**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**



**FORM 8-K**



**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of**

**The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported) November 3, 2015**



**TRI Pointe Group, Inc.**

**(Exact name of registrant as specified in its charter)**



**Delaware**

**1-35796**

**61-1763235**

**(State or other jurisdiction**

**of incorporation)**

**(Commission**

**File Number)**

**(IRS Employer**

**Identification No.)**

**19540 Jamboree Road, Suite 300, Irvine, California**

**92612**

**(Address of principal executive offices)**

**(Zip Code)**

**Registrant’s telephone number, including area code (949) 438-1400**

**Not Applicable**

**(Former name or former address, if changed since last report.)**



Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

* Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
* Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
* Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
* Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



**Item 2.02** **Results of Operations and Financial Condition**

On November 6, 2015, TRI Pointe Group, Inc., a Delaware corporation (the “Company”), announced in a press release its financial results for the quarter ended September 30, 2015. A copy of the Company’s press release announcing these financial results is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information furnished pursuant to this Item 2.02, including the exhibits attached hereto, shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (“Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into any filings under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth in such filing. In addition, the press release furnished as an exhibit to this report includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995.

**Item 5.02**

**Departure of Directors or Certain Officers; Election of Directors; -Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On November 3, 2015, Ms. Kristin F. Gannon notified the Company of her decision not to stand for re-election to the Company's Board of Directors (the "Board") at the Company's 2016 Annual Meeting of Stockholders. Ms. Gannon confirmed that her decision not to stand for re-election to the Board was due to her acceptance of a new position at another company and not due to any disagreement with the Company, including with respect to any matter relating to the Company's operations, policies or practices.

**Item 9.01** **Results of Operations**

1. Exhibits

99.1 Press Release dated November 6, 2015

2



**SIGNATURES**

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

|  |  |
| --- | --- |
|  | TRI Pointe Group, Inc. |
| Date: November 6, 2015 | By: /s/ Michael D. Grubbs |
|  |  | Michael D. Grubbs, |
|  |  | Chief Financial Officer and Treasurer |

3



**INDEX OF EXHIBITS**

**Exhibit**

**No.** **Description of Document**



99.1 Press Release dated November 6, 2015

4

**Exhibit 99.1**



**TRI POINTE GROUP, INC. REPORTS 2015 THIRD QUARTER RESULTS**

**-Reports Net Income of $50.2 Million, or $0.31 per Diluted Share for the Quarter--New Home Orders up 24% and New Home Deliveries up 35% for the Quarter--Homebuilding Gross Margin increase to 21.0% for the Quarter-**

**-Selling, General and Administrative Expenses decrease to 8.8% of Home Sales Revenue for the Quarter-**

Irvine, California, November 6, 2015 /Business Wire/ – TRI Pointe Group, Inc. (NYSE: TPH) today announced results for the third quarter ended September 30, 2015.

On July 7, 2014, TRI Pointe consummated the merger with Weyerhaeuser Real Estate Company (“WRECO”). The merger was accounted for as a “reverse acquisition” of TRI Pointe by WRECO. As a result, legacy TRI Pointe’s financial results are only included in the combined company’s financial statements from the closing date forward and are not reflected in the combined company’s historical financial statements. Accordingly, legacy TRI Pointe’s financial results are not included in the Generally Accepted Accounting Principles (“GAAP”) results for the periods prior to July 7, 2014 included in this press release.

**Results and Operational Data for Third Quarter 2015 and Comparisons to Third Quarter 2014**

* Net income available to common shareholders was $50.2 million, or $0.31 per diluted share compared to $11.0 million, or $0.07 per diluted share
* New home orders increased to 996 compared to 803, an increase of 24%
* Active selling communities averaged 120.8 compared to 107.0
	+ - New home orders per average selling community were 8.2 orders (2.7 monthly) compared to 7.5 orders (2.5 monthly), an increase of 10%
		- Cancellation rate decreased to 16% compared to 18%
* Backlog units of 1,856 homes with a dollar value increase of 28%, to approximately $1.1 billion
	+ - Average sales price in backlog of $598,000
* Home sales revenue of $642.4 million, an increase of 36%
	+ - New homes deliveries of 1,138, up 35%
		- Average sales price of homes delivered of $564,000
* Homebuilding gross margin percentage of 21.0%
	+ - Excluding interest, impairments and lot option abandonments, adjusted homebuilding gross margin percentage was 23.1%\*
* SG&A expense as a percentage of homes sales revenue improved to 8.8% compared to 10.5%
* Ratios of debt and net debt to capital of 44.1% and 42.2%\*, respectively, as of September 30 2015
* Cash of $97.0 million and availability under unsecured revolving credit facility of $192.4 million \* See “Reconciliation of Non-GAAP Financial Measures”

“TRI Pointe Group delivered another strong quarter marked by year-over-year growth in revenues, net income and orders”, commented Chief Executive Officer Doug Bauer. “In addition, the Company’s third quarter results met or exceeded our guidance for new home deliveries, homebuilding gross margins and community openings. These achievements are a reflection of TRI Pointe Group’s success in combining and integrating the six homebuilding brands, and the strength of the deeply experienced operating teams in each of their local markets.”

Page 1



**GAAP Third quarter 2015 operating results**

Net income available to common shareholders was $50.2 million, or $0.31 per diluted share in the third quarter of 2015, compared to net income of $11.0 million, or $0.07 per diluted share for the third quarter of 2014. The improvement in net income available to common shareholders was primarily driven by an increase of $48.4 million in home sales gross margin due to higher home sales revenue resulting from a 35% increase in new home deliveries in addition to a savings of $21.7 million related to restructuring and transaction related expenses incurred in the prior year. This was offset by current year increases in the Company’s provision for income taxes of $22.0 million and higher SG&A costs of $7.5 million.

