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LENNAR CORPORATION (NYSE: LEN)

Current Price: $104
Target Price: $142
Recommendation: BUY (36% Upside)

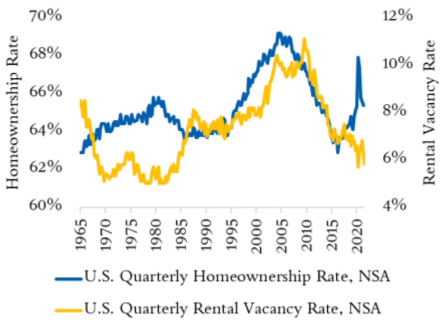
Sector (GICS): Consumer Discretionary
Industry: Homebuilding
January 10, 2021

Figure 1: Company Overview

52-Week High	$117.54
52-Week Low	$72.39
Market Cap (m)	$32,510
Shares Outstanding (m)	271.85
Avg. Volume (m)	2.22
Basic EPS (2021)	$14.45
P/E (2021)	7.26x
P/B (2021)	1.56x

Source: Bloomberg

Figure 2: Home Ownership



Source: Bloomberg

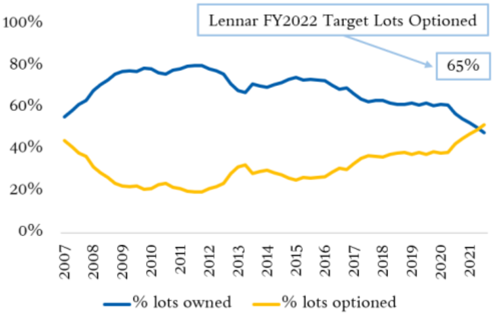
Figure 3: Industry Closings

Source: Bloomberg

Figure 4: Stock Price History

Source: Bloomberg

Figure 5: Industry Land Owned vs Optioned



Source: Bloomberg

INVESTMENT SUMMARY

Lennar Corporation (NYSE: LEN) is placed with a **BUY** recommendation given a 12-month price target of $142, implying 36% upside given the current stock price of $104 on January 10th, 2021. The target price is formulated upon discounted cash flow (DCF) and relative valuation analysis, and supported through sensitivity, simulation, and regression analysis. Lennar's recommendation stems from continued demand for single-family attached and detached homes and consistently rewarding shareholders through strong bottom-line performance.

ROBUST DEMAND SHAPES THE HOMEBUILDING INDUSTRY

Favorable demographics and the consumer's emphasis on home ownership formulates intense demand for the industry. Despite the economic uncertainty imposed by the coronavirus pandemic, home ownership rates are above pre-pandemic levels (Figure 2). Americans are relocating to suburban communities and away from urban centers, spurring the need for single- and multi-family attached and detached home development. Lennar is able to capitalize on favorable migration trends through their deep local market share, as the company serves in 73 markets and 1,260 communities nationwide. Robust homebuilding demand augments total home orders for Lennar, which are anticipated to increase at a 6% CAGR through FY2026E.

TIGHT INVENTORY DRIVES BUSINESS FOR LENNAR

Limited single-and multi-family existing inventory has prompted new home expansion, benefitting homebuilders with the ability to make large scale development. Months' supply for existing home inventory has trended downward since the Great Recession, a trend which has been exacerbated by the coronavirus pandemic. In response, homebuilders have expanded operations in attempts to fill the dearth of supply. Lennar has beat competitors to the race, increasing total closings at nearly double the industry's pace (Figure 3) as economies of scale features drive pricing efficiencies.

Tighter inventory and robust demand have placed upward pressure on residential construction costs. While increasing costs impose distress on profitability, Lennar has negated the effects of higher input costs through home price appreciation, ultimately passing the expense to the consumer. With pricing power shifted to the homebuilder and away from the homeowner, Lennar has been capable of increasing operating margins.

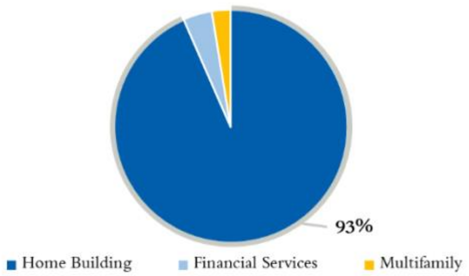
STRONG NET INCOME PERFORMANCE REWARDS SHAREHOLDERS

Strong homebuilding operations translate into healthy bottom-line performance and increased returns for shareholders. Unraveling supply constraints and continued demand characterize the outlook of the homebuilding industry. Through increasing after-tax income and share repurchasing, Lennar's EPS is anticipated to increase at an 8% CAGR through FY2026E. Lennar is projected to reward shareholders through increasing dividends, growing at a 12% CAGR through FY2026E.

"LAND-LIGHTER" MODEL PROMOTES HIGH CASH GENERATION

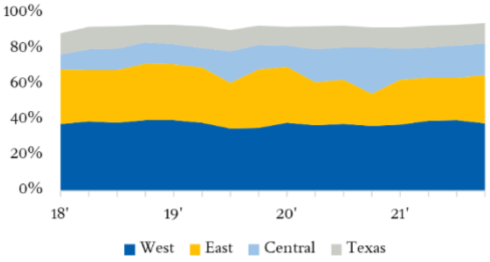
Implementation of Lennar's "land-lighter" strategy has promoted cash generation and reductions of long-term debt. As homebuilders are reluctant to carry large amounts of inventory, Lennar has altered their homebuilding operations, targeting 2.75-years' worth of land owned and 65% of total land controlled through options and agreements by FY2022 (Figure 5). Reducing spending through avoidance of purchasing homesites has generated cash flow, with cash and cash equivalents expected to increase at a 23% CAGR through FY2026E. Utilizing additional cash for debt repayment has lowered Lennar's leverage. Homebuilding debt to total capital is 18.3%, the lowest in company history and 50% lower than their competitors.

Figure 6: Company Revenue



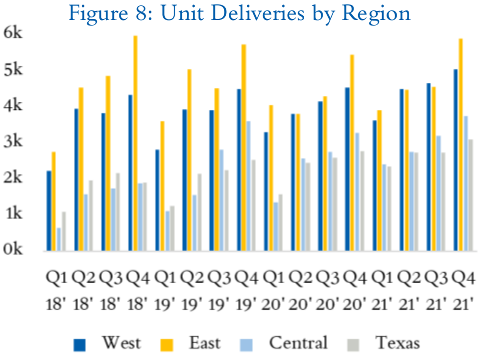
Source: Bloomberg

Figure 7: Homebuilding Revenue by Region



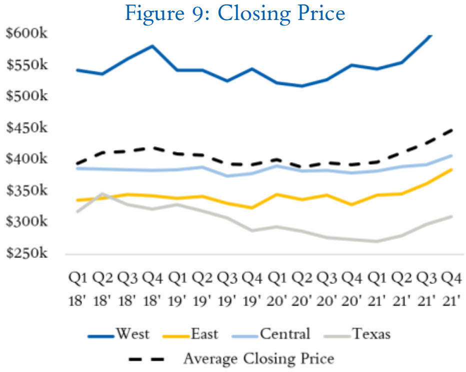
Source: Bloomberg

Figure 8: Unit Deliveries by Region



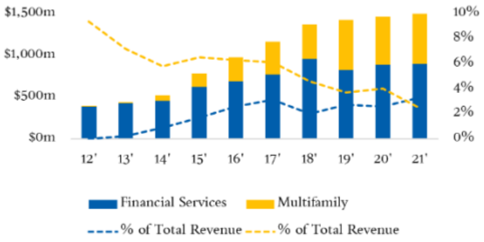
Source: Bloomberg

Figure 9: Closing Price



Source: Bloomberg

Figure 10: Non-Core Revenue



Source: Bloomberg

Decreasing reliance on debt financing and cash generation reduces the potential downside Lennar faces in a contractionary environment.

BUSINESS DESCRIPTION

Lennar Corporation (NYSE: LEN) is a home construction and real estate builder headquartered in Miami, FL. Lennar is the second largest homebuilder in the United States by unit deliveries and revenue, operating in 23 states and employing 9,495 individuals as of November 30, 2020. The company's primary operations include the development of single- and multi-family residential properties and the purchase and sale of residential land. Secondary operations include origination of residential and commercial mortgage loans, title insurance, and closing services. Lennar reported $27.1B in revenue and 64.7k home orders in FY2021.

GEOGRAPHIC REGIONS & STRATEGIC OPERATIONS

Lennar is involved in all stages of land development and construction of residential communities (Appendix 3). The company targets first-time (52%), move-up (43%), active adult (5%), and luxury homebuilders (<1%). Homebuilding regions are governed by a centralized management, who dictate corporate decisions and oversee Lennar's local operating structure (Appendix 4). Lennar's main competitive advantage, an extensive local market share, drives efficiencies that permit economies of scale (Appendix 2). Lennar's revenue is derived from the following segments: 1. Homebuilding; 2. Financial Services; 3. Multifamily.

Homebuilding Segments: Lennar's homebuilding operations are quartered by geographical regions, including the West, East, Central, and Texas, representing over 93% of total revenue in FY2021 (Figure 6). Resulting from the most expensive average closing price (636k; 4Q21) and second largest number of home deliveries (5,057; 4Q21) by region, the West generated the highest proportion of 4Q21 homebuilding revenue for Lennar at 40% (Figure 7). The West region represents the fastest growing homebuilding revenue at 25% CAGR YoY. The East region was responsible for delivering the most homes (5,911; 4Q21) (Figure 8) by geography with an average 4Q21 closing price of $385k, generating 27% of homebuilding revenue in FY2021 (Figure 7). Lennar places a larger emphasis on West and East development due to the higher profitability and long-term growth potential (Appendix 12). The West and East regions consisted of 6,465 and 7,932 homes in backlog, respectively, during FY2021.

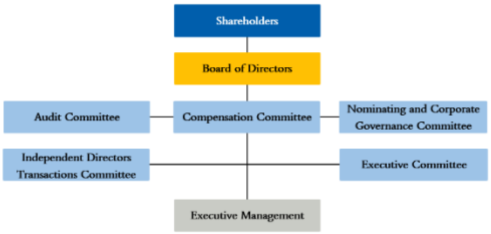
The following two regions, Central and Texas, provide national diversification, geographically and operationally, to Lennar. The Central region expands over eight states with an average 4Q21 closing price of $407k, and both segments together contributed 31% of the Lennar's homebuilding revenue in 4Q21 (Figure 7). Due to cheaper labor and land compared to the West, East, and Central regions, the average 4Q21 closing price for Texas was $310k (Figure 9).

New home closings totaled 59.7k in FY2021 with a weighted average sales price excluding unconsolidated entities of $424k. Since then, Lennar's average closing price has increased 5.6% to $448k (Figure 9). As supply constraints persist, 4Q21 deliveries of 17.5k fell short of Lennar's previously guided 19-21k. Limited housing inventory has lowered Lennar's cancellation rate in 4Q21 to 10%, below the company's 5-year historical average of 15%.

Financial Services Segment: Lennar's financial services provide home financing including FHA-insured and VA-guaranteed residential mortgage loans, title insurance, closing services, and property insurance. In FY2020, Lennar issued approximately 40,000 residential mortgage loans totaling $12.9B, along with title insurance and closing services in 61,100 real estate transactions. Representing a small but relatively stable income source, 4Q21 financial services revenue is 3% of total revenue (Figure 10).

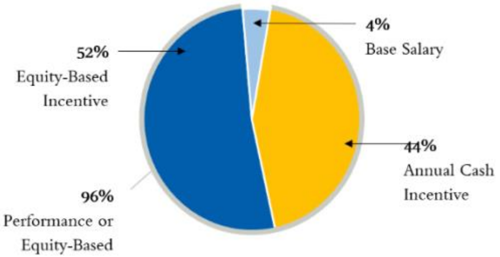
Multifamily Segment: Lennar is involved, primarily through unconsolidated entities, in the development and construction of property management of multifamily rental properties. The multifamily segment is one of the largest developers of apartment communities with interests in 65 communities and equity investments in 22 communities during FY2020. Lennar's

Figure 11: Governance Structure



Source: Company Data, Team Analysis

Figure 12: Average Top 3 NEO Compensation



Source: Company Data

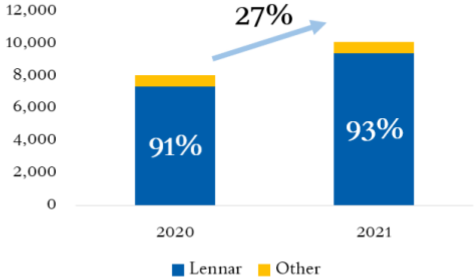
Figure 13: Stock Ownership

Source: Bloomberg

Figure 14: Dual Class Structure

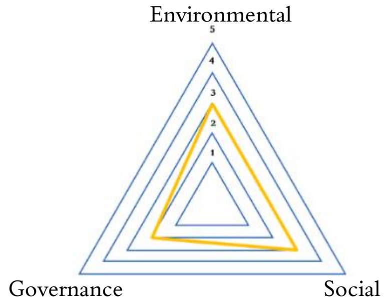
Source: Yahoo Finance

Figure 15: Solar Power Installation



Source: Company Data

Figure 16: ESG Scorecard



Source: MSCI, Team Analysis

multifamily segment's unconsolidated entities currently hold non-recourse debt of $867m. Multifamily revenue represents 2% of total revenue (Figure 10).

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

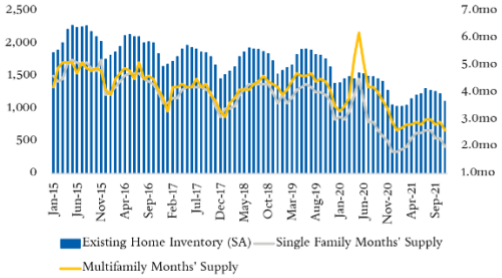
Board of Directors & Executive Committee: Lennar's Board of Directors have extensive experience in homebuilding, financial services, supply chain management, strategic planning, human resources, and digital media. Out of the eleven individuals, three board directors are employee representatives, and eight are considered independent under NYSE corporate governance listing standards (Appendix 6). The board has five major committees that set forth responsibilities and policies: 1. Audit; 2. Compensation; 3. Nominating and Corporate Governance (NCG); 4. Executive; 5. Independent Directors Transactions (Figure 11). Aside from the executive committee, all committees are comprised of only independent directors. At each annual meeting of stockholders, the board nominates directors regarding a one-year term and undertakes director independence reviews. Lennar's top executives include Stuart Miller, CEO & Executive Chairman, Rick Beckwitt, Co-CEO and Co-President, Jon Jaffe, Co-CEO and Co-President, Fred Rothman, COO, and Diane Bessette, CFO and Treasurer (Appendix 7). All five executives have over 25 years of homebuilding experience and four out of the five individuals have worked at Lennar for over 20 years.

Shareholders: As of December 29, 2021, 84% of shares are held within the United States, in addition to international representation in the U.K. (4%), Denmark (2%), and Japan (1.5%). Institutional investors hold 98% of outstanding shares and insiders represent 2% of common stock (Figure 13). Investment advisors, institutional banks, hedge funds, insurance companies, and pension funds represent the top levels of ownership. Currently, the largest shareholder for Lennar is Vanguard Group, Inc., with 10.24% owned, and other notable owners include Fidelity, BlackRock, and Aristotle Capital Management, LLC. The largest current insider is Stuart Miller, CEO & Executive Chairman, with 1.7 million Class A and over 21 million Class B shares. Insider positions have increased 41bps over the previous six months, and 100.22% of the float is held by institutions.

Class-Structure: Lennar utilizes a dual class structure. Otherwise identical, Class A common stock represents one vote per share whereas Class B common stock represents ten votes per share. Contrary to intuition, where a larger voting right would permit a premium, due to lower liquidity, Class B common stock is trading at a discount of 17% (Figure 14). Over 58% of Class B common stock are closely-held shares, representing poor corporate governance as voting power is retained by founders, management, and executives. However, the proportion of Class B common stock owned by insiders has decreased since the CalAtlantic merger in 2018. Equal voting rights among Class A and Class B shares have been proposed by stockholders in efforts to disparate voting power. However, requests were unsuccessfully challenged in the most recent fiscal year.

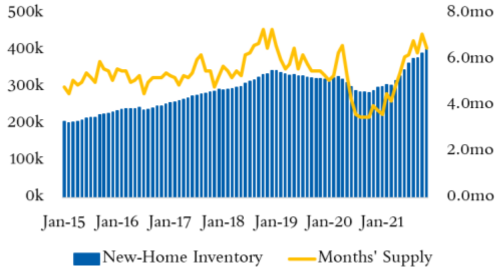
Social Responsibility & Environmental Sustainability: Lennar has implemented initiatives with the intention of repaying local communities. "The Lennar Foundation" receives 1% of after-tax income, which is donated towards medical research, education, job training, and support for low-income households. For FY2021, Lennar vowed to donate $1k per home delivered. As a result of innovative technology, Lennar has implemented green features to improve energy efficiency. 93% of all solar power home deliveries in 2021 were completed through Lennar (Figure 15). New adoptions, including Low-VOC paint, Low-E windows, water-efficient faucets, toilets, showers, and energy efficient appliances were installed in various homes as part of Lennar's "Everything's Included" approach. Lennar was assessed amongst established competitors across environmental, social, and governance disclosures, and scored on a one through five ranking regarding common homebuilding ESG components (Figure 16). With scores of 2.7, 2.6, and 2.3 in environmental, social, and governance practices, respectively, Lennar is placed in the middle compared to the industry (Appendix 9).

Figure 17: Existing Home Inventory



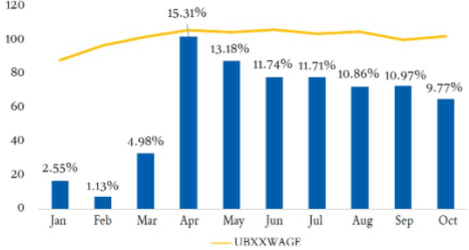
Source: Bloomberg

Figure 18: New Home Inventory



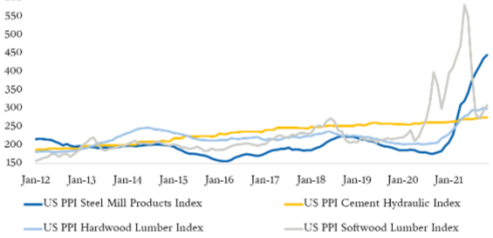
Source: Bloomberg

Figure 19: Wage Inflation, YoY



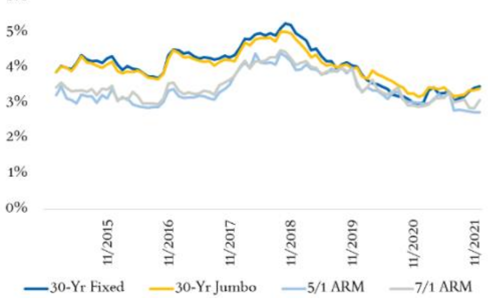
Source: Bloomberg, Trading Economics

Figure 20: Commodity Prices



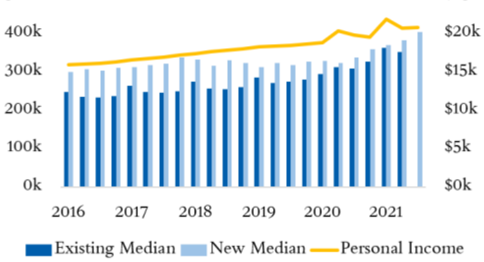
Source: Bloomberg

Figure 21: Mortgage Rates



Source: Bloomberg

Figure 22: Home Prices



Source: Bloomberg

INDUSTRY OUTLOOK

The housing market remains in disequilibrium. Strong demand for single- and multi-family new and existing homes extends while supply, although subtly improving, remains limited. Supply constraints have reduced production capacity for homebuilders, eliciting home price appreciation while simultaneously increasing margins. Decreasing home affordability has been partially offset by the low interest rate environment, which is anticipated to continue despite inflation concerns.

