

**LENNAR CORP**  
**December 16, 2021**  
**11:00 AM EST**

Coordinator: Welcome to Lennar's Fourth Quarter Earnings Conference Call. At this time, all participants are in a listen-only mode. After the presentation, we will conduct a question-and-answer session. Today's conference is being recorded. If you have any objections, you may disconnect at this time. I will now turn the call over to Alex Lumpkin for the reading of the forward-looking statement.

Alex Lumpkin: Thank you, and good morning. Today's conference call may include forward-looking statements, including statements regarding Lennar's business, financial condition, results of operations, cash flows, strategies, and prospects. Forward-looking statements represent only Lennar's estimates on the date of this conference call, and are not intended to give any assurance as to actual future results.

Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties. Many factors could affect future results, and may cause Lennar's actual activities or results to differ materially from the activities and results anticipated in forward-looking statements.

These factors include those described in yesterday's press release, and our SEC filings, including those under the caption Risk Factors contained in Lennar's annual report on Form 10-K most recently filed with the SEC. Please note that Lennar assumes no obligation to update any forward-looking statements.

Coordinator: I would like to introduce your host, Mr. Stuart Miller, Executive Chairman. Sir, you may begin.

Stuart Miller: Great, and good morning, everyone. Thank you for joining. This morning, I'm here in Miami, joined by Diane Bessette, our Chief Financial Officer, David Collins, our Controller & Vice President, Bruce Gross, CEO of Lennar Financial Services, and of course, Alex, who you've just heard from. We also have joining us, Rick Beckwitt, who's in Colorado, and Jon Jaffe, who is actually here in Miami, but not in the office.

As usual, I'm going to give a macro and strategic Lennar overview. After my introductory remarks, Rick's going to talk about market strength around the country, land, and community count as well. Jon will give an update on the supply chain, production, and construction costs. And as usual, Diane will give detailed financial highlights and additional guidance. And then we'll answer as many questions as we can. And as usual, please limit to one question and one follow-up.

So, let me go ahead and begin and start by saying that our fourth quarter and full year 2021 reflect extraordinary focus and determination by Lennar's management and operating teams across the country.

While the housing market remains very strong in all of our major markets, the ability to actually execute and deliver results, has been challenged and tested by the supply chain that has all but broken, the workforce that is short in numbers while driven to produce more, and the never-ending competition for scarce entitled land assets.

Lennar's managers and operators have been absolute warriors, recognizing that our customers need and want their homes, and the burden of a strong but stressed market simply can't stand in the way. The proud associates of Lennar are pleased to report an excellent quarter and year of accomplishments, in spite of the elusive garage doors in short supply, the unimaginable scarcity of paint, the cabinet deliveries postponed by labor shortage, the electric meters, the windows, and the countless other stumbling blocks and obstacles that have presented intermittently to ensure chaos in a production cycle that is difficult even when everything is going right.

The supply chain affects both land and construction, and that will continue into the first quarter of 2022 and beyond. But as we enter the second half of the year, we expect that the supply chain disruptions will be stabilized and mitigated by the greater number of starts that we have started, by the lessons learned and incorporated in our Builder of Choice relationships, and by the simplicity embedded in our Everything's Included offerings.

And let me say that Kenp Gillis and his extraordinary purchasing team, have done an amazing job of navigating this difficult landscape. I also want to warmly acknowledge

Jon and Rick, our co-CEOs, who have chosen not to sit on high perch in difficult times, but instead went to the problem and saw for themselves so they could be part of the solution.

Together, as partners, they visited each of our 38 divisions over a six-week period, met with our production and purchasing teams in the field, got a tangible feel for the most significant issues, and translated their visits into solutions. Time, focus, and attention, problems are being solved, and that is simply the Lennar way.

Even with the challenges in the market in our fourth quarter, we delivered just under 18,000 homes, which is every single home that could be delivered, as our customers expected and wanted their home for the holidays. We grew our deliveries 11% year-over-year, while our revenue from home sales grew 24% to almost \$8.5 billion.

And by remaining laser-focused on orderly, targeted growth, with our sales pace tightly matched with our pace of production, we drove a 300-basis point gross margin improvement to 28%. Alongside gross margin, we recorded a significant improvement in operating efficiency, as our SG&A decreased 150 basis points to 6%.

We continue to limit our land or we - excuse me. We continue to limit our sales pace, especially as cycle times expand in favor of a significantly benefited bottom line. Accordingly, our net new orders grew 2%, and they're expected to contract slightly in the first quarter.

With our sales discipline, our net margin increased 460 basis points to a company all-time high of over 22% in our fourth quarter. This drove a 50% after-tax and before mark-to-market items, bottom-line improvement in net earnings to over \$1.3 billion this year.

So, with our focus on bottom-line over topline improvement, 24% revenue growth drove 50% bottom-line growth. Additionally, our Financial Services Group continued to perform exceptionally, adding \$111 million of earnings, while supporting the closing of every possible home, and making the closing process as joyful as possible in the current environment.

With the strong performance of our core operating divisions, our balance sheet and returns continued to improve as well. Even after the repurchase of 10 million shares of stock, and the reduction of \$850 million of debt in the quarter, we reported a cash balance of over \$2.7 billion, and an 18.3% debt to total cap ratio, while our return on equity grew almost 800 basis points year-over-year to 22.6%. All in all, our core operating numbers are very strong in the fourth quarter, and we expect that strength to continue into 2022 and beyond.

From a macro perspective, the housing market remains strong across the country. Demand has been consistently strong, while the supply of new and existing home remains limited. Since new home construction cannot ramp quickly enough to fill the demand, short supply is likely to remain for some time to come.

Even though home prices have moved much higher, overall affordability remains strong. Interest rates are still very attractive, and personal savings for deposits are strong. Wages for the average family seem to be rising faster than monthly payments, and those higher wages are starting to be reflected in government numbers and, unfortunately, in inflation as well.

The upward spiral of housing purchases is accelerating. Millennials are forming families. Apartment dwellers are purchasing first-time homes. first-time homes are selling at higher prices, and appreciated equity is enabling first-time move-ups.

The move-up home is selling at strong pricing, with increased equity, enabling customers to purchase an even larger home, all this while supply is limited for everyone. And the iBuyer and single-family for rent participants, are providing additional liquidity to the marketplace.

Against this backdrop, and although there has been some turbulence through the year, 2021 has been an extraordinary strategic year for our company. We established a strategic plan that included cash flow generation and debt reduction in order to improve returns on capital and equity.

