

Lennar Corporation  
J.P. Morgan Homebuilding Conference  
May 18, 2017

## Disclaimer Statement

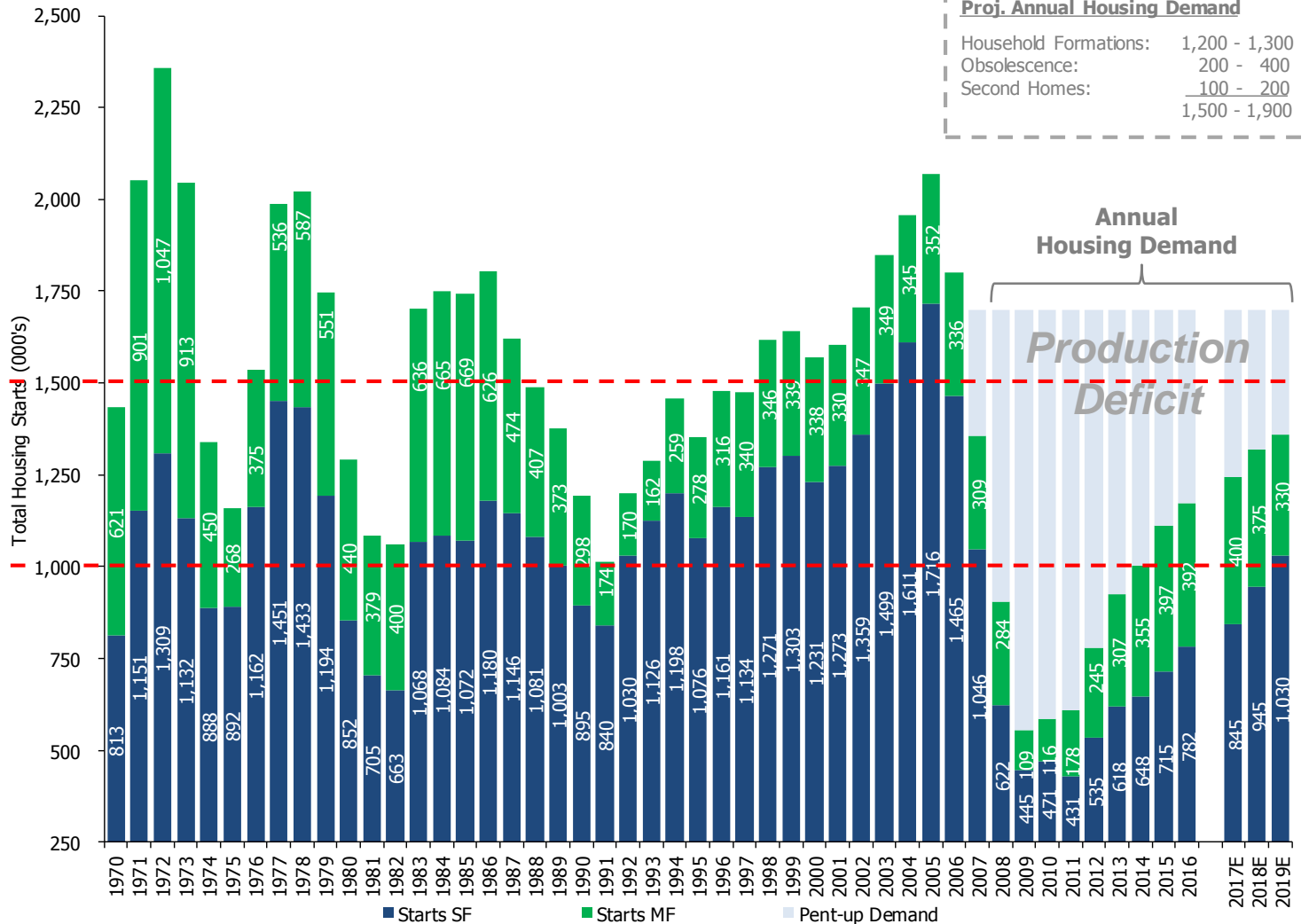
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## Macro Overview

# Macro Overview: Production deficit of homes, both for-sale and for-rent

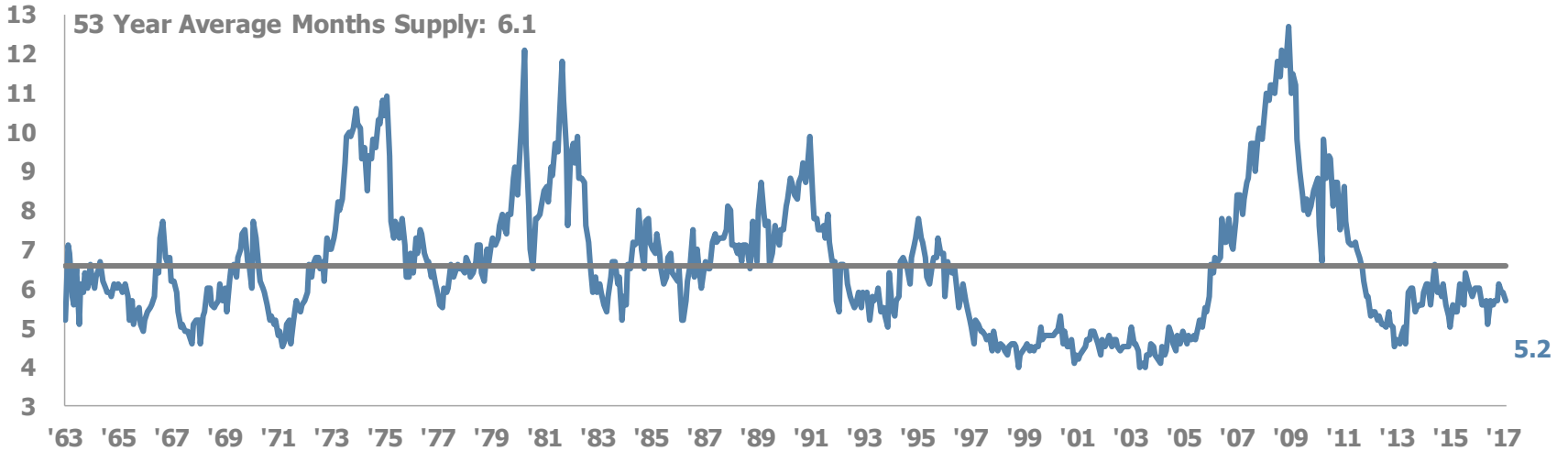
- The market overcorrected and has been under supplying household demand in both the for-sale as well as for-rent markets