SUPPLY-SIDE:

Scant Inventory Propels New-Home Expansion: Cramped existing-home inventory prompts new-home expansion, shifting pricing power away from homeowners, resulting in a favorable trend for large homebuilders. Despite increasing 25% in 2021, seasonally adjusted existing-home inventory remains 31% below its five-year historic average. Low levels of existing-home inventory have reduced months' supply for existing single- and multi-family homes to 2.0 and 2.6 months, respectively, as homeowners do not want to concede their low mortgages (Figure 17). Limited existing-home availability has induced new-home expansion, as seasonally adjusted new-home inventories have increased 33% YoY and sit 43% above their five-year historic average (Figure 18). Higher production of new homes has surged months' supply, climbing to 6.5 months, nearly double the pandemic low of 3.5 months in October 2020 (Figure 18). Single-family building permits, although down 13% from the pandemic high, have increased 3% MoM in November, signaling continued construction and development activity.

Reduced Labor Availability Limits Production: The stretched labor force has contributed to smaller production capacities, as Lennar trimmed near-term deliveries to 17.5k from a previously guided 19-21k, in 4Q21. Nonfarm business unit labor costs increased 6.3% YoY in response to a 5.8% hourly compensation increase and -0.6% productivity decrease, contributing to wage inflation (Figure 19). Growth in building construction labor is relatively stagnant, increasing 2% in comparison to total employment's 4% in 2021. In response to the labor shortages, the employment cost wage construction index has increased 360bps YoY (Figure 19). However, production capacity limitations are viewed to be resolved by 2Q22 as supply-side constraints unravel through an improving economy.

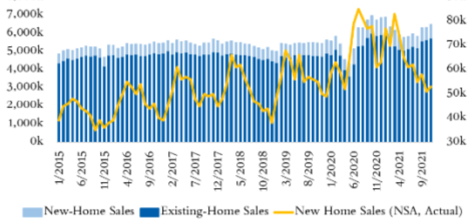
Supply Constraints Escalate Input Costs: Rising input costs are a major concern to all homebuilders. Softwood lumber prices have climbed 48% since the beginning of 2020, primarily due to a combination of reduced supply and surging demand for new and existing homes (Figure 20). Input prices have experienced significant volatility, as softwood lumber prices have decreased 45% from an all-time high of $1,686 per thousand board feet. PPI measures for hydraulic cement, steel mill, and hardwood lumber products have increased 4%, 114%, and 30%, respectively, in 2021 (Figure 20). Pressure on input prices has translated into an increased average selling price (ASP) industry wide.

DEMAND-SIDE:

Low Mortgage Rates Augment Demand: Quantitative easing measures established by the U.S. government have reduced both fixed- and adjustable-rate mortgages (ARM). Since September 2018, the 30-year fixed mortgage has declined 185bps to 3.4% in December 2021 (Figure 21). 5/1 ARM's have declined 167bps over the same time (Figure 21). However, higher levels of inflation impose concerns of a tightening money supply, as the 30-year fixed mortgage has increased 40bps YoY. Despite robust housing demand, the mortgage credit availability index (MCAI), a barometer measuring conventional, government, conforming, and jumbo mortgages, declined 64bps in November 2021, indicating tightening lending standards (Appendix 11).

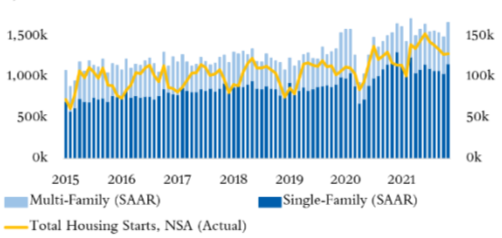
Decreased Home Affordability Entices Luxury Home Development: The average selling price of U.S. existing and new single-family homes have increased 59% and 35%, respectively, outpacing personal income of 31% during the past five years (Figure 22). Shortages in housing inventory are the main contributor of an increasing ASP. Luxury homes have outpaced standard homes due to higher homeowner equity, as reflected in home mortgage applications. Cheaper,

Figure 23: Housing Sales (SAAR)



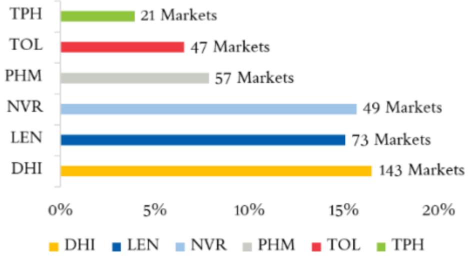
Source: Bloomberg

Figure 24: Housing Starts (SAAR)



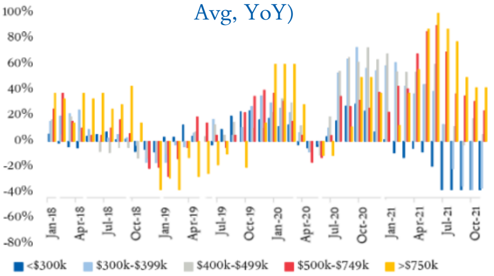
Source: Bloomberg

Figure 25: Market Share



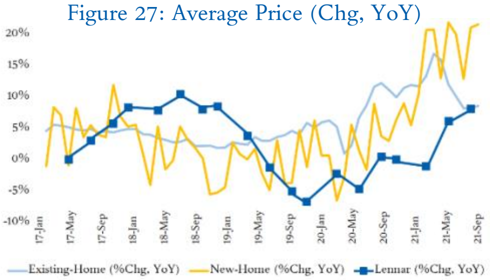
Source: Bloomberg

Figure 26: New-Home Sales Price (3mo Avg, YoY)



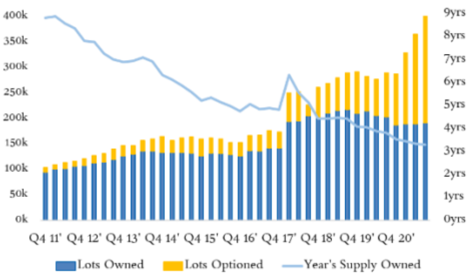
Source: Bloomberg

Figure 27: Average Price (Chg, YoY)



Source: Bloomberg

Figure 28: Land Owned vs. Optioned



Source: Bloomberg

lower-end homes with a loan size under $300k saw a decrease in sales, while higher-end homes, with a loan size above $400k, saw substantially increased sales (Appendix 11). Despite affordability concerns, the National Association of Home Builders seasonally adjusted market index has stabilized 10% higher than pre-pandemic levels, signaling continued demand for homes and subtle improvements in home inventory.

Home Sales & Starts Rebound to Pre-Pandemic Levels: New single-family home sales are at a seasonally adjusted annual rate (SAAR) of 744k, unchanged MoM and in line with pre-pandemic measures (Figure 23). Despite declining 24% YoY from a pandemic high, new-home sales are improving through increasing sales absorptions. SAAR existing-home sales in November totaled 6.46m. Single-family housing starts have increased 47% in the past five years. Housing starts are down 12% YoY, as supply constraints restrict production capacities and limit the speed homebuilders can feed demand (Figure 24). In response to home price appreciation and declining affordability, families are shifting into multi-family homes, as multi-family housing starts are elevated 18% above 2020 levels.

To summarize, disequilibrium, comprised of continued demand with restricted supply, characterizes the overall housing market. Limited existing-home availability and demand for new homes have transferred pricing power from homebuyers to homebuilders. Lennar is positioned to capitalize on continued high levels of demand and home price appreciation, which may be partially offset through supply hindrances. Despite the unbalanced macroeconomic environment, Lennar has been able to gain market share and realize margin expansions (Appendix 15).

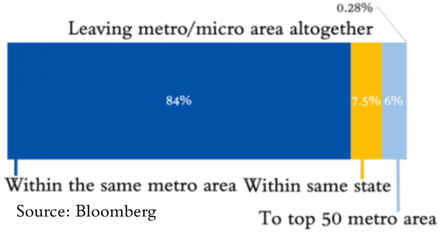
COMPETITIVE POSITIONING

Domestic Expansion Increases Market Share: Since the Financial Crisis, Lennar has steadily increased their market share 300bps, from 4.7% to 12%. Primary large-cap competitors include D.R. Horton, PulteGroup, NVR, and Toll Brothers. Lennar's primary competitive advantage consists of their economies of scale characteristics, with a geographically diverse weighted-average market share of 15% (Figure 25). This diversification serves as Lennar's main competitive advantage, which limits the adverse effects from the housing industry's cyclicality and provides a more consistent revenue stream (Appendix 2).

Middle-Market Price Conditions Prevent Full Margin Optimization: Lennar's 4Q21 average closing price is $448k, approximately 7.5% below the average new home selling price in November 2021. Mortgage applications for luxury homes (above $750k) saw a 42% increase in sales, followed by a 24% increase for $500-$750k and a 5% increase for $400-$500k YoY (Figure 26). In response, Lennar is projected to deliver 60% of homes to the West and East regions by FY2026E (Appendix 16). As higher prices have outperformed in the new-home market, Lennar's middle-market strategy does not allow them to reap full benefits of the current market conditions. The equidistant approach shields Lennar from realizing full price appreciation, and margin optimization, as their average closing price increased 8% YoY in comparison to the industry's 8.2% and 21% increase of existing and new homes YoY, respectively (Figure 27). Despite declining home affordability and homebuyers' historic price sensitivity, continued demand allows pricing power to stay with Lennar.

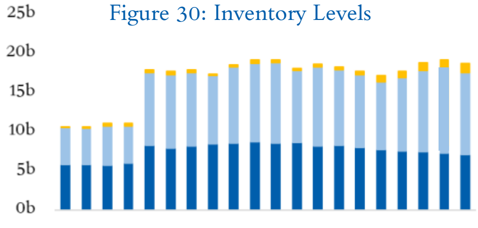
"Land-Lighter" Model Increases Capital Flexibility: Lennar continues to pivot towards its "land-lighter" operating model by reducing the supply of land owned and increasing land controlled through options and agreements. Lennar implemented goals to have 65% of land controlled through options and agreements and 2.75-year's supply of land owned by FY2022. In 4Q21, 53% of total homesites were controlled through options, compared to 35% in 4Q20, and Lennar maintained a 3.3-year supply of owned land, lower than the 3.6-year supply in 4Q20 (Figure 28). Implementing the land lighter model has strengthened cash flows, improved liquidity, and reduced debt, as homebuilders are reluctant to carry high amounts of inventory. Lennar's FY2021 liquidity ratio is 1.41x, higher than competitors including PulteGroup (1.11x) and D.R. Horton (0.96x). The "land-lighter" model has decreased Lennar's risk, as

Figure 29: American Migration



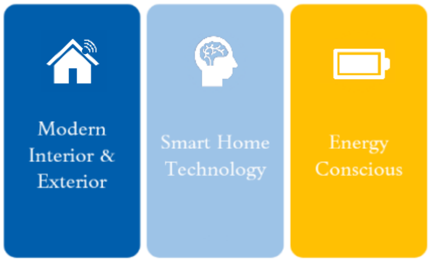
Source: Bloomberg

Figure 30: Inventory Levels



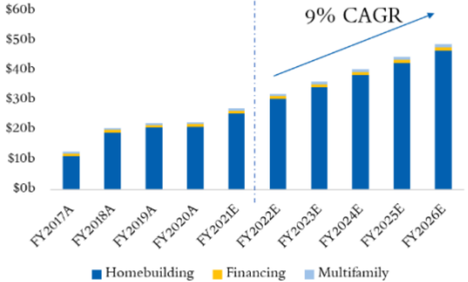
Source: Company Data

Figure 31: Everything's Included



Source: Company Data, Team Analysis

Figure 32: Total Revenue

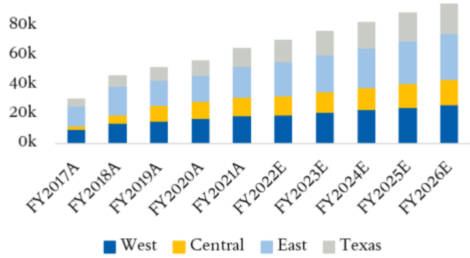


Source: Reuters, Team Analysis

Figure 33: Case Shiller Index

Source: Bloomberg, Team Analysis

Figure 34: Total Orders



Source: Bloomberg, Team Analysis

homebuilding debt to total capital to 18.3% in 4Q21, the lowest in company history (Appendix 20).

Migration Trends Indicate Suburban Relocation: Americans are shuffling across metropolitan areas, an accelerating trend resulting from the coronavirus pandemic. Rather than an urban exodus, 84% of individuals living in the 50 most populated cities relocated within the same metro area (Figure 29). With higher prominence on home ownership, and record home equity, individuals are moving into suburban communities. Suburban areas saw 91% net increases in population throughout the coronavirus pandemic, whereas 82% of urban areas saw net decreases in population (Appendix 13). Higher suburban populations, which promote robust demand for single-family attached and detached homes, creates continued demand for Lennar.

Reduces Inventory Strengthens Cost Control: Lennar is capitalizing on an increasing sales price environment, allowing home price appreciation to cover cost escalation in the future. Construction costs, primarily softwood and hardwood lumber, have impacted the price of home closings, as 4Q21 costs increased $6.78 per square foot over 3Q21. In response to higher input prices, Lennar has reduced raw material inventory 10% YoY (Figure 30). Inventory turnover has increased 6% YoY, as demand continues for Lennar's homes and supply constraints unravel.

Becoming a Pure Homebuilder: Lennar intends to complete a tax-free spin-off on its non-core ancillary businesses, thereby focusing solely on its homebuilding operations. The spin-off's asset value is estimated to be between $3-5b with no debt and will be arranged as an independent active asset management business which raises third-party capital. Additionally, Lennar's rental venture for single-family homes, led by Centerbridge Partners, currently manages $1.25b of the equity raised. All or a portion of Lennar's commercial mortgage business, rent platform, and technology investment business may be included in the spin-off.

Lennar's Everything's Included Approach: Lennar's homebuilding strategy focuses on providing technological change through their "Everything's Included" approach (Figure 31). Although this strategy encompasses standardization, installing high-tech products throughout middle-market homes contribute to an increasing ASP, placing pressure on home affordability. Strong pricing power and continued demand has allowed Lennar to reap the benefits of including luxury features despite homeowner's historic price sensitivity.

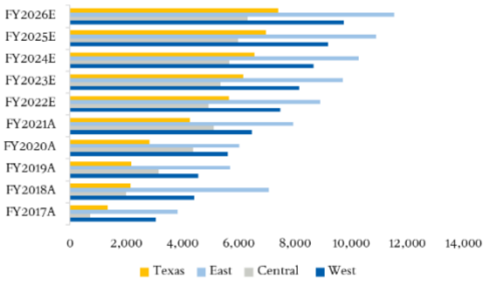
FINANCIAL ANALYSIS

Strength in Projected Revenues: Forecasting revenues through FY2026E, revenue growth is estimated to increase at an 9% CAGR (Figure 32). To assess the accuracy of predicted revenue, exploratory data was examined through a non-parametric classification method. Predicated on a k-nearest neighbors (KNN) supervised machine learning regression algorithm (Appendix 10), homebuilding revenue is determined primarily through closing prices, home deliveries, backlog growth, and cancellation rates.

The S&P Case-Shiller Index was used as a proxy to estimate home price appreciation. Single-family detached home prices increased 19% YoY in October. In response, Lennar's 4Q21 average closing price jumped 14% YoY to $448k. Home price appreciation is projected to moderate, increasing 3.5% YoY in FY2022E resulting from improving supply conditions (Figure 33). From FY2024E onward, home price appreciation is estimated to move in tandem with historic inflation (2%).

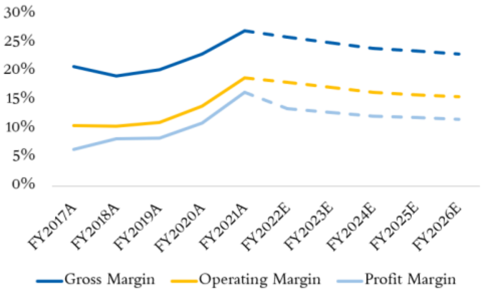
The growth in community count, or the number of communities open for home sales, is anticipated to slow down linearly to 7% by FY2026E due to Lennar's current domestic footprint. Since 2017, community count expanded at a 10% CAGR, which depressed in FY2020 in response to headwinds imposed by the coronavirus pandemic. Community count projections established geographic order estimates, in which the West and Texas regions experience the largest proportional increase of 10% and 12% by FY2026E, respectively (Appendix 16). Despite 1Q22 order guidance expecting slowdowns to manage higher backlog, Lennar is projected to sustain housing order growth at a CAGR of 6% and reach 95k total orders by FY2026E (Figure 34). The company's home order expansion and increasing backlog expands their market share,

Figure 35: Backlog by Region



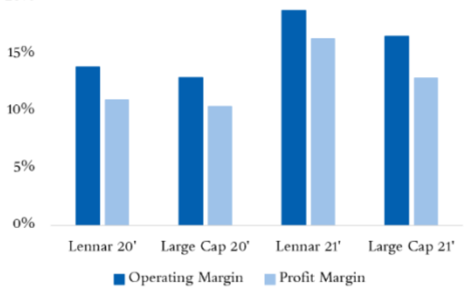
Source: Bloomberg, Team Analysis

Figure 36: Margin Stability



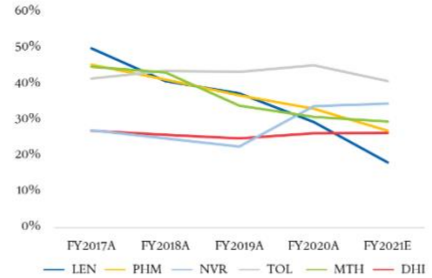
Source: Bloomberg, Team Analysis

Figure 37: Lennar vs Large Cap



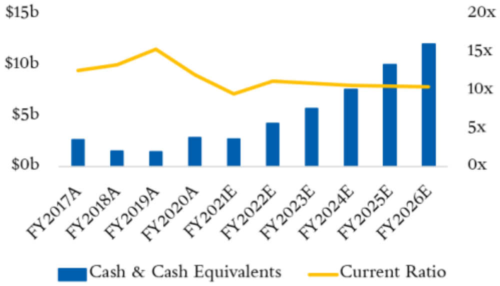
Source: Bloomberg

Figure 38: Debt to Total Capital



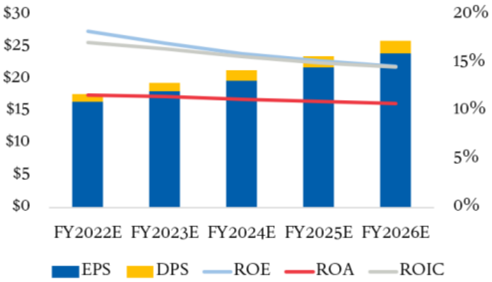
Source: Bloomberg

Figure 39: Cash Increases



Source: Bloomberg, Team Analysis

Figure 40: Bottom-Line Profitability



Source: Team Analysis

as Lennar is projected to capture 14% of the U.S. housing market's total orders by FY2026E (Appendix 12).

