

FLASH: D. R. HORTON, INC. (DHI)**DHI: 2Q24 Conference Call Takeaways**Key Takeaways

F2Q First Look/Results: DHI turned in healthy Financial Statements as Revs, Closings, GM, SG&A, OM and Financial Services OI beat our estimates. Orders of +14% slightly missed our +17% estimate. Net, EPS of \$3.52 beat our \$2.97 estimate by 18%.

SSS demand remains good

Not seeing financial stress/DTI's impact buyers ability to qualify

Demand: Dec/Jan strong, Feb/Mar consumers had to adjust to volatile rates, but stabilized past 6 weeks inline with overall targets.

Rate fluctuations have not been significant enough to impact BL qualification

Expects incentives remain flattish in near-term

Expect to continue to meet market with incentives – if market mortgage rates increase, DHI will offer buydowns 1 pt to 1.5 pts below market

Saw sequential increase in buyers utilizing rate buydowns

Cycle time back to historical average of 4 mos

Closings beat due to intra-quarter Orders/Closing at 54% vs historical 35%-40%

Will manage Starts pace with demand/incentive environment – expect 25K Starts in F3Q and F4Q barring another big rate shock

F3Q GM in-line to above F2Q at 23.0%-23.5%

2024 Guidance

Revenues \$36.7B - \$37.7B (prior \$36.0B to \$37.3B)

Deliveries 89K - 91K (prior 87K to 90K)

Tax Rate 23.5% - 24.0%

HB CFO ~\$3.0B - will invest into Rental Platform (\$800M-\$1B) in '24 and then start to decline in future years

Repurchase shares \$1.6B (prior \$1.5B), Divs \$400M

Tax Rate 23.5% to 24.0%

CC Growth mid-to-high single digits going forward

April 18, 2024**Rating:**

Peer Perform

Price:

\$145.74

Price Target:

NA

Source: FactSet, Wolfe Research
Priced as of 04/17/24

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F3Q 2024 Guidance

Revs \$9.5B to \$9.7B

Closings 23.5 to 24.0K

F3Q GM 23.0% to 23.5% (F2Q 23.2%)

Pretty good real-time indicator of incentives, sell/close 54% intra-q

Stick/brick very +LSDs QoQ, Land +3%-4%

SG&A ~7.0%

Rental Revs flat QoQ

FS Margin 30%-35%

Tax Rate 24%

Demand/Market Commentary

Orders +46% QoQ; +14% YoY

Order \$ +17.1%

Can Rate 15%

Comm Count +15% YoY and +4% QoQ

Given recent move in rates, will remain 1 to 1.5 points below mkt mtg rate but incentives should remain inline with today's elevated levels

FL – existing inventory increases in coast and wind zones, where DHI doesn't play.

FL still feels good - insurance rates for DHI communities stable - strong in-migration/job growth

Sold/closed 54% intra-quarter

Cycle times back to historical norms of 4 months

Started 24.9K homes, expects to maintain that in F3Q

Inventory 45.0K homes, 27.6K Specs & 7.3K finished specs

617K lots, 77% optioned

Gross Margin/SG&A

GM 23.2%

Stick/brick costs flat QoQ, land +3%

Expects land to continue inflating +LSDs QoQ, stick/brick slightly up due to lumber

