



# Investor Presentation

**March 2019**

# Forward-Looking Statements

This presentation includes "forward-looking statements." These statements are subject to a number of risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities, as well as those of the markets we serve or intend to serve, to differ materially from those expressed in, or implied by, these statements. You can identify these statements by the fact that they do not relate to matters of a strictly factual or historical nature and generally discuss or relate to forecasts, estimates or other expectations regarding future events. Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "plan," "project," "may," "can," "could," "might," "should", "will" and similar expressions identify forward-looking statements, including statements related to any impairment charge and the impacts or effects thereof, expected operating and performing results, planned transactions, planned objectives of management, future developments or conditions in the industries in which we participate and other trends, developments and uncertainties that may affect our business in the future.

Such risks, uncertainties and other factors include, among other things: interest rate changes and the availability of mortgage financing; competition within the industries in which we operate; the availability and cost of land and other raw materials used by us in our homebuilding operations; the impact of any changes to our strategy in responding to the cyclical nature of the industry, including any changes regarding our land positions and the levels of our land spend; the availability and cost of insurance covering risks associated with our businesses; shortages and the cost of labor; weather related slowdowns; slow growth initiatives and/or local building moratoria; governmental regulation directed at or affecting the housing market, the homebuilding industry or construction activities; uncertainty in the mortgage lending industry, including revisions to underwriting standards and repurchase requirements associated with the sale of mortgage loans; the interpretation of or changes to tax, labor and environmental laws, including, but not limited to the Tax Cuts and Jobs Act which could have a greater impact on our effective tax rate or the value of our deferred tax assets than we anticipate; economic changes nationally or in our local markets, including inflation, deflation, changes in consumer confidence and preferences and the state of the market for homes in general; legal or regulatory proceedings or claims; our ability to generate sufficient cash flow in order to successfully implement our capital allocation priorities; required accounting changes; terrorist acts and other acts of war; and other factors of national, regional and global scale, including those of a political, economic, business and competitive nature. See PulteGroup's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and other public filings with the Securities and Exchange Commission (the "SEC") for a further discussion of these and other risks and uncertainties applicable to our businesses. PulteGroup undertakes no duty to update any forward-looking statement, whether as a result of new information, future events or changes in PulteGroup's expectations.

# Agenda

- ▶ **Strong Business Platform**
- ▶ **Executing our Playbook**
- ▶ **Assessing Macro Conditions**
- ▶ **Conclusion**



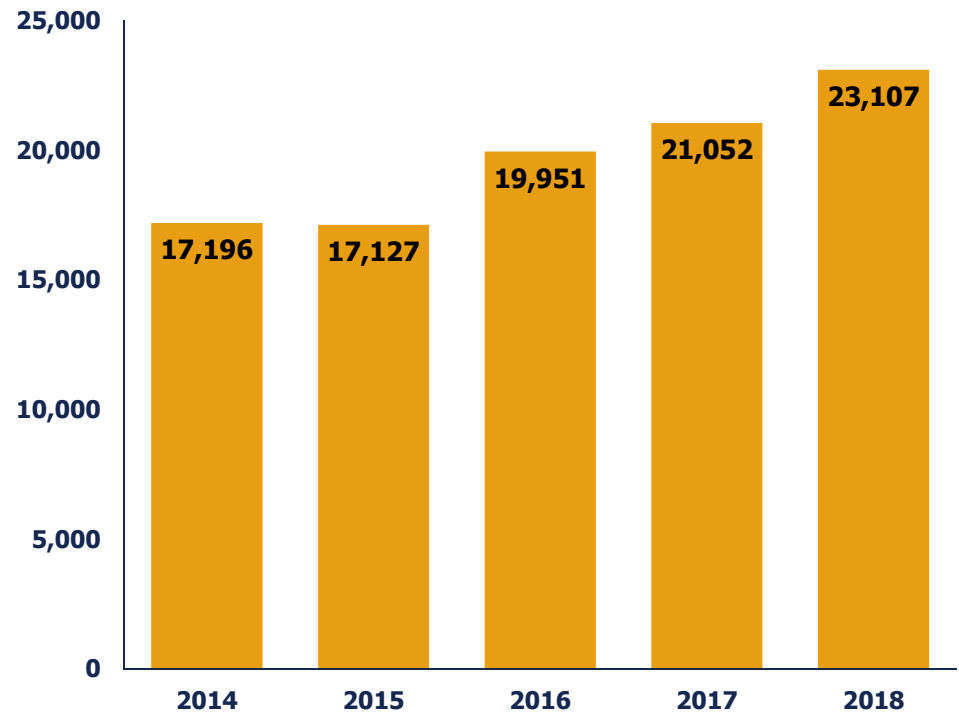
# Strong Business Platform



# Building on a Legacy of Success

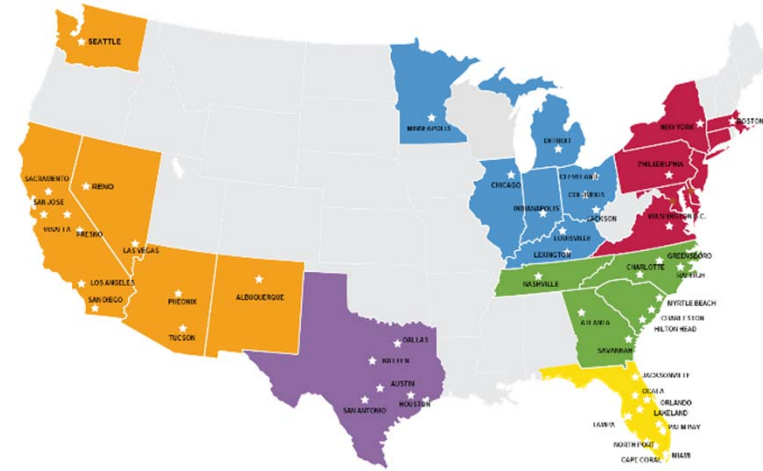
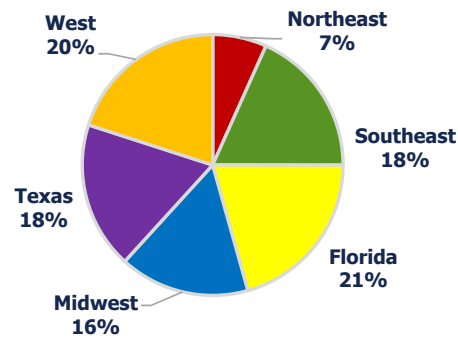
- ▶ The nation's 3rd largest builder
- ▶ Delivered ~725,000 homes since founding in 1950
- ▶ Selling many of the industry's best known brands: Pulte, Centex and Del Webb
- ▶ Over 5,000 employees working in 45 markets across 25 states