Source: Housing starts from US Census Bureau (April 2017) and analyst estimates (March 2017); Proj. household formations: Joint Center for Housing Studies of 1.2-1.3M (March 2014), Wells Fargo (January 2015), Freddie Mac (August 2014)  
 Note: Excludes manufactured housing

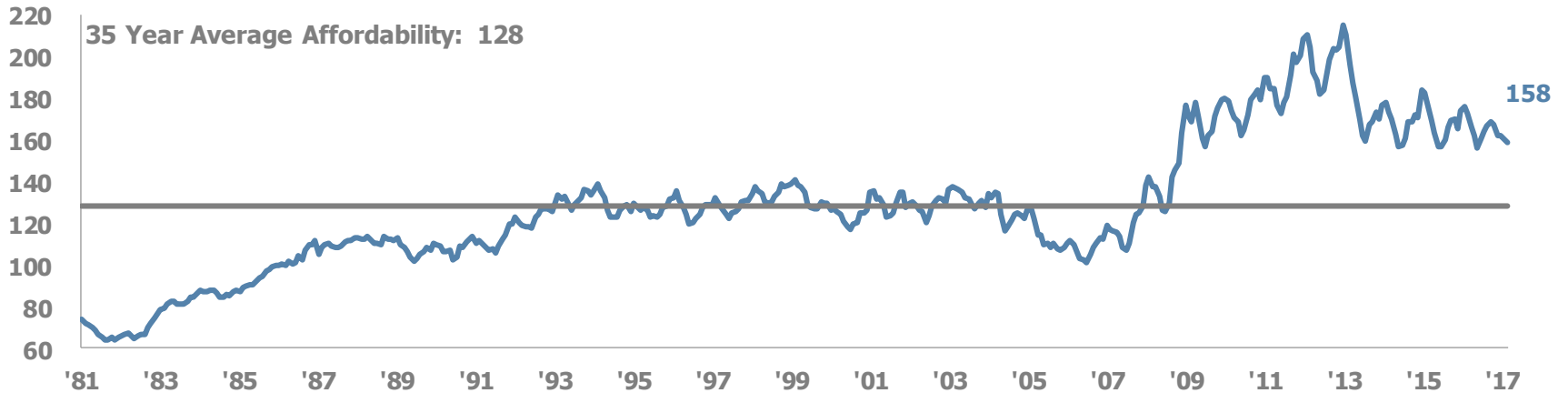
# Macro Overview: Inventories are tight and affordability remains strong