Home sales revenue increased $170.6 million to $642.4 million for the third quarter of 2015, as compared to $471.8 million for the same period in 2014. The increase was attributable to a 35% increase in new home deliveries to 1,138 and a 1% increase in the Company's average sales price of homes delivered to $564,000. New home deliveries increased at all six of our reporting segments with the highest increase at TRI Pointe Homes, which was up 140 units, or 89% compared to the prior year, while delivering at an average sales price of $752,000.

New home orders increased 24% to 996 homes for the third quarter of 2015, as compared to 803 homes for the same period in 2014. Average active selling communities increased to 120.8 as compared to 107.0 for the same period in the prior year, mainly due to TRI Pointe Homes which increased average active selling communities by 12.3 in the current year. The Company’s overall quarterly absorption rate per average selling community for the three months ended September 30 2015 increased 10% to 8.2 orders (2.7 monthly) compared to 7.5 orders (2.5 monthly) during the same period in 2014.

The Company ended the quarter with 1,856 homes in backlog, representing approximately $1.1 billion in future home sales revenue. The average sales price of homes in backlog as of September 30, 2015 decreased $6,000, or 1%, to $598,000 compared to $604,000 at September 30 2014.

Homebuilding gross margin percentage for the third quarter of 2015 increased to 21.0% compared to 18.3% for the same period in 2014 and increased sequentially from 20.0% during the second quarter of 2015. Excluding interest and impairments and lot option abandonments in cost of home sales, adjusted homebuilding gross margin percentage was 23.1%\* for the third quarter of 2015 versus 20.0%\* for the same period in 2014.

Selling, general and administrative expense for the third quarter of 2015 improved to 8.8% of home sales revenue as compared to 10.5% for the same period in 2014. The decrease in the selling, general and administrative expense ratio was primarily attributable to increased home sales revenue.

“While California continues to be the main driver of earnings for our Company, each of the TRI Pointe brands continues to make solid contributions to the bottom line”, said Tom Mitchell, TRI Pointe Group’s President and Chief Operating Officer. “We are extremely pleased with the level of execution demonstrated by each of our brands.”

\* See “Reconciliation of Non-GAAP Financial Measures”

**Outlook**

For the fourth quarter of 2015, the Company anticipates delivering approximately 75% - 80% of its 1,856 units in backlog as of September 30, 2015. The Company anticipates expanding homebuilding gross margin for the fourth quarter sequentially from the third quarter and ending with a full year 2015 homebuilding gross margin of approximately 21%. Finally, the Company is reiterating its full year 2015 outlook for earnings per diluted share to a range of $1.15 to $1.30.

**Earnings Conference Call**

The Company will host a conference call via live webcast for investors and other interested parties beginning at 10:00 a.m. Eastern Time on Friday, November 6, 2015. The call will be hosted by Doug Bauer, Chief Executive Officer, Tom Mitchell, Chief Operating Officer and Mike Grubbs, Chief Financial Officer.

Interested parties can listen to the call live on the internet through the Investor Relations section of the Company’s website at www.TRIPointeGroup.com. Listeners should go to the website at least 15 minutes prior to the call to download and install any necessary audio software. The call can also be accessed by dialing 1-877-407-3982 for domestic participants or 1-201-493-6780 for international participants. Participants should ask for the TRI Pointe Group Third Quarter 2015 Earnings Conference Call. Those dialing in should do so at least ten minutes prior to the start. The replay of the call will be available for two weeks following the call.

Page 2



To access the replay, the domestic dial-in number is 1-877-870-5176, the international dial-in number is 1-858-384-5517, and the pass code is 13614256. An archive of the webcast will be available on the Company’s website for a limited time.

**About TRI Pointe Group, Inc.**

Headquartered in Irvine, California, TRI Pointe Group, Inc. (NYSE: TPH) is one of the top ten largest public homebuilders by equity market capitalization in the United States. The company designs, constructs and sells premium single-family homes through its portfolio of six quality brands across eight states, included Maracay Homes in Arizona; Pardee Homes in California and Nevada; Quadrant Homes in Washington; Trendmaker Homes in Texas; TRI Pointe Homes in California and Colorado; and Winchester Homes in Maryland and Virginia. Additional information is available at www.tripointegroup.com.

**Forward-Looking Statements**

*Various statements contained in this presentation, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning the timing and success of specific projects, our ability to achieve the anticipated benefits of the Weyerhaeuser Real Estate Company (WRECO) transaction and our future production, operational and financial results, financial condition, prospects, and capital spending. Our forward-looking statements are generally accompanied by words such as “anticipate,” “believe,” “estimate,” “goal,” “expect,” “intend,” “project,” “potential,” “plan,” “predict,” “will,” or other words that convey future events or outcomes. The forward-looking statements in this presentation speak only as of the date of this presentation, and we disclaim any obligation to update these statements unless required by law, and we caution you not to rely on them unduly. These forward-looking statements are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. The following factors, among others, may cause our actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements: the effect of general economic conditions, including employment rates, housing starts, interest rate levels, availability of financing for home mortgages and strength of the U.S. dollar; market demand for our products, which is related to the strength of the various U.S. business segments and U.S. and international economic conditions; levels of competition; the successful execution of our internal performance plans, including restructuring and cost reduction initiatives; global economic conditions; raw material prices; oil and other energy prices; the effect of weather, including the continuing drought in California; the risk of loss from earthquakes, volcanoes, fires, floods, droughts, windstorms, hurricanes, pest infestations and other natural disasters; transportation costs; federal and state tax policies; the effect of land use, environment and other governmental regulations; legal proceedings; risks relating to any unforeseen changes to or effects on liabilities, future capital expenditures, revenues, expenses, earnings, synergies, indebtedness, financial condition, losses and future prospects; the risk that disruptions from the WRECO transaction will harm our business; our ability to achieve the benefits of the WRECO transaction in the estimated amount and the anticipated timeframe, if at all; our ability to integrate WRECO successfully and to achieve the anticipated synergies therefrom; changes in accounting principles; risks related to unauthorized access to our computer systems, theft of our customers’ confidential information or other forms of cyber-attack; our relationship, and actual and potential conflicts of interest, with Starwood Capital Group or its affiliates; and additional factors discussed under the sections captioned “Risk Factors” included in our annual and quarterly reports filed with the Securities and Exchange Commission (“SEC”). The foregoing list is not exhaustive. New risk factors may emerge from time to time and it is not possible for management to predict all such risk factors or to assess the impact of such risk factors on our business.*