## Closings

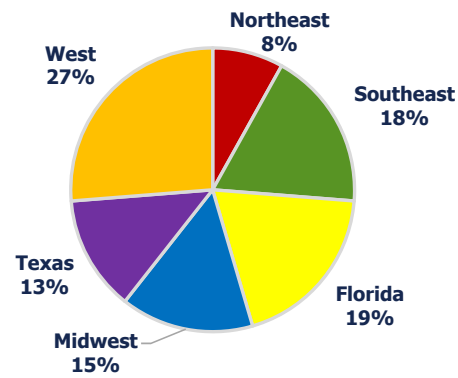


# With a Diversified Business Platform

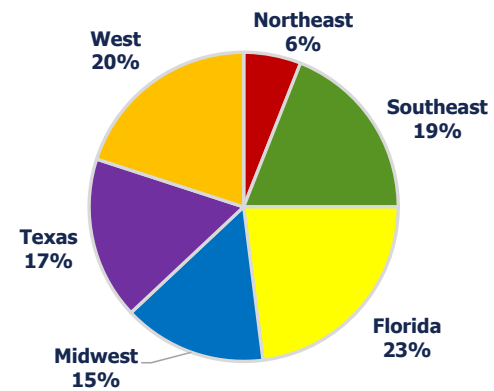
## 2018 Closings



## 2018 Revenues



## 2018 Owned Lots



# And an Unmatched Ability to Serve All Demographics

## 2018 Closings by Price



# A Strong Corporate Ethic

- ▶ **Gallup survey ranks Company's culture among the top 5% of companies worldwide**
- ▶ **Proven commitment to construction quality and buyer experience**
- ▶ **PHM stock a component of the Dow Jones Sustainability Index**
- ▶ **Serving our nation's wounded veterans through our Built to Honor Program**
  - Over 50 mortgage-free homes donated to veterans and their families





# And an Independent, Experienced & Diverse Board



**Brian Anderson\***  
Former CFO, OfficeMax  
(2005)



**Cheryl Grise\***  
Former EVP, Northeast  
Utilities (2008)



**Scott Powers\***  
Former President & CEO,  
State Street Global Advisors  
(2016)



**Bryce Blair\***  
Former Chairman and CEO,  
AvalonBay Communities  
(2011)



**Andre Hawaux\***  
Former EVP & COO, Dick's  
Sporting Goods (2013)



**William Pulte\***  
CEO, Pulte Capital  
Partners (2016)



**Richard Dreiling\***  
Former Chairman and  
CEO, Dollar General  
(2015)



**Ryan Marshall**  
President & CEO,  
PulteGroup (2016)



**Lila Snyder\***  
EVP & President,  
Commerce Services,  
Pitney Bowes (2018)



**Thomas Folliard\***  
Former Chairman, CarMax  
(2012)



**John Peshkin\***  
Founder & Managing Partner,  
Vanguard Land, former North  
American CEO & Pres. Taylor  
Woodrow plc. (2016)

