

LENNAR CORP**June 17, 2021****10:30 a.m. EST**

Operator: Welcome to Lennar's second 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.

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

Stuart Miller: Good morning, and thank you, everyone. So, this morning, I'm here in Miami with Rick Beckwitt, and Jon Jaffe, our co-CEOs and co-presidents, Diane Bessette, our Chief Financial Officer, David Collins, Our Controller and Vice President, Bruce Gross, CEO of Lennar Financial Services, and of course, Alex, who you just heard from.

It's been a while since we've done an earnings call together, all together, but we're all

here and happy to be returning to normal. So, today's call is pretty straightforward. So, we'll try to keep our remarks as brief as possible, and leave time for your questions. I'm going to give a macro and strategic Lennar overview. Rick will talk about market strength, community count, and our growing single-family for rent strategy.

And Jon will update our just-in-time land strategy, supply chain production, and construction costs. As usual, Diane will give detailed financial information, highlights, and guidance, and then we'll attempt to answer as many questions as possible. Please limit questions to just one question per customer, and one follow-up.

So with that, let me start, and I want to start my remarks today with a big shout-out to the entire Lennar operating team. There is simply no way to report our quarterly results without starting with the engine that produces those results. The market conditions have made these the best of times in the housing market. These times have their challenges as well.

Performing in these best of times is hard, grinding work that requires the coordination of a first-class, hands-on and engaged management team, working in close partnership with extraordinary associates, who care deeply about our customers and our company, and leave nothing on the field in achieving those results.

I'd also like to give a very special shout-out to one person in particular, and that is our Chief Operating Officer, Fred Rothman. It is noteworthy that Fred is not with us here in the room today. This is because he's probably out in one of our divisions, listening with the management team there. He's connecting the dots between their performance and the performance of the company, and the articulated strategies of the company. He is with the people.

Recently, we had a Fortune Magazine article written about the company. Fred wasn't pictured nor interviewed, because he was busy, out with the people that make things happen. In fact, Fred is the every-person of Lennar, not pictured, not interviewed, no limelight, no fanfare, just heads down, doing the work that makes this company great. Thank you, Fred. You make us proud.

The associates of Lennar, from Home-building to Financial Services, to LEN^x, to the outer reaches of our ancillary business segments, perform the impossible on a regular basis. They care for all of our core constituents: our customers, our shareholders, our building partners, and our community, as well as caring for each other.

The harmony and camaraderie at Lennar, is in itself a real source of pride, and it drives us all to excellence in our business, to innovation, to stay at the cutting edge, to integrity in everything we do, to shared prosperity across our communities with our money and our time, in coordination with our Lennar Foundation.

I know I join everyone in this room today in saying a big thank you to our associates, and telling our shareholders, bondholders, analysts, and investors, that we here in this room, are proud to have the privilege to present their results to you today.

Now, as I've already noted, from a macro perspective, the housing market remains very strong, as these are the best of times. Demand has continued to strengthen, while the supply of new and existing homes has remained constrained. New home construction cannot ramp quickly enough to fill the void of the production deficit that has persisted over the past decade.

And while some question whether that deficit is one million homes or five and a half million homes, the bottom line is that supply is short. Land, labor, and supply chain, are all limiting factors in the drive to meet current demand. So, supply is short, and is likely to remain that way for some time to come.

Even though home prices have moved much higher, and interest rates have moved slightly higher, overall affordability remains strong. Interest rates are still lower than they were a year ago, and personal savings for deposits are strong. Wages seem to be rising faster than monthly payments. Millennials are moving out of their parents' homes and forming families. Apartment dwellers are finding a first-time home, and demand is strong and growing.

Yesterday's first-time homes are selling at higher prices, and that equity is enabling

first-time move-ups. Yesterday's move-up home is selling at a strong price, and with increased equity, enabling customers to consider and purchase a larger home. The upward spiral of a strong housing market is in full swing.

Additionally, the iBuyer and single-family for rent participants, are providing additional liquidity to the marketplace to purchase and sell homes, as they evolve and provide ever more frictionless transactions. They are also solving important industry problems that have needed solutions for a very long time.

The iBuyers, led by Opendoor, are becoming more than just a home sale option. They are an ever more effective and instrumental convenience provider, as the coordination of the closing of a new home is being complicated by supply chain disruption. Expected closing dates move, and the customer - and customer plans are disrupted. The fragile dance of selling an old home, while closing on a new home, becomes frustrated by these delays.

Opendoor and other iBuyers have developed flexibility programs that are designed to bridge that gap and simplify unpredictable delays. The iBuyer value proposition is more compelling than just a ready and convenient homebuyer. It is becoming the core of a coordinated closing without double moves or double housing costs. The convenience factor is becoming a real value proposition in and of itself.

The single-family for rent participants are making a single-family home lifestyle accessible to more families, to working families. Although higher home prices have exacerbated the well-documented affordability crisis across the country, the solution is to build more homes, and make a growing portion of that housing stock, available for more families to rent, if they can't meet the requirements for homeownership.

This is simply a social equity program that enables better housing for more families, and more diverse families, without weakening the mortgage market. Professional ownership of homes, enables renters to access a single-family lifestyle, while they build the credentials to own, and while commercial and professional owners manage the risk profile. Better housing for families, produces better outcomes for families, and the industry is rewiring to make better housing accessible and affordable for more

families. Rick will cover this in more detail shortly.

The housing market is not only very strong, but it is also going through some very interesting structural changes that will promote stability in the market, and extend housing benefits to the breadth of a diverse society. The iBuyer space, promotes liquidity, frictionless transactions, and enables mobility.

While professionally owned single-family for rent, is providing workforce housing, with social equity and upward mobility that has never existed before. These changes will also act as circuit breakers for the cyclical nature of the housing market in the future. But for now, the housing market is strong, while it is evolving in some very constructive ways.

So, in the context of very strong overall market conditions, Lennar's very strong second quarter results, reflect a lot of hard work, and a consistent and focused strategic plan. We remain focused on orderly, targeted growth, with our sales pace tightly matched with our pace of production. We have limited growth at the topline while in favor of an even greater growth at the bottom line.

We focused on gross margin by selling in step with production, while controlling costs and reducing our SG&A. we have built a just-in-time delivery system for land at the front end, and we have built a just-in-time delivery system for finished homes at the back end with our single-family for rent program.

We have focused on cash flow, debt reduction, and stock buyback, land owned versus controlled, return on capital, and return on equity, and of course, on innovative technologies. And we've carefully managed an already stressed supply chain, by maintaining our delivery targets for the year, rather than increasing them, while we focus on delivering high-quality homes to our customers. All of this strategic focus shows through in our second quarter results, and will carry throughout the year and into 2022.

