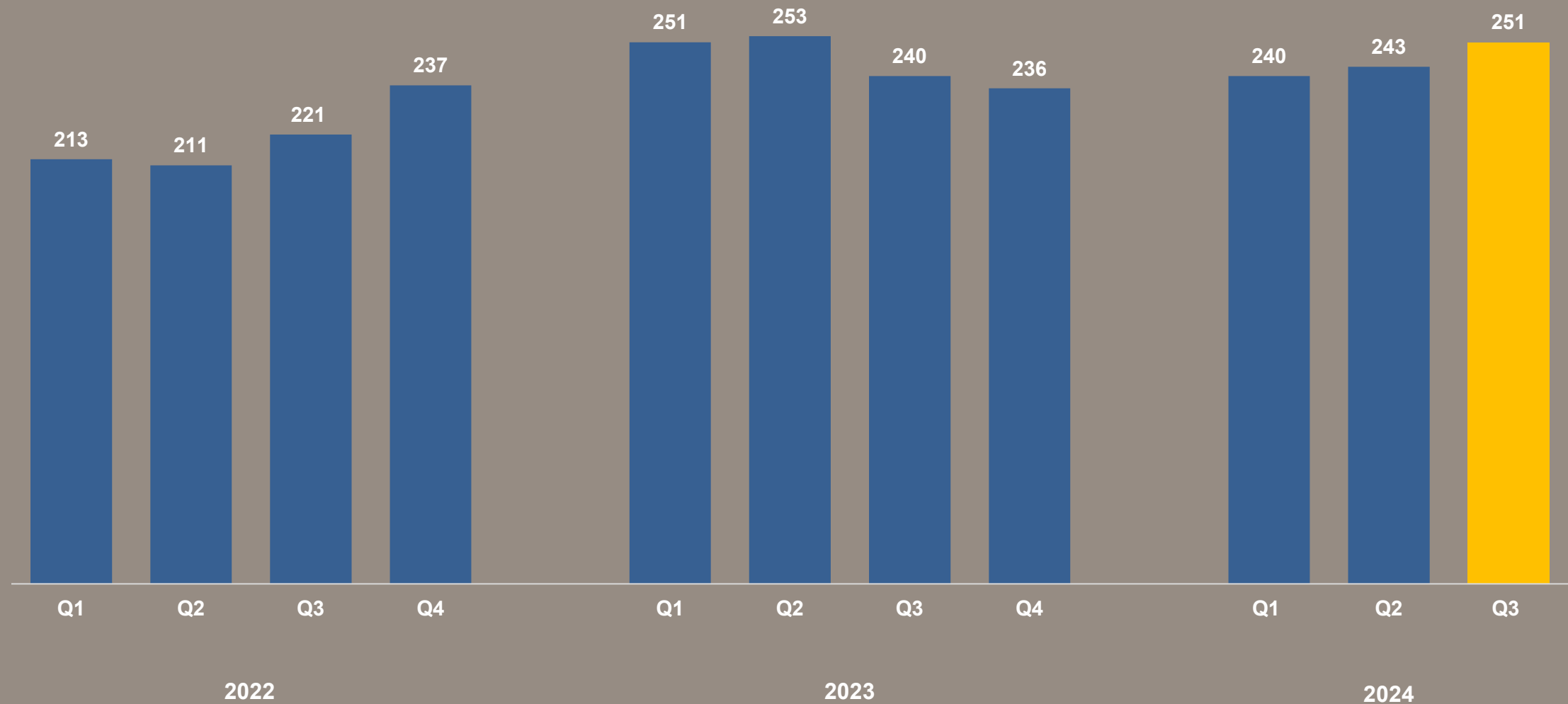
Q3 2024 Highlights

- Total inventory was \$5.65 billion
- Total lots owned or controlled were 69,279
 - Owned lots represented a supply of approximately 3.0 years based on homes delivered in the trailing 12 months
 - Owned / optioned split was 58% / 42%
- We own or control all of the lots that we need to achieve our anticipated delivery targets through 2025

Lots by Region (in 000's)

