

**D·R·HORTON**® **DHI**  
Listed  
NYSE  
*America's Builder*

Raymond James 37<sup>th</sup> Annual  
Institutional Investors Conference  
March 8, 2016



**79 MARKETS**  
**27 STATES**

# Forward-Looking Statements



This presentation may include “forward-looking statements” as defined by the Private Securities Litigation Reform Act of 1995. Although D.R. Horton believes any such statements are based on reasonable assumptions, there is no assurance that actual outcomes will not be materially different. Factors that may cause the actual results to be materially different from the future results expressed by the forward-looking statements include, but are not limited to: the cyclical nature of the homebuilding industry and changes in economic, real estate and other conditions; constriction of the credit markets, which could limit our ability to access capital and increase our costs of capital; reductions in the availability of mortgage financing and the liquidity provided by government-sponsored enterprises, the effects of government programs, a decrease in our ability to sell mortgage loans on attractive terms or an increase in mortgage interest rates; the risks associated with our land and lot inventory; home warranty and construction defect claims; supply shortages and other risks of acquiring land, building materials and skilled labor; reductions in the availability of performance bonds; increases in the costs of owning a home; the impact of an inflationary, deflationary or higher interest rate environment; the effects of governmental regulations and environmental matters on our homebuilding operations; the effects of governmental regulations on our financial services operations; our substantial debt and our ability to comply with related debt covenants, restrictions and limitations; competitive conditions within the homebuilding and financial services industries; our ability to effect our growth strategies or acquisitions successfully; the effects of the loss of key personnel; the effects of negative publicity; and information technology failures and data security breaches. Additional information about issues that could lead to material changes in performance is contained in D.R. Horton’s annual report on Form 10-K and our most recent quarterly report on Form 10-Q, both of which are filed with the Securities and Exchange Commission.

# D.R. Horton, Inc.



- Traded on NYSE as DHI
- #1 builder for 14 consecutive years<sup>1</sup>
- \$10.9 billion in annual revenues<sup>2</sup>
- 36,736 in annual homes closed<sup>2</sup>
- \$1.1 billion in annual pre-tax income<sup>2</sup>
- \$11.2 billion of total assets<sup>3</sup>
- \$6.1 billion of stockholders' equity<sup>3</sup>
- Book value per share of \$16.39<sup>3</sup>