\* Independent Director

# Executing Our Playbook

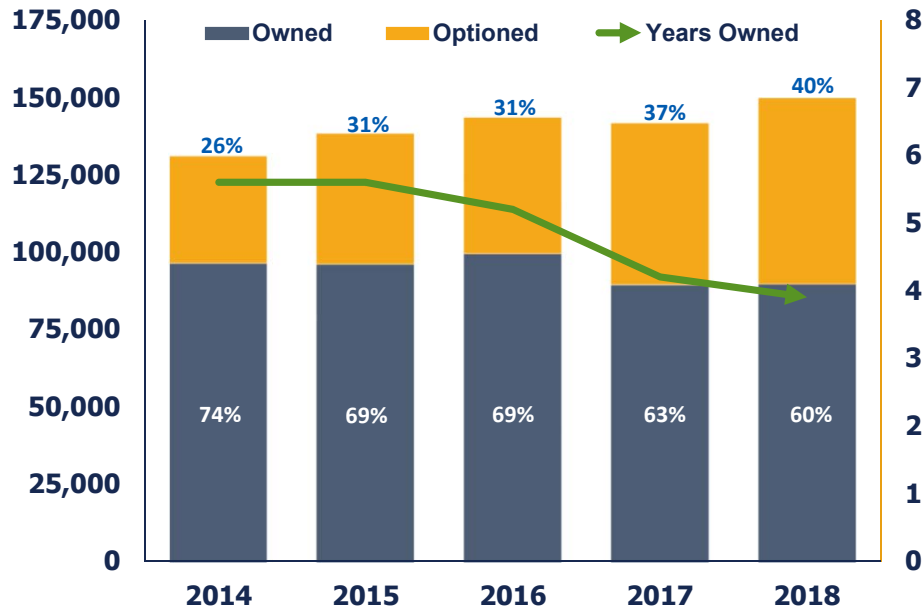


# Disciplined Land Investment

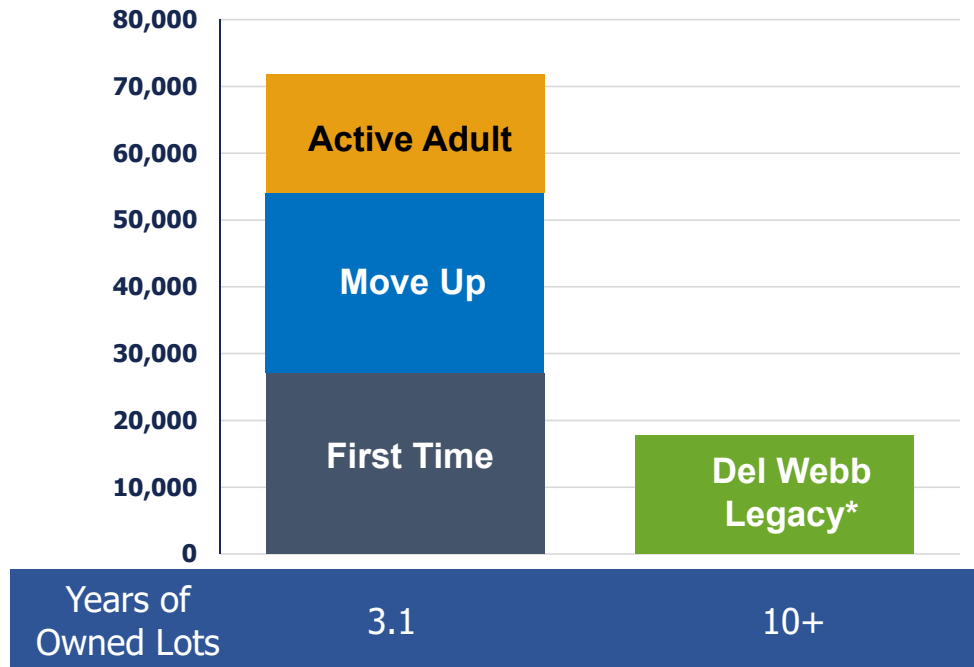


# Building a More Efficient Land Pipeline

## Lots Under Control



## Breakdown of Owned Lot Pipeline (as of 12/31/18)



\* Multi-thousand unit Del Webb communities established prior to 2005.

# That is Balanced Across Buyer Groups

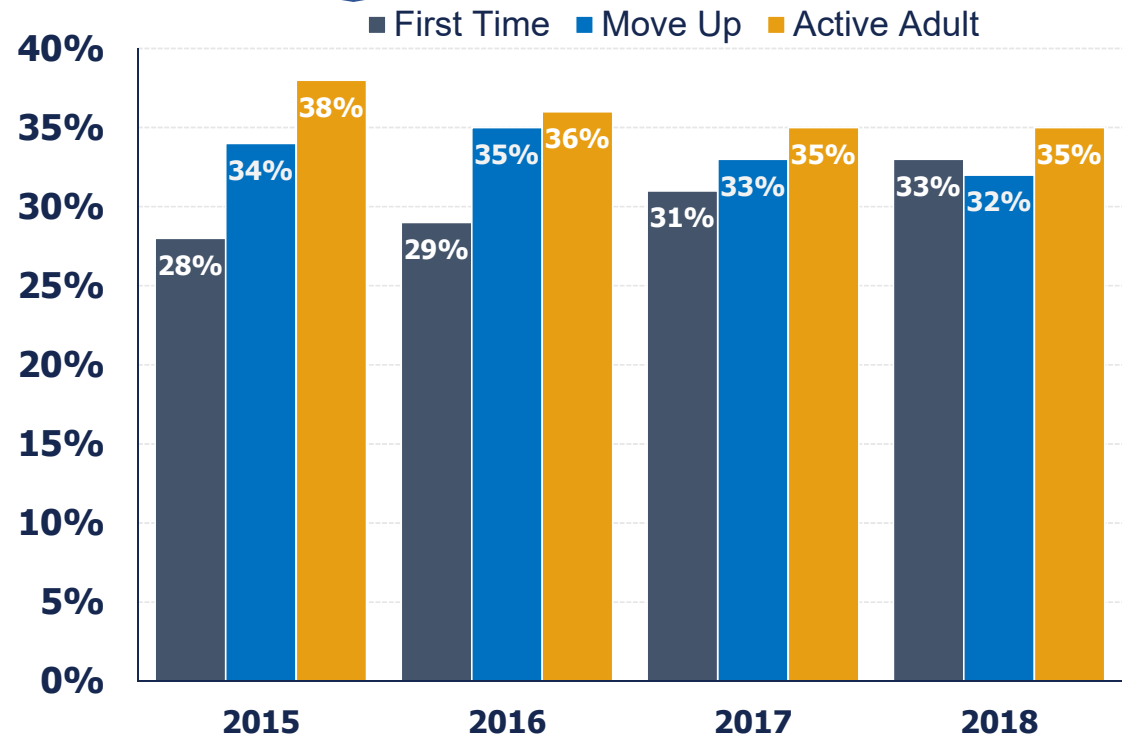
## ▶ Core of business remains serving move-up buyers

- Ability to spend on options and lot premiums

## ▶ Aging of millennial generation supporting demand among first-time buyers

## ▶ Absorption paces within existing active adult communities can ramp dramatically higher in response to increased demand

