UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From ______ To ______

Commission File Number: 1-14122

D.R. Horton, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**75-2386963**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1341 Horton Circle
Arlington, Texas 76011
(Address of principal executive offices) (Zip code)

(817) 390-8200
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	DHI	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 18, 2024, there were 326,040,096 shares of the registrant's common stock, par value $.01 per share, outstanding.

D.R. HORTON, INC. AND SUBSIDIARIES

FORM 10-Q

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

D.R. HORTON, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2024	September 30, 2023
	(In millions) (Unaudited)	
ASSETS		
Cash and cash equivalents	$ 2,992.3	$ 3,873.6
Restricted cash	27.7	26.5
Total cash, cash equivalents and restricted cash	3,020.0	3,900.1
Inventories:		
Construction in progress and finished homes	9,880.5	9,001.4
Residential land and lots — developed and under development	12,413.4	10,621.9
Land held for development	155.8	50.0
Land held for sale	15.8	8.7
Rental properties	3,070.6	2,691.3
Total inventory	25,536.1	22,373.3
Mortgage loans held for sale	2,578.8	2,519.9
Deferred income taxes, net of valuation allowance of $14.7 million and $14.8 million at June 30, 2024 and September 30, 2023, respectively	156.6	187.2
Property and equipment, net	520.9	445.4
Other assets	3,175.5	2,993.0
Goodwill	163.5	163.5
Total assets	$ 35,151.4	$ 32,582.4
LIABILITIES		
Accounts payable	$ 1,412.7	$ 1,246.2
Accrued expenses and other liabilities	2,897.0	3,103.8
Notes payable	5,691.0	5,094.5
Total liabilities	10,000.7	9,444.5
Commitments and contingencies (Note K)		
EQUITY		
Preferred stock, $.10 par value, 30,000,000 shares authorized, no shares issued	—	—
Common stock, $.01 par value, 1,000,000,000 shares authorized, 402,771,463 shares issued and 327,373,437 shares outstanding at June 30, 2024 and 401,202,253 shares issued and 334,848,565 shares outstanding at September 30, 2023	4.0	4.0
Additional paid-in capital	3,458.9	3,432.2
Retained earnings	26,765.3	23,589.8
Treasury stock, 75,398,026 shares and 66,353,688 shares at June 30, 2024 and September 30, 2023, respectively, at cost	(5,571.7)	(4,329.8)
Stockholders' equity	24,656.5	22,696.2
Noncontrolling interests	494.2	441.7
Total equity	25,150.7	23,137.9
Total liabilities and equity	$ 35,151.4	$ 32,582.4

See accompanying notes to consolidated financial statements.

D.R. HORTON, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
	(In millions, except per share data) (Unaudited)			
Revenues	$ 9,965.7	$ 9,725.6	$ 26,798.8	$ 24,956.4
Cost of sales	7,323.7	7,141.8	19,817.7	18,429.3
Selling, general and administrative expense	923.6	852.1	2,639.2	2,362.6
Other (income) expense	(80.6)	(52.2)	(233.1)	(131.9)
Income before income taxes	1,799.0	1,783.9	4,575.0	4,296.4
Income tax expense	432.2	432.2	1,068.8	1,026.7
Net income	1,366.8	1,351.7	3,506.2	3,269.7
Net income attributable to noncontrolling interests	13.2	16.6	33.2	33.7
Net income attributable to D.R. Horton, Inc.	$ 1,353.6	$ 1,335.1	$ 3,473.0	$ 3,236.0
Basic net income per common share attributable to D.R. Horton, Inc.	$ 4.12	$ 3.93	$ 10.50	$ 9.46
Weighted average number of common shares	328.4	339.9	330.9	342.1
Diluted net income per common share attributable to D.R. Horton, Inc.	$ 4.10	$ 3.90	$ 10.43	$ 9.39
Adjusted weighted average number of common shares	330.1	342.3	333.0	344.7

See accompanying notes to consolidated financial statements.

D.R. HORTON, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF TOTAL EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Non-controlling Interests	Total Equity
	(In millions, except common stock share data) (Unaudited)					
Balances at September 30, 2023 (334,848,565 shares)	$ 4.0	$ 3,432.2	$ 23,589.8	$ (4,329.8)	$ 441.7	$ 23,137.9
Net income	—	—	947.4	—	8.3	955.7
Exercise of stock options (68,095 shares)	—	1.6	—	—	—	1.6
Stock issued under employee benefit plans (598,824 shares)	—	3.1	—	—	—	3.1
Cash paid for shares withheld for taxes	—	(37.5)	—	—	—	(37.5)
Stock-based compensation expense	—	40.9	—	—	—	40.9
Cash dividends declared ($0.30 per share)	—	—	(99.9)	—	—	(99.9)
Repurchases of common stock (3,325,150 shares)	—	—	—	(398.3)	—	(398.3)
Change of ownership interest in Forestar	—	(0.1)	—	—	0.1	—
Balances at December 31, 2023 (332,190,334 shares)	$ 4.0	$ 3,440.2	$ 24,437.3	$ (4,728.1)	$ 450.1	$ 23,603.5
Net income	—	—	1,172.1	—	11.6	1,183.7
Exercise of stock options (151,568 shares)	—	3.6	—	—	—	3.6
Stock issued under employee benefit plans (604,209 shares)	—	6.9	—	—	—	6.9
Cash paid for shares withheld for taxes	—	(44.1)	—	—	—	(44.1)
Stock-based compensation expense	—	25.0	—	—	—	25.0
Cash dividends declared ($0.30 per share)	—	—	(99.2)	—	—	(99.2)
Repurchases of common stock (2,749,810 shares)	—	—	—	(402.2)	—	(402.2)
Change of ownership interest in Forestar	—	—	—	—	19.2	19.2
Balances at March 31, 2024 (330,196,301 shares)	$ 4.0	$ 3,431.6	$ 25,510.2	$ (5,130.3)	$ 480.9	$ 24,296.4
Net income	—	—	1,353.6	—	13.2	1,366.8
Stock issued under employee benefit plans (146,514 shares)	—	1.9	—	—	—	1.9
Cash paid for shares withheld for taxes	—	(1.3)	—	—	—	(1.3)
Stock-based compensation expense	—	26.8	—	—	—	26.8
Cash dividends declared ($0.30 per share)	—	—	(98.5)	—	—	(98.5)
Repurchases of common stock (2,969,378 shares)	—	—	—	(441.4)	—	(441.4)
Change of ownership interest in Forestar	—	(0.1)	—	—	0.1	—
Balances at June 30, 2024 (327,373,437 shares)	$ 4.0	$ 3,458.9	$ 26,765.3	$ (5,571.7)	$ 494.2	$ 25,150.7

See accompanying notes to consolidated financial statements.

