



February 2020 Investor Meetings

LIFE. BUILT. BETTER.®

Forward-Looking Statements

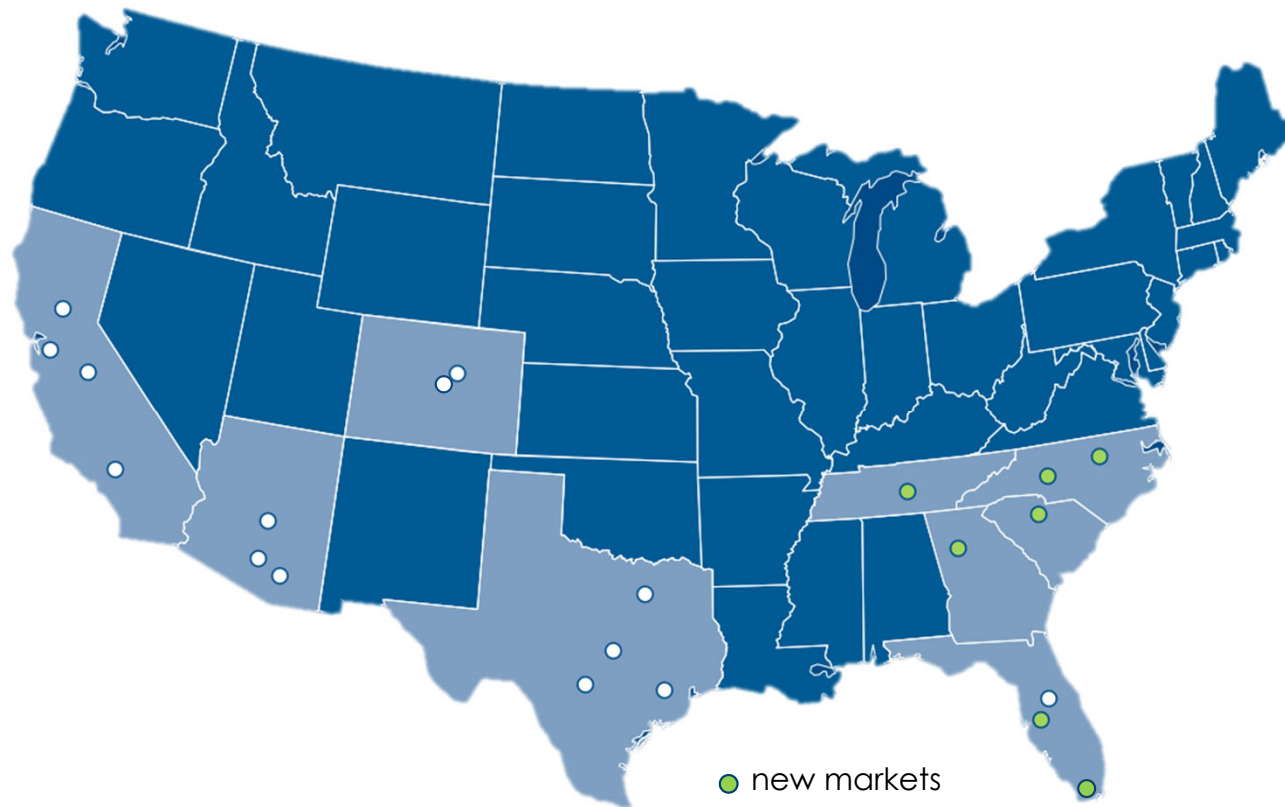
The information included in this presentation and the accompanying comments from management contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include management's projected full year 2020 home closings, home closing revenue, home closing gross margin and tax rate, as well as expectations regarding new community openings, the U.S. economy and housing market.

Such statements are based on the current beliefs and expectations of Company management, and current market conditions, which are subject to significant uncertainties and fluctuations. Actual results may differ from those set forth in the forward-looking statements. The Company makes no commitment, and disclaims any duty, to update or revise any forward-looking statements to reflect future events or changes in these expectations, except as required by law. Meritage's business is subject to a number of risks and uncertainties. As a result of those risks and uncertainties, the Company's stock and note prices may fluctuate dramatically. These risks and uncertainties include, but are not limited to, the following: changes in interest rates and the availability and pricing of residential mortgages; legislation related to tariffs; the availability and cost of finished lots and undeveloped land; shortages in the availability and cost of labor; the success of strategic initiatives; the ability of our potential buyers to sell their existing homes; inflation in the cost of materials used to develop communities and construct homes; the adverse effect of slow absorption rates; impairments of our real estate inventory; cancellation rates; competition; changes in tax laws that adversely impact us or our homebuyers; a change to the feasibility of projects under option or contract that could result in the write-down or write-off of earnest or option deposits; our potential exposure to and impacts from natural disasters or severe weather conditions; home warranty and construction defect claims; failures in health and safety performance; our success in prevailing on contested tax positions; our ability to obtain performance and surety bonds in connection with our development work; the loss of key personnel; failure to comply with laws and regulations; our limited geographic diversification; fluctuations in quarterly operating results; our level of indebtedness; our ability to obtain financing if our credit ratings are downgraded; our ability to successfully integrate acquired companies and achieve anticipated benefits from these acquisitions; our compliance with government regulations, the effect of legislative and other governmental actions, orders, policies or initiatives that impact housing, labor availability, construction, mortgage availability, our access to capital, the cost of capital or the economy in general, or other initiatives that seek to restrain growth of new housing construction or similar measures; legislation relating to energy and climate change; the replication of our energy-efficient technologies by our competitors; our exposure to information technology failures and security breaches; negative publicity that affects our reputation and other factors identified in documents filed by the Company with the Securities and Exchange Commission, including those set forth in our Form 10-K for the year ended December 31, 2019 under the caption "Risk Factors," which can be found on our website at www.investors.meritagehomes.com.

Investment Thesis

- ✓ **Sound strategy for entry-level and 1st move-up**
- ✓ **Executing well – proof in 2019 results**
- ✓ **Unique value proposition with LiVE.NOW. & Studio M**
- ✓ **Market conditions remain strong**
- ✓ **Simplifying and streamlining operations**
- ✓ **Better margins and leverage through increased volume help drive earnings growth**
- ✓ **Generating free cash flow**

Broad Footprint in Growing Markets



**Phoenix
/Scottsdale, AZ**
1985

**Dallas / Fort
Worth, TX**
1987

Austin, TX
1994

Tucson, AZ
1995

Houston, TX
1997

**East Bay, Central
Valley,
Sacramento, CA**
1998

San Antonio, TX
2003

**Southern
California;
Denver, CO;
Orlando, FL**
2004

Raleigh, NC
2011

**Charlotte, NC
Tampa, FL**
2012

Nashville, TN
2013

**Atlanta, GA
Greenville, SC**
2014

South Florida
2016

LIFE. BUILT. BETTER.®

Successful Move-up Builder for Decades



Leader in Energy Efficiency



We led the industry in energy-efficient homebuilding by carefully studying the materials and technologies that would provide the most bang for the buck, and then making those standard features in all our homes.

Energy Efficiency as a Differentiator



Temperature-regulating features, all-season windows, noise-reducing spray foam, high-performance air filtration, health-promoting barrier, fresh air management, water saving features, UV-blocking windows, and more.

Strategy to Simplify & Streamline



Offering Something for Everyone was Complex



Market Strategy

Customers

- Entry-Level
- First Move-Up/Move-Down

Community

- LiVE.NOW.
- First Move-Up

Product

- LiVE.NOW. all spec, limited options
- First Move-Up: design collections

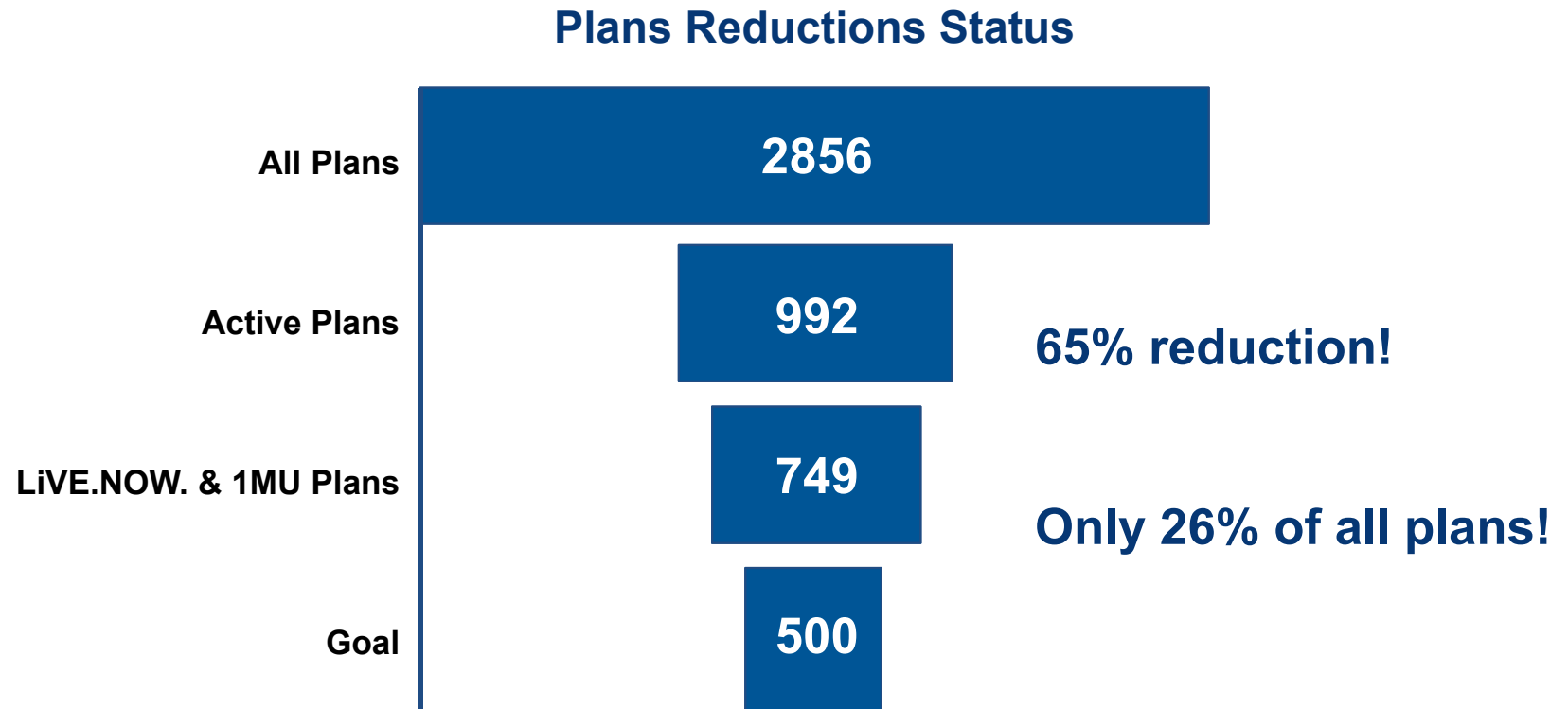
No projects outside of this scope

- Age-restricted, rental, high-rise, custom, modular, one-off, second-time move-up buyer