We also articulated a drive and desire to have a strong focus on new technology-driven efficiencies in our core business, while we spin ancillary businesses and

become a pure-play homebuilding company. Our 2021 performance reflects focus on these strategies, and 2022 will be an extension of the same focus.

In 2021, we generated almost \$3 billion of homebuilding cash flow to enable a reduction of debt by \$1.3 billion, and a purchase of 14 million shares of stock for a 4.5% reduction in share count. Accordingly, our debt to total cap is below 20%, and we have \$2.7 billion of cash on hand.

Our total debt is \$4.7 billion, and will continue to be reduced. We also reduced our landholdings to three years, as promised, and increased our land controlled versus owned to 59%, exceeding our goal at the beginning of the year. We have almost certainly established Lennar as a technology-enabled and engaged company.

We invested in numerous new technologies, while eight prior investments were either sold or went public, which resulted in significant extraordinary profits for the company this year. Perhaps more importantly, we have invested in companies that have enabled improvement in our core business, while we have benefited both through the investments and through incorporation in our core.

But this is just the beginning. We are working with numerous additional technology companies that are working to solve some of the most difficult problems facing our industry. As a case in point, we're working to solve the issues in supply chain, labor shortages, and production, using innovative technology in innovative ways.

Many of you have read and commented on our investment in ICON, the 3D printing, building company in Austin, Texas. We expect to start our first 3D printed community in Austin sometime in 2022, and hope to reduce labor, material, and time, as we help refine this structural production process.

Alongside ICON, we have invested in two additional innovative production companies called Veev and Cover, and they're engaged in innovative, factory-based manufactured solutions to production. Both Veev and Cover are focused on a more comprehensive solution beyond just the structural components, and encompass mechanical, electrical, and plumbing solutions in the factory as well.

These companies are working on each of the major components of the home, and building better and more precise delivery systems that will reduce the need for labor, and enhance precision and cycle time.

All of these companies are focused on the most frictional and problematic elements of the production process, and driving towards solutions for the industry. Given today's supply chain and workforce constraints, we should all be interested, if not laser-focused on the success of these critical solutions. Lennar, most certainly is.

And finally, 2021 has in fact been a year of focus on the strategy of becoming a pure-play homebuilding company. We have been hard at work refining our SpinCo that I've described in the past. As you can see from our balance sheet and cash flow, the case for SpinCo has become more compelling with each quarter's successes.

We have excess capacity and balance sheet to spin our well-established ancillary businesses, and we expect to complete a tax-free spin by the second or third quarter of 2022. To that end, in November, we took our first significant step to complete the spin by formally filing a request for a private letter ruling from the IRS.

We are getting very close to being prepared, with defined business lines, a refined business plan, and a balance sheet. We expect to file our at-first confidential Form 10 by the end of January or beginning of February, at which time we expect to have a name other than SpinCo, and a management team in place.

Some have asked about the time we've taken to disclose greater detail. The fact is, we're building a durable and sustainable public company that has to hit the ground running on day one. To that end, Matt James, a senior adviser to the company, has been focusing on the configuration and execution of our SpinCo strategy.

In addition to, and supporting that, Jeff McCall, and a sequestered team of senior internal leaders, have modeled various configurations with different asset compositions that have focused on getting both the program and the story right for the public markets. We have concluded that the spin company will be an asset-light asset management business that will have a limited balance sheet.

Many of the assets that we targeted for spin originally, will be either part of the limited balance sheet of SpinCo, or will be monetized in the form of assets under management housed within the private equity verticals of SpinCo, or have been, or will be resolved or monetized in other ways.

The monetization has been and will be completed over the next year or so, and the cash proceeds will be deployed in Lennar to fortify our balance sheet or to continue to buy back stock on an opportunistic basis.

And when our stock is on sale, like today, we'll be purchasing.

Three core verticals have been identified and business planned for the spin, and they are multifamily, single-family for rent, and land strategies. Each of these verticals already have raised third-party capital, and are active asset managers.

LMC, our multifamily platform, has approximately \$9 billion of gross capital under management, and is raising its third fund. LSFR, our growing single family for rent platform, currently manages approximately \$1.5 billion of equity already raised. And our land strategies platform is still being refined for SpinCo, and we'll provide more detail in the near future.

The remaining Lennar Corporation will drive higher returns on our assets and equity base, and the spin will not result in a material reduction of either our bottom line or our earnings per share as we project them. Bottom line, this was a year of hard work at Lennar in the face of many issues, and there were no feet up on the desk during the year.

So, let me wrap up and conclude by saying that we have simply never been better positioned financially, organizationally, and technologically, to thrive and grow in this evolving housing market. The market in general remains strong. While difficulties in the supply chain presents challenges for Lennar and the industry, the housing market remains strong, and supply of new and existing homes is very limited.

We remain focused on an orderly, targeted growth strategy, with our sales pace tightly matched with our pace of production. We focus on gross margin by selling in

step with production, while controlling costs, and reducing our SG&A, and therefore driving our net margin.

As we look to 2022, we see continued strength in the market and double-digit growth for Lennar. As we noted in our press release, we're projecting 12,500 deliveries at a 26.75% margin in the first quarter, and 67,000 deliveries at a 27% to 27.5% margin for the year. At this pace, we will have a strong bottom line, with a projected spin-off in the second or third quarter. 2022 will be another record year for Lennar. And with that, let me turn over to Rick.

Rick Beckwitt: Thanks, Stuart. As you can tell from Stuart's opening comments, the housing market is very strong, our team is extremely well-coordinated, and our financial results continue to benefit from a solid execution of our core operating strategies. Key to that has been running a fine-tuned homebuilding machine, where we carefully match homebuilding production with sales on a community-by-community basis.

We have continued to strategically sell our homes later in the construction cycle to maximize sales prices, and to offset potential cost increases. To that end, we have slowed sales to generate higher profits. Our fourth quarter results prove out the success of this strategy, as we achieved gross margin increases of 300 basis points year-over-year, and 70 basis points sequentially.

During the fourth quarter, we started 4.5 homes per community, sold 4.3 homes per community, and we ended the quarter with less than 160 completed unsold homes across our entire footprint. This production, margin-driven, and sales-focused program, will continue to improve margin and lead to increased deliveries and profits in fiscal 2022.

In the fourth quarter, new orders, deliveries, gross margins were solid in each of our operating regions. We continued to achieve price increases, and saw strength in all product cost categories, from entry-level to move up and in our active adult communities.