D.R. HORTON, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended June 30, 2024	Nine Months Ended June 30, 2023
	(In millions) (Unaudited)	
OPERATING ACTIVITIES		
Net income	$ 3,506.2	$ 3,269.7
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	63.5	70.2
Stock-based compensation expense	92.7	80.6
Deferred income taxes	29.9	19.3
Inventory and land option charges	34.4	62.2
Changes in operating assets and liabilities:		
(Increase) decrease in construction in progress and finished homes	(863.0)	576.2
Increase in residential land and lots – developed, under development, held for development and held for sale	(2,012.1)	(915.0)
Increase in rental properties	(375.7)	(777.3)
(Increase) decrease in other assets	(154.4)	242.1
Increase in mortgage loans held for sale	(58.9)	(28.4)
Decrease in accounts payable, accrued expenses and other liabilities	(34.4)	(338.5)
Net cash provided by operating activities	228.2	2,261.1
INVESTING ACTIVITIES		
Expenditures for property and equipment	(133.3)	(108.3)
Proceeds from sale of assets	14.9	—
Payments related to business acquisitions, net of cash acquired	(37.9)	(202.0)
Other investing activities	(4.8)	1.8
Net cash used in investing activities	(161.1)	(308.5)
FINANCING ACTIVITIES		
Proceeds from notes payable	1,270.0	575.0
Repayment of notes payable	(640.4)	(675.4)
Borrowings on mortgage repurchase facilities, net	21.8	67.3
Proceeds from stock associated with certain employee benefit plans	12.2	18.7
Cash paid for shares withheld for taxes	(82.9)	(55.9)
Cash dividends paid	(297.5)	(256.9)
Repurchases of common stock	(1,230.3)	(759.6)
Net proceeds from issuance of Forestar common stock	19.7	—
Net other financing activities	(19.8)	(30.7)
Net cash used in financing activities	(947.2)	(1,117.5)
Net (decrease) increase in cash, cash equivalents and restricted cash	(880.1)	835.1
Cash, cash equivalents and restricted cash at beginning of period	3,900.1	2,572.9
Cash, cash equivalents and restricted cash at end of period	$ 3,020.0	$ 3,408.0
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES:		
Notes payable issued for inventory	$ 43.4	$ 54.5
Reduction of notes payable upon deconsolidation of variable interest entity	$ (127.8)	$ —
Stock issued under employee incentive plans	$ 173.2	$ 110.8
Repurchases of common stock not settled	$ 1.5	$ —

See accompanying notes to consolidated financial statements.

D.R. HORTON, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
June 30, 2024

NOTE A – BASIS OF PRESENTATION

The accompanying unaudited, consolidated financial statements include the accounts of D.R. Horton, Inc. and all of its wholly-owned, majority-owned and controlled subsidiaries, which are collectively referred to as the Company, unless the context otherwise requires. Noncontrolling interests represent the proportionate equity interests in consolidated entities that are not 100% owned by the Company. As of June 30, 2024, the Company owned a 62% controlling interest in Forestar Group Inc. (Forestar) and therefore is required to consolidate 100% of Forestar within its consolidated financial statements, and the 38% interest the Company does not own is accounted for as noncontrolling interests. All intercompany accounts, transactions and balances have been eliminated in consolidation.

The financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, these financial statements reflect all adjustments considered necessary to fairly state the results for the interim periods shown, including normal recurring accruals and other items. These financial statements, including the consolidated balance sheet as of September 30, 2023, which was derived from audited financial statements, do not include all of the information and notes required by GAAP for complete financial statements and should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2023.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Seasonality

Historically, the homebuilding industry has experienced seasonal fluctuations; therefore, the operating results for the three and nine months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 2024 or subsequent periods.

Pending Accounting Standards

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-07, "Segment Reporting - Improvements to Reportable Segment Disclosures," which is intended to improve reportable segment disclosures. The ASU expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. It also requires disclosure of the amount and description of the composition of other segment items and interim disclosures of a reportable segment's profit or loss and assets. The guidance is effective for the Company beginning October 1, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes - Improvements to Income Tax Disclosures," which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation and modifies other income tax related disclosures. The guidance is effective for the Company beginning October 1, 2025, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included in this quarterly report and with our annual report on Form 10-K for the fiscal year ended September 30, 2023. Some of the information contained in this discussion and analysis constitutes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those described in the "Forward-Looking Statements" section following this discussion.

BUSINESS

D.R. Horton, Inc. is the largest homebuilding company in the United States as measured by number of homes closed. We construct and sell homes through our operating divisions in 121 markets across 33 states. Our common stock is included in the S&P 500 Index and listed on the New York Stock Exchange under the ticker symbol "DHI." Unless the context otherwise requires, the terms "D.R. Horton," the "Company," "we" and "our" used herein refer to D.R. Horton, Inc., a Delaware corporation, and its predecessors and subsidiaries.

Our business operations consist of homebuilding, rental, a majority-owned residential lot development company, financial services and other activities. Our homebuilding operations are our core business and primarily include the construction and sale of single-family homes with sales prices generally ranging from $200,000 to more than $1,000,000, with an average closing price of $378,200 during the nine months ended June 30, 2024. Approximately 88% of our home sales revenue in the nine months ended June 30, 2024 was generated from the sale of single-family detached homes, with the remainder from the sale of attached homes, such as townhomes, duplexes and triplexes.

We have closed more than one million homes during our 45-year history, and we have been the largest volume homebuilder in the United States every year since 2002. Our product offerings include a broad range of homes for entry-level, move-up, active adult and luxury buyers.

Our rental segment consists of single-family and multi-family rental operations. The single-family rental operations primarily construct and lease single-family homes within a community and then market each community for a bulk sale of rental homes. The multi-family rental operations develop, construct, lease and sell residential rental properties, the majority of which are apartment communities.

At June 30, 2024, we owned 62% of the outstanding shares of Forestar Group Inc. (Forestar), a publicly traded residential lot development company listed on the New York Stock Exchange under the ticker symbol "FOR." Forestar operates across many of our homebuilding operating markets and is a key part of our homebuilding strategy to maintain relationships with land developers and to control a large portion of our land and lot position through land purchase contracts.

Our financial services operations provide mortgage financing and title agency services to homebuyers in many of our homebuilding markets. DHI Mortgage, our wholly-owned subsidiary, provides mortgage financing services primarily to our homebuyers and sells substantially all of the mortgages it originates and the related servicing rights to third-party purchasers after origination. Our wholly-owned subsidiary title companies serve as title insurance agents by providing title insurance policies, examination, underwriting and closing services primarily to our homebuilding customers.

In addition to our homebuilding, rental, Forestar and financial services operations, we engage in other business activities through our subsidiaries. We conduct insurance-related operations, own water rights and other water-related assets and own non-residential real estate including ranch land and improvements. The results of these operations are immaterial for separate reporting and therefore are grouped together and presented as other.

Table of Contents

RESULTS OF OPERATIONS - RENTAL

Our rental segment consists of single-family and multi-family rental operations. The single-family rental operations primarily construct and lease single-family homes within a community and then market each community for a bulk sale of rental homes. The multi-family rental operations develop, construct, lease and sell residential rental properties, with a primary focus on constructing garden style apartment communities in high growth suburban markets. Single-family and multi-family rental property sales are recognized as revenues, and rental income is recognized as other income. The following tables provide further information regarding our rental operations as of and for the three and nine months ended June 30, 2024 and 2023.

	Rental Homes/Units Closed			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
Single-family rental homes	790	1,754	2,278	3,169
Multi-family rental units	610	230	1,334	530
	1,400	1,984	3,612	3,699

	Results of Operations (In millions)			
Revenues				
Single-family rental	$ 258.5	$ 589.6	$ 675.9	$ 1,041.6
Multi-family rental and other	155.2	77.5	304.3	177.0
Total revenues	413.7	667.1	980.2	1,218.6
Cost of sales				
Single-family rental	201.0	411.1	532.6	705.5
Multi-family rental and other	118.3	46.9	230.8	93.7
Inventory and land option charges	1.5	0.9	2.2	2.3
Total cost of sales	320.8	458.9	765.6	801.5
Selling, general and administrative expense	55.0	80.0	163.8	181.0
Other (income) expense	(26.3)	(33.9)	(78.0)	(70.9)
Income before income taxes	$ 64.2	$ 162.1	$ 128.8	$ 307.0

Revenues from our rental operations decreased to $413.7 million and $980.2 million during the three and nine months ended June 30, 2024, respectively, from $667.1 million and $1.2 billion in the prior year periods. Pre-tax income was $64.2 million and $128.8 million during the three and nine months ended June 30, 2024, respectively, compared to $162.1 million and $307.0 million in the prior year periods. The decrease in pre-tax income was due to a decrease in home closings and lower gross margins on home and unit closings during the current year periods compared to the prior year periods.