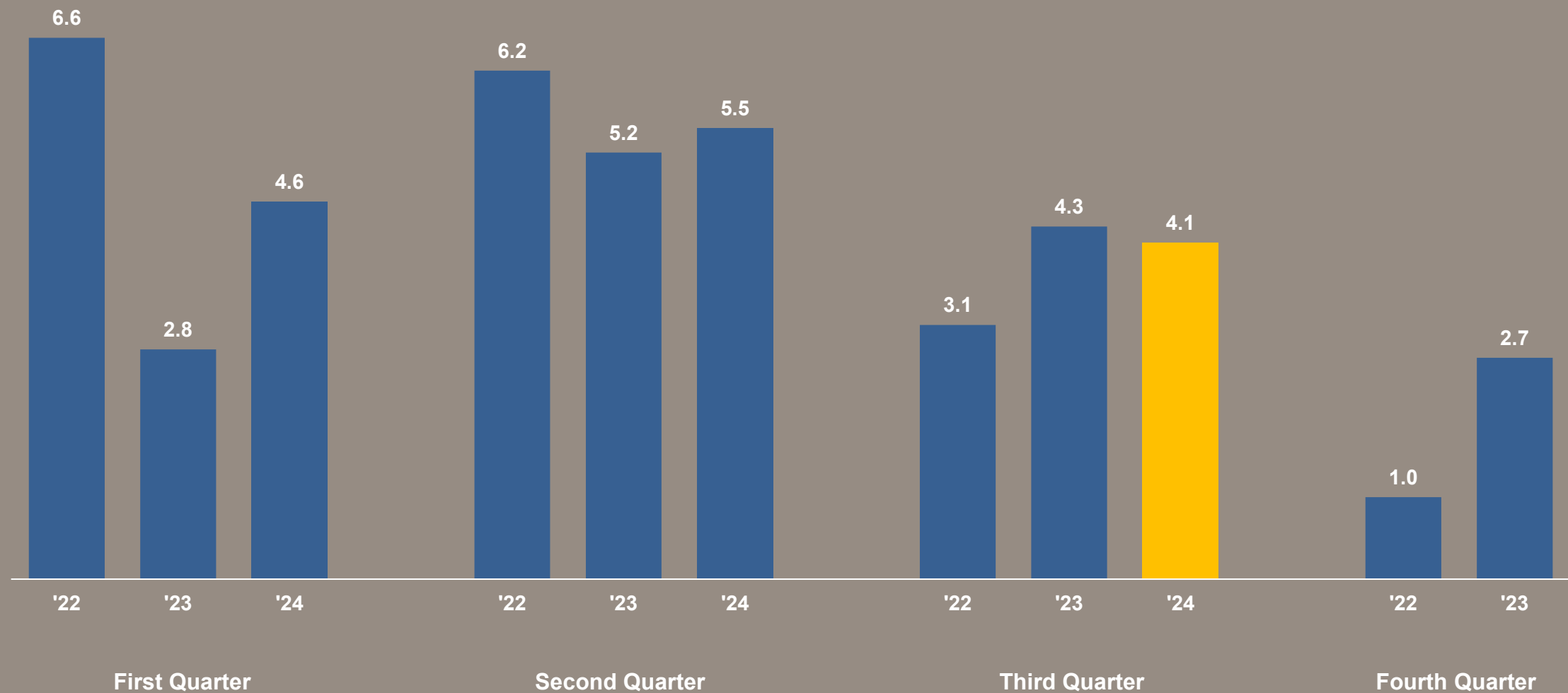


Average Community Count





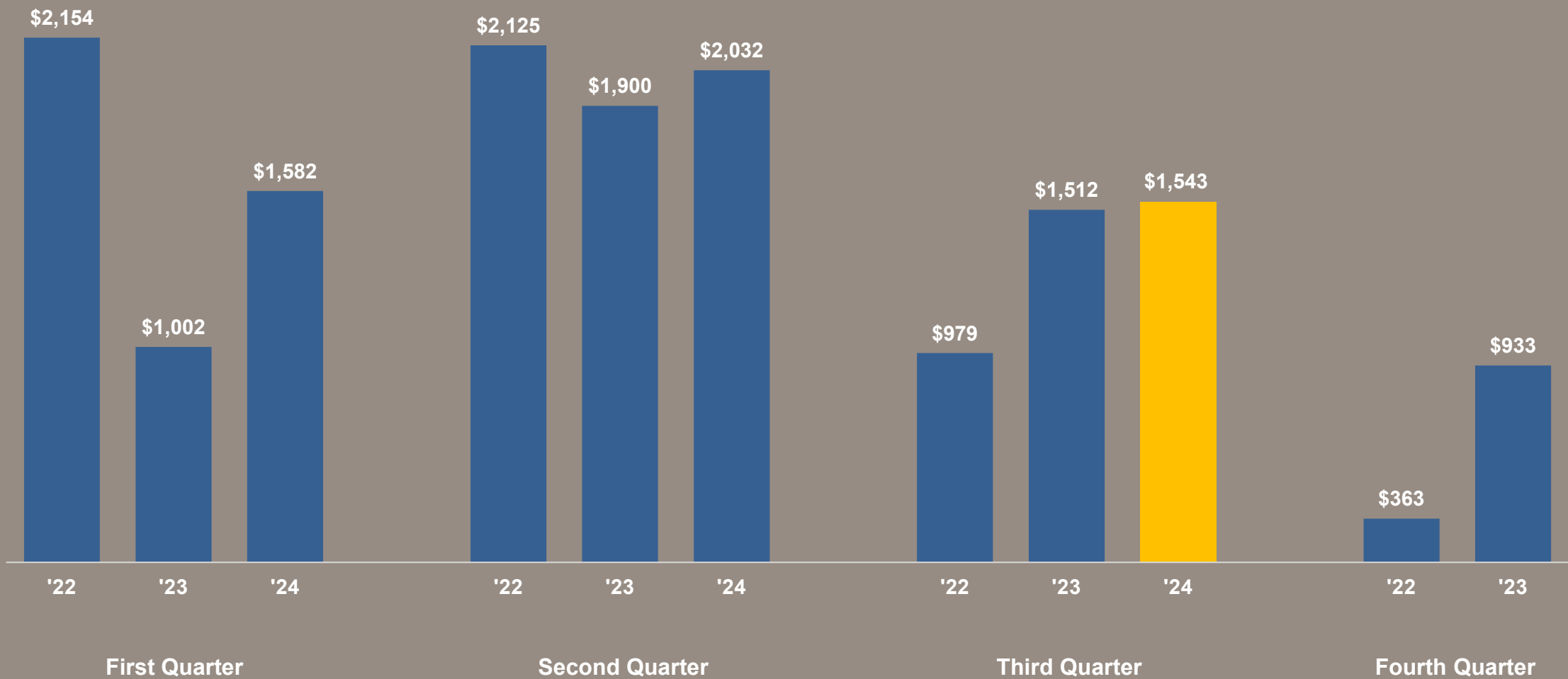
Net Orders per Community per Month





