

LENNAR CORP
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11:00 am ET

Operator: Welcome to Lennar's First 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 David Collins for the reading of the forward-looking statement.

David Collins: Thank you, and good morning, everyone. 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 our earnings 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 and CEO. Sir, you may begin.

Stuart Miller: Okay, good morning, everybody, and thanks for joining us today. We're in Miami, and I'm here with Diane Bessette, our Chief Financial Officer, David Collins, who you just heard from, our Controller and Vice President, Katherine Martin, our Chief Legal Officer, Bruce Gross, CEO of Lennar Financial Services, Eric Feder is here, President of LenX, and we have today Jim Parker and David Grove, our Area Presidents, who are new to this program and who are now overseeing operations across the company.

As you know, Jon Jaffe officially retired at the start of this year. And while Jon's absence is deeply felt, the depth of experience and leadership on our team ensures that we're just not going to miss a step. And Jon, if you're listening, all is good, and we know you're listening. We hope that you're enjoying your time at the beach. We're working hard, and I promise you that Jim and David are comfortable with everything in their day-to-day new positions, except for the trauma embedded in today's conference call. But it really is the only thing that you didn't prepare them for.

All right, so let's move on. And as usual today, I'm going to give a brief macro and strategic overview of the company. After my introductory remarks, you will hear briefly from Jim Parker and David Grove, who will give a brief operational overview. We hope you'll all get to know them over time, over the next quarters, as we are certain you will be quite impressed. Of course, after they speak, Diane is going to give a detailed financial overview, along with some limited guidance for the second quarter of 2026. And then, of course, we'll have our question-and-answer period. As usual, I'd like to ask that you please limit yourself to one question and one follow-up so that we can accommodate as many as possible.

So, let me begin. As we noted in our press release last night, we're pleased to review our first quarter 2026 results against the backdrop of what remains a stubbornly challenging housing market. Of course, recently, the challenges seem to have intensified, given the volatility and uncertainty surrounding current events in the Middle East and the recent pullback of institutional purchasers as participants in the market. Nevertheless, even with additional hurdles, we believe that we are closer to an inflection point for Lennar than at any time in the past three years.

In the first quarter, we remained focused on our clear and consistent strategy. We drove consistent volume and we matched production and sales pace. We used margin as a circuit breaker, and we continued to refine and improve our asset-light, land-light manufacturing platform. We have not pulled back and waited for the market to improve. We have maintained volume and focused on building improved business programs to bring costs down so that we can remain profitable and still provide needed housing supply.

While in our first quarter, margins and our bottom line continued to reflect the affordability-driven realities of the current housing market, we also saw continuous improvement in all facets of our underlying cost structure that has set us on a course to stabilize and improve margins as we continue to produce volume and meet the market at affordability. Even with the current market challenges, we are feeling optimistic about our position in strategic markets and the progress made in reshaping our business for current conditions. We are, in fact, actually adapting to market conditions as they are and not waiting for the market to bounce back.

So, let me briefly discuss the overall housing market from a macro standpoint. The macroeconomy continues to present a complex, and at times, unsettling backdrop for the housing market. Home prices remain high and have generally

continued a pace of increase nationally that is generally higher than the pace of wage increases. Mortgage interest rates, which showed some early signs of easing towards the end of last year, have remained stubbornly over 6%, hovering around 6.2% to 6.4% through most of our first quarter.

With home prices plus interest rates at these levels, affordability remains the central challenge facing our buyers. And consumer confidence, while not collapsing, continues to be tested by a range of uncertainties, both domestic and global. Additionally, and it goes without saying, that the war in the Middle East is a wild card. It might end quickly, and the world is a better and safer place, or it might trigger higher gas prices, higher inflation, and higher interest rates, and we'll just have to wait and see.

On the employment front, consumers who had previously felt secure in their jobs are now questioning that security as technology-driven disruption, particularly the rapid advance of, and constant news coverage of, artificial intelligence, raises important questions about the future of our workforce. This uncertainty layers onto already strained household budgets and has made consumers more hesitant to commit to large purchases, particularly homes.

Traffic has remained reasonably consistent across our communities, but the urgency to transact remains measured. At the same time, a combination of tariffs and immigration issues are keeping upward pressure on material and labor costs, and are pushing overall costs higher. With affordability at stake, we have been working hard to push against and to manage these pressures through our trade partner relationships and through the efficiencies we have built into our manufacturing model and our product. Nevertheless, the cost structure in the industry is pushing higher and is difficult to manage.

Additionally, since our earnings call, the federal government has made only

one strategic move relative to housing. The institutional purchasers have been sidelined by political pressures and popular sentiment that suggest that they are part of the housing problem. They have generally purchased somewhere between 5% and 7% of new homes in order to rent them to those who either can't afford to purchase but want a single-family lifestyle or those who prefer to rent. Ultimately, this movement will reduce demand in the market and signal to the industry to build less supply.

On a more positive note, the federal government's engagement with the housing crisis continues to deepen. As I noted last quarter, federal officials have been actively engaged with the builders and industry associations to understand the affordability challenge and explore practical solutions. These specific programs remain to be finalized or to be seen, but the level of attention being paid at the federal level to the housing shortage is unprecedented, and we believe that meaningful policy support is more likely now than at any time in recent history. Any program that effectively broadens access to affordable or attainable homeownership would be a significant tailwind for the industry and for Lennar specifically. Of course, and additionally, the legislature is currently working on the 21st Century ROAD to Housing Act. Simply put, our best assessment of the bill is that it will not meaningfully impact housing or affordability in the short-term. Perhaps over the longer-term, with the right regulations written in its wake, there will be some impact.