At June 30, 2024, our rental property inventory of $3.1 billion included $1.1 billion of inventory related to our single-family rental operations and $2.0 billion of inventory related to our multi-family rental operations. At September 30, 2023, our rental property inventory of $2.7 billion included $1.3 billion of inventory related to our single-family rental operations and $1.4 billion of inventory related to our multi-family rental operations. Single-family rental homes and lots and multi-family rental units at June 30, 2024 and September 30, 2023 consisted of the following:

	Rental Inventory	
	June 30, 2024	September 30, 2023
Single-family rental homes (1)	4,540	5,630
Single-family rental lots (2)	1,900	3,380
Multi-family rental units (3)	11,380	9,150

(1) Single-family rental homes at June 30, 2024 consist of 520 homes under construction and 4,020 completed homes. Single-family rental homes at September 30, 2023 consist of 1,260 homes under construction and 4,370 completed homes.

(2) Single-family rental lots at June 30, 2024 consist of 1,125 undeveloped lots and 775 finished lots. Single-family rental lots at September 30, 2023 consist of 2,210 undeveloped lots and 1,170 finished lots.

(3) Multi-family rental units at June 30, 2024 consist of 7,810 units under construction and 3,570 units that were substantially complete and in the lease-up phase. Multi-family rental units at September 30, 2023 consist of 7,200 units under construction and 1,950 units that were substantially complete and in the lease-up phase.

RESULTS OF OPERATIONS – FORESTAR

At June 30, 2024, we owned 62% of the outstanding shares of Forestar. Forestar is a publicly traded residential lot development company with operations in 60 markets across 24 states as of June 30, 2024. (See Note B to the accompanying financial statements for additional Forestar segment information.)

Results of operations for the Forestar segment for the three and nine months ended June 30, 2024 and 2023 were as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
	(In millions)			
Total revenues	$ 318.4	$ 368.9	$ 958.0	$ 887.1
Cost of land/lot sales and other	246.2	283.0	729.6	675.1
Inventory and land option charges	0.7	0.9	1.0	23.6
Total cost of sales	246.9	283.9	730.6	698.7
Selling, general and administrative expense	29.3	26.4	86.5	71.3
Other (income) expense	(9.4)	(3.8)	(20.7)	(9.1)
Income before income taxes	$ 51.6	$ 62.4	$ 161.6	$ 126.2

Forestar's revenues are primarily derived from sales of single-family residential lots to local, regional and national homebuilders and land bankers for homebuilders. The following tables provide further information regarding Forestar's revenues and lot position as of and for the three and nine months ended June 30, 2024 and 2023:

	Three Months Ended June 30,			
	Lots Sold		Value (In millions)	
	2024	2023	2024	2023
Residential single-family lots sold				
Lots sold to D.R. Horton	2,903	3,187	$ 265.3	$ 271.0
Total lots sold	3,255	3,812	$ 305.8	$ 334.8
Tract acres sold to D.R. Horton	32	45	$ 2.1	$ 22.8

	Nine Months Ended June 30,			
	Lots Closed		Value (In millions)	
	2024	2023	2024	2023
Residential single-family lots sold				
Lots sold to D.R. Horton	8,842	7,947	$ 849.2	$ 681.4
Total lots sold	9,694	9,054	$ 935.9	$ 794.3
Tract acres sold to D.R. Horton	32	424	$ 2.1	$ 55.3

	June 30, 2024	September 30, 2023
Residential single-family lots in inventory and under contract		
Lots owned	57,900	52,400
Lots controlled through land purchase contracts	44,200	26,800
Total lots owned and controlled	102,100	79,200
Owned lots under contract to sell to D.R. Horton	19,500	14,400
Owned lots under contract to customers other than D.R. Horton	900	600
Total owned lots under contract	20,400	15,000
Owned lots subject to right of first offer with D.R. Horton	16,700	17,000
Owned lots fully developed	5,900	6,400

At June 30, 2024 and September 30, 2023, Forestar's inventory, which includes land and lots developed, under development and held for development, totaled $2.2 billion and $1.8 billion, respectively.

There were no impairment charges recorded in either current year period or during the prior year quarter. Impairment charges included in inventory and land option charges during the nine months ended June 30, 2023 were $19.4 million.

SG&A expense for the three and nine months ended June 30, 2024 included charges of $1.4 million and $4.1 million, respectively, related to the shared services agreement between Forestar and D.R. Horton whereby D.R. Horton provides Forestar with certain administrative, compliance, operational and procurement services. Shared services charges were $0.9 million and $2.8 million, respectively, in the prior year periods.

RESULTS OF OPERATIONS – FINANCIAL SERVICES

The following tables and related discussion set forth key operating and financial data for our financial services operations, comprising DHI Mortgage and our subsidiary title companies, for the three and nine months ended June 30, 2024 and 2023.

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Number of first-lien loans originated or brokered by DHI Mortgage for D.R. Horton homebuyers	18,807	17,011	11 %	51,990	45,172	15 %
Number of homes closed by D.R. Horton	24,155	22,985	5 %	66,043	59,989	10 %
Percentage of D.R. Horton homes financed by DHI Mortgage	78 %	74 %		79 %	75 %	
Loans sold by DHI Mortgage to third parties	19,203	16,091	19 %	52,159	45,242	15 %

	Three Months Ended June 30,			Nine Months Ended June 30,		
	2024	2023	% Change	2024	2023	% Change
	(In millions)					
Loan origination and other fees	$ 26.5	$ 19.9	33 %	$ 65.4	$ 51.5	27 %
Gains on sale of mortgage loans and mortgage servicing rights	162.6	157.9	3 %	444.0	391.6	13 %
Servicing income	0.2	1.0	(80)%	3.0	4.0	(25)%
Total mortgage operations revenues	189.3	178.8	6 %	512.4	447.1	15 %
Title policy premiums	53.0	49.7	7 %	148.1	134.9	10 %
Total revenues	242.3	228.5	6 %	660.5	582.0	13 %
General and administrative expense	178.0	154.7	15 %	500.6	435.7	15 %
Other (income) expense	(27.0)	(20.3)	33 %	(75.4)	(51.6)	46 %
Financial services pre-tax income	$ 91.3	$ 94.1	(3)%	$ 235.3	$ 197.9	19 %

Financial Services Operating Margin Analysis

	Percentages of Financial Services Revenues			
	Three Months Ended June 30,		Nine Months Ended June 30,	
	2024	2023	2024	2023
General and administrative expense	73.5 %	67.7 %	75.8 %	74.9 %
Other (income) expense	(11.1)%	(8.9)%	(11.4)%	(8.9)%
Financial services pre-tax income	37.7 %	41.2 %	35.6 %	34.0 %

Mortgage Loan Activity

DHI Mortgage's primary focus is to originate loans for our homebuilding operations, and those loan originations account for virtually all of its total loan volume. In the three and nine months ended June 30, 2024, the volume of first-lien loans originated or brokered by DHI Mortgage for our homebuyers increased 11% and 15%, respectively, primarily due to increases of 5% and 10%, respectively, in the number of homes closed by our homebuilding operations, as well as an increase in the percentage of homes closed for which DHI Mortgage handled our homebuyers' financing. The percentage of homes closed for which DHI Mortgage handled our homebuyers' financing was 78% and 79% in the three and nine months ended June 30, 2024, respectively, up from 74% and 75% in the prior year periods.