Here's some color on some of the stronger markets across the country. Florida continues to benefit from core local demand, as well as in-migration from the



Northeast, the Midwest, and the West Coast, which is driving both sales pace and price. Inventory is extremely limited.

The hottest markets in Florida continue to be Naples and Sarasota in the southwest, Miami-Dade and Broward in the Southeast, and Tampa. Orlando has also been sustaining a strong recovery, with a significant rebound in tourism. These are all markets where we are the leading builder, with the best land positions.

In the Carolinas, Raleigh, Charlotte, and Charleston are extremely strong markets. Inventory is very limited, and the combination of core local demand and in-migration continues to push both sales pace and price. We are also the top builder in each of these markets.

Indianapolis continues to see strong and steady growth. The combination of in-migration from the northern markets and the West Coast, as well as affordable housing, and quality of living, is driving sales pace and pricing. We're the largest builder in this market.

Texas continues to be the strongest State in the country, with in-migration from east and west. The State's pro-business, employer-friendly economy, is driving corporate relocations and tremendous job growth, especially in the technology sector. The State is also benefiting from a recovery in the oil and gas sector.

The strongest market in the country continues to be Austin, with recent announcements by Samsung Electronics to invest \$17 billion in a new chip manufacturing plant, and Tesla's announcement to relocate their corporate headquarters to Austin, in addition to finishing construction this month on a \$1.1 billion Gigafactory. These two companies alone will create thousands of new jobs in Austin.

The Colorado market picked up momentum in the fourth quarter, and we saw strength in both sales pace and price, with over one sale per community [per week], matching our starts pace. Phoenix and Las Vegas continue to be strong markets, both benefiting from business-friendly environments, real job growth, and in-migration

from California. The casinos in Vegas are full, and the city is benefiting from increased tourism. Phoenix is thriving because it's incredibly affordable.

We entered the Boise market with two communities during the quarter, and anticipate having eight active communities by the end of 2022. This market continues to have strength driven by tremendous population growth, and we're excited about our land position and our Lennar Boise team.

The Pacific Northwest continues to be a strong market, as natural supply constraints and constraints by urban growth boundaries, limit production. In spite of being land-constrained, we are seeing solid year-over-year growth in these markets as we expand our geographic footprint.

The California markets remain strong, driven by the State's severe housing shortage. There is more demand than supply. As reported last quarter, the Inland Empire, Sacramento, and East Bay Area, have remained as some of the strongest markets, with home buyers looking for square footage and affordability.

During the quarter, we saw a resurgence in the core markets of the Bay Area, as more employees are returning to their offices, or anticipate returning in the near future. As such, both core and inland markets are firing on all cylinders. As I said, these are some of the strongest markets, but there's strength and depth of market across the country.

Now I'd like to spend a few minutes talking about growth and community count. During the fourth quarter, our community count increased 7% year-over-year and 6% sequentially, as we continue to focus on growth in our existing and new markets. We expect our Q1 community count to be about 5% lower than year-end 2021.

However, community count will start to increase in the second quarter, and we should end 2022 with a low double-digit increase in community count year-over-year. While supply chain issues and inspection delays are impacting the timing of some community openings, we are in an excellent position for strong growth in 2022.

Our land pipeline remains robust, with plenty of land in the queue to meet our goals

over the next several years. We continue to see good buying opportunities in all of our markets, and are confident this pipeline will produce strong community count growth for the next several years as we pursue deals to backfill beyond the near-term deals that are already owned and controlled.

We are also pleased with the excellent progress we made on our land-light strategy, as evidenced by our year's own supply of home sites improving to our previously stated goal of three years at the end of the fourth quarter, from 3.5 years last year, and our controlled home site percentage increasing to 59% from 39% for the same periods.

Equally important, these improvements were achieved while growing our overall owned and controlled land position by 44% year-over-year, with all of that increase in controlled home sites. Given the progress we've made, our new goal for 2022 is to end the year with 2.75 years of owned home sites, and with a 65% controlled position.

Our extreme focus on a land-lighter model, generated significant cash flow during the quarter. We ended the quarter, as Stuart said, with \$2.7 billion of cash, no borrowings on our 2.5 billion revolver, and this was after repurchasing just under \$1 billion of our common stock, and paying off \$850 million in debt.

I'd like to thank our team of great associates across the country for their focus and solid execution to make all this happen. Now, I'd like to turn it over to Jon.

Jon Jaffe:

Thanks, Rick. I'll now give an update on how we managed through the impact of supply chain disruptions in the fourth quarter, and how we have planned for managing through them in 2022. As Stuart noted, we've had to deal with our fair share of disruptions. Similar to the third quarter, these disruptions are affecting different trades at different times and in different geographies. They are intermittent and they continue.

It continues to be a game of whack-a-mole that creates stress and uncertainty to an already strained labor base, as materials often do not show up when expected. In the

fourth quarter, the supply categories that were most impacted on a national basis, were garage doors, windows, paint, HVAC condensers and flex duct, and cabinets.

Regionally, there were a variety of disruptions in the delivery of materials and or the availability of labor. On average, this increased our fourth quarter cycle time by an additional two weeks from the third quarter, bringing the year-over-year increase to a range of four to six weeks.

Despite these disruptions and the associated increase in cycle time, the team at Lennar still managed to deliver approximately 18,000 homes in the quarter as expected. This was in large part due to a record number of starts in our second quarter of 19,500 homes, to ensure we had enough inventory to meet our delivery goals.

Additionally, the extraordinary supply chain, purchasing and construction teams at Lennar, have never been better coordinated, and are managing their scheduling on a day by day basis, in partnership with each of our trade partners. We continue to work with our partner to solve issues in real time, as well as planning ahead for our future demand needs.

Examples of the strength of our strategic trade partnerships is when we had to take business away from our primary garage door manufacturer that constructively worked with us to move the business over to another vendor. When our major cabinet manufacturer fell behind due to labor and material shortages, they opened their factory for us on a weekend to manufacture 350 homes worth of cabinets in order to catch up.

These are just two out of many examples where we and our valued trade partners found solutions to the challenges of the current environment. Our decades long platform of Everything's Included continues to be a strategic advantage in lessening the impacts of the supply chain shortages. It's a simple program with fewer SKUs to manage, allowing us to plan ahead and order our material needs far in advance.

As discussed in prior quarters, we are in our sixth year focusing on being the builder of choice for our trade partners. This program has successfully created close-knit

relationships with our strategic building partners, allowing both parties to be nimble in adjusting to these disruptions.