Historic organic backlog growth was used to predict total backlog. Organic backlog was derived by splitting the difference between additional backlog incurred and the previous periods' accumulated backlog. Supply constraints associated with the coronavirus pandemic have increased Lennar's backlog 26% YoY. Upon improving supply constraints, Lennar is projected to increase total backlog at a 5.4% CAGR, totaling 35k units by FY2026E, with the largest representation in West and East regions (Figure 35). Shortened housing inventory has lowered Lennar's cancellation rate, from 15% to 10% in 4Q21, as homeowners have fewer alternatives. Lennar's cancellation rate is expected to regress to its 5-year average, stabilizing at 15% by FY2023E onward.

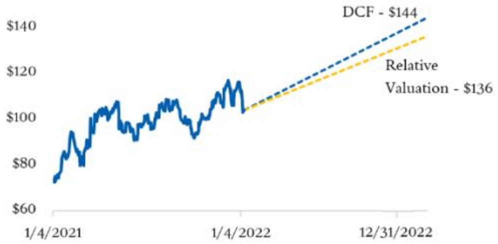
Stability Regarding Operating Efficiency and Margins: Lennar is expected to preserve margins throughout FY2026E resulting from continued demand and an improved supply chain. Demand for raw materials, specifically lumber, steel, and hydraulic cement, are estimated to continue, placing upward pricing pressure. COGS are estimated to climb from 74% of revenue in FY2022E to 77% of revenue by FY2026E. Scant home inventory has allowed homebuilders to negate the effects of rising input prices through home price appreciation. However, due to anticipated home price moderation, gross margins are estimated to trend downward 300bps from 26% in FY2022E to 23% by FY2026E (Figure 36). Profit margins are anticipated to decline 200bps through FY2026, from 14% to 12%, resulting primarily from increasing inputs and cost competitiveness. Despite the anticipated decline, Lennar's operating and profit margins for FY2021 are 1.24x and 1.35x higher than their large cap peer group (Figure 38). In response to Lennar's land lighter strategy, Lennar's EBITDA margin is projected at 18.5% in FY2022, an all-time high. The company's EBITDA margin is currently 1.29x higher than their peers despite anticipating a downward trend to 16% through FY2026E.

Absorption Rates Indicate a Seller's Market: Lennar's absorption rate, or sales pace, has increased to 52.97x, 25% higher than their 5-year average of 42.22x. Lennar's FY2021 absorption rate is 8% higher than their competitors, indicating that Lennar's homes are purchased more quickly than others. With community count growth estimated at 7-10% in the next five years, combined with higher total orders and improving supply, Lennar's absorption rate is estimated to sustain at 52-54x through FY2026E.

Asset Quality Leads to a Healthy Balance Sheet: Lennar's "land-lighter" strategy imposes incremental cash flow generation and reductions of long-term debt, ultimately reducing the risk and potential costs of developing land. Lennar's encompasses lower amounts of leverage, with 4Q21 debt to total capital declining to 18.3%, 50% lower than competitors, and the lowest in company history (Figure 38). This leaves Lennar less vulnerable to slowing order growth, production capacities, and the cyclicality of the housing market. Larger cash reserves, with cash increasing at a 23% CAGR through FY2026E, permits Lennar's current ratio to sustain above 10x through FY2026E (Figure 39). Lennar intends to spinoff approximately $3-5B of non-homebuilding assets in 2Q22 with intention of focusing on becoming a pure homebuilder. While the spinoff has yet to occur, the transition of assets is assumed to have already been reflected in the stock price.

Rewarding Shareholders Through Bottom-Line Performance: Lennar is expected to continue rewarding shareholders through strong bottom-line performance. Resulting from continued home price appreciation, sustainable order growth, improving supply conditions, and reducing outstanding shares, FY2022E EPS is anticipated to increase 15%, reaching $16.48 (Figure 40). EPS is estimated to grow at a 7.7% CAGR through FY2026E. Lennar performs in line with their competitors regarding profitability ratios including ROE, ROA, and ROIC. However, ROA and ROE measures have been somewhat inflated due to Lennar's share repurchase strategy, in which profitability measures are estimated to trend downward to 13% and 14%, respectively (Figure 40). In response to the land lighter strategy, Lennar has reduced debt compared to its competitors, limiting potential downside in the event of an economic downturn.

Figure 41: Valuation Upside



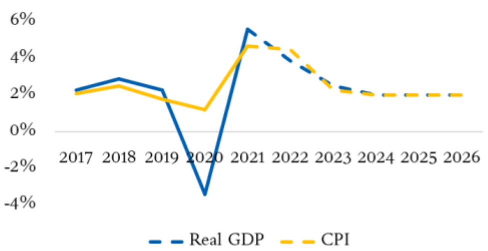
Source: Yahoo Finance, Team Analysis

Figure 42: FCFF Assumptions

Risk-Free Rate	1.68%
Beta	1.456
Equity Risk Premium	8.44%
Cost of Equity	13.98%
Cost of Debt	1.86%
D/E	14.28%
WACC	12.46%
Terminal Growth Rate	1.63%

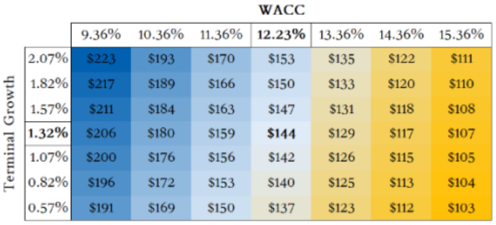
Source: Bloomberg, Team Analysis

Figure 43: Macroeconomic Assumptions



Source: Bloomberg, Team Analysis

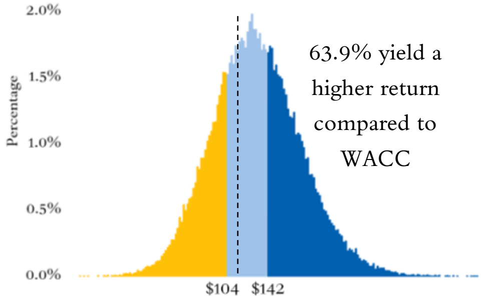
Figure 44: Sensitivity Analysis



		WACC						
		9.36%	10.36%	11.36%	**12.23%**	13.36%	14.36%	15.36%
Terminal Growth	2.07%	$223	$193	$170	$153	$135	$122	$111
	1.82%	$217	$189	$166	$150	$133	$120	$110
	1.57%	$211	$184	$163	$147	$131	$118	$108
	1.32%	$206	$180	$159	**$144**	$129	$117	$107
	1.07%	$200	$176	$156	$142	$126	$115	$105
	0.82%	$196	$172	$153	$140	$125	$113	$104
	0.57%	$191	$169	$150	$137	$123	$112	$103

Source: Team Analysis

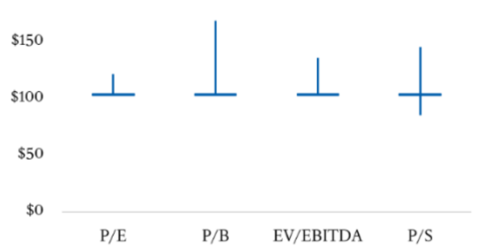
Figure 45: Monte Carlo Simulation



63.9% yield a higher return compared to WACC

Source: Team Analysis

Figure 46: Multiples Analysis



Source: Team Analysis

VALUATION

Lennar is issued with a BUY recommendation with a 12-month price target of $142, representing 36% upside given the closing price of $104 on January 10th, 2021. The price target is calculated through a DCF analysis and relative valuation and supported through sensitivity and simulation analysis (Figure 41). The DCF and relative valuation models were assigned weightings of 70% and 30%, respectively. The FCFF model was attributed a larger weighting due to its inclusion of long-term market cyclicality. The relative valuation approach was separated into two universes, large cap and small cap, and was given a smaller weighting due to the limited number of comparable companies to Lennar.

Free Cash Flow: A DCF analysis utilizing the Free Cash Flow to the Firm (FCFF) methodology derives an intrinsic value of the company. This model accounts for the cyclicality of the overall housing market as well as Lennar's changing capital structure in response to their land lighter strategy.

Lennar is projected to have a weighted average cost of capital (WACC) of 12.46% (Figure 42). The cost of debt was calculated by adding Lennar's corporate bond yield spread to the risk-free rate. Given Lennar's domestic footprint within the U.S., the 10-year U.S. Treasury was used as a proxy for the risk-free rate. Lennar's beta was calculated from a weighted average of 5-year monthly Bloomberg data estimates, a forecasted industry beta, and regression analysis using the SPX as a proxy for market returns (Appendix 21). The cost of equity was calculated with the CAPM formula, reflecting the U.S. expected market return and country risk premium.

Terminal growth is anticipated to be 1.32% by FY2026E based on weighted-average projections of long-term U.S. inflation, real GDP, population growth, and industry growth (Appendix 21). It is anticipated that both inflation and GDP measures are to retreat to historic means, hindering industry revenue (Figure 43). Given the homebuilding industry's mature life cycle stage, industry value added is projected at 2.1%. Despite a cool down in macroeconomic conditions, favorable competitive positioning or long-term macroeconomic conditions may increase the terminal growth.

Sensitivity Analysis: To support the recommendation, Lennar was further analyzed through a sensitivity analysis flexing key inputs including terminal growth, WACC, total orders, and cost of goods sold. The WACC was flexed +/- 300bps to determine significant changes regarding lenders expectations for providing capital. A significant increase in the WACC would change the investment recommendation (Figure 44). Resulting from the high cyclicality of the homebuilding industry, total orders were flexed +/- 30%. A significant decline in total orders would negatively impact the intrinsic value (Appendix 22). However, given continued high levels of demand for single-family homes, and scant supply, a significant decline in orders is unlikely. Lennar is the most sensitive to changes in costs of goods sold (Appendix 22). By fluctuating homebuilding costs +/- 7.5%, potential downside is apparent. Lennar's sensitivity analysis illustrates significantly more potential upside (Appendix 22).

Monte Carlo Simulation: A Monte Carlo simulation with 50,000 iterations was performed altering input variables: WACC, terminal growth, closing price, total closings, homebuilding costs. Distributions were predicated upon bear and bull macroeconomic environments. The simulation derives potential upside of 74.7%. However, the simulation assigns a 25.3% probability of potential downside, displaying the cyclicality of the overall housing market (Appendix 23). In a bull market environment, 40% of potential outcomes exceed the target price of $142, and 63.9% of outcomes yield a rate of return higher than the WACC (Figure 45).

Relative Valuation: Lennar's multiples analysis derives an intrinsic value of $136 predicated on equity and enterprise value methodology. The homebuilding companies utilized in the peer analysis are well-established companies and are categorized based upon homogeneous characteristics including business model, company size, and U.S. operations. Peer groups were separated into two groups, large cap and small cap, with 70% and 30% weightings, respectively. Large cap companies were assigned a larger weighting due to greater regional exposure

Figure 47: Relative Valuation

Price / Earnings		Weight
Large Cap	7.40x	70%
Small Cap	6.78x	30%
Average		7.21x
Implied Value	$	119

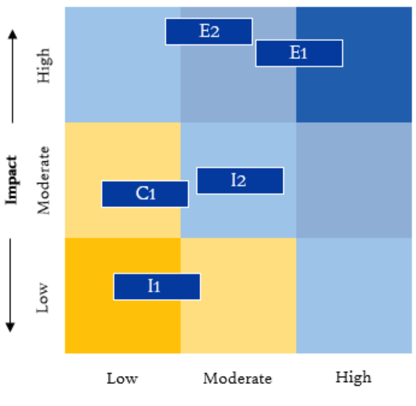
Price / Book		Weight
Large Cap	1.87x	70%
Small Cap	1.45x	30%
Average		1.74x
Implied Value	$	157

Enterprise Value / EBITDA		Weight
Large Cap	6.80x	70%
Small Cap	5.89x	30%
Average		6.53x
Implied Value	$	132

Price / Sales		Weight
Large Cap	1.19x	70%
Small Cap	0.70x	30%
Average		1.05x
Implied Value	$	128

Source: Team Analysis

Figure 48: Heat Map



Source: Team Analysis

Figure 49: Nonresidential Construction

Source: U.S. Census Bureau

similarities comparable with Lennar. Forward-looking multiples including P/E, P/B, and EV/EBITDA were assigned 33% weightings, and a P/S multiple was assigned a 0% weighting (Figure 46).

A forward P/E multiple provides a representation of anticipated bottom-line earnings in correlation to market price, analyzing market optimism regarding the health and profitability of the housing market. Historically, Lennar's P/E has traded at a slight discount to their large cap peer group and a slight premium to the small cap peer group (Appendix 24). With the FY2021 P/E weighted average at 7.21x, and Lennar's FY2022E EPS forecasted at $16.48, the P/E multiple implies an intrinsic value of $119, reflecting 14% upside (Figure 47). Lennar's P/E ratio may be subject to deflation through FY2026E, with share repurchases realizing a greater EPS.

Forward P/B multiples were analyzed to understand the current relationship between the industry's market and book values. The large cap peer group has historically traded on a 40% weighted average premium to Lennar's P/B, reflecting underpricing and attractive value to Lennar's growth profile. Although the small cap peer group's weighted average P/B has traded in line with Lennar historically (Appendix 24), it is anticipated that Lennar is likely to trade closer with the larger cap for FY2022E. With an average P/B of 1.74x (ex-NVR), Lennar's forward P/B yields an intrinsic value of $157, implying 50% upside (Figure 47). To account for pricing premiums, as what may occur regarding Lennar's P/B multiple, the relative valuation analysis has been flexed (Figure 46).

An industry weighted-average EV/EBITDA multiple signifies the overall pricing of the homebuilding industry. Lennar has traded in line with both large and small cap competitors (Appendix 24). Unraveling supply chain constraints and increasing margins leads to a lower multiples' projection for FY2022E. A weighted average EV/EBITDA of 6.53x implies an intrinsic value of $132, reflecting 27% upside (Figure 47).

With the cyclicality of the homebuilding industry, a P/S multiple, explaining the relationship between stock price and revenue, was used to compare Lennar among large and small cap peer groups. Given the discrepancy between the large cap and small cap peer groups, the P/S multiple was assigned a 0% weighting (Appendix 24). With a weighted average of 1.05x, Lennar's implied value is $128, 23% higher than the current stock price (Figure 47).

INVESTMENT RISKS

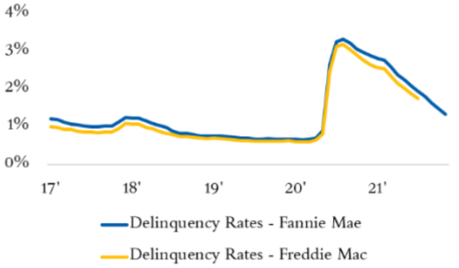
E.1: Supply Constraints Continue: As the coronavirus pandemic evolves, and new mutations emerge, lingering supply constraints may persist longer than anticipated. Lennar's business operations are heavily tied to the U.S. macroeconomy and its performance. Limited labor and material availability have translated into higher levels of backlog and lower closings, as production capacities have failed to meet demand. Nonresidential construction has slowed in response to the coronavirus pandemic and the resulting supply problems (Figure 49). Continued persistence of supply chain constraints reduces future homebuilding revenue.

Valuation Impact: Lingering supply chain issues were considered throughout Lennar's sensitivity analysis. This scenario is reflected with reductions in total orders and higher than anticipated homebuilding costs. In each scenario, respectively, potential downside extends to (-27%) and (-13%.)

Mitigation Factor: Limited existing-home inventory and robust demand has allowed Lennar to match their sales pace with their pace of production. Lennar's deep local weighted-average market share of 15% drives pricing efficiencies, which may negate challenges imposed by the weakened supply chain.

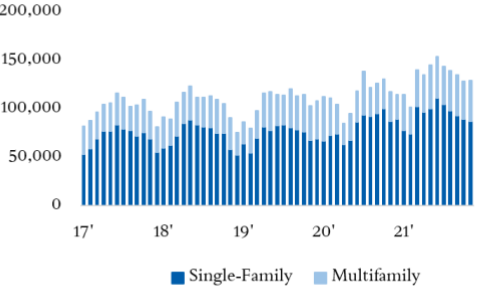
E.2: Mortgage Repricing: An increasing mortgage rate reduces the potential homebuyers willing and able to pay for Lennar's homes. Although at historic lows, the 30-year fixed mortgage rates have climbed 40 bps to 3.4%, with the onset of higher inflation, the FED has hinted at tightening monetary policy. Higher mortgage rates translate into lower affordability, decreasing aggregate demand and increasing exposure to defaults. Delinquency rates, despite trending lower, currently remain above pre-pandemic levels (Figure 50).

Figure 50: Delinquency Rates



Source: Bloomberg

Figure 51: Multifamily Starts

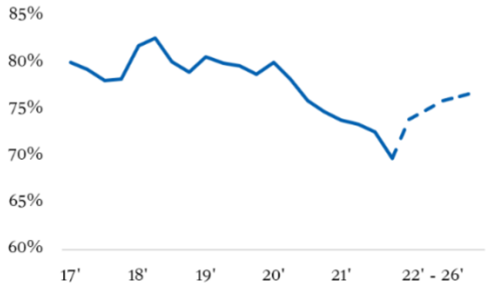


Source: Bloomberg

Figure 52: Aluminum & Steel Prices

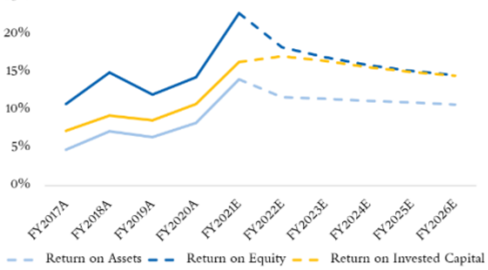
ource: Bloomberg

Figure 53: COGS / Revenue



Source: Bloomberg

Figure 54: Profitability Metrics



Source: Bloomberg, Team Analysis

Valuation Impact: Macroeconomic environments with increasing mortgage rates and tightening monetary policy were simulated through the Monte Carlo. The simulation assigns a 25% probability towards potential downside.