In the second quarter, we grew our deliveries 14% year-over-year, and grew revenues 22%, which drove a net after-tax income increase of 61%, and an after-tax

pre-extraordinary item increase of 79%. Our bottom line increase is driven by our second quarter gross margin of 26.1%, versus 21.6% last year.

And as noted in our press release, we expect our deliveries for the year, to be consistent with prior guidance, given the stress supply chain, while our gross margin continues to grow consistently throughout the year. At the same time, we remain focused on improving our operating efficiency, driving our SG&A down to a second quarter all-time low of 7.6% versus 8.3% last year, and driving our net margin to 18.5% this year, versus 13.3% last year.

Alongside our homebuilding operations, our Financial Services Group, has continued to exceed all expectations, with \$121 million of earnings contribution, in part due to excellent secondary market execution. The consistent performance beat from this group, however, continues to be driven by constant work and rework of the cost structure, even while costs are going up generally.

Together with our asset-light focus, strong gross and net margins, and financial services execution, we are driving significantly higher cash flow, which is driving balance sheet improvement as well. In our second quarter, we achieved our 50% owned versus controlled land ratio goal, two quarters earlier than expected, and we reduced our land supply to 3.3 years, from 3.9 years last year. All of these events drove our balance sheet to a 23.1% debt to total capital ratio, with almost \$2.6 billion of cash, and zero borrowed on bank line.

Let me briefly focus attention on return on equity, return on capital, and our inventory turn. I've noted to many of you that we remain very focused on cash flow, returns, and inventory returns, and we have. Our return on equity stands now at 18.8%, which is 550 basis - a 550-basis point improvement over last year. Our return on capital is now 15%, and a 500-basis point improvement. And our inventory turn, which is just starting to move, now stands at one time turn, which is up from 0.9 last year.

While the land - while Diane will give more detail and our guidance in her comments, it's important to note that these components are squarely in our focus. They continue to make a compelling case for multiple expansion, and they are at the top of our

mind, as we consider, configure, and size our proposed spinoff. These dramatic points of improvement, which we expect to continue through the year, have enabled us to reconsider the size of our spinoff, and actually aim for a larger asset base, in order to further fortify the spun business.

Accordingly, we are now targeting an asset base of 5 to 6 billion, which is - which will leave the remaining Lennar pure-play homebuilding and financial services company, with an appropriately liquid balance sheet, and no material loss of reported earnings. We continue to believe that the best way to enhance Lennar's business model, is as a standalone, pure-play, asset-light, high inventory turn, homebuilder, manufacturer, and financial services company.

Aside from size, we have very little to update on the spin this quarter. As noted last quarter, the new company will be configured as an independent and active asset management business that raises third-party capital to support our ongoing business verticals. Two of these verticals have raised third-party capital - have already raised third-party capital, and are active asset managers. That's LMC, our multifamily platform, and LSFR, our growing single-family for rent platform. Both of these platforms are neatly configured as independent, self-sustaining operations.

Additionally, we have a dynamic and growing independent land and land management business, and we have a growing technology investment business, which is part of LEN^X. As I noted last quarter, this separation from the homebuilder, will enable these blue-chip businesses to thrive and excel independently. And while I'm certain that you all would like a lot more detail, you can expect to hear a lot more about the spend in our next quarter's earnings release.

So, let me wrap up by saying that we have never been better positioned financially, organizationally, and technologically, to thrive and grow in this evolving and exciting housing market. We have an amazing group of talented associates driving our business forward, and caring about the world around them. We are performing excellently on all metrics, driven by strategies that have worked to our benefit.

The market condition remains extremely strong for the foreseeable future. As I've

noted, we expect a very strong second half of 2021. While we are not projecting more deliveries, given the very tight land, labor, and materials market, we are projecting growing gross margin, and a very healthy bottom line. As we begin to look to 2022, we see continued strength in the market.

Simply put, supply is short and demand is strong. Some are concerned that demand is slowing as prices move higher and interest rates move. It feels to us that sales are slowing because many sales were made early, and building through those sales is slower than expected. We believe that home production has been constrained for a decade, and we are making up for the deficit now, which should keep the housing market thriving for some time to come. 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 finely tuned homebuilding machine, where we carefully matched homebuilding production with sales on a community-by-community basis.

In this environment, it makes no sense to sell too far out ahead because you lose your ability to offset potential pricing cost increases with sales price increases. In addition, in this appreciating market, with slightly longer cycle times, we are strategically selling our homes later in the production cycle of the home, to allow for further cost protection and sales price appreciation.

Our first quarter results proved out the success of this strategy, as we achieved gross margin increases of 450 basis points year-over-year, and 110 basis points sequentially. During the second quarter, we started 5.5 homes per community, which was a 90% increase from last year, and a 20% increase sequentially. This production and margin-driven sales focus program, will drive further margin improvement, and increase deliveries in the back half of the year, given our ramp-up in starts in the second quarter.

In the second quarter, new orders, deliveries, and gross margins, were up strongly in each of our operating regions. In addition, we saw strength in all product categories,

from entry-level to move-up, and in our active adult communities. The strength of the market was also reflected in a historically low cancellation rate, which was 8.6% in the quarter, down 1,020 basis points from last year, and 100 basis points sequentially. This is additional evidence that our buyers have the required down payment and mortgage qualifications to purchase a new home.

As we look across the country, we're seeing strength in all of our markets. Here is some color on some of our stronger markets. Starting in Florida, Florida continues to benefit from core local demand, as well as in-migration from the northeast and the West Coast, which is driving both sales pace and price. Inventory is extremely limited, and buyers are moving fast to go to contract. The hottest markets in Florida are Naples and Sarasota in the southwest, Miami, Broward, and Dade, in the southeast, and Tampa. 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, benefiting from limited inventory, job growth, and quality of living. We are the top builder in each of these markets. Texas continues to be the strongest state in the country, with in-migration from the east and west. The state's pro-business, employer-friendly economy, is driving corporate relocations, and a tremendous job growth, especially in the technology sector. The state is also benefiting from the recovery in the oil and gas sector. The strongest market in the United States today is Austin.

Notwithstanding outmigration from parts of California, the markets in California are strong. Driven by the state's severe housing shortage, there is more demand than supply, making housing the number one agenda item for the governor. The Inland Empire, Sacramento, and the East Bay Area, are the strongest markets. All are seeing a migration from the coastal markets, due to a higher level of affordability, compounded with the opportunity to buy a larger home for the money. This extra boost in demand, combined with limited inventory, and great schools, is fueling demand in these areas.