Net Order Value

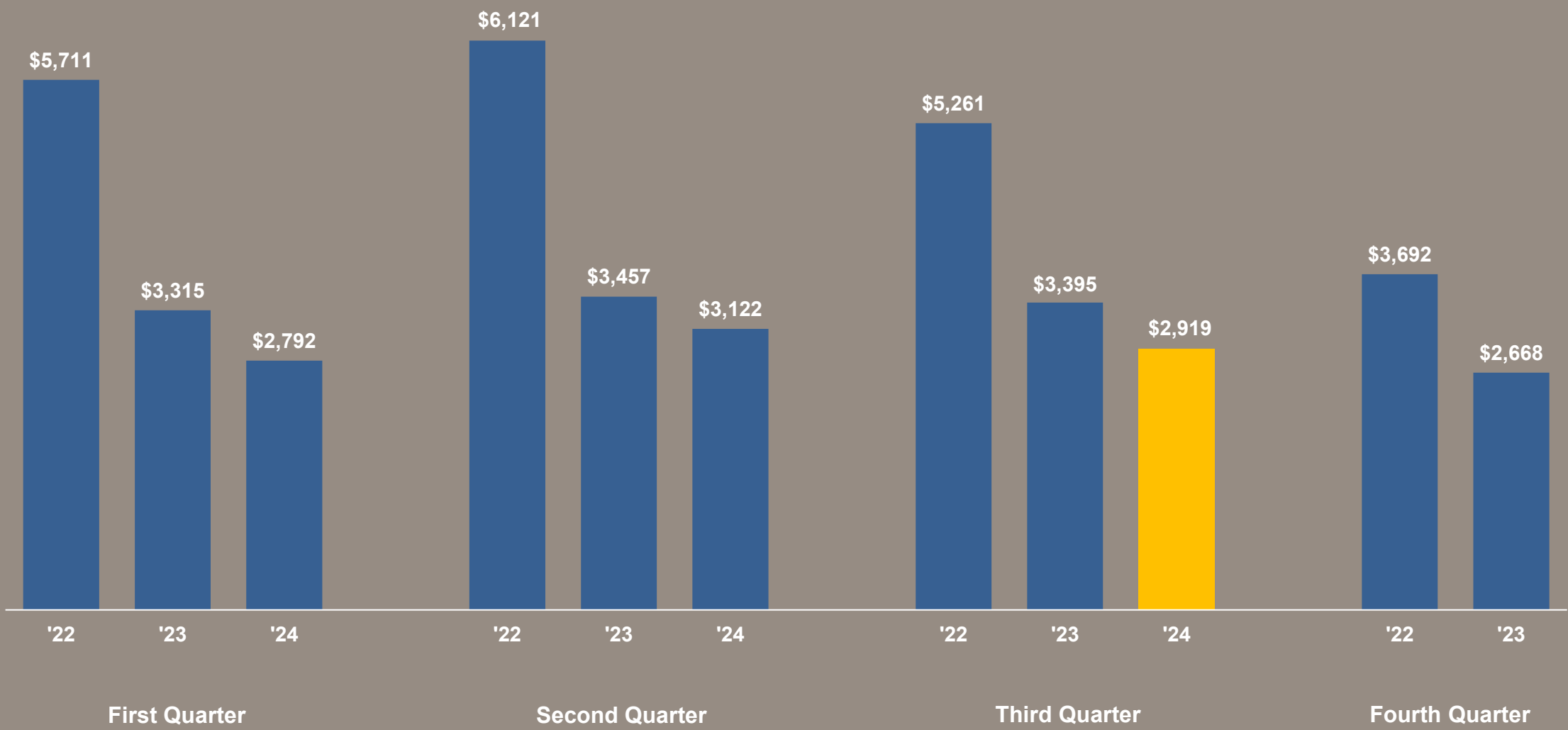
(\$ in millions)





Backlog Value

(\$ in millions)



