

LENNAR CORP
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11:00 am ET

Coordinator: Welcome to Lennar's fourth quarter earnings conference call. At this time, all participants are in a listen-only mode. After the presentation, we will conduct a question-and-answer session. Today's conference is being recorded. If you have any objections, you may disconnect at this time. I will now turn the call over to 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.

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

and CEO. Sir, you may begin.

Stuart Miller: Very good, and thank you. Good morning, everyone, and thanks for joining today. I'm in Miami today together with Jon Jaffe, our co-CEO and President, Diane Bessette, our Chief Financial Officer, David Collins, who you just heard from, our Comptroller and Vice President. Fred Rothman is here, our Chief Operating Officer, and Marshall Ames as well, Chairman of the Lennar Charitable Foundation, along with a few others.

As usual, I'm going to give a macro and strategic overview of the company. After my introductory remarks, Jon is going to give an operational overview, updating some construction costs, cycle time, and some of our land strategy and position. As usual, Diane is going to give a detailed financial highlight, along with some limited guidance for the first quarter of 2025. And then, of course, we'll have our question-and-answer period, and as usual, I'd like to ask that you please limit to one question, one follow-up, so that we can accommodate as many as possible.

So, let me begin. Our fourth quarter was a challenging quarter at Lennar, as interest rates climbed approximately 100 basis points through the quarter and further challenged affordability. Starting early in the quarter, we saw sales stall at then-existing price and incentive levels. That necessitated increased incentives, interest rate buy-downs, and price adjustments to activate sales and avoid increased inventory build-up.

Accordingly, our fourth quarter results missed expectations as new orders were 16,895, short of the 19,000 we expected, and our gross margin was 22.1%, short of the 22.5% that we expected. The shortfall in margin resulted from increased incentives on homes sold and delivered within the quarter. Accordingly, we are moderating our expectations for margins and sales in the

first quarter of 2025, as the market adjusts and stabilizes.

Overall, the economic environment, which we believed last quarter was constructive for the homebuilding industry, has certainly turned more challenging as longer-term interest rates, along with mortgage rates, have climbed steadily since our last earnings call. While underlying demand for new homes remains very strong, and the supply of available dwellings remains chronically short, a combination of wavering consumer confidence and elevated cost of acquisition, have challenged the customer's desire and ability to transact.

While there continues to be considerable traffic of customers looking for homes, the urgency to actually transact has quieted as customers adjust to a new normal. Of course, affordability has been a limiting factor for demand and access to homeownership for some time now. Inflation and interest rates have hindered the ability of the average family to accumulate a down-payment or to qualify for a mortgage.

Higher interest rates have also locked households in lower interest rate mortgages and curtailed the natural move-up as families expand and need more space. Rate buy-downs and incentives have enabled demand to access the market. While consumers remain employed and are generally confident that they will remain employed, and their compensation will rise, higher interest rates and inflation have outstripped their ability or desire to act.

While strong employment often goes hand-in-hand with a strong housing market, interest rates have put many with need on the sidelines. As strong demand enabled by incentives and mortgage rate buy-downs has driven the new home market over the past years, we expect the broad-based demand cycle to reestablish as rates stabilize or even moderate and as pent-up demand

continues to build against short supply.

While demand has been constrained by affordability, the supply of homes remains constrained. The well-documented chronic housing shortage is the result of years of underproduction. This shortage is exacerbated by continuing shortfalls in production driven by now muted demand, together with already existing restrictive land permitting and higher impact fees at local levels and higher construction costs across the housing landscape.

Mayors and governors across the country are acutely aware of the housing shortage and shortfall in their respective geographies. Many have been pounding the table about the need for affordable housing, attainable housing, and workforce housing, in their respective markets.

On a final note, immigration and tariffs have recently been added to the list of questions and potential concerns confronting the industry. We recognize that the landscape is still being shaped around these issues and cannot be addressed with certainty. Nevertheless, our early evaluation suggests limited impact to us and to the industry, and Jon will discuss this in further detail shortly.

Against this macro backdrop, we continue to have conviction around the two core parts of our operating strategy. First, we are focused on volume and matching our production with the sales pace. While our execution in the fourth quarter was challenged by the rapid and unexpected change in the direction of interest rates, we did adjust and adapt to new market conditions, and we adjusted incentives and pricing, and we did not enable our inventory levels to spike.

We are currently focused on keeping sales volume up as we accelerate in

order to catch up pace and correct the sales miss that we had in the fourth quarter. Of course, the catch-up in sales pace comes at a cost, and that cost is additional pressure on margin. Accordingly, as we have looked ahead to the deliveries in the first quarter of 2025, we expect to sell between 17,500 homes and 18,000 homes, and deliver between 17,000 and 17,500 homes.

We expect our margin to be 19% to 19.25% as we expect approximately 50% of the deliveries in the quarter will be sold during the quarter, and this will dilute the 20% margin that is already embedded in our backlog. Nevertheless, we are focused on driving sales and closings, driving strong current cash flow, even at reduced profitability, and maintaining carefully managed inventory levels so that as market conditions stabilize or improve, we will benefit from normalized margins across our growing volume.

Secondly, and simultaneously, we continue to migrate our operating platform to an asset-light configuration. We are much closer to the completion of the strategic rework of our operating platform, from being a land company that happens to build homes, to becoming a pure-play, land-light, asset-light, manufacturing model homebuilder that benefits from just-in-time finished homesite delivery.

Again, we have conviction that our structured asset-light, land-light model enables far more predictable volume and growth, with a much lower asset base and lower risk profile that has been and will continue to be at the core of our operating model. The value of this structure will be seen in the execution of our Rausch Coleman combination in conjunction with the Millrose spin, and I'll discuss this in more detail shortly.

Consistent volume and growth enables improving operating efficiencies in construction costs, cycle time, customer acquisition costs, and SG&A.

Additionally, it has driven consistent and dependable cash flow, even with variable bottom line results. And finally, it has enabled the consistent and predictable take-down of just-in-time delivered, fully developed homesites, and that has attracted capital to the structured land banking partnerships that have driven the nearly \$20 billion of transactions that have enabled our land-light transformation to date.

We are confident that our operating strategies of consistent volume and growth with a just-in-time delivery of developed homesites, will continue to enable our company to be best positioned to rationalize our cost structure and be best positioned with strong volume as margins normalize.

Let me turn back briefly to our fourth quarter operating results. As I noted earlier, while we are disappointed with our fourth quarter actual results, they do represent a consistent and strategic quarter of operating results in the context of a difficult affordability environment. As mortgage interest rates migrated higher to around 7% through the quarter, we drove volume with starts, while we incentivized sales to enable affordability.