### Lots Under Control by Buyer Group



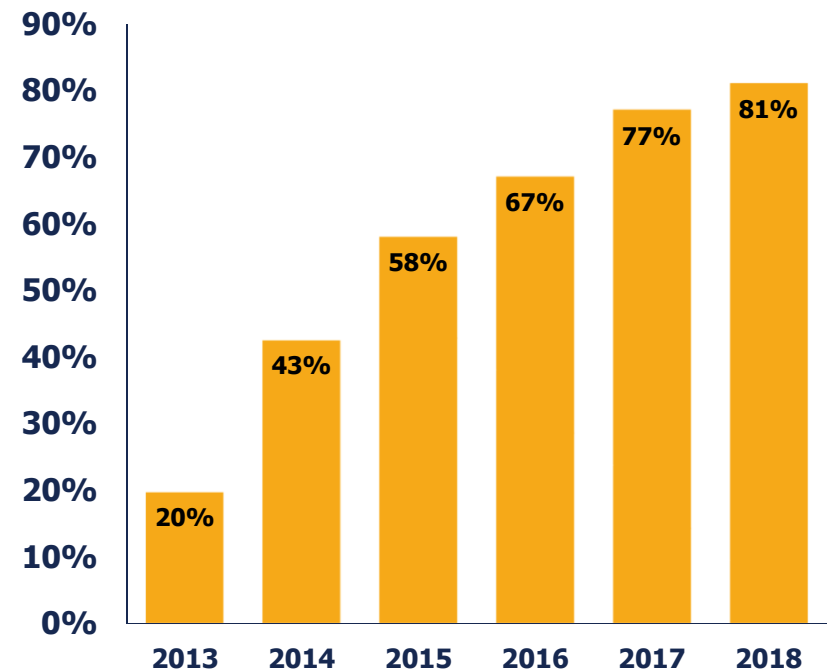
# Enhancing Operational Excellence



# By Focusing on Key Performance Drivers

- ▶ **Delivering superior build quality**
- ▶ **Production efficiency**
  - Commonly managed plans
  - Value engineering and should costing
  - Strategic pricing
- ▶ **Local market scale**
  - Unit volume/scale
  - Relative market share (RMS)
  - Market share (absolute)
  - Builder ranking
- ▶ **Actively assessing opportunities for offsite manufacturing**
  - Early stages of what will be a long-term initiative

Percent of Closings from Common Plans



# And Maintaining Successful Business Practices

## ▶ **Intelligently invest in the business through high-returning projects**

- Target smaller, faster turning projects to improve returns and lower market risk
- Focus on better located land positions
- Increase use of lot options to improve returns and/or lower market risk

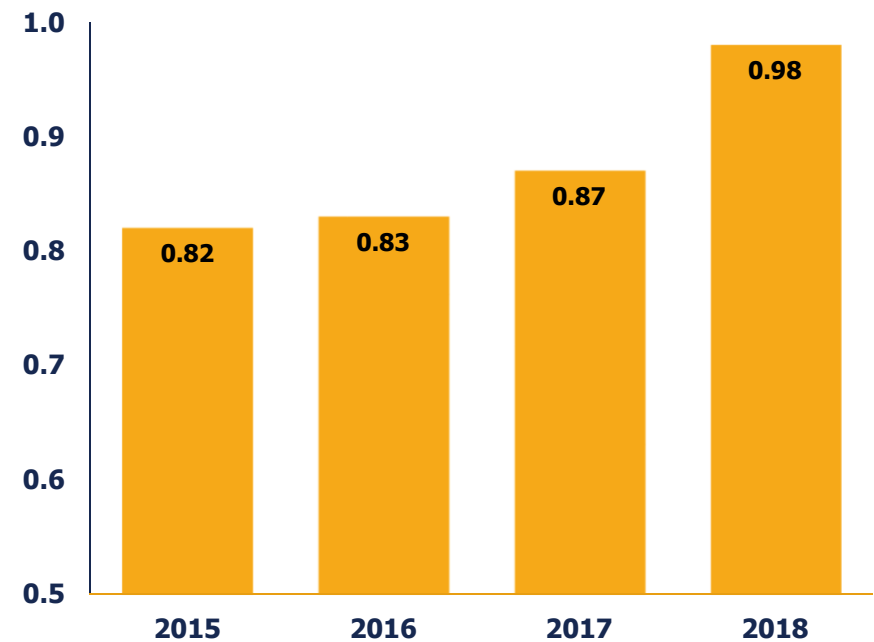
## ▶ **Remain diversified across markets and balanced across buyer groups**

- Land pipeline can support market share expansion among entry-level/first-time buyers

## ▶ **Emphasize build-to-order production**

- Allows consumer to select more higher-margin options and lot premiums
- Strategic use of specs to support consistent build cadence

### Inventory Turnover

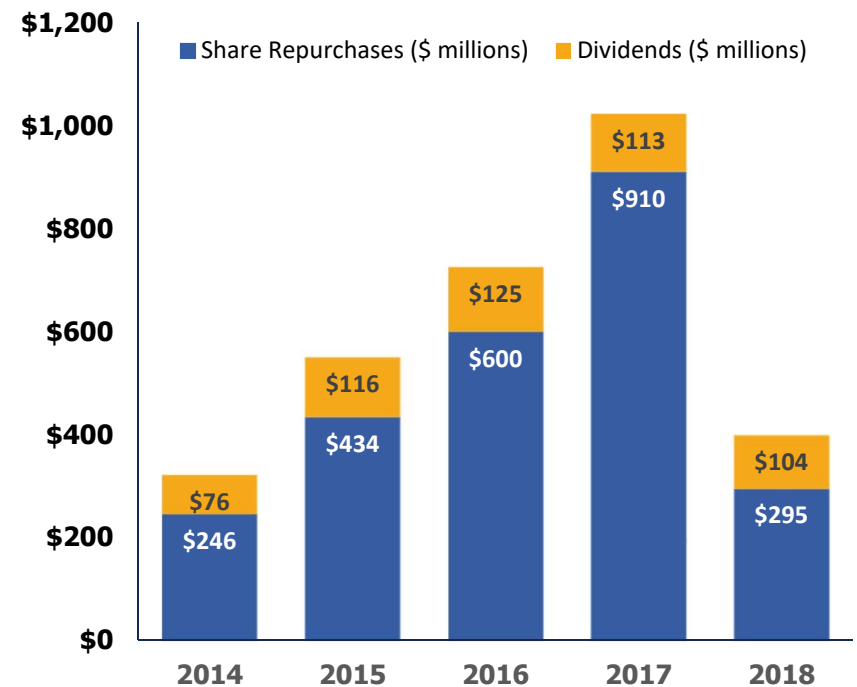




# That Can Deliver Increased Cash Flows

- ▶ **2018 cash flow from operations of \$1.4 billion**
- ▶ **Expanding use of lot options to support greater capital efficiency**
  - Expect to maintain recent land spend levels
  - Increasing development spend which recycles faster than acquisition dollars
- ▶ **Potential for excess cash to be returned to shareholders through sustained repurchase activities**