<sup>1</sup>By closings volume for fiscal years 2002 to 2015

<sup>2</sup>Twelve months ended December 31, 2015

<sup>3</sup>As of December 31, 2015



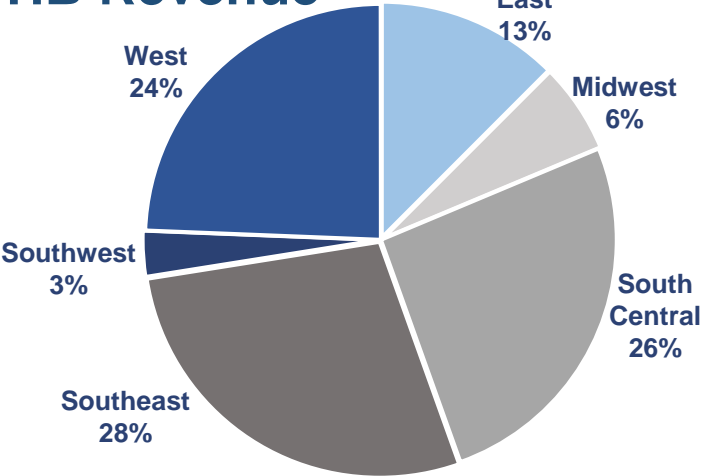
# Geographic Diversification

79 Markets | 27 States

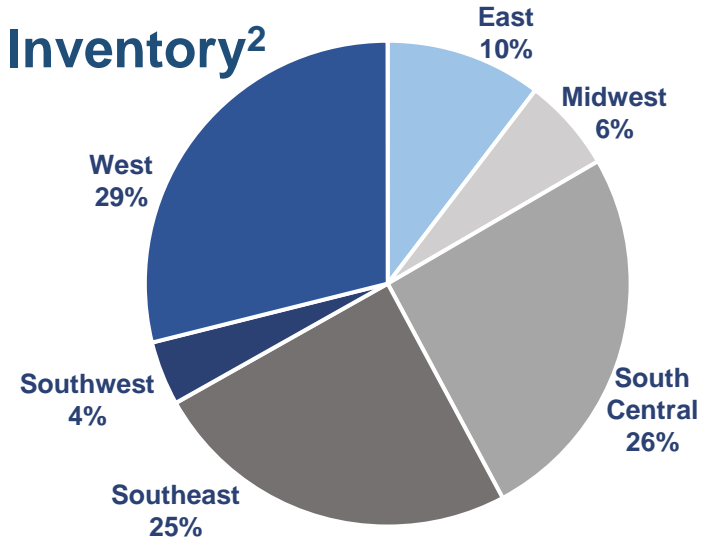


Region	States Covered
East	Delaware, Georgia, Maryland, New Jersey, North Carolina, Pennsylvania, South Carolina, Virginia
Midwest	Colorado, Illinois, Indiana, Minnesota
Southeast	Alabama, Florida, Georgia, Mississippi, Tennessee
South Central	Louisiana, Oklahoma, Texas
Southwest	Arizona, New Mexico
West	California, Hawaii, Nevada, Oregon, Utah, Washington