**Investor Relations Contact:**

Chris Martin, TRI Pointe Group

Drew Mackintosh, Mackintosh Investor Relations

InvestorRelations@TRIPointeGroup.com, 949-478-8696

**Media Contact:**

Carol Ruiz, cruiz@newgroundco.com, 310-437-0045

Page 3



**KEY OPERATIONS AND FINANCIAL DATA**

(dollars in thousands)

(unaudited)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended** |  |  |  |  |  | **Nine Months Ended** |  |  |  |  |  |
|  |  |  |  |  |  | **September 30,** |  |  |  |  |  |  | **September 30,** |  |  |  |  |  |
|  |  |  |  | **2015** |  |  | **2014** |  |  | **Change** |  |  | **2015** |  |  |  | **2014** |  |  |  | **Change** |  |  |
|  | Operating Data: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Home sales | $ | 642,352 |  | $ | 471,801 |  | $ | 170,551 |  | $ | 1,443,855 |  | $ | 1,023,312 |  | $ | 420,543 |  |  |
|  | Homebuilding gross margin | $ | 134,809 |  | $ | 86,401 |  | $ | 48,408 |  | $ | 294,664 |  | $ | 203,935 |  | $ | 90,729 |  |  |
|  | Homebuilding gross margin % |  |  | 21.0% |  | 18.3% |  | 2.7% |  | 20.4% |  |  | 19.9% |  |  | 0.5% |  |
|  | Adjusted homebuilding gross margin %\* |  |  | 23.1% |  | 20.0% |  | 3.0% |  | 22.4% |  |  | 21.6% |  |  | 0.8% |  |
|  | Land and lot gross margin | $ | 1,425 |  | $ | 3,233 |  | $ | (1,808) | $ | 57,042 |  | $ | 6,204 |  | $ | 50,838 |  |  |
|  | Land and lot gross margin % |  |  | 29.2% |  | 58.3% |  | (29.0)% |  | 76.7% |  |  | 17.0% |  |  | 59.7% |  |
|  | SG&A expense | $ | 56,821 |  | $ | 49,344 |  | $ | 7,477 |  | $ | 162,219 |  | $ | 130,236 |  | $ | 31,983 |  |  |
|  | SG&A expense as a % of home sales |  |  | 8.8% |  | 10.5% |  | (1.7)% |  | 11.2% |  |  | 12.7% |  |  | (1.5)% |  |
|  | Net income available to common |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | shareholders | $ | 50,162 |  | $ | 10,965 |  | $ | 39,197 |  | $ | 120,389 |  | $ | 42,771 |  | $ | 77,618 |  |  |
|  | Adjusted EBITDA\* | $ | 99,135 |  | $ | 57,433 |  | $ | 41,702 |  | $ | 233,079 |  | $ | 146,816 |  | $ | 86,263 |  |  |
|  | Interest incurred | $ | 15,454 |  | $ | 15,129 |  | $ | 325 |  | $ | 45,779 |  | $ | 25,718 |  | $ | 20,061 |  |  |
|  | Interest expense, net of interest |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | capitalized | $ | — | $ | 290 |  | $ | (290) | $ | — | $ | 2,731 |  | $ | (2,731) |  |
|  | Interest in cost of home sales | $ | 13,189 |  | $ | 7,702 |  | $ | 5,487 |  | $ | 27,540 |  | $ | 16,342 |  | $ | 11,198 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Other Data: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Net new home orders |  |  | 996 |  |  | 803 |  |  | 193 |  |  | 3,428 |  |  |  | 2,233 |  |  |  | 1,195 |  |  |
|  | New homes delivered |  |  | 1,138 |  |  | 842 |  |  | 296 |  |  | 2,604 |  |  |  | 1,978 |  |  |  | 626 |  |  |
|  | Average selling price of homes delivered | $ | 564 |  | $ | 560 |  | $ | 4 |  | $ | 554 |  | $ | 517 |  | $ | 37 |  |  |
|  | Average selling communities (QTD) |  |  | 120.8 |  |  | 107.0 |  |  | 13.8 |  |  | N/A |  |  | N/A |  |  | N/A |  |
|  | Average selling communities (YTD) |  |  | N/A |  | N/A |  | N/A |  | 117.4 |  |  |  | 98.5 |  |  |  | 18.9 |  |  |
|  | Selling communities at end of period |  |  | 118 |  |  | 106 |  |  | 12 |  |  | N/A |  |  | N/A |  |  | N/A |  |
|  | Cancellation rate |  |  | 16% |  | 18% |  | (2)% |  | 14% |  |  | 16% |  |  | (2)% |  |
|  | Backlog (estimated dollar value) | $ | 1,109,867 |  | $ | 870,365 |  | $ | 239,502 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Backlog (homes) |  |  | 1,856 |  |  | 1,440 |  |  | 416 |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Average selling price in backlog | $ | 598 |  | $ | 604 |  | $ | (6) |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  | **September 30,** |  | **December 31,** |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  | **2015** |  |  |  | **2014** |  |  |  | **Change** |  |
|  | Balance Sheet Data: |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cash and cash equivalents |  |  |  |  |  |  |  |  |  |  | $ | 96,993 |  | $ | 170,629 |  | $ | (73,636) |  |
|  | Real estate inventories |  |  |  |  |  |  |  |  |  |  | $ | 2,576,402 |  | $ | 2,280,183 |  | $ | 296,219 |  |  |
|  | Lots owned or controlled |  |  |  |  |  |  |  |  |  |  |  | 28,240 |  |  |  | 29,718 |  |  |  | (1,478) |  |
|  | Homes under construction (1) |  |  |  |  |  |  |  |  |  |  |  | 2,789 |  |  |  | 1,887 |  |  |  | 902 |  |  |
|  | Debt |  |  |  |  |  |  |  |  |  |  | $ | 1,245,621 |  | $ | 1,162,179 |  | $ | 83,442 |  |  |
|  | Stockholder equity |  |  |  |  |  |  |  |  |  |  | $ | 1,576,176 |  | $ | 1,454,180 |  | $ | 121,996 |  |  |
|  | Book capitalization |  |  |  |  |  |  |  |  |  |  | $ | 2,821,797 |  | $ | 2,616,359 |  | $ | 205,438 |  |  |
|  | Ratio of debt-to-capital |  |  |  |  |  |  |  |  |  |  |  | 44.1% |  |  | 44.4% |  |  | (0.3)% |  |
|  | Ratio of net debt-to-capital\* |  |  |  |  |  |  |  |  |  |  |  | 42.2% |  |  | 40.5% |  |  | 1.6% |  |