The number of loans sold increased 19% and 15% in the three and nine months ended June 30, 2024, respectively, compared to the prior year periods. Virtually all of the mortgage loans held for sale on June 30, 2024 were eligible for sale to the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac) or the Government National Mortgage Association (Ginnie Mae). During the nine months ended June 30, 2024, approximately 73% of our mortgage loans were sold directly to Fannie Mae, Freddie Mac or into securities backed by Ginnie Mae, and 26% were sold to one other major financial entity. Changes in market conditions could result in a greater concentration of our mortgage sales in future periods to fewer financial entities and directly to Fannie Mae, Freddie Mac or Ginnie Mae, and we may need to make other adjustments to our mortgage operations.

Financial Services Revenues and Expenses

Total loan origination volume increased 10% and 15% in the three and nine months ended June 30, 2024, respectively, and revenues from our mortgage operations increased 6% to $189.3 million and 15% to $512.4 million in the three and nine months ended June 30, 2024, respectively, from $178.8 million and $447.1 million in the prior year periods. In the three month period, the revenue increase was less than the volume increase due to a more competitive market. Revenues from our title operations increased 7% to $53.0 million and 10% to $148.1 million in the three and nine months ended June 30, 2024, respectively, from $49.7 million and $134.9 million in the prior year periods.

General and administrative (G&A) expense related to our financial services operations increased 15% to $178.0 million and $500.6 million in the three and nine months ended June 30, 2024, respectively, from $154.7 million and $435.7 million in the prior year periods. The increases were primarily due to the increases in loan origination volume and related title closing services. As a percentage of financial services revenues, G&A expense was 73.5% and 75.8% in the three and nine months ended June 30, 2024, respectively, compared to 67.7% and 74.9% in the prior year periods. Fluctuations in financial services G&A expense as a percentage of revenues can occur because some components of revenue fluctuate differently than loan volumes, and some expenses are not directly related to mortgage loan volume or to changes in the amount of revenue earned. Our financial services operations employed 3,112 and 2,845 people at June 30, 2024 and 2023, respectively.

Other income, net of other expense, included in our financial services operations consists primarily of the interest income of our mortgage subsidiary. Other income increased 33% to $27.0 million and 46% to $75.4 million in the three and nine months ended June 30, 2024, respectively, from $20.3 million and $51.6 million in the prior year periods, primarily due to an increase in interest income on our loan origination volume.

RESULTS OF OPERATIONS - OTHER BUSINESSES

In addition to our homebuilding, rental, Forestar and financial services operations, we engage in other business activities through our subsidiaries. We conduct insurance-related operations, own water rights and other water-related assets and own non-residential real estate including ranch land and improvements. The pre-tax income of all of our subsidiaries engaged in other business activities was $13.7 million and $32.8 million in the three and nine months ended June 30, 2024, respectively, compared to $0.2 million and $22.1 million in the prior year periods.

RESULTS OF OPERATIONS - CONSOLIDATED

Income before Income Taxes

Pre-tax income for the three and nine months ended June 30, 2024 was $1.8 billion and $4.6 billion, respectively, compared to $1.8 billion and $4.3 billion in the prior year periods. The increase in both periods was primarily due to an increase in the pre-tax income of our homebuilding operations as a result of higher revenues from an increase in home closings, largely offset by a decrease in the pre-tax income of our rental operations due to lower home and unit closings.

Income Taxes

Our income tax expense was $432.2 million for each of the three month periods ended June 30, 2024 and 2023 and $1.1 billion and $1.0 billion in the nine months ended June 30, 2024 and 2023, respectively. Our effective tax rate was 24.0% and 23.4% for the three and nine months ended June 30, 2024, respectively, compared to 24.2% and 23.9% in the prior year periods. The effective tax rates for all periods include an expense for state income taxes and tax benefits related to stock-based compensation and federal energy efficient homes tax credits.

Our deferred tax assets, net of deferred tax liabilities, were $171.3 million at June 30, 2024 compared to $202.0 million at September 30, 2023. We had a valuation allowance of $14.7 million and $14.8 million at June 30, 2024 and September 30, 2023, respectively, related to deferred tax assets for state net operating loss (NOL) and tax credit carryforwards that are expected to expire before being realized. We will continue to evaluate both the positive and negative evidence in determining the need for a valuation allowance with respect to our remaining state NOL and tax credit carryforwards. Any reversal of the valuation allowance in future periods will impact our effective tax rate.

CAPITAL RESOURCES AND LIQUIDITY

We have historically funded our operations with cash flows from operating activities, borrowings under bank credit facilities and the issuance of new debt securities. Our current levels of cash, borrowing capacity and balance sheet leverage provide us with the operational flexibility to adjust to changes in economic and market conditions.

We are making investments in our homebuilding and rental inventories to expand our operations and consolidate market share. We are also returning capital to our shareholders through repurchases of our common stock and dividend payments. We are maintaining significant homebuilding cash balances and liquidity to support the increased scale and level of activity in our business and to provide flexibility to adjust to changing conditions and opportunities.

At June 30, 2024, we had outstanding notes payable with varying maturities totaling an aggregate principal amount of $5.7 billion. $2.3 billion is payable within 12 months, including $1.7 billion which is outstanding under our mortgage repurchase facilities and $500 million principal amount of 2.5% homebuilding senior notes maturing in October 2024. At June 30, 2024, our ratio of debt to total capital (notes payable divided by stockholders' equity plus notes payable) was 18.8% compared to 18.3% at September 30, 2023 and 22.0% at June 30, 2023. Our net debt to total capital (notes payable net of cash divided by stockholders' equity plus notes payable net of cash) was 9.9% at June 30, 2024 compared to 5.1% at September 30, 2023 and 11.2% at June 30, 2023. Over the long term, we intend to maintain our ratio of debt to total capital around or slightly below 20%.

At June 30, 2024, we had outstanding letters of credit of $242.1 million and surety bonds of $3.4 billion issued by third parties to secure performance under various contracts. We expect that our performance obligations secured by these letters of credit and bonds will generally be completed in the ordinary course of business and in accordance with the applicable contractual terms. When we complete our performance obligations, the related letters of credit and bonds are generally released shortly thereafter, leaving us with no continuing obligations. We have no material third-party guarantees.

We regularly assess our projected capital requirements to fund growth in our business, repay debt obligations, pay dividends, repurchase our common stock and maintain sufficient cash and liquidity levels to support our other operational needs, and we regularly evaluate our opportunities to raise additional capital. D.R. Horton has an automatically effective universal shelf registration statement filed with the Securities and Exchange Commission (SEC) in July 2021, registering debt and equity securities that may be issued from time to time in amounts to be determined. Forestar also has an effective shelf registration statement filed with the SEC in October 2021, registering $750 million of equity securities, of which $300 million was reserved for sales under its at-the-market equity offering (ATM) program that became effective in November 2021. At June 30, 2024, $728.1 million remained available for issuance under Forestar's shelf registration statement, of which $278.1 million was reserved for sales under its ATM program. As market conditions permit, we may issue new debt or equity securities through the capital markets or obtain additional bank financing to fund our projected capital requirements or provide additional liquidity. We believe that our existing cash resources, revolving credit facilities, mortgage repurchase facilities and ability to access the capital markets or obtain additional bank financing will provide sufficient liquidity to fund our near-term working capital needs and debt obligations for the next 12 months and for the foreseeable future thereafter.