In our fourth quarter, we started almost 18,500 homes, sold almost 17,000 homes, and closed approximately 22,200 homes. While I've already talked about market conditions, lighter starts and sales were also attributable to a lighter community count at the beginning of the quarter, which has now been corrected.

We have been able to solve the community count shortfall that we described last quarter, and we've brought our community count up from 1,283 communities at the end of the third quarter to 1,447 communities, which is now 13% higher than last quarter and 15% higher than the prior year. Our community count positions us materially better to drive the volume we expect

at lower absorption rates as we enter 2025. We expect lower absorption rates to put less stress on our margin over time as we deliver between 86,000 and 88,000 homes in 2025, reflecting an 8% to 10% increase over 2024.

During the fourth quarter, sales incentives rose to 10.8% as we addressed affordability and the community count lag. As an offset, we were able to maintain construction costs and reduce cycle time, as Jon will detail shortly, and we've maintained our customer acquisition costs while our SG&A rose to 7.2%, reflecting our lower volume and lower average sales price leverage.

On the positive side, we have driven production pace in sync with sales pace and have used our margin as a point of adjustment to enable consistent cash flow. Our strategy has enabled us to repurchase another 3 million shares of stock for \$521 million in the fourth quarter, bringing our total stock repurchase for the year to 13.6 million shares for over \$2 billion in cash.

We ended the quarter with \$4.7 billion of cash on book and a 7.5% debt-to-total capital ratio. We are extremely well positioned to spin Millrose and to be able to continue to repurchase shares and reduce debt as we have driven strong overall operating results to date. We continue to be exceptionally positioned as a company from our balance sheet to our operating strategy to be able to adjust and address the market as it unfolds as we enter 2025.

With that said, we're very optimistic about our future. On the one hand, we remain confident that the current volatility driven by affordability and interest rates will subside, demand will adapt to a new normal, and the supply shortage will remain the dominant theme. Volume will continue to help reduce our cost structure, and incentives will normalize and margins will normalize, and our increased volume will multiply bottom-line.

On the other hand, we are equally enthusiastic about the Millrose spin and the Rausch Coleman acquisition and the way both will work together. As most of you know from yesterday's press release, Millrose Properties, the subsidiary we formed to carry out the spin that we announced some time ago, has now filed a public SEC registration statement, and it is available on the SEC website.

In the very near future, the spinoff will be public and that will complete our now almost five-year migration to an asset-light operating model. Millrose will be the first publicly-listed land banking REIT and will use our homesite option purchase platform that we call the HOPP'R to provide just-in-time, fully-developed homesite inventory for Lennar, for Lennar-related ventures, and subsequently to other homebuilders across the U.S. as well.

The HOPP'R is a comprehensive suite of systems and procedures used to operate and manage the acquisition, financing, and development of land assets at scale, designed and refined by Lennar over the past 20 years. Millrose will be externally managed by a subsidiary of Kennedy Lewis Investments, an institutional alternative investment firm with approximately \$17 billion in AUM and extensive experience with both Lennar and with the land and land development business for homebuilders.

All of Millrose's operating costs will be paid by Kennedy Lewis through its management fee, and Millrose will have no employees of its own. Millrose will receive consistent cash flows pursuant to option contracts. It will receive recurring monthly option payments, which will be used to pay predictable dividends to shareholders, and will additionally receive initial deposits and proceeds from the sale of fully developed homesites.

Millrose will recycle proceeds from the sale of fully developed homesites into new acquisition and development land deals without needing to raise new investor funds. Accordingly, Millrose is an added source of more permanent capital for Lennar and is an addition to organically negotiated option agreements with developers and other professionally managed programs that are currently private equity based.

As such, Millrose is an important evolution of our land-light strategy as it enables growth through attractive organic and inorganic opportunities, improved cash flow generation, and strong return on equity and inventory to Lennar. Lennar will contribute to Millrose approximately \$5.2 billion of undeveloped and partially-developed land and approximately \$1 billion of cash.

Additionally, Millrose will acquire approximately \$900 million of land assets as part of our Rausch Coleman acquisition, while Lennar will acquire the WIP inventory and the homebuilding operations. We believe that the ongoing relationship with Millrose can facilitate other transactions in an asset-light manner as well.

Millrose will be positioned with adequate capital to operate its core business, and will have a balance sheet that enables additional debt or equity as needed for strategic engagement or for growth. Lennar will distribute 80% of the stock of Millrose to Lennar shareholders. There will be one share of Millrose stock for every two shares of Lennar.

Lennar will shortly thereafter dispose of the remaining 20%, which by the way is non-voting, in a distribution of Millrose shares or a potential exchange for Lennar shares, which would basically effectuate a cashless buyback of Lennar shares. Let me say this one more time, as it might be a little confusing.

The additional 20% interest, which is non-voting shares, will be retained by Lennar for a very brief period of time and will quickly either be distributed or exchanged for Lennar's shares to effectuate a cashless stock buyback. Needless to say, we are very excited to bring Millrose public in the very near future.

Now, let me turn briefly to the Rausch Coleman acquisition. As I have noted, the Millrose spin will work hand-in-hand with our previously announced purchase of Rausch Coleman Homes, which is based in Fayetteville, Arkansas. Rausch Coleman is led by John Rausch, a fourth-generation builder who built his company into the 21st largest homebuilder in the country.

We look forward to welcoming John and his extraordinary team to the Lennar family, as John will continue to work alongside Lennar as a partner, and many of the Rausch Coleman associates will actually join the company. This acquisition fits squarely into our strategic growth plan of acquiring companies in concert with our Millrose property spinoff, where Lennar acquires the operating assets, including WIP, and Millrose acquires the land holdings.

This enables Lennar to acquire with a limited investment and producing a high return enabled by the Millrose platform. Rausch Coleman builds in 12 primary markets across seven States and is the number one builder by market share in six of these markets. This acquisition will result in our expanding into new and desirable markets in Arkansas, Kansas, and Missouri, while growing our existing operations in Texas, Alabama, Oklahoma, and Florida.

Rausch Coleman is a very strong cultural fit for Lennar, sharing a common operational philosophy focused on the building of reasonably priced homes with strong basic home designs. Like Lennar, Rausch Coleman offers few

optional changes, improving markets, and has an overall commitment to delivering high-quality homes within budget and on schedule.

We expect that the acquisition will add approximately 100 communities, 4,000 deliveries, and 4,000 new orders in 2025, assuming that this acquisition closes by the end of the first quarter. After the 2025 activity, there will be more than 37,000 homesites controlled through Millrose for Lennar's operation in 2026 and beyond.