Phoenix and Las Vegas are strong markets. Both are benefiting from business-

friendly environments, real job growth, and in-migration from California. Las Vegas is benefiting from the full reopenings of the casinos, and increased tourism, and Phoenix is thriving due to real affordability. The Pacific Northwest continues to be strong. The market has a natural supply constraint, and constraints by urban growth boundaries that limit production. 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 moments talking about growth and community count. Even as we continue to close out communities in a much faster pace than expected, given the strength in the market, our community count at the end of the second quarter, grew to 1,225 communities, up 63 communities, or 5.4% from the end of the first quarter. We are also still on track to end fiscal 2021, with approximately 10% more communities on a year-over-year basis. This should position us for consistent, continued growth in fiscal 2022.

Finally, I'd like to give you some additional details on LSFR, Lennar's single-family rental platform. As we discussed last quarter, Lennar formed LSFR to facilitate a better timed delivery of our homes, with reduced cycle times, and to make the single-family lifestyle accessible to more families. At the end of the first quarter, LSFR formed the Upward America Venture, which was capitalized with \$1.25 billion of equity from blue-chip institutional investors.

Just after the end of the second quarter, LSFR closed the \$750 million credit facility with Deutsche Bank, which combined with the equity commitment, positions the Upward America Venture, with extremely cost-effective capital to acquire over \$4 billion of purpose-built communities, and scattered-site homes from Lennar. We expect Lennar's peak capital investment in the venture, to be \$50 million over the duration of the vehicle.

Since the beginning, the Upward America Venture has purchased 216 homes, for approximately \$48 million. These homes were located in 18 communities, in seven markets across three of Lennar's operating regions. 188 of these homes were purchased in purpose-built communities, and 28 were scattered homes purchased on a just-in-time basis from available inventory in Lennar's existing for-sale communities.

All of these homes fit a predetermined buy box approved by the venture's equity investors. To facilitate the purchase of these home, LSFR worked hand in hand with LEN^x, who developed proprietary technology that produces automated underwriting and pricing that harnesses Lennar's data management and business intelligence systems, along with third-party data to evaluate which of Lennar's homes fit within the venture's buy box.

At the end of the second quarter, the Upward America Venture had a pipeline of 2,534 homes under contract, located in 29 communities across 11 markets, with a total purchase price of \$596 million. 2,500 of these homes are in purpose-built communities, and 34 homes are scattered homes in Lennar's existing for-sale communities.

As Stuart mentioned in his opening comments, the social aspect of providing affordable housing, and making the single-family lifestyle available to more families, is a critical aspect to the Upward America Venture. This is proving to be just the case, as the average leased rent in the portfolio today, is \$1,729, meaning that a household making \$59,280 a year or more, can afford to live in a brand new home without a down payment.

To put some perspective on this, the average teacher salary in 2019 and 2020, in the US, was \$63,465. This lines up squarely with our goal of providing brand new, high quality homes, at affordable prices. This is workforce housing with a single-family lifestyle.

To expand on the potential to provide real home ownership to a broader base of families, we have focused on developing a rent-to-own program for scattered home purchases within the Upward America Venture. We are in the final stages of developing this program with Divvy, a LEN^x portfolio company. Divvy is a market leader in upward mobility for renters across the country. We expect this program to be up and running in the third quarter.

We're very excited with the progress we've made so far with LSFR. The demand for

single-family rental homes remains strong. Lease up times are compressing, and we have seen real rent growth. Now, I'd like to turn it over to Jon.

Jon Jaffe:

Thank you, Rick. Today, I'm going to walk you through two topics, how we execute on our asset-light land strategy for just-in-time delivery system of home sites, and how we are managing the current unprecedented challenge of supply chain disruptions and labor shortages. As Stuart noted, Lennar has made significant strides in strengthening our balance sheet, with improved cash flow generation, driven primarily by the reduction in land owned versus optioned, and the years of land owned, which respectively stand at to 50% optioned, and 3.3 years.

In the second quarter, we added about 38,000 home sites net to our controlled total, and purchased about 21,500 home sites. We began our asset-light focus years ago, starting with several large regional land relationships, who own and develop land on Lennar's behalf. We then created a strategic national process around our approach.

The first critical step in formulating this approach, was to separate land into three distinct risk categories. The first category is finished land that is ready for the construction of homes to be started. The second is land under development being readied for the first category. It's typically less than four to five years from being ready for construction starts. Land in the third category is beyond the four to five-year period that may need some entitlement, significant planning, and has not yet started development. After separating land into these three buckets, we then matched the risk profile of each asset with the right source of risk-adjusted capital and expertise. The first category of land is carried on our balance sheet as it is the land under the homes we are building. This land has no risk to it, and our cash on hand or revolver are the lowest cost of capital for it.

The second and third categories of land are structured as option agreements with various strategic relationships that have the strength and capital that fit the specific land profile. Assets that are low in risk profile may go into land banks which have the next lowest cost of capital. Other more complex land is a good fit for our large regional relationships.

More recently we've added significantly larger national relationships structured to

match the type of land asset and also contractually structured option agreements which will survive potential market shocks that have historically created risk to defaulting on option deposits and to maintaining control of the optioned land, thus further reducing risk. The distinct land business is comprised - that this business is comprised of an operational team with a singular focus on executing our asset light strategy by closely coordinating with our local division teams and our strategic third-party relationships.

This independent team works to ensure a consistent application of processes and procedures to execute on all of the moving pieces from land underwriting to acquisition, development and completion of just-in-time homesites.

Importantly, the independence of this team takes the burden off of our homebuilding division of negotiating unique individual option agreements with third parties, thereby allowing our divisions to be laser focused on running our core homebuilding operations. It also provides all of our third party relationships the ability to work with one voice from a large geographically diverse company.

Our focus on separating our land purchases into these three distinct risk buckets has allowed us to secure the most cost effective capital for each land asset. As a result we are lowering Lennar's cost and risk associated with purchasing each category of land.

Now I'd like to discuss how Lennar's managing the current environment of supply chain disruptions. You are all familiar with what is occurring. The supply chain has been impacted by the pandemic, by the storms in Texas and by the surge in demand from new construction and big box retailers. Many manufacturers are finding themselves without the materials and/or capacity to keep up with their orders. Additionally, there's a nationwide shortage of trucks and drivers that add to the disruption.

As you would expect of Lennar, we have brought in an intense daily focus on managing this situation. We are effectively managing it through leveraging our strategic supply chain relationships as well as having an unprecedented internal

connectivity between our division, regional and national purchasing teams.