## Systematic Return of Capital



# And Consistent Capital Allocation

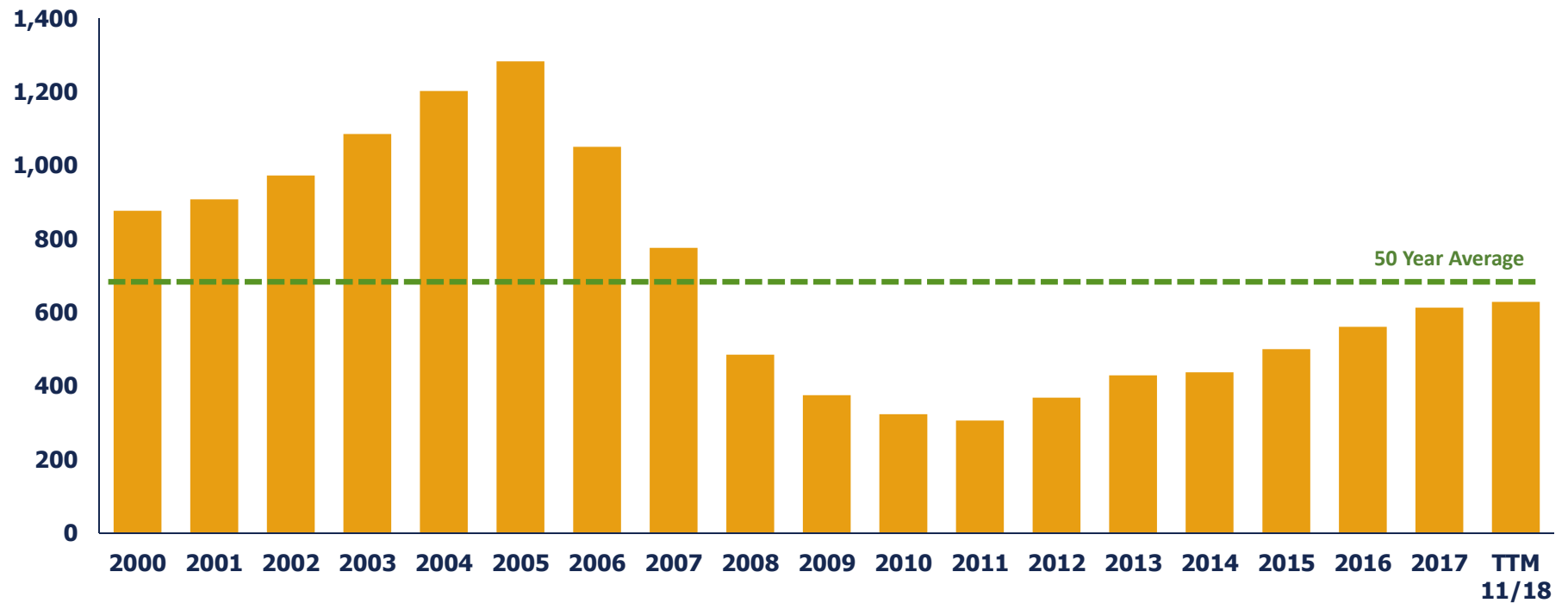
- ▶ **Invest in the business, including M&A when appropriate**
  - Over \$10 billion invested 2015 to 2018
- ▶ **Advance a sound dividend policy**
  - Per share payout has more than doubled since reinstating the dividend in 2013
- ▶ **Return excess capital through share repurchases**
  - Bought in over 30% of common stock
- ▶ **Other use of cash includes potential to pay down debt**

# Assessing Macro Conditions



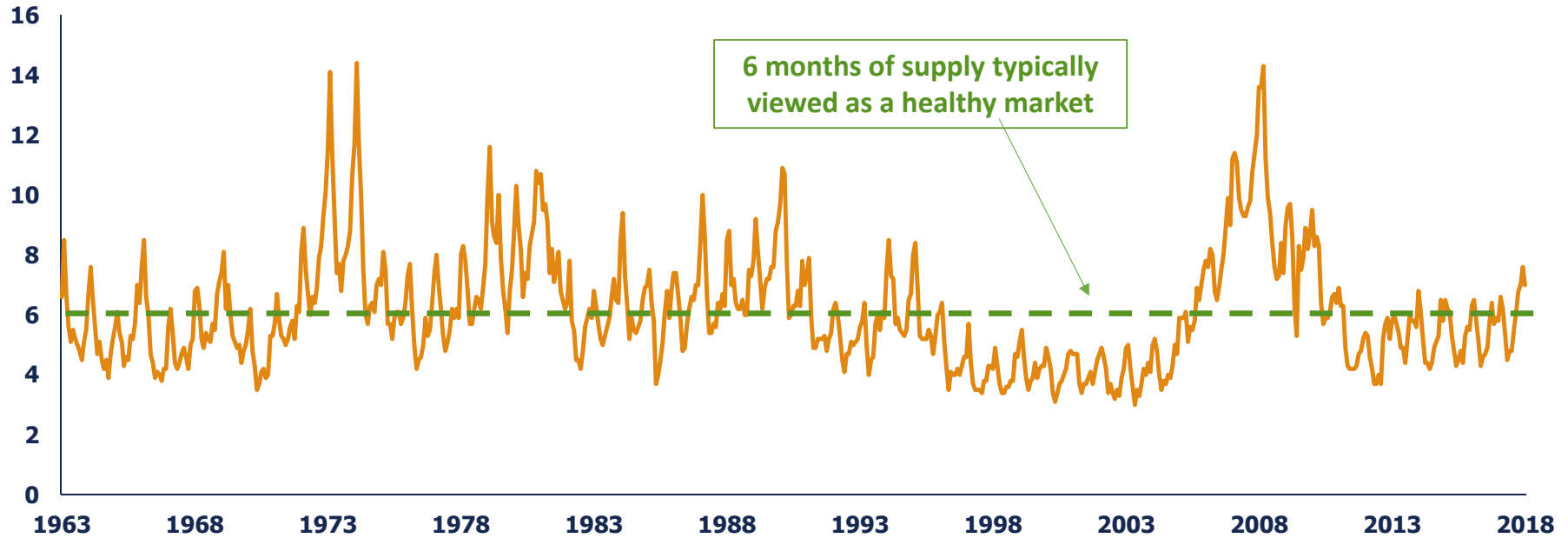
# New Home Sales Remain Below Historic Average