Mitigation Factor: Lennar cannot directly influence the mortgage market, nor the interest rate benchmark set by the FED. However, nearly all mortgages Lennar originates are sold on secondary markets with a non-recourse basis.

I.1: Multifamily Gains Popularity: In response to home price appreciation, homebuyers are shifting into multi-family homes, with multi-family housing starts elevated 18% above 2020 levels (Figure 51). While home price appreciation benefits Lennar, allowing them to realize margin expansion, the consumer bears the burden of increasing costs. Higher demand for apartment communities negatively impacts the demand for Lennar's single-family attached and detached homes.

Valuation Impact: Migration trends toward multi-family living were sensitized through reductions of total orders. Decreasing total orders for single-family attached and detached homes results in potential downside of (-19%).

Mitigation Factor: As part of Lennar's diversified property acquisition program, Lennar is involved in the development of multifamily rental properties, primarily through unconsolidated entities. Despite representing 2% of total revenue, Lennar may increase the proportion of multifamily operations.

I.2: Regulatory Risks: The U.S. government is planning to roll back regulatory restrictions as of January 1, 2022. An extension of the Trade Expansion Act of 1962, Section 232 imposes a 10% tariff on most imported building materials, and a 25% tariff on steel. Higher tariffs may disrupt supply chains and increase the costs of inputs used in the construction process (Figure 52). Regulatory risks may ultimately tamper bottom-line performance if costs cannot be passed on to the consumer.

Valuation Impact: Higher homebuilding costs resulting from changes in regulatory risks were considered through the sensitivity analysis. COGS to total revenue in 4Q21 was 69%, the lowest quarterly proportion since 2017 (Figure 53). Homebuilding costs results in potential downside of (-27%) (Appendix 20).

Mitigation Factor: Lennar's domestic footprint permits economies of scale, which drives pricing efficiencies. Due to the company's scale, Lennar may competitively bid on bulk supplies in efforts to mitigate the effects of tariffs. Lennar may also negate increasing costs through home price appreciation if pricing power stays with homebuilders.

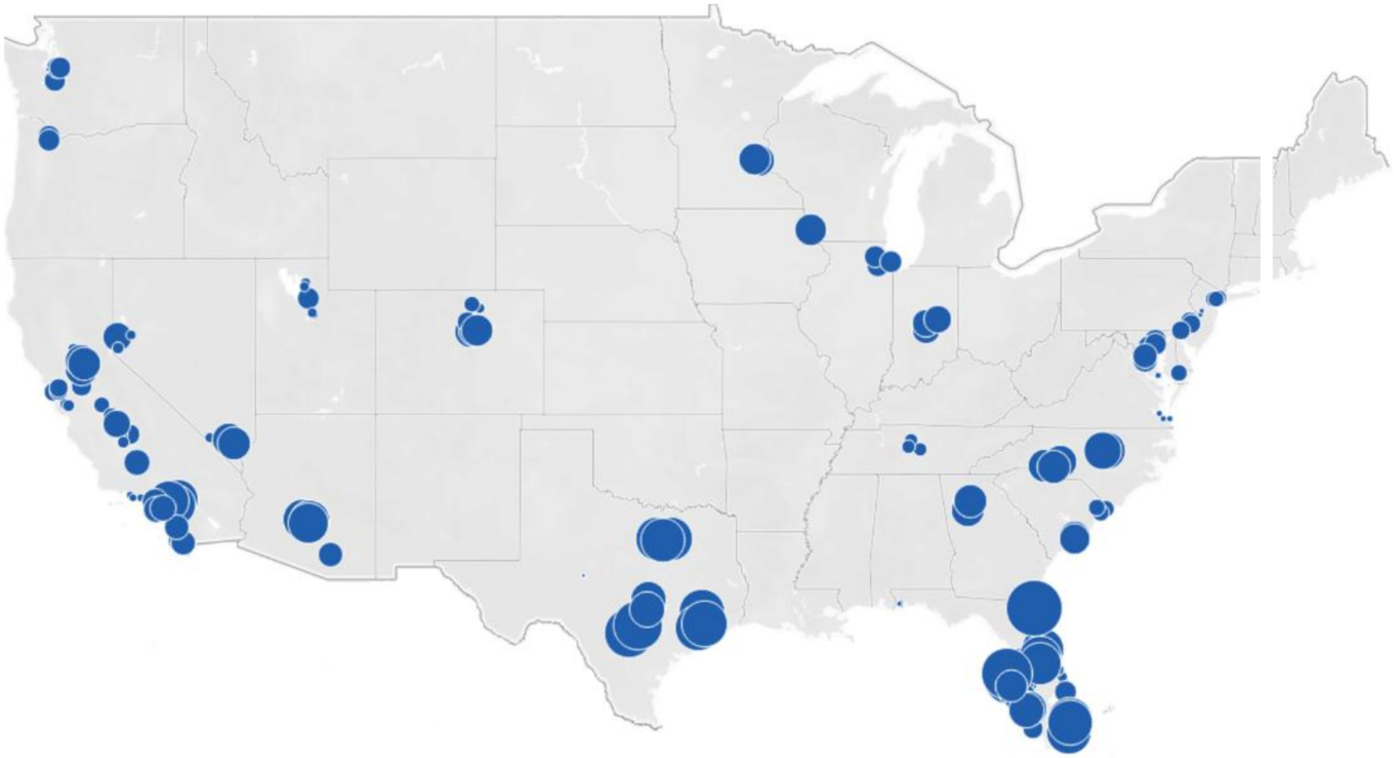
C.1: Unprofitable Investment: Lennar's land lighter strategy permits an increase in cash generation with the intention of share repurchases and repayments of long-term debt. However, an overabundance of cash decreases the company's profitability (Figure 54), as shown in forecasted profitability measures (Appendix 20). Unprofitable investment may result in underperformance in a highly competitive industry.

Valuation Impact: Weakened performance was considered through changes in terminal growth and WACC. Lennar is relatively insensitive towards increases or decreases in WACC or terminal growth, respectively, with limited potential downside (Appendix 22). However, lower profitability translates into a smaller captured market share for Lennar.

Mitigation Factor: Lennar has utilized cash generation for repayments of long-term debt and share repurchases. Lennar may be able to partially offset decreasing profitability through artificial increases in bottom-line measures.

APPENDIX 1: APPENDIX CONTENTS

APPENDIX 2: GEOGRAPHICAL REPRESENTATION



Source: Bloomberg, Company Data

Top 25 Markets U.S. Homebuilding Markets

Dallas-Fort Worth-Arlington, TX
Houston-The Woodlands-Sugar Land, TX
Atlanta-Sandy Springs-Roswell, GA
Phoenix-Mesa-Scottsdale, AZ
Austin-Round Rock, TX
San Antonio-New Braunfels, TX
Orlando-Kissimmee-Sanford, FL
Tampa-St. Petersburg-Clearwater, FL
Charlotte-Concord-Gastonia, NC-SC
Washington-Arlington-Alexandria, DC-VA-MD-WV
Nashville-Davidson-Murfreesboro-Franklin, TN
Raleigh, NC
Denver-Aurora-Lakewood, CO
Riverside-San Bernardino-Ontario, CA
Las Vegas-Henderson-Paradise, NV
Jacksonville, FL
Miami-Fort Lauderdale-West Palm Beach, FL
Seattle-Tacoma-Bellevue, WA
New York-Newark-Jersey City, NY-NJ-PA
Minneapolis-St. Paul-Bloomington, MN-WI
North Port-Sarasota-Bradenton, FL
Boise City, ID
Los Angeles-Long Beach-Anaheim, CA
Portland-Vancouver-Hillsboro, OR-WA
Chicago-Naperville-Elgin, IL-IN-WI

Lennar's Homebuilding Divisions

East: Florida, New Jersey, Pennsylvania, and South Carolina

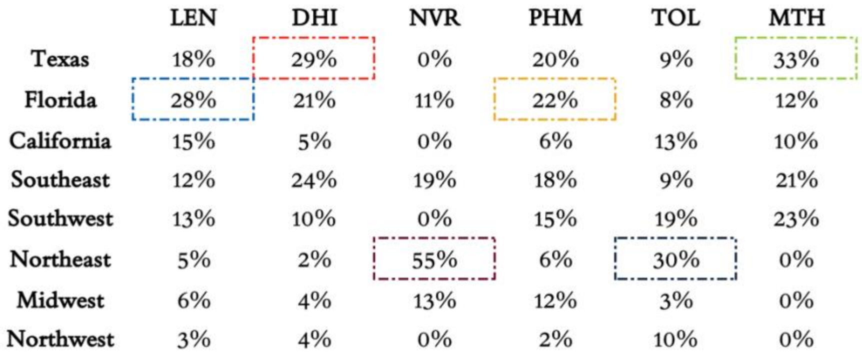
Central: Georgia, Illinois, Indiana, Maryland, Minnesota, North Carolina, and Virginia

Texas: Texas

West: Arizona, California, Colorado, Idaho, Nevada, Oregon, Utah, and Washington

Other: Urban divisions and other homebuilding related investments primarily in California, including FivePoint Holdings, LLC ("FivePoint")

Regional Closings Per Company

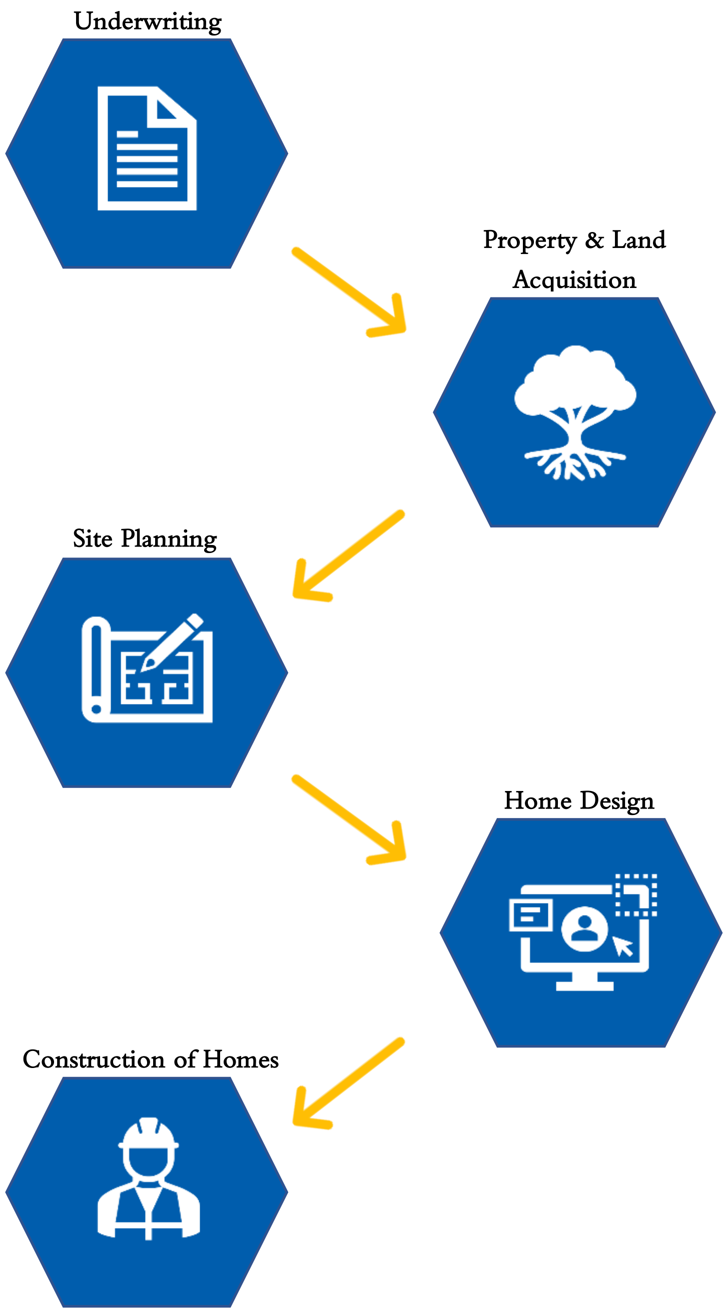


	LEN	DHI	NVR	PHM	TOL	MTH
Texas	18%	29%	0%	20%	9%	33%
Florida	28%	21%	11%	22%	8%	12%
California	15%	5%	0%	6%	13%	10%
Southeast	12%	24%	19%	18%	9%	21%
Southwest	13%	10%	0%	15%	19%	23%
Northeast	5%	2%	55%	6%	30%	0%
Midwest	6%	4%	13%	12%	3%	0%
Northwest	3%	4%	0%	2%	10%	0%

Source: Bloomberg

APPENDIX 3: SUPPLY CHAIN

Lennar acquires land for development and construction of single- and multi-family attached and detached homes. The company is involved in all phases of development and construction, which is explained in detail below.



Underwriting: Land purchases are subject to Lennar's underwriting criteria and completed through Lennar's property acquisition program.

Land Acquisition: Land may be acquired in one of the following ways: directly from landowners, via acquisition of local or regional homebuilders, through options contracts, joint ventures or partnerships, investment in regional developers, or in conjunction with Lennar's Multifamily segment.

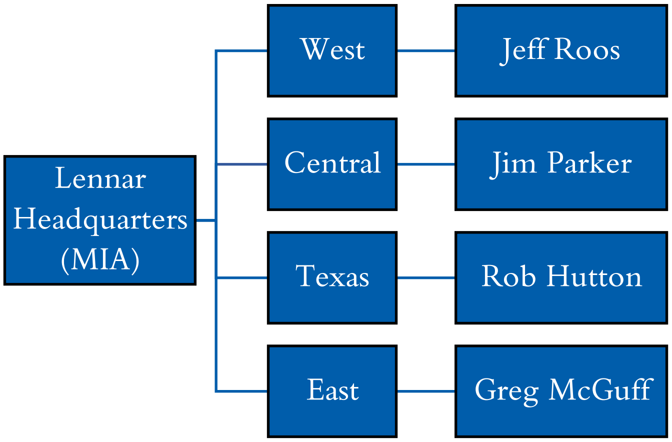
Site Planning: Lennar's architects provide management and administer conceptualization of sites on which communities are anticipated to be built. Site improvements are subcontracted as Lennar uses performance bonds and monitoring procedures to ensure the completion of the site planning process.

Home Design: Lennar's Next Gen® Homes offers designs regarding single- and multi-family homes and provides independent working and learning spaces with the overall goal of ensuring privacy for the individual customer. Lennar's Everything's' Included Approach implements high-end technological products as part of the homes' features.

Construction of Homes: Independent subcontractors are used in most aspects of home construction. This eliminates the need to Lennar to own or lease heavy building machinery. Centralized corporate management oversees the local operating divisions who work directly with the local independent subcontractors.

APPENDIX 4: CENTRALIZED MANAGEMENT

Lennar utilizes a centralized management structure, which provides oversight for homebuilding operations regarding each geographical local operating structure. This strategy permits decision making to be made on a regional level. The regional presidents include the following: Jeff Roos (West), Jim Parker (Central), Rob Hutton (Texas), and Greg McGuff (East).



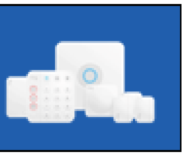
APPENDIX 5: EVERYTHING'S INCLUDED® APPROACH

Smart Home Technology

1. **Ring Video Doorbell Pro:** Answer your door from anywhere using your smartphone.
2. **Ring Alarm Security Kit:** 24/7 professional monitoring security system accessible with your smartphone.
3. **Flo by Moen Smart Water Shutoff Valve:** Remote water shutoff capability accessible with your smartphone
4. **eero Pro 6 Mesh Wifi System:** Strong reliable wifi
5. **Key by Amazon In-Garage Delivery:** Secure in-garage deliveries for amazon packages.
6. **LiftMaster myQ Smart Garage Control:** Monitor, control, and secure garage door from your smartphone.
7. **Level Lock:** Share access to your home using your smartphone.
8. **Resideo's Honeywell Home T6 Pro Z-Wave:** Programmable thermostat with location-based feature for maximum comfort and flexibility.

Ring Video Doorbell Pro

Ring Alarm Security Kit



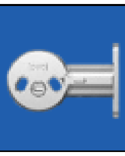
Flo by Moen Smart Water Shutoff Valve

Key by Amazon In-Garage Delivery

amazon

LiftMaster myQ Smart Garage Control

Level Lock

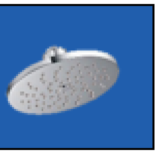


Resideo's Honeywell Home T6 Pro Z-Wave

eero Pro Mesh Wifi System

Energy-Conscious Features

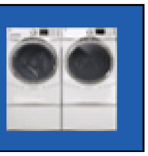
Moen Eco-Performance



ENERGY STAR® appliances

Ferguson WaterSense Commodes

Energy-efficient washer & dryer

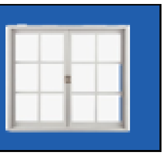


Sherwin-Williams Paint

LED Lightbulbs

Resideo's Honeywell Home T6 Pro Z-Wave

Low-E Windows



9. **Moen Eco-Performance:** Kitchen and bathroom faucets certified by WaterSense® that reduce water usage by 30%
10. **ENERGY STAR® Appliances:** Refrigerators, microwaves, and dishwashers that use up to 50% less energy.
11. **Ferguson WaterSense Commodes:** Toilets developed to flush with 20% less water each use and conserve up to 13,000 gallons of water a year.
12. **Energy-Efficient Washer & Dryer:** washer and dryer with features designed to reduce your utility bill
13. **Sherwin Williams Paint:** paints that emit fewer harmful chemicals, designed to reduce air pollution and limit health issues.
14. **LED Lightbulbs:** lightbulbs that use 90% less energy and have a life span of 60,000 hours

Modern Interiors & Exteriors

15. **Moen WaterSense:** Water faucets, shower heads, and plumbing fixtures designed with popular finishes.
16. **Upgraded Flooring:** Elegant hardwood floors or ceramic tile flooring that enhance the look of each space.
17. **Upgraded Countertops:** Pick between various surfaces such as polished granite, quartz, marble, tile, or stone to complement the kitchen and bathrooms.
18. **Upgraded Kitchen Cabinets:** Custom wood cabinets with crown molding and upgraded cabinetry hardware.
19. **GE® & Electrolux® Kitchen Appliances:** Top brands that save time and improve the cooking experience.