In summary, the housing market remains caught in the tension between the underlying demand and constrained affordability. Supply is still critically short, and years of underproduction have created a structural deficit that will take years to close. The combination of high home prices, still high interest rates, constant cost pressure, and cautious consumer sentiment, has kept the

market soft, but we believe the conditions are building for an eventual recovery.

Against this backdrop, let me turn to Lennar's operating strategy. Our strategy is and has remained very clear. We are focused on three core tenets. One, operationally, driving consistent volume to maximize efficiency both within our operations as well as in the way that we operate. Number two, financially, refining our asset-light, land-light balance sheet to generate strong and growing returns and cash flow. And three, technologically, engaging and incorporating new technologies to help advance our operational progress and to enhance our customer experience. To date, we have carefully defined and refined each of these tenets, both within the company, and we have kept you apprised of the strategy as well.

In 2026, we are bringing new levels of expectation and accountability to each of these areas and expect to drive definable results quarter by quarter in each of these areas. We are on a focused and determined march to drive costs down this year by using and enhancing each of these components. As I've said before, we are not nostalgically waiting for the market to reset to the way things were. Instead, we're adjusting ourselves to the way things are and we've made considerable progress.

Progress can be seen in three distinct areas. First, we see real progress now in costs and efficiencies embedded in execution in our operating divisions. You have and will continue to hear more about progress in our production and supply chain areas that are enabling us to become a low-cost provider, and you will hear more about this shortly from Jim and from David. Second, we are starting to see real traction in our technology initiatives that are creating efficiencies in the way that we operate and the speed at which we add additional efficiencies.

As a company, we are actually getting good at these things as we have already paid the dumb tax embedded in learning an unknown discipline. We now have our operators working collaboratively with engineers to develop the products and product upgrades at speed, and we have built transmission lines through the company for execution across our platform in order to drive uniformity. Additionally, we have brought into the company as associates an important, "special services" acqui-hire team of engineers and tech specialists that are enabling us to accelerate.

Over time, you will hear a lot more about our TigerEye associates and associated excellence initiative that celebrates best-in-class execution in our technology endeavors. This program will drive accelerated product development and dissemination. Currently, we are seeing important progress in our marketing and sales machine, and David will discuss internal progress shortly. But let me just note that alongside our TigerEye team and initiatives, our engagement with Opendoor and their leadership team continues to help us drive change at Lennar in both our product offerings, in our customer acquisition programs, and in improving our customer experience.

We are also seeing progress and driving change in the manner in which we operate our extensive land-light land bank administration. Technology improvements have started to, and will continue to reduce friction and improve option costs in this critical part of our business as transacting becomes more fluid and seamless. These improvements are already enabling us to transact with more counterparties and discover the best risk-adjusted cost provider for each unique land deal. We are seeing significant current cost improvements, but we are still at the very beginning. We believe this is a big area of opportunity for this year and for future cost reductions as the inefficiencies embedded in this area of financial transformation can be resolved with modern technologies.

The third area, and we are in the early stages, is of right-sizing our overhead as these changes will take a little bit of time to flow through our earnings. But make no mistake, we have been working hard already on these changes. In past calls, I have noted that technology migration is expensive and has inflated our overhead. We have carried additional associates, consultants, and various other costs as we've started the process of modernizing our 71-year-old company with new technologies.

The process started two and a half years ago with our JDE ERP transition from World to E1. This transition is now complete, which enables our resources to be focused on driving our business forward. Our entire tech team is now being configured to build important parts of the future of Lennar. We have seen a new shot of energy in the Lennar Technology Group as we can deploy our best and brightest associates to focus on the most interesting company solutions. At the same time, many of the resources that were needed to get started and move the program forward are no longer needed. Much of this cost was in the form of consulting and contract labor that can be readily reduced as needs subside, and these costs will be transitioned throughout 2026, this year, as those resources are being returned to industry.

On the more corporate front, as Jon Jaffe retired at the beginning of the year, many of you have asked about leadership changes and if all is good at Lennar. Actually, Jon's retirement is a great example. In fact, a number of our longer-term Lennar associates have chosen to retire more recently and in the context of current market conditions. Let me say first that any of our tenured associates, who have made Lennar what it is today, always have the absolute privilege to retire on their terms and on their timeframe. With that said, each of them has led, trained, and nurtured future leaders who are themselves now tenured, ready to lead, and eager for the opportunity.

Jon felt it was a good time to retire, and frankly, Jim and David were ready and anxious for their turn at bat. They are tenured, they are proven Lennar professionals, and they are energized by the opportunity. It all makes sense. Jon retires, the next leaders are ready to take on new opportunity with fresh legs and new energy, and overhead is benefited at the same time. This is exactly how it's supposed to work, and it's working well here at Lennar. New leadership is taking a fresh look at efficiencies as well, together with new technologies. SG&A will continue to shrink, and the bottom line is that our overhead costs are coming down meaningfully throughout 2026.

Now, let's turn to our first quarter 2026 operating results in more detail. We continued in the first quarter to focus on volume and match our production pace with our sales pace. We started 17,425 homes, and we sold 18,515 homes, staying closely in balance and keeping our inventory properly sized. While we ended the quarter with approximately three completed unsold homes per community, slightly above our target of two, we constructively entered the spring selling season with ready inventory. As the quarter progresses and sales volume picks up, we expect to work that inventory back towards our target range.

Our average sales price came in at \$374,000, essentially flat to plan and down 8% from the prior year, a reflection of continued use of incentives to enable affordability and drive volume. Sales incentives on deliveries were 14.1%, roughly flat with Q4 of last year at 14.5%, and we are cautiously optimistic that incentive levels are beginning to stabilize. The new order incentive rate actually showed some early encouraging signs, notably below the 14.1% delivery incentive rate, and we believe reflects improving demand dynamics, of course, with an asterisk around the evolving macroeconomic elements that we're seeing in the market.