The 2025 activity is concentrated 30% in markets where Lennar has existing operations and 70% in new markets where Lennar will take advantage of Rausch Coleman's exceptional reputation and well-run operations as we integrate into one Lennar. We are very excited about the Rausch Coleman addition to the Lennar footprint.

So, we've covered a lot, and in conclusion, let me say that while this has been a difficult quarter and year-end for Lennar, while the short-term road ahead might look a little choppy, we are very optimistic about the longer-term road ahead. In spite of bumps in the road, this is an exciting time for Lennar.

At Lennar, we are upgrading the financial and operating platform as we drive production and sales. We have continued to drive production to meet the housing shortage that we know persists across our markets. With that said, as interest rates normalize, we believe that pent-up demand will be activated and margin will recover, and we are well-prepared with a strong and growing national footprint, growing community count, and growing volume.

Perhaps most importantly, our strong balance sheet and even stronger land banking relations afford us flexibility and opportunity to consider and execute upon thoughtful growth for our future. In that regard, we will focus on our

manufacturing model and continue to use our land partnerships to grow with a focus on high returns on capital and equity.

We will also continue to focus on our pure-play business model and reduce exposure to non-core assets. We will continue to drive just-in-time homesite delivery and an asset-light balance sheet. And as we complete our asset-light transformation, we will continue to generate strong cash flow and return capital to our shareholders through dividends and stock buyback, while we also pursue strategic growth.

For now, we are guiding to 17,000 to 17,500 closings in the first quarter of 2025, with a margin of 19% to 19.25%. And we expect to deliver approximately 86,000 to 88,000 homes in 2025. We also expect to continue to repurchase stock in 2025, and we will determine the amount as we watch the evolution of our Millrose spin and our land-light operating model perform. We look forward to 2025, and for that, I want to thank the extraordinary associates of Lennar for their tremendous focus, effort, and talent. And with that, let me turn it over to Jon.

Jon Jaffe: Thanks, Stuart, and good morning, everyone. As you just heard, our operational teams at Lennar continue to focus on executing our operating strategy to become a consistent, high-volume, homebuilding manufacturer using margin as a shock absorber. I'll discuss our fourth quarter performance on sales pace, cost reduction, cycle time reduction, and asset-light land position.

Our focus begins with knowing the sales pace needed to match our production pace. While our production, both start pace and cycle time, performed as expected, as Stuart noted, market conditions changed from what we anticipated and our sales did not keep pace. As the quarter began, we expected

affordability to ease, and we priced accordingly.

However, mortgage rates climbed instead of lowering, and this pricing led to our underachieving the desired sales pace for the first part of the quarter. As we saw that mortgage rates remained higher, and the consumer needed more help with affordability, we adjusted our pricing to meet the market where it was.

As we made these adjustments, we then continuously measured results against the desired pace, and if we were still not achieving pace, we adjusted further. These incentives primarily were in the form of mortgage rate buy-downs, and for some buyers, we used closing costs or price reductions to address their specific needs.

In addition to adjusting pricing, our divisions engaged daily with the Lennar machine to evaluate if we had the volume of leads and appointments needed, and if not, we adjusted the digital marketing plan. The sales shortfall led to our overall fourth quarter sales pace of 4.2 homes per community per month being lower than our start pace of 4.6.

While sales were slower for the first part of the quarter, we adjusted, as I noted, resulting in our November pace of 4.6 sales per community per month that enabled us to end the quarter with an average of about two unsold completed homes per community. To be clear, it wasn't that the market improved in November. It was our adjusting incentives to where the market was that improved pace.

Contrasted with a more challenging sales environment, our construction costs and cycle time continued to benefit throughout the fourth quarter from our focus on even flow production, along with our high volume. This focus on a

manufacturing approach, along with the maximized efficiencies of our core product strategy, will allow us to continue to improve cost and cycle time into 2025.

In the fourth quarter, our construction costs were consistent with Q3 and decreased on a year-over-year basis by 2%. Accomplishing a 2% cost reduction during an inflationary environment consisting of higher labor and material cost inputs for the supply chain over the past year, demonstrates the effectiveness of our strategy and affirms the benefits of our Builder of Choice approach.

This manufacturing strategy also resulted in continued reduction in cycle time. In our fourth quarter, cycle time decreased on average by two days sequentially from Q3, down to 138 calendar days on average for single-family detached homes. This is a 23-day, or 14% decrease year-over-year, and a material contributor to our inventory turn improvement.

I also want to comment on the potential impacts of new tariffs or immigration policies, as each have the potential of affecting costs and cycle time. With respect to tariffs, we made a major shift starting eight years ago to move away from Chinese and other Asian manufacturing, to where today the majority of what we purchase from our supply chain is from U.S.-based manufacturers.

There remain some parts made in China, primarily electronic components used in the manufacture of products that are assembled here. If these components become subject to tariffs, we estimate the potential cost impact to be in the range of \$5,000 to \$7,000 per home. With respect to lumber, we've already shifted to more usage of domestically-grown timber.

On the issue of immigration, the potential impact of a change in immigration

policies is much more difficult to assess. First, we do not know what policies will be implemented. Additionally, there is no reliable information on what percentage of the workforce for our local labor trades or for our manufacturers, may be subject to new regulation and enforcement.

What we do know, just like with the supply chain disruptions during the pandemic, is that we will be able to work with our local trades and national manufacturers to find the most effective solutions because of our Builder of Choice position with consistent high volume and a focus on production efficiencies.

We've learned from that prior experience how important our strategy is to the supply chain, allowing us to minimize the impact from disruptions. We believe we'll be able to do the same again. In the fourth quarter, we continued to effectively work with our strategic land developers and land bank partners to purchase land on our behalf and then deliver just-in-time finished homesites to our homebuilding machine.

Diane will give the detail on how our land bank purchases in the quarter break out, but most of the purchases are just-in-time take-downs to match our start pace on a community-by-community basis. During the quarter, land banks acquired on our behalf about 17,000 homesites for about \$1.5 billion in land acquisition, and a commitment of about \$640 million in land development.

With the focus on being asset-light, our supply of owned homesites decreased to 1.1 years, down from 1.4 years, and controlled homesite percentage increased to 82% from 76% year-over-year. These improvements in the execution of our operating strategies enabled reduced cycle time and less land owned, resulting in improved inventory turn, which now stands at 1.6 versus 1.5 last year, a 7% increase.

The fourth quarter was a challenged operating environment as mortgage rates moved higher and home-buyers needed more help to achieve a monthly payment they can afford. We will continue with our strategy of pricing to market as we navigate whichever direction the rates move in 2025.