Simplification Strategy: Easy = Right



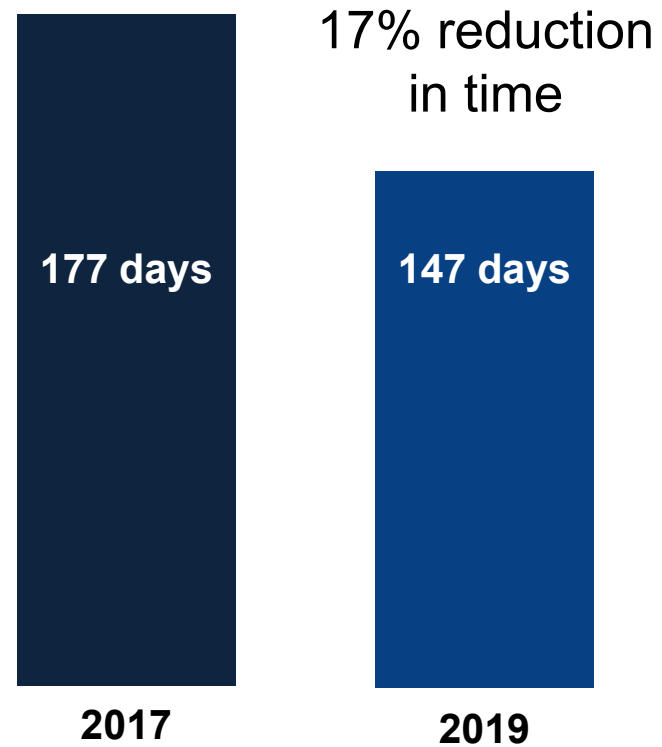
Streamlining Product



“Build more of the best and let go of the rest”

Streamlining Results in Shorter Cycle Times

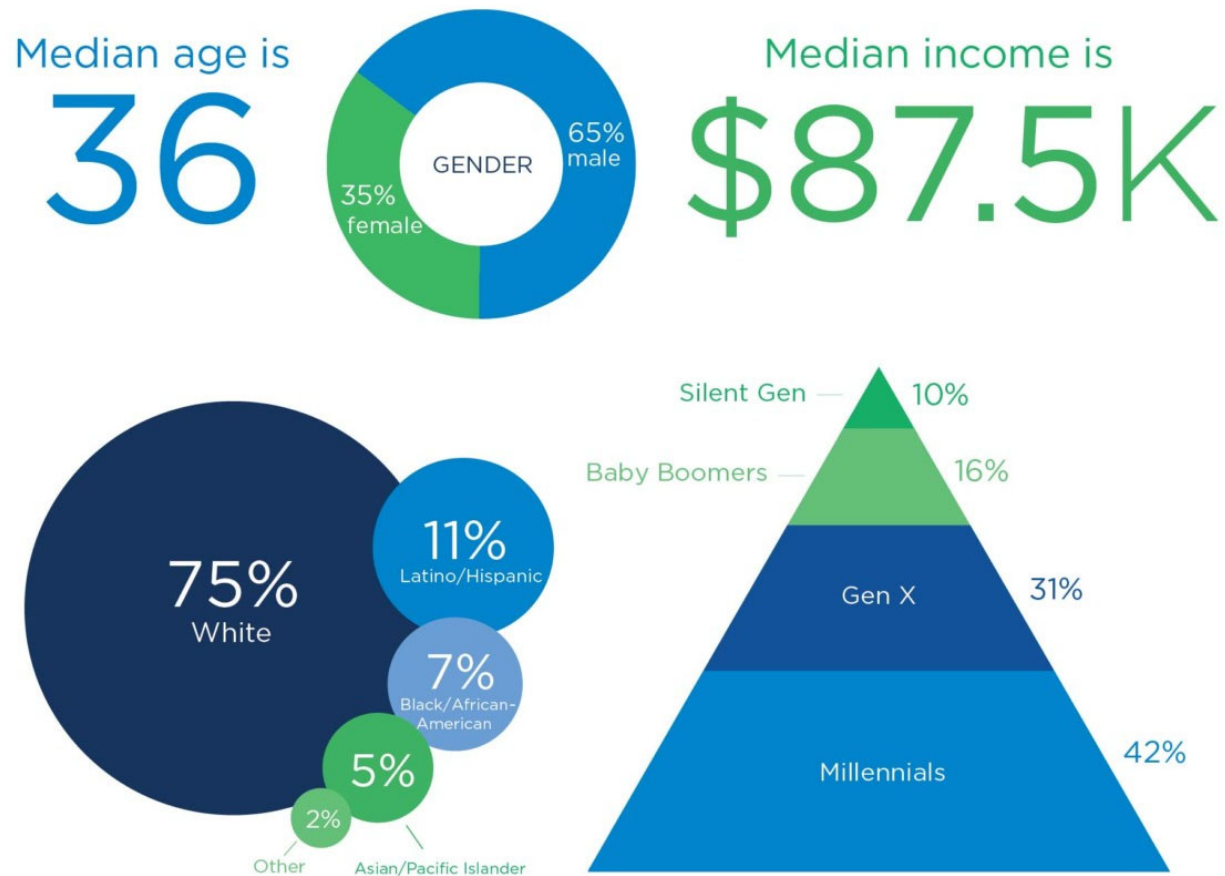
Since 2017 we have reduced our average cycle time by 27 days, from 177 days in 2017 to just 147 days in 2019.



Entry-level Strategy



Millennials are the Largest Generation

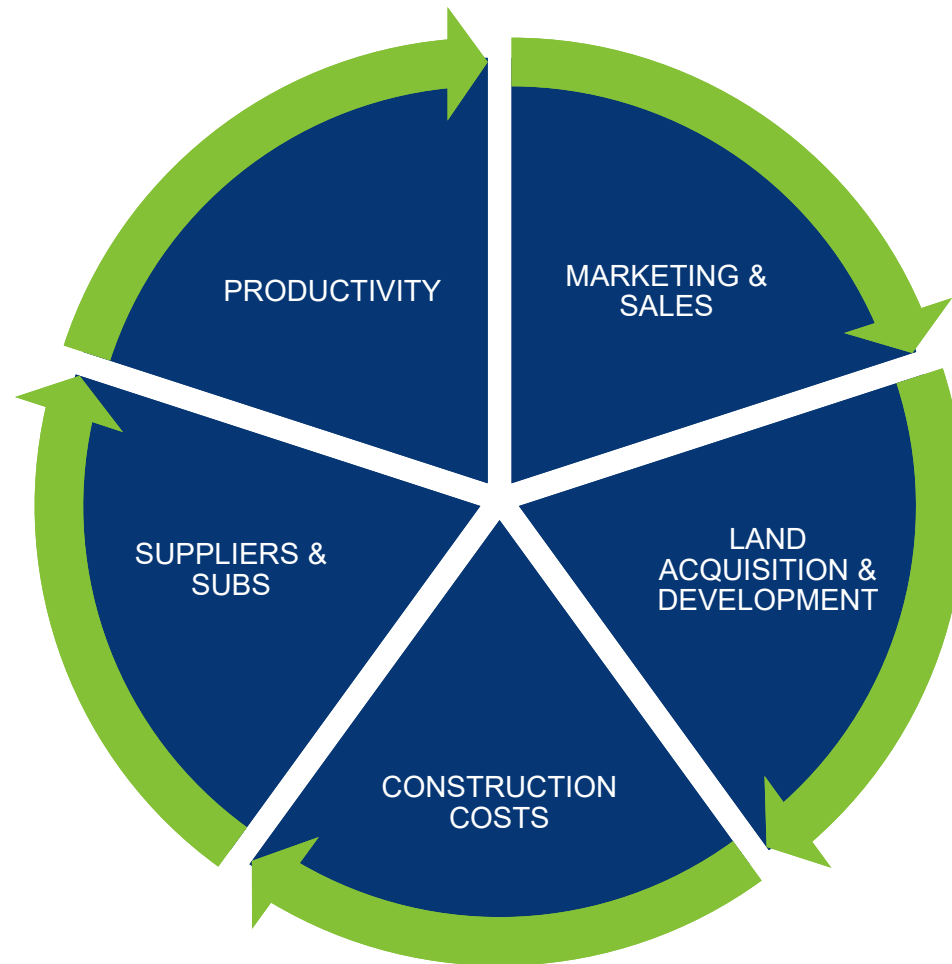


Source: Zillow

Millennials are ready to buy and they want a home that has unique features and lives better.