Investing in people/SG&A/splitting divisions for growth

Forestar

Pretax \$59M

96100 lots

60% of FOR lots under contract or ROFO from DHI

ND/TC 16.4%

Financial Services

Pretax Margin 34.6%

Capture Rate 80%

FHA/VA 59%

FICO 725

LTV 89%

1st time buyers 57%

Rental

Better buyer/user of land, better counterparty to land sellers

Revs \$371M, sold 1,109 SF & 424 MF, PT Income \$33M

Inventory ~\$3.1B, inc MF \$1.8B

Continue to grow MF platform

Inventory should start to level off in late '25

BS/CF/Other

Goal – grow business, increase Divs and consistent share repo

Land Spend \$2.4B - \$1.4B Finished Lots, \$760M development, \$230M land acq

ND/TC 11%

617K lots, 77% Optioned

ROE 22.2%, ROA 15.1%

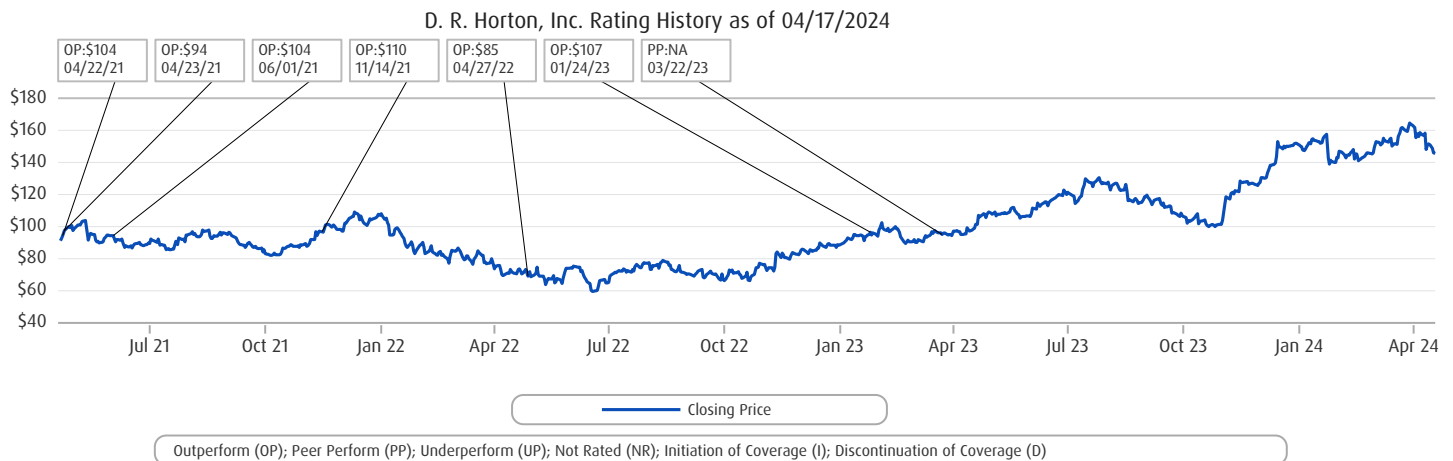
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Important Disclosures:

Price Chart(s) with Ratings and Target Price History



Wolfe Research, LLC Fundamental Valuation Methodology:

Company:

D. R. Horton, Inc.

Fundamental Valuation Methodology:

We do not currently have a price target on DHI. If we did have a price target, we would use a NTM Price/BV multiple to arrive at our year-end 2023 price target.

Wolfe Research, LLC Fundamental Recommendation, Rating and Target Price Risks:

Company:

D. R. Horton, Inc.

Risks That May Impede Achievement of the Recommendation, Rating or Target Price:

Downside risks to our Peer Perform DHI rating include rising mortgage rates reducing affordability for Entry-Level homebuyers, hence negatively impacting demand, accelerating material/labor/land inflation driving an inflection in the current favorable price/cost relationship and an inability to complete lot development on schedule due to environmental, municipal, or weather delays. Upside risks include stabilizing mortgage rates driving entry-level buyer demand, improved construction cycles, declines in construction costs supporting margins.

Wolfe Research, LLC Research Disclosures:

Company:

D. R. Horton, Inc.

Research Disclosures:

None

Other Disclosures:**Wolfe Research, LLC Fundamental Stock Ratings Key:**

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Peer Perform (PP):	The security is projected to perform approximately in line with analyst's industry coverage universe over the next 12 months.
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Outperform:	47%	5% Investment Banking Clients within the previous 12 months
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