**HB Revenue<sup>1</sup>**



**Inventory<sup>2</sup>**

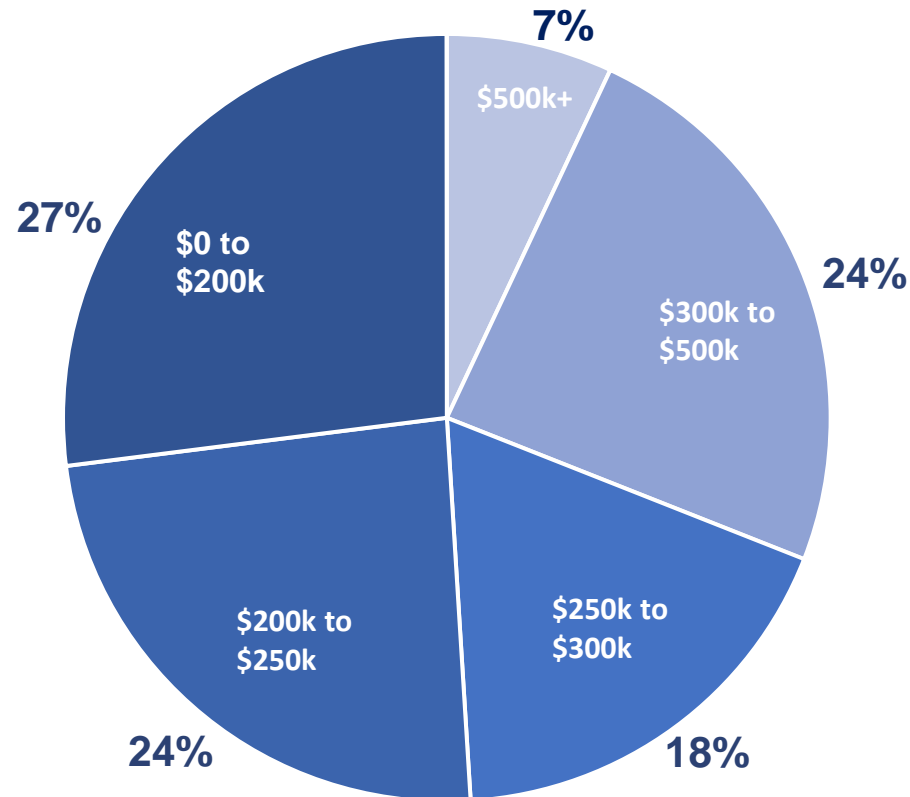


<sup>1</sup>Twelve months ended December 31, 2015

<sup>2</sup>As of December 31, 2015

# Broad Range of Product Offerings

Homes for entry-level, move-up and luxury buyers



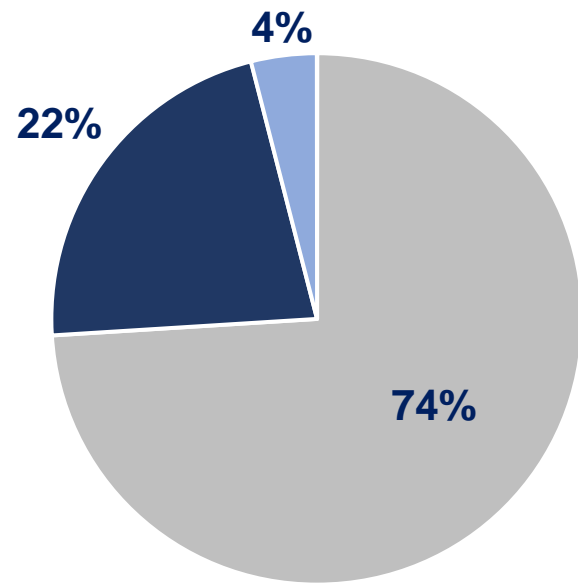
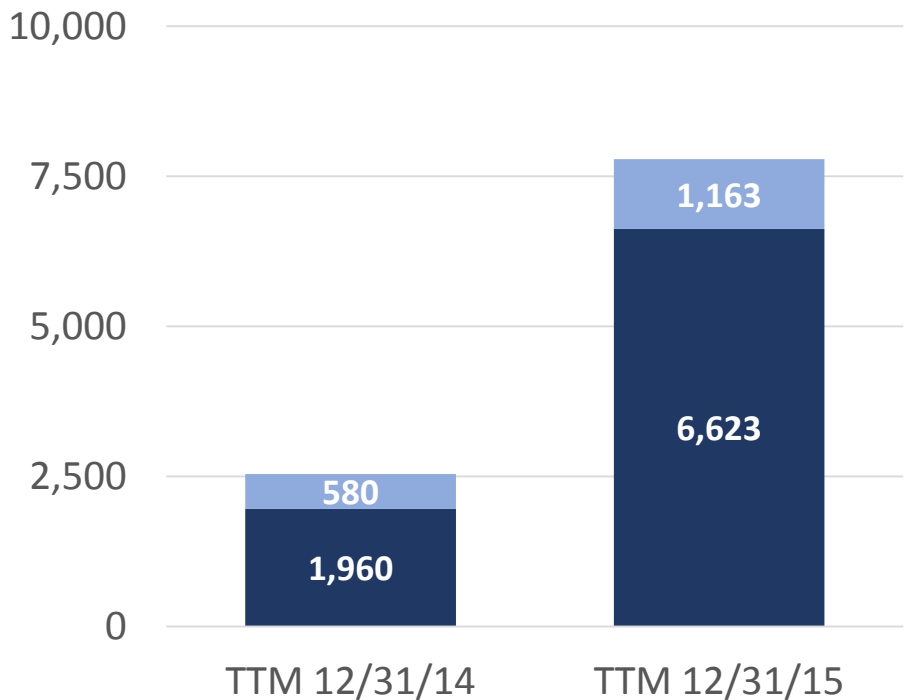
Represents homes closed for the trailing twelve months ended 12/31/15

# Substantial Growth in Brands

**New Brand Growth - TTM**

**Overall Brand Mix – Q1**

Homes Closed



Represents homes closed

■ Horton ■ Express ■ Emerald

# Operational Focus

- Current land ownership level is sufficient to support double-digit annual growth in both revenues and profits
- Consistently optimize balance of sales absorptions and gross margins to maximize returns in each community
- Manage land and home inventory levels efficiently to generate consistent positive cash flow from operations
- Underwriting criteria for land and lot purchases and operational expectations for each community:
  - Minimum 20% annual net return on inventory investment (ROI) for all brands
    - $\text{Net ROI\%} = \text{Pre-tax Income} \div \text{Average Inventory}$
  - Initial cash investment returned within 24 months or less

# Management Tenure & Experience



Average employee tenure:

- Region Presidents – over 20 years
- Division Presidents – 15 years
- City Managers – over 10 years