As a result, our gross margin in the first quarter was 15.2%, reflecting improving discipline across construction, land, and overhead. Our SG&A came in at 9.8%, slightly above expectations. Net margin was 5.3%, producing net income of \$229 million and EPS of \$0.93. Our inventory turn improved to 2.5x, which is up from 1.7x a year ago, and our return on inventory was 17.4%. Our community count stood at 1,678 at quarter end, up 6% from a year ago, and this positions us well for the remainder of this year, and we have additional communities opening as we go into the second quarter.

On the asset-light side, we continue to make strong progress. Less than 5% of our land is on balance sheet, and our total homebuilding inventory has been reduced from just under \$20 billion two years ago to \$10.5 billion today. Our land banking relationships with Millrose, Angelo Gordon, Domain, Hearthstone, Apollo, and others, continue to function extremely well, providing just-in-time homesite delivery in support of our manufacturing model. We have an 86% land bank delivery rate this quarter, up from 52% in Q1 of last year, and this reflects both the maturation of those relationships and the volume consistency that makes us a valued partner to each of our counterparties. On the balance sheet, we ended the quarter with \$2.1 billion in cash and a homebuilding debt-to-capital ratio at 15.7%. Our strong balance sheet continues to give us flexibility to both invest in growth and return capital to shareholders.

So, in conclusion, let me say that while it has been another challenging quarter in a challenging housing market, it is another constructive quarter for Lennar. Our numbers are not yet where we'd like them to be, but the trajectory is just right. Costs are coming down, volume is holding, our asset-light platform is functioning extremely well, and our technology initiatives are beginning to yield real and measurable results.

We are very well positioned with a strong and growing national footprint, a community count that is 6% above last year, and a cost structure that is materially more efficient than it was two years ago. When mortgage rates normalize, we believe that pent-up demand will be activated quickly and our margin will recover rapidly. We always keep in mind that normalized incentive levels run 4% to 6% compared to the 14% we are carrying today. That gap is our opportunity, and we are building toward it deliberately and with confidence.

Our balance sheet is strong, our land banking relationships are deep and productive, and our technology initiatives are positioning Lennar to be a materially different and better company in the years ahead. We are building not just for this market, but for the long-term. We couldn't be prouder of the extraordinary associates across the company who have executed through one of the most challenging environments in the history of housing, doing hard things, building new capabilities, and never losing sight of our mission to provide affordable, high-quality homes to families across America. We are truly delivering the American dream. And with that, and for the first time, let me turn it over to Jim Parker.

Jim Parker: Thanks, Stuart, and good morning, everyone. I am Jim Parker, and I'm Lennar's Area President for the eastern half of the country. I came to Lennar about eight years ago through the CalAtlantic transaction and have been in the homebuilding business for over 30 years. David Grove and I work together to drive performance across the Lennar platform, and you will hear from David right after me.

Let me start by saying that I'm very enthusiastic about where we are as a company and the tremendous progress we've made over the past three and a half years. While the market has been difficult since interest rates spiked in

2022, we have had a clear and well-communicated plan at Lennar, and we have been coordinated in our execution. The overall housing market has and continues to adjust to a combination of elevated prices in the wake of COVID and elevated interest rates, pressuring affordability and homebuyer confidence across our geographies.

Instead of waiting for the market to correct, we believe this was a new normal and began to adapt our business execution to provide the volume the market needs at the prices and incentives where the market can transact. We are focused on refining product, optimizing our Everything's Included packages, rebuilding margins, and using mortgage rate buydowns to maintain or regain momentum. Through our first quarter, we've been seeing early signs of a more consistent demand environment. We will see how that holds up as the market adjusts to the new geopolitical turmoil.

Over the next three weeks, David and I will visit each of our divisions and conduct our quarterly operations reviews, which happen at the beginning of each quarter, and this is always exciting. As we walk through the market at a very local level, we get a direct view of how our leaders think, how they adapt to change, and how they represent Lennar in our markets. These sessions allow us to pair the macro environment with what's actually happening in the field so our decisions remain grounded in reality. The reviews also give us the ability to discuss our strategies at work in real time.

The ongoing dialog is collaborative, rewarding, and allows us to refine our approach continually, making sure that we stay aligned with the ever-changing conditions and needs of each market. These conversations aren't just about metrics. They're about people. We get to see our talent in action and understand how each operator engages with landowners, developers, trade partners, and customers. Those relationships drive our ability to secure land,

maintain cost discipline, and grow market share.

After our people, land is our most vital asset, and we stay closely involved in shaping a disciplined, refreshed land strategy at every submarket so we can grow community count, reduce absorption pressure, and improve margins. We also take a close look at how we are resonating with customers through our local and national marketing and sales efforts, through intelligence tools like Rilla, which captures real-time feedback from buyer interactions, and through our dynamic pricing machine and Everything's Included platform. This collaborative approach ensures that we are aligning product, monthly payment, and value in a way that meets today's buyers' needs while allowing us to strategically reduce incentives and rebuild our margins.

This business approach and local focus have allowed Lennar's market position to remain exceptionally strong. We are the number one builder by market share in 22 of the top 50 homebuilding markets, and a top three builder in 42 of the top 50. That leadership reflects our volume-first, value-focused strategy, and the strength of Lennar's operating machine. We ended Q1 with 1,678 active communities, up 6% year-over-year. With that growth, we continue to right-price our communities and lessen our incentives.

At the end of the day, we run this business hands-on and as One Lennar. When we stay close to our operators, close to our customers, and aligned around land, product, and execution, we create consistency across the company. I'm proud of the discipline and momentum our teams are building, and we look forward to carrying that into the rest of the year. With that, I'll turn it over to David.