Today we work very closely with the leadership of our strategic supply partners as a result of having been focused on being their builder of choice over the five - over the past five years. We have deeply been deeply involved in - over time in developing relationships, processes and procedures to improve their businesses. This is not just lip service as over the past five years Lennar's changed the way we run our business to improve the bottom lines of our strategic partners' businesses.

Our actions have earned the right to sit down with our strategic suppliers and find solutions to today's challenges, sometimes of expediting orders and even warehousing early deliveries. In some cases it's substituting products. But in all situations, we, together with our partners, are finding solutions. The net effect of these disruptions is about a two week increase to our cycle times.

With respect to our local trade partners the shortage of labor persists now more than ever. Like the supply chain situation, we have brought an intense daily focus to manage this again, our builder of choice focus for the past five plus years of paying dividends. We've also changed the way we do business with our local building trades over this period of time.

Significantly, we've refined the forecasting and communication of starts and have implemented Lennar's level scheduling program through - for greater visibility of upcoming workloads for our trade partners. Today, we now have real-time dashboards showing exactly how many tasks each trade has in the coming weeks and months. This enables them to accurately plan for their labor needs and keep our job sites productive. We believe these dashboards to be a best in class forecasting and communication solution.

Also significant for both our suppliers and our local trade partners is our adherence to Lennar's Everything's Included program. This has never been more important. It simplifies the number of SKUs suppliers and local trades need to carry. In addition in this current environment, we've taken further steps to reduce the number of SKUs we use in certain constrained categories.

Other areas of focus for us are using our level scheduling dashboards to support our ongoing even flow commitment to our trade partners along with maintaining our production first focus on matching sales to starts as Rick discussed.

Turning to the cost impacts on the combination of supply chain disruptions, the spike in lumber and trade shortages, our construction costs in the second quarter were up 3.9% sequentially and 4.5% year over year. However, even as construction costs increased, they decreased as a percent of revenues from 41.8% and 44.5% sequentially and year over year respectively down to 41.3% in our second quarter.

With respect to lumber specifically, we all know that lumber reached an all-time high before very recently coming off of that. Q4 of 2020 is when we saw the first significant increase in lumber costs which impacted primarily our Q2 deliveries. The lumber increases which occurred in Q1 and Q2 will mostly flow through our deliveries in the second half of the year. But as we noted and Diane will cover in more detail, we believe that with our pricing power, will more than offset this and we expect to deliver stronger gross margins.

Looking forward, we expect to see some limited relief on our lumber costs for our July starts as more expensive lumber works its way through the system. And if the current downward trend holds, we'll see a more significant benefit for our August starts.

Lastly, I want to thank the associates of our National Land Team led by Casey Davis and Jim Bavouset who in close coordination with all of our Division Land Teams effectively executed our land light strategy and just-in-time home site delivery strategy.

I also want to thank our National, Regional and Division Purchasing Associates led by Kemp Gillis who has the difficult job of battling through these unprecedented supply chain disruptions and has done so with tremendous focus effort and poise. Now I'd like to turn it over to Diane.

Diane Bessette: Well thank you Jon. And good morning everyone. Although you've heard some of our

financial results from Stuart, Rick, and Jon, I'll begin by recapping certain Q2 2021 highlights and then providing detailed guidance for Q3 2021 and high-level guidance for fiscal year 2021.

So, starting with homebuilding for the quarter, new orders totaled 17,157 homes, a 32% increase year over year. We ended the quarter with 24,741 homes in backlog with a dollar value of \$11 billion and 1,225 active communities. Our cancellation rate was 8.6%.

For the quarter deliveries totaled 14,493 homes, up 14% year over year. Our gross margin was 26.1%, up 450 basis points from the prior year. This increase was primarily driven by a continued focus on maximizing sales price while controlling cost increases as Jon described.

Additionally, our margin benefited by a 20 basis point decrease in interest expense as compared to the prior year as a result of our consistent focus on debt reduction.

Our SG&A was 7.6% -- an improvement of 70 basis points from the prior year. This decrease is primarily a result of our intense focus on incorporating technology to gain efficiencies across our home building platform. So for the quarter we generated a net margin of 18.5% -- the highest quarter net margin ever received.

Our Financial Services Team also executed high levels reporting \$121 million of operating earnings. Mortgage operating earnings increased to \$92 million, compared to \$81 million in the prior year. Mortgage earnings benefited from an increase in secondary margins.

Title operations - title operating earnings were \$24 million compared to \$76 million in the prior year. The prior year included a gain of \$61 million on the deconsolidation of States Title now called Doma. Excluding this gain, title earnings increased due to growth in both volume and margins as technology initiatives improved agency productivity.

And then turning to our Lennar other segment, during the quarter we closed on the

sale of our residential solar platform Sunnova Energy International in exchange for shares in that company. At the time of the closing we recorded a gain of \$151 million.

We are required to mark to market our investment in Sunnova as well as our investment in Opendoor which went public in our first quarter at each quarter end based on their stock prices at that time. Accordingly, we recorded mark to market losses in the second quarter of approximately \$273 million.

And now turning to the balance sheet, we ended the quarter with \$2.6 billion of cash and no borrowings outstanding on our \$2.5 billion revolving credit facility. We continue to execute on our strategy to become asset lighter by developing a just-in-time delivery system for land and homes, improving returns and generating significant home-building cash flow.

At quarter end we owned 189,000 home sites and controlled 192,000 home sites. This resulted in our year's supply owned decreasing to 3.3 years from 3.9 years in prior year and our home price controlled increasing to 50% from 32% in the prior year, thus achieving our controlled percentage goal midyear instead of end of year.

All of this progress resulted in achieving a 20% return on inventory excluding consolidated inventory not owned, and is consistent with our intense focus on increasing all of our returns.

During the quarter we paid dividends totaling \$78 million and we repurchased 1 million shares totaling \$98 million. And at quarter end our home building debt to total capital was 23.1% -- down from 31.2% in the prior year.

After quarter end in fact, just this week we retired early at par our \$300 million 6.25% senior notes that were due in December 2021 further reducing our senior note balance and saving about \$9 million in interest. Our next maturity \$600 million due in January 2022 has a three month par call which we will utilize to prepay those notes in October of this year. After that payment we will have no senior maturities until October 2022.

And just a few final points on our balance sheet, our stockholders equity increased to

approximately \$20 billion from \$17 billion in Q2 of the prior year, and our book value per share increased to \$62.68 from \$52.98 in the prior year.

And finally last week we were upgraded to investment grade by S&P. We are really pleased with the rating agency upgrades we have achieved in recent months and are now investment grade and in all three - with all three agencies. So in summary, our balance sheet is very strong and we will of course continue to remain focused on generating high returns for our shareholders.