Capital Resources - Homebuilding

Cash and Cash Equivalents — At June 30, 2024, cash and cash equivalents of our homebuilding segment totaled $2.2 billion.

Bank Credit Facility — We have a $2.19 billion senior unsecured homebuilding revolving credit facility with an uncommitted accordion feature that could increase the size of the facility to $3.0 billion, subject to certain conditions and availability of additional bank commitments. The facility also provides for the issuance of letters of credit with a sublimit equal to 100% of the total revolving credit commitments. Letters of credit issued under the facility reduce the available borrowing capacity. The maturity date of the facility is October 28, 2027. At June 30, 2024, there were no borrowings outstanding and $217.3 million of letters of credit issued under the revolving credit facility, resulting in available capacity of $1.97 billion.

Our homebuilding revolving credit facility imposes restrictions on our operations and activities, including requiring the maintenance of a maximum allowable leverage ratio and a borrowing base restriction if our leverage ratio exceeds a certain level. These covenants are measured as defined in the credit agreement governing the facility and are reported to the lenders quarterly. A failure to comply with these financial covenants could allow the lending banks to terminate the availability of funds under the revolving credit facility or cause any outstanding borrowings to become due and payable prior to maturity. The credit agreement governing the facility imposes restrictions on the creation of secured debt and liens. At June 30, 2024, we were in compliance with all of the covenants, limitations and restrictions of our homebuilding revolving credit facility.

Public Unsecured Debt — At June 30, 2024, we had $2.1 billion principal amount of homebuilding senior notes outstanding that mature from October 2024 through October 2027.

The indentures governing our senior notes impose restrictions on the creation of secured debt and liens. At June 30, 2024, we were in compliance with all of the limitations and restrictions associated with our public debt obligations.

Our homebuilding revolving credit facility and homebuilding senior notes are guaranteed by D.R. Horton, Inc.'s significant wholly-owned homebuilding subsidiaries.

Debt and Stock Repurchase Authorizations — In July 2024, our Board of Directors authorized the repurchase of up to $500 million of our debt securities, replacing the previous authorization, under which no debt securities were repurchased. In October 2023, our Board of Directors authorized the repurchase of up to $1.5 billion of our common stock, which replaced the previous authorization. During the nine months ended June 30, 2024, we repurchased 9.0 million shares at a total cost, including commissions and excise taxes, of $1.2 billion. At June 30, 2024, the full amount of the debt repurchase authorization was remaining, and $459.7 million of the stock repurchase authorization was remaining. In July 2024, our Board of Directors authorized the repurchase of up to $4.0 billion of our common stock, replacing the previous authorization, which at that time had $261.9 million remaining due to repurchases made subsequent to quarter end. The debt and stock repurchase authorizations have no expiration date.

Capital Resources - Rental

During the past few years, we have made significant investments in our rental operations. The inventory in our rental segment totaled $3.1 billion at June 30, 2024 compared to $2.7 billion at September 30, 2023 and $3.3 billion at June 30, 2023.

Cash and Cash Equivalents — At June 30, 2024, cash and cash equivalents of our rental segment totaled $119.1 million.

Bank Credit Facility — Our rental subsidiary, DRH Rental, has a $1.05 billion senior unsecured revolving credit facility with an uncommitted accordion feature that could increase the size of the facility to $2.0 billion, subject to certain conditions and availability of additional bank commitments. Availability under the rental revolving credit facility is subject to a borrowing base calculation based on the book value of DRH Rental's real estate assets and unrestricted cash. The facility also provides for the issuance of letters of credit with a sublimit equal to the greater of $100 million and 50% of the total revolving credit commitments. The maturity date of the facility is October 10, 2027. Borrowings and repayments under the facility totaled $1.27 billion and $640 million, respectively, during the nine months ended June 30, 2024. At June 30, 2024, there were $1.03 billion of borrowings outstanding at a 7.4% annual interest rate and no letters of credit issued under the facility, resulting in available capacity of $20 million.

The rental revolving credit facility includes customary affirmative and negative covenants, events of default and financial covenants. The financial covenants require DRH Rental to maintain a minimum level of tangible net worth, a minimum level of liquidity and a maximum allowable leverage ratio. These covenants are measured as defined in the credit agreement governing the facility and are reported to the lenders quarterly. A failure to comply with these financial covenants could allow the lending banks to terminate the availability of funds under the revolving credit facility or cause any outstanding borrowings to become due and payable prior to maturity. At June 30, 2024, DRH Rental was in compliance with all of the covenants, limitations and restrictions of its revolving credit facility.

The rental revolving credit facility is guaranteed by DRH Rental's wholly-owned subsidiaries that are not immaterial subsidiaries or have not been designated as unrestricted subsidiaries. The rental revolving credit facility is not guaranteed by D.R. Horton, Inc. or any of the subsidiaries that guarantee the debt of our homebuilding, Forestar or financial services operations.

Capital Resources - Forestar

The achievement of Forestar's long-term growth objectives will depend on its ability to obtain financing and generate sufficient cash flows from operations. As market conditions permit, Forestar may issue new debt or equity securities through the capital markets or obtain additional bank financing to provide capital for future growth and additional liquidity. At June 30, 2024, Forestar's ratio of debt to total capital (notes payable divided by stockholders' equity plus notes payable) was 31.8% compared to 33.7% at September 30, 2023 and 35.3% at June 30, 2023. Forestar's ratio of net debt to total capital (notes payable net of cash divided by stockholders' equity plus notes payable net of cash) was 18.7% compared to 5.5% at September 30, 2023 and 19.1% at June 30, 2023.

Cash and Cash Equivalents — At June 30, 2024, Forestar had cash and cash equivalents of $359.2 million.

Bank Credit Facility — Forestar has a $410 million senior unsecured revolving credit facility with an uncommitted accordion feature that could increase the size of the facility to $600 million, subject to certain conditions and availability of additional bank commitments. The facility also provides for the issuance of letters of credit with a sublimit equal to the greater of $100 million and 50% of the total revolving credit commitments. Borrowings under the revolving credit facility are subject to a borrowing base calculation based on the book value of Forestar's real estate assets and unrestricted cash. Letters of credit issued under the facility reduce the available borrowing capacity. The maturity date of the facility is October 28, 2026. At June 30, 2024, there were no borrowings outstanding and $24.8 million of letters of credit issued under the revolving credit facility, resulting in available capacity of $385.2 million.

The Forestar revolving credit facility includes customary affirmative and negative covenants, events of default and financial covenants. The financial covenants require Forestar to maintain a minimum level of tangible net worth, a minimum level of liquidity and a maximum allowable leverage ratio. These covenants are measured as defined in the credit agreement governing the facility and are reported to the lenders quarterly. A failure to comply with these financial covenants could allow the lending banks to terminate the availability of funds under the revolving credit facility or cause any outstanding borrowings to become due and payable prior to maturity.