1. Homes under construction includes completed homes
* See “Reconciliation of Non-GAAP Financial Measures”

Page 4



**CONSOLIDATED BALANCE SHEETS**

(in thousands, except share amounts)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **September 30,** |  |  | **December 31,** |  |
|  |  |  |  | **2015** |  |  | **2014** |  |  |
|  | **Assets** |  |  | (unaudited) |  |  |  |  |  |
|  | Cash and cash equivalents | $ | 96,993 | $ | 170,629 |  |  |
|  | Receivables |  |  | 32,921 |  |  | 20,118 |  |  |
|  | Real estate inventories |  |  | 2,576,402 |  |  | 2,280,183 |  |  |
|  | Investments in unconsolidated entities |  |  | 17,340 |  |  | 16,805 |  |  |
|  | Goodwill and other intangible assets, net |  |  | 162,162 |  |  | 162,563 |  |  |
|  | Deferred tax assets |  |  | 141,479 |  |  | 157,821 |  |  |
|  | Other assets |  |  | 84,516 |  |  | 105,405 |  |  |
|  | Total assets | $ | 3,111,813 | $ | 2,913,524 |  |  |
|  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |  |  |
|  | Accounts payable | $ | 67,747 | $ | 68,860 |  |  |
|  | Accrued expenses and other liabilities |  |  | 210,707 |  |  | 210,009 |  |  |
|  | Unsecured revolving credit facility |  |  | 349,392 |  |  | 260,000 |  |  |
|  | Seller financed loans |  |  | 7,572 |  |  | 14,677 |  |  |
|  | Senior notes |  |  | 888,657 |  |  | 887,502 |  |  |
|  | Total liabilities |  |  | 1,524,075 |  |  | 1,441,048 |  |  |
|  | Commitments and contingencies |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |
| **Equity** |  |  |  |  |  |  |  |  |
|  | Stockholders' Equity: |  |  |  |  |  |  |  |  |
|  | Preferred stock, $0.01 par value, 50,000,000 shares authorized; |  |  |  |  |  |  |  |  |
|  | no shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively |  |  | — |  |  | — |  |
|  | Common stock, $0.01 par value, 500,000,000 shares authorized; |  |  |  |  |  |  |  |  |
|  | 161,813,750 and 161,355,490 shares issued and outstanding |  |  |  |  |  |  |  |  |
|  | at September 30, 2015 and December 31, 2014, respectively |  |  | 1,618 |  |  | 1,614 |  |  |
|  | Additional paid-in capital |  |  | 907,762 |  |  | 906,159 |  |  |
|  | Retained earnings |  |  | 666,796 |  |  | 546,407 |  |  |
|  | Total stockholders' equity |  |  | 1,576,176 |  |  | 1,454,180 |  |  |
|  | Noncontrolling interests |  |  | 11,562 |  |  | 18,296 |  |  |
|  | Total equity |  |  | 1,587,738 |  |  | 1,472,476 |  |  |
|  | Total liabilities and equity | $ | 3,111,813 | $ | 2,913,524 |  |  |
|  |  |  |  |  |  |  |  |  |  |

Page 5



**CONSOLIDATED STATEMENT OF OPERATIONS**

(unaudited)