We believe our strategic relationships have allowed us, together with our partners, to learn lessons from 2021 so we can be better prepared for 2022.

We have been meeting with our key partners, along with additional new partners, to allocate projected 2022 volume as opposed to just prioritizing available volume. This way we identify potential gaps in availability upfront, allowing for proactive versus reactive solutions.

We have completed about half the categories and will complete the remaining ones in the next few weeks. We've added manufacturing and trade partners in key categories to ensure availability along with a continuous process of simplification through ongoing SKU reductions.

Lastly we have secured alternative distribution solutions to provide safety stock of certain commodities and short supply materials. We believe the combination of all these efforts will allow for the stabilization of the supply chain in the back half of this year.

Turning to the construction cost impacts on our fourth quarter closings, they were primarily from the lumber increases taken earlier in the year that are now impacting costs as homes close. In the fourth quarter costs were up \$6.78 per square foot over the third quarter and lumber accounted for \$4.18 cents of that increase.

We will still see increased costs from lumber in our first quarter deliveries. But starting in Q2 and through Q3, we will benefit from lumber cost reductions.

We experienced cost pressures in Q4 in other material categories and in labor that will start to flow through closings in the second half of 2022.

On a final note. As Stuart mentioned, Rick and I recently spent six weeks on the road visiting communities and construction sites in each and every one of our markets. While we knew what to expect in terms of the supply disruptions and labor shortages

that we would see, it was important for us to experience this firsthand so we can most effectively manage through this environment.

Importantly, this gave us the opportunity to meet with our teams and trade partners in the field to listen to their ideas and shake their hands to thank them for their incredible dedication and effort they give in delivering quality homes to our customers.

We can assure you that Lennar culture is alive and well and as strong as ever, we would like to take this opportunity to again thank all of our Lennar associates and trade partners for the incredible quarter that they delivered. Thank you. And I'll now turn it over to Diane.

Diane Bessette: Thank you, Jon, and good morning, everyone. Stuart, Rick and Jon have provided a great deal of color regarding our homebuilding performance. So therefore, I'm going to spend a few minutes on the results of our other business segments and our balance sheet and then provide detailed guidance for Q1 2022 and high level guidance for fiscal year 2022.

So starting with financial services. In the fourth quarter our financial services team produced \$111 million of operating earnings. Mortgage operating earnings decreased to \$77 million compared to \$125 million in the prior year.

As we've indicated for several quarters, the mortgage market has become more competitive with purchase business as refinance volumes have declined. As a result, secondary margins have been decreasing. This was the primary driver for our fourth quarter lower secondary margins as compared to the prior year.

Title operating earnings were \$30 million compared to \$28 million in the prior year. Title earnings increased due to growth in profit per transaction, partially offset by a decrease in volume driven by a reduction in refinance orders.

Quarter after quarter, our title team has been focused on automation and efficiencies, with the goal of driving higher productivity.

And then turning to Lennar Other, for the fourth quarter, our Lennar other segment had an operating loss of \$176 million. This loss was primarily the result of non-cash mark-to-market losses on our strategic technology investments, which totaled \$180 million.

As we have mentioned before, we are required to mark-to-market many of our technology investments that are publicly traded and that valuation will fluctuate from quarter to quarter. While the technology investments had downside with losses for this quarter, overall for the fiscal year, our investments provided approximately \$500 million of unrealized gain. In addition, and most important, our investments continue to add value to our core homebuilding operations.

And then turning to our balance sheet. For the quarter and the year, we focused on becoming land lighter. As a result at quarter end, we owned a 182,000 homesites and controlled 257,000 homesites for a total of 439,000 homesites. Our year supply owned decreased to 3 years from 3.5 years in the prior year. And our homesites controlled increased to 59% from 39% in the prior year.

We were also laser focused on generating cash flow, reducing debt and increasing returns as you've heard. Therefore, we ended the quarter with \$2.7 billion of cash and no borrowings on our \$2.5 billion revolving credit facility.

We also retired \$850 million of senior notes that were due in 2022 together with \$300 million of senior notes paid in the third quarter. We retired a total of \$1.15 billion of senior notes in 2021. Our next senior note maturity is \$575 million, which is due in November 2022. And we have no maturities due in fiscal '23.

Also during the quarter, we repurchased 10 million shares, totaling \$977 million, bringing the total repurchased for the full year to 14 million shares, totaling almost \$1.4 billion, or 4.5% of our outstanding shares at the beginning of the year.

Additionally, we paid dividends totaling \$76 million, which brings total cash returns to shareholders from dividends for the year to \$310 million.

The result of all these transactions was a homebuilding debt to total capital of 18.3%, which was down from 24.9% in the prior year. As you can see, our primary focus was

cash generation and capital allocation during 2021, but it's a continuation of a multiyear strategy.

During fiscal 2021, we generated almost \$3 billion of homebuilding cash flow. However over the past three years, 2019 through 2021, we generated about \$8 billion of homebuilding cash flow and allocated approximately five billion to debt reduction as our first priority, approximately \$2 billion to share buybacks and approximately \$600 million was returned to shareholders through dividend payments. And this focus will, of course, continue in 2022.

And just a final few points on our balance sheet. Our stockholders equity increased to approximately \$21 billion. Our book value per share increased to \$69.52. Our return on inventory was 27%, excluding consolidated inventory not owned. And our return on equity was 22.6%.

So with that brief overview, I'd like to provide some detailed guidance for the first quarter and then high level guidance for fiscal 2022.

So starting with the first quarter. We expect our Q1 new orders to be in the range of 14,800 to 15,100 homes. As you heard us say, as we continue to moderate sales pace to match production cycle changes, this is consistent with the approach we have taken for quite a while.

We expect our Q1 inventory - I'm sorry, our Q1 ending community count to be about 5% lower than the end of the year 2021. However, community count will then increase in the second quarter. And we should end 2022 with low double digit year-over-year growth.

We believe our Q1 deliveries will be around 12,500. But similar to last quarter, this estimate has some plus or minus to it because supply chain challenges continue to bring a great deal of uncertainty.

So the final number of homes delivered will be dependent on outcomes to the supply chain challenges, which of course we are navigating each and every day.



Our Q1 average sales price should be about \$460,000. And we expect our gross margin to be around 26.75%, which reflects the impact of peak lumber prices from last year and less field expense leverage. We expect our SG&A to be between 7.8% and 7.9% as we continue to focus on simplification and efficiencies.

Now I will note again that gross margin and SG&A estimates will move up or down a bit depending on the number of homes delivered. And for the combined category of homebuilding joint venture, land sales and other categories, we expect a loss of approximately \$5 million.