## NEW HOME SALES (000)



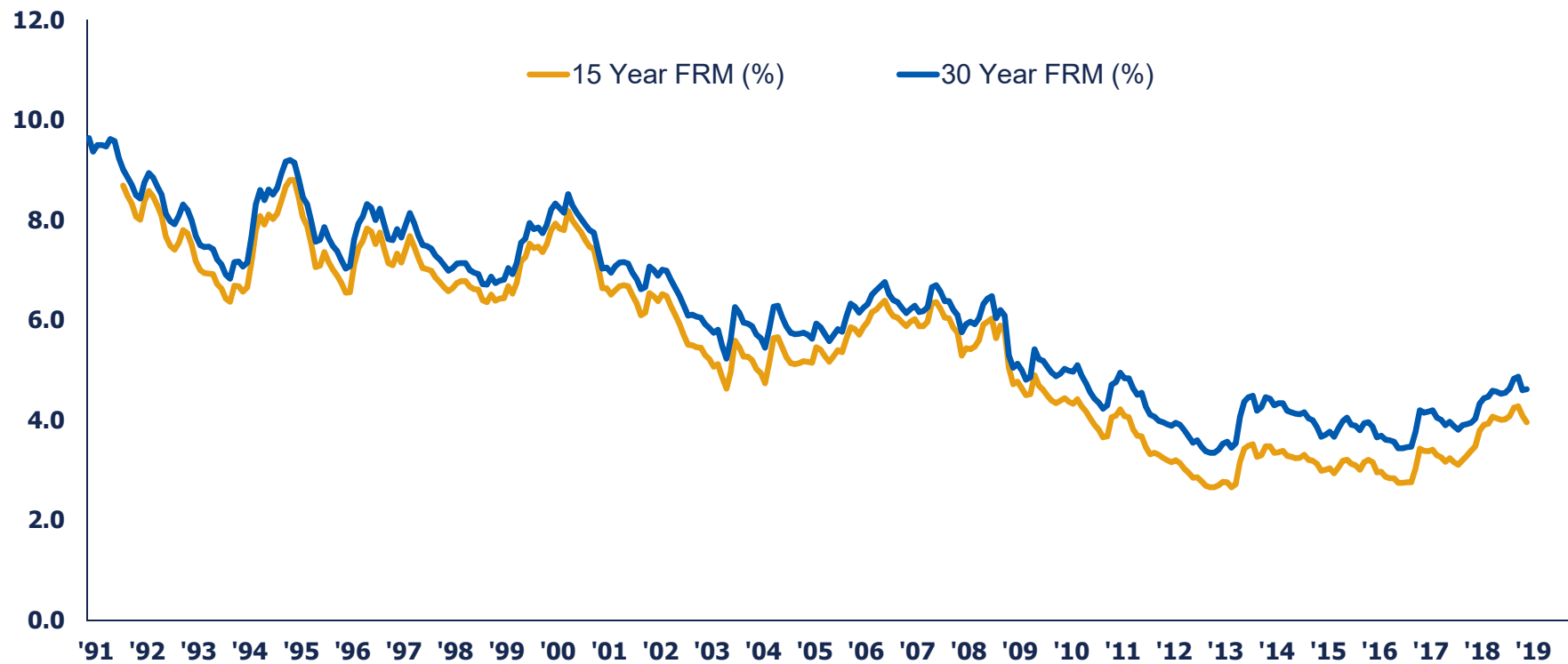
# With a Healthy Inventory of New Homes

## Months Supply of New Home Inventory

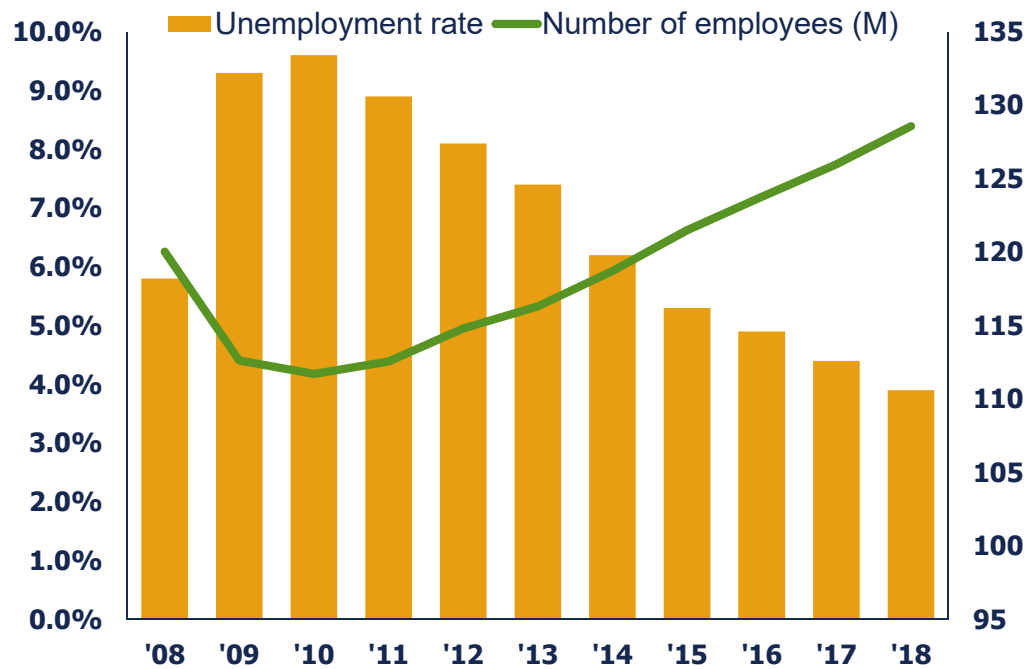


# A Supportive Mortgage Market

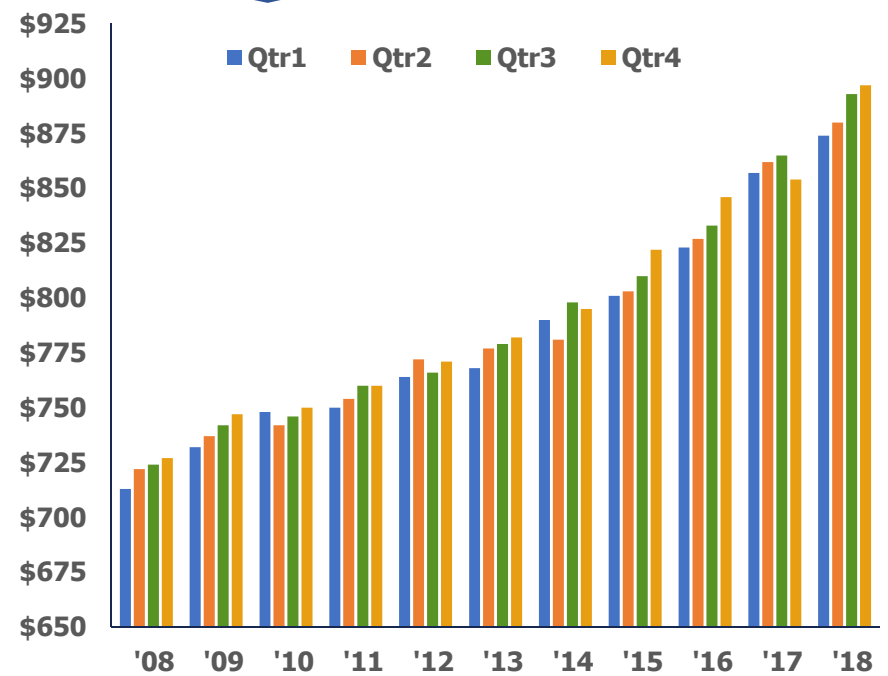