Unsecured Debt — As of June 30, 2024, Forestar had $700 million principal amount of senior notes issued pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended, which represent unsecured obligations of Forestar. These notes include $400 million principal amount of 3.85% senior notes that mature in May 2026 and $300 million principal amount of 5.0% senior notes that mature in March 2028.

At June 30, 2024, Forestar was in compliance with all of the covenants, limitations and restrictions of its revolving credit facility and senior note obligations.

Forestar's revolving credit facility and its senior notes are guaranteed by Forestar's wholly-owned subsidiaries that are not immaterial subsidiaries or have not been designated as unrestricted subsidiaries. They are not guaranteed by D.R. Horton, Inc. or any of the subsidiaries that guarantee the debt of our homebuilding, rental or financial services operations.

Debt Repurchase Authorization — In April 2020, Forestar's Board of Directors authorized the repurchase of up to $30 million of Forestar's debt securities. All of the $30 million authorization was remaining at June 30, 2024, and the authorization has no expiration date.

Issuance of Common Stock — During the nine months ended June 30, 2024, Forestar issued 546,174 shares of common stock under its ATM program for proceeds of $19.7 million, net of commissions and other issuance costs totaling $0.4 million. At June 30, 2024, $728.1 million remained available for issuance under Forestar's shelf registration statement, of which $278.1 million was reserved for sales under its ATM program.

Capital Resources - Financial Services

Cash and Cash Equivalents — At June 30, 2024, cash and cash equivalents of our financial services segment totaled $305.7 million.

Mortgage Repurchase Facilities — Our mortgage subsidiary, DHI Mortgage, has two mortgage repurchase facilities, one of which is committed and the other of which is uncommitted, that provide financing and liquidity to DHI Mortgage by facilitating purchase transactions in which DHI Mortgage transfers eligible loans to counterparties upon receipt of funds from the counterparties. DHI Mortgage then has the right and obligation to repurchase the purchased loans upon their sale to third-party purchasers in the secondary market or within specified time frames in accordance with the terms of the mortgage repurchase facilities.

In February 2024, the committed mortgage repurchase facility was amended to reduce its capacity to $1.6 billion and extend its maturity date to February 13, 2025. The capacity of the facility can be increased to $2.0 billion subject to the availability of additional commitments. At June 30, 2024, DHI Mortgage had an obligation of $1.2 billion under the committed mortgage repurchase facility at a 7.0% annual interest rate.

At June 30, 2024, the uncommitted mortgage repurchase facility had a borrowing capacity of $500 million, of which DHI Mortgage had an obligation of $496.9 million at a 6.5% annual interest rate.

At June 30, 2024, $1.95 billion of mortgage loans held for sale with a collateral value of $1.91 billion were pledged under the committed mortgage repurchase facility, and $532.6 million of mortgage loans held for sale with a collateral value of $511.0 million were pledged under the uncommitted mortgage repurchase facility.

The facilities contain financial covenants as to the mortgage subsidiary’s minimum required tangible net worth, its maximum allowable indebtedness to tangible net worth ratio and its minimum required liquidity. At June 30, 2024, DHI Mortgage was in compliance with all of the conditions and covenants of the mortgage repurchase facilities.

These mortgage repurchase facilities are not guaranteed by D.R. Horton, Inc. or any of the subsidiaries that guarantee the debt of our homebuilding, rental or Forestar operations.

In the past, DHI Mortgage has been able to renew or extend its committed mortgage repurchase facility at a sufficient capacity and on satisfactory terms prior to its maturity and obtain temporary additional commitments through amendments to the facility during periods of higher than normal volumes of mortgages held for sale. The liquidity of our financial services business depends upon its continued ability to renew and extend the committed mortgage repurchase facility or to obtain other additional financing in sufficient capacities.

Operating Cash Flow Activities

In the nine months ended June 30, 2024, net cash provided by operating activities was $228.2 million compared to $2.3 billion in the prior year period. Cash provided by operating activities in the current year period primarily consisted of $971.9 million and $156.9 million of cash provided by our homebuilding and financial services segments, respectively, partially offset by $656.8 million and $277.6 million of cash used in our rental and Forestar segments.

Cash used to increase construction in progress and finished home inventory was $863.0 million in the current year period, reflecting an increase in our completed homes in inventory in the current period. Cash used to increase residential land and lots was $2.0 billion in the current year period compared to $915.0 million in the prior year period.

Investing Cash Flow Activities

In the nine months ended June 30, 2024, net cash used in investing activities was $161.1 million compared to $308.5 million in the prior year period. In the current year period, uses of cash included purchases of property and equipment totaling $133.3 million. In the prior year period, uses of cash included payments totaling $202.0 million related to the acquisitions of Riggins Custom Homes and Truland Homes and purchases of property and equipment totaling $108.3 million.

Financing Cash Flow Activities

We expect the short-term financing needs of our operations will be funded with existing cash, cash generated from operations and borrowings under our credit facilities. Long-term financing needs for our operations may be funded with the issuance of senior unsecured debt securities or equity securities through the capital markets.

During the nine months ended June 30, 2024, net cash used in financing activities was $947.2 million, primarily consisting of cash used to repurchase shares of our common stock of $1.2 billion and payment of cash dividends totaling $297.5 million. These uses of cash were partially offset by net borrowings on our rental revolving credit facility of $630 million.

During the nine months ended June 30, 2023, net cash used in financing activities was $1.1 billion, primarily consisting of cash used to repurchase shares of our common stock of $759.6 million, repayment of $300 million principal amount of our 4.75% homebuilding senior notes and payment of cash dividends totaling $256.9 million. These uses of cash were partially offset by net borrowings on our rental revolving credit facility of $200 million and net advances on our mortgage repurchase facilities of $67.3 million.

During each of the first three quarters of fiscal 2024, our Board of Directors approved a quarterly cash dividend of $0.30 per common share, the most recent of which was paid on May 9, 2024 to stockholders of record on May 2, 2024. In July 2024, our Board of Directors approved a quarterly cash dividend of $0.30 per common share, payable on August 8, 2024 to stockholders of record on August 1, 2024. Cash dividends of $0.25 per common share were approved and paid in each quarter of fiscal 2023. The declaration of future cash dividends is at the discretion of our Board of Directors and will depend upon, among other things, our future earnings, cash flows, capital requirements, financial condition and general business conditions.

SUPPLEMENTAL GUARANTOR FINANCIAL INFORMATION

As of June 30, 2024, D.R. Horton, Inc. had $2.1 billion principal amount of homebuilding senior notes outstanding due through October 2027 and no amounts outstanding on its homebuilding revolving credit facility.

All of the homebuilding senior notes and the homebuilding revolving credit facility are fully and unconditionally guaranteed, on a joint and several basis, by certain subsidiaries of D.R. Horton, Inc. (Guarantors or Guarantor Subsidiaries). Each of the Guarantor Subsidiaries is 100% owned, directly or indirectly, by D.R. Horton, Inc. Our subsidiaries associated with the single-family and multi-family rental operations, Forestar lot development operations, financial services operations and certain other subsidiaries do not guarantee the homebuilding senior notes or the homebuilding revolving credit facility (collectively, Non-Guarantor Subsidiaries). The guarantees are senior unsecured obligations of each Guarantor and rank equal with all existing and future senior debt of such Guarantor and senior to all subordinated debt of such Guarantor. The guarantees are effectively subordinated to any secured debt of such Guarantor to the extent of the value of the assets securing such debt. The guarantees will be structurally subordinated to indebtedness and other liabilities of Non-Guarantor Subsidiaries of the Guarantors.