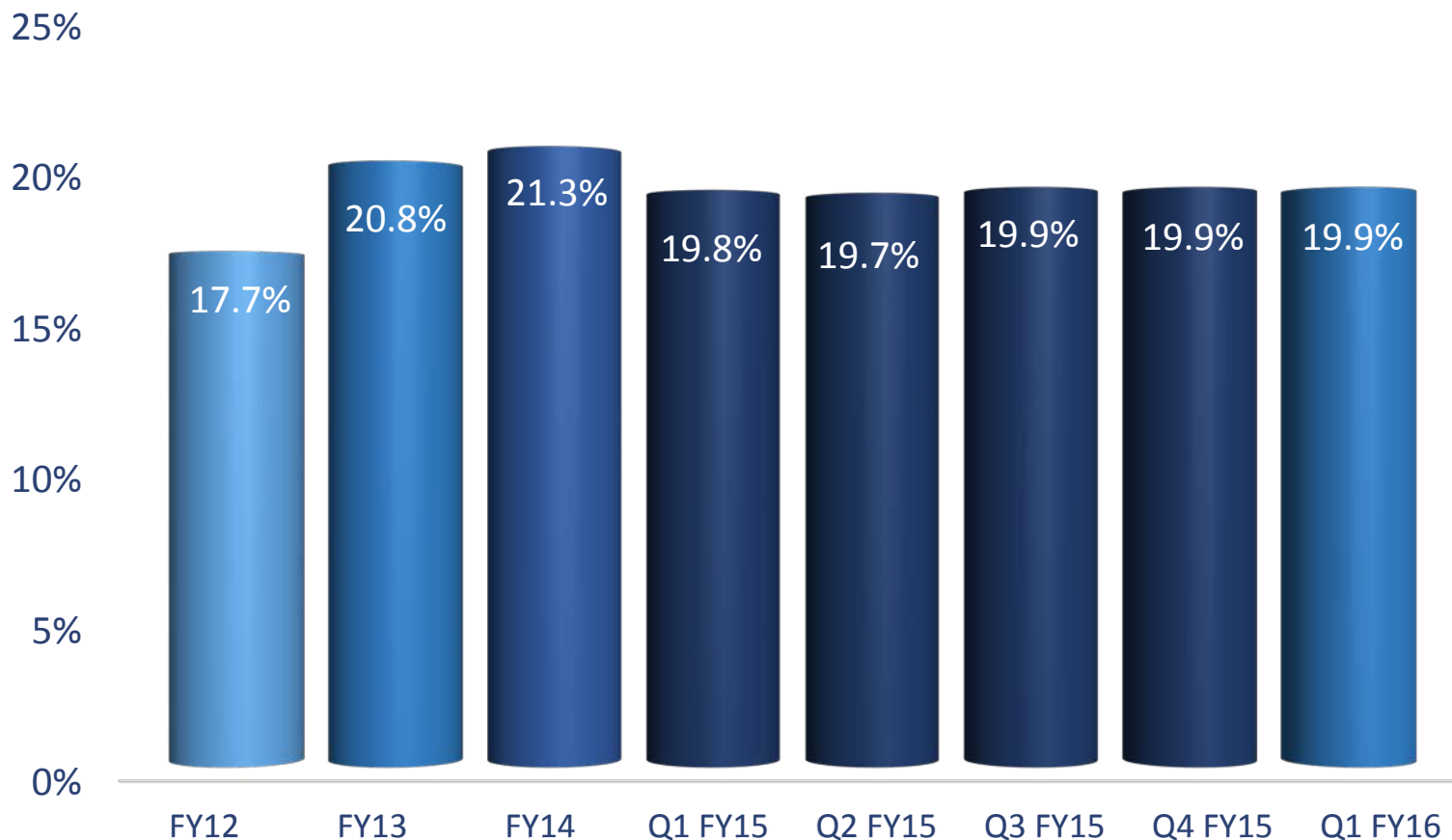
# Q1 FY 2016 Highlights



- The value of net homes sold, homes closed and homes in backlog increased by 12%, 4% and 16%, respectively
- 8,064 net homes sold and 8,061 homes closed
- 10,665 homes in backlog at 12/31/15
- Consolidated pre-tax income increased 9% to \$241.3 million
- Consolidated pre-tax income margin improved 40 basis points to 10%
- Net income increased 11% to \$157.7 million
- Cash flow used in operations improved \$127.5 million to \$1.5 million