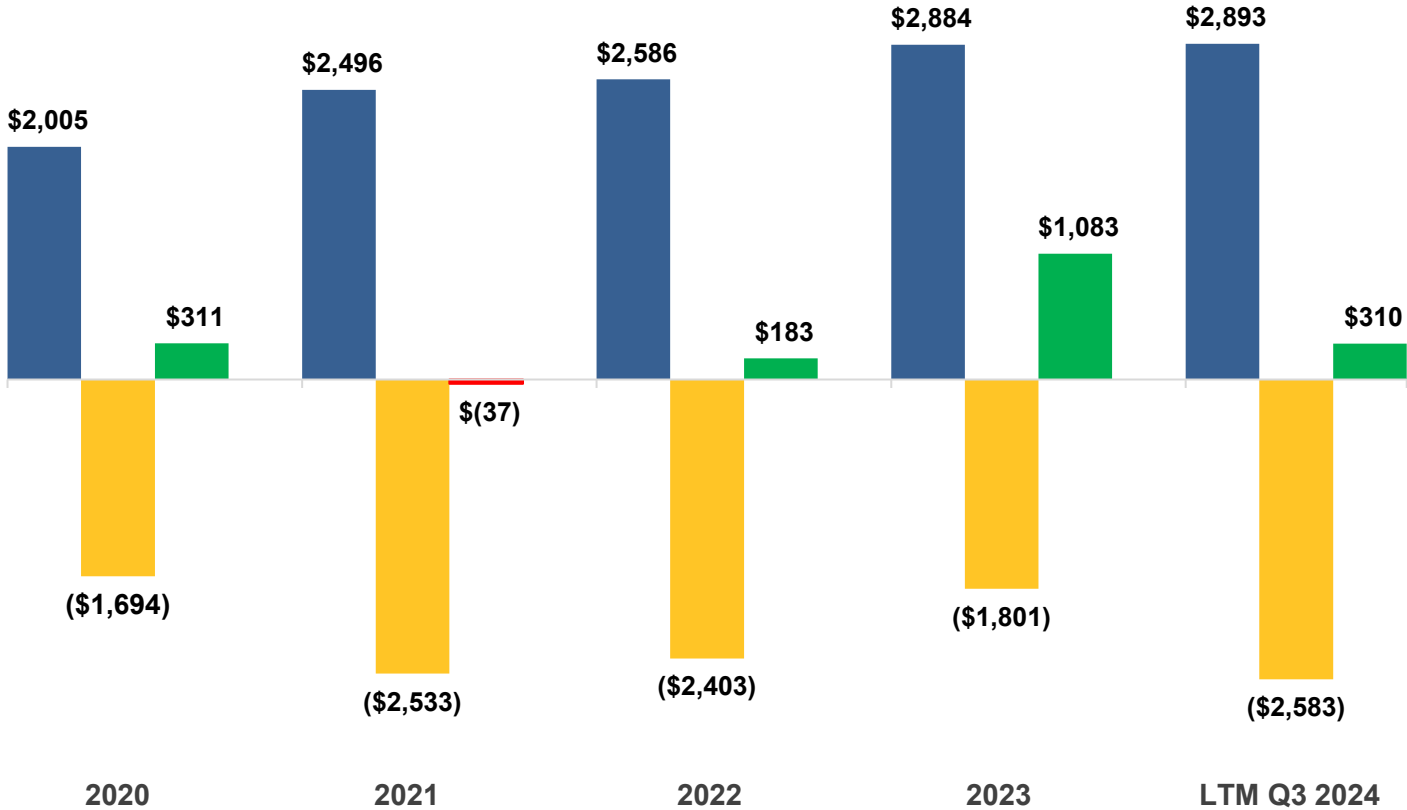
Generating Significant Gross Operating Cash Flow

(\$ in millions)

Highlights

From 2020 through 2023:

- We generated nearly \$10 billion in gross operating cash flow
- Approximately 85% of this cash flow was reinvested in our future growth through land acquisition and development spend
- We returned \$951 million in cash to stockholders through dividends and share repurchases



■ Gross Cash provided by Operating Activities
 ■ Land Acquisition and Development Investment
 ■ Net Cash provided by (used in) Operating Activities (As Reported)



Healthy Capital Structure

Highlights

Leverage

- Since fiscal year-end 2020, we have reduced our debt-to-capital ratio by nearly 10 percentage points

Liquidity

- Total liquidity, including cash and revolver availability, was \$1.46 billion at August 31, 2024. No cash borrowings outstanding under the revolver at August 31, 2024.