(in thousands, except share and per share amounts)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **Three Months Ended September 30,** |  | **Nine Months Ended September 30,** |  |
|  |  |  |  | **2015** |  |  | **2014** |  |  | **2015** |  |  | **2014** |  |  |
|  | **Revenues:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Home sales | $ | 642,352 |  | $ | 471,801 |  | $ | 1,443,855 |  | $ | 1,023,312 |  |  |
|  | Land and lot sales |  |  | 4,876 |  |  | 5,550 |  |  | 74,366 |  |  | 36,449 |  |  |
|  | Other operations |  |  | 913 |  |  | 569 |  |  | 2,695 |  |  | 8,854 |  |  |
|  | Total revenues |  |  | 648,141 |  |  | 477,920 |  |  | 1,520,916 |  |  | 1,068,615 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Expenses:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Cost of home sales |  |  | 507,543 |  |  | 385,400 |  |  | 1,149,191 |  |  | 819,377 |  |  |
|  | Cost of land and lot sales |  |  | 3,451 |  |  | 2,317 |  |  | 17,324 |  |  | 30,245 |  |  |
|  | Other operations |  |  | 570 |  |  | 556 |  |  | 1,724 |  |  | 2,755 |  |  |
|  | Sales and marketing |  |  | 30,038 |  |  | 28,393 |  |  | 78,958 |  |  | 73,096 |  |  |
|  | General and administrative |  |  | 26,783 |  |  | 20,951 |  |  | 83,261 |  |  | 57,140 |  |  |
|  | Restructuring charges |  |  | 2,010 |  |  | 7,024 |  |  | 2,730 |  |  | 9,202 |  |  |
|  | Total expenses |  |  | 570,395 |  |  | 444,641 |  |  | 1,333,188 |  |  | 991,815 |  |  |
|  | Income from operations |  |  | 77,746 |  |  | 33,279 |  |  | 187,728 |  |  | 76,800 |  |  |
|  | Equity in loss of unconsolidated entities |  |  | (3) |  | (82) |  | (84) |  | (219) |  |
|  | Transaction expenses |  |  | — |  | (16,710) |  | — |  | (17,216) |  |
|  | Other income (loss), net |  |  | 47 |  |  | 499 |  |  | 272 |  |  | (242) |  |
|  | Income before income taxes |  |  | 77,790 |  |  | 16,986 |  |  | 187,916 |  |  | 59,123 |  |  |
|  | Provision for income taxes |  |  | (28,021) |  | (6,021) |  | (66,088) |  | (16,352) |  |
|  | Net income |  |  | 49,769 |  |  | 10,965 |  |  | 121,828 |  |  | 42,771 |  |  |
|  | Net (income) loss attributable to noncontrolling interests |  |  | 393 |  |  | — |  | (1,439) |  | — |  |
|  | Net income available to common shareholders |  | $ | 50,162 |  | $ | 10,965 |  | $ | 120,389 |  | $ | 42,771 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Earnings per share |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Basic | $ | 0.31 |  | $ | 0.07 |  | $ | 0.74 |  | $ | 0.31 |  |  |
|  | Diluted | $ | 0.31 |  | $ | 0.07 |  | $ | 0.74 |  | $ | 0.31 |  |  |
|  | Weighted average shares outstanding |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  | Basic |  |  | 161,772,893 |  |  | 158,931,450 |  |  | 161,651,177 |  |  | 139,550,891 |  |  |
|  | Diluted |  |  | 162,366,744 |  |  | 159,158,706 |  |  | 162,299,282 |  |  | 140,213,655 |  |  |

Page 6



**MARKET DATA BY REPORTING SEGMENT & STATE**

**(dollars in thousands)**

**(unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** |  |  |  | **Nine Months Ended September 30,** |  |  |  |  |  |
|  | **2015** |  |  | **2014** |  |  | **2015** |  |  | **2014** |  |  |  |  |  |
|  | **Homes** |  | **Avg. Selling** | **Homes** | **Avg. Selling** | **Homes** |  | **Avg. Selling** | **Homes** |  |  | **Avg.** |  |  |
|  |  |  |  | **Selling** |  |
|  | **Delivered** |  |  | **Price** | **Delivered** |  | **Price** | **Delivered** |  |  | **Price** | **Delivered** |  |  | **Price** |  |
| **New Homes Delivered:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Maracay Homes | 131 | $ | 386 |  | 94 |  | $ | 397 |  | 307 | $ | 380 |  | 286 |  | $ | 376 |  |  |
| Pardee Homes | 314 |  |  | 543 |  | 277 |  |  | 468 |  | 724 |  |  | 506 |  | 658 |  |  |  | 480 |  |  |
| Quadrant Homes | 117 |  |  | 406 |  | 74 |  |  | 437 |  | 297 |  |  | 426 |  | 219 |  |  |  | 405 |  |  |
| Trendmaker Homes | 163 |  |  | 495 |  | 135 |  |  | 516 |  | 394 |  |  | 512 |  | 404 |  |  |  | 492 |  |  |
| TRI Pointe Homes | 298 |  |  | 752 |  | 158 |  |  | 781 |  | 611 |  |  | 756 |  | 158 |  |  |  | 781 |  |  |
| Winchester Homes | 115 |  |  | 599 |  | 104 |  |  | 763 |  | 271 |  |  | 631 |  | 253 |  |  |  | 747 |  |  |
| Total | 1,138 |  | $ | 564 |  | 842 |  | $ | 560 |  | 2,604 |  | $ | 554 |  | 1,978 |  |  | $ | 517 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** |  |  |  | **Nine Months Ended September 30,** |  |  |  |  |  |
|  | **2015** |  |  | **2014** |  |  | **2015** |  |  | **2014** |  |  |  |  |  |
|  | **Homes** |  | **Avg. Selling** | **Homes** | **Avg. Selling** | **Homes** |  | **Avg. Selling** | **Homes** |  |  | **Avg.** |  |  |
|  |  |  |  | **Selling** |  |
|  | **Delivered** |  |  | **Price** | **Delivered** |  | **Price** | **Delivered** |  |  | **Price** | **Delivered** |  |  | **Price** |  |
| **New Homes Delivered:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| California | 462 | $ | 720 |  | 350 |  | $ | 635 |  | 969 | $ | 700 |  | 633 |  | $ | 590 |  |  |
| Colorado | 51 |  |  | 512 |  | 15 |  |  | 429 |  | 128 |  |  | 488 |  | 15 |  |  |  | 429 |  |  |
| Maryland | 58 |  |  | 483 |  | 42 |  |  | 556 |  | 120 |  |  | 528 |  | 114 |  |  |  | 624 |  |  |
| Virginia | 57 |  |  | 716 |  | 62 |  |  | 904 |  | 151 |  |  | 714 |  | 139 |  |  |  | 847 |  |  |
| Arizona | 131 |  |  | 386 |  | 94 |  |  | 397 |  | 307 |  |  | 380 |  | 286 |  |  |  | 376 |  |  |
| Nevada | 99 |  |  | 361 |  | 70 |  |  | 348 |  | 238 |  |  | 368 |  | 168 |  |  |  | 354 |  |  |
| Texas | 163 |  |  | 495 |  | 135 |  |  | 516 |  | 394 |  |  | 512 |  | 404 |  |  |  | 492 |  |  |
| Washington | 117 |  |  | 406 |  | 74 |  |  | 437 |  | 297 |  |  | 426 |  | 219 |  |  |  | 405 |  |  |
| Total | 1,138 |  | $ | 564 |  | 842 |  | $ | 560 |  | 2,604 |  | $ | 554 |  | 1,978 |  |  | $ | 517 |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Page 7