Looking at our other business segments and other additional items, we believe our financial services earnings for Q1 will be in the range of \$85 million to \$90 million as market competition for purchase business continues. We expect a loss of about \$10 million for our multifamily business.

And for the Lennar Other category, we expect to be about breakeven. But remember, this guidance does not include any potential mark-to-market adjustments to our technology investments. This will be determined by their stock prices at the end of our quarter.

We expect our Q1 corporate G&A to be about 2% of total revenue. Our charitable foundation will be based on \$1,000 per home. And we expect our tax rate to be approximately 25%. And the weighted average share count for the quarter should be approximately 297 million shares. And so when you pull all of this together, this guidance should produce an EPS range of \$2.54 to \$2.57 per share for the first quarter.

And then turning to the full year 2022, we expect to deliver approximately 67,000 homes with an average sales price of about \$460,000. This would result in about \$31 billion of homebuilding revenue, which should be an increase of approximately 20% from fiscal 2021.

We expect our full year gross margin to be in the range of 27% to 27.5%. And with our continued focus on technology and efficiencies, we expect our fiscal year SG&A to decrease to the range of 6.8% to 6.9%.

We believe our financial services earnings will be in the range of \$440 to \$450 million as market competition continues. And finally our tax rate should be approximately 25%.

And so as we continue to execute on our core operating strategies, maintain a strong balance sheet and remain focused on cash flow generation returns, we are well-positioned to have a strong fiscal year 2022.

Before I turn it over to the operator, let me take a moment to thank our finance teams, accounting, planning and all others involved. Our earnings release went out yesterday, 15 days after year end and we are hosting our earnings call today, 16 days after year end.

We've been holding our quarterly calls within this general time frame for over a year. Although the time frames have been consistent, make no mistake, the work has continued. Our goal is to not be satisfied with what has been accomplished but rather to make incremental progress through automation and efficiencies each and every quarter while we compile and report our actual or forecasted results.

The incremental progress is the result of a lot of hard work. So congratulations, team, and a sincere thank you for what you've accomplished this year. And with that, let me turn it over to the operator.

Coordinator: Thank you. We will now begin the question and answer session of today's conference call. We ask that you limit your question to one question and one follow-up question until all questions have been answered.

If you would like to ask a question, please unmute your phone, star 1 and record your name clearly when prompted. If you need to withdraw your question, you may use star 2. Again that's star 1 to ask a question.

Our first question comes from Susan Maklari from Goldman Sachs. Please go ahead.

Susan Maklari: Thank you. Good morning, everyone, and congrats on a great quarter.

Stuart Miller: Thanks.

Susan Maklari: My first question is really, you know, thinking about the positive setup that you described, Stuart, against supply relative to demand, you know, that against the guide that you've given us for 2022.

Can you kind of walk us through a bit and maybe talk through where you see the potential for upside and downside within that and especially maybe as we think about the upcoming selling season and how you're thinking about some of those pieces coming together?

Stuart Miller: Sure. Before answering the question, I just want a second Diane's congratulations to the finance team with David Collins sitting here. A lot of hard work goes into getting the year and quarter closed and they're doing a great job.

But let me answer that, Susan. You know, the reality that we're seeing in the field as we have come to our yearend and even as we go into December is the market remains strong. The traditional seasonality is coming back. But still relative to that seasonality, we're seeing basic strength in the marketplace.

The constraining factor right now is the production cycle. And we have been decidedly focused on matching our sales pace with that production cycle, recognizing that we're going to maximize execution and bottom line by keeping those two pieces in parity.

So as we think about the upcoming selling season, it is feeling to us as we look at the market, as we look at week by week sales, traffic, demand, it is feeling to us that this is going to be a very, very strong selling season.

It is going to be more of a traditional selling season. A traditional selling season in that as we get to the end of February, March, we expect to see even more of a pick-up. But make no mistake, it's strong out there right now.

With that said, the production cycle, as I've noted, the cycle times have been extending through the quarters. We're cognizant of that. We recognize that it's a bit of, as Jon said, Whac-a-Mole out there. One day its garage doors. Another day it is windows or paint.

And that kind of configuration is, at least in our world, starting to feel like we're stabilizing it. I noted our purchasing team and the work that they have done around our builder of choice programs, our Everything's Included programs, working to really stabilize that purchasing side and the logistics side of our business.

And as we go forward, I think you're going to see that parity, that pairing of production cycles stabilizing and high demand in the marketplace start to move things towards what I think is going to be more of an upside in 2022. And we'll just have to wait and see if it plays out that way.

We've clearly conservatised some of our numbers to recognize the landscape that exists today. And we'll see how the market plays out as we go forward.

Susan Maklari: Okay. That's very helpful color. Thank you. And my follow-up is, you know, shifting to capital allocation, you know, and appreciating all the detail that Diane gave in her commentary around that.

As we sort of look out and we think about, you know, the community count growth and obviously the overall growth that you're sort of building and ramping the business to, can you talk about how you think about, you know, also balancing that with the shareholder returns and improving the overall return profile of the business even as you kind of aim for a faster growth pace?

Stuart Miller: What is it that you wanted me to compare to? I missed that part, the first part.

Susan Maklari: Well, just sort of thinking about, you know, as you are obviously investing for growth going forward, right, but at the same time it seems like you're a lot more focused on shareholder returns as well and thinking about, you know, the considerable buyback you did this quarter, how should we think about that going forward and your continued diligence and dedication to the shareholder return piece?

Stuart Miller: Okay. So, you know, look. I think, you know, we've made it clear in the past and I think our fourth quarter performance relative to share buyback made it even more clear we're in a cash generation mode. We are clearly generating a lot of excess cash and we're not shy about opportunistically jumping into the market and making strategic purchases.

I think that you can expect that to continue as we go forward. We're laser focused on returns. We're very focused on bringing our asset base down as we amp up our bottom line returns.

And I think that, you know, you've heard that as a strategic message. You're going to see it over and over again in execution. And I think that there's a balance. We're going to pay down debt. We're going to limber up the balance sheet. You can expect that we're going to pay down the debt that's coming due over the summer, what is it, 575?

Diane Bessette: 575, yes.

Stuart Miller: \$575 million. We're going to pay that out of cash flow. But we're going to continue a stock buyback program as we, you know, focus on those bottom line returns.

Susan Maklari: Got you. Okay, thank you. That's very helpful. And good luck.

Stuart Miller: Okay, thank you.