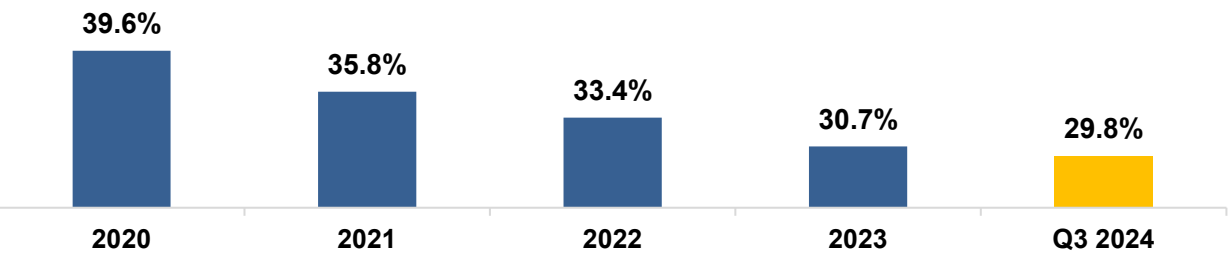
Credit Ratings and Outlook

- Moody’s Ratings: Ba1 / Stable
- S&P Global: BB+ / Stable

Upcoming Maturities

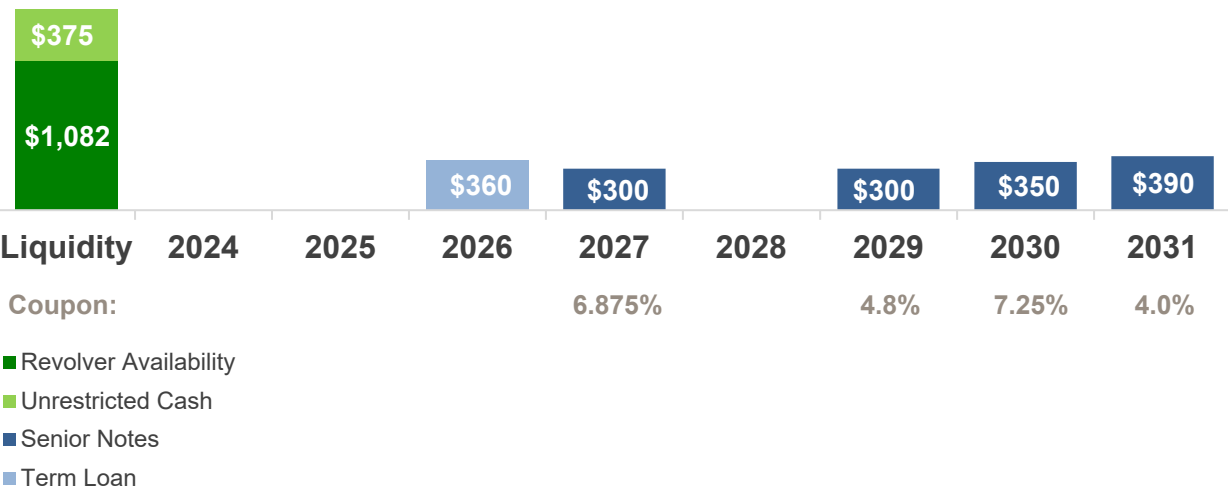
- Our next maturity is not until August 25, 2026, when the Term Loan matures

Debt-to-Capital Ratio



Liquidity and Debt Maturity Summary at August 31, 2024

(\$ in millions)



The ESG Difference





Leadership in Sustainable Homebuilding

196,000+
Total U.S. EPA ENERGY STAR[™]
Certified New Homes

20,900+
Total Solar Homes

21,800+
Total U.S. EPA WaterSense[™]
& Water Smart Homes

Approx. \$1.3 Billion*
Cumulative Utility Bill Savings

Approx. 2.0 Billion Gallons*
Water Conserved Annually

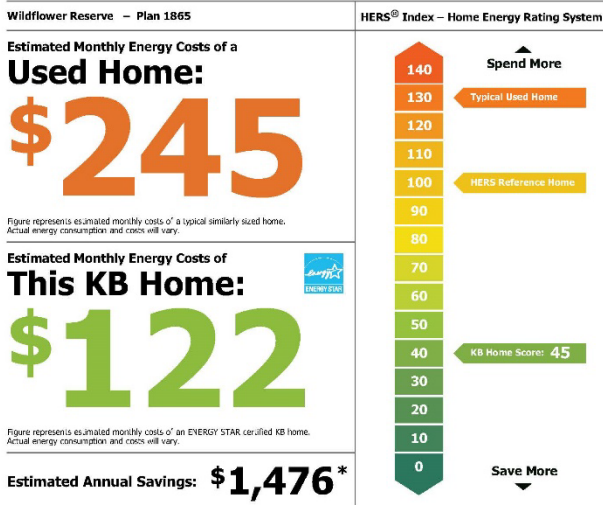
Approx. 7.6 Billion Pounds*
Fewer CO₂ Emissions

Received a record 30
ENERGY STAR[®] Market
Leader Awards in 2024



Energy Savings Comparison

At KB Home, our homes are designed to be ENERGY STAR[®] certified and built with quality construction techniques and materials. An ENERGY STAR certified home offers fewer air leaks and drafts, reduced noise and energy-efficient appliances and lighting to ultimately deliver significant savings on utility bills compared to homes without certification.



©2024 KB Home. The HERS Index is a registered trademark of the Residential Energy Services Network (RESNET). KB Home is not affiliated with RESNET or its service providers, or with any energy efficiency rating organization or related system or service provider. Although not a rating system, the HERS Index score is an estimate of the relative energy costs and savings of a home. The HERS Index score for this KB Home plan is based on a typical new home of similar overall square footage, lot size, and location. The HERS Index score is based on the HERS Index software, which is based on the building and cooling systems, appliances, and lighting that are included in standard items with the KB Home plan, and the internal unit home (as required by the HERS Index software), and average local energy utility rates available at the time of construction. The estimated energy costs and savings shown do not include any available local state or federal incentives or rebates, or energy utility provider programs (such as rebates, cash incentives, or rebates). The comparison HERS reference home of only on the HERS Index (132) is the RESNET U.S. national reference home, which is built to the specifications of the 2012 International Energy Conservation Code. The estimated energy costs shown on the HERS Index (132) include the average HERS Index of the HERS Index U.S. national reference home, as set by the U.S. Department of Energy. KB Home does not warrant or guarantee that a HERS Index score for an as-built home will be equal to or better than the HERS Index score shown for this KB Home plan. In addition, KB Home does not warrant or guarantee that any as-built home will achieve ENERGY STAR certification.