David Grove: Thanks, Jim. Good morning, everyone. I'm David Grove. I'm the Area President for the West. Nice to be with you today. As Stuart said, we remain

extremely focused on capitalizing on our strategy of asset-light and even-flow production to fuel operational efficiencies and consistent growth. The execution of our strategy is resulting in exactly the outcome we expected. While we have certainly impacted our margin, we are also realizing lower costs, improved cycle time, and continue to buy well-structured land at rationalized prices, all while continuing to drive efficiencies in our operation.

Let me start with our cost savings and cycle time improvement. Our technology-driven bid tool software, coupled with our even-flow starts and Everything's Included strategy, has allowed us to consistently realize cost savings quarter-over-quarter. We have lowered our direct costs 12 of 13 quarters sequentially, and we are down 12% over the last two years. Our directs are now below pre-COVID levels. In Q1, we achieved just over a 2.5% reduction in direct construction costs from Q4, which represents a 7% year-over-year reduction. Our cycle time on single-family detached homes was down another five days quarter-over-quarter to 122 days. This is an 11% year-over-year reduction and an all-time low for Lennar.

On the land front, we continue to capitalize on strong relationships with developers and land sellers to fill our land pipeline. Our consistent strategy and creative problem-solving has given us the ability to negotiate both land pricing and terms that will position us for stronger margins and allow us to maintain our land-light strategies. These operational improvements increased our inventory turn by 47% from prior year to 2.5.

Turning briefly to our marketing and sales machine, which, through constant refinement, continues to mature and facilitates our ability to execute our strategy and produce results even in the face of a tough market. In the first quarter, we achieved a sales pace of 3.6 sales per community per month while

carefully managing incentives on a home-by-home basis as we use technology to drive volume while preserving price.

Our intense focus on optimizing digital spend and driving high-quality leads is continuously improving. In the first quarter, our qualified Q leads, which represent the highest intent buyers in our funnel, increased 10% year-over-year. Once a lead enters the funnel, speed of engagement becomes a critical metric. Our average response time to customer inquiries improved by 35 seconds in Q1, a 12% improvement from prior quarter and a 71% improvement year-over-year. And this responsiveness now extends around the clock 24/7, with digital agents available at any hour.

We also measure the quality of our engagement as another critical component. In Q1, we improved our quality scores by 7%, reflecting our continued investment in coaching and AI-assisted performance analysis. We are measuring and accounting for every aspect of our business in order to drive improvement. As a result of refined targeting, faster response time, and higher quality engagement, our digitally-driven sales appointments kept, increased 11% from our prior quarter and 17% from Q1 2025, which helps support sales activities in a seasonally softer demand period.

Our focus extends to predictive capabilities of our pricing machine as well. Our pricing strategy focuses on a daily evaluation of demand patterns, inventory levels, and pricing discovery data designed to set the price and incentives for each home in each community to optimize margin while maintaining a targeted sales pace. This maximizes sales efficiency and maintains appropriate inventory levels. As Stuart mentioned, we ended our first quarter with three completed unsold homes per community.

In conclusion, our team is focused on executing our strategies that drive improving customer acquisition results, reduced direct costs, and enhanced operational efficiencies. These efforts, among others, are delivering measurable results and position us for future success.

Stuart Miller: So, before you go forward, Diane, great job, guys, but David, how many years have you been with the company?

David Grove: 27.

Stuart Miller: 27, so just want to make sure that everybody understands. Jim, you've got 30 years in the industry and eight years here at Lennar?

Jim Parker: That's right.

Stuart Miller: From the CalAtlantic Program. And David, 27 years right here at Lennar.

David Grove: Homegrown.

Stuart Miller: Okay, carry on.

Diane Bessette: Okay, good morning, everyone. So, Stuart, Jim, and David have provided a great deal of color regarding our operating performance. So, therefore, I'm going to spend a few minutes on the results of our Financial Services operations, summarize balance sheet highlights, and then provide estimates for the second quarter. So, starting with Financial Services. For the first quarter, our Financial Services team had operating earnings of \$91 million. The lower earnings were mainly derived from our mortgage business. The decrease was primarily based on the mix of buy-down programs offered to our homebuilding divisions, including an increase in ARMs versus fixed-rate

mortgages, with ARMs generating significantly lower earnings.

And now turning to the balance sheet. Note that this quarter, once again, we were highly focused on generating cash by pricing homes to meet affordability. The result of these actions was that we ended the quarter with \$2.1 billion of cash and total liquidity of \$5.2 billion. We are well-positioned as a land-light manufacturing homebuilder. Our year's supply of owned homesites was 0.1 years, and our homesites controlled percentage was 98%. This configuration significantly lowers our balance sheet risk, especially in challenging environments.

We ended the quarter owning 11,000 homesites and controlling 486,000, for a total of 497,000 homesites. We believe this portfolio of primarily optioned homesites provides us with a strong competitive position to continue to grow market share in a capital-efficient way. Our inventory turn increased to 2.5x, with return on inventory of approximately 17%. We maintain our focus on increasing asset turns, which will enable us to capture greater improvement in returns when margins normalize. During the quarter, we started approximately 17,400 homes and ended the quarter with approximately 38,600 homes in inventory. This includes about 5,000 completed unsold homes, which as we've noted, equates to about three homes per community.

And then turning to our debt position, homebuilding debt to total capital was 15.7% at quarter-end. We ended the quarter with \$1.7 billion outstanding under our term loan, and no outstanding borrowings under our revolving credit facility. Our next debt maturity of \$400 million is due in June.

Consistent with our commitment to increasing total shareholder returns, we repurchased 2 million shares for \$237 million, and we paid dividends totaling \$123 million. Our stockholders' equity was approximately \$22 billion, and our

book value per share was approximately \$89. In summary, the strength of our balance sheet provides us with confidence and financial flexibility as we progress through 2026.