We will lean into the Lennar marketing and sales machine with a focus on even flow, high volume manufacturing production, and with Millrose in place, execute even better on our asset-light land strategy. I also want to acknowledge and thank our extraordinary associates for their hard work, focus, and execution. And now, I'll turn it over to Diane.

Diane Bessette: Thank you, Jon, and good morning, everyone. So, Stuart and Jon have provided a great deal of color regarding our operating performance. So, therefore, I'm going to spend a few minutes summarizing the balance sheet highlights, and then provide estimates for the first quarter.

So, turning to the balance sheet. Once again, as you've heard, we adhere to our volume-based strategy of maximizing returns by turning inventory at the appropriate market margin. The result of these actions was that we drove cash flow and ended the year with \$4.7 billion of cash and no borrowing on our \$2.9 billion revolving credit facility. This provided total liquidity of approximately \$7.6 billion.

As a result of our continued focus on balance sheet efficiency and reducing our capital investments, we once again continue to migrate towards our goal of becoming land-light. At year-end, our years owned was 1.1 years, and our homesites controlled was 82%, our lowest years owned and highest controlled percentage in our history.

We ended the year owning 85,000 homesites and controlling 394,000 homesites for a total of 479,000 homesites. We believe this portfolio provides us with a strong competitive position to continue to grow market share in a capital-efficient way. We spent \$2.1 billion on land purchases this quarter. However, almost 80% were finished homesites where vertical construction will soon begin. This is consistent with our manufacturing model of buying land on a just-in-time basis.

Of the homes closed during the quarter, approximately 66% were from third-party land structures where we purchased the homesites on a finished basis. And finally, our inventory turn was 1.6 times, up from 1.5 times last year, and our return on inventory was 29.2%. As we move forward with the Millrose spinoff and thus continue to reduce our ownership of land and purchase homesites on a just-in-time basis, our earnings should more consistently approximate cash flow, and over time, it would be our goal to align capital return to shareholders more closely with this cash flow.

During the quarter and consistent with our production focus, we started about 18,400 homes and ended the quarter with 35,600 homes in inventory. This inventory number includes approximately 2,900 homes that were completed unsold, which is about two homes per community and within our historical range.

And then turning to our debt position, we had no redemptions or repurchases of senior notes this quarter. However, for the 2024 year, we repaid \$554 million of notes. And since 2018, we have repaid or repurchased over \$7 billion of notes, with an interest rate savings of almost \$400 million. These actions brought our homebuilding debt to total capital ratio down to 7.5 at year-end, our lowest ever. And our next debt maturity is not until May of 2025.

Consistent with our commitment to increase shareholder returns, as Stuart noted, we repurchased 3 million of our outstanding shares for \$521 million. This brought the total for the year to 13.6 million shares totaling \$2.1 billion. Additionally, we paid total cash dividends this quarter of \$135 million and a total of approximately \$550 million for the year.

So, in the aggregate, for fiscal 2024, we returned about \$3.3 billion to our equity and debt holders. Our stockholders' equity increased to almost \$28 billion and our book value per share increased to \$104. In summary, the strength of our balance sheet, strong liquidity, and low leverage, provides us with significant confidence and financial flexibility as we move into 2025.

So, with that brief overview, I'd like to turn to Q1 and provide some guidance estimates. Note that these estimates do not include the impact of the acquisition of Rausch Coleman or the Millrose spinoff. So, starting with new orders, we expect Q1 new orders to be in the range of 17,500 to 18,000 homes, as we match sales pace with production.

We anticipate our Q1 deliveries to be in the range of 17,000 to 17,500 homes, with a continued focus on turning inventory into cash. Our Q1 average sales price on those deliveries should be about \$410,000 to \$415,000, as we continue to price to market to meet affordability. We expect our gross margins to be between 19% and 19.25%.

So, as Stuart alluded to, to provide additional context, the gross margin in our backlog expected to close in the first quarter is about 20%. What we do not have visibility into at this point is the gross margin on homes we expect to both sell and close in the first quarter, which we anticipate will be roughly 50% of the closings.

As we sit here in mid-December with the limited visibility we are going to have into the spring selling season, we anticipate these closings will have a lower gross margin than our backlog. However, if market conditions improve, we will benefit from this upside. Additionally, recall that our Q1 margins are always negatively impacted by the current period expensing of field costs, since revenues in Q1 are the lowest of the year. Additionally, as historically is the case, the first quarter will be the low point for margins during 2025.

Our SG&A percentage should be in the range of 8.7% to 8.8% as we anticipate increased costs to maintain sales activity. For the combined homebuilding joint venture, land sales, and other categories, we expect to be about breakeven. We anticipate our financial services earnings to be approximately \$100 million to \$110 million. For our multifamily business, we expect a loss of about \$10 million.

Turning to Lennar Other, we expect a loss of about \$20 million. However, remember that this excludes the impact of any potential mark-to-market adjustments to our public technology investments. Our Q1 corporate G&A should be about 2.6% of total revenue, and our charitable foundation contribution will be based on \$1,000 per home delivery.

We expect our Q1 tax rate to be approximately 24.5%, and the weighted average share count should be approximately 266 million shares. So, on a consolidated basis, these estimates should produce an EPS range of approximately \$1.60 to \$1.80 per share for the quarter. And as we turn to 2025, as we noted, since market conditions are uncertain, we are only providing delivery guidance. We're targeting to deliver between 86,000 and 88,000 homes for the full year of 2025, including the Rausch Coleman acquisition. With that, let me turn it over to the operator.

Coordinator: Thank you. At this time, we will begin the question-and-answer session. Please limit to one question and one follow-up. If you would like to ask a question, you may press Star 1. To withdraw your question, you may press Star 2. One moment, please, for the first question. Alan Ratner with Zelman & Associates, you may go ahead, sir.

Alan Ratner: Hey guys, good morning. Thanks for all the detail. Definitely a lot going on right now, so I appreciate that. Stuart, I guess I'd love to just hear your thoughts on kind of the consumer and the drivers that impacted the demand during the quarter. Obviously, rates moved in the wrong direction, and I think it certainly makes sense compared to where you guys were back in September, why things were a bit weaker than expected.

But if we look at the absolute mortgage rate, you know, in the high sixes, maybe hitting seven in the quarter, you know, it's not too dissimilar to what you were selling at in spring of 2024 and a year ago. Yet it sounds like things were, you know, fairly meaningfully weaker from just an overall demand perspective. So, what do you attribute that to? Is it seasonality? Is it the supply-demand picture, you know, given how many specs have been put in the ground? Because it doesn't feel like things have changed that drastically in the economy, though, to warrant a much softer picture at that type of rate environment.