## Months Supply of New Residential Sales: Inventory remains tight



Source: US Census Bureau

## Affordability: Housing affordability remains above long-term averages



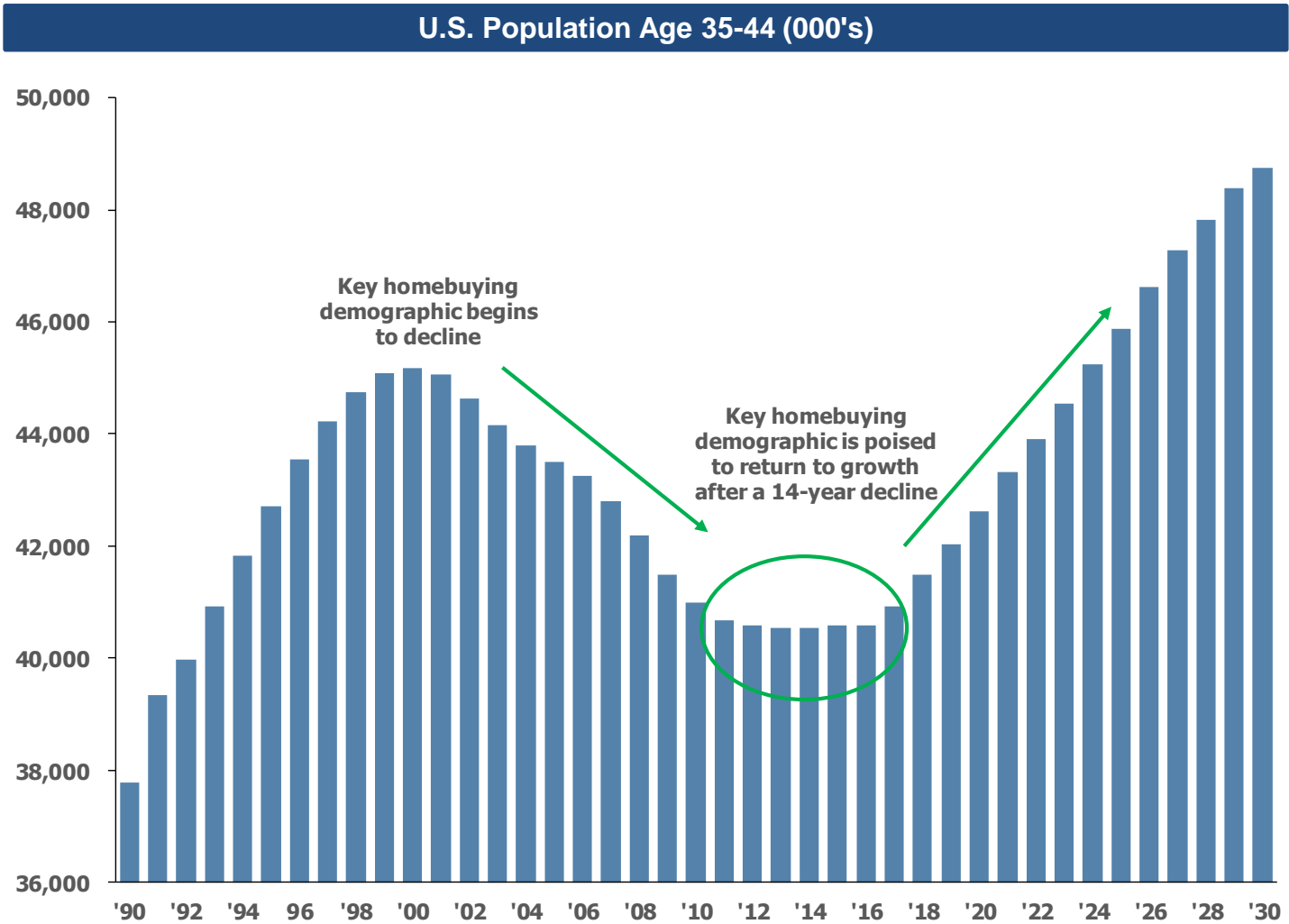
Source: National Association Realtors (NAR)

Calculation: Median Family Income / Qualifying Income \* 100

Qualifying Income: Is the amount you would need to earn per year to afford a median priced SF home; if a maximum of only 25% of income could be designated to your mortgage payment

# Macro Overview: Millennial population will be a driver of growth

- An astonishing 60% of millennials in America now either live with parents, siblings, other relatives or roommates, an 115-year high<sup>(1)</sup>