With that brief overview, I'd like to turn to the second quarter and provide some guidance estimates. Starting with new orders, we expect Q2 new orders to be in the range of 21,000 to 22,000 homes, with continued focus on matching starts and sales paces. We anticipate our Q2 deliveries to be in the range of 20,000 to 21,000, as we maintain even-flow production and turn inventory into cash. Our Q2 average sales price on those deliveries should be between \$370,000 and \$375,000, and gross margins should be in the range of 15.5% to 16%.

As we focus on maintaining volume, we continue to price to market. That said, we believe our Q1 margin of 15.2% should represent the low point for the year. Our SG&A percentage should be in the range of 8.9% to 9.1%, but of course, all of these metrics are dependent on how market conditions unfold. For the combined homebuilding joint venture, land sales, and other categories, we expect a loss of approximately \$20 million. We anticipate our Financial Services earnings to be between \$100 million and \$110 million. And for our multifamily business, we expect earnings of about \$10 million.

Turning to Lennar Other, we expect a loss of approximately \$25 million, excluding the impact of any potential mark-to-market adjustments. Our Q2 corporate G&A should be about 1.9% of total revenue, and our foundation contribution will be based on \$1,000 per home delivered. We expect our Q2 tax rate to be approximately 25.5%, and the weighted average share count should be approximately 243 million. And so, on a combined basis, these estimates should produce an EPS range of approximately \$1.10 to \$1.40 for the quarter.

And finally, we continue to aim for a full-year delivery target of 85,000 homes for the full year.

With that, I'll turn it over to the operator.

Operator: 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 one follow-up question until all the 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, you may press Star 2. Again, that is Star 1 to ask a question.

And our first question comes from Alan Ratner from Zelman & Associates. Please go ahead.

Alan Ratner: Hey, good morning. Thanks for the detail. And David and Jim, nice job. Glad to have you on the call. So, first question, obviously, I think top of mind, on recent activity, I think you kind of phrased it well, Stuart, but I'm just curious with the move we've seen in rates here over the last couple of weeks, obviously, you kind of probably started the process of thinking about the guidance towards the end of your quarter in February when rates were 20, 25 basis points below where they are today. A, I'm curious, have you continued to see the ability to either stabilize or inch lower your incentives even over the last couple of weeks amidst this volatility? And B, has the cost of rate buy-downs gone up alongside the move in rates we've seen here, and how is that contemplated in the margin guide? Thank you.

Stuart Miller: So, the question's interesting, Alan, because it happens to be an interesting time to do an earnings call. There's enough brand-new volatility since the end of our quarter to call into question any number of things. I think that we've

tried to give as much guidance as we saw through the quarter and not do too much to update that thinking or guidance, kind of under the banner that one week in a row doesn't make a trend either to the positive or to the negative.

And the benefit we have right now today is that immediately after this call, both Jim and David, as Jim carefully described, will be out in the field working with the divisions to see what the actual impact is and think about what we do to either offset or lean into the things we're seeing in the field. As we sit today, without doing too much to update, I don't think we have an update. We haven't seen significant movement either in traffic or in the ability to sell.

And I'll let Jim and David weigh in on that in a second, but I just don't think that there's enough information to know whether this will be a short-term program, or even if a long-term program, whether domestically it will be a net positive or net negative. But as we see things right now, we're not seeing significant movement in the market. It really has been pretty steady. Jim, you first.

Jim Parker: No, I agree. Right now, we haven't seen an impact, but it's early to tell. We talked to our division presidents this morning, and they have not seen any change to date this week or the previous week. So, we're confident, but we're being very cautious. And like Stuart said, we're making sure we stay really close to the local markets to make sure we stay in tune with that.

Stuart Miller: David?

David Grove: Generally, this week we're seeing a similar demand pattern that we've seen in the prior couple. So, no significant negative impact. I think generally speaking, that's positive in light of the state of the macroeconomics.

Stuart Miller: So, look, I would just summarize and say that, first of all, we generally don't give updated guidance or information, but given the anomalous moment that we're in, it's worth putting it on the table that right now things are steady as we see them. Both Jim and David, and myself for that matter, are day-to-day in touch with our operators to get that feedback in real-time. And we're not seeing something that would adjust the way that we have thought about the information that we've given, including our guidance. And for those of you who know me well, I don't complete writing the material that I deliver in our earnings call until generally late at night or early in the morning the night before. So, we keep it pretty up to date and this was pretty well thought through.

Alan Ratner: That is incredibly helpful. So, I appreciate just kind of walking through the timing there of when you kind of put this together and what you've seen. Second question, on SG&A, recognizing you're not going to give guidance beyond the second quarter, I just wanted to touch on, I think some of the comments you made Stuart. I think you referenced an expected improvement in SG&A in 2026 versus 2025, given all of the changes and maybe some of the headcount changes, I guess that have gone on in the last several quarters.

Just want to make sure I'm understanding that correctly. I mean, if I look at your SG&A as a percentage of revenue year to date through the first half of the year, at least including your 2Q guidance, you're going to be up about roughly 100 basis points year-on-year as a percentage of revenue. Does that mean you're anticipating to actually be lower on a year-over-year basis in the back half of the year, or am I reading too much into that commentary?

Stuart Miller: First, let me broaden the discussion to overhead, which is broader than just SG&A. But the answer is that as numbers are reduced, it takes time for those numbers to flow through and come through our earnings reports. I think

theoretically, yes, we are seeing opportunities and expectations that our overhead is going to be meaningfully lower as we come to the end of the year. Whether it actually flows through one quarter or another, we're going to wait and see. Some of these things get a little bit sticky. But at the end of the day, it's happening in so many interesting areas that we're reducing costs.