Stuart Miller: You know, Alan, I think it's a combination of factors. I think that the consumer, and particularly at the entry-level, but even as you move up into the move-up level, acquiring a down-payment in today's, you know, inflated environment, and what I mean by that is prices have gone up and the rate of inflation has come down, but that doesn't mean prices have come down, it's harder to accumulate a down-payment, and it's harder to qualify for a

mortgage.

I think that there's a combination of interest rates moving up and moving down and moving up, moving down. You know, it's created a little bit of a hesitancy on people actually pulling the trigger. You have some seasonality sprinkled in here. There are a number of factors that are going on, and it's just become a more difficult environment to get the buyer to actually make the decision to purchase.

As we came to the end of our third quarter, where interest rates were trending down, we didn't see the same responsiveness to rates coming down that we had seen in prior movements. And then moving from there into the fourth quarter as interest rates first ticked down and then moved up in the wake of the 50-basis point Fed reduction, the consumer kind of - it just felt like they felt a little surprised by that, and have just been more sidelined.

So, I'd just say it's a combination of things that we have felt at the door, at our welcome home centers. And in particular, as rates started migrating up during the fourth quarter, it became harder and harder to navigate the waters of incentives, and rate buy-downs, and purchase price reductions. All of the components that we have as tools navigating those waters became a little trickier, and it took a little bit more to get the consumer over the fence.

Alan Ratner: Got it. No, I appreciate the additional color there. And then second, just kind of on your overall pace versus price strategy, you know, you've always kind of articulated margin and price being the lever to achieve the volume targets. I'm just curious, you know, as you think about 2025 and the targets you've put out there for closings growth, you know, not too dissimilar from where you were three months ago, even though the market seems to have shifted a bit lower, what are you thinking on the sensitivity there now that margins are kind of

below, at least for the time being, below what you consider to be normalized? Is there a lower bound on margin or an upper bound on incentives that you're willing to go to achieve the volume targets that you've put out there right now?

Stuart Miller: You know, we have conviction here that steady-state volume will help us rationalize costs, both at the land level and at the hard-cost sticks and bricks level, as well as overhead over time. And so, the answer is, we're going to adjust to market. We're going to maintain volume. Of course, there can be something that is so erratic that we might change our strategy because it's outside the boundaries, but as it relates to the normalization of the market, the adjustment to a new normal in interest rates, or as it relates to affordability issues, just straight affordability, we're going to adjust to market conditions and maintain volume, and we're going to use that as a leverage point to rationalize both land and production costs.

Alan Ratner: Understood. Thanks a lot. Appreciate it. Happy New Year.

Stuart Miller: Thank you. You too

Coordinator: Thank you. Our next caller is Michael Rehaut with J.P. Morgan.

Michael Rehaut: Hi. Good morning. Thanks for taking my questions. First, you know, a lot of questions I'm sure we're going to hear about Millrose, you know, shortly, but I'd love to just focus on the core business, which I think is really the focus on, you know, most of the, you know, clients that we speak to, investors that we are speaking with today. You know, Stuart, you mentioned a couple of times that you're positioning the company, you know, from, in terms of, you know, keeping your finished spec kind of in line with historicals, kind of continuing to move volume.

You're positioning yourselves to benefit from a normalized margin, you know, when things stabilize. You also alluded to, I think Diane alluded to, you know, your conviction that the first quarter should be the lowest in terms of the gross margin for the year. I'm trying to think about, you know, what a normalized gross margin might mean over the next 12, 24 months, you know, relative to, you know, what you're seeing, you know, what you've seen in the past year, what you're seeing in the first quarter. How should we think about, you know, what a normalized margin means for Lennar, let's say, once we get through this more bumpy period?

Stuart Miller: You know, Mike, I think it's hard to look out ahead, especially in what I would consider to be turbulent times. And maybe turbulent is too strong a word, but interest rates are moving around. There's a lot of change injected in the system overall. What exactly is normalized? I don't know what that number is. It's certainly north of where we are now.

I think that the market is adjusting to a new normal. There is, underlying everything, a supply shortage, and demand is building in the background just by population and household formation. So, what is a normalized margin? It's going to be higher than where we are right now, and it's going to climb as demand is activated by market forces, and that means enabled by interest rates, enabled by stabilized pricing, either at the grocery store, or the gas pump, or gas prices coming down.

It's all of these things are going to work together. What we've focused on is we are going to price to market conditions, and that means as the market ebbs and flows, our margin will move up and down along with it. And we know that market conditions right now are difficult. There will be easier times ahead where margin will migrate back up, and we'll be multiplying by a larger

volume number.

Jon Jaffe: Mike, I would just add, as you heard from all of us, is that our strategy really enables our approach to the supply chain to continue to find efficiencies and reduce costs there that will help the margin equation.

Michael Rehaut: No, I appreciate that, both Stuart and Jon. Thank you for that. I guess second question, I wanted to shift towards the top-line. You know, last quarter, and I think, you know, you've reiterated this a few times perhaps now, you know, you intend to grow volumes about 10% annually, and it's what you stated last quarter, for fiscal 2025 and beyond. You know, your guidance now is 8% to 10%. That does, though, include the contribution of Rausch Coleman, which I think you said was about a 5% contribution to growth, 4,000 units, if you close in the first quarter.

So, it obviously implies organic growth, kind of in that 3% to 5% range. I'm just wondering, going forward, you had the only other competitor of yours of similar volume size, D.R. Horton, you know, talk about flat to up slight volume growth in fiscal 2025. And a big part of that is just due to the challenges of getting communities online. How should we think about organic growth from Lennar going forward? Is that still you know, do you kind of view that 10% goal that you've stated as an all-in number? Is there variability there? Is the organic growth perhaps a little bit less? Because it certainly seems like fiscal 2025 might be below a "normal" or aspired to growth year, at least on an organic basis for some builders.

Stuart Miller: You know, Mike, the line between organic and inorganic has become a little bit more blurry. And the reason is that as we grow, we're adding communities. Sometimes we're adding communities through the acquisition of smaller builders who have decided that an affiliation or a collaboration with us is a

better avenue forward. And sometimes that's really just the acquisition of additional communities. Instead of buying one, we're buying four. And this is something that is ongoing on a regular basis in different markets at different rates.