## Mortgage Rates



# Great Employment Numbers

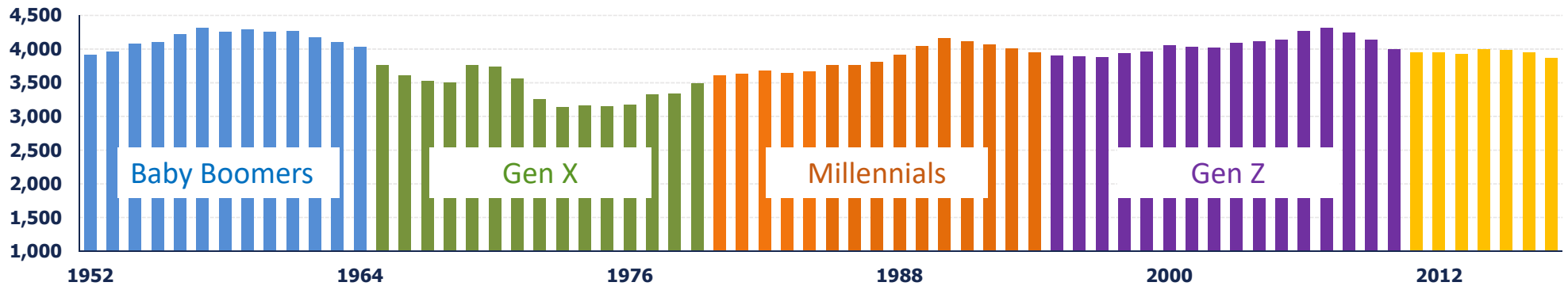


## Median Weekly Earnings

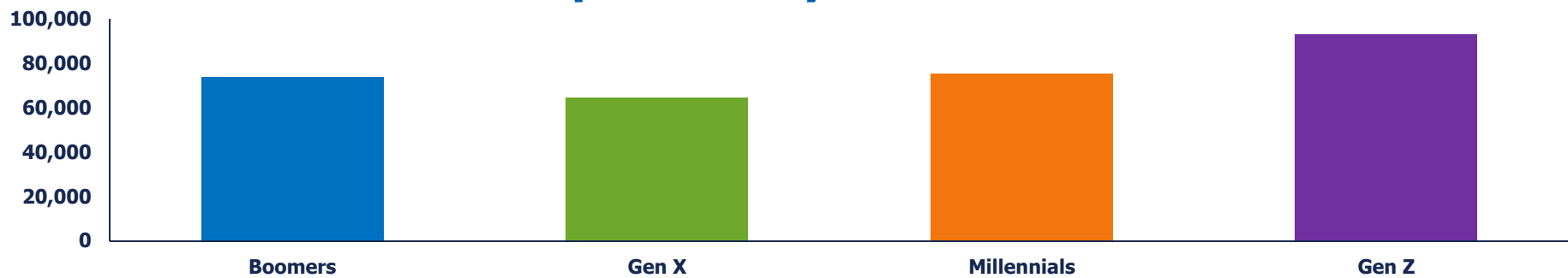


# And Powerful Demographic Drivers

## Births (thousands)



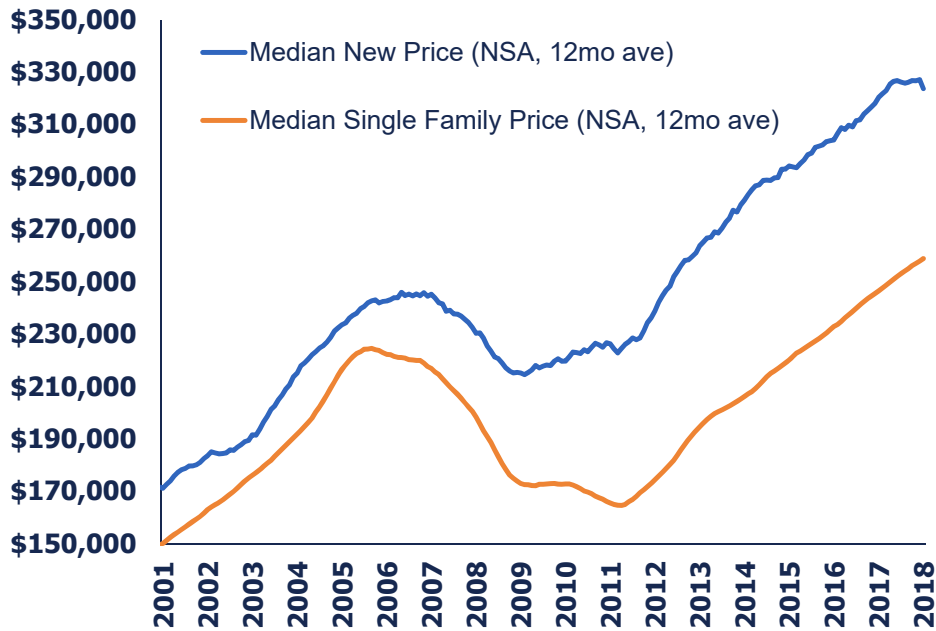
## Population by Generation (thousands)