They focus on the experience as much as the product.

Rethink Everything to Reduce Pain Points



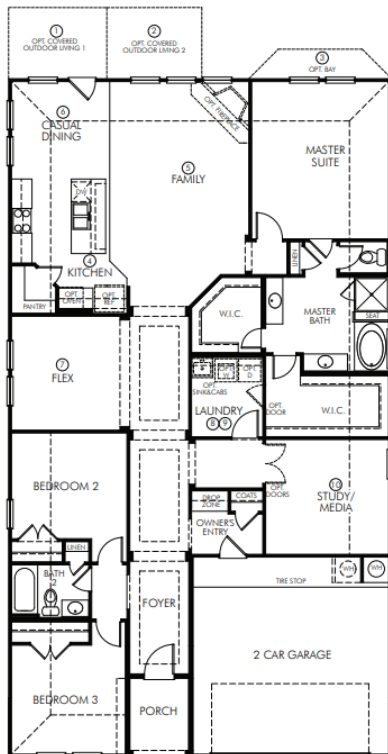
LiVE.NOW.® Offers “Surprisingly More” Value

- ✓ **Signature energy-efficiency**
- ✓ **M.Connected Home™ Automation Suite**
- ✓ **High-end finishes**
- ✓ **9-foot ceilings**
- ✓ **Granite countertops**
- ✓ **Full-size kitchen cabinets**
- ✓ **Large center islands**
- ✓ **Walk-in closets**
- ✓ **Large master suites**
- ✓ **Beautiful front elevations**
- ✓ **Variety of sizes & floorplans**

Plan Refinement – Value Engineering

2017 BEST SELLER

All Texas Region



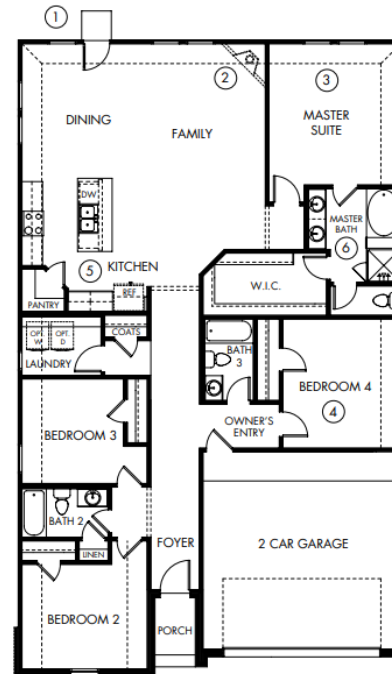
Program:
3 Bedroom
2 Bath
2 Flex

Square
Footage:
2,295 SF

ASP:
\$342,194

2019 YTD BEST SELLER

Strand Refined 40s - Texas Region



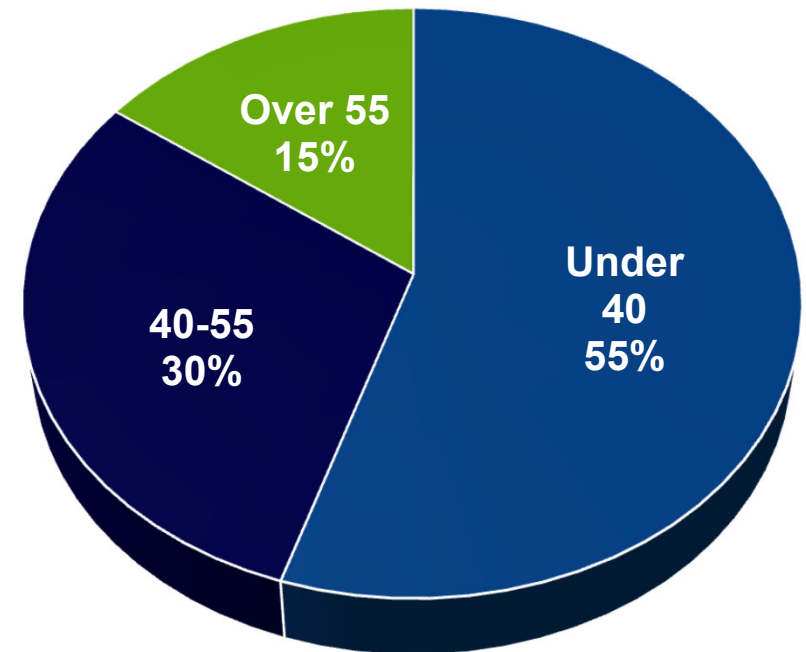
Program:
4 Bedroom
3 Bath
0 Flex

Square
Footage:
2,066 SF

ASP:
\$285,828

LiVE.NOW.® Appeals to All Ages

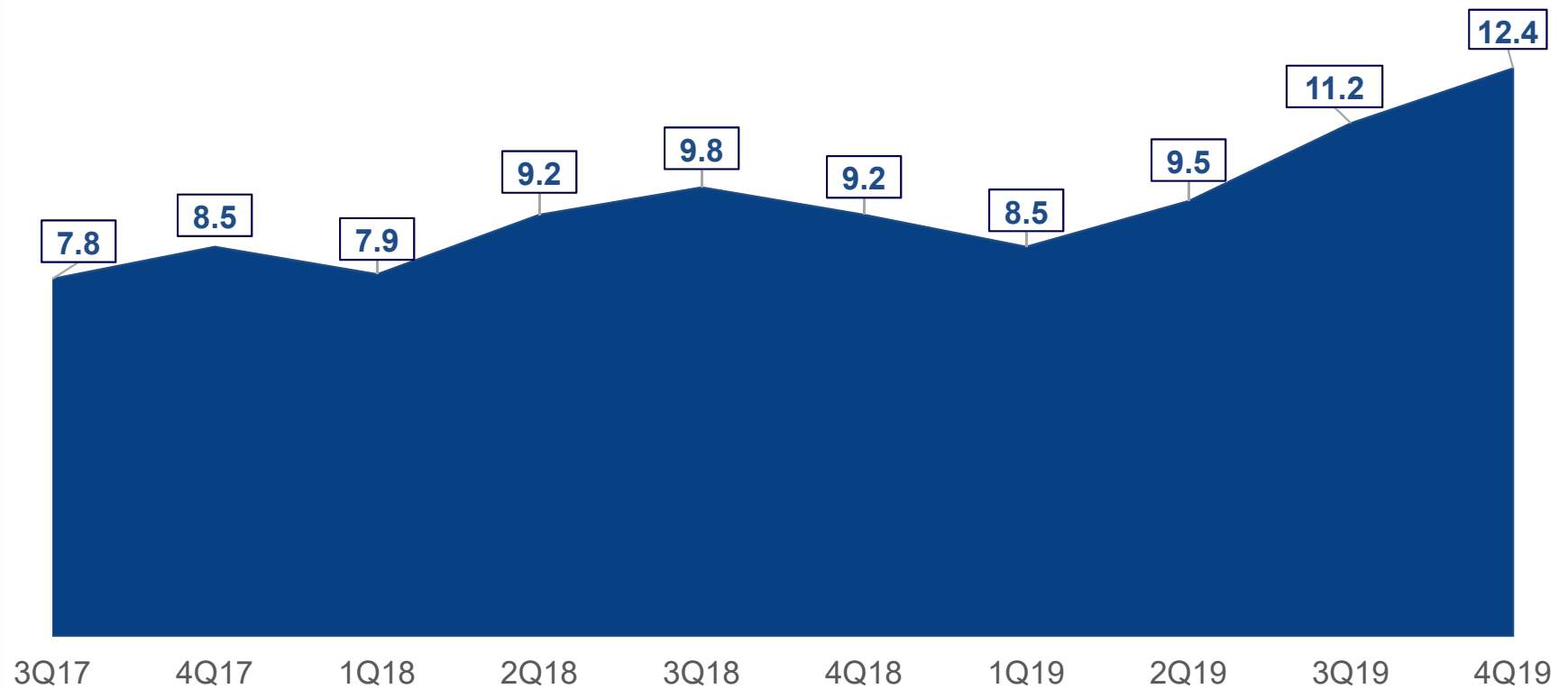
- Over 50% of LiVE.NOW. are first-time buyers
- Other half are a mixture of first new home or move-down buyers
- Only half have children living with them