So, it's kind of hard to decipher where the line between organic and inorganic is. So, we're looking at basically that kind of a growth rate as a combination between the two. With Rausch Coleman, we have a combination of some markets where we're already embedded, where we are adding community count to an already existing, rather robust operating system or platform, and we have other markets we're growing de novo into new markets, working with the tremendous reputation that Rausch Coleman has and the high-quality people that come along with the acquisition.

So, even with Rausch Coleman, the line between organic and inorganic really begs the question of, you know, can we separate it out and, you know, how do we look at it? We're really looking at both organic and inorganic as being tied together with our growth strategy.

Diane Bessette: Yes, Mike, I think I would just add that, as you're saying with Rausch Coleman, while we are expanding into new markets, we're also growing market share in existing markets. And that's really the goal, because the greater we grow market share, the more benefits we really achieve from that market. And I think what's really important to also remember is the way that we're structuring these, we'll call them the inorganic growth.

And I think that's a really big differentiator. We're just buying WIP, turning it quickly, adding profitability to the bottom line, and at a high return. So, I think you have to think about sort of that M&A activity, if you will, in a very different light. It used to be very negative. It came with a lot of goodwill and

things like that, but this is a different way to think about M&A. And I think it is more akin to organic growth than you might be thinking about historically.

Michael Rehaut: And I appreciate that, Diane. And just to clarify, for the first quarter gross margins, that does not, then, as a result, include any purchase accounting impact for Rausch Coleman? I guess, not expected to be in the first quarter, but let's say in the second quarter, third quarter, is there any purchase accounting impact expected?

Diane Bessette: Yes, there'll be some purchase accounting impact in the second quarter if we were to close at the end of the first quarter, but I'd say, like, think about it, you know, if we're - and again, you know, depending on when we close, if we estimate 4,000 deliveries over the second, third, and fourth quarter, you can see that the purchase accounting impact in that second quarter will not be material to margins overall.

Michael Rehaut: Great. Thanks. Happy holidays, everyone.

Stuart Miller: Same to you, Mike.

Diane Bessette: Thanks, Mike.

Coordinator: Thank you. Our next caller is Stephen Kim with Evercore ISI. You may go ahead, sir.

Stephen Kim: Thanks very much, guys. Want to try to clean up a little bit if I can on the gross margin. Stuart, I think you indicated that the backlog has gross margins that are kind of running close to 20%, and I think I heard you say that you sort of thought that the number of, or the percentage of closings that you would get 1Q that you have not yet sold or had not yet sold, you know, at the end

of November, was about half, right?

So, then that make it easy, that sort of implies that your 19% gross margin in the first quarter, that implies that the stuff you're going to be selling here over the coming weeks, you're sort of thinking it may be an 18% gross margin. I think you also indicated, though, that 1Q has sort of a catch-up in sales going on because you missed your 4Q sale. So, that might sort of suggest that if you're trying to figure out what a steady state gross margin is, that 18% is probably a little lower because you're actually sort of overselling, if you will, a little bit to make up for 4Q. Just want to make sure I'm thinking about that right, or if there's some other adjustment that we need to be thinking about.

Stuart Miller: I think you're doing a good job. That's pretty right on, and we'll have to see how the market actually unfolds and enables or not enables, you know, activity at that level, but we're going to solve to activity.

Diane Bessette: Yes, I think that's right, Steve. And that 20% margin, if you think about it, it has the impact of the increased incentive levels from Q4, which Jon really gave you some details on that. And I think if market conditions improve, there's upside to that. But we're trying to be really conservative right now because there just isn't a lot of visibility as we sit here in the middle of December.

Stuart Miller: And let me just add and say, look, we are solving to volume, but what we are doing is we're working while we solve to volume on rationalizing the cost structure. And whether it's on the land side or whether it's on the production hard cost side, our relationships with our trade partners building predictable volume that they can count on, and they know that we're not flinching, enables us to rework some of the efficiencies in some of those numbers.

We've continued to be able to either bring our costs down or at least hold them steady in a tough environment, and we think that we'll be able to make more progress rationalizing costs by giving consistent volume. So, there are some offsets in all of this that are important to the way that we're thinking about our business.

Stephen Kim: Yes, that's helpful, and I think I should also have mentioned that you also indicated that 1Q has lower margins than, you know, sort of a full year, so.

Stuart Miller: That's correct.

Stephen Kim: So, that's also - yes, so 18% isn't exactly like sort of an annualized number anyway on top of being conservative.

Stuart Miller: Yes, and let me ...

Diane Bessette: And you have that field impact as well, Steve, which is not an immaterial number, you know.

Stuart Miller: And let me say this, that I do want to go back to the third quarter where I detailed that our community count had fallen off. The bolstering of community count also helps alleviate some of the pressure at the community by community level. So, these things are going to work through and work out. We're confident in that, and we like the fact that, okay, we're a little low right now, but over time we're going to normalize, and we're going to multiply by a bigger number.

Stephen Kim: Got you. Okay. Switching gears to volume, your closings guide is 86 to 88, you know, up by about 10%. I guess my question is, does that assume orders for the year noticeably above the closings range, or does it assume a

meaningfully higher backlog turnover ratio for the year? Because I think in order to hit that closings guide, you're going to need one or the other. You're going to need to have orders either higher than that number, or you're going to have to have backlog turnover ratio higher than it was last year. And so, I'm kind of curious, which is it?

And if you tell me if it's orders, that order to be higher. I just want to make sure that we're thinking right, because my model is sort of telling me, it's got to be like north of 20% order growth in 2Q and 3Q, including Rausch. And if you tell me no, I don't know, it's probably a higher backlog turnover ratio, I'm going to ask, well then, are you contemplating cycle time impacts for maybe a crackdown on undocumented workers?

Stuart Miller: Yes. So, you're not going to be happy with my answer, but I think it's a little bit of both. And, you know, look, we are driving and getting more and more efficient across the platform. And what I mean by that is on the orders, the new orders side, the focus and the tension that we're bringing to the generation of sales, whether it's through our digital marketing machine, or whether it's through our dynamic pricing mechanism, we are building efficiency through those programs. And so, there will be some order growth embedded in this.

But additionally, the focus and attention that we have brought to cycle time, which enables that backlog conversion to accelerate the efficiencies that we're injecting in our business, I mean, if you listen to Jon's articulation, it's not just construction costs that are holding steady in a higher pressured environment. It's also cycle time coming down.

Now, you raised the question of, you know, immigration and what happens with immigration policy, and that's a wild card out there. And we're all going to have to figure out how that kind of meshes together. But I will say as an

overlay here is that one of the things that we are doing is we're injecting predictability with our trade partners so that they understand that we're there for them, and we're going to need them to be there for us.