Moen WaterSense

Upgraded Flooring

Upgraded Countertops

Upgraded kitchen cabinets

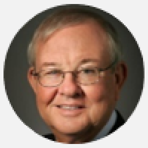
GE® & Electrolux® Kitchen Appliances

Contemporary exteriors

APPENDIX 6: BOARD OF DIRECTORS

AUDIT Commitee

Chair: Sherrill Hudson



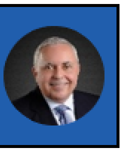
Steven Gerard

Independent Director since 2000
Graduated from Queens College of New York
Former Chairman/CEO, CBIZ Inc.
Other boards - AutoNation, Inc., CBIZ, Inc., previously Joy Global Inc., Las Vegas Sands Corp
47,722 Class A Shares

Tig Gilliam

Independent Director since 2010
Graduated from University of Virginia
CEO, NES Global Talent
Other boards - GMS, Inc.
29,335 Class A Shares
432 Class B Shares

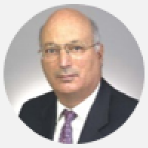
Armando Olivera



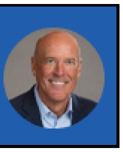
Independent Director since 2015
Graduated from Cornell Univeristy & UM MBA
Retired President & CEO of Florida Power & Light Co.
Other boards - Consolidated Edison, Inc., Fluor Corp., prev. AGL Resources, Inc
14,422 Class A Shares

COMPENSATION Commitee

Chair: Steven Gerard

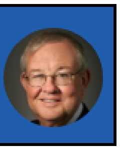


Tig Gilliam



Please see **AUDIT** Committee

Sherrill Hudson



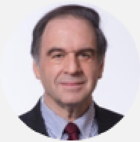
Independent Director since 2008
Graduated from Ashland University
Retired Chairman of the board & Former CEO TECO Energy
Other boards - CBIZ, Inc., United Insurance Holdings Corp., prev. Publix
34,805 Class A Shares

Teri McClure

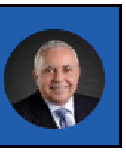
Independent Director since 2013
Graduated from Washington University and Emory University School of Law
Retired Chief Human Resources Officer and Senior VP Labor, UPS
Other boards - Fluor Corp., GMS Inc., JetBlue Airways Corporation
22,060 Class A Shares

NOMINATING & CORPORATE GOVERNANCE Commitee

Chair: Jeffrey Sonnenfeld

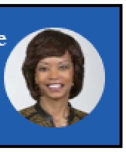


Armando Olivera



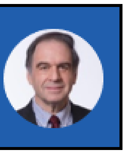
Please see **AUDIT** Committee

Teri McClure



Please see **COMPENSATION** Committee

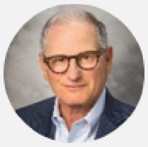
Jeffrey Sonnenfeld



Independent Director since 2005
Graduated from Harvard
Sen. Associate Dean for Exec. Programs and the Lester Crown Prof. of Mgmt for Yale School of Mgmt
Other boards - IEX Group Investors Exchange, Atlas Merchant Capital
37,282 Class A Shares
591 Class B Shares

INDEPENDENT DIRECTORS TRANSACTIONS Commitee

Chair: Sydney Lapidus



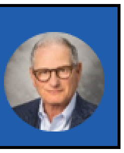
Steven Gerard

Please see **AUDIT** Committee

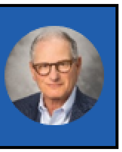
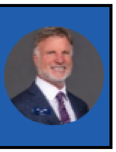
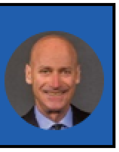
Tig Gilliam

Please see **AUDIT** Committee

Sidney Lapidus



Independent Director since 2005
Graduated from Princeton University and Columbia Law School
Lead Independent Director, Retired Partner, Warburg Pincus Inc.
Other boards - Various non-profits, prev. Knoll, Inc.
137,464 Class A Shares
43,347 Class B Shares

EXECUTIVE Commitee	Sidney Lapidus 	Please see **INDEPENDENT DIRECTORS TRANSACTIONS** Committee	
	Stuart Miller 	Director since 2005, Executive Chairman since 2018 Graduated from Harvard & UM Law School Executive Chairman, Lennar Corp. Other boards - Fivepoint Holdings	1,423,755 Class A shares 21,752,857 Class B shares
Additional Board Members	Jonathan Jaffe 	Director since 2018 (also a director from 1997 - 2004) Graduated from University of Florida Co-CEO and Co-President, Lennar Corp. Other boards - Opendoor Technologies Inc., previously Five Point Holdings, LLC.	416,280 Class A shares 23,487 Class B shares
	Richard Beckwitt 	Independent Director 2018 Graduated from Claremont McKenna College Co-CEO & Co-President, Lennar Corp. Other boards - Eagle Materials Inc., previously, Five Point Holdings, LLC.	1,702,916 Class A shares 21,848 Class B shares
	Amy Banse 	Independent Director since 2021 Graduated from Harvard & Temple Univeristy Beasley School of Law Senior Advisor to Executive Committee of Comcast Corporation Other boards - The Clorox Company, Adobe, Inc.	2,280 Class A shares

APPENDIX 7: EXECUTIVE MANAGEMENT

Name	Title	Start	Compensation	Base Salary ($)	Tenure	Total Return Annualized
Stuart A Miller	Chairman	2018	$ 25.1M	1,000,000	3.8	19.62%
Richard Beckwitt	Co-President/Co-CEO	2018	$ 21.9M	800,000	3.8	19.62%
Jonathan M Jaffe	Co-President/Co-CEO	2020	$ 19.3M	800,000	1.2	38.67%
Fred B Rothman	Chief Operating Officer (COO)	2019			3.0	34.95%
Jeffrey J McCall	Executive Vice President	2020	$ 4.2M	750,000	2.0	38.40%
Diane J Bassette	VP/CFO/Treasurer	2018	$ 4.5M	750,000	3.8	19.62%
Mark Sustana	VP/Secretary/General Counsel	2018	$ 2.5M	465,000	3.8	18.81%
Michael Petrolino	VP Tax	2005			17.0	4.86%

APPENDIX 8: ESG PEER METRICS COMPARISON

	S&P Global ESG Rank	Sustanability ESG Risk Score	ISS Quality Score	ESG Disclosure Score	MSCI ESG Rating
Median	32		3.00	25.00	
Lennar	**28**	**24.53**	**9.00**	**18.60**	**BB**
NVR Inc.	36	23.47	8.00	17.36	BBB
DR Horton Inc.	67	22.55	7.00	-	BBB
Toll Brothers Inc.	69	0	3.00	-	N.S
Pulte Group	75	23.72	2.00	19.42	BBB

APPENDIX 9: ESG SCORECARD

1 = Laggard 3 = Average 5 = Leader

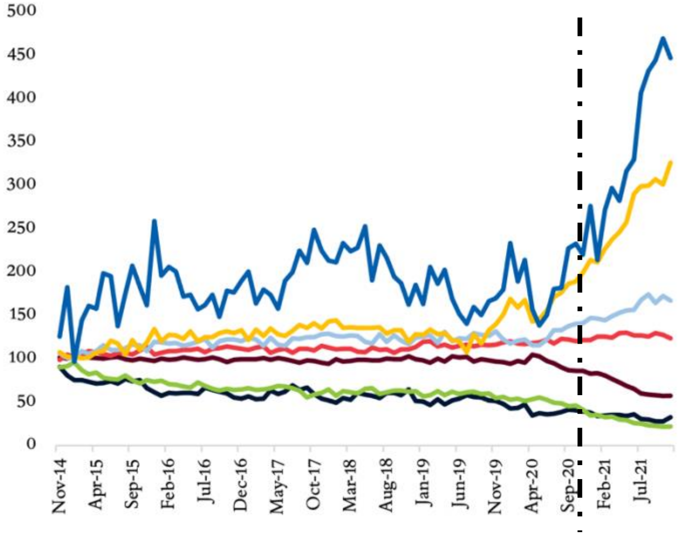
Category	Key Issues	Rank	Highlights	Overall
ENVIRONMENTAL	Carbon Footprint	2	• Lennar offers numerous green features within their homes. o Solar power deliveries that generate clean energy. o 10,090 solar power home deliveries in fiscal 2020. • Low-VOC paint that reduces pollution • WaterSense faucets offered in Lennar's Everything's Included program help assist with water conservation without sacrificing performance. • ENERGY STAR appliances offered in homes assist in reducing energy consumption	2.7
	Opportunities in Green Building	4		
	Biodiversity & Land Use	3		
	Toxic Emissions & Waste	2		
SOCIAL	Health & Safety	3	• The Lennar Foundation • Focused Acts of Caring • Dolphins Cancer Challenge • University Talent Program	2.6
	Employee ownership, satisfaction, benefits & pay	4		
	Product Quality & Safety	1		
GOVERNANCE	Diversity of corporate leadership	4	• Majority independent directors • Strong independent leaders • Annual election of all directors • Stock ownership guidelines • Strong corporate controls	2.3
	Corporate Governance	1		
	Corporate behavior	2		
Overall				2.5

APPENDIX 10: SOCIAL IMPACT & COMMUNITY OUTREACH

THE LENNAR FOUNDATION	Focused on helping people through medical research, education and job training, and support for low-income households. In FY 2021, the foundation will receive $1,000 per home delivered.
FOCUSED ACTS OF CARING	Lennar donates time and financial support to various charitable organizations every year
DOLPHINS CANCER CHALLENGE	Lennar associates participate in a bike, run, and walk event to raise funds to support the Sylvester Comprehensive Cancer Center.

APPENDIX 11: MORTGAGE MARKET

Mortgage Application by Loan Size



Mortgage applications were indexed starting November 2014 to account for size differentials. Tightened existing home inventory coupled with supply constraints are the main contributors to home price appreciation. Pricing power has shifted away from homeowners, allowing large homebuilders to negate increasing costs through home price appreciation. This trend has been reflected throughout mortgage applications, as applications for luxury homes have increased while applications for standard homes have decreased.

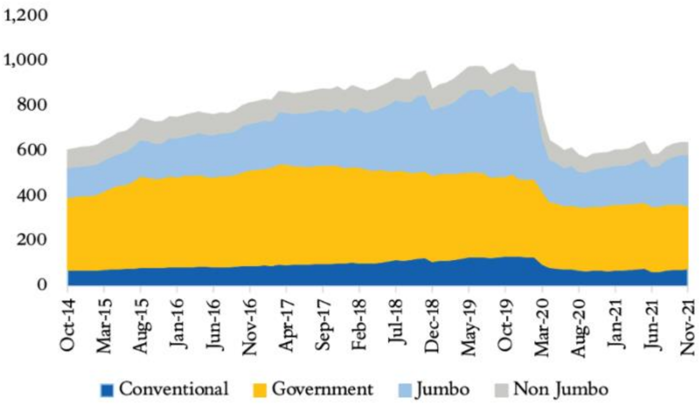
Below depicts the total mortgage applications according to size as well as YoY proportions:

- 🟦 Mortgage Applications by Loan Size - <$150,000: Total Applications – 2.45k; (-17.24%) YoY
- 🟨 Mortgage Applications by Loan Size - $150,000-$199,000: Total Applications – 2.98k; (-47.24%) YoY
- 🟦 Mortgage Applications by Loan Size - $200,000-$299,000: Total Applications – 20.92k; (-47.24%) YoY
- 🟥 Mortgage Applications by Loan Size - $300,000-$399,000: Total Applications – 29.26k; (1.67%) YoY
- 🟫 Mortgage Applications by Loan Size - $400,000-$499,000: Total Applications – 19.70k; (18.15%) YoY
- 🟩 Mortgage Applications by Loan Size - $500,000-$750,000: Total Applications – 19.98; (63.74%) YoY
- ⬛ Mortgage Applications by Loan Size - >$750,000: Total Applications – 4.73k; (102.89%) YoY

The Mortgage Credit Availability Index (MCAI) decreased 60bps to 124.9, indicating tightening lending standards. Increases in conventional (1.9% MoM) and jumbo loans (3.0% MoM) were offset by decreases in governmental (2.7% MoM). Over the course of the pandemic, lenders have reduced their offerings regarding governmental loans for individuals with lower credit scores. With home price appreciation continuing, decreasing mortgage credit limits first-time homebuyers who heavily rely on governmental mortgage programs.

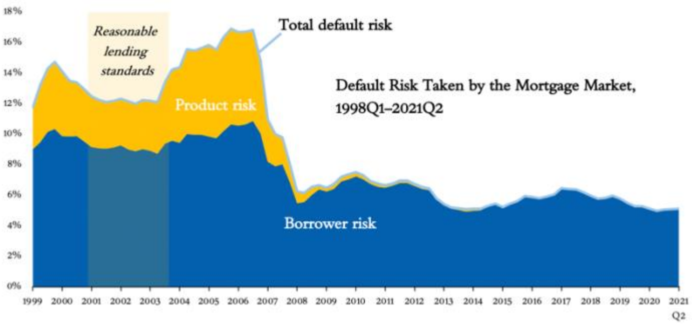
- Conventional MCAI: examines non-governmental loan programs
- Government MCAI: examines FHA/VA/USDA loan programs
- Jumbo & Non-Jumbo MCAI: subset of conventional MCAI, does not include FHA/VA/USDA loan programs.

Mortgage Credit Availability Index



The Housing Credit Availability Index (HCAI) measures owner-occupied home purchase loans that are likely to default. A lower HCAI indicates lower default risk and that lenders are less willing to tolerate defaults, therefore making it more difficult to obtain a loan. Mortgage credit availability increased to 5.2% in 2Q21 but remains below pre-pandemic levels.

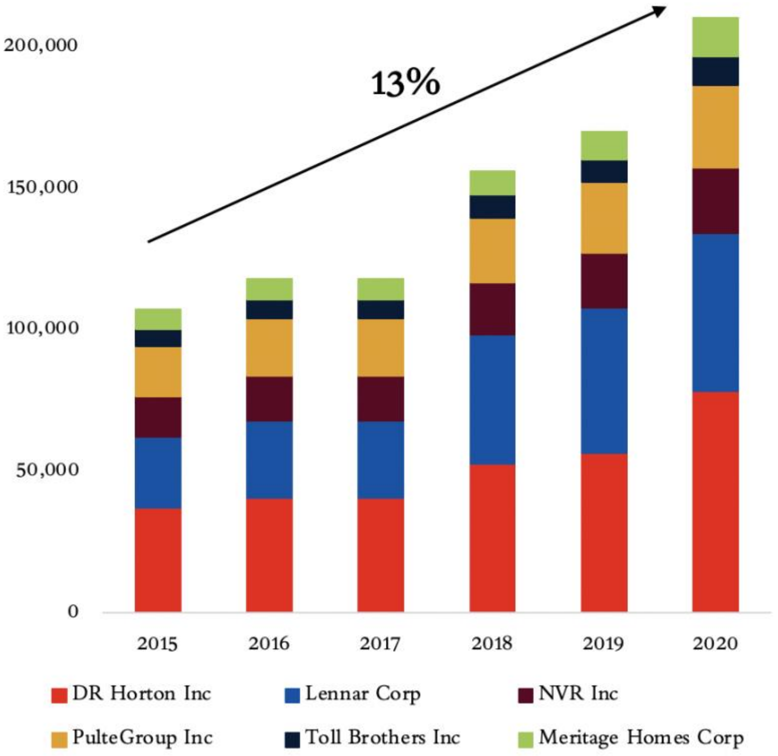
Housing Credit Availability Index



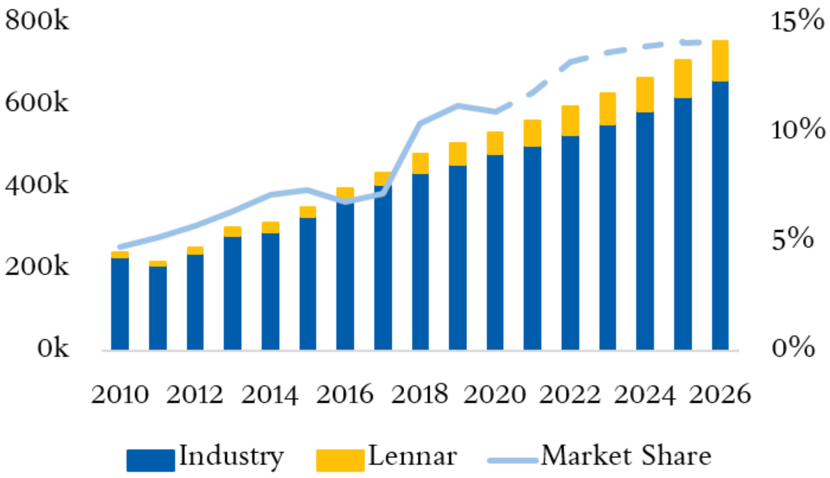
APPENDIX 12: MARKET SHARE PROJECTIONS

Year	Industry	Lennar	Market Share
2010	230,133	10,955	**4.76%**
2011	208,722	10,845	**5.20%**
2012	239,226	13,802	**5.77%**
2013	283,921	18,290	**6.44%**
2014	292,942	21,003	**7.17%**
2015	328,568	24,292	**7.39%**
2016	373,731	25,563	**6.84%**
2017	407,229	29,394	**7.22%**
2018	436,391	45,627	**10.46%**
2019	456,735	51,491	**11.27%**
2020	482,486	52,925	**10.97%**
2021	504,959	59,825	**11.85%**
2022	528,479	70,204	**13.28%**
2023	555,737	76,171	**13.71%**
2024	587,179	82,265	**14.01%**
2025	623,336	88,434	**14.19%**
2026	664,837	94,625	**14.23%**