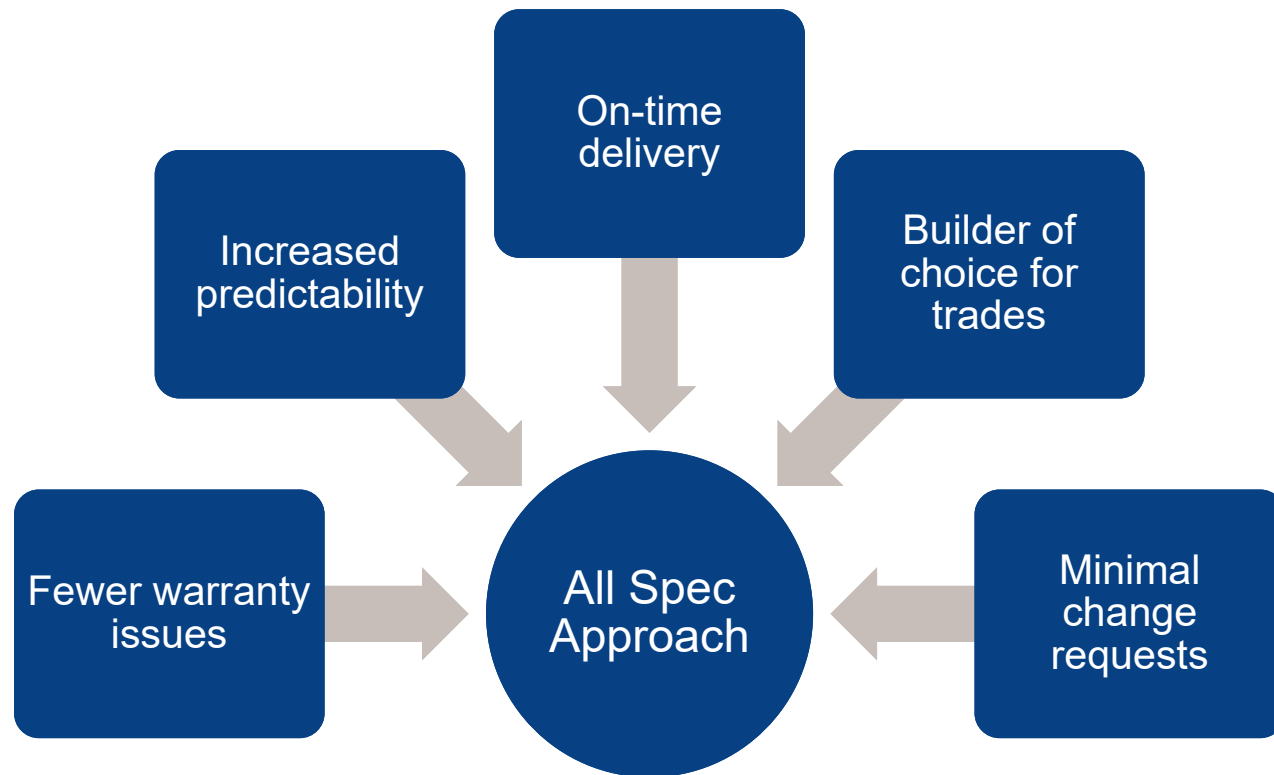
LiVE.NOW. Sales by age group
2017-2Q19

Increasing Spec Inventory = Opportunity

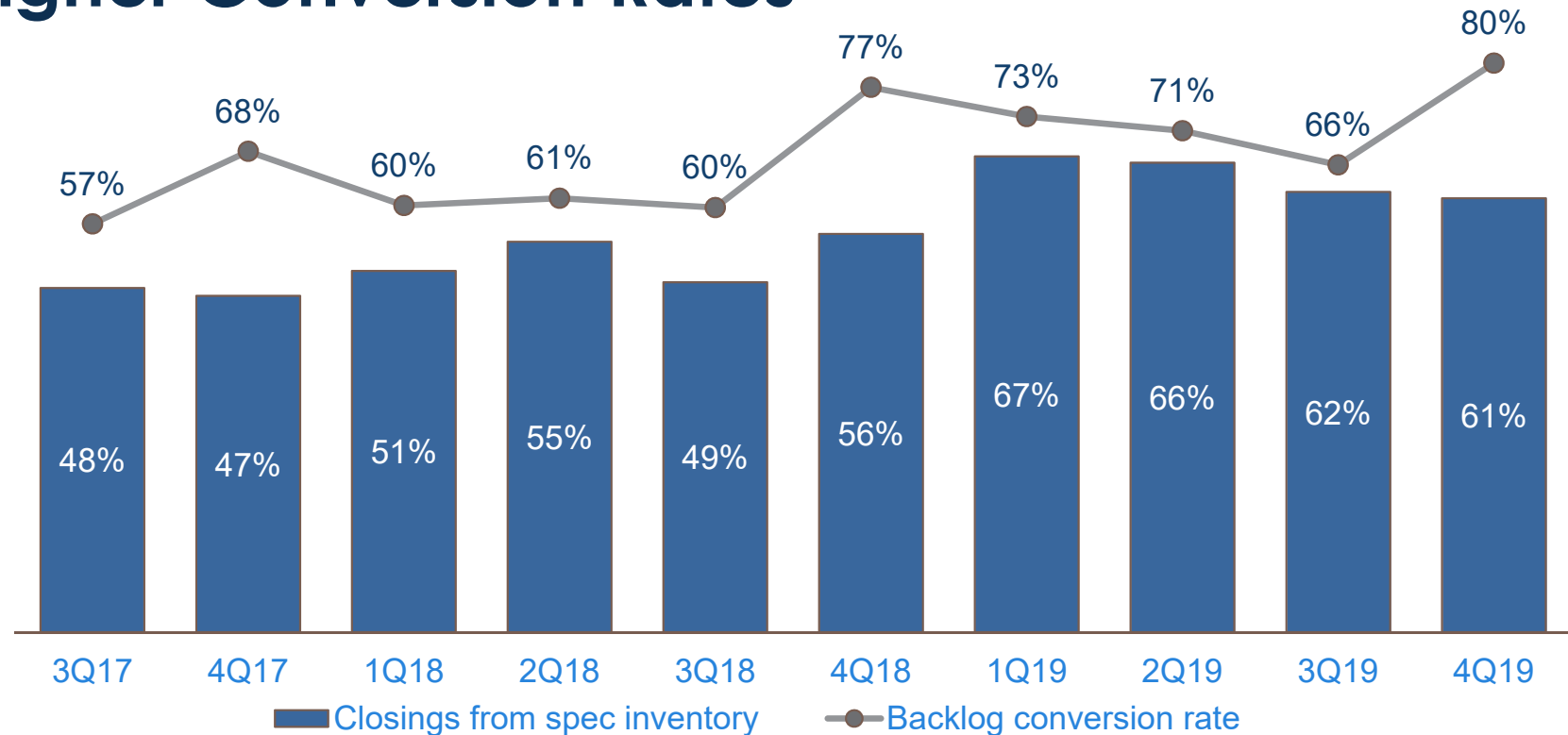
Average Specs per Community



Benefits of LiVE.NOW.® Spec Strategy

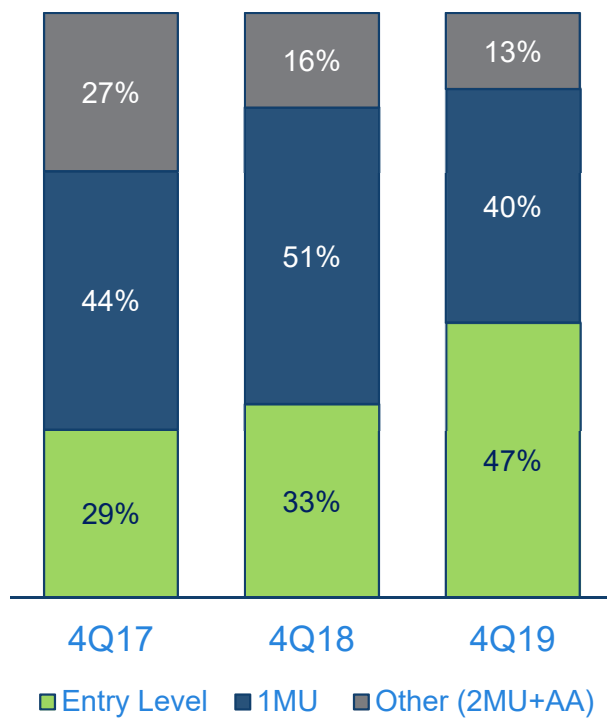


Increased Closings from Spec Inventory and Higher Conversion Rates

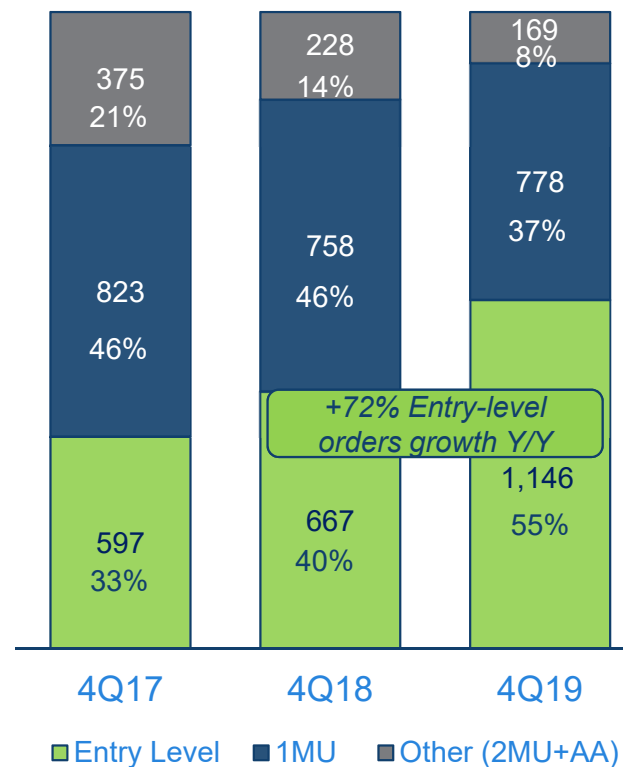


Entry-level/LiVE.NOW. Shift Driving Growth

Ending community count by product type

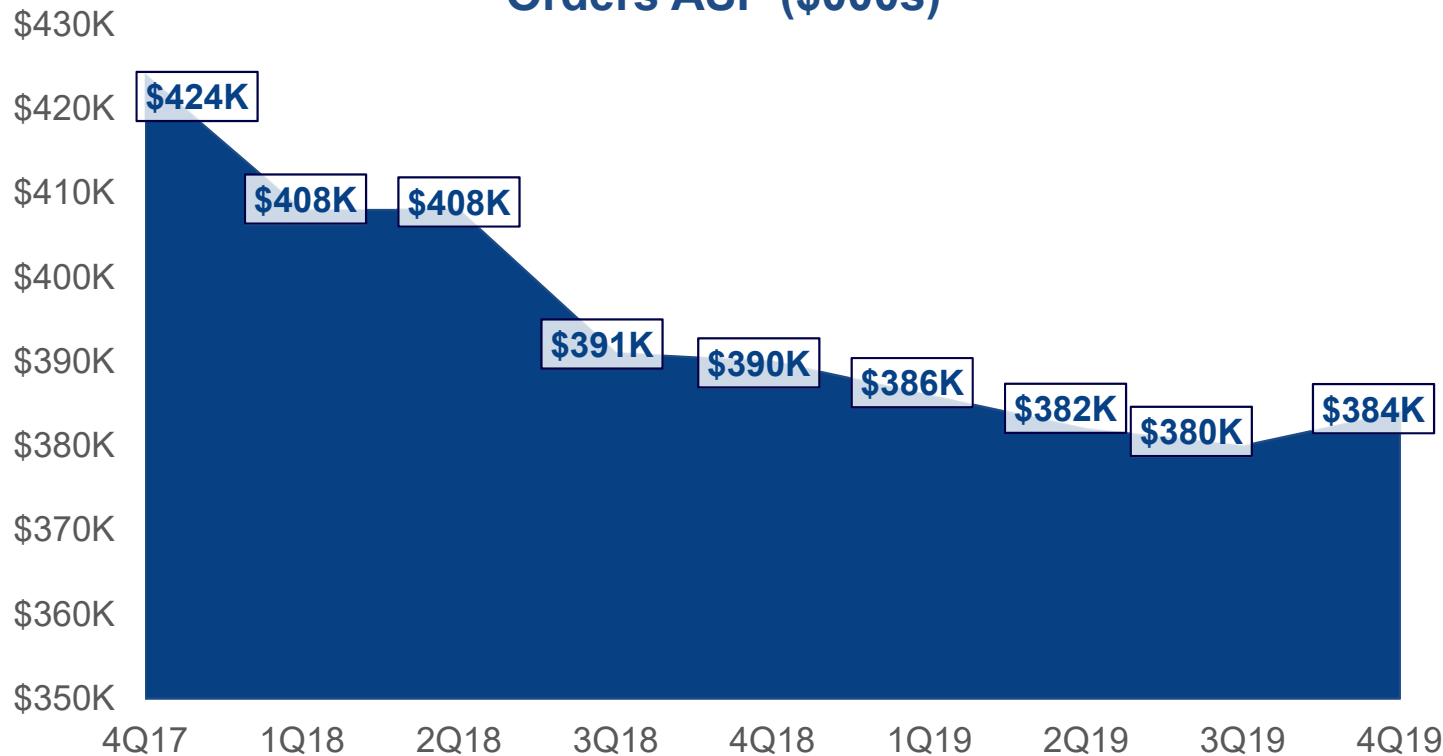