Some of the costs associated with our technology initiatives are clearly front-end loaded. The transition from World to E1 was extraordinarily expensive. That's tapering off. It might take some time for that to flow through, but that's happening more quickly. But there are other elements of what we have been working on, and even the things where we misstepped and went down bad paths initially, where money was spent, and we don't have to spend that money anymore.

Additionally, as I talked about senior management, we have so many extraordinary people within our company that are deciding to use this opportunity to retire and let the next generation shine. Though we haven't put out a public announcement, I'm sitting off from one of our favorites in Bruce. Bruce is going to be retiring. We've known this for months. Bruce is actually going to transition and become part of the Lennar Foundation, working hand-in-hand with Marshall.

But it's really across the company recognizing that overhead reduction is a positive, but enabling the next generation of leaders to come up, step up and put themselves on display just as you've seen here this morning, is really a greater good. And when I say fresh legs, if you look at the energy that Jim and David are bringing to the equation, if you listen to Laura Escobar in Financial Services, as you listen to others around the company, the opportunity to take a fresh look at a lot of things is a really unique opportunity that we're leaning into right now.

Alan Ratner: Thank you so much. Best of luck.

Stuart Miller: Okay, thanks.

Operator: Next, we'll go to the line of Stephen Kim from Evercore ISI. Please go ahead.

Stephen Kim: Yes, great. Thanks, appreciate it. Thanks, as usual, for all the info. I guess my first question has to do with how you determine what's the optimal level of volume that you need to extract the efficiencies in your homebuilding operation, given all the technology initiatives as well. I'm curious, is it based on a certain market share, or is it more sort of a bottoms-up kind of approach, and therefore like independent of what volumes are doing in the broader market? Like last year, it sounded like it was a little bit more like the latter. You were focused on achieving a certain level of volume so you could get the efficiencies that you needed.

Then because industry starts were down high single-digits, that meant you happened to gain a lot of share, right? But so the focus wasn't on the share. It was on maintaining a certain level of volume. But in your opening remarks, you also mentioned about growing market share almost as if it was a goal in and of itself. So, I just wanted to make clear, how should we think about how you think about the volume that you need in any given year? Are there situations, for example, where you would willingly relinquish some market share, or should we think that you're always looking to gain market share?

Stuart Miller: Well, Steve, interesting question. I'm thinking about it as you're asking it. The reality is that the answer is unique to each market and each market is a little bit different. And so, when you look at a roll up of our company, it would be hard to cobble together a unified strategy. The fact of the matter is, there are a number of considerations that are going into that calculation. And they're all

very market-specific. We don't have a specific mandate to grow market share, but we do recognize that with advantaged market share, we are able to work with trade partners and landholders to do a better job of negotiating. So, I'm going to turn over to David first. Why don't you talk a little bit about land opportunities and things like that, and then Jim, maybe you'll think about some other components?

David Grove: Yes, sure. I'd say that market share, by market, we understand, based on our position in the market, where we ought to be, and we have a target, but that doesn't really drive what you're asking about. What drives our consistent volume is the way that we thoughtfully put together each one of our land positions and our communities. And we have expectations early on that we hit a certain pace. And our strategy right now is to maintain that pace, the increased market share is a derivative of our maintained pace on a community-by-community basis to our underwriting, and then the competitor set generally slowing down a little bit.

Stuart Miller: Jim, trade partners, thoughts about that?

Jim Parker: Yes, I think the trade partners, we build it from the bottom up. It really starts with the community. It really starts when you plan that community, and you come up with what the ideal absorption is. And then we try to build from that. And the better job we do with that, with trade partners and land sellers and everything else, the growth kind of comes with it. We get more looks at different communities in the future, and it just kind of all ties together. But I really think it's not going in, having a set number in mind. It's really from building from the bottom up of the communities. As we open more communities, that's really what accelerates that market share. So, it's smart growth, but we really try to get to a set absorption based on what the market

will give us and what we think is the right level with the trades and everything else, and it just kind of builds up from there.

Stuart Miller: And I just have to say that the volatility embedded in putting your foot on the accelerator and then taking it off and putting it on the brake and going back and forth, it only creates inefficiencies in the development process, in the construction process, and all the processes. If we can build dependability for trade partners and even for land partners, we're going to get the best pricing, and we're using that to our advantage.

And in each market, we are doing our own very separate, very focused market study to think about the combination of pricing and pacing in our own unique way, focused not on answering competitive information, but contextualizing it in terms of how can we rationalize affordability with cost structure to end up with the best configuration for the future. And I just want to say one last thing, and I've said this over and over again, that we didn't start with a notion that we're going to wait for the market to recover. Instead, market by market, we have focused on how do we construct the best version of Lennar to build efficiencies for a market that's likely to remain stubborn for a long time, now three and a half years, and we haven't had that throwback to the past.

We're constructing an operating platform that is reconfigured to be able to build affordability for the future. And if you think back to the COVID time and to the inflationary period that we went through in 2022, 2023, that the cost structures grew alongside the pricing structures. We're left with the pricing, and the cost structure is very sticky, both on land and on vertical construction, horizontal as well. And rebuilding the company to be better positioned to build affordability has been hard work. It's being done at every division, division by division within its own structure, and that rolls up to the number that you see corporately.

Stephen Kim: Got you. Yes, that's very helpful. Appreciate that. I guess my second question has to do with volume through the year. So, you've reiterated the guide to 85,000 closings, and you're kind of off to a little bit of a slower start than even last year. And it just sort of feels like the year is going to be kind of more backend-weighted. And I just wanted to ask how important is it for you to achieve a more sort of even-flow of volume through the year? Is the fact that this year is not going to be quite maybe as much as you might like, is that a hindrance to your achieving the efficiencies that you ultimately want to get? Longer-term, should we be expecting that you're going to achieve more of a kind of a 50-50 kind of front half, back half kind of cadence?