Total Orders Per Homebuilder



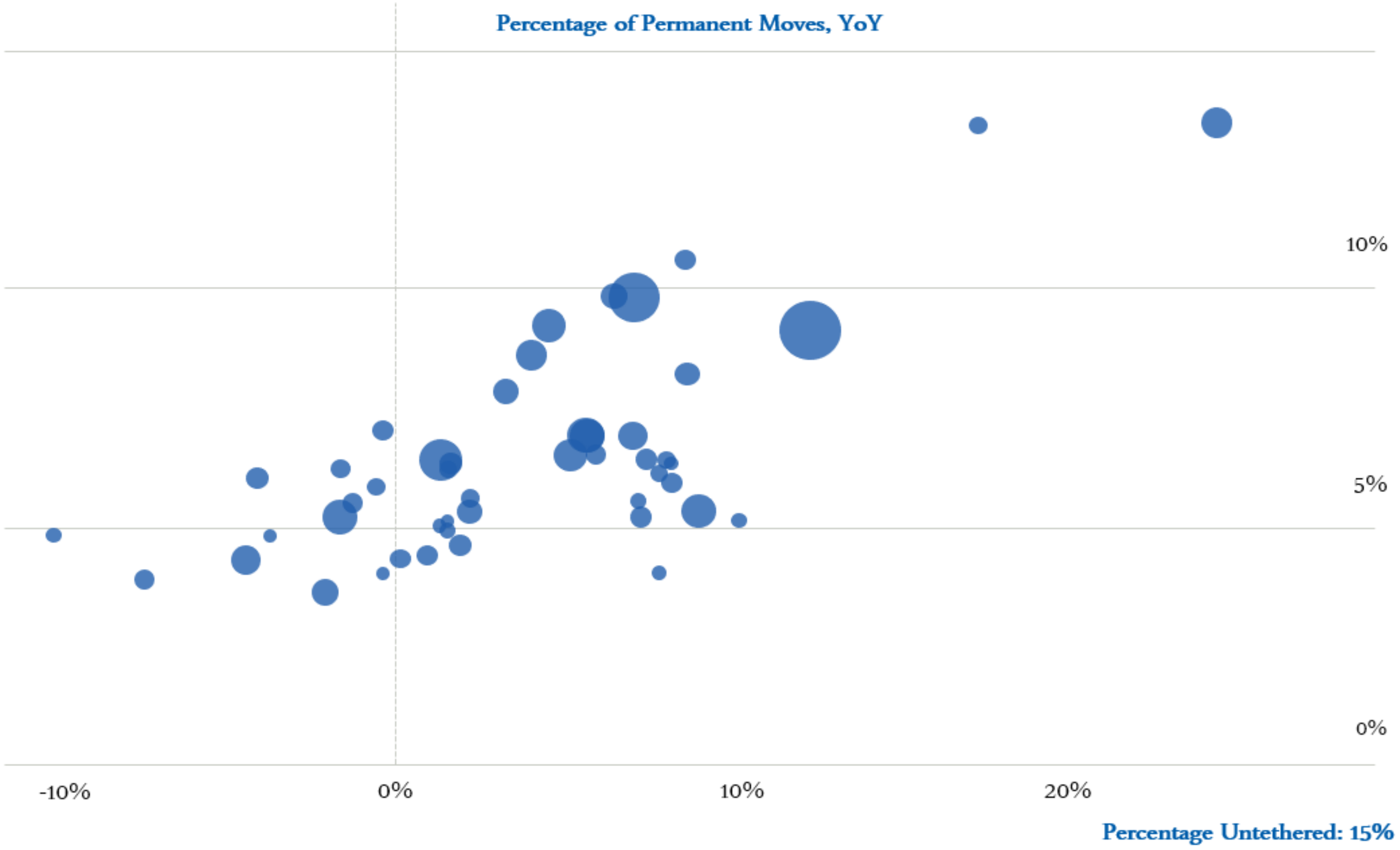
Market Share Projections



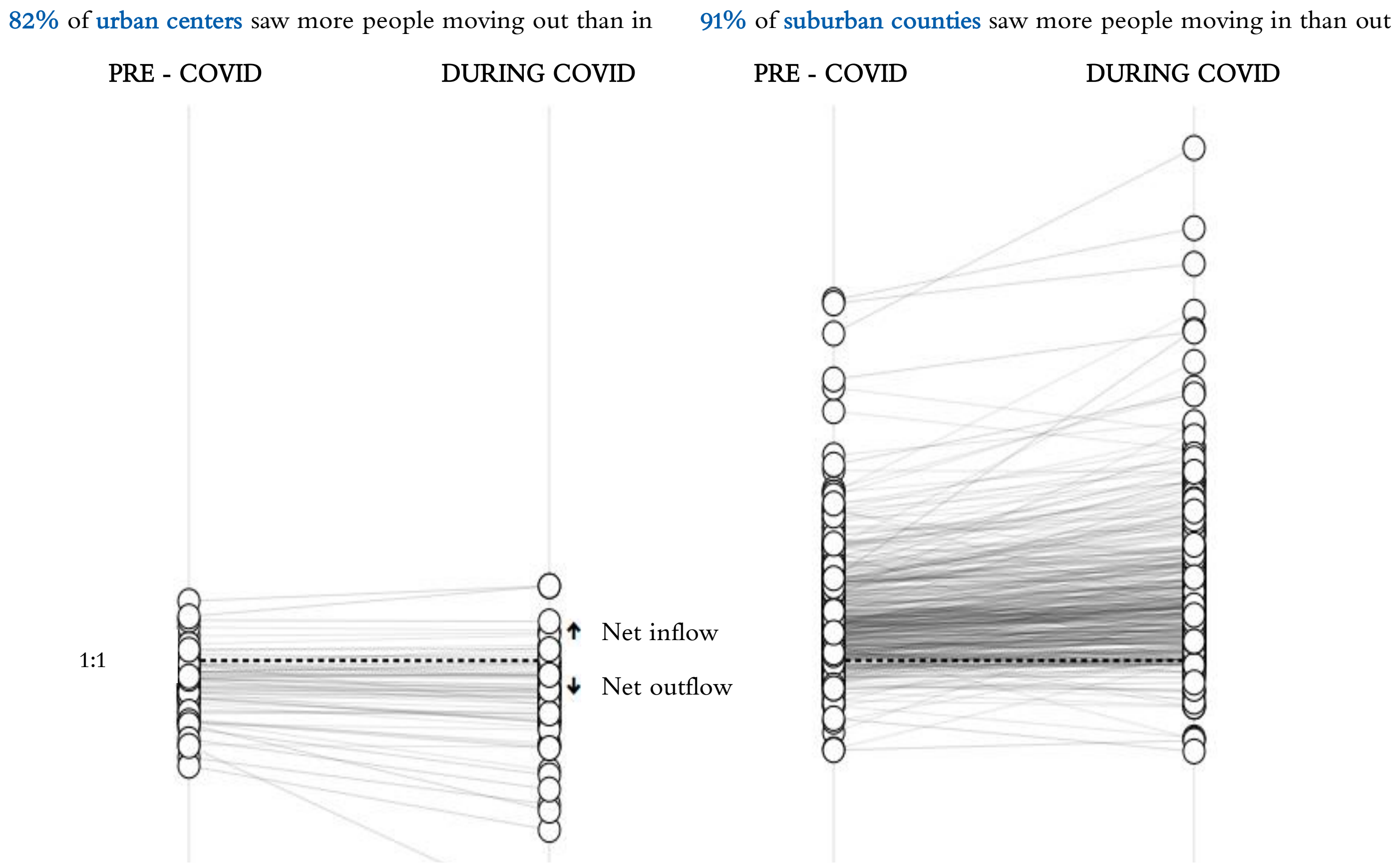
Lennar is anticipated to steadily gain market through FY2026E. It is anticipated, through increased closings, that Lennar will reach a market share of 14% through FY2026E. Lennar's domestic footprint permits expansion in multiple geographical regions, with East and Texas growing at a CAGR of 10.8% and 10.1%, respectively.

The homebuilding industry is composed of nearly 15,000 companies. Major competitors include Beazer Homes USA Inc; Hovnanian Enterprises Inc; KB Home; Lennar Corp; LGI Homes Inc; M/I Homes Inc; MDC Holdings; Meritage Homes Corp; New Home Co Inc; NVR Inc; PulteGroup Inc; Toll Brothers Inc; TRI Pointe Group Inc; Taylor Morrison Home Corp.

APPENDIX 13: MIGRATION TRENDS



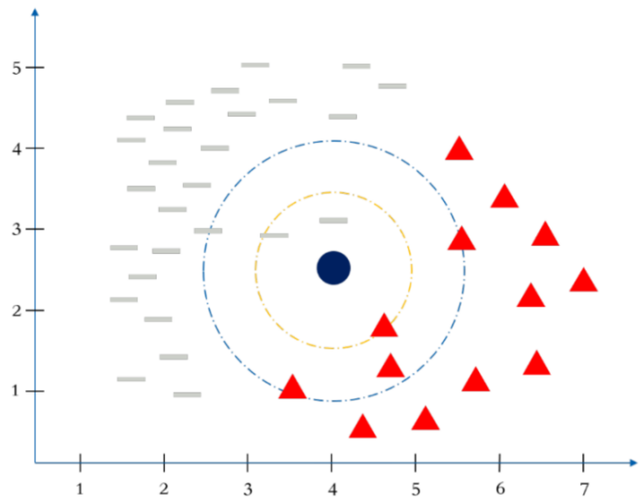
Source: Bloomberg News



The “untethered” class is composed of individuals who can complete their job remotely, are renters, and do not have children. They are either single taxpayers or married filing jointly with a partner whose job can be completed remotely or is unemployed.

Source: Bloomberg News

APPENDIX 14: K-NEAREST NEIGHBORS REGRESSION



To test the accuracy of predicted revenue, components regarding exploratory data were examined through a K-nearest neighbors (KNN) regression model. The KNN algorithm is a non-parametric classification method that determines the class from its nearest neighbors. Data is measured and classified through Euclidean distance between the test and training data. Through multiple trails, historical data including Lennar's backlog, total orders, closing price, mortgage rates, and cancellation rates were the most significant variables assessed, with an R^2 of 0.92. The KNN model derives a root-mean-square deviation (RMSE), which indicates the absolute fit of the model and the level of data concentration, of 575.

$$\text{Euclidean Distance: } d = \sqrt{[(X_2 - X_1)^2 + (Y_2 - Y_1)^2]}$$

$$\text{RMSE} = \sqrt{\frac{\Sigma(Y_i - Y_p)^2}{N}}$$

Variables					
# Variables	5				
Scale Variables	Backlog	Orders	Closing Price	Mortgage Rate	Cancellation Rate
Output Variable	Revenue				

Rescaling: Fitting Parameters	
Rescale Data?	TRUE
Technique	STANDARDIZATION

Nearest Neighbors: Fitting Parameters	
# Nearest neighbors (K)	6

Nearest Neighbors: Reporting Parameters	
Search for best K?	TRUE

K	RMSE
1	807.47889
2	609.56789
3	575.55683
4	624.22308
5	616.01424
6	637.86642

Metric	Value
SSE	5300250.7
MSE	331265.67
RMSE	575.55683
MAD	480.55839
R2	0.924203

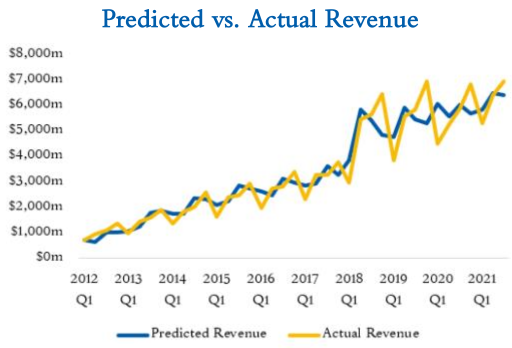
APPENDIX 15: LINEAR REGRESSION

The five variables stressed in the KNN algorithm was also analyzed through a linear regression. Using the least squares approach, backlog, total orders, closing price, mortgage rates, and cancellation rates derive a R^2 of 0.92, signaling strong correlation with homebuilding revenue. As shown through a residual output, predicted revenue simulates the observed period.

Regression Statistics	
Multiple R	0.949182071
R Square	0.900946605
Adjusted R Square	0.885938514
Standard Error	663.8940965
Observations	39

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	5	132294332.4	26458866.49	60.03072952	1.3123E-15
Residual	33	14544927.26	440755.3714		
Total	38	146839259.7			



Source: Bloomberg, Team Analysis

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	-4108.39092	1620.12478	-2.535848458	0.016135308	-7404.559573	-812.222276	-7404.55957	-812.222276
Backlog	0.020860666	0.069202782	0.30144259	0.764968431	-0.119933453	0.161654785	-0.11993345	0.161654785
Orders	0.319164891	0.109527603	2.9140133	0.006361558	0.096329308	0.542000475	0.096329308	0.542000475
Closing Price	0.009101392	0.00437464	2.080489499	0.045320813	0.000201121	0.018001663	0.000201121	0.018001663
Mortgage Rate	123.4121903	268.5253077	0.459592399	0.648822346	-422.9066559	669.7310366	-422.906656	669.7310366
Cancellation Rate	52.28845074	48.86408876	1.070079317	0.292348283	-47.12628534	151.7031868	-47.1262853	151.7031868

APPENDIX 16: REVENUE ESTIMATES

Quarterly Forecast

Revenue Forecast	**FY2019A** **11/30/2019**	**FY2020A** **11/30/2020**	**FY2021A** **11/30/2021**	**1Q22E** **2/28/2022**	**2Q22E** **5/31/2022**	**3Q22E** **8/31/2022**	**4Q22E** **11/30/2022**	**FY2022E** **11/30/2022**	**FY2023E** **11/30/2023**	**FY2024E** **11/30/2024**	**FY2025E** **11/30/2025**	**FY2026E** **11/30/2026**
Average Closing Price	**$ 400,000**	**$ 394,000**	**$ 424,000**	**$ 447,506**	**$ 450,885**	**$ 454,286**	**$ 457,709**	**$ 452,917**	**$ 466,115**	**$ 478,413**	**$ 490,548**	**$ 502,999**
West	$ 541,000	$ 531,000	$ 588,000	$ 642,360	$ 648,784	$ 655,271	$ 661,824	$ 652,657	$ 675,500	$ 695,765	$ 716,638	$ 738,137
Central	$ 379,000	$ 382,000	$ 396,000	$ 410,053	$ 413,128	$ 416,226	$ 419,348	$ 414,974	$ 425,349	$ 433,856	$ 442,533	$ 451,383
East	$ 331,000	$ 337,000	$ 363,000	$ 388,369	$ 391,767	$ 395,195	$ 398,653	$ 393,812	$ 405,626	$ 415,767	$ 426,161	$ 436,815
Texas	$ 308,000	$ 280,000	$ 293,000	$ 311,938	$ 313,887	$ 315,849	$ 317,823	$ 315,055	$ 321,356	$ 327,783	$ 334,339	$ 341,026
Total Orders	**51,336**	**56,050**	**64,407**	**14,882**	**17,579**	**19,198**	**18,670**	**70,329**	**76,307**	**82,411**	**88,592**	**94,794**
West	15,335	16,868	18,703	4,148	4,883	5,313	5,148	17,543	21,149	22,923	24,642	26,367
Central	10,620	11,905	12,871	2,780	3,240	3,490	3,347	12,857	13,911	14,983	16,062	17,139
East	17,196	17,299	20,566	4,895	5,799	6,353	6,197	23,243	25,181	27,154	29,191	31,234
Texas	8,215	10,078	12,382	3,059	3,658	4,042	3,978	14,737	16,028	17,351	18,697	20,053
Total Backlog	**15,546**	**18,821**	**23,771**	**24,523**	**25,343**	**26,157**	**26,945**	**26,945**	**29,389**	**31,140**	**32,994**	**34,959**
West	4,558	5,612	6,465	6,836	7,039	7,239	7,430	7,468	8,145	8,662	9,177	9,724
Central	3,150	4,371	5,104	4,581	4,670	4,755	4,831	4,926	5,358	5,661	5,982	6,321
East	5,690	6,013	7,932	8,066	8,361	8,655	8,943	8,905	9,698	10,260	10,871	11,519
Texas	2,170	2,823	4,266	5,041	5,273	5,508	5,741	5,646	6,173	6,556	6,963	7,395
Total Closings	**51,491**	**52,925**	**59,825**	**14,050**	**16,759**	**18,384**	**17,882**	**67,076**	**73,862**	**80,661**	**86,738**	**92,829**
West	15,178	15,814	17,850	3,777	4,679	5,113	4,957	18,527	20,471	22,407	24,126	25,821
Central	10,799	10,684	12,138	3,303	3,150	3,405	3,271	13,130	13,479	14,679	15,742	16,800
East	17,251	16,976	18,879	4,761	5,504	6,058	5,909	22,232	24,388	26,592	28,580	30,587
Texas	8,193	9,425	10,939	2,284	3,426	3,808	3,745	13,262	15,501	16,968	18,290	19,621
Cancellation Rate	**16%**	**15%**	**15%**	**11%**	**11%**	**12%**	**13%**	**13%**	**15%**	**15%**	**15%**	**15%**
Multifamily	671	635	716	163	192	210	204	769	850	932	1,014	1,095
Financial Services	825	890	899	197	232	254	247	930	953	974	994	1,013
	FY2019A	**FY2020A**	**FY2021A**	**1Q22E**	**2Q22E**	**3Q22E**	**4Q22E**	**FY2022E**	**FY2023E**	**FY2024E**	**FY2025E**	**FY2026E**
Total Homebuilding Revenue	$ 20,793	$ 20,858	$ 25,545	$ 6,347	$ 7,573	$ 8,369	$ 8,203	$ 30,493	$ 34,435	$ 38,577	$ 42,551	$ 46,695
West	$ 8,227	$ 8,407	$ 10,503	$ 2,426	$ 3,036	$ 3,350	$ 3,281	$ 12,094	$ 13,828	$ 15,590	$ 17,290	$ 19,059
Central	$ 2,739	$ 4,087	$ 4,807	$ 1,354	$ 1,301	$ 1,417	$ 1,372	$ 5,445	$ 5,733	$ 6,369	$ 6,966	$ 7,583
East	$ 7,099	$ 5,696	$ 6,846	$ 1,849	$ 2,156	$ 2,394	$ 2,356	$ 8,755	$ 9,892	$ 11,056	$ 12,180	$ 13,361
Texas	$ 2,579	$ 2,642	$ 3,205	$ 712	$ 1,075	$ 1,203	$ 1,190	$ 4,181	$ 4,981	$ 5,562	$ 6,115	$ 6,691
Other	$ 149	$ 26	$ 18	$ 5	$ 5	$ 5	$ 5	$ 18	$ 18	$ 18	$ 18	$ 18
Total Revenue	**$ 22,260**	**$ 22,489**	**$ 27,131**	**$ 6,706**	**$ 7,998**	**$ 8,833**	**$ 8,654**	**$ 32,191**	**$ 36,239**	**$ 40,483**	**$ 44,559**	**$ 48,803**