**MARKET DATA BY REPORTING SEGMENT & STATE, continued**

**(unaudited)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Three Months Ended September 30,** |  | **Nine Months Ended September 30,** |
|  |  | **2015** |  |  | **2014** |  |  | **2015** |  |  | **2014** |  |
|  | **New** |  | **Average** | **New** |  | **Average** | **New** |  | **Average** | **New** |  | **Average** |
|  | **Home** |  | **Selling** | **Home** |  | **Selling** | **Home** |  | **Selling** | **Home** |  | **Selling** |
|  | **Orders** |  | **Communities** | **Orders** |  | **Communities** | **Orders** |  | **Communities** | **Orders** |  | **Communities** |
| **Net New Home Orders:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Maracay Homes | 150 | 17.2 |  | 88 | 17.3 |  | 495 | 17.3 |  | 313 | 16.4 |  |
| Pardee Homes | 291 | 25.0 |  | 264 | 21.3 |  | 954 | 22.8 |  | 793 | 20.3 |  |
| Quadrant Homes | 87 | 11.8 |  | 82 | 12.3 |  | 353 | 10.8 |  | 286 | 12.8 |  |
| Trendmaker Homes | 125 | 25.0 |  | 127 | 24.8 |  | 381 | 26.0 |  | 436 | 23.5 |  |
| TRI Pointe Homes | 234 | 28.3 |  | 152 | 16.0 |  | 935 | 27.0 |  | 152 | 6.4 |  |
| Winchester Homes | 109 | 13.5 |  | 90 | 15.3 |  | 310 | 13.5 |  | 253 | 19.1 |  |
| Total | 996 |  | 120.8 |  | 803 |  | 107.0 |  | 3,428 |  | 117.4 |  | 2,233 |  | 98.5 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **Three Months Ended September 30,** |  | **Nine Months Ended September 30,** |
|  |  | **2015** |  |  | **2014** |  |  | **2015** |  |  | **2014** |  |
|  | **New** |  | **Average** | **New** |  | **Average** | **New** |  | **Average** | **New** |  | **Average** |
|  | **Home** |  | **Selling** | **Home** |  | **Selling** | **Home** |  | **Selling** | **Home** |  | **Selling** |
|  | **Orders** |  | **Communities** | **Orders** |  | **Communities** | **Orders** |  | **Communities** | **Orders** |  | **Communities** |
| **Net New Home Orders:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| California | 392 | 35.5 |  | 292 | 26.3 |  | 1,421 | 33.2 |  | 686 | 18.3 |  |
| Colorado | 34 | 6.0 |  | 31 | 3.0 |  | 168 | 6.4 |  | 31 | 1.2 |  |
| Maryland | 71 | 6.0 |  | 48 | 6.3 |  | 165 | 5.8 |  | 117 | 8.2 |  |
| Virginia | 38 | 7.5 |  | 42 | 9.0 |  | 145 | 7.7 |  | 136 | 10.9 |  |
| Arizona | 150 | 17.2 |  | 88 | 17.3 |  | 495 | 17.3 |  | 313 | 16.4 |  |
| Nevada | 99 | 11.8 |  | 93 | 8.0 |  | 300 | 10.2 |  | 228 | 7.2 |  |
| Texas | 125 | 25.0 |  | 127 | 24.8 |  | 381 | 26.0 |  | 436 | 23.5 |  |
| Washington | 87 | 11.8 |  | 82 | 12.3 |  | 353 | 10.8 |  | 286 | 12.8 |  |
| Total | 996 |  | 120.8 |  | 803 |  | 107.0 |  | 3,428 |  | 117.4 |  | 2,233 |  | 98.5 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Page 8



**MARKET DATA BY REPORTING SEGMENT & STATE, continued**

**(dollars in thousands)**

**(unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **As of September 30, 2015** |  |  |  |  | **As of September 30, 2014** |  |  |  |  |
|  |  |  |  | **Backlog** |  |  | **Average** |  |  |  | **Backlog** |  |  | **Average** |
|  | **Backlog** |  |  | **Dollar** |  |  | **Selling** | **Backlog** |  |  | **Dollar** |  |  | **Selling** |
|  | **Units** |  |  | **Value** |  |  | **Price** | **Units** |  |  | **Value** |  |  | **Price** |
| **Backlog:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Maracay Homes | 293 | $ | 118,164 |  | $ | 403 |  | 143 | $ | 57,202 |  | $ | 400 |  |
| Pardee Homes | 448 |  |  | 296,477 |  |  |  | 662 |  | 415 |  |  | 222,929 |  |  |  | 537 |  |
| Quadrant Homes | 169 |  |  | 79,955 |  |  |  | 473 |  | 163 |  |  | 78,317 |  |  |  | 480 |  |
| Trendmaker Homes | 205 |  |  | 108,250 |  |  |  | 528 |  | 254 |  |  | 131,611 |  |  |  | 518 |  |
| TRI Pointe Homes | 567 |  |  | 388,336 |  |  |  | 685 |  | 282 |  |  | 240,872 |  |  |  | 854 |  |
| Winchester Homes | 174 |  |  | 118,685 |  |  |  | 682 |  | 183 |  |  | 139,434 |  |  |  | 762 |  |
| Total | 1,856 |  | $ | 1,109,867 |  |  | $ | 598 |  | 1,440 |  | $ | 870,365 |  |  | $ | 604 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | **As of September 30, 2015** |  |  |  |  | **As of September 30, 2014** |  |  |  |  |
|  |  |  |  | **Backlog** |  |  | **Average** |  |  |  | **Backlog** |  |  | **Average** |
|  | **Backlog** |  |  | **Dollar** |  |  | **Selling** | **Backlog** |  |  | **Dollar** |  |  | **Selling** |
|  | **Units** |  |  | **Value** |  |  | **Price** | **Units** |  |  | **Value** |  |  | **Price** |
| **Backlog:** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| California | 770 | $ | 577,053 |  | $ | 749 |  | 523 | $ | 393,876 |  | $ | 753 |  |
| Colorado | 124 |  |  | 62,445 |  |  |  | 504 |  | 51 |  |  | 22,657 |  |  |  | 444 |  |
| Maryland | 98 |  |  | 59,200 |  |  |  | 604 |  | 72 |  |  | 46,001 |  |  |  | 639 |  |
| Virginia | 76 |  |  | 59,485 |  |  |  | 783 |  | 111 |  |  | 93,433 |  |  |  | 842 |  |
| Arizona | 293 |  |  | 118,164 |  |  |  | 403 |  | 143 |  |  | 57,202 |  |  |  | 400 |  |
| Nevada | 121 |  |  | 45,315 |  |  |  | 375 |  | 123 |  |  | 47,269 |  |  |  | 384 |  |
| Texas | 205 |  |  | 108,250 |  |  |  | 528 |  | 254 |  |  | 131,611 |  |  |  | 518 |  |
| Washington | 169 |  |  | 79,955 |  |  |  | 473 |  | 163 |  |  | 78,316 |  |  |  | 480 |  |
| Total | 1,856 |  | $ | 1,109,867 |  |  | $ | 598 |  | 1,440 |  | $ | 870,365 |  |  | $ | 604 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Page 9