*Actual energy costs and savings (if any) for any built home will vary over time, are very site-specific, and may vary substantially, based on a number of factors and variables. Important information about the HERS Index and the estimated energy costs and savings for this KB Home plan is available online at <http://www.kbhome.com/energy-efficient-homes> and at KB Home community sales offices. (rev. 12/2019) 002262/132 1005

Energy Savings Comparison
Our proprietary tool demonstrating the lower total cost of homeownership possible with a KB home**

KB Home provides this comparison for every floor plan at each of our communities



kbcares



Giving Back to Our Communities



Governance Practices: A Snapshot

Independent

- Nine of our ten directors are independent
- Independent directors lead all Board committees

Accountable

- Directors are elected annually under a majority voting standard
- In 2024, our directors received an average of 95% support
- Directors and senior executives are subject to robust stock ownership requirements

Aligned

- We have one class of outstanding voting securities that allows each holder one vote for each share held
- No supermajority voting requirements



A man with short brown hair and a light beard is sitting on a dark grey couch, smiling warmly at the camera. He is holding a sleeping baby in his arms. The baby is wearing a white long-sleeved shirt with thin blue stripes and blue pants. The background is a bright, out-of-focus indoor space with large windows showing a suburban neighborhood with houses and trees. A pink orchid is visible on a table in the background.

Summary

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KB Home – A Compelling Story

Key Takeaways

Well positioned

Existing geographic footprint offers potential for substantially larger scale in markets selected for their long-term economic and demographic growth potential

Compelling

Focused on 1st time and affordable 1st move-up buyers, while also appealing to 2nd move-up buyers and empty nesters, thereby targeting the largest homebuyer demand segments

Advantages of BTO

Sell and build the home the customer values and can afford, which helps drive absorption. With a large backlog of sold homes, we can manage starts to achieve even-flow production at the community level, generating efficiencies in overhead and cost to build, and we have greater predictability on deliveries.

Demonstrated leadership in sustainability

With an industry-leading over 196,000 ENERGY STAR homes delivered, we are committed to helping our buyers lower the cost of homeownership. Our ENERGY STAR homes are up to 20% more efficient than standard new homes built to code.

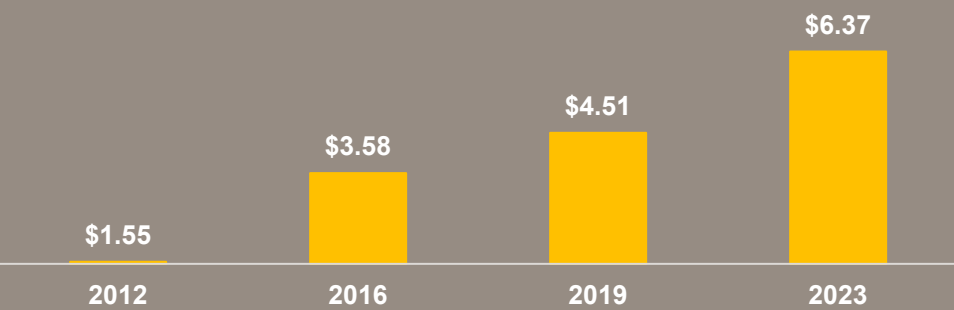




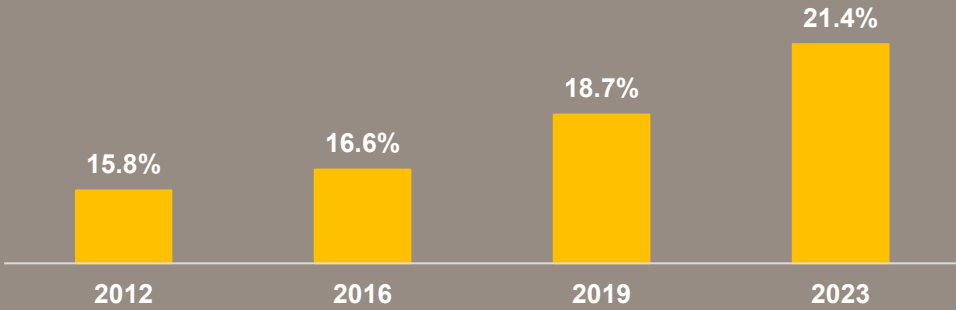
KB Home is a Stronger, More Profitable Company Today

The growth in our scale and profitability, together with the health of our balance sheet, have transformed KB Home into a larger and stronger company.