So with that brief overview now let's turn to guidance. I'll first provide detailed guidance for the third quarter and then some high level for the fiscal year starting with home building.

We expect Q3 new orders to be in the range of 16,000 to 16,300 homes and our Q3 deliveries to be in the range of 15,800 to 16,100 homes. Our Q3 average sales price should be between 420,000 and 425,000.

We expect our gross margin to be in the range of 27 to 27.5% for Q3. And we expect our SG&A to be in the range of 7.3 to 7.4%. And for the combined home building joint venture, land sale and other category, we expect a Q3 loss in the range of \$10 to 15 million.

And then looking at our other business segment for financial services, we believe our financial services earnings for Q3 will be in the range of \$95 million to 100 million.

And for our multifamily operations, we expect a loss in the range of \$5 million to 10 million.

And for the Lennar other category, we expect a loss in the range of \$10 million to 15 million. Now note that this guidance does not include any potential mark to market adjustments on our current or future publicly traded technology investments. We expect our Q3 corporate G&A to be about 1.4% of total revenues, and our charitable foundation contribution will be based on \$1,000 per home delivered for the quarter.

We expect our tax rate to be approximately 22.5% and the weighted average share count for the quarter should be approximately 310 million shares.

And so when you pull all this together, this guidance should produce an EPS range of \$3.07 to \$3.32 per share for the quarter.

And now let me provide some high-level guidance for the fiscal year. We still expect as we mentioned, our deliveries to be between 62,000 and 64,000 homes but with a now higher gross margin guidance of 26.5% to 27% for the year and an even more efficient operating platform with SG&A guidance of 7.3% to 7.5% for the year.

We believe our average sales price for the year will be about \$420,000 and we still expect our community count to increase approximately 10% year over year by year end. Our financial services earnings will be in the range of \$460 million to 470 million. And finally, our tax rate should be about 23.5%.

And so as we continue to execute our core operating strategies to maintain a strong balance sheet and remain focused on cash flow generation and return, we are well-positioned for an excellent 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 questions to one question and a follow-up question until all questions have been answered.

If you would like to ask a question, please unmute your phone, press Star 1 and record your name clearly when prompted. If you need to withdraw your question at any time, you may use Star 2. Again that is Star 1 to ask a question.

And our first question comes from Michael Rehaut from JPMorgan. Your line is open.

Michael Rehaut: Thanks and good morning everyone, and thanks for all the detail as always. Congrats on the results as well.

First question, I just wanted to hit on, you know, probably the number one area of concern today which is around demand trends. And, you know, I think there's been, you know, concerns specifically around the potential for demand slowing a little bit in

the face of the extraordinary amount of home price appreciation that's occurred over the last several months.

You know, Stuart you mentioned in your prepared remarks that you view that sales have been slowing more due to, in effect production constraints and managing the sales pace.

I was hoping for, you know, any sense of how you view demand as it progressed throughout the quarter and what makes you comfortable around the idea that, you know, overall the demand backdrop remains not only robust, but it appears still well in excess of available supply?

Stuart Miller: So look, let me start with a notion, proposition that the market has been extremely, extremely hot. So when you go from extremely, extremely hot to extremely hot, that's a step down that is really quite acceptable. It's actually a little bit better. And of course, you know, as pricing goes up people - fewer people can afford.

So, I would just say Mike that while the market might have a mild cooling, it is just from such a high level that demand is still well in excess of supply. And we see this on the ground at our Welcome Home centers on a regular basis. And this is not in any specific market. It really is across the country.

So, when we look at the temperament, the tempo of sales in our Welcome Home centers, the traffic that's coming in, the discussions that we're having, we're still seeing very strong demand. We still see very limited supply and we recognize that the country and the production of housing has been in deficit for the better part of a decade.

And we can argue whether the deficit is one size or another. I think that there are a lot of competing views on that. But still, based on what we see in the market and the logic that we're applying to what we've seen over the past years and the appetite of the buying public, the Millennials that still haven't come out of their parent's homes, we think there's a very, very strong demand profile that is out there for an extended period of time.

Rick Beckwitt: Yes, I guess I'd add to that Michael, is that, you know, if you look at the quarter, you know, we sold 17,000 plus homes during the quarter and the variability between the months was plus or minus 100 homes. So, we've really seen no impact associated with a cooling.

Jon Jaffe: Again, for us that ties into our match strategy of sales production. We're able to hit exactly that pace. As Stuart said, when you go from very, very hot, to very hot, that's still well above the levels we're at a year ago which were very strong.

Michael Rehaut: Right. Right, no, that all makes sense and thanks for that color.

You know, secondly I think perhaps the other key area of debate out there right now is around the sustainability of gross margins. And, you know, with with the success that you've highlighted this year in terms of managing sales pace and opportunistically improving margin -- and obviously a part of that is to cover, you know, cost inflation but you've been able to do well in excess of that -- you know, it's interesting right now that the gross margins you're projecting for '21 are in excess of the prior peak margins in 2005.

Interestingly, you're track to have revenue, home building revenue more than double 2005. And so you'd think that there are scale benefits certainly associated with that. But I was wondering if you could give any perhaps, you know, thoughts on, you know, how you think about gross margins going forward over the next couple of years. Obviously I'm not asking for guidance for '22.

But just more broadly, when you think about the gross margin levels that you're generating for this year, what might be the puts and takes outside of, you know, sales incentives which are hard to, you know, predict, how you see gross margins, let's say this cycle and perhaps over the next couple of years, you know, versus the last cycle?

Stuart Miller: So look, let's take out just the volume component of improvement in margin. I mean if you if you look at the composition of our margin, it is a combination of a lot more

efficiency in the way that we're managing our company, the technologies that we're engaging in and incorporating into the way that we're running our business, the efficiency of our land program, just-in-time delivery of land and frankly the emergent inventory management component of our single family for rent. There are tremendous efficiencies that we are investing in the core operation of our business, and we think that these are becoming more and more important.

The way that we're managing our supply chain is a matter of absolute efficiencies being brought into the way that we're operating our business. And you're going to see that we as a company and hopefully as an industry are recasting the cost structure all the way from hard cost: labor, materials to the softer costs around SG&A. We are rewiring the way that this business operates to the benefit of a lower cost structure and an opportunity to maintain good margins and still bring affordability to the housing market. And I think that that's been a - an extreme part of our program.

I do want to highlight that additionally, wind at our backs is our reduced debt level. As we bring debt down, we have less capital costs and that's continuing to help our margin picture. And we expect to continue to bring that debt level down.