And that is a quid pro quo that kind of exists in the market, and we have been rock solid consistent in laying out the logistics and the predictability that enables them to be the best version of themselves, and even when the market says flinch, we're not flinching, and that predictability is a value add.

Jon Jaffe: I would just add to that, Steve, that that predictability comes with a real focus on simplification. So, we have a greatly reduced SKU count than we used to have, which enables the executions Stuart just described to truly happen as you work through both the labor force and the manufacturers.

Stephen Kim: So, just so I'm clear, are you assuming any cycle time - it sounds like you're not assuming any cycle time impacts, because if you do have it affecting the market, it's going to affect other people, but not you. Just so I'm clear, is that what you're sort of implying?

Stuart Miller: Well, that's the two hunters with the bear chasing them, and we're not quite that mercenary. We want all of our competitors to do well. But we are laser-focused on our production, our cycle time, and we are solving to the most consistency to be able to accomplish the things we're accomplishing. Now, are we assuming that there will be variability in here given an uncertain political environment?

We are naturally thinking about that quite a bit, working with and talking to trade partners to look at eventualities. Are there clear answers at this point? There are not, and Jon was clear about that. But it's not something that we're asleep at the switch with. It's something that is very much a part of our

thinking.

Stephen Kim: Okay, great. Thank you so much guys.

Stuart Miller: You bet.

Coordinator: Thank you. Our next caller is Trevor Allinson with Wolfe Research. You may go ahead, sir.

Trevor Allinson: Hi, good morning. Thank you for taking my questions. Stuart, I first wanted to follow up on some comments you just made talking about conversations with your suppliers and with the trades, given 1Q gross margins are back to pre-pandemic levels. With your focus on growing volumes here, are you expecting to see some cost concessions, maybe excluding any impacts from changes in policy, but are you expecting to see some cost concessions here in 2025 from both your trades and your suppliers?

Jon Jaffe: Yes, this is Jon. It's a continuous program of discussions with our supply chain to find efficiencies and bring costs down. So, we do expect that to continue. A big part of that is relative to our product strategy, our core product strategy, which was discussed before. As I just mentioned, it gets to the details of SKU reduction. But the biggest thing is consistent, predictable volume enables us to have that discussion with our trade partners and have their margin come down just as our margin is coming down.

Trevor Allinson: Okay, got you. Yes, that makes a lot of sense. And then second, there's been a lot of talk in the industry about elevated completed inventory levels. Sounds like your completed inventory levels remain relatively normal. Can you talk about your comfort levels with where your completed inventory levels are at in the current demand environment, and then perhaps expand that commentary

to the completed inventory levels overall in your markets, and if you feel in any of your markets they've got more extended? Thank you.

Stuart Miller: Yes, that's a great question, Trevor. Our inventory, as we came to the end of the year, was within our range, but at the high end of our range. And we're very focused on maintaining an inventory level that is appropriate. So, let me talk about appropriate. We recognize that buildup in inventory is the best way to really cast a dark cloud over your future. If we have too much inventory, it's going to constantly be a depressant on where pricing and margins can actually grow. So, we're laser-focused on keeping our inventory level within a range.

Now, historically, we've trended closer to one home per community versus the two homes that we're at right now, but we've been within that range of one to two homes. We've actually migrated to a thinking process that given our land-light strategy, we're enabled to maybe carry just a little bit more than we have historically. And that really enables us to address the customer that comes in and needs a home now, as opposed to one that's under production or to be under production.

And therefore, we think that something closer to the two-home-per-community range is where we want to land, but we do not want to get above that. So, that's how we're thinking. That's what we're solving to. We're going to carefully maintain inventory, but we're going to be a little bit towards our historical higher side as a matter of strategy.

Jon Jaffe: And just to add to that, Trevor, we're very focused on not just maintaining inventory levels, but the freshness of that inventory. So, we're very focused on not letting it age. And if you look at our inventory, about 80% of it is 90 days or fresher from an aging perspective. So, it's a big part of this overall focus of our operating platform.

Trevor Allinson: Thank you. I appreciate all that color. Good luck moving forward.

Jon Jaffe: Thank you.

Coordinator: Thank you. Our next caller is Susan Maklari with Goldman Sachs.

Susan Maklari: Good morning, everyone. Thanks for taking the question. My first question is going back to some of the focus on rationalizing the cost structure in there. Can you talk about where you are in terms of standardizing those product offerings, how much more you can get over the next several quarters in there, and how that will benefit both the margin structure over time, but then also just the cash generation of the business?

Jon Jaffe: So, we've been hard at work at a standardized product offering, which we refer to as our core product, and in 2024, it represented about 10% of our starts, and we expect that that's going to grow to about a third of our starts in 2025. So, we do think there is further rationalization that will be very positively received by our supply chain, both labor and materials, as we create more, more consistency, but also efficiency with that consistency that will help both cost and cycle time.

Stuart Miller: The bottom line, Susan, is that there's a tremendous amount of opportunity here that we've been laser-focused on. The migration from 10% to a third of our product migrating to core, equates to a great deal of efficiency which is not about renegotiating with our trades as much as it is about value engineering and really building efficiency both into the design of the home and the production of the home. And so, we think that over the next year, we'll see a lot more core product and a lot more reduction in cost associated with that.

Susan Maklari: Okay, that's helpful. And then, Stuart, one of the comments that you made was that you're going to continue to focus on repurchasing the stock and shareholder returns, and that will obviously evolve as Millrose moves through the process. Understanding there's a lot that can change in there, but can you talk to some of the key factors that you're watching for, and how that could perhaps evolve as we do get Millrose out, and we move into a newer model of the business?

Stuart Miller: Well, let's remember, first of all, that Millrose is the end of a process that has been ongoing for five years. So, we have a tremendous amount of experience with our other land banking partners, starting with Essential Housing and Angelo Gordon, where we have a tremendous program and opportunity to continue to grow.

And Millrose is a next step. The biggest difference with Millrose is that it is a permanent capital vehicle, as opposed to one where a group has to keep going out and raising the next round of capital. So, there's something strategic about Millrose. As we take a large portion of land, our remaining land and move it into the system, we're going to see how capital flows, especially at the startup of the Millrose endeavor. As we go public, there will be a startup process.

And as we mature the engagement, which will dovetail with all of our other land banking relationships as well as, you know, episodic programs where we're dealing with landowners and have rolling option programs as well, as we mature our engagement with now what will be a fully land-light strategy, we'll develop the confidence around how much of the capital that we're producing, the cash flow that we're producing, actually goes to return to shareholders either through dividend or through stock buyback, and as we're

paying down debt as well. I'm not sure that that answers your question, but it's just a maturing process that we'll go through as Millrose goes public.