Stuart Miller: Look, this is an art, not a science. I can't predetermine today what we're going to do throughout the year. As I said, Steve, and as Jim carefully laid out, Jim and David are getting out into the field for operations reviews, division by division, bottom-up approach, working with the people. And that happens at Lennar all the way through the year. So, what we say today might change over the next couple of weeks. We know that there's a lot going on in the world that is affecting both gas prices, inflation levels, interest rates, and that might be short-term, that might be longer-term.

We're going to be connected with what's happening on the ground, and it might be unique to different markets, how it actually plays out. What we are solving, too, is, how do we use as much volume consistency as we can to build efficiency in everything that we're doing. But we don't want to, at the same time, not pay attention to what the market is allowing us to do. We don't want to break the market. And so, it's a balancing act. And that's why I say it's an art. It's not a science. Jim, you want to weigh in on that?

Jim Parker: Yes, I would just say this is a huge priority for the divisions. We start this process even before the year begins with our early forecasting. We look at the

different quarters. We look at whether they are as equal as they possibly can be. It really goes back to focusing in on the land and opening communities in a timely manner and not letting delays hit. And I think we're getting much better at that, but I think it really comes down to looking out 18 months, seeing what quarters look like, and that's when you decide where we have community count, what do we need to push, what do we need to do? You take Northeast markets, what do we need to do as far as getting the homesites developed quicker with different methods, dealing through the weather. So, I think it really starts with planning, and I think you see divisions that are doing it well. They just have a tremendously well-oiled machine.

Stuart Miller: David, any thoughts?

David Grove: Just to say that we are focused on consistency of volume, but we are also responsive to the market as the market shifts underneath us. I think what holds us in good stead is that we have clarity of strategy. We are going to start at our sales paces, open communities on time. We're going to price to market where the market happens to be, and we're going to deliver our homes and not carry excess inventory homes.

Stuart Miller: And our pricing mechanism, our pricing tool is really primarily focused on getting a kind of tactile sense of where the customer is and where affordability lies. And this is our primary driver in our day-to-day hands-on pricing all the way through the company.

Stephen Kim: Great. Thanks so much, guys.

Stuart Miller: You bet, Steve.

Operator: Next, we'll go to the line of Susan Maklari from Goldman Sachs. Please go ahead.

Susan Maklari: Thank you. Good morning, everyone, or good afternoon now, I guess. My first question is, it's impressive to see how the inventory turns hit 2.5x this quarter, despite all the pressure that you are seeing in the market. Can you talk about where you see the upside to inventory as you think about the construct of those key areas of focus that you're really looking to achieve as we move through the next several quarters?

Stuart Miller: Well, not only is that a good question, that's a timely question. Eric and I spent some time in New York working through some of the capital markets approaches that we think about and dream about in terms of charting the path for the future of the company. I'm not going to be able to give you an answer as to where I think it can go, but I think that there's a field of opportunity. I will say that I think that the financial transformation that we've gone through, and that is separating land from homebuilding and balance sheet, is really interesting. It's getting more interesting by the day.

If you look at and think about the risk-adjusted pricing for capital, when you look at risk profiles, and you separate risk profiles, there's a field of opportunity to rationalize the costs that are associated with the different dimensions of land that we currently have. I said in my remarks that we are targeting specific land banking programs and relationships and trying to find the right bucket for the right land and minimize the option costs associated.

But additionally, we think that over time, by taking a capital markets thought process to the way that we have configured this, we're going to be able to think even better about how we bring land into availability for the company, how we manage the just-in-time delivery system, and all of this is going to

have incremental benefits to that inventory turn number. So, I don't think you've heard the last of inventory turns. I think that we're continuing to reach higher, and I think that we're going to see more come of this. I think that we're all going to find that the program that we've put in place is going to enable us to marry this operational view of our business with a capital markets view and make us better.

So, one other thing that I want to detail, and maybe David and Jim, you'll weigh in on this, is the importance of our core product to this discussion. The more we migrate to fewer products that we build over and over again, the more efficiency we're going to inject. I still look at our cycle times and how they've come down just year-over-year from 137 days to 122. And quarter-over-quarter, you're looking at, I think it was 127 days down to 122, might have been 126. But I look at the focus in the field and the opportunity to make it better by using core product. How would you talk about that, David?

David Grove: I think core product is not only resulting in our cycle time reduction, I think it's going to continue to improve. Also, it helps us rationalize our cost structure. A couple of core products that are designed very efficiently with an Everything's Included package, it helps us capitalize on our purchasing structure, capitalize on our scale, and that combination of volume, core product, efficiency of build, is materializing in lower cost and faster cycle times, which are going to be accretive to our inventory turns.

Stuart Miller: Jim?

Jim Parker: I would just say, the cycle time, you know, you go to these ops meetings and the teams are so proud of getting lower and lower, and it's become the best friendly competition I've seen amongst divisions. So, I love sitting there, and

when Charlotte says they're at 101, I say, well, that's great, but why is Greenville at 96? Boy, they come back the next quarter, and they hit it harder. So, it's become a badge of honor, and the core plans just makes it so much more efficient for our trades to build. They get repetition. They know what we're looking for. Inspections go smoother. So, it really all helps with the cycle time.

Stuart Miller: Yes, and look, I've been there with you. You've been the instigator. And it's not just a competition to see who can do things faster. It's a combination of being able to bring the consistency that we give to our trade partners and even to land partners, but to our trade partners, enabling us to get better and better at the coordinated dance of building homes. And some of our divisions are just really paving new ground to improve that cycle time in a very constructive way.

Jim Parker: Yes, and the best thing is quality has improved with cycle time.

Stuart Miller: Exactly.

Jim Parker: It's become so much more efficient.