APPENDIX 17: INCOME STATEMENT

Quarterly Forecast

In Millions of USD	**FY2019A** ***11/30/2019***	**FY2020A** ***11/30/2020***	**FY2021A** ***11/30/2021***	**1Q22E** ***2/28/2022***	**2Q22E** ***5/31/2022***	**3Q22E** ***8/31/2022***	**4Q22E** ***11/30/2022***	**FY2022E** ***11/30/2022***	**FY2023E** ***11/30/2023***	**FY2024E** ***11/30/2024***	**FY2025E** ***11/30/2025***	**FY2026E** ***11/30/2026***
Revenue	**22,260**	**22,489**	**27,131**	**6,695**	**7,984**	**8,818**	**8,639**	**32,136**	**36,177**	**40,414**	**44,483**	**48,720**
Sales & Services Revenue	20,764	20,964	25,516	**6,335**	**7,560**	**8,354**	**8,188**	**30,437**	**34,373**	**38,508**	**42,475**	**46,611**
Financing Revenue	825	890	899	**197**	**232**	**254**	**247**	**930**	**953**	**974**	**994**	**1,013**
Other Revenue (Multifamily)	671	635	716	**163**	**192**	**210**	**204**	**769**	**850**	**932**	**1,014**	**1,095**
Cost of Revenue	17,742	17,311	19,766	**5,028**	**5,940**	**6,487**	**6,309**	**23,764**	**27,114**	**30,694**	**34,007**	**37,489**
Cost of Goods & Services	17,142	16,840	19,359	**4,883**	**5,768**	**6,299**	**6,126**	**23,076**	**26,400**	**29,954**	**33,247**	**36,710**
Cost of Financing Revenue	600	471	408	**145**	**172**	**188**	**182**	**687**	**714**	**740**	**760**	**779**
Gross Profit	**4,517**	**5,178**	**7,364**	**1,666**	**2,044**	**2,331**	**2,330**	**8,372**	**9,063**	**9,720**	**10,476**	**11,230**
Operating Expenses	2,073	1,986	2,249	543	642	701	682	2,568	2,847	3,132	3,394	3,659
Selling, General & Admin	2,056	2,056	2,195	543	642	701	682	2,568	2,847	3,132	3,394	3,659
Research & Development	-	-	-	-	-	-	-	-	-	-	-	-
Operating Income (Loss)	**2,445**	**3,192**	**5,115**	**1,123**	**1,402**	**1,630**	**1,649**	**5,804**	**6,216**	**6,588**	**7,082**	**7,572**
Non-Operating (Income) Loss	27	(1)	(710)	4	5	5	5	20	21	20	20	21
Interest Expense, Net	-	22	-	4	5	5	5	20	21	20	20	21
Pretax Income (Loss), Adjusted	**2,418**	**3,193**	**5,825**	**1,119**	**1,397**	**1,624**	**1,644**	**5,784**	**6,195**	**6,568**	**7,062**	**7,551**
Abnormal Losses (Gains)	(16)	69	6	-	-	-	-	-	-	-	-	-
Disposal of Assets	(16)	49	6	-	-	-	-	-	-	-	-	-
Pretax Income (Loss), GAAP	**2,434**	**3,124**	**5,819**	**1,119**	**1,397**	**1,624**	**1,644**	**5,784**	**6,195**	**6,568**	**7,062**	**7,551**
Income Tax Expense (Benefit)	592	656	1,363	280	349	406	411	1,446	1,549	1,642	1,765	1,888
Minority Interest	(7)	3	26	-	-	-	-	-	-	-	-	-
Net Income, GAAP	**1,849**	**2,465**	**4,430**	**839**	**1,048**	**1,218**	**1,233**	**4,338**	**4,646**	**4,926**	**5,296**	**5,663**

APPENDIX 18: BALANCE SHEET

In Millions of USD	FY2019A	FY2020A	FY2021A	FY2022E	FY2023E	FY2024E	FY2025E	FY2026E
	11/30/2019	*11/30/2020*	*11/30/2021*	*11/30/2022*	*11/30/2023*	*11/30/2024*	*11/30/2025*	*11/30/2026*
Total Assets								
Cash, Cash Equivalents & STI	1,446	2,863	2,735	4,244	5,753	7,582	10,029	12,087
Cash & Cash Equivalents	1,446	2,863	2,735	4,244	5,753	7,582	10,029	12,087
ST Investments	-	-	-	-	-	-	-	-
Accounts & Notes Receiv	907	938	490	581	730	816	898	984
Accounts Receivable, Net	907	938	490	581	730	816	898	984
Notes Receivable, Net	-	-	-	-	-	-	-	-
Inventories	18,092	17,175	18,715	19,661	20,869	22,044	23,193	24,321
Raw Materials	8,583	7,745	7,108	7,765	7,961	8,143	8,314	8,474
Work In Process	-	-	-	-	-	-	-	-
Finished Goods	9,196	8,593	10,446	10,707	11,594	12,481	13,368	14,255
Other Inventory	313	837	1,161	1,189	1,314	1,420	1,511	1,592
Other ST Assets	71	70	22	-	-	-	-	-
Derivative & Hedging Assets	-	-	-	-	-	-	-	-
Assets Held-for-Sale	48	-	-	-	-	-	-	-
Misc ST Assets	23	70	22	-	-	-	-	-
Total Current Assets	**20,515**	**21,046**	**21,963**	**24,486**	**27,352**	**30,442**	**34,121**	**37,392**
Property, Plant & Equip, Net	280	525	-	479	485	471	464	462
Property, Plant & Equip	448	702	-	698	685	679	666	653
Accumulated Depreciation	169	178	-	219	200	207	202	191
LT Investments & Receivables	1,967	1,780	-	1,511	1,472	1,432	1,392	1,353
LT Investments	248	218	-	217	209	201	194	186
LT Receivables	1,719	1,563	-	1,295	1,263	1,231	1,199	1,167
Other LT Assets	6,598	6,584	11,245	10,732	11,178	11,584	12,121	13,522
Total Intangible Assets	3,658	3,632	3,442	3,442	3,442	3,442	3,442	3,442
Goodwill	*3,658*	*3,632*	*3,442*	3,442	3,442	3,442	3,442	3,442
Other Intangible Assets	-	-	-	-	-	-	-	-
Derivative & Hedging Assets	-	-	-	-	-	-	-	-
Investments in Affiliates	1,974	2,134	972	1,000	1,000	1,000	1,000	1,000
Misc LT Assets	966	818	6,831	6,289	6,736	7,141	7,679	9,080
Total Noncurrent Assets	**8,844**	**8,889**	**11,245**	**12,722**	**13,135**	**13,487**	**13,978**	**15,337**
Total Assets	**29,360**	**29,935**	**33,208**	**37,208**	**40,487**	**43,930**	**48,100**	**52,731**

Liabilities & Shareholders' Equity								
Payables & Accruals	1,069	1,037	1,321	1,178	1,325	1,532	1,711	1,892
Accounts Payable	1,069	1,037	1,321	1,178	1,325	1,532	1,711	1,892
Accrued Taxes	-	-	-	-	-	-	-	-
Interest & Dividends Payable	-	-	-	-	-	-	-	-
ST Debt	-	34	-	-	-	-	-	-
ST Lease Liabilities	-	34	-	-	-	-	-	-
ST Operating Leases	-	*34*	-	-	-	-	-	-
Other ST Liabilities	260	673	977	1,000	1,169	1,338	1,507	1,676
Deferred Revenue	-	-	-	-	-	-	-	-
Misc ST Liabilities	260	673	977	1,000	1,169	1,338	1,507	1,676
Total Current Liabilities	**1,329**	**1,744**	**2,298**	**2,178**	**2,494**	**2,870**	**3,218**	**3,567**
LT Debt	9,574	7,511	4,652	4,105	3,699	3,915	4,227	4,517
LT Borrowings	9,574	7,422	4,652	4,077	3,677	3,899	4,192	4,482
LT Lease Liabilities	-	89	-	28	22	16	35	35
LT Finance Leases	-	-	-	-	-	-	-	-
LT Operating Leases	-	*89*	-	28	22	16	35	35
Other LT Liabilities	2,423	2,581	5,261	7,199	6,967	6,250	5,818	5,934
Accrued Liabilities	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
Derivatives & Hedging	-	-	-	-	-	-	-	-
Misc LT Liabilities	2,423	2,581	5,261	7,199	6,967	6,250	5,818	5,934
Total Noncurrent Liabilities	**11,996**	**10,092**	**9,914**	**11,303**	**10,644**	**10,148**	**10,010**	**10,416**
Total Liabilities	**13,326**	**11,836**	**12,211**	**13,482**	**13,139**	**13,018**	**13,227**	**13,984**
Preferred Equity and Hybrid Capital	-	-	-	-	-	-	-	-
Share Capital & APIC	8,612	8,710	8,842	8,655	9,267	9,823	10,560	11,290
Common Stock	34	34	34	30	30	30	30	30
Additional Paid in Capital	8,578	8,676	8,808	8,625	9,237	9,793	10,530	11,260
Treasury Stock	958	1,279	2,709	3,793	5,121	6,657	8,321	10,402
Retained Earnings	8,295	10,565	14,685	18,689	23,013	27,545	32,418	37,629
Other Equity	0	(1)	(1)	-	-	-	-	-
Equity Before Minority Interest	15,950	17,995	20,816	23,550	27,160	30,712	34,657	38,517
Minority/Non Controlling Interest	84	105	180	176	189	200	215	230
Total Equity	**16,034**	**18,099**	**20,996**	**23,727**	**27,348**	**30,912**	**34,872**	**38,747**
Total Liabilities & Equity	**29,360**	**29,935**	**33,208**	**37,208**	**40,487**	**43,930**	**48,100**	**52,731**

APPENDIX 19: STATEMENT OF CASH FLOWS

In Millions of USD	**FY2019A**	**FY2020A**	**FY2021E**	**FY2022E**	**FY2023E**	**FY2024E**	**FY2025E**	**FY2026E**
	11/30/2019	***11/30/2020***	***11/30/2021***	***11/30/2022***	***11/30/2023***	***11/30/2024***	***11/30/2025***	***11/30/2026***
Cash from Operating Activities								
Net Income	1,849	2,465	4,430	4,338	4,646	4,926	5,296	5,663
Depreciation & Amortization	92	95	93	135	153	171	188	206
Non-Cash Items	(133)	558	803	398	448	500	550	603
Stock-Based Compensation	87	107	128	119	140	162	180	201
Deferred Income Taxes	235	92	317	180	202	226	249	272
Other Non-Cash Adj	(455)	358	358	99	106	113	121	130
Chg in Non-Cash Work Cap	(326)	1,074	(808)	(1,179)	(1,211)	(1,054)	(1,052)	(1,033)
(Inc) Dec in Accts Receiv	312	26	448	(90)	(150)	(86)	(82)	(86)
(Inc) Dec in Inventories	(624)	781	(1,540)	(945)	(1,208)	(1,175)	(1,149)	(1,128)
Inc (Dec) in Other (A/P & other)	(15)	266	284	(143)	147	206	179	181
Net Cash From Disc Ops	-	-	-	-	-	-	-	-
Cash from Operating Activities	**1,482**	**4,191**	**4,518**	**3,693**	**4,037**	**4,543**	**4,982**	**5,439**
Cash from Investing Activities								
Change in Fixed & Intang	(7)	(39)	(16)	(21)	(25)	(21)	(22)	(23)
Disp in Fixed & Intang	79	34	48	50	40	42	44	42
Disp of Fixed Prod Assets	*79*	*34*	*48*	50	40	42	44	42
Disp of Intangible Assets	-	-	-	-	-	-	-	-
Acq of Fixed & Intang	(86)	(73)	(63)	(71)	(66)	(63)	(67)	(65)
Acq of Fixed Prod Assets	*(86)*	*(73)*	*(63)*	(71)	(66)	(63)	(67)	(65)
Acq of Intangible Assets	-	-	-	-	-	-	-	-
Net Change in LT Investment	-	-	-	-	-	-	-	-
Dec in LT Investment	-	-	-	-	-	-	-	-
Inc in LT Investment	-	-	-	-	-	-	-	-
Net Cash From Acq & Div	-	15	3	-	-	-	-	-
Cash from Divestitures	-	15	3	-	-	-	-	-
Cash for Acq of Subs	-	-	-	-	-	-	-	-
Cash for JVs	-	-	-	-	-	-	-	-
Other Investing Activities	27	(256)	(131)	-	-	-	-	-
Net Cash From Disc Ops	-	-	-	-	-	-	-	-
Cash from Investing Activities	**20**	**(280)**	**(144)**	**(21)**	**(25)**	**(21)**	**(22)**	**(23)**
Cash from Financing Activities								
Dividends Paid	(51)	(195)	(312)	(300)	(322)	(394)	(423)	(453)
Cash From (Repayment) Debt	(1,039)	(2,411)	(1,376)	(775)	(738)	(763)	(425)	(825)
Cash From (Repay) ST Debt	-	-	-	-	-	-	-	-
Cash From LT Debt	255	93	455	-	-	-	-	-
Repayments of LT Debt	(1,295)	(2,503)	(1,831)	(775)	(738)	(763)	(425)	(825)
Cash (Repurchase) of Equity	(523)	(322)	(1,439)	(1,084)	(1,328)	(1,536)	(1,664)	(2,080)
Increase in Capital Stock	0	-	-	-	-	-	-	-
Decrease in Capital Stock	(523)	(322)	(1,430)	(1,084)	(1,328)	(1,536)	(1,664)	(2,080)
Other Financing Activities	(16)	481	(9)	-	-	-	-	-
Net Cash From Disc Ops	-	-	-	-	-	-	-	-
Cash from Financing Activities	**(1,629)**	**(2,447)**	**(3,136)**	**(2,163)**	**(2,387)**	**(2,693)**	**(2,513)**	**(3,358)**

APPENDIX 20: PROFITABILITY RATIOS

	FY2017A	FY2018A	FY2019A	FY2020A	FY2021E	FY2022E	FY2023E	FY2024E	FY2025E	FY2026E
Per Share Ratios										
Shares Outstanding	205	293	280	275	272	263	256	250	243	236
Basic EPS	$ 3.38	$ 5.46	$ 5.76	$ 7.88	$ 14.45	$ 16.48	$ 18.12	$ 19.72	$ 21.79	$ 23.95
Dividends per Share	$ 0.16	$ 0.16	$ 0.16	$ 0.63	$ 1.00	$ 1.14	$ 1.25	$ 1.58	$ 1.74	$ 1.92
CF per share	4.1	5.5	4.7	13.5	11.8	13.8	15.5	18.0	20.3	22.8
EBITDA per Share	5.9	7.2	8.0	10.7	19.2	22.6	24.8	27.1	29.9	32.9
Profitability Ratios										
Gross Margin	20.9%	19.2%	20.3%	23.0%	27.1%	26.1%	25.1%	24.1%	23.6%	23.1%
Operating Margin	10.6%	10.4%	11.1%	13.9%	18.8%	18.1%	17.2%	16.3%	15.9%	15.5%
Profit Margin	6.4%	8.2%	8.3%	11.0%	16.3%	13.5%	12.8%	12.2%	11.9%	11.6%
Return on Assets	4.8%	7.2%	6.4%	8.3%	14.0%	11.7%	11.5%	11.2%	11.0%	10.7%
Return on Equity	10.8%	15.0%	12.0%	14.4%	22.8%	18.3%	17.0%	15.9%	15.2%	14.6%
Return on Invested Capital	7.2%	9.3%	8.7%	10.8%	16.3%	17.1%	16.5%	15.6%	15.0%	14.5%
Solvency Ratios										
Debt/Assets Ratio	42.5%	35.4%	32.6%	25.2%	14.0%	11.0%	9.1%	8.9%	8.8%	8.6%
Debt/Equity Ratio	99.8%	68.9%	59.7%	41.7%	22.2%	17.3%	13.5%	12.7%	12.1%	11.7%
Debt/Total Capital	50.0%	40.8%	37.4%	29.4%	18.1%	15.5%	14.9%	14.1%	13.5%	13.1%
Liquidity Ratios										
Current Ratio	12.6x	13.3x	15.4x	12.1x	9.6x	11.2x	11.0x	10.6x	10.6x	10.5x
Quick Ratio	2.8x	1.7x	1.8x	2.2x	1.4x	2.2x	2.6x	2.9x	3.4x	3.7x
Cash Ratio	2.3x	1.0x	1.1x	1.6x	1.2x	1.9x	2.3x	2.6x	3.1x	3.4x
OCF Ratio	0.9x	1.1x	1.1x	2.4x	1.4x	1.7x	1.6x	1.6x	1.5x	1.5x
Cash Conversion Ratio	371x	309x	357x	364x	321x	337x	310x	289x	276x	265x
Performance Ratios										
CF/Revenue	7.4%	9.5%	6.6%	18.5%	13.0%	11.5%	11.2%	11.2%	11.2%	11.2%
Cash Return on Assets	5.1%	6.6%	4.9%	13.9%	10.2%	10.5%	10.4%	10.8%	10.8%	10.8%
Cash Return on Equity	11.5%	13.9%	9.2%	24.2%	16.5%	16.5%	15.8%	15.6%	15.1%	14.8%
Cash Flow to Net Income	1.02x	1.25x	0.80x	1.92x	0.93x	0.85x	0.87x	0.92x	0.94x	0.96x
Absorption Rate	41.65x	43.90x	39.46x	45.74x	52.97x	53.32x	53.20x	53.08x	52.96x	52.85x

APPENDIX 21: FCFF METHODOLOGY

In Millions of USD	FY2017A 11/30/2017	FY2018A 11/30/2018	FY2019A 11/30/2019	FY2020A 11/30/2020	FY2021E 11/30/2021	FY2022E 11/30/2022	FY2023E 11/30/2023	FY2024E 11/30/2024	FY2025E 11/30/2025	FY2026E 11/30/2026
Revenue	**12,646**	**20,571**	**22,260**	**22,489**	**27,131**	**32,191**	**36,239**	**40,483**	**44,559**	**48,803**
COGS	9,973	16,629	17,742	17,311	19,766	23,284	26,574	30,092	33,344	36,764
Gross Profit	**2,673**	**3,942**	**4,517**	**5,178**	**7,364**	**8,907**	**9,664**	**10,391**	**11,215**	**12,039**
Operating Expenses	1,370	2,011	2,073	1,986	2,249	2,568	2,847	3,132	3,394	3,659
EBIT	**1,303**	**1,931**	**2,445**	**3,192**	**5,115**	**6,335**	**6,812**	**7,254**	**7,815**	**8,374**
Interest Expense	7	11	-	22	-	20	21	20	20	21
EBT	**1,296**	**1,920**	**2,418**	**3,193**	**5,825**	**6,315**	**6,792**	**7,234**	**7,795**	**8,353**
Abnormal Losses (Gains)	164	(206)	(16)	69	6	-	-	-	-	-
Income Tax Expense (Benefit)	418	545	592	656	1,363	1,579	1,698	1,808	1,949	2,088
Net Income	**811**	**1,696**	**1,849**	**2,465**	**4,430**	**4,338**	**4,646**	**4,926**	**5,296**	**5,663**
NOPAT	**1,044**	**1,851**	**2,148**	**2,744**	**4,177**	**4,751**	**5,109**	**5,441**	**5,861**	**6,280**
Depreciation	66	91	92	95	116	135	153	171	188	206
Non-Cash Adjustments	157	59	(133)	558	(481)	398	448	500	550	603
Δ in NWC	(52)	(154)	(326)	1,074	(808)	(1,179)	(1,211)	(1,054)	(1,052)	(1,033)
CAPEX	112	130	87	73	53	71	66	63	67	65
After Tax Interest Exp.	5	9	13	18	15	15	16	15	15	15
FCFF	**875**	**1,570**	**1,409**	**4,136**	**3,219**	**3,637**	**3,986**	**4,495**	**4,931**	**5,389**
PV FCFF	-	-	-	-	-	**3,234**	**3,152**	**3,160**	**3,082**	**2,995**

	Proxy	Weight
Risk-Free Rate	**1.68%**	**100%**
10-Year Treasury	1.68%	100%
30-Year Treasury	2.09%	0%
Expected Market Risk Premium (EQRP)	**8.44%**	**100%**
United States Country Risk Premium	8.71%	90%
Forecast (Schroder's., 2020)	6.08%	10%
Beta	**1.456**	**100%**
Bloomberg	1.49	20%
Regression	1.38	20%
Comparable Set	1.47	60%
Cost of Debt	**1.86%**	**100%**
Pre-Tax Cost of Debt	1.68%	100%
After Tax Cost of Debt	1.26%	100%
Debt Adjustment Factor	1.48	100%
Capital Asset Pricing Model (CAPM)	**14.0%**	**100%**
Bloomberg	14.26%	20%
Regression	13.33%	20%
Comparable Set	14.09%	60%
Dividend Discount Model (DDM)	**12.9%**	**0%**
Bloomberg	13.11%	80%
Regression	13.11%	0%
Comparable Set	11.90%	20%
WACC	**12.5%**	**100%**
Bloomberg	12.7%	20%
Regression	11.9%	20%
Comparable Set	12.6%	60%
Terminal Growth	**1.63%**	**100%**
Long-term Inflation	2.00%	10%
Real GDP	1.48%	40%
Population Growth	0.01%	10%
Industry Growth	2.10%	40%

Risk-Free Rate: Given that Lennar is a U.S. domiciled company, the 10-year and 30-year Treasury are appropriate proxies for the risk-free rate.