The guarantees by a Guarantor Subsidiary will be automatically and unconditionally released and discharged upon: (1) the sale or other disposition of its common stock whereby it is no longer a subsidiary of ours; (2) the sale or other disposition of all or substantially all of its assets (other than to us or another Guarantor); (3) its merger or consolidation with an entity other than us or another Guarantor; or (4) its ceasing to guarantee any of our publicly traded debt securities and ceasing to guarantee any of our obligations under our homebuilding revolving credit facility.

The enforceability of the obligations of the Guarantor Subsidiaries under their guarantees may be subject to review under applicable federal or state laws relating to fraudulent conveyance or transfer, voidable preference and similar laws affecting the rights of creditors generally. In certain circumstances, a court could void the guarantees, subordinate amounts owing under the guarantees or order other relief detrimental to the holders of our guaranteed obligations. The indentures governing our homebuilding senior notes contain a “savings clause,” which limits the liability of each Guarantor on its guarantee to the maximum amount that such Guarantor can incur without risk that its guarantee will be subject to avoidance as a fraudulent transfer. This provision may not be effective to protect such guarantees from fraudulent transfer challenges or, if it does, it may reduce such Guarantor’s obligation such that the remaining amount due and collectible under the guarantees would not suffice, if necessary, to pay the notes in full when due.

The following tables present summarized financial information for D.R. Horton, Inc. and the Guarantor Subsidiaries on a combined basis after intercompany transactions and balances have been eliminated among D.R. Horton, Inc. and the Guarantor Subsidiaries, as well as their investment in, and equity in earnings from the Non-Guarantor Subsidiaries.

D.R. Horton, Inc. and Guarantor Subsidiaries

Summarized Balance Sheet Data	**June 30, 2024**	**September 30, 2023**
	(In millions)	
Assets		
Cash	$ 2,097.1	$ 2,848.3
Inventories	20,720.1	18,331.6
Amount due from Non-Guarantor Subsidiaries	1,326.9	1,314.3
Total assets	27,666.4	26,081.4
Liabilities & Stockholders' Equity		
Notes payable	$ 2,257.8	$ 2,211.1
Total liabilities	5,818.0	5,785.4
Stockholders' equity	21,848.4	20,296.0

Summarized Statement of Operations Data	**Nine Months Ended June 30, 2024**	**Year Ended September 30, 2023**
	(In millions)	
Revenues	$ 24,869.4	$ 31,661.8
Cost of sales	19,069.5	24,264.9
Selling, general and administrative expense	1,834.8	2,192.0
Income before income taxes	4,000.7	5,245.5
Net income	3,068.1	3,984.2

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

As disclosed in our annual report on Form 10-K for the fiscal year ended September 30, 2023, our most critical accounting policies relate to revenue recognition, inventories and cost of sales, warranty and legal claims and insurance. Since September 30, 2023, there have been no significant changes to those critical accounting policies.

As disclosed in our critical accounting policies in our Form 10-K for the fiscal year ended September 30, 2023, our reserves for construction defect claims include the estimated costs of both known claims and anticipated future claims. At June 30, 2024 and September 30, 2023, we had reserves for approximately 570 and 600 pending construction defect claims, respectively, and no individual existing claim was material to our financial statements. During the nine months ended June 30, 2024, we were notified of approximately 240 new construction defect claims and resolved 270 construction defect claims for a total cost of $49.6 million. At June 30, 2023 and September 30, 2022, we had reserves for approximately 625 and 560 pending construction defect claims, respectively, and no individual existing claim was material to our financial statements. During the nine months ended June 30, 2023, we were notified of approximately 240 new construction defect claims and resolved 175 construction defect claims for a total cost of $25.5 million.

SEASONALITY

Although significant changes in market conditions have impacted our seasonal patterns in the past and could do so again in the future, we generally close more homes and generate greater revenues and pre-tax income in the third and fourth quarters of our fiscal year. The seasonal nature of our business can also cause significant variations in the working capital requirements for our homebuilding, rental, lot development and financial services operations. As a result of seasonal activity, our quarterly results of operations and financial position at the end of a particular fiscal quarter are not necessarily representative of the balance of our fiscal year.

Forward-Looking Statements

Some of the statements contained in this report, as well as in other materials we have filed or will file with the Securities and Exchange Commission, statements made by us in periodic press releases and oral statements we make to analysts, stockholders and the press in the course of presentations about us, may be construed as “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on management’s beliefs as well as assumptions made by, and information currently available to, management. These forward-looking statements typically include the words “anticipate,” “believe,” “consider,” “continue,” “could,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “likely,” “may,” “outlook,” “plan,” “possible,” “potential,” “predict,” “projection,” “seek,” “should,” “strategy,” “target,” “will,” “would” or other words of similar meaning. Any or all of the forward-looking statements included in this report and in any other of our reports or public statements may not approximate actual experience, and the expectations derived from them may not be realized, due to risks, uncertainties and other factors. As a result, actual results may differ materially from the expectations or results we discuss in the forward-looking statements. These risks, uncertainties and other factors include, but are not limited to:

- the cyclical nature of the homebuilding, rental and lot development industries and changes in economic, real estate or other conditions;
- adverse developments affecting the capital markets and financial institutions, which could limit our ability to access capital, increase our cost of capital and impact our liquidity and capital resources;
- reductions in the availability of mortgage financing provided by government agencies, changes in government financing 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, lot and rental inventory;
- our ability to effect our growth strategies, acquisitions, investments or other strategic initiatives successfully;
- the impact of an inflationary, deflationary or higher interest rate environment;
- risks of acquiring land, building materials and skilled labor and challenges obtaining regulatory approvals;
- the effects of public health issues such as a major epidemic or pandemic on the economy and our businesses;
- the effects of weather conditions and natural disasters on our business and financial results;
- home warranty and construction defect claims;
- the effects of health and safety incidents;
- reductions in the availability of performance bonds;
- increases in the costs of owning a home;
- the effects of information technology failures, data security breaches, and the failure to satisfy privacy and data protection laws and regulations;
- the effects of governmental regulations and environmental matters on our homebuilding and land development operations;
- the effects of governmental regulations on our financial services operations;
- competitive conditions within the industries in which we operate;
- our ability to manage and service our debt and comply with related debt covenants, restrictions and limitations;
- the effects of negative publicity;
- the effects of the loss of key personnel; and
- actions by activist stockholders.

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. However, any further disclosures made on related subjects in subsequent reports on Forms 10-K, 10-Q and 8-K should be consulted. Additional information about issues that could lead to material changes in performance and risk factors that have the potential to affect us is contained in our annual report on Form 10-K for the fiscal year ended September 30, 2023, including the section entitled “Risk Factors,” which is filed with the SEC.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to interest rate risk on our long-term debt. We monitor our exposure to changes in interest rates and utilize both fixed and variable rate debt. For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not impact the fair value of the debt instrument, but may affect our future earnings and cash flows. Except in very limited circumstances, we do not have an obligation to prepay fixed-rate debt prior to maturity and, as a result, interest rate risk and changes in fair value would not have a significant impact on our cash flows related to our fixed-rate debt until such time as we are required to refinance, repurchase or repay such debt.

We are exposed to interest rate risk associated with our mortgage loan origination services. We manage interest rate risk through the use of forward sales of mortgage-backed securities (MBS), which are referred to as “hedging instruments” in the following discussion. We do not enter into or hold derivatives for trading or speculative purposes.