Orders by product type



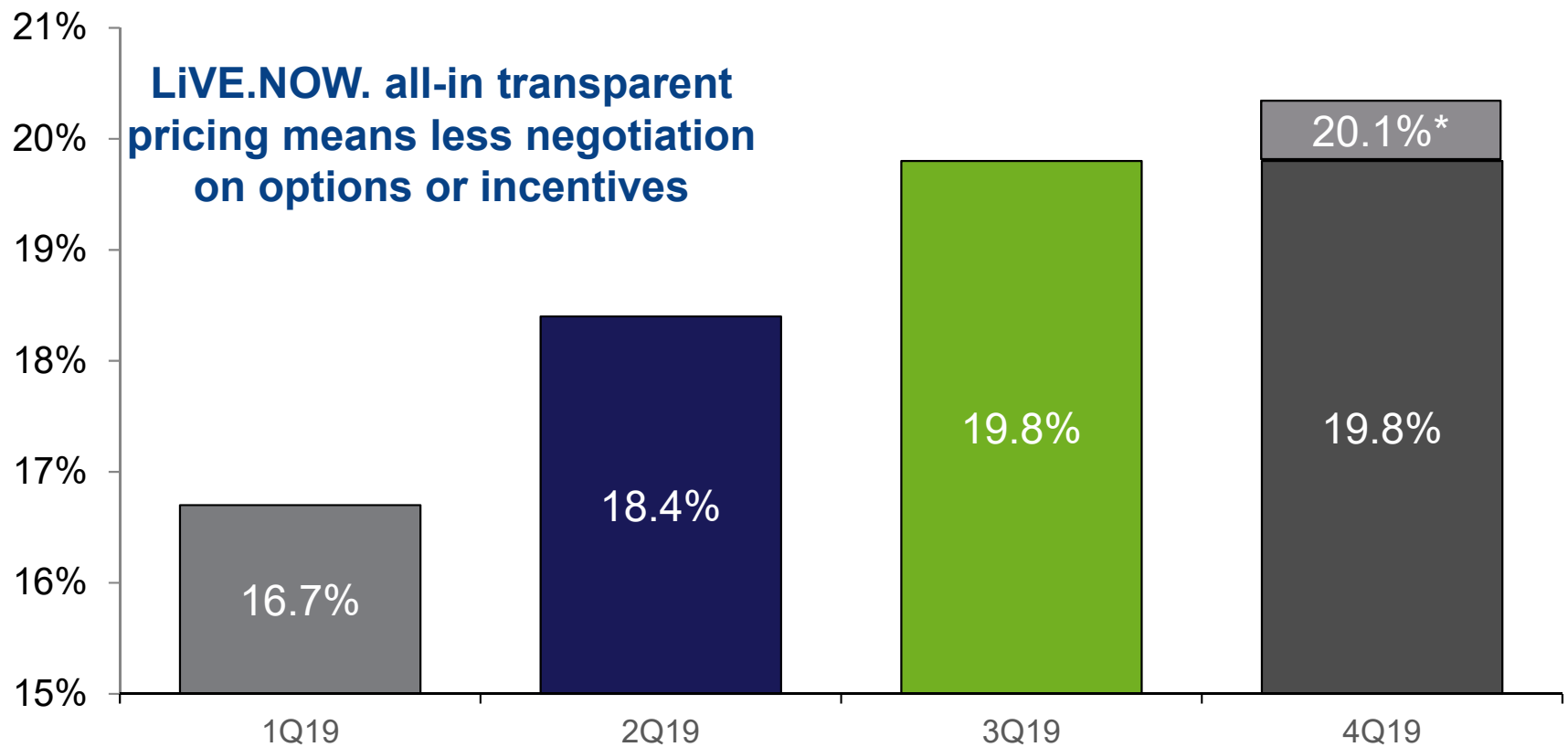
Reducing Average Sales Price as Mix Shifts to More Entry-Level

Orders ASP (\$000s)



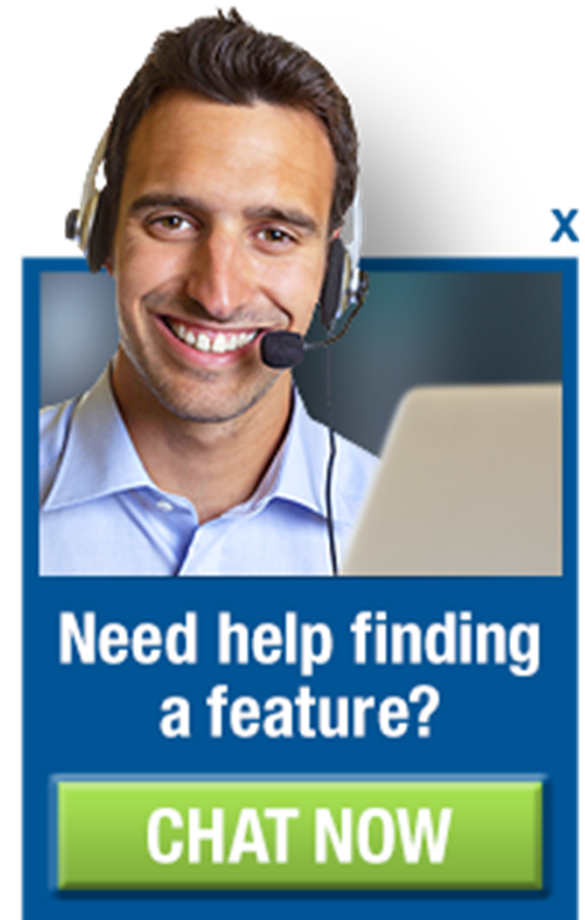
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Improving Gross Margins with LiVE.NOW.®



*Adjusted GM excluding asset write-downs

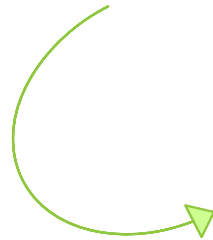
One-Stop Shopping Financial Services



First Move-Up Strategy

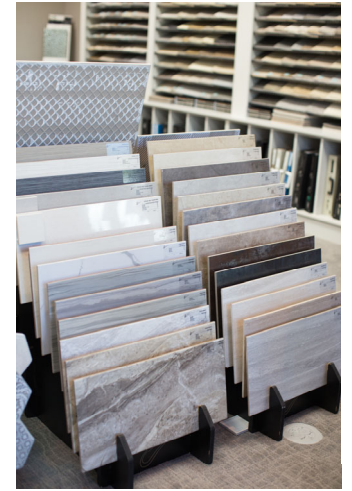
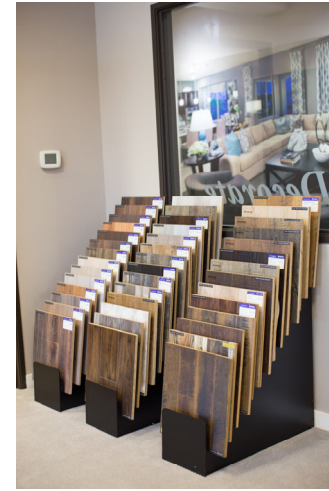