# Home Sales Gross Margin

Homes sales gross margin of around 20% in a stable housing market

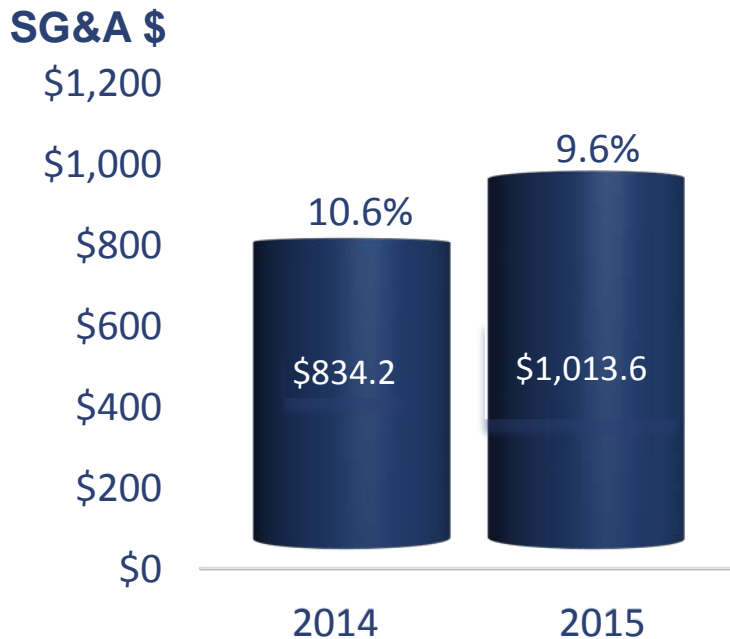


Shown as a % of home sales revenues  
Includes interest amortized to cost of sales

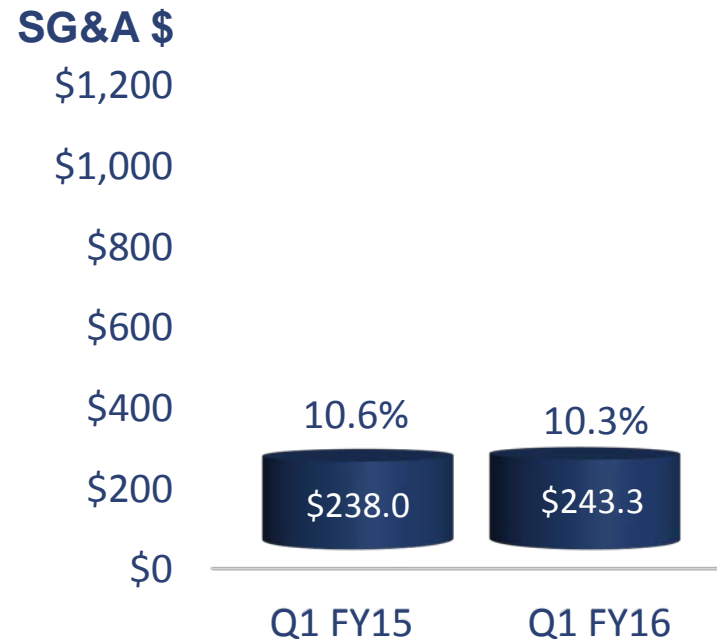
# Homebuilding SG&A

SG&A as a percentage of homebuilding revenues improved 30 basis points in Q1 FY2016