Market Risk Premium: The U.S. country risk premium and Schroder's 10-year equity risk premium forecast were used at 90% and 10% weightings, respectively.

Beta: 5-year monthly Bloomberg data, regression analysis, and an average of Lennar's peer groups at 20%, 20%, and 60% weightings, respectively, yield a weighted average of 1.46.

Cost of Debt: Lennar's credit profile indicates bond ratings of BBB. The corporate bond yield for similar risk is 3.12% (FRED), indicating a debt adjustment factor of 1.48.

Capital Asset Pricing Model: The CAPM was calculated using each beta separately to determine the cost of equity. Assigning weightings of 20%, 20%, and 60%, respectively, the weighted average CAPM is 14%.

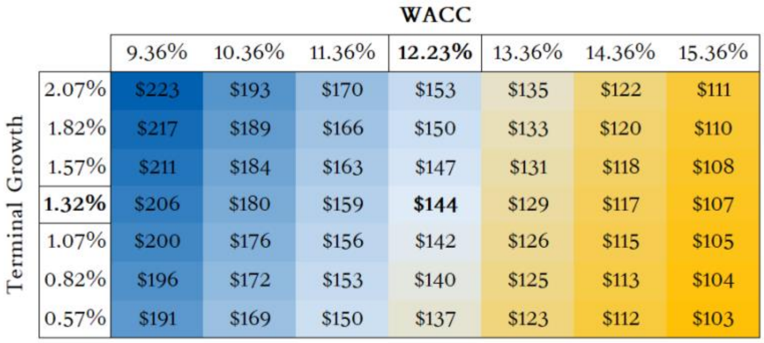
Dividend Discount Model: a DDM was also utilized to determine an alternative cost of equity. Given the low dividend payout ratio for Lennar, and the variability in dividends among the peer groups, the DDM was given a 0% weighting.

WACC: Using Lennar's current capital structure, the WACC is calculated at 12.5%.

Terminal Growth: Long-term inflation, real GDP, population, and industry growth as proxies for perpetual growth. Since Lennar is a leader in its industry, and is highly cyclical, real GDP and industry growth were assigned larger weightings.

Terminal Value	50,571m
PV Terminal Value	28,110m
% of Enterprise Value	64.3%
Cumulative FCFF	22,437m
Cumulative PV FCFF	15,623m
% of Enterprise Value	35.7%
Enterprise Value	43,734m
Equity Value	39,081m
Shares Outstanding	271
Intrinsic Value	**$144**

APPENDIX 22: SENSITIVITY ANALYSIS

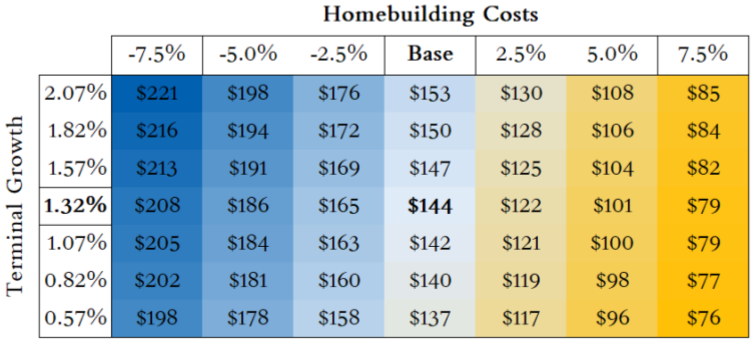


WACC

Terminal Growth	9.36%	10.36%	11.36%	**12.23%**	13.36%	14.36%	15.36%
2.07%	$223	$193	$170	$153	$135	$122	$111
1.82%	$217	$189	$166	$150	$133	$120	$110
1.57%	$211	$184	$163	$147	$131	$118	$108
1.32%	$206	$180	$159	**$144**	$129	$117	$107
1.07%	$200	$176	$156	$142	$126	$115	$105
0.82%	$196	$172	$153	$140	$125	$113	$104
0.57%	$191	$169	$150	$137	$123	$112	$103

Total Orders

Terminal Growth	30%	20%	10%	**Base**	-10%	-20%	-30%
2.07%	$213	$193	$173	$153	$133	$113	$93
1.82%	$209	$190	$170	$150	$130	$111	$91
1.57%	$205	$186	$167	$147	$128	$108	$89
1.32%	$201	$182	$163	**$144**	$124	$105	$86
1.07%	$198	$180	$161	$142	$123	$104	$86
0.82%	$195	$177	$158	$140	$121	$102	$84
0.57%	$192	$174	$155	$137	$119	$101	$82



Homebuilding Costs

Terminal Growth	-7.5%	-5.0%	-2.5%	**Base**	2.5%	5.0%	7.5%
2.07%	$221	$198	$176	$153	$130	$108	$85
1.82%	$216	$194	$172	$150	$128	$106	$84
1.57%	$213	$191	$169	$147	$125	$104	$82
1.32%	$208	$186	$165	**$144**	$122	$101	$79
1.07%	$205	$184	$163	$142	$121	$100	$79
0.82%	$202	$181	$160	$140	$119	$98	$77
0.57%	$198	$178	$158	$137	$117	$96	$76

Closing Prices

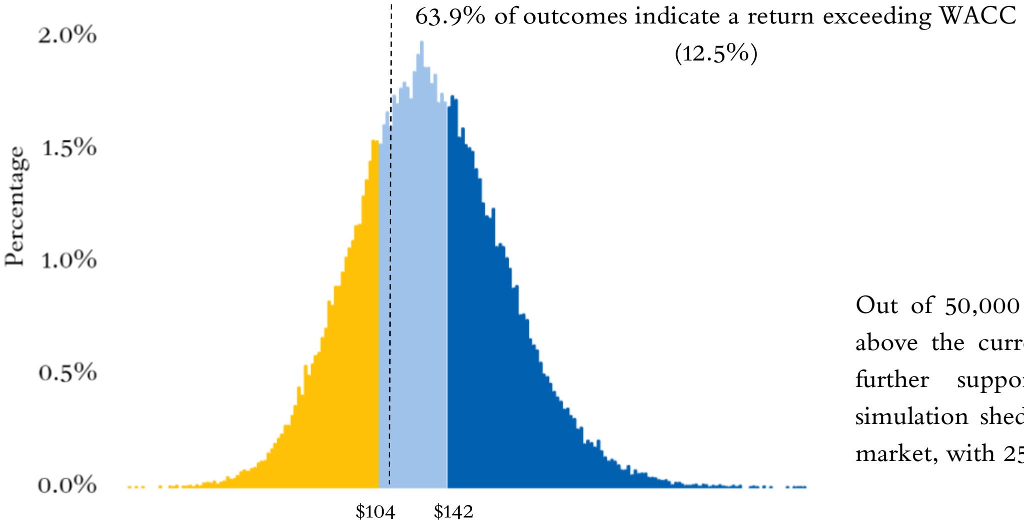
Terminal Growth	7.5%	5.0%	2.5%	**Base**	-2.5%	-5.0%	-7.5%
2.07%	$221	$197	$174	$153	$134	$116	$100
1.82%	$217	$193	$170	$150	$131	$114	$99
1.57%	$213	$189	$167	$147	$129	$112	$97
1.32%	$208	$185	$163	**$144**	$126	$109	$94
1.07%	$205	$182	$161	$142	$124	$108	$93
0.82%	$201	$179	$158	$140	$122	$106	$92
0.57%	$198	$176	$156	$137	$120	$105	$90

The sensitivity analysis conducted evaluates changes in the WACC, terminal growth, total orders, homebuilding costs, and closing prices to determine their effect regarding Lennar's recommendation. The terminal growth was flexed +/- 75bps to account for higher or lower long-term projections. As shown above, Lennar is relatively insensitive to changes in the terminal growth. Increases (decreases) in Lennar's WACC and homebuilding costs, flexed at +/- 300bps and +/- 7.5%, respectively, results in potential downside (upside) of -1% and -27% (114% and 113%). Decreases in total orders result in potential downside (upside) of -21% (105%). Lennar has negated increasing costs through home price appreciation, permitting margin expansion. Decreases (increases) in closing prices results in potential downside (upside) of -13% (113%). Lennar's pricing power and domestic footprint permit favorable industry positioning, as the analysis demonstrates greater potential upside than potential downside.

APPENDIX 23: SCENARIO ANALYSIS

A Monte Carlo simulation was performed assessing changes to the following key variables:

- WACC
- Terminal Growth
- Closing Price
- Total Closings
- Homebuilding Costs



Simulation Statistics

Trials	50,000
Target Price	$142
25th Percentile	$103.58
Mean	$133.90
Median	$132.14
75th Percentile	$162.37
Standard Deviation	44.58
Skewness	0.24
Kurtosis	0.26
Mean Upside	28.7%
Downside	25.3%
Above Current Price	74.7%
Above Target Price	39.4%
Return exceeds WACC	63.9%

Out of 50,000 iterations, 74.7% of outcomes yielded a price above the current stock price with a mean upside of 28.7%, further supporting the recommendation. However, the simulation sheds light on the cyclicality of the overall housing market, with 25.3% potential downside in bear cases.

APPENDIX 24: RELATIVE VALUATION

	Market Cap	Last Price	EPS	Price / Earnings			Weight	Price / Book			Weight
		FY2021E		FY2019A	FY2020A	FY2021E		FY2019A	FY2020A	FY2021E	
Lennar	**32,510**	**$108.00**	**$14.46**	**10.47x**	**9.45x**	**7.26x**		**1.18x**	**1.32x**	**1.56x**	
Large Cap											
DR Horton Inc	29,895	$101.27	$11.48	12.40x	12.44x	7.32x	59.7%	1.94x	2.33x	2.01x	59.7%
NVR Inc	19,857	$5,701.41	$327.38	17.21x	17.71x	17.50x	0.0%	5.91x	4.86x	7.00x	0.0%
PulteGroup Inc	13,938	$55.04	$7.14	10.70x	8.75x	7.86x	22.3%	1.92x	1.75x	1.88x	22.3%
Toll Brothers Inc	7,227	$68.28	$7.02	9.34x	11.32x	8.57x	7.6%	1.11x	1.10x	1.36x	7.6%
Meritage Homes Corp	4,171	$111.80	$17.39	9.35x	7.53x	6.01x	10.4%	1.18x	1.32x	1.41x	10.4%
Weighted Average				**11.47x**	**11.02x**	**7.40x**		**1.79x**	**2.00x**	**1.87x**	
Small Cap											
Taylor Morrison Home Cor	4,009	$32.62	$5.07	7.34x	8.08x	6.57x	24.0%	0.91x	0.95x	1.08x	24.0%
MDC Holdings Inc	3,788	$53.59	$8.19	10.64x	8.56x	6.64x	21.9%	1.34x	1.49x	1.46x	21.9%
KB Home	3,680	$42.05	$5.91	11.33x	10.44x	7.28x	21.4%	1.30x	1.21x	1.27x	21.4%
LGI Homes Inc	3,493	$143.60	$17.01	9.91x	9.02x	8.48x	17.7%	2.12x	2.32x	2.50x	17.7%
M/I Homes Inc	1,680	$57.72	$12.97	8.50x	5.23x	4.59x	15.0%	1.11x	1.01x	1.05x	15.0%
Weighted Average				**9.54x**	**8.43x**	**6.78x**		**1.33x**	**1.37x**	**1.45x**	

	Market Cap	Last Price	EPS	Enterprise Value / EBITDA			Weight	Price / Sales			Weight
		FY2021E		FY2019A	FY2020A	FY2021E		FY2019A	FY2020A	FY2021E	
Lennar	**32,510**	**$108.00**	**$14.46**	**10.45x**	**8.47x**	**11.29x**		**0.85x**	**1.04x**	**1.19x**	
Large Cap											
DR Horton Inc	29,895	$101.27	$11.48	10.01x	9.60x	6.04x	50.8%	1.12x	1.36x	1.09x	50.8%
NVR Inc	19,857	$5,701.41	$327.38	12.48x	12.02x	11.69x	14.9%	1.88x	2.00x	2.15x	14.9%
PulteGroup Inc	13,938	$55.04	$7.14	8.74x	6.67x	5.53x	19.0%	1.04x	1.05x	1.01x	19.0%
Toll Brothers Inc	7,227	$68.28	$7.02	10.98x	12.77x	8.43x	6.4%	0.80x	0.78x	0.85x	6.4%
Meritage Homes Corp	4,171	$111.80	$17.39	8.88x	6.02x	4.49x	8.9%	0.63x	0.69x	0.82x	8.9%
Weighted Average				**10.10x**	**9.29x**	**6.80x**		**1.15x**	**1.30x**	**1.19x**	
Small Cap											
Taylor Morrison Home Cor	4,009	$32.62	$5.07	10.30x	11.02x	6.45x	24.0%	0.49x	0.53x	0.56x	24.0%
MDC Holdings Inc	3,788	$53.59	$8.19	8.61x	7.43x	5.42x	21.9%	0.71x	0.79x	0.71x	21.9%
KB Home	3,680	$42.05	$5.91	11.78x	11.94x	5.91x	21.4%	0.67x	0.76x	0.64x	21.4%
LGI Homes Inc	3,493	$143.60	$17.01	9.93x	8.62x	7.06x	17.7%	0.89x	1.12x	1.16x	17.7%
M/I Homes Inc	1,680	$57.72	$12.97	9.24x	5.73x	4.27x	15.0%	0.44x	0.42x	0.46x	15.0%
Weighted Average				**10.02x**	**9.21x**	**5.89x**		**0.64x**	**0.72x**	**0.70x**	

Price / Earnings		Weight
Large Cap	7.40x	70%
Small Cap	6.78x	30%
Average		7.21x
Implied Value	$	119

Price / Book		Weight
Large Cap	1.87x	70%
Small Cap	1.45x	30%
Average		1.74x
Implied Value	$	157

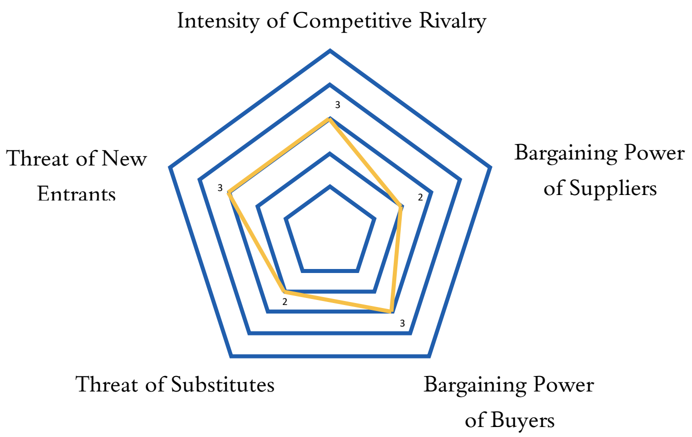
Enterprise Value / EBITDA		Weight
Large Cap	6.80x	70%
Small Cap	5.89x	30%
Average		6.53x
Implied Value	$	132

Price / Sales		Weight
Large Cap	1.19x	70%
Small Cap	0.70x	30%
Average		1.05x
Implied Value	$	128

The large cap universe was formulated on the following criteria: U.S domiciled, Sector: (GICS) Homebuilding; Market Capitalization greater than $4B; Must have regional exposure; Builder of single-family attached and detached homes; Primarily targets first-time and move up homebuyers. All companies included have similar business operations and exposure to risk.

The small cap universe was formulated on the following criteria: U.S domiciled, Sector: (GICS) Homebuilding; Market Capitalization between $1-4B; Must have regional exposure; Builder of single-family attached and detached homes; Primarily targets first-time and move up homebuyers. Although Taylor Morrison Home Corp (TMHC) has a market cap greater than $4B, due to their limited regional exposure (11 states), they have been placed in the small cap universe.

APPENDIX 25: PORTER'S 5 FORCES



Threat of New Entrants – MODERATE (3 out of 5)

- No specific barriers to entry other than the need to obtain state-based licensure and registration
- Competition largely based on reputation and proven performance, meaning new entrants may have a harder time grabbing market share over established homebuilders.
- Established homebuilder hold an advantage over new entrants with their access to and developed relationships with a variety of subcontractors, suppliers, financial institutions, and property developers.
- Large-scale and established homebuilders benefit from economies of scale due to lower material input prices.
- New entrants can bring new innovative ideas that can put pressure on Lennar (lower pricing strategies, reduced costs, new value propositions for consumers)

Rivalry among existing players– MODERTATE (3 out of 5)

- Homebuilders compete on several factors: price, location, reputation, amenities, design, quality, and financing.
- Operates in an intense competitive environment
- Top 10 homebuilders capture approximately 30% of new single-family home closings.
- Basis of competition varies upon target market (first-time homebuyers, move-up, adult active, and luxury buyers) First-time and move-up market more dependent on price, while adult-active and luxury more focused on design, quality, and location.
- Design differentiation is an important basis for Lennar and other medium scale homebuilders.
- Strong reputation gives homebuilders strong competitive advantage.

Bargaining Power of Suppliers – LOW (2 out of 5)

- Switching costs are low for Lennar and products offered by suppliers are less differentiated
- Suppliers do not contend with others in terms of substitutes

Threat of Substitutes – LOW (2 out of 5)

- Substitutes of Lennar are of high quality and offer housing at a higher premium
- Direct competition with Lennar

Bargaining Power of Buyers – MODERATE (3 out of 5)

- Buyers have few homebuilders to choose from based on geographic location.
- Switching costs for customers is moderate.

APPENDIX 26: SWOT ANALYSIS

Strengths

- Leading homebuilder in the US. Operates in over 20 states nationally.
- Strategic technology investments have resulted in high customer satisfaction and increased margins
- Affordable home prices – 10% lower average selling price compared to peers
- High profit vs. sector

Weaknesses

- Organizational structure limits expansion in adjacent product segments
- Weak sustainability initiative compared to its peers
- Poor governance practices

Opportunities

- Income level for people in the US is increasing
- Strong demand for homes
- Growing economy
- Expansion into new markets across the US
- International exposure
- New sustainability initiatives

Threats

- Economic downturn
- Decrease in real estate prices
- US government regulations
- Intense competition
- Increase in input costs due to inflation