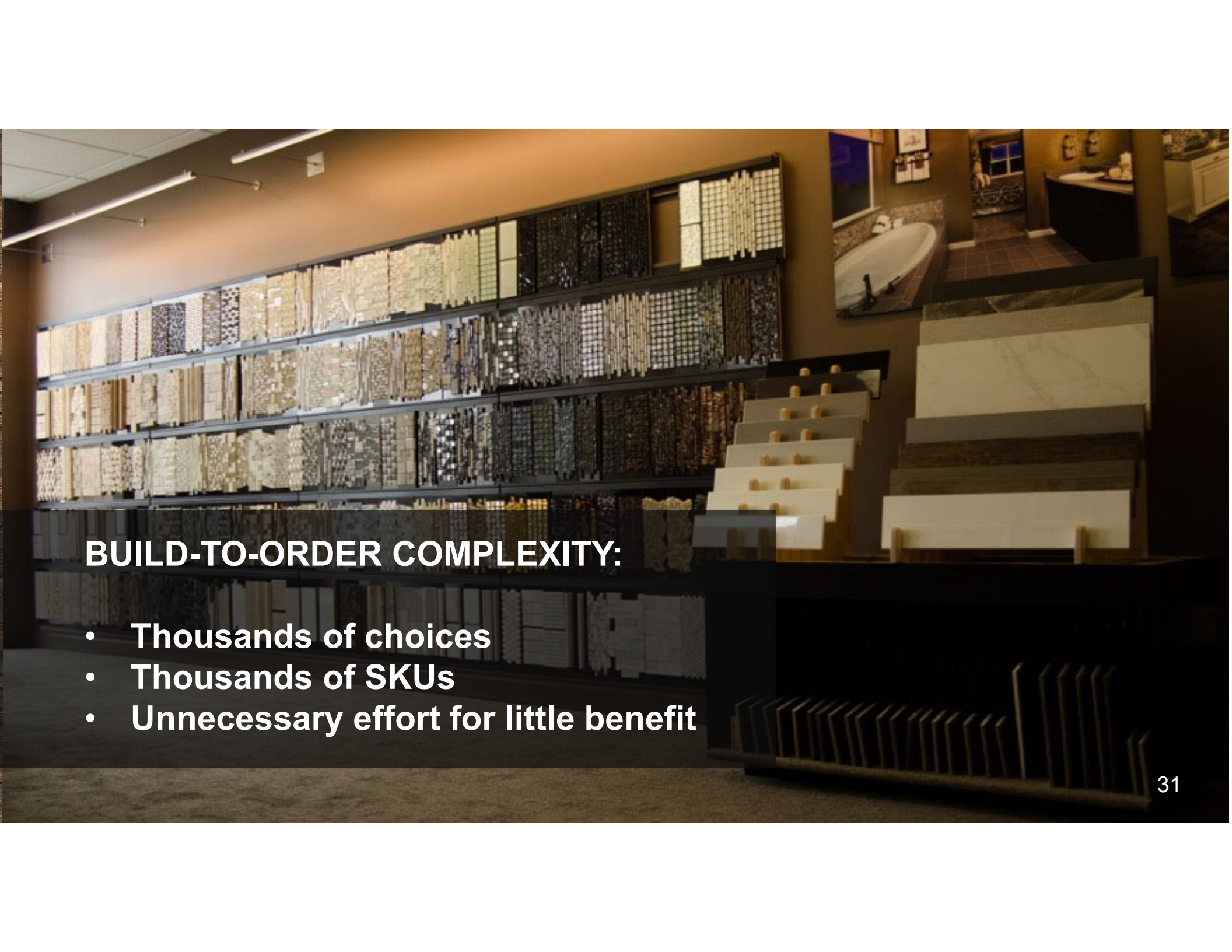
First Move-Up Strategy



focused on the first
move-up buyer

Previous Design Process was Overwhelming





BUILD-TO-ORDER COMPLEXITY:

- **Thousands of choices**
- **Thousands of SKUs**
- **Unnecessary effort for little benefit**

Eliminated “a la carte” Design



STEP 1 | THE DESIGN COLLECTIONS



Streamlining Creates Value and Transparency

Ability to respond quickly to challenges



With Hardwood flooring, we reduced the tariffed product impact from 15% to 4% and avoided the market-driven increase.



We proactively crossed over or replaced most of the tariffed products with domestic alternatives.

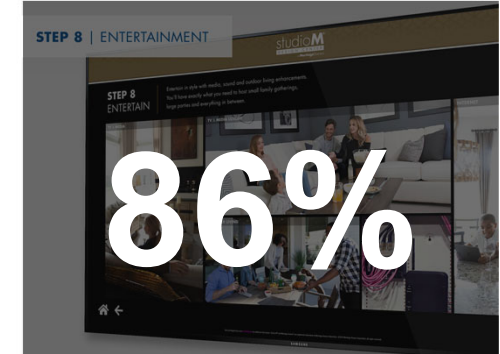
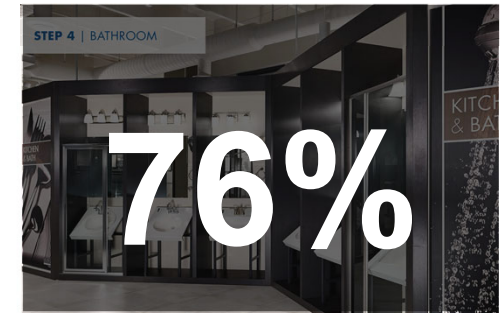


We reduced the increase on our Engineered Vinyl Product by 50% and we introduced new product lines as substitutes.

Studio M Survey Results

- 95%** would recommend us to friends and family
- 86%** felt the process was simple and streamlined
- 91%** felt pricing was transparent
- 91%** said their sales agent was knowledgeable
- 90%** were satisfied with the number of floor plans available
- 97%** completed their Studio M selections within three hours

Higher Take Rates on Options in Studio M



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Fourth Quarter & FY 2019 Results



Strong Net Earnings Growth in 2019

(\$millions)	Quarter Ended Dec-31,				Year to Date Dec-31,		
	2019	2018	%Chg		2019	2018	%Chg
Home closings	2,830	2,505	+13%		9,267	8,531	+9%
ASP (closings)	\$390K	\$398K	(2)%		\$389K	\$407K	(4)%
Home closing revenue	\$1,103.7	\$996.1	+11%		\$3,604.6	\$3,474.7	+4%
Home closing gross profit	\$219.0	\$189.5	+16%		\$680.7	\$632.0	+8%
Home closing gross margin ⁽¹⁾	19.8%	19.0%	+80 bps		18.9%	18.2%	+70 bps
Financial services profit	\$4.3	\$7.9	(46)%		\$20.6	\$24.0	(14)%
SG&A expenses	\$111.2	\$105.5	+5%		\$392.8	\$380.4	+3%
-- % of home closing revenue	10.1%	10.6%	(50) bps		10.9%	10.9%	--
Earnings before taxes	\$110.5	\$91.8	+20%		\$302.9	\$283.3	+7%
Tax rate ⁽²⁾	6%	18%	n/m		18%	20%	(200) Bps
Net earnings	\$103.6	\$75.5	+37%		\$249.7	\$227.3	+10%
Diluted EPS	\$2.65	\$1.91	+39%		\$6.42	\$5.58	+15%

⁽¹⁾ Home closing gross margin excluding impairments +100 bps Y/Y:

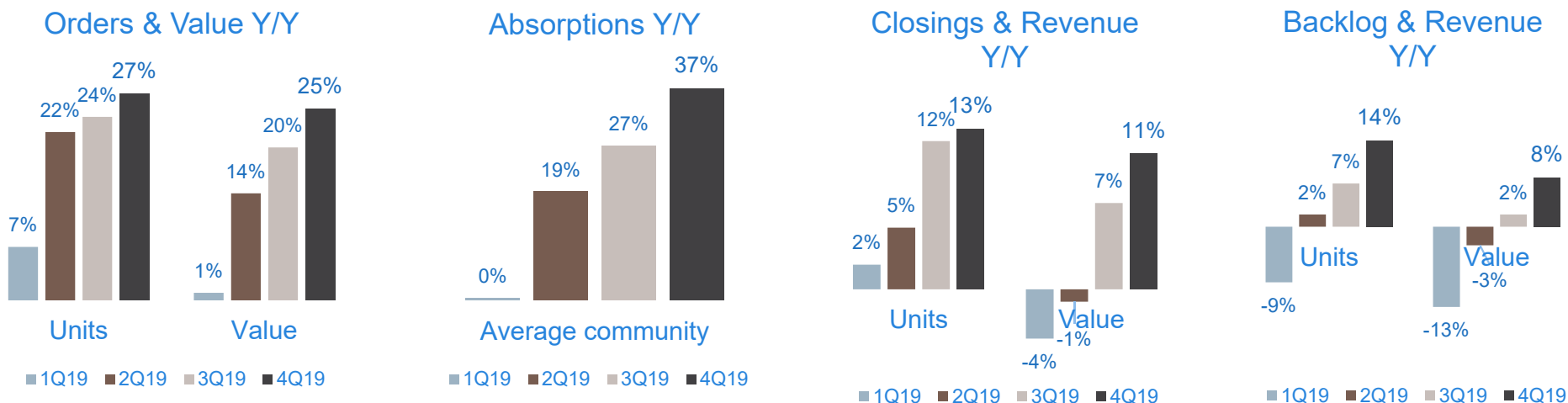
- 4Q19 20.1%
- 4Q18 19.1%

⁽²⁾ 4Q19 and FY2019 tax rates reflect impact of ~\$20M energy tax credits extended in Dec-2019 for 2018-2020