So, all of the components from technology, the way we run our business debt levels, the way that we're just in - we're becoming more of a Just-In-Time program I think is a protective coating around margins for the future. And we're pretty optimistic about where we're going.

Jon Jaffe: I'd only add that as I noted in my comments with a focus on purchasing, we brought our direct costs down to 41.3% of our revenues. And so if we look at that ratio we've got a lot of room to go before the lines cross between revenues cooling off and cost to be able to maintain our margins.

Rick Beckwitt: And I guess the final point I'd make is if you look at what we're building today compared to that 2005, 2006 timeframe our homes are so much more value engineered and efficient to build. So the cost structure associated with production of those homes is significantly different than the last cycle. All right, let's go on.

Michael Rehaut: All right, thanks everybody.

Stuart Miller: You bet.

Coordinator: Thank you. Our next question comes from Stephen Kim from Evercore ISI. Your line is open.

Stephen Kim: Yes, thanks a lot guys. I'm going to just say that I think people would really love to hear a little bit about the SpinCo and particularly what you think the book value reduction would be when you spun it off. I think you talked about the assets, but the book value I think would be important.

But my questions are going to focus on the core home building business. You know, in this environment where, you know, you're deliberately in some cases holding back sales to age your work in process inventory, it seems like the best indication of future sales isn't actually the number of homes you're selling today, but how many homes you're building.

And given that, I noticed that your starts in Q2 were up about 28% from 1Q. The nation's starts we're only up 7% sequentially not seasonally adjusted. So clearly you're gaining a lot of share.

You've started I think the actual number was like over 20,000 units in the quarter. And I would think your production capability should increase from here because your community count's increasing. So my question is basically, is it reasonable to think that before too long your closings should be able to exceed 20,000 units in a quarter?

Stuart Miller: Well, let me give a couple of corrective pieces. First of all Steve and most importantly, we never deliver units. It's always homes at Lennar. So, we just got to get that one right.

Number two, on SpinCo when we talk about a spin in terms of dollars, we're talking about book value. So, when you ask - I think that when you ask the question, which we won't hold that as one of your questions, about SpinCo and the impact book, it is

a direct one to one. It's a book dollar amount. Is that clear?

Stephen Kim: Right? Yes thank you.

Stuart Miller: Okay, yes. And then as it relates to our starts our starts, I think are at 19.5, not over 20. But I'll let Jon and Rick address the question.

Jon Jaffe: Look Steve we've been, you know, very laser focused on our even flow production and just gradually ramping that up to the increased level that you noted, and that ultimately does flow through. As I noted we're seeing about a two week cycle time delay. So, it's not going to perfectly flow through, but we should see in subsequent quarters our deliveries matching that flow pace.

Rick Beckwitt: Yes, and, you know, just to further what Jon said, we purposely did start a higher number of homes in the last quarter because we've seen demand. We - and so if you look at it from a start, sales differential, it was about 2500 more homes started than sold. But we could have sold all of those homes. We're just choosing to sell them later in the construction cycle in order to maximize margin and to take advantage of a more finely tuned delivery cycle.

Stephen Kim: Yes, absolutely, makes sense, a very sensible strategy I would say. The second question relates to home prices. You know, I think the most striking development across the market has been this massive surge in home prices, not just that you're experiencing, but across the market.

You know, according to some measures, resale pricing is up 25% year over year. You know, and people hear this and they instinctively think it's a setup for home prices to fall in the future, you know, which, by the way, would set off a pretty bad chain of events if it happened.

You know, our own view is that the price jump is a correction rather than an overshoot. It's the result, you know, years of under supply and pent-up demand and not just low interest rates. And so it makes it very different from like '05, like when

demand was very speculative and supply wasn't constrained.

But I think people would really like to hear from you how you see the longer term outlook for pricing. Are we seeing a blow off peak like what happened recently to lumber futures or something? Or have we found a new level of home price that can be resilient in the face of potentially higher rates?

Stuart Miller: Well, you know, from everything that we're seeing in the field, I think that we're just hitting a new level, I think. I wouldn't have thought of it as a correction but the way that you've said it, I think that that makes sense.

I think that home prices are and have reached a point and are continuing to grow by the way. This is not - this hasn't slowed.

Stephen Kim: Right.

Stuart Miller: But the home prices have - are reaching a point where it is kind of a correction to a higher price level. I think it's stagnated for a very long period of time as we went through the underproduction years. And maybe the mortgage market kind of disabled the production and the demand for home - homes certainly early after the downturn.

But you have this really interesting time where not only has the mortgage market normalized, and I think normalized in a very credible way, very protective of that mortgage market, but you also have this really interesting demand coming from single family for rent.

And there's some questions around single family for rent in interesting ways. But it - single family for rent is enabling a single family lifestyle to a broader range of people who cannot necessarily acquire the down payment or meet the metrics that are needed to qualify for a mortgage but certainly have the ability to afford the rent on a single family lifestyle.

And, you know, this notion that the way that people live, the housing that is available to a broader range of people is - it's very predictive of outcomes for families, is a

really important component that's emergent. And the enablement of the single family for rent business is just enabling homes available to a broader range, a bigger part of the population and I think this is a greater good.

And we believe and I think Rick daylighted it and highlighted it very well, we believe that when we're providing more workforce housing we're expanding the amount of demand that's out there. And, yes, we're driving costs up or the price of housing up a little bit. That is driving the cost of housing up because there's more demand and less supply. But at the same time it's asking the industry to provide more and provide more accessibility to more people. I think that's a generally great impact for the industry.

Stephen Kim: Yes, I agree. The stepping stone there of the single family for rent is really an important development. So thanks very much, guys, appreciate it.

Stuart Miller: Okay, you bet.

Coordinator: Thank you. Our next question comes from Alan Ratner from Zelman. Your line is open.

Ivy Zelman: Hey actually, it's Ivy Zelman. Thank you for taking our questions. So maybe Stuart, just to clarify so maybe Jon you said that you're purposely starting more so you can sell later in the process. But your guidance for sales for next quarter just to be clear, it remains the gap is still there, prevalent. So is that just mean that you're going to hold those or you just don't want to guide to the full production capacity that you can in fact produce?

Jon Jaffe: No, we think that's accurate guidance, Ivy, based on us very methodically scheduling when we're going to sell a home. It's not the same in all markets. It's later in some markets than others but is a very carefully, very meticulous plan not to sell out ahead of ourselves.