Coordinator: Thank you. Our next question comes from Truman Patterson from Wolfe Research. Please go ahead.

Stuart Miller: Good morning.

Truman Patterson: Good morning, everyone, and thanks for taking my question. I appreciate it. Stuart, in your prepared remarks I believe you were talking about the SpinCo being somewhat asset light. And I think you even mentioned potentially liquidating a portion of it.

Is the asset spin still going to be about \$5 billion to \$6 billion? And then, you know, in tandem with your targeting 65% option land by, you know, the end of this year, where do you think this could go after the spin, you know, 80% plus and, you know, with that, I'm kind of thinking just longer term, you know, over the next two, three years. I mean, is there any possibility maybe you're getting maybe 80%, 90% option land?

Stuart Miller: So we're going to take that in stride and let's play that out over time. I don't want to get out over my skis. Your first question relative to the SpinCo, we have been, look,

as we've configured SpinCo, we've gone back and forth on an asset heavier, asset lighter approach. We think that in terms of defining the company going forward, our best program going forward is an asset light approach to SpinCo.

That means that many of the assets that we've targeted at the outset will end up either in AUM or we will liquidate in orderly course on the Lennar book. It's still the same basic configuration of asset base.

We've just been - you know, it's all been about turning assets into cash and deploying the cash or deploying the assets so that we lighten up our inventory and we end up with a spun ancillary business program that enables our pure play focus on homebuilding and financial services.

So it's kind of a zero sum game. The asset base is still the same. It's just where the assets are going to fall. Are they going to fall: balance sheet, AUM or liquidation? And all of it is going to basically solve to the same equation.

Truman Patterson: Okay. Okay. And for my follow-up question, you know, you all, I believe, are guiding to low double digit community count growth in '22.

Over the past four quarters, you have been starting about, you know, 4.5 to 5 homes per community per month. Are you pretty comfortable with this range going forward as you open more communities just, you know, given all the constraints in the market?

And, you know, hypothetical, internally, do you have the active land and labor available to possibly move above that range? If, you know, the material supply chain begins, you know, improving throughout 2022?

Stuart Miller: Let me invite Rick and then Jon to weigh in on this.

Rick Beckwitt: Yes, so on the community count, I think, as I said in my remarks, we're really well-positioned right now. You know, while we'll dip a little bit in Q1, it's really just a timing issue. It's tough to map some of these things out over a 12 or 24 month time frame. But we will see solid growth in the back half of this year, starting in Q2.

And based on our land pipeline, we're pretty comfortable that we'll see continued growth in '23. As I said, you know, we increased our overall owned and controlled pipeline land position by 44% year-over-year. That's a lot of work from our teams .

And all of that came from - all of that real increase came from, you know, option contracts. So it's remarkable repositioning and changing direction of the ship, all during a time period where we're really driving growth. I'll let Jon talk about the start space because I think we're pretty comfortable.

Jon Jaffe: Yes. We're very comfortable that we'll be able to look at '22 as an increase in starts over '21. We saw some of that typical seasonality with Q2 being our strongest start quarter.

But I think, as we look across our platform, we are well-positioned with our relationship with our trade partners to be able to manage a very healthy start pace. And to the extent that we do see more stabilization relative to the supply chain, I think what you'll see is a tightening of the cycle time more than an increase in start pace.

So we're already planning on maintaining a very disciplined approach to our start pace. What we will pull in is the cycle time from the extended periods that we're seeing now.

Truman Patterson: Okay. Thanks for that and good luck on the coming year.

Stuart Miller: Thanks.

Coordinator: Thank you. Our next question comes from Mike Rehaut from JPMorgan. Please go ahead.

Mike Rehaut: Thanks. Good morning, everyone, and thanks for taking my question or questions. You know, first just on the gross margins, you know, I think, you know, the guidance initially last night, maybe earlier this morning, caught some people off guard, you know, with the first quarter down sequentially.

Certainly it is consistent, though, with, you know, before '21, you know, you had a consistent sequential decline. I was hoping to delve into number one, if you could

kind of break out, you know, perhaps what was the incremental negative headwind in terms of lumber?

I believe you mentioned that you expect peak lumber costs in the first quarter, you know, versus just the, you know, reduced overhead leverage. And as you think about the full year guidance, I think more importantly even, what are some of the drivers there in terms of upside or downside and, you know, the lumber cost assumption for the back half of the year?

Stuart Miller: So let me start by saying that our margins are very strong. When you look at the first quarter, you're basically looking at peak lumber and you're getting to the edge of peak lumber as we fall into the second quarter where it really starts to moderate. And number two, you're really looking at leverage relative to field expenses.

So, you know, you see a little bit of a minor down in the first quarter, but our margins are still coming in at a very strong level. And you see that in our look forward to 2022.

And you know, I would just say that, Mike, relative to looking ahead, it's always difficult to look out numerous quarters, particularly in a market where labor and materials and logistics are moving around.

You know, I think that we feel pretty optimistic about our margins as we go forward. And I think you see the beginnings of that reflected in our yearend or our total year 2022 projections or forecasts. Jon, do you want to weigh in?

Jon Jaffe: I think you pretty much covered it. The peak price of lumber will hit us in Q1 and then we'll start benefiting from, you know, significantly lower prices.

And if you follow what's happening with lumber now, we'll probably see some uptick as we look at lumber purchases in the first and second quarters, that will impact some of the back half of the year, but likely offset by what we spoke about in terms of a very strong spring selling season, which should increase our ASP to offset that.

Mike Rehaut: All right. Okay. No, no. That's helpful. Thank you for that. Secondly, if I could, just a couple of clarifications on earlier questions. Number one around the share



repurchase, you know, it seems like you have a lot less wood to chop in terms of debt paydown this upcoming year.

At the same time, you know, presumably you'd have a higher amount, equal to higher amount of cash flow, everything else equal that would point to potentially a greater amount of share repurchase in '22. I just want to make sure I'm thinking about that right.

And just lastly on the spin that it did sound like, you know, an answer to Truman's question. You're kind of still expecting to offload about \$5 to \$6 billion of assets one way or another, if I heard you right.

Stuart Miller: Okay. So the answer to question one is, as I noted, we will continue to buy back stock on an opportunistic basis. I don't think there's any flaw in your thinking as to order of magnitude of cash flow and how we're situated to be able to do that.

I don't want to speak specifically about stock buybacks. I don't want to kind of lay out a roadmap, but we're going to do that opportunistically. And we have significant cash flow as we look forward.