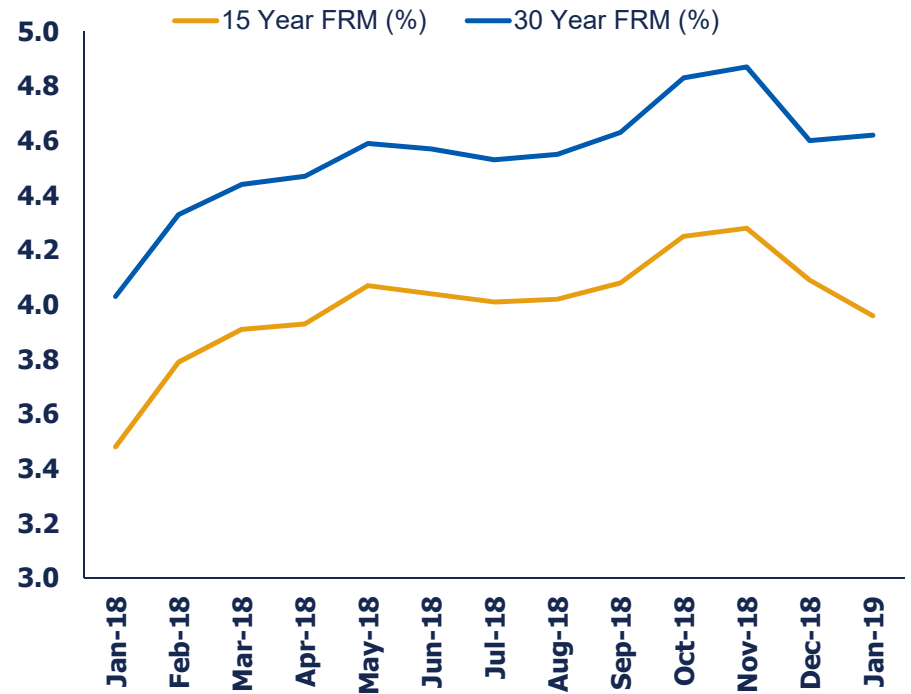


# But Dynamics Need Watching

## New Home vs. Resale Price



## Mortgage Rate Volatility

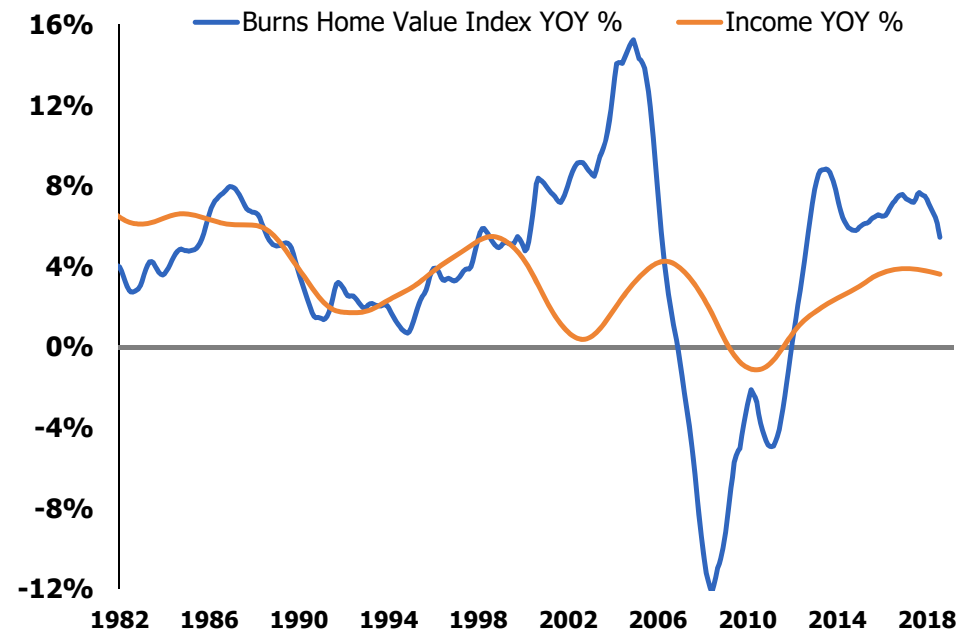


Sources: NAR; U.S. Census Bureau; John Burns Real Estate Consulting, LLC (Data: Nov-18, updated quarterly†)

# As Markets Adjust

- ▶ **Home price appreciation has outpaced wages for several years**
  - Rise in mortgage rates in 2018 stretched affordability in many markets
- ▶ **Market working to find new equilibrium within positive macro environment**
- ▶ **Continue a balanced approach toward managing the business**
  - Invest with a focus on shorter duration projects and increased optionality
  - Take advantage of opportunities to improve competitive position within markets and buyer groups

## Home Value Growth vs. Income Growth



Sources: John Burns Real Estate Consulting, LLC; Census Bureau; Moody's Analytics (Data: Jan-

# Summary

Working to Deliver High Returns Over the Housing Cycle



# Creating Long-term Shareholder Value

- Focus on the customer: deliver superior build quality and home buying experience
- Invest in high-returning, shorter duration land positions
- Maintain disciplined business practices
- Improve asset efficiency to increase inventory turns and enhance cash flow
- Appropriately allocate cash flow consistent with stated priorities: invest in the business, dividends, share repurchase and debt reduction