Ivy Zelman: Okay, just want to make sure. So let me go to a higher level question Stuart for you, recognizing that, you know, we are seeing inflation, robust inflation across the entire ecosystem, including home prices that Steve Kim just addressed and as well as rent

inflation especially single family rent inflation that I think Invitation Homes, The American Home 4 Rent actually at NAREIT said that they were raising a new move in up 14%, 17%. We've got home prices in places like Austin up 25%.

Do you not think that there's going to be some type of affordability for both asset classes, that wages are certainly not increasing at those levels? Where's the ceiling where it's no longer affordable for a renter or for a homebuyer?

Stuart Miller: Well look, I don't think that there's math that can tell us where there might be a ceiling. And it seems to us that wages are increasing and home or the cost of home - and I don't even want to say ownership of - the cost of living is going up at the same time. And that defines, you know, inflationary environment.

But, you know, where do you find affordability? I think Rick again, did a really interesting job of laying out that the single family for rent world is kind of an equalizer in that field. And the program that we're really working on is saying, okay so housing affordability might be out of the reach of some people.

How do we bring it in the reach through a rental program? And then how do we start to build a rental program that provides upward mobility so that that renter can start to become an owner, earning the credentials to get there?

When you can make single family lifestyle available to a workforce and that workforce starts with a rental and can earn into owning it, it just creates a stepping stone and it enables that workforce to afford that higher priced home.

Now, where's the top? It's certainly going to plateau at some point but the question is where is that moment? We're not sure right now. We're going to walk that walk together.

Jon Jaffe: Ivy, also remember from a macro view that today the home is the hub of people's life, very different than it was in the past. So it's not just where they live. It's where they work. It's where they educate. It's where they recreate. And, you know, post-pandemic that's still going to be the case for the large part. And therefore, people

view the home as more valuable and will put a larger portion of their income towards that more important asset, the home.

Ivy Zelman: No that's helpful. And just to clarify, because we've seen a lot of this single family rental production that's now being leased up is it's comparable on a square footage basis if not higher on to a monthly payment as a for sale.

So are you suggesting that your workforce housing, that you're providing and the single family rental space is going to be below the monthly payment because of the obviously costs are monthly, the consumer thinks of it as a monthly payment because we're seeing it not only in line apples to apples, but even at a premium. So are you taking a different strategy than your competitors?

Stuart Miller: Our strategy is to provide single family home ownership or workforce housing for people that can afford to rent and qualify for the - that housing. So if you look at comparable rents in the neighboring areas, it's stacking right on top of what comparable rents are.

And where most of the issues are, Ivy, is, you know, these people don't have the down payment that's required to afford to buy a home. It's not that they can't pay the mortgage payment, they just can't qualify in other ways.

Jon Jaffe: And so our focus is on a monthly payment that's very similar to the - what a mortgage payment would be but Rick highlighted without the down payment.

Ivy Zelman: Great, thanks, guys, good luck.

Stuart Miller: Okay, thank you.

Coordinator: Thank you. Our next question comes from Susan Maklari from Goldman Sachs. Your line is open.

Susan Maklari: Thank you. Good morning everyone.

Stuart Miller: Good morning.

Susan Maklari: Good morning. My first question is, you know, you talked about the focus that you have on ROEs and improving that. And when we think back to the last housing cycle, you know, your ROEs were at least in the mid-20s, maybe even in the high 20s in our model. And granted there's changes in the business today relative to then. But back then it was more of an output of what was going on in the housing market.

When you think about the focus that you have today on expanding those ROEs and all the different elements of the business that are coming together, where do you think your returns can get to this time? And how do we think about that path relative to the past?

Stuart Miller: Well look, I think that one of the limiting factors is the fact that the equity is growing at a sizable clip. That's a positive but a limiting factor relative to ROE.

You know, at the end of the day we continue to see growth in our earnings and therefore growth in our returns limited by the fact that the equity is growing at a pretty sizable clip. I think you have to think in terms of as we move forward with our spin, it also helps to define the efficiency and the effectiveness of the way that we're running our business in our core home building business where we're able to focus and, you know, an equity base that is just geared towards the home building business. I think you'll see that return kind of revert back to some of the ROEs that defined the industry at an earlier time.

So, you know, it's a combination of things, but the efficiency that we're injecting in our business is going to continue to grow our returns which will be even further enhanced by the separating of logical businesses to where they can operate most effectively.

Susan Maklari: Okay that's helpful. And my follow-up question is on lumber. You know, obviously we've seen that come down in the last week or so. You talked about the benefits that you expect to see from that in the back half of the year.

But can you talk to, you know, what you're seeing out there in terms of the lumber

market? How sustainable do you feel like this pullback is? And how are you kind of planning for costs as we think about the future quarters and, you know, going into '22?

Jon Jaffe: Well with respect to lumber, I don't think anyone felt that the high level that it was at was sustainable and this was the perfect storm. We've seen, I think, at the beginning stages of the pullback in lumber costs, a pullback in demand from the big box retailers as the do-it-yourself market postponed projects for two reasons.

One is for post-pandemic they're spending money and their time elsewhere, and they didn't want to pay that high cost. So there's been a pullback on demand on the lumber supply chain which is, you know, started to bring costs down from those unsustainable levels.

So, you know, as we think about it, every 10% reduction and in random lengths equates to about, you know, plus or minus \$1,700 of our average-sized home. And for OSB about the same, about another \$1,700 per home. So as you see it drop from the level of, you know, high of \$1,500 we'd expect probably, you know, our August starts to see a benefit of \$200 to \$300 a thousand board feet and in random lengths. OSB less than that, its not start coming down yet, but it should follow soon.

Susan Maklari: Okay, thank you very much.

Coordinator: Thank you. Our next question comes from Truman Patterson from Wolfe Research. Your line is open.

Truman Patterson: Hey good morning everyone and thanks for taking my questions. So wanted to follow up a little bit but ask about affordability in a little different way. So, you know, very, very strong gross margins, strong pricing.

You know, fourth quarter gross margin suggests that you all are more than covering peak lumber costs, right? And now we've seen lumber rollover. So, you know, that likely will be able to offset some of these other cost pressures that are picking up.

So, if inflation aggregated kind of levels off in the back half of the year, especially as you all are opening more communities, just want to understand your philosophy on pricing. Are you all looking to step off the gas to maintain affordability if rates begin to rise? Or is it truly pricing to the market really without regard for potential rate hikes?

Stuart Miller: So Truman the first thing I want to say is thank you for acknowledging Everything's Included quarter. We were we were all touched by that.

Truman Patterson: Thank you.