## Fiscal Year 2015



## First Fiscal Quarter 2016



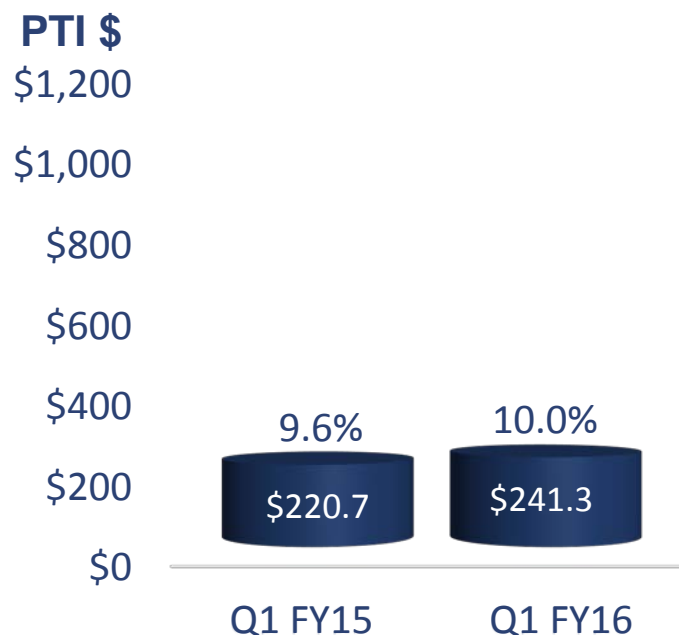
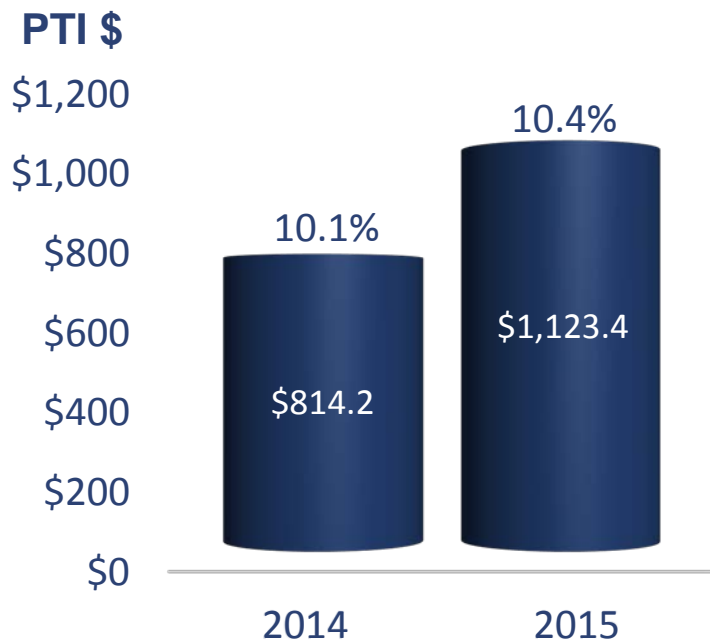
Shown as a % of homebuilding revenues  
\$ in millions

# Consolidated Pre-tax Income

Consolidated pre-tax income margin in Q1 FY2016 improved 40 basis points to 10.0%