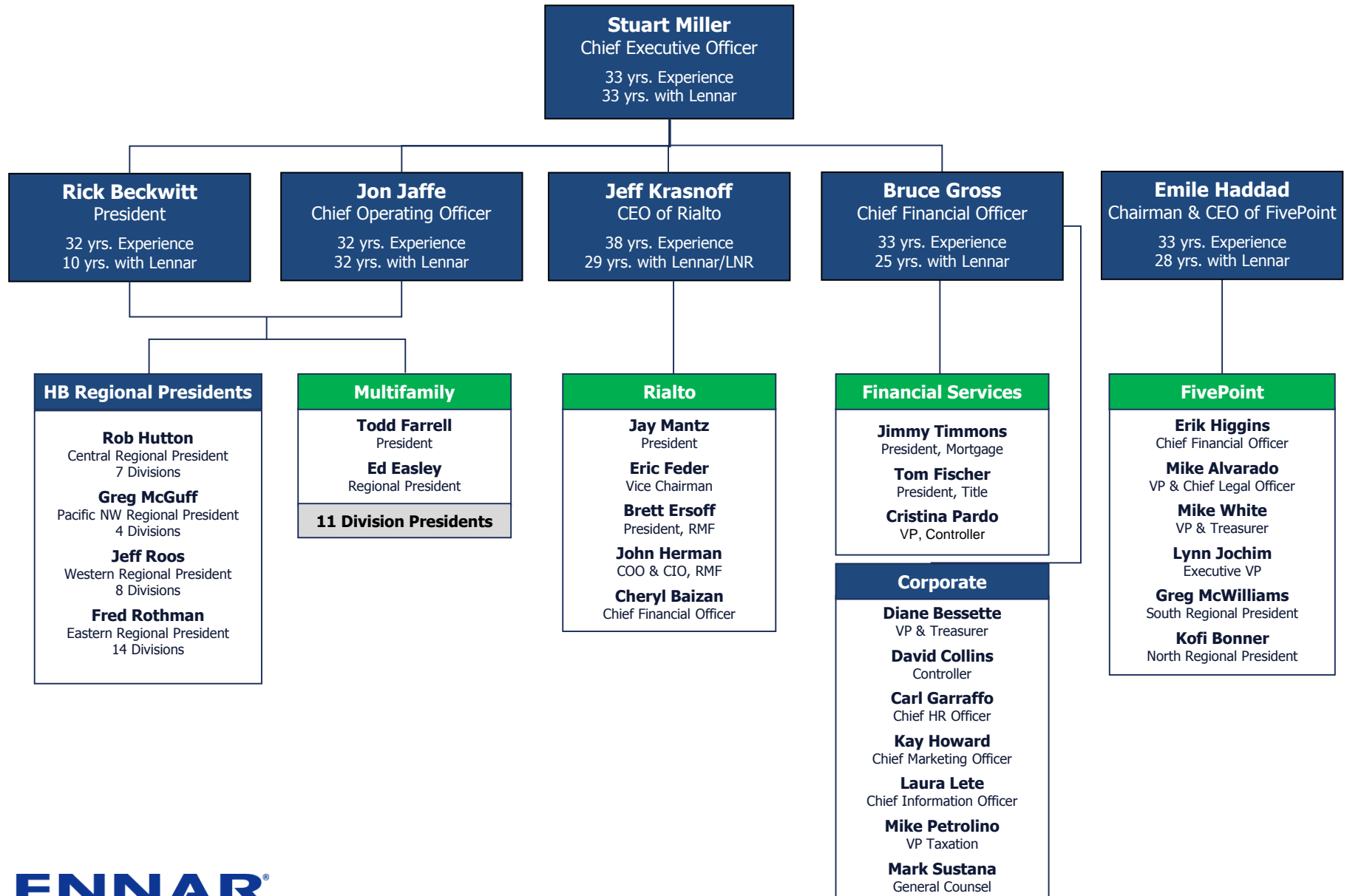


Source: US Census Bureau. Population data in the International Data Base for 2016-2030 are based on the 2014 National Projections  
(1) Per analysis of US Census data by Trulia



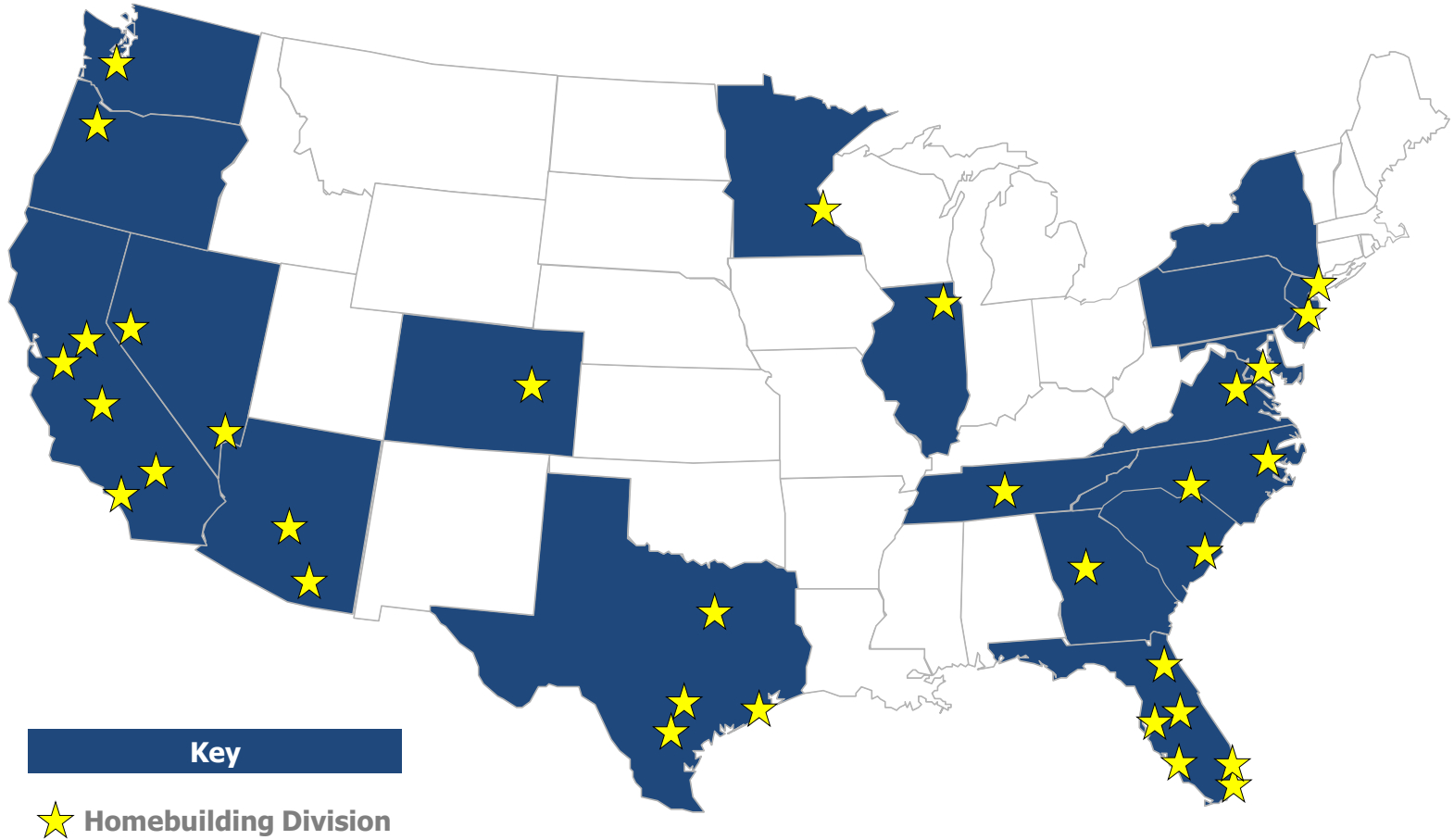
## Strategic Overview

# Strategic Overview: Deep and consistent management team





## Strategic Overview: Diversified in Nation's strongest housing markets



Over many cycles, Lennar's management team has crafted a playbook of strategies that flex as the cycle adjusts