Diane Bessette: Yes, and Susan, I would add to that that, you know, as you - remember what I said, the goal is to really have our net income equal our cash flow. And I think 2025 is sort of a year where a lot is coming together, and we'll still be embarking on that journey of making sure that we're, you know, increasing shareholder returns through all the mechanisms of dividends and buybacks.

But I think as you look on a longer-term, sustained basis, I think that we will get to the point where net income is pretty close to cash flow, and we don't have a large maturity ladder from a debt standpoint. So, by design, that cash flow will be more heavily geared towards buyback since we were formerly very focused on the debt reduction. So, I think that should give you sort of a trajectory of where we're going. What's important to us is to have a sustained program, and I think that we're taking another step in that direction.

Susan Maklari: Okay, that's very helpful color. Thank you, and good luck with everything.

Stuart Miller: Thank you, Susan. And why don't we take one last question?

Coordinator: Thank you. Our next caller is John Lovallo with UBS. You may go ahead, sir.

John Lovallo: Hi guys, thank you for taking my questions as well. Maybe the first one on the spin, I'm just curious why you decided to partner with an external manager in the Millrose deal. And then along the same lines, what do you sort of think of as the right comps? I mean, should we be looking at mortgage REITs? I mean, they do tend to trade at, call it a 20% discount to book value. So, I'm just curious what you would consider to be good comps and why use an external manager?

Stuart Miller: So, John, thanks for the question. You know, I've got Fred Rothman sitting right next to me, and Fred has done a tremendous amount of work on building the programming and the execution around Millrose. I'm just going to start by saying, we chose an external manager, and we chose the external manager of Kennedy Lewis because they've been a strong counterparty for us in this business. Angelo Gordon and we started it. Kennedy Lewis has been a participant along the way. And Fred, do you want to weigh in on the Kennedy Lewis relationship?

Fred Rothman: Sure. We have a long, strong history with Kennedy Lewis that has produced a very, very good working relationship. And using them as an outside manager here allows Millrose to get going from day one. We're going to be conveying and transferring a large number of homesites, and we need Millrose to be up and running to develop an internal platform and to develop the systems. They're already familiar with our HOPP'R. So, on day one, Millrose will be very active, up and running, and be a strong partner for Lennar.

Stuart Miller: And let me just add to that and say, you know, we've been asked, why wouldn't you have done it with Angelo Gordon? And let me tell you, the relationship with Angelo Gordon is extremely strong and beneficial, but multiple pools of capital are going to benefit us and the industry for that matter as we go into the future. And so, therefore, we have strong participants that are familiar, as Fred said, with the HOPP'R, the way that we govern the overall oversight of purchasing land, developing land, financing land, and moving it through the system in an orderly fashion.

We have a lot of experience with the professionals at Kennedy Lewis already. They were a natural external manager. Why an external manager? It gives clear visibility on what the cost structure is. The cost structure is borne by the

professional manager. A very clear fee is - it supports the payment of all of the overhead associated with the administration. It's a much more simple structure for the world to understand.

And then you ask the question of, what are going to be the comps? I think we're going to leave that to the next couple of months as we take Millrose public. So, there's a little bit of wait-and-see, and we're going to stay within the boundaries of what's in the S11 right now, but we're very enthusiastic about this addition to the capital markets and what it means for the future of the homebuilder as a manufacturer that benefits from just-in-time delivery of homesites

Diane Bessette: Yes, John, I would just kind of add, you know, if you think about one of the goals with Millrose was to have Millrose produce, you know, sustainable recurring cash flows and income. And I think about that - while it's not perfect, I think about that, you know, sort of to, you know, compare to the returns that you're getting from a bond investment, for example.

And so, that, I think that that recurring sustainable component will be very important. And so, as Stuart mentioned, having a very fixed fee structure against that recurring income and cash flow, I think will accomplish the goal that we're trying to - one of the goals that we're trying to accomplish, as you think about Millrose from an investment standpoint.

Stuart Miller: Fred, anything else you would add?

Fred Rothman: No, just that Kennedy Lewis has put the team together and just has a proven track record that is just going to make this a seamless transition for us on day one, and I think that's critical for the success of Millrose and the sustainable and future growth of Lennar.

Stuart Miller: Great. Thanks.

John Lovallo: That's really helpful. And then just as a follow-up, I just wanted to go back on to an earlier question, just to make sure I understand the strategy here. You know, the 10% growth in delivery, that target was out there pre-Rausch. You guys have maintained that at the high end, including Rausch. So, I guess the question is, if it were not for Rausch, would you have lowered that target? Or conversely, is Rausch just giving you sort of the opportunity to not push pace quite as hard in the existing communities and still get that same volume at perhaps a higher margin?

Stuart Miller: So, let me just add a little correction. We've been working on the Rausch deal long before it became public. In our world, when we do deals, it is all about relationship and fit. And we have spent a tremendous amount of time working through not just the relationship, but a thoughtful negotiation on how things work best in bringing something together.

So, our 10% really didn't predate Rausch. We've been aware of and predisposed for this to be a part of our growth strategy and a very strategic part. If you look at the way we're thinking about growth strategy today, or the way we have been thinking about it, it has been, in part, densifying some of the divisions that we already have in place. Some of them are already densified. But we've also been thinking about how we bring our brand to a broader geography.

And so, an acquisition component of entering new markets has been a thoughtful accelerant to the way that we've thought about growth. And the Rausch program has fit well within the boundaries of what we've been expecting of our own growth strategy. Now, once again, I'm going to say,

Fred has been the primary driver, negotiator in and around the Rausch deal.
Fred, would you add to that?

Fred Rothman: Well, Rausch also has a strong position in many of the markets we're not in., so we hit the ground running with Rausch as a number one market share in many of the markets we're not in. So, we immediately will be able to capture the opportunities and the growth of being the number one builder in a bunch of new markets, accessing our ability combined with the Rausch Coleman excellent track record and access to land going forward. So, really an exciting opportunity for both companies.

Diane Bessette: And at a lower price point, which is attractive in today's affordability-challenged market.

Fred Rothman: Right.

John Lovallo: Okay, thank you guys.

Stuart Miller: Okay, you're welcome. Well, I want to thank everyone for joining today. I know it's a bit of a turbulent ride, but we're pretty excited about our future. Short-term bumpy, long-term excited, and we look forward to reporting back at the end of our first quarter. Have a nice day, everyone, and Happy Holidays.

Coordinator: Thank you. This concludes today's conference call. You may go ahead and disconnect at this time.

END