Housing Revenues (billions)



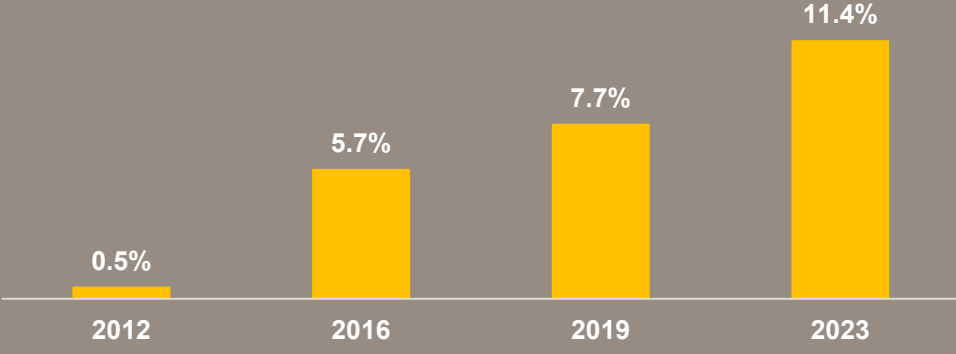
Housing Gross Margin⁽¹⁾



Diluted Earnings (Loss) per Share

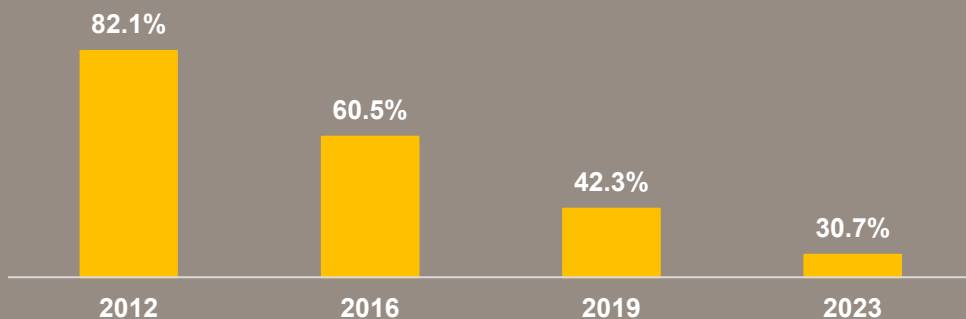


Homebuilding Operating Income Margin⁽¹⁾

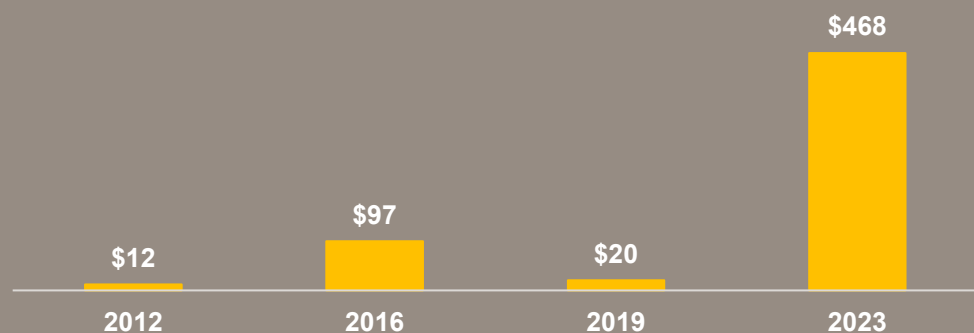


KB Home is a Stronger, More Profitable Company Today

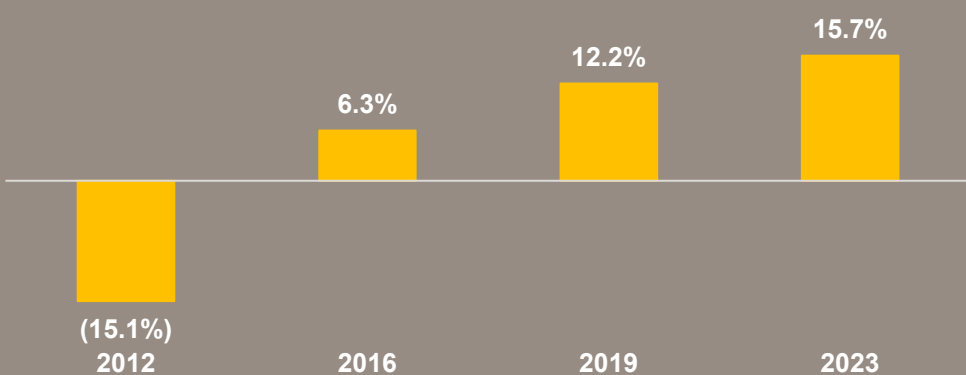
Debt-to-Capital Ratio



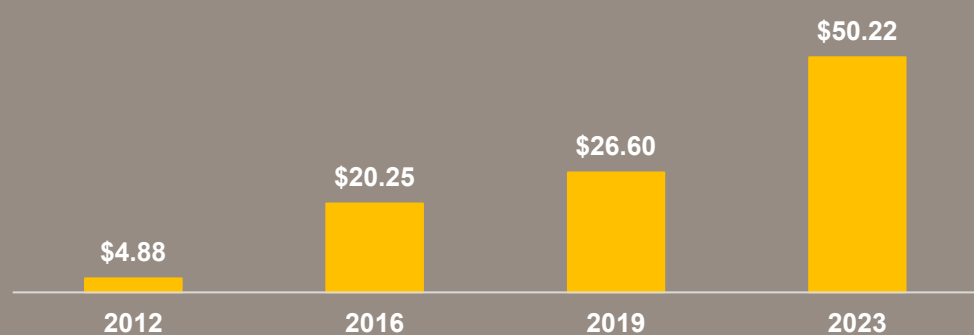
Capital Returned to Stockholders (millions)