You know, as it relates to number two, the answer is yes. That's the answer that we gave. I basically laid out three buckets. It's either going to be balance sheet for SpinCo, AUM within SpinCo or liquidation with cash flow enabling greater stock buyback. And that's how we're focusing on it.

Mike Rehaut: Great. Thanks so much.

Stuart Miller: Okay, Mike.

Coordinator: Thank you. Our next question comes from Stephen Kim from Evercore ISI. Please go ahead.

Stephen Kim: Yes. Thanks a lot, guys. Lots of good info here. I wanted to start by talking about the supply chain and your cycle time. So if we just did this ratio, we compared your Fiscal '22 Closings Guide, Full Year Closings Guide, to what you actually did in this past fourth quarter. And we've looked at that, you know, through time.

And what we see is that your guide is assuming a ratio or a multiple of 4Q '21 closings. That's, you know, pretty consistent with previous years. But given how unusual and crazy the, you know, the supply chain was in 4Q and your earlier comments that you think that it's going to start to get better, I'm kind of curious why you're not expecting that you could close more homes relative to what you just did in the 4Q than in prior years.

And then at a higher level, once your cycle times do stabilize or even contract, I'm curious how you're going to balance orders relative to your production. Like, should we expect to see order growth re-accelerate while your backlog turnover, you know, stays kind of low? Or should we expect to see your turnover rates increase and your order growth continue to remain constrained for a while?

Stuart Miller: Jon, Rick.

Jon Jaffe: So I think, Steve, we've just taken a straight shot look at what we know today about our cycle time and projected, you know, production. As I said in my response to the prior question, if we do see the stabilization, I think what you'll see is a reduction in our cycle time versus, you know, a material pickup in our start pace.

And if that does happen, should lead to a pickup in closings. You know, relative to the sales, as Stuart has commented, as Rick commented, we see a very strong sales environment.

So to the extent that we change our start pace, not our closing pace, but our start pace, we would adjust our sales pace to match that. But as I said, I don't see a lot of upside in terms of increasing start pace. So I would think our sales would remain pretty consistent with the way that we planned them.

Stephen Kim: And then price will just be the thing that sort of, you know, equalizes it.

Jon Jaffe: Right.

Stephen Kim: Kind of like what happened last year and...

Jon Jaffe: And just don't see any reason to sell ahead of how we're starting homes.

Rick Beckwitt: Yes.

Stuart Miller: Rick.

Rick Beckwitt: We could sell another thousand homes in the quarter if we wanted to without too much effort. Just doesn't make sense to do that. Jon and Stuart are exactly right. Doesn't make sense to get over our skis. But we're good skiers. The market starts to improve a little bit and the supply chain normalizes itself out, we'll close more homes. You know, that's just the reality of the situation.

Stuart Miller: So Steve, let me just add to this and say at the end of the day, the math would indicate, just simple math would indicate that you're right. We've pushed some closings from 2021 into '22. We've increased starts through the year. And there should be higher closings and opportunity to sell kind of as we go forward. The choppiness of the supply chain really tells us to stay on the conservative side until we see what the market actually does and how things actually play out.

So if you just sit down and look at the math, I understand your question. It's an excellent question. But if you look at the way the market is playing out and how cycle times are moving, and that the whack-a-mole kind of environment that we're in, we're just going to let it play out and not get over our skis, as Rick says.

Stephen Kim: Yes. Makes perfect sense. And I believe you actually used a derivative of conservatism in your opening remarks. I think you said you conservatized some assumptions in your guidance.

And so I wanted to pull on that thread a little bit, that conservatism thread. Last year, your gross margin ultimately exceeded your initial guide by about 300 basis points.

And despite the fact that there was this massive unforeseen spike in lumber costs and scrambling costs from the supply chain and all that. And so, you know, you've addressed lumber a little bit in the fact that the first quarter is going to have, you know, a little bit of a headwind. I assume you meant by that that the \$4.18 increase is going to be bigger year-over - bigger than in the first quarter. I just want to confirm that. Maybe, Diane, you can confirm that.

But then the other big part of it is home price, right. So nationally, home prices look like they're still rising at about 1% a month. You just mentioned that you think a strong selling season is going to drive your ASP higher. But your ASP guide for, you know, the Full Year 2022 is actually below the order price that you booked this quarter.

And I'm wondering if there's anything specific that is driving that or, again, if it's just conservatism incorporated in your outlook.

Stuart Miller: So.

Rick Beckwitt: You know, sort of that's mix.

Stuart Miller: Let me just say, and I'm sorry, Rick, for stepping on you. But let me just say that we are a little bit shy about projecting too much ASP growth. And I think that, you know, it's going to be interesting also to see what happens with interest rates, which I don't know how to factor in either right now. I kind of like what we're looking at and what we're projecting. I feel pretty good about our ability to accomplish and maybe exceed some of those metrics.

Rick, I stepped on you. I apologize.

Rick Beckwitt: Yes. And I would - I agree with exactly what Stuart said. There's a good feel in the market. You know, as I walk through the markets, there's market strength in all product categories. Where we're seeing strength, it's all about getting the homes built and reducing that cycle time. Sales price, we have good room in sales prices. Some of the ASP is, you know, a higher percentage of deliveries in the Texas markets, which are a little bit lower-priced markets.

But we'll see how the year progresses.

Jon Jaffe: And then Steve, answer to first part of your question is, yes, Q1 should be the peak lumber prices. And by the end of the quarter, we'll start to see them fall. But overall for the quarter, it'll be up from the fourth quarter.

Stephen Kim: Okay. Thank you very much, guys. Appreciate it.

Stuart: Thank you, Steve.

Coordinator: Thank you. Our next question comes from Alan Ratner from Zelman & Associates. Please go ahead.

Alan Ratner: Hey, guys. Good afternoon now. And thank you for taking the questions. You know, first, I'd love to expand a little bit on that pricing conversation you just had with Steve. You know, I totally understand the conservatism there, not wanting to get too bullish, especially with the uncertainty on the rate environment. But, you know, if I look at your '21 pricing, while you guys obviously grew prices at a very nice rate and certainly, you know, based on your margin, it looks like you took advantage of the strong pricing environment, the growth was a little bit less than, you know, some of the other builders.

And I'm curious if there's any - you know, when you look at your business on the pricing side, are there any actions you guys are taking, you know, recognizing affordability constraints where you're trying to offset maybe apples-to-apples price gains with either building smaller square footage product, maybe moving out into some more affordable sub-markets as a way to keep your product more affordable or am I reading too much into that and you'll tell me, no, it's just, you know, mix of deliveries from quarter-to-quarter?