Projecting ~22% tax rate for 2020

Improved Trends in 2019 Driven by Strategic Focus

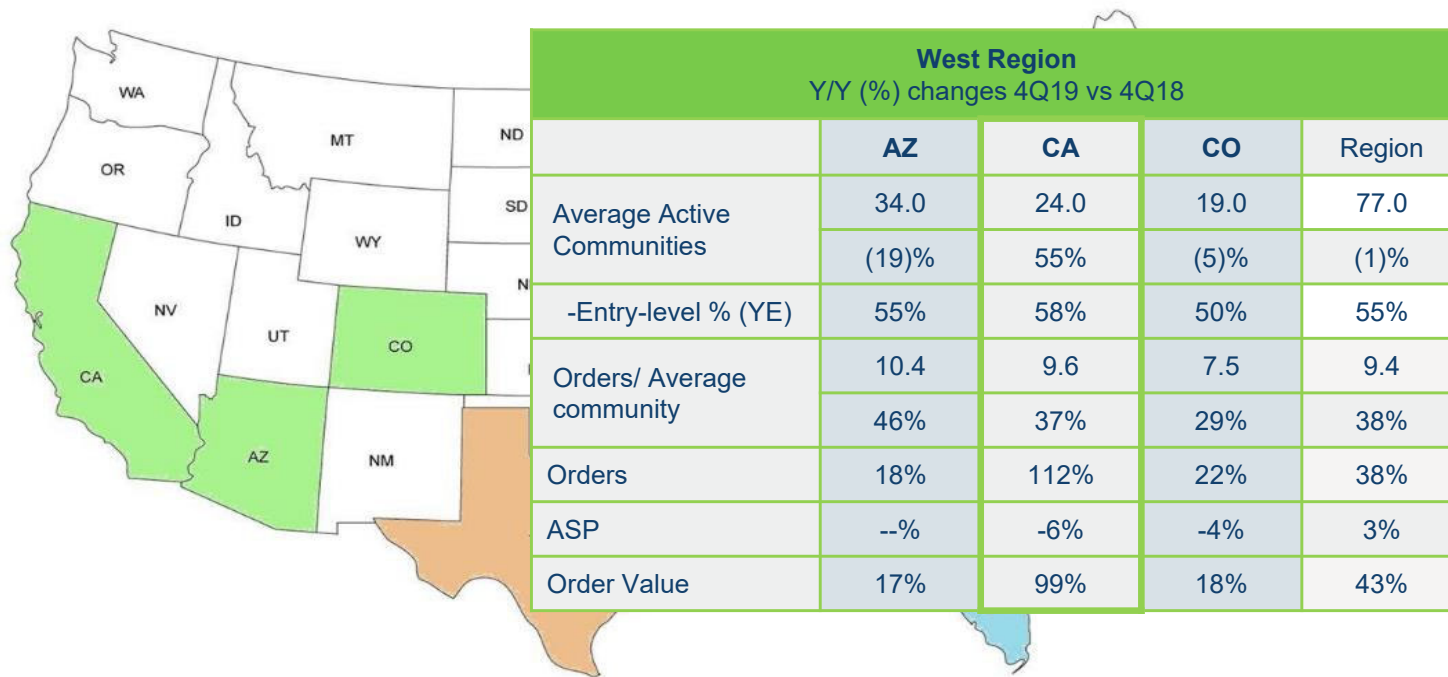
Year/Year % Comparisons To 2018



	1Q19	2Q19	3Q19	4Q19
GM%	16.7%	18.4%	19.8%	19.8%
SG&A%	12.3%	11.0%	10.7%	10.1%
Diluted EPS	\$ 0.65	\$ 1.31	\$ 1.79	\$ 2.65

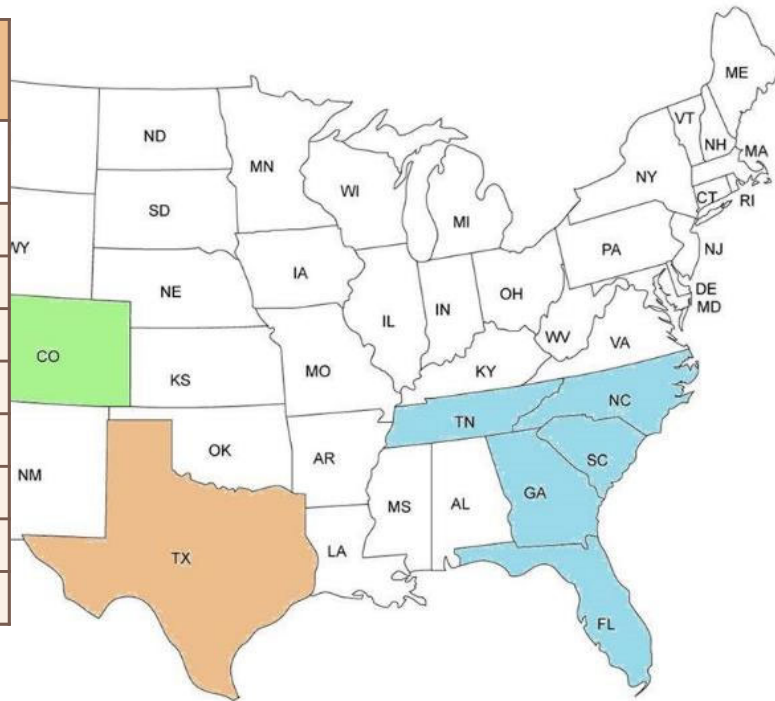
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West: Highest regional absorptions drove 38% order growth and 43% increase in total order value

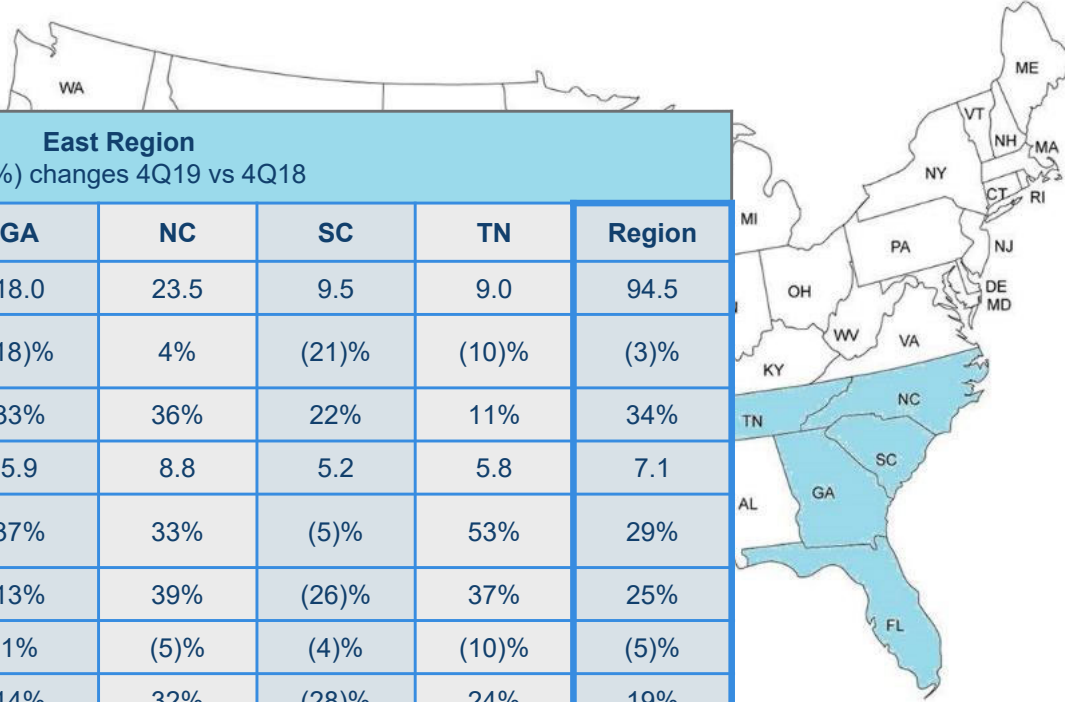


Central: Strong absorptions offsetting early close-out communities

Central Region Y/Y (%) changes 4Q19 vs 4Q18	
	TX
Average Active Communities	75.5 (19)%
-Entry-level % (YE)	56%
Orders/ Average Community	9.2 46%
Orders	18%
ASP	(6)%
Order Value	11%



East: Improving absorptions as more entry-level communities are opened



East Region						
Y/Y (%) changes 4Q19 vs 4Q18						
	FL	GA	NC	SC	TN	Region
Average Active Communities	34.5	18.0	23.5	9.5	9.0	94.5
	13%	(18)%	4%	(21)%	(10)%	(3)%
-Entry-level % (YE)	42%	33%	36%	22%	11%	34%
Orders/ Average Community	7.4	5.9	8.8	5.2	5.8	7.1
	19%	37%	33%	(5)%	53%	29%
Orders	34%	13%	39%	(26)%	37%	25%
ASP	(9)%	1%	(5)%	(4)%	(10)%	(5)%
Order Value	22%	14%	32%	(28)%	24%	19%