- **Moderate growth rate**
- **Soft pivot land strategy**
- **Focus on operational efficiencies**
- **Path to lower leverage**
- **Reversion to pure-play homebuilder**

## Strategic Overview: Moderate growth rate

Adjust growth rate throughout cycle based on land / strategic opportunities along with embedded risk from cycle duration

### ▪ Early cycle:

- Aggressive growth
- Divisions get to critical mass

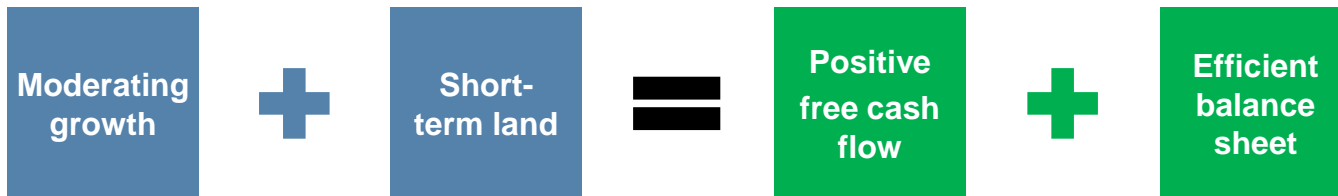
### ▪ Mid cycle:

- Moderate growth
- Less land acquisition needed and fewer new communities to open, focusing on best land
- Less emphasis on hiring new marginal associates, and focus on keeping best performers
- Less pressure on subcontractors and focus on quality (less defects) rather than quantity

### ▪ Mature cycle:

- Further reduce growth

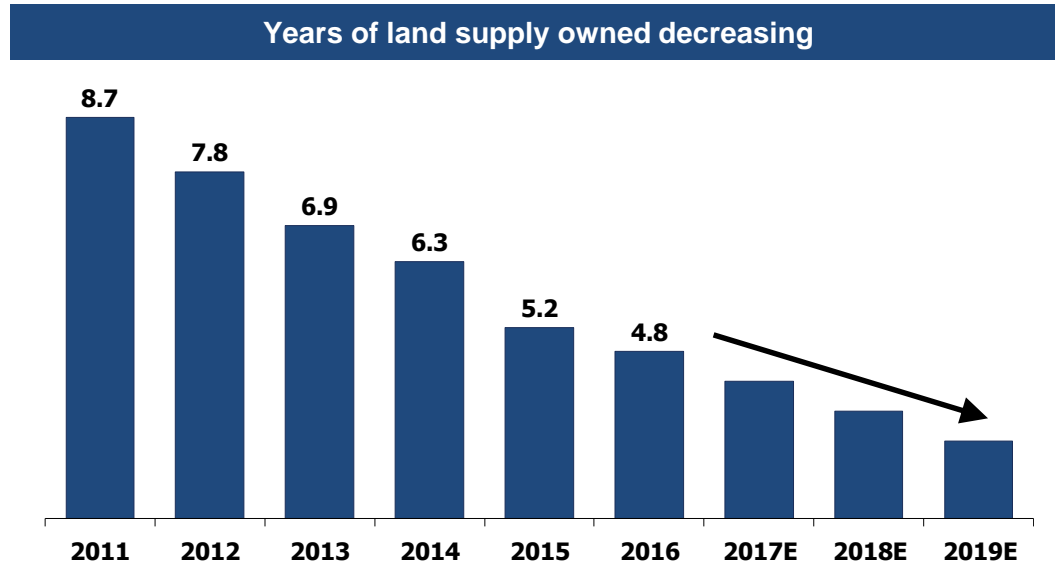
	Growth Rate	Cash Flow
<b>Early cycle</b>	15-20% +	Negative
<b>Mid cycle</b>	7-10%	Neutral to Positive
<b>Mature cycle</b>	3-5%	Positive



## Strategic Overview: Soft pivot land strategy



- **Early cycle:**
  - Purchase deeply discounted, long duration land
- **Mid cycle:**
  - Soft pivot to purchase shorter duration land
- **Mature cycle:**
  - Purchase options, adjust contract terms, and purchase short duration land for just-in-time production



## Strategic Overview: Focus on operational efficiencies

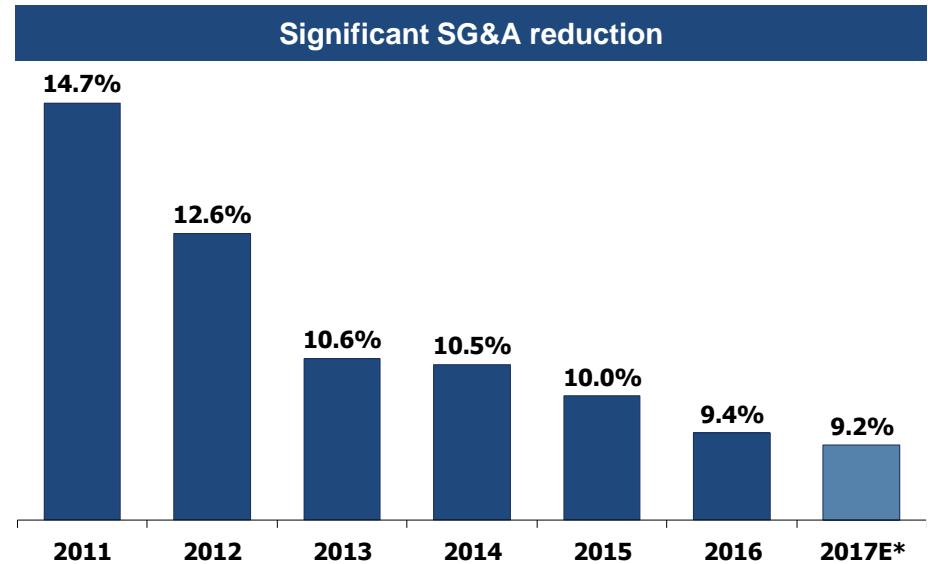
Support net margin with a lower growth rate by focusing on business efficiencies