Return on Equity



Book Value per Share

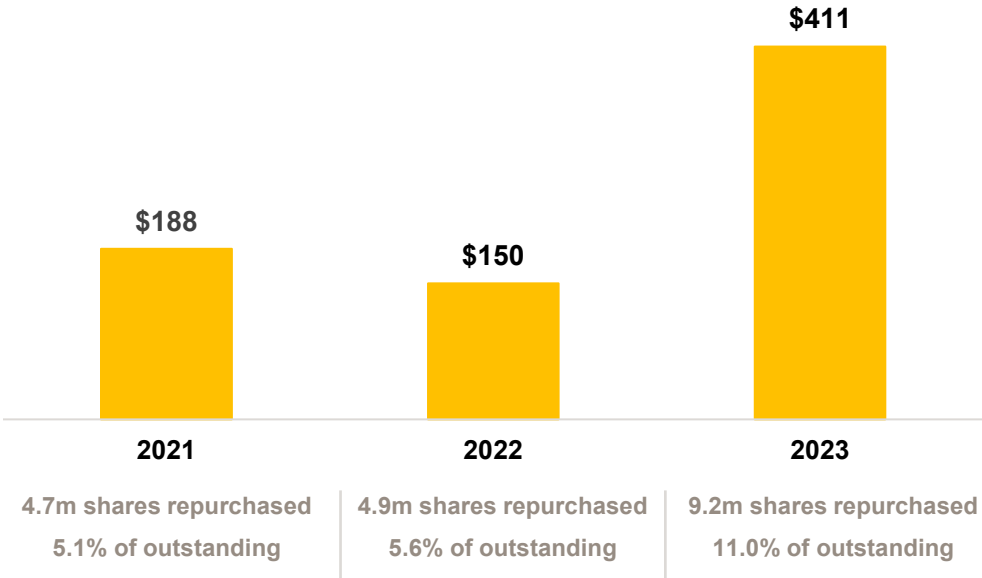


Increasing Share Repurchases

We are reinvesting in our growth and returning cash to stockholders through a significant share repurchase program, utilizing the \$1 billion authorization that our Board approved in April. While we had previously set a range for 2024 share repurchases of \$200 million to \$400 million, we have raised the minimum level of repurchases to \$250 million, which we achieved in our 2024 third quarter.

In addition, we expect to continue paying a quarterly cash dividend, which our Board of Directors has increased by 67% since July 2023, to a current annualized rate of \$1.00 per share.

Share Repurchases (millions)





Appendix

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Reconciliation of Non-GAAP Financial Measures

	2022				2023				2024		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<u>Housing Gross Profit Margin</u>											
Housing Gross Profit Margin - As Reported	22.4%	25.3%	26.7%	22.4%	21.5%	21.1%	21.5%	20.7%	21.5%	21.1%	20.6%
Housing inventory-related charges	-	-	0.3	1.5	0.3	0.3	-	0.1	0.1	0.1	0.1
Housing Gross Profit Margin - As Adjusted	<u>22.4%</u>	<u>25.3%</u>	<u>27.0%</u>	<u>23.9%</u>	<u>21.8%</u>	<u>21.4%</u>	<u>21.5%</u>	<u>20.8%</u>	<u>21.6%</u>	<u>21.2%</u>	<u>20.7%</u>
<u>Homebuilding Operating Income Margin</u>											
Homebuilding Operating Income Margin - As Reported	12.2%	15.4%	17.7%	14.4%	11.4%	11.5%	11.3%	10.9%	10.8%	11.1%	10.8%
Homebuilding inventory-related charges	-	0.1	0.4	1.4	0.3	0.2	0.1	-	0.1	-	0.1
Homebuilding operating income margin excluding inventory-related charges	<u>12.2%</u>	<u>15.5%</u>	<u>18.1%</u>	<u>15.8%</u>	<u>11.7%</u>	<u>11.7%</u>	<u>11.4%</u>	<u>10.9%</u>	<u>10.9%</u>	<u>11.1%</u>	<u>10.9%</u>

The Company believes these non-GAAP financial measures, which assist management in making certain decisions, are relevant and useful to investors in understanding its operations and in providing meaningful period-to-period comparisons and may be helpful in comparing the Company with other homebuilding companies to the extent they provide similar information.

Thank you for your interest in KB Home.

For further information,
please contact us:

Investor Relations
(310) 231-4000
investorrelations@kbhome.com