**Fiscal Year 2015**

**First Fiscal Quarter 2016**



\$ in millions  
 Shown as a % of consolidated revenues

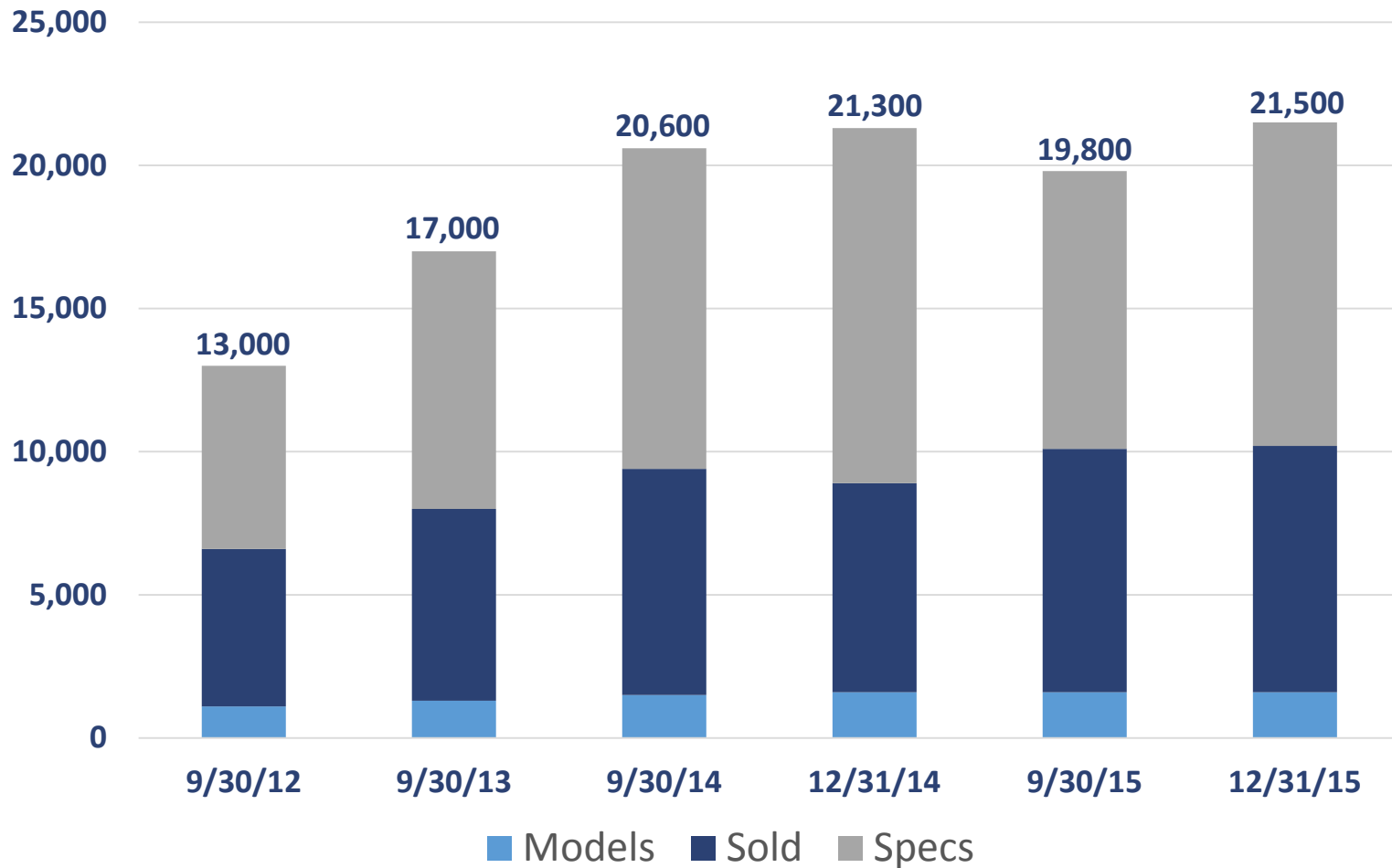
# Balance Sheet



	12/31/15	9/30/15	12/31/14
<b>HB cash and cash equivalents</b>	\$ 1,245.7	\$ 1,355.9	\$ 517.7
<b>Restricted cash</b>	9.7	9.7	9.6
<b>Inventories</b>	8,088.2	7,807.0	7,989.3
<b>Deferred income taxes, net</b>	542.2	558.1	552.7
<b>Other assets</b>	1,293.7	1,420.3	1,269.4
<b>Total</b>	<u>\$ 11,179.5</u>	<u>\$ 11,151.0</u>	<u>\$ 10,338.7</u>
<b>Notes payable - HB</b>	\$ 3,337.2	\$ 3,333.6	\$ 3,403.1
<b>Other liabilities</b>	1,781.8	1,922.0	1,671.8
<b>Equity</b>	6,060.5	5,895.4	5,263.8
<b>Total</b>	<u>\$ 11,179.5</u>	<u>\$ 11,151.0</u>	<u>\$ 10,338.7</u>
<b>Homebuilding Leverage</b>			
<b>Gross</b>	<u>35.5%</u>	<u>36.1%</u>	<u>39.2%</u>
<b>Net of cash</b>	<u>25.7%</u>	<u>25.1%</u>	<u>35.3%</u>
<b>Book Value/Share</b>	<u>\$16.39</u>	<u>\$15.99</u>	<u>\$14.40</u>