Interest rate lock commitments (IRLCs) are extended to borrowers who have applied for loan funding and who meet defined credit and underwriting criteria. Typically, the IRLCs have a duration of less than six months. Some IRLCs are committed immediately to a specific purchaser through the use of best-efforts whole loan delivery commitments, while other IRLCs are funded prior to being committed to third-party purchasers. The hedging instruments related to IRLCs are classified and accounted for as derivative instruments in an economic hedge, with gains and losses recognized in revenues in the consolidated statements of operations. Hedging instruments related to funded, uncommitted loans are accounted for at fair value, with changes recognized in revenues in the consolidated statements of operations, along with changes in the fair value of the funded, uncommitted loans. The fair value change related to the hedging instruments generally offsets the fair value change in the uncommitted loans. The net fair value change, which for the three and nine months ended June 30, 2024 and 2023 was not significant, is recognized in current earnings. At June 30, 2024, hedging instruments used to mitigate interest rate risk related to uncommitted mortgage loans held for sale and uncommitted IRLCs totaled a notional amount of $4.5 billion. Uncommitted IRLCs totaled a notional amount of approximately $2.9 billion and uncommitted mortgage loans held for sale totaled a notional amount of approximately $1.8 billion at June 30, 2024.

We also use hedging instruments as part of a program to offer below market interest rate financing to our homebuyers. At June 30, 2024 and September 30, 2023, we had MBS totaling $748.4 million and $1.1 billion, respectively, that did not yet have IRLCs or closed loans created or assigned and recorded an asset of $4.8 million and $15.7 million, respectively, for the fair value of such MBS position.

The following table sets forth principal cash flows by scheduled maturity, effective weighted average interest rates and estimated fair value of our debt obligations as of June 30, 2024. Because the mortgage repurchase facilities are effectively secured by certain mortgage loans held for sale that are typically sold within 60 days, the outstanding balances related to those facilities are included in the most current period presented. The interest rate for our variable rate debt represents the weighted average interest rate in effect at June 30, 2024.

	Three Months Ending September 30, 2024	Fiscal Year Ending September 30,							Fair Value at June 30, 2024
		2025	2026	2027	2028	2029	Thereafter	Total	
	($ in millions)								
Debt:									
Fixed rate	$0.4	$651.7	$910.3	$600.4	$800.0	$17.5	$—	$2,980.3	$2,822.8
Average interest rate	8.0%	3.2%	3.4%	1.5%	3.0%	6.0%	—%	2.9%	
Variable rate	$1,691.4	$—	$—	$—	$1,030.0	$—	$—	$2,721.4	$2,721.4
Average interest rate	6.9%	—%	—%	—%	7.4%	—%	—%	7.1%	

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, an evaluation was performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company’s disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based on that evaluation, the CEO and CFO concluded that the Company’s disclosure controls and procedures as of June 30, 2024 were effective in providing reasonable assurance that information required to be disclosed in the reports the Company files, furnishes, submits or otherwise provides the SEC under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that information required to be disclosed in reports filed by the Company under the Exchange Act is accumulated and communicated to the Company’s management, including the CEO and CFO, in such a manner as to allow timely decisions regarding the required disclosure.

There have been no changes in the Company’s internal controls over financial reporting during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are involved in lawsuits and other contingencies in the ordinary course of business. While the outcome of such contingencies cannot be predicted with certainty, we believe that the liabilities arising from these matters will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, to the extent the liability arising from the ultimate resolution of any matter exceeds our estimates reflected in the recorded reserves relating to such matter, we could incur additional charges that could be significant.

With respect to administrative or judicial proceedings involving the environment, we have determined that we will disclose any such proceeding if we reasonably believe such proceeding will result in monetary sanctions, exclusive of interest and costs, at or in excess of $1 million.

In fiscal 2014, we received Notices of Violation from the United States Environmental Protection Agency (EPA), the Alabama Department of Environmental Management and the State of South Carolina Department of Health and Environmental Control related to stormwater compliance at certain of our sites in the southeastern United States within EPA Region 4. Since 2014, we have enhanced our practices and procedures related to stormwater compliance, and this matter has been resolved with each of these governmental entities through a Consent Decree issued on April 8, 2024, subject to final court approval after a public comment period. In addition to a stipulated monetary penalty, we agreed to complete a supplemental environmental project intended to provide a tangible environmental benefit. Collectively, the cost of the penalty and the project is not expected to exceed $1 million. The Consent Decree also provides for ongoing reporting obligations and stipulated penalties for any future noncompliance with the Consent Decree in EPA Region 4. We do not believe it is reasonably possible that any future issues related to this matter would result in a loss that would have a material effect on our consolidated financial position, results of operations or cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

We may repurchase shares of our common stock from time to time pursuant to our $1.5 billion common stock repurchase authorization, which was approved by our Board of Directors effective October 31, 2023, and which replaced our prior $1.0 billion common stock repurchase authorization. The authorization has no expiration date. During the three months ended June 30, 2024, we repurchased 3.0 million shares of our common stock at a total cost, including commissions and excise taxes, of $441.4 million. At June 30, 2024, there was $459.7 million remaining on the repurchase authorization. The following table sets forth additional information concerning our common stock repurchases during the quarter.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may yet be Purchased Under the Plans or Programs (1) (In millions)
April 2024	1,893,568	$ 149.77	1,893,568	$ 617.5
May 2024	844,444	147.80	844,444	492.7
June 2024	231,366	142.58	231,366	459.7
Total	2,969,378	$ 148.65	2,969,378	$ 459.7

(1) In July 2024, our Board of Directors authorized the repurchase of up to $4.0 billion of our common stock, replacing the previous authorization, which at that time had $261.9 million remaining due to repurchases made subsequent to quarter end. The authorization has no expiration date.

The share repurchases may be effected through Rule 10b5-1 plans or open market purchases, each in compliance with Rule 10b-18 under the Securities Exchange Act of 1934, as amended (Exchange Act). Shares repurchased in April and June 2024 included 988,494 shares and 26,349 shares, respectively, purchased pursuant to a trading plan under Rule 10b5-1 of the Exchange Act.

ITEM 5. OTHER INFORMATION

(c) Trading Plans

During the three months ended June 30, 2024, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

ITEM 6. EXHIBITS

(a) Exhibits.

2.1		Agreement and Plan of Merger dated June 29, 2017 by and among D.R. Horton, Inc., Force Merger Sub, Inc. and Forestar Group Inc. (incorporated by reference from Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on June 29, 2017).
3.1		Certificate of Amendment of the Amended and Restated Certificate of Incorporation, as amended, of the Company dated January 31, 2006, and the Amended and Restated Certificate of Incorporation, as amended, of the Company dated March 18, 1992 (incorporated by reference from Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2005, filed with the SEC on February 2, 2006).
3.2		Amended and Restated Bylaws of the Company (incorporated by reference from Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on November 8, 2017).
22.1	*	List of Guarantor Subsidiaries.
31.1	*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	**	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	**	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	**	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	**	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	**	Cover Page Interactive Data File (embedded within the Inline XBRL document contained in Exhibit 101).

*	Filed or furnished herewith.
**	Submitted electronically herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

D.R. HORTON, INC.

Date: July 23, 2024	By: /s/ Bill W. Wheat
	Bill W. Wheat Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: July 23, 2024	By: /s/ Aron M. Odom
	Aron M. Odom Senior Vice President and Controller (Principal Accounting Officer)