### ▪ SG&A efficiencies

- Transition to digital marketing
- Lower outside brokerage participation and commission rate
- Targeted marketing leads to increasing conversions
- Utilization of simplified technology systems

### ▪ Construction efficiencies

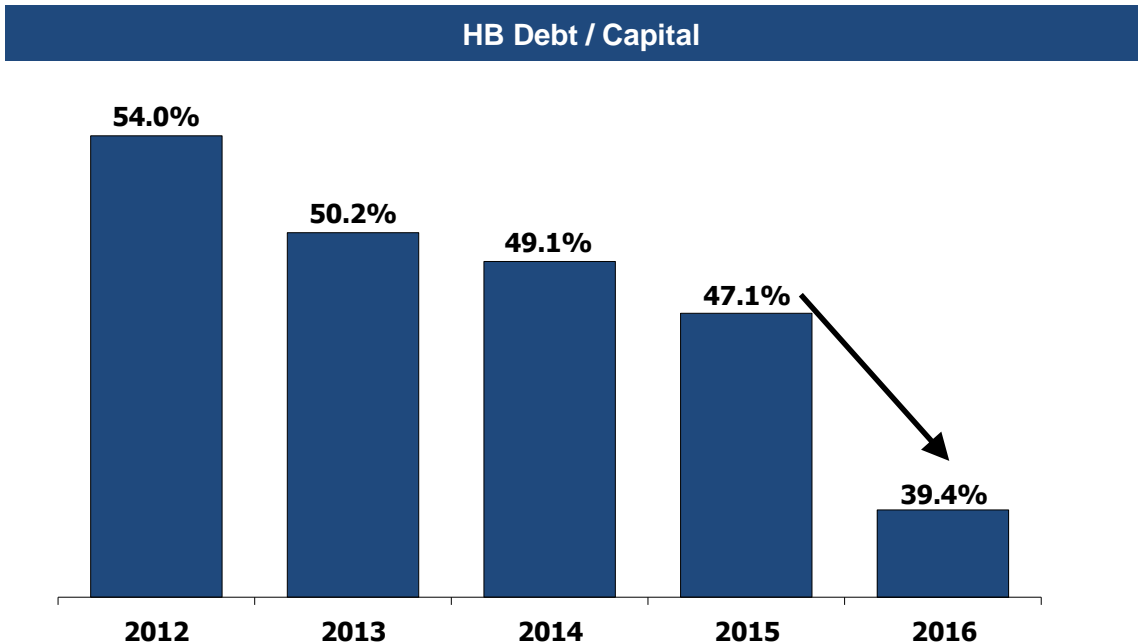
- Streamline Everything's Included<sup>®</sup> platform
- Even-flow production
- Reduce floor plans
- Reduce SKUs
- Reduce model homes needed
- Utilize new technologies to reduce materials waste and labor hours



\*Midpoint of 9.1-9.3% guidance provided by management

*As land costs increase, operating efficiencies will lead to strong operating margins*

## Strategic Overview: Path to lower leverage



- 1) Stockholders' Equity increasing:**
  - Homebuilding generating profits from increased volumes and strong operating leverage
  - Ancillary businesses pivoting from investing to harvesting phase
- 2) Generating positive cash flow:**
  - Soft pivot land lighter strategy
  - Moderate growth taking stress out of operations
  - Focus on operational efficiencies
- 3) Significant reduction in interest costs:**
  - June 1, 2017 maturity of \$400 million @ 12.25% will significantly reduce interest costs

## Strategic Overview: Ancillary businesses transitioning from investing to harvesting phase

- Stand-alone platforms with maximum flexibility allowing for the creation of significant shareholder value
- Financial Services is closely linked to Homebuilding, and Multifamily closely mirrors the core business in many ways, giving it flexibility to remain or separate



Financial Services
<ul style="list-style-type: none"> <li>▪ Focused on originating mortgages to Lennar homebuyers as well as 3<sup>rd</sup> parties</li> <li>▪ 10<sup>th</sup> largest national non-bank mortgage originator by retail sales volume</li> <li>▪ Among the top national title agents and title insurers</li> <li>▪ Utilizing warehouse lines of credit and immediately selling to private and public financial institutions</li> </ul>

Multifamily
<ul style="list-style-type: none"> <li>▪ Geographically diversified development pipeline, ~\$8 billion, located in top growth and gateway U.S. markets</li> <li>▪ Lennar Multifamily Venture manages \$2.2 billion in equity commitments, focused on develop-hold portfolio</li> <li>▪ Fully integrated development, construction, property and asset management platform</li> </ul>