Stuart Miller: Rick.

Rick Beckwitt: Well, it's a combination of all those things. As we move out to some other markets that are a little bit further out, those are generally lower priced compared to, you know, sort of the more infill stuff.

We are adjusting and building a smaller footprint in many of our markets. And you know where Jon and I constantly balance with the team, pace and price. And you'll continue to see good ASP growth.

Jon Jaffe: And I think also, as Rick mentioned earlier, I don't think it's a quarter-to-quarter mix as much as Rick and I and the divisions have been very focused on driving down the price curve as you deal with affordability. So we are consciously trying to produce

product that is smaller, more affordable, as well as a significant focus on picking up our market share in Texas, which does drive that ASP.

Alan Ratner: Perfect. Thanks for that, the color there, guys. Second question on the land strategy, the lot count, you know, you guys highlighted the 40% plus growth and in total lots controlled. And you know, you're not necessarily unique in that standpoint. I think, you know, the public builders as a group are probably up 30%, 40% year-over-year. So clearly, there's been a huge push for tying up more land.

And, you know, on one hand, it's all tied up through option contracts, which is great because it's obviously capital efficient. But on the other hand, you know, it doesn't seem like the market's going to be capable of delivering that type of growth anytime soon. So, you know, effectively, the way I look at it, the tail of your land supply is effectively continuing to grow unless we could just see, you know, these huge bottlenecks resolved here over the next year or two.

And, you know, while it's off-balance sheet, you still do have a billion dollars more of capital tied up in option deposits today than you had five or six quarters ago. So it's not completely, you know, asset-free or capital-free.

So I'm just curious, you know, should we expect that growth to maybe start slowing here, or are you comfortable effectively growing that tail because you want to have your kind of arms around all corners of the market for when the market does resolve itself from these constraints?

Stuart Miller: Look, I would say, Alan, that on an overall, you know, for all homebuilders basis, the math and your questions probably hold water. And the positive side of that is this market is not going to enable there to be a sizable overbuilding, which has been an overhang in past cycles.

On the other side, I think that if you look at our land strategy and programming, I think that the land market is definitely constrained. And but I think that given our position in our strategic markets, we're just going to be able to outperform. And I think that we're really positioned to be able to do that.

Rick, you want to weigh in on that?

Rick Beckwitt: I feel very comfortable with what we've done. Feel incredibly comfortable and pleased with the relationships that we've established across the U.S. with just some incredible land folks, regional developers.

And that's what's really propelling this. It's given us an opportunity to get involved with some larger communities that are battleship communities that will have multiple price points and products going at various points in time that have the ability to feed on themselves. Just really couldn't be more pleased with where we are right now.

Alan Ratner: All right. Thanks a lot, guys. I appreciate it.

Stuart Miller: Okay. Thank you. And let's make the next one last question, please.

Coordinator: Absolutely. Our last question comes from Matthew Bouley from Barclays.

Matthew Bouley: Thanks for squeezing me in here and congrats on the quarter.

So just a clarification around what's assumed in the guide related to supply chain. And you know, so you mentioned in the Q&A, you know that you're embedding conservatism in the guide.

But I think at the top, Stuart, you mentioned in the second half that you do expect some, I think you said, mitigation in the supply chain disruption. Just curious as you think about closings and community guide, you know, kind of what degree of contingency is built into that guide? Or is there an assumption within the guide that that supply chain does get better somewhat? Thank you.

Stuart Miller: So you're right. I did daylight that the second half of the year we expect to see some stabilization in the supply chain.

And if you - you know, what we basically daylighted is that it's self-imposed stabilization, meaning we've increased the number of starts in order to be able to accommodate the fact that the cycle time is expanded, deliveries are somewhat impaired. I think the supply chain disruptions, I can't predict what's going to actually happen in the field.

But what we've done is we've put buffers out there in increased starts, our Builder Choice Program working with our subcontractor base, our building partner base to activate kind of safeguards and programming to enable a better delivery system and logistic system.

And additionally, our Everything's Included Program really reducing the number of SKUs in our product offering is working to our benefit and helps with our Builder Choice Program to really create embedded buffers that I think are going to really position us well in the second half of the year.

So your question is what kind of conservatism have we injected. I think that we're kind of expecting more of a steady-state program through the year. We're certainly not getting over our skis and expecting that everything will stabilize and rise to the level of perfection as we get to the second half. I can't give you a number in that regard.

But conceptually we've taken a conservative approach to looking to the remainder of the year. But we think that the market is going to stabilize, at least on the supply chain side.

Matthew Bouley: That's great color. Thank you for that, Stuart. And then last one on the gross margin guide, just to clarify the cadence here assuming, obviously, the normal step-down in Q1 with fixed field expenses.

And, you know, simply looking at the math for getting to the full-year guide, it's almost like assuming a normal leveraging of your fixed expenses as you go through the year without really much else that different, and simply doing the math.

So I'm just curious between - you mentioned clearly lumber tailwinds emerging as you get the Q2. I'm wondering if there's any other pressures to the gross margin that we should be aware of. You know, Rick you just mentioned more mix to Texas, lower-priced homes, for example, or perhaps the mix of delivering option lots. Just what other headwinds might be part of that gross margin guide? Thank you.



Stuart Miller: Well, look, I think that you have a number of crosscurrents in just the cost side of the equation. Yes, lumber is moderating and we're going to bypass the first quarter's peak.

But at the same time, you have pressures from labor and materials in other areas that are clearly offsets to the benefit that we'll get from the lumber reduction.

So, you know, the cost side of the equation is moving around. We'll still have to see where ASP goes and you're correct that you know, when you start to normalize our field expense and lumber starts coming down there, there's somewhat of a gap in some of our numbers. But we're going to have to see how that gap's filled by the other traditional areas where costs are going up.

Don't underestimate what's happening in labor. In a constrained labor market you got to pay more and sometimes to get things done, you've got to pay a lot more. Same thing on logistics. So that's what's happening in the field right now. You can't predict it. All we can do is lay out our expectations. And that's what we've done.

Matthew Bouley: Great. Well, thanks, good luck and happy holidays.

Stuart Miller: Okay, same to you. Thank you very much. So let's leave it there. Thank you, everyone, for joining us. We look forward to reporting 2022 to quarter-by-quarter. And we expect a very positive record-breaking year for 2022. Thank you.

Coordinator: Thank you all for participating in today's conference. You may disconnect your line. And enjoy the rest of your day.

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