Land Acquisition & Community Count Growth Plan

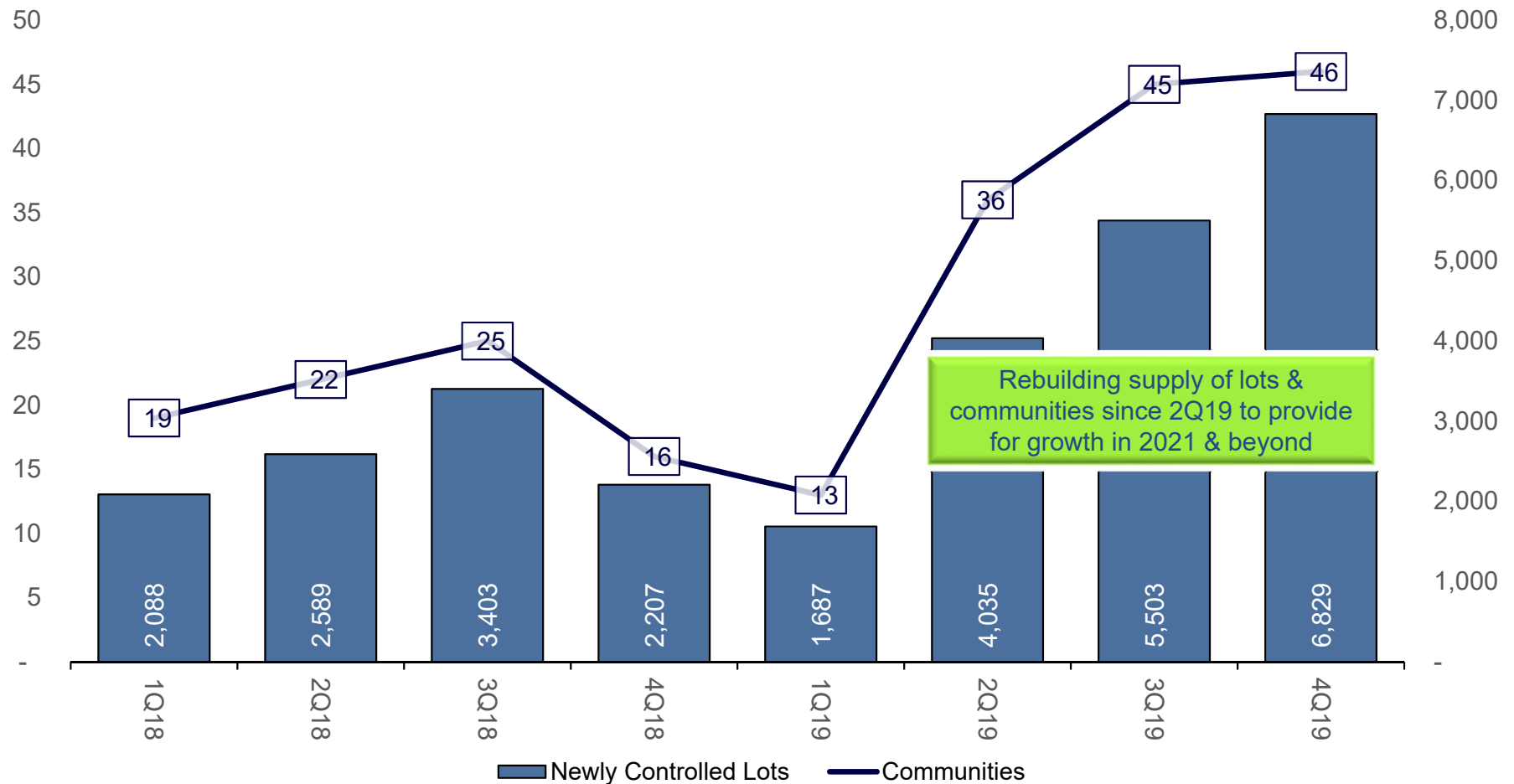
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Land Strategy

- Putting larger land positions under contract – often several hundred lots
- 75-85% of the new lots we have put under contract quarterly over the last couple of years are in communities targeted for entry-level homes



Accelerated Investment in Land Since 2Q19



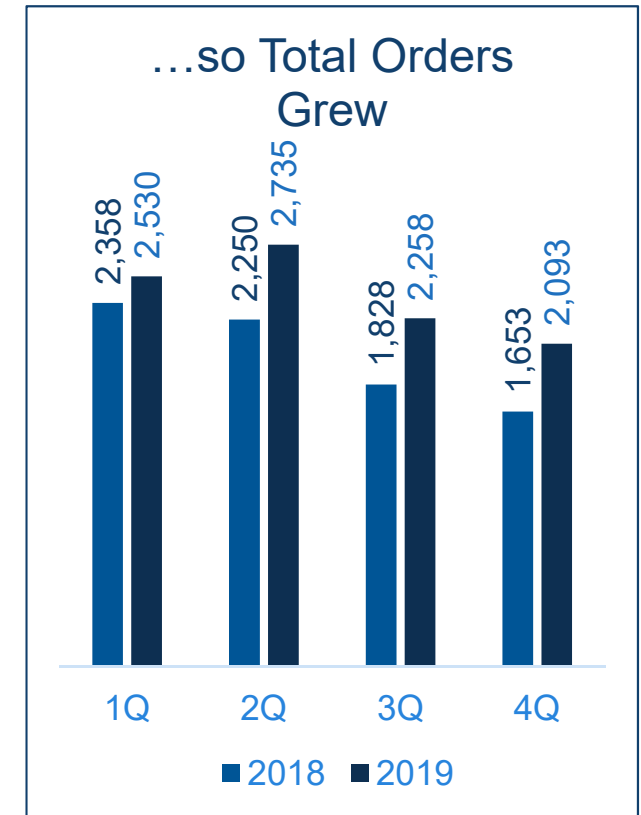
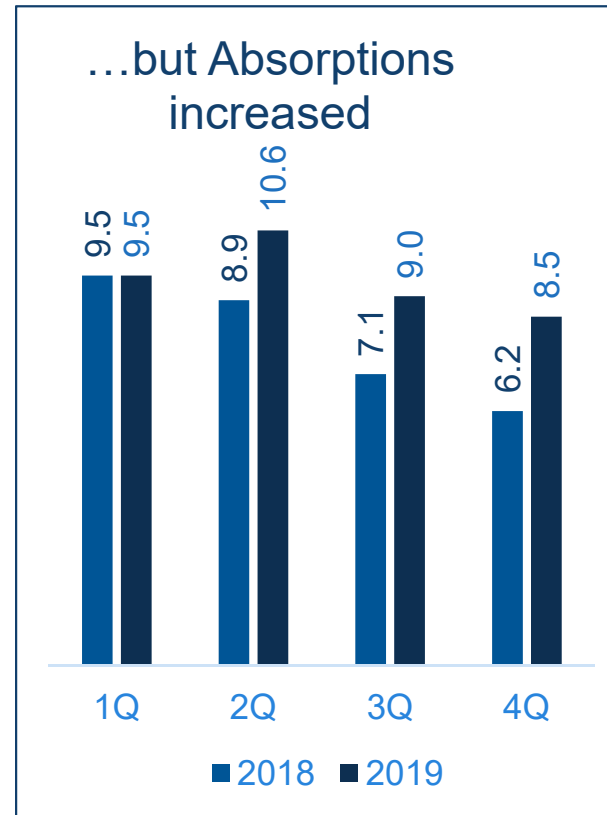
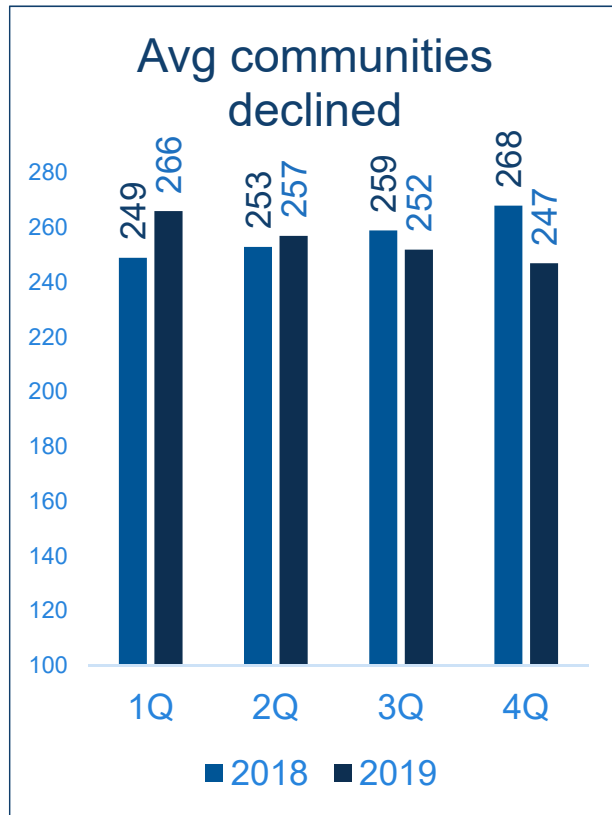
Maintaining Strong Balance Sheet While Adding Nearly 7,000 lots in 2019

Real assets key metrics	2019	2018
Land & development spending	\$836M	\$812M
<u>As of period ended Dec-31:</u>		
Total lots controlled	41,399	34,553
Years supply of lots	4.5	4.1
-- Owned	63%	69%
-- Optioned	37%	31%

Planning for ~ \$1B-1.2B land & development investment in 2020 to support ~300 communities by YE2021

Net debt-to-capital reconciliation (\$millions)		
<i>(non-GAAP reconciliation to net debt-to capital ratio)</i>	Dec-31, 2019	Dec-31, 2018
Notes payable and other borrowings	\$ 1,019	\$ 1,310
Less: cash and cash equivalents	(319)	(311)
Net debt	\$ 700	\$ 999
Stockholders' equity	1,974	1,721
Total net capital	\$ 2,674	\$ 2,719
Net debt-to-capital	26.2%	36.7%
Total capital	\$2,993	\$3,031
Debt-to-capital	34.0%	43.2%
Book value/share	\$51.68	\$45.20

Increased Absorptions Offsetting Community Count



2020 Guidance

Full Year
2020

- 9,700-10,200 home closings
- Closing ASPs ~\$360-370,000
- Home closing gross margin in mid-19's %
- Tax rate ~22%

First Quarter
2020

- 1,800-2,000 home closings
- Closing ASPs ~\$380-390,000
- Home closing gross margin mid-18's%

Summary

- ✓ **Sound strategy for entry-level and 1st move-up**
- ✓ **Executing well – proof in 2019 results**
- ✓ **Unique value proposition with LiVE.NOW. & Studio M**
- ✓ **Market conditions remain strong**
- ✓ **Simplifying and streamlining operations**
- ✓ **Better margins and leverage through increased volume help drive earnings growth**
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