Stuart Miller: Yes, quality and customer experience.

Jim Parker: That's right.

Stuart Miller: North stars for the company.

Jim Parker: Yes.

Stuart Miller: Okay.

Susan Maklari: Okay, well, that was very helpful color. Thank you for all that. And actually, just following up on it quickly, where are you in terms of the core plans? Can you talk to what percentage of the deliveries today are coming from that? Is there any kind of a target that you can share with us as you think about, I don't know, the next 12 or 24 months? And I guess, also as part of that, it leads to the question around capital allocation. And as this comes together, can you talk to how you're thinking about the top uses of cash and how shareholder returns and growth and all these other initiatives fit within that?

Stuart Miller: So, the discussion of core plans, again, we can talk about it corporately, but the reality is it's division by division by division. But the more important thing is how technology plays into all of this, because we are migrating to a place where our due diligence program relative to land is going to be tied to an element of core plan engagement that is going to nudge the company using technology towards greater and greater use of core plans.

Now, you can imagine, if we're talking about land engagement and due diligence processes, it's going to take some time for this to actually come through the system. But this is an area where modern technologies across a diffused platform, 50 divisions coast to coast, and getting that entire enterprise to push towards core plan, it is going to be technology that really drives us forward. And we're building those connectors right now. But is there anything that you guys would say about where core plans are percentage-wise and how we're migrating through your ops reviews and division engagements?

David Grove: Generally, across the platform, call it 65% core, and that's going to vary by division from some at 50% to some at 90%. And that is really relative to the rollout of our core in order to meet different buyer profiles at different price points.

Stuart Miller: Right.

Jim Parker: Agreed.

Stuart Miller: All right. Why don't we take one more question?

Operator: Thank you. Our final question comes from John Lovallo from UBS. Please go ahead.

John Lovallo: Hey guys, thank you for taking my question. Firstly, in trying to kind of bridge the homebuilding cash, it appears that there's roughly maybe \$1 billion or so of cash flow use in the first quarter. And it seems like it was largely attributable to inventory, which it was a bit surprising given that you started and you delivered roughly the same number of homes in the quarter. So, kind of what's driving the pressure on cash flow, given the expectation for pretty strong conversion in 2026?

Stuart Miller: Probably relates most to average sales price coming down.

Diane Bessette: Yes, I think so, John. I'll jump in. As you know, we're very focused on pricing to market. Our incentives are at a higher level. And so, while we're getting cost savings that are increasing cash, as you've heard us say, it's hard to outpace the lower revenue on a per-home basis. So, we have to keep purchasing homesites to keep the production going. So, I think you'll see a little bit of better matching as the quarters progress, but the first quarter is so light on revenue because it's light on deliveries. It's a little bit of an anomaly for the year.

John Lovallo: Okay, understood. And understanding that we're in a pretty dynamic market right now, I just wanted to follow up on Steve's question. The 85,000 delivery

target seems to imply that you plan to start more homes than your orders in the second quarter, and then kind of work through that inventory in the back half. If that's not correct, what's driving the much higher kind of second half deliveries than the implied second quarter inventory?

Stuart Miller: So, first of all, let me say we clearly have question marks around the things that have happened in the short-term that have kind of changed the landscape. And, of course, turmoil in the Middle East has everybody's attention, and we have a question mark, what's that going to mean? How's it going to ripple through? And number two, the sidelining of the institutional investor is another component of that. There are a lot of people thinking about it. And if the institutional investors are really sidelined, is that going to instigate more primary buyers to the market as some believe, or is it going to reduce volume? We're going to have to wait and see, and I try to leave room for those changes.

That impacts the question of what will our deliveries be as we come through the year. But what drives us to continue to aim for that number is a base belief, a base optimism that I've been getting from both David and Jim about the configuration of our business. And so, on one hand, you have these geopolitical issues or domestic issues that are counterbalancing, but I will tell you that leading up to the past couple of weeks, there has been a sense of optimism about the programs that we have in place. Jim, why don't you talk about that a little bit?

Jim Parker: Well, look, I think it comes down to, we see the steadiness in a lot of markets, but more importantly, we see the energy with our associates, and they're starting to really, really see these different programs. They're starting to see the advantage to it. A quick example is virtual customer care. I had ops meetings yesterday at three divisions over the last two days. And to every division, they all talked about, at first they were challenged, now all of a

sudden the efficiency, the customer experience, the quickness of the response to the customer. I think that's really what we're seeing is our teams are really starting to buy into what we've been working on for years, and they're now seeing the advantages. And optimism fuels a lot of people, and I think that you get that positive energy going, that's what's driving it.

Stuart Miller: David?

David Grove: I'd just say that we have the privilege right now of having the time to read what the market gives us over the next few months within this environment, and, because of our cycle time reduction, we have the room to adjust accordingly so that we can determine, as the year progresses, whether 85,000 is rational or not.

Stuart Miller: But I think that generally speaking, the unified view right now is it's definitely within our scope and within the opportunity set, and we're pretty enthusiastic about the programs that we have in place that have given us somewhat of an edge on the market, certainly an edge on information flow and staying close to the market, and, of course, that very careful dance that we dance of having corporate closely tied to the individuals and the divisions that are actually seeing what's happening on the ground. I think that there's a general sense of optimism through the company right now that we're going to do as good as the market allows.

And I think that's a good place to stop. I want to thank everyone for joining us. I couldn't be more excited about the program we have in place and having David and Jim take us through their first traumatic conference call. And we look forward to coming back together, of course, in the second quarter and beyond as a management team that's invigorated and focused on making the best of a tough situation. Thank you.

Operator: That concludes Lennar's first quarter earnings conference call. Thank you all for participating. You may now disconnect your line. Please enjoy the rest of your day.

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