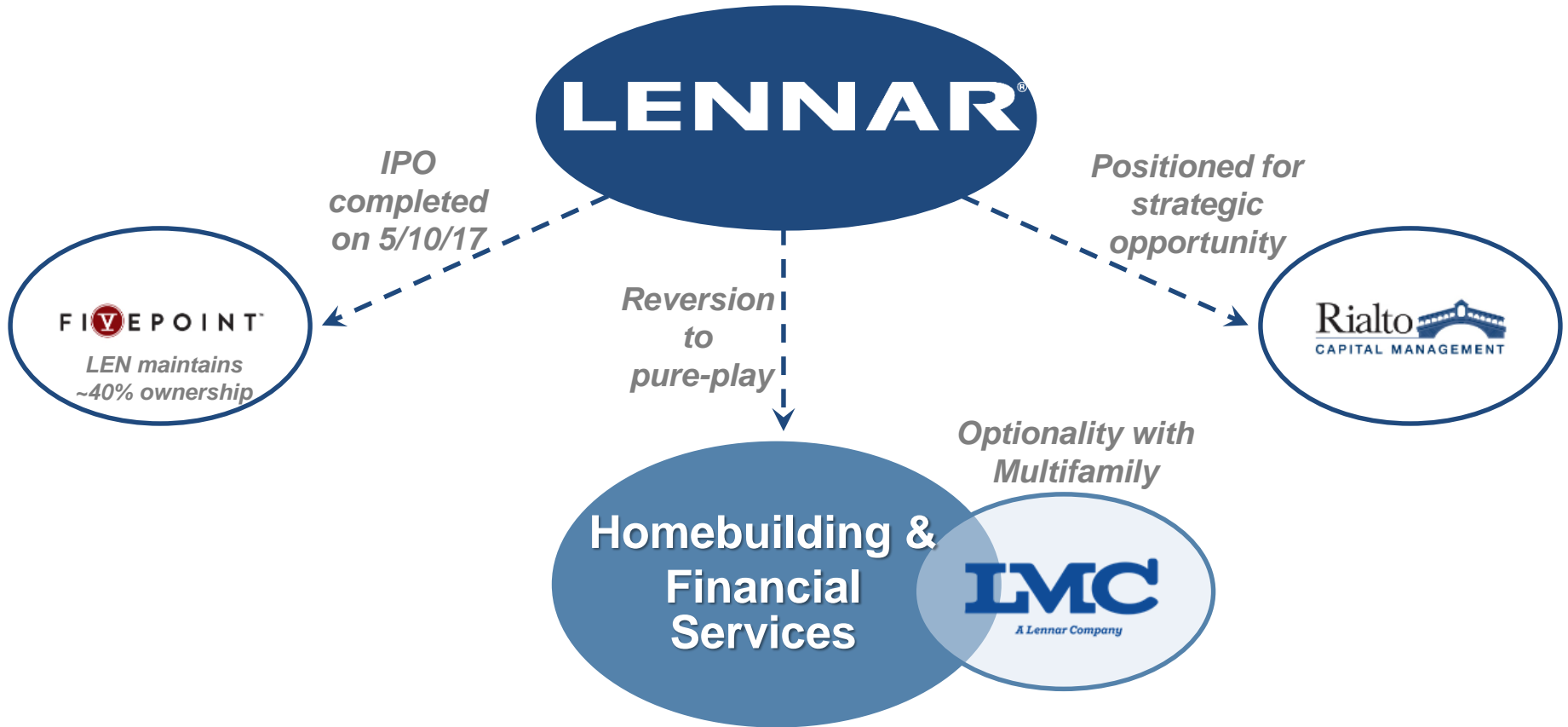


FivePoint
<ul style="list-style-type: none"> <li>▪ Exceptional land development and management company</li> <li>▪ Directly managing ~40,000 homesites and ~21 million square feet of commercial real estate in some of the most desirable and land constrained markets in the country</li> <li>▪ IPO completed on May 10, 2017 on the NYSE</li> </ul>

Rialto
<ul style="list-style-type: none"> <li>▪ Asset Management: Focused on managing 3<sup>rd</sup> party capital to generate superior, risk-adjusted returns on commercial real estate opportunities                             <ul style="list-style-type: none"> <li>– Asset light model, limited investment, management fees &amp; high returns (\$8B+ AUM)</li> </ul> </li> <li>▪ Mortgage Finance: Commercial mortgage originator of Class A operating properties</li> <li>▪ Independently financed with public debt and warehouse lines of credit</li> </ul>



Strategic Overview: Reversion to pure-play as we move from investing to harvesting phase



*Creating significant shareholder value*





## **WCI Communities Acquisition**

## WCI Communities Acquisition: Overview

**On February 10, 2017, Lennar closed on the acquisition of WCI Communities, a premier lifestyle community developer and luxury homebuilder of single and multi-family homes throughout Florida**

### ▪ **Terms of the deal:**

- \$643 million, or \$23.50 per share in cash, and assumption of WCI's \$250 million senior notes