Stuart Miller: Yes. So, you know, look, your question is a throwback to discussions that we've had many times over in the past. It's been less of a discussion point because the market has evolved more recently. But we're very, very focused on our pricing to meet market conditions. And, you know, our dynamic pricing model is all about measuring where the market is and going to the pricing at where the market is currently.

So the answer is as prices might fluctuate, as price increases perhaps moderate or plateau our dynamic pricing model is very much focused on getting us to the exact pricing to reach our deliveries commensurate with where our production has been. So the answer is you can very much expect that our pricing will moderate as the market moderates or accelerate as the market accelerates, going to be very tuned in to market conditions.

Rick Beckwitt: Yes and this is so consistent with everything we've talked about really for the last three or four years. We've been matching sales with production. And we - Jon and I tinker with where we'll sell during the production cycle based on that fundamental demand in the marketplace. So it's a very precise, production-driven sales focus.

Stuart Miller: And we haven't talked about our dynamic pricing program for a while, but it's just become kind of part of the fabric of the way we operate and it's getting better and better with each passing quarter. It's just not top of discussion right now.

Truman Patterson: Okay, okay, thank you for that. And then Diane, this might be one for you, but \$2.6 billion in cash on the balance sheet. We're expecting a lot of free cash flow in the

back half the year, next year well over \$2 billion plus right?

A couple part question. One, what cash balance do you feel comfortable maintaining? And then how should we really think about share repurchases going forward either, you know, a quantitative discussion? Is it programmatic, opportunistic, you know, especially in regard with the equities pulling back recently?

Diane Bessette: You know, I think Truman that we - so we jump back into the market again this quarter with a million shares. And I guess my thinking is that it's probably a little bit of both programmatic as well as opportunistic. And what I mean, I think buying some level of shares every quarter is the right answer.

However, I think we should also be opportunistic. So as there are dips in the stock then we can take advantage of those dips because we have the cash to do so. So, I think just having a consistent program is first and foremost the most important thing. But you'll find that we'll be opportunistic within each quarter to take advantages of whatever the market might bring to us.

Stuart Miller: Yes but let me just say that with that said Truman, you bring up the fact that we have a lot of cash on the book right now and are likely to generate more in the back half of the year. Isn't it great? I mean, we've been laser focused on cash flow and it's really starting to show just how our focus has consistently rippled through our numbers. I think the one thing I want to add to Diane's comment, you might expect a more bold statement about stock buyback. And we don't really give color as to where we're going on that as we look ahead.

But the thing to also keep in mind is that we're also working with the composition and the size of our spin, and we're laser focused on the spinoff. And we want to make sure that our balance sheet properly supports the extent of what we want to do, because we're not just going to - it's not just about building an ever better Lennar home building and financial services group.

It's also and, you know, look, historically. When we spun LNR back off in the 90s, we built a great company, a durable, sustainable company. And we expect to do the

exact same thing with the spun company here. And we're enthusiastic about presenting more in the future on that.

But our balance sheet, our cash position and, you know, and the size and scope of the spin all work together. So I'd say just bear with us a little bit as we put these pieces together because it all ties together with our stock buyback program.

Truman Patterson: Okay, is there a certain cash balance that you want to maintain to support the core homebuilding operations?

Stuart Miller: The way we think about cash is more.

Diane Bessette: Yes.

Stuart Miller: We're not going to limit cash flow and we're - listen to that point don't think that a 50-50 land owned versus controlled program is where it ends. We hit our goal early and we're still focused on migrating forward. Jon's articulation of our land strategy and the waterfall of short term, medium term, long term land and the way that we're configuring to maximize cost of capital and and where we put land and how we generate cash flow is something that we work on -- Rick, Jon myself work on every day. So cash flow continues to be a focal point of this company.

Diane Bessette: Yes and Truman just to add also as I mentioned, alongside also with the continued debt focus. So you see us reaching into 2022 with those debt maturities, pulling them forward and really getting some positive impact to our margin as we as we have done that.

Stuart Miller: And so for punctuation, at the end of your question, I want to say again, thank you for the Everything's Included call out.

Truman Patterson: Yes, thank you.

Stuart Miller: Okay.

Truman Patterson: I appreciate that. That was Paul's title. So good luck on the upcoming quarter and thank you.

Stuart Miller: Okay thank you. Okay and we'll take one more question.

Coordinator: Thank you. And our last question comes from Jade Rahmani from KBW. Your line is open.

Stuart Miller: Good morning.

Jade Rahmani: Thank you very much. I appreciate the chance to ask questions, just wanted to at a high level, you know, to what extent do you think Lennar in particular, but also the major production builders are in control of their own destiny?

You mentioned various factors, including the land strategy, relationships with suppliers. So to some extent since new home sales are only about 10% of total aggregate home sales you can tailor the product to the market.

Just overall question, do you think that the company is a price taker, a price giver? And overall, how would you respond to that question? Thank you very much.

Stuart Miller: Well it's great that we're going to get to metaphysics to end the call today. But, you know, I guess I'd always say Jade that we're always a little bit of both. The fact of the matter is market conditions dictate a portion of what defines what we're able to do. But also our ability to work and act within market conditions is in part a driver of how we perform and how our product is received and the pricing that we get for that.

So I would say there isn't a binary answer to the question of whether we're a price taker or price maker. I think in every market condition there's a dynamic that is in part given to us and in part maximized by us.

And in that regard, I've tried to be very clear in my comments, and I think Rick and Jon as well and Diane have all daylighted that we're sitting in the midst of market conditions that are very strong. And those market conditions are moving around a

little bit, but very, very strong short supply, long demand. And that's the market that is given to us.

But within the condition of that market, we're probably reporting our numbers saying that we have maximized the market that's in front of us. We've made strategic moves that has enabled us to navigate these waters as well as can be. And we think we've done a really good job. And we think that we can continue to get better and better being both at the same time, a price taker and a price maker navigating interesting waters. So that's that's how I'd answer that. I know if Rick?

Rick Beckwitt: Yes to give a little bit of additional perspective, it varies dramatically by market. We have some markets where we're 30% to 40% of the share of the market. And in those markets, we had the ability to control things a little bit more. And we're setting the cadence in that market in markets where we're a smaller percentage, but really pricing to market as we've done in for really the last several years. So it really varies across the board depending on the market.

Stuart Miller: So why don't we go ahead end it there, and let me say just kind of as the last word, I want to apologize. We tried to keep our remarks brief. We didn't do a very good job of that. But I hope we gave you a lot of detail.

We know we didn't leave a lot of time for Q&A. That's why we went over a bit. But we think it's important to get as many questions as we can. And of course, we'll speak to many of you offline. Thank you for joining us today. And we look forward to reporting on our progress as we go forward. 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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