**MARKET DATA BY REPORTING SEGMENT & STATE, continued**

|  |  |  |
| --- | --- | --- |
|  | **September 30,** | **December 31,** |
|  | **2015** |  | **2014** |  |
| **Lots Owned or Controlled:** | (unaudited) |  |  |  |
| Maracay Homes | 1,798 |  | 1,985 |  |
| Pardee Homes | 17,075 |  | 17,639 |  |
| Quadrant Homes | 1,422 |  | 1,544 |  |
| Trendmaker Homes | 1,976 |  | 2,073 |  |
| TRI Pointe Homes | 3,393 |  | 3,726 |  |
| Winchester Homes | 2,576 |  | 2,751 |  |
| Total | 28,240 |  | 29,718 |  |
|  |  |  |  |  |

**September 30,**

**2015**

**December 31,**

**2014**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Lots Owned or Controlled:** | (unaudited) |  |  |  |
| California | 17,939 |  | 18,842 |  |
| Colorado | 607 |  | 639 |  |
| Maryland | 1,883 |  | 2,048 |  |
| Virginia | 693 |  | 703 |  |
| Arizona | 1,798 |  | 1,985 |  |
| Nevada | 1,922 |  | 1,884 |  |
| Texas | 1,976 |  | 2,073 |  |
| Washington | 1,422 |  | 1,544 |  |
| Total | 28,240 |  | 29,718 |  |
|  |  |  |  |  |

**September 30,**

**2015**

**December 31,**

**2014**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Lots by Ownership Type:** | (unaudited) |  |  |  |
| Lots owned | 25,484 |  | 25,535 |  |
| Lots controlled (1) | 2,756 |  | 4,183 |  |
| Total | 28,240 |  | 29,718 |  |
|  |  |  |  |  |

1. As of September 30, 2015 and December 31, 2014, lots controlled included lots that were under land option contracts or purchase contracts.

Page 10



**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**

(unaudited)

In this earnings release, we utilize certain financial measures that are non-GAAP financial measures as defined by the Securities and Exchange Commission. We present these measures because we believe they and similar measures are useful to management and investors in evaluating the Company’s operating performance and financing structure. We also believe these measures facilitate the comparison of our operating performance and financing structure with other companies in our industry. Because these measures are not calculated in accordance with Generally Accepted Accounting Principles (“GAAP”), they may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or as a substitute for, or superior to, financial measures prepared in accordance with GAAP.

The following table reconciles homebuilding gross margin percentage, as reported and prepared in accordance with GAAP, to the non-GAAP measure adjusted homebuilding gross margin percentage. We believe this information is meaningful as it isolates the impact that leverage has on homebuilding gross margin and permits investors to make better comparisons with our competitors, who adjust gross margins in a similar fashion.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  | **Three Months Ended September 30,** |  |  |  |
|  |  |  | **2015** |  | **%** |  |  | **2014** |  | **%** |  |  |
|  |  |  |  |  | (dollars in thousands) |  |  |  |
| Home sales | $ | 642,352 |  | 100.0% | $ | 471,801 |  | 100.0% |  |
| Cost of home sales |  |  | 507,543 |  | 79.0% |  | 385,400 |  | 81.7% |  |
| Homebuilding gross margin |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | 134,809 |  | 21.0% |  | 86,401 |  | 18.3% |  |
| Add: interest in cost of home sales |  |  | 13,189 |  | 2.1% |  | 7,702 |  | 1.6% |  |
| Add: impairments and lot option abandonments |  |  | 366 |  | 0.1% |  | 490 |  | 0.1% |  |
| Adjusted homebuilding gross margin |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 148,364 |  | 23.1% | $ | 94,593 |  | 20.0% |  |
| Homebuilding gross margin percentage |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | 21.0% |  |  |  | 18.3% |  |  |  |
| Adjusted homebuilding gross margin percentage |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | 23.1% |  |  |  | 20.0% |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  | **Nine Months Ended September 30,** |  |  |  |
|  |  |  | **2015** |  | **%** |  |  | **2014** |  | **%** |  |  |
|  |  |  |  |  | (dollars in thousands) |  |  |  |
| Home sales | $ | 1,443,855 |  | 100.0% | $ | 1,023,312 |  | 100.0% |  |
| Cost of home sales |  |  | 1,149,191 |  | 79.6% |  | 819,377 |  | 80.1% |  |
| Homebuilding gross margin |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | 294,664 |  | 20.4% |  | 203,935 |  | 19.9% |  |
| Add: interest in cost of home sales |  |  | 27,540 |  | 1.9% |  | 16,342 |  | 1.6% |  |
| Add: impairments and lot option abandonments |  |  | 1,593 |  | 0.1% |  | 897 |  | 0.1% |  |
| Adjusted homebuilding gross margin |  |  |  |  |  |  |  |  |  |  |  |  |
| $ | 323,797 |  | 22.4% | $ | 221,174 |  | 21.6% |  |
| Homebuilding gross margin percentage |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | 20.4% |  |  |  | 19.9% |  |  |  |
| Adjusted homebuilding gross margin percentage |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  | 22.4% |  |  |  | 21.6% |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