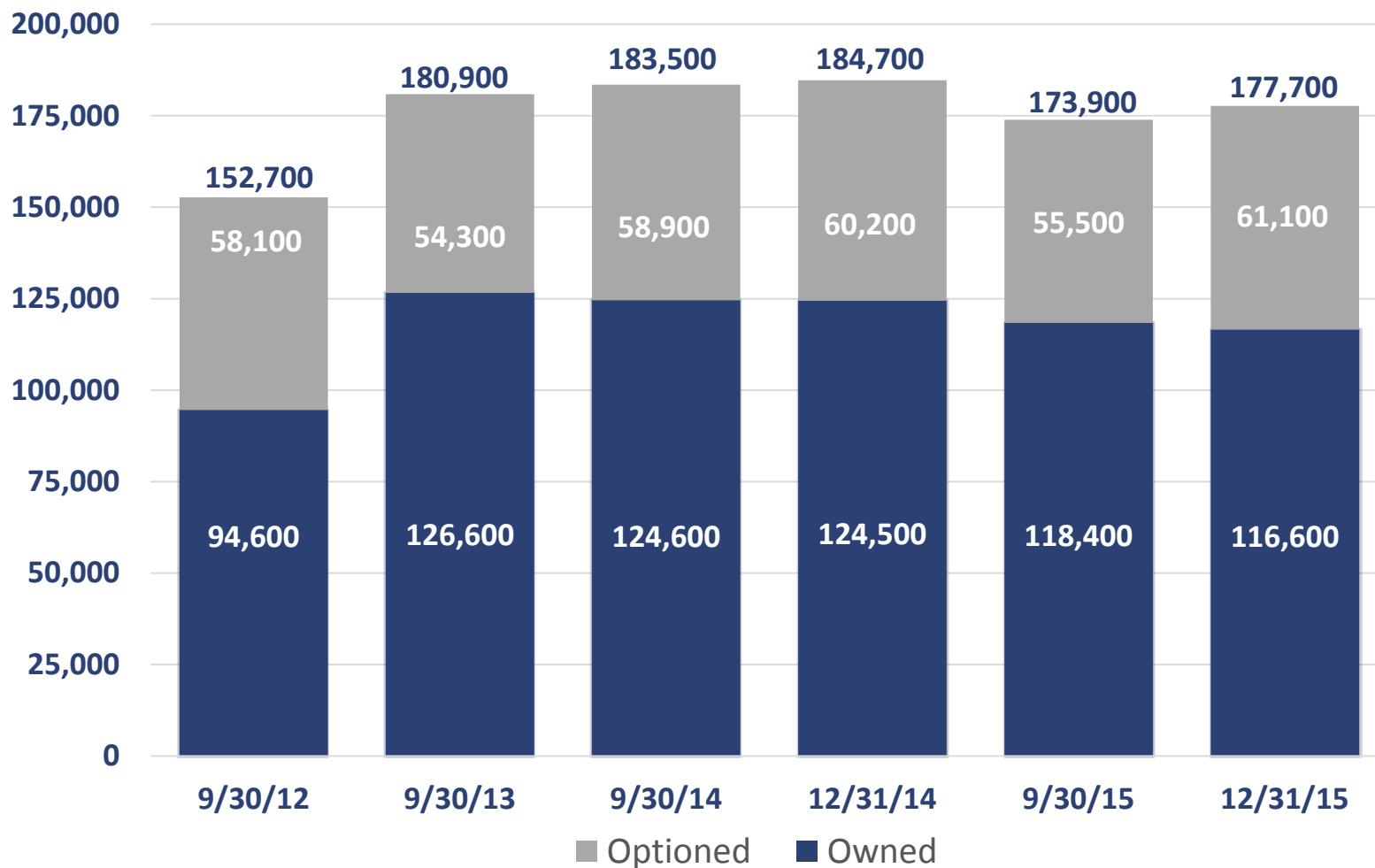
\$ in millions

# Homes in Inventory



# Robust Lot Position

Increased optioned lot position by 10% from 9/30/15 to 12/31/15



# FY 2016 Expectations\*



## Fiscal Year:

- Consolidated pre-tax margin in the range of 10.5% to 11.0%
- Consolidated revenues of \$12.0 billion to \$12.5 billion
- Closings between 39,500 homes and 41,500 homes
- Home sales gross margin in the high 19s to 20%
- Homebuilding SG&A expense in the range of 9.2% to 9.4% of homebuilding revenues
- Financial Services operating margin between 30% and 33%
- Income tax rate between 35% and 36%
- Diluted share count of approximately 375 million shares
- Cash flow from operations in the range of \$300 million to \$500 million

## Second Quarter:

- Backlog conversion rate in the range of 82% to 85%
- Home sales gross margin in the high 19s to 20%, consistent with first quarter
- Homebuilding SG&A expense in the range of 10.3% to 10.6% of homebuilding revenues

\*Based on housing market conditions as noted on the Company's conference call on 1/25/16



# Cash Flow Priorities

- Invest in homebuilding business where opportunities to generate acceptable returns exist, including business acquisitions
- Pay off debt at maturity
  - Paid \$170 million of senior notes at maturity in January 2016
  - \$373 million maturities remaining in fiscal 2016 – most likely pay off some portion, while refinancing the rest
- Be opportunistic, while remaining disciplined

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