### ▪ **Value creation for shareholders:**

- Acquired >13,500 homesites of low-cost land in most of the highest growth, largest FL coastal markets, including 51 active communities and a pipeline of future communities that will produce strong gross margins
- Reallocation of WCI and Lennar product and branding will maximize our returns. ~1/3 of the communities that we acquired will be converted to the Lennar brand
- Utilizing our efficient operating platform and leveraging our purchasing power we expect will decrease direct costs by an estimated \$8 - \$12 psf or 200 - 300 bps on new starts once the re-bidding process is complete
- Synergies associated with lowering G&A costs will have some up front costs, but we anticipate annualized savings of approximately \$30 million beginning in late 2017
- Capturing incremental profits through the rollout of our mortgage operations to WCI's homebuilding operations and its Berkshire Hathaway Home Services operation

### ▪ **Factors for 100% cash consideration, similar to a stock buyback:**

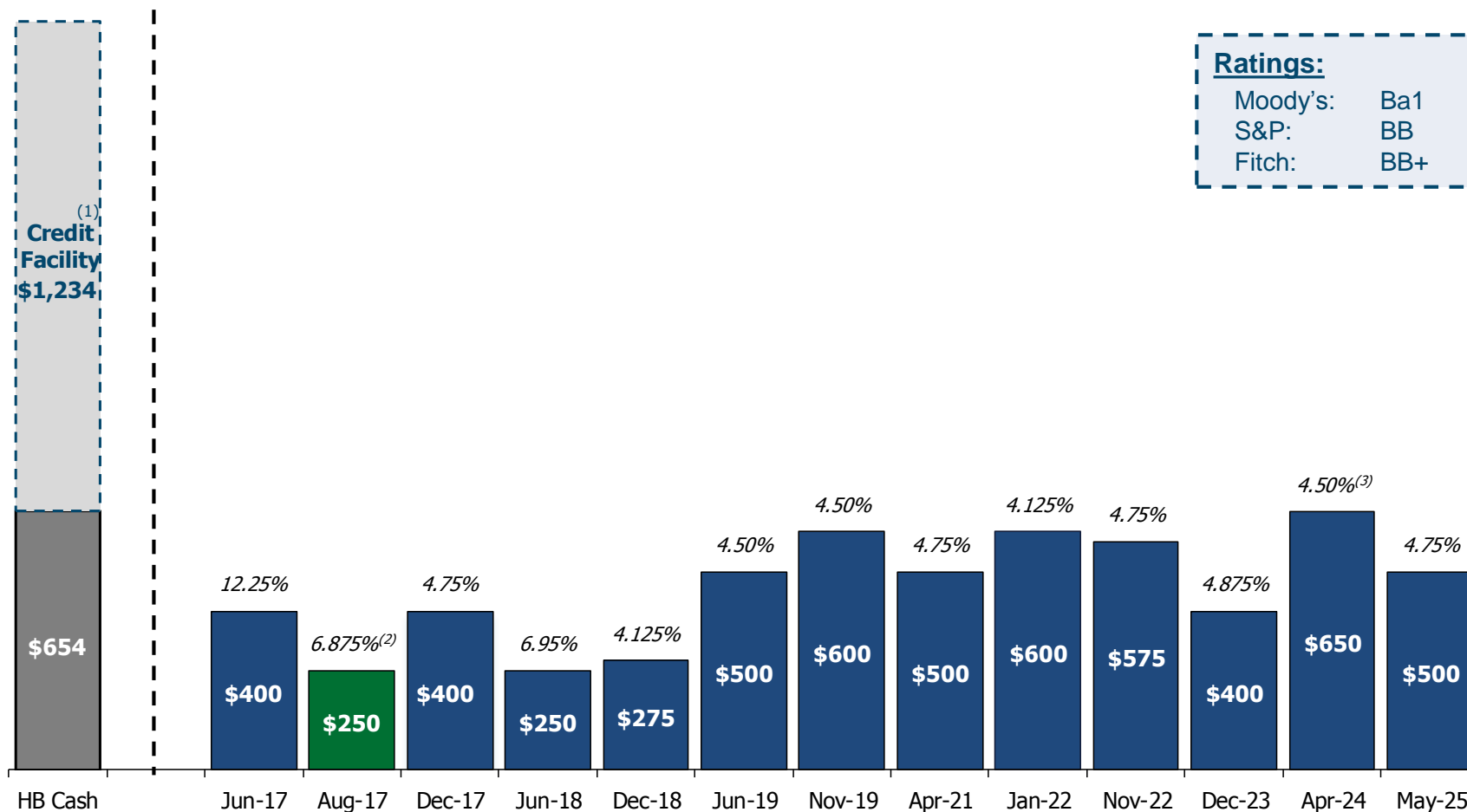
- Operating strategies of moderating growth and soft pivot, leading to strong profitability, provide us with the confidence that we will continue to generate strong cash flow
- WCI's existing, proven, communities offset the need to purchase raw land at retail prices for future growth
- We continue to believe the housing market is strong and will continue to improve for the foreseeable future
- We believed our stock was undervalued given our strong core business and the maturity of our ancillaries

**Strong Balance Sheet**

# Strong Balance Sheet: Balanced debt maturity ladder

## At February 28, 2017\*

(\$ in millions)



HB Cash

\* Pro forma for April 2017 debt issuance

(1) Revolving credit facility commitment of \$1.502 billion, less: \$250 million drawn and \$18 million LOCs outstanding at 2/28/17

(2) WCI \$250 million senior notes have a redemption price at August 15, 2017 of 103.438%

(3) \$650 million debt issuance in April 2017



**Conclusion**

**Focused on being a pure-play HB, generating positive cash flow and investable through the cycle**