Page 11



**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (continued)**

(unaudited)

The following table reconciles the Company’s ratio of debt-to-capital to the ratio of net debt-to-capital. We believe that the ratio of net debt-to-capital is a relevant financial measure for management and investors to understand the leverage employed in our operations and as an indicator of the Company’s ability to obtain financing.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  | **September 30,** |  |  | **December 31,** |  |
|  |  |  |  | **2015** |  |  |  | **2014** |  |  |
|  |  |  |  | (dollars in thousands) |  |  |
|  | Unsecured revolving credit facility | $ | 349,392 |  | $ | 260,000 |  |  |
|  | Seller financed loans |  |  | 7,572 |  |  |  | 14,677 |  |  |
|  | Senior Notes |  |  | 888,657 |  |  |  | 887,502 |  |  |
|  | Total debt |  |  | 1,245,621 |  |  |  | 1,162,179 |  |  |
|  | Stockholders' equity |  |  | 1,576,176 |  |  |  | 1,454,180 |  |  |
|  | Total capital |  | $ | 2,821,797 |  |  | $ | 2,616,359 |  |  |
|  | Ratio of debt-to-capital(1) |  |  | 44.1% |  |  | 44.4% |  |
|  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |
| Total debt | $ | 1,245,621 |  | $ | 1,162,179 |  |  |
|  | Less: Cash and cash equivalents |  |  | (96,993) |  |  | (170,629) |  |
|  | Net debt |  |  | 1,148,628 |  |  |  | 991,550 |  |  |
|  | Stockholders' equity |  |  | 1,576,176 |  |  |  | 1,454,180 |  |  |
|  | Total capital |  | $ | 2,724,804 |  |  | $ | 2,445,730 |  |  |
| Ratio of net debt-to-capital(2) |  |  |  |  |  |  |  |  |  |
|  |  | 42.2% |  |  | 40.5% |  |
|  |  |  |  |  |  |  |  |  |  |  |

1. The ratio of debt-to-capital is computed as the quotient obtained by dividing debt by the sum of debt plus equity.
2. The ratio of net debt-to-capital is computed as the quotient obtained by dividing net debt (which is debt less cash and cash equivalents) by the sum of net debt plus equity. The most directly comparable GAAP financial measure is the ratio of debt-to-capital.

Page 12



**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (continued)**

(unaudited)

The following table calculates the non-GAAP measures of EBITDA and Adjusted EBITDA and reconciles those amounts to net income (loss), as reported and prepared in accordance with GAAP. EBITDA means net income (loss) before (a) interest expense, (b) income taxes, (c) depreciation and amortization, (d) expensing of previously capitalized interest included in costs of home sales and (e) amortization of stock-based compensation. Adjusted EBITDA means EBITDA before (f) restructuring expenses (g) impairment and lot option abandonments and (h) transaction related expenses. Other companies may calculate EBITDA and Adjusted EBITDA (or similarly titled measures) differently. We believe EBITDA and Adjusted EBITDA are useful measures of the Company’s ability to service debt and obtain financing.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | **Three Months Ended** |  | **Nine Months Ended** |
|  |  |  | **September 30,** |  |  |  | **September 30,** |  |  |
|  |  |  | **2015** |  |  | **2014** |  |  | **2015** |  |  | **2014** |  |
|  |  |  |  |  |  | (in thousands) |  |  |  |  |  |
| Net income available to common shareholders | $ | 50,162 |  | $ | 10,965 |  | $ | 120,389 |  | $ | 42,771 |  |
| Interest expense: |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest incurred |  |  | 15,454 |  |  | 15,129 |  |  | 45,779 |  |  | 25,718 |  |
| Interest capitalized |  |  | (15,454) |  | (14,839) |  | (45,779) |  | (22,987) |
| Amortization of interest in cost of sales |  |  | 13,339 |  |  | 7,835 |  |  | 28,019 |  |  | 40,451 |  |
| Provision for income taxes |  |  | 28,021 |  |  | 6,021 |  |  | 66,088 |  |  | 16,352 |  |
| Depreciation and amortization |  |  | 2,244 |  |  | 4,489 |  |  | 5,414 |  |  | 10,719 |  |
| Amortization of stock-based compensation |  |  | 2,994 |  |  | 3,547 |  |  | 8,536 |  |  | 6,250 |  |
| EBITDA |  |  | 96,760 |  |  | 33,147 |  |  | 228,446 |  |  | 119,274 |  |
| Restructuring charges |  |  | 2,010 |  |  | 7,024 |  |  | 2,730 |  |  | 9,202 |  |
| Impairments and lot abandonments |  |  | 365 |  |  | 552 |  |  | 1,903 |  |  | 1,124 |  |
| Transaction expenses |  |  | — |  | 16,710 |  |  | — |  | 17,216 |  |
| Adjusted EBITDA |  | $ | 99,135 |  | $ | 57,433 |  | $ | 233,079 |  | $ | 146